FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

CAPITAL PRESERVATION • DISCIPLINED INVESTING

REPORT TO SHAREHOLDERS

FOURTH QUARTER 2016
DECEMBER 31, 2016

FORWARD LOOKING STATEMENTS

*The following management's discussion and analysis ("**MD&A**") of the financial condition and results of operations of Firm Capital Property American Realty Partners Corp. ("**FCUSA**" or the "**Company**") should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2016 and December 31, 2015. This MD&A has been prepared taking into account material transactions and events up to and including April 3, 2017. Additional information about the Company 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 2016 and 2017 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, shareholder liability, potential conflicts of interest, potential dilution, reliance on key personnel, changes in legislation and changes in the income tax act. The Company cannot assure investors that actual results will be consistent with any forward-looking statements and the Company 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 is 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 Company 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 American Realty Partners Corp. (formerly Delavaco Residential Properties Corp.) (the "**Company**") focuses on capital partnership investing in U.S. income producing real estate and mortgage debt investments.

The Company is focused on the following investment platforms:

- **Income Producing Real Estate Investments:** Acquiring income producing real estate assets in major cities across the United States. Acquisitions are completed solely by the Company or in joint-venture partnerships with local industry expert partners who retain property management; and
- **Mortgage Debt Investments:** Real estate debt and equity lending platform focused in major cities across the United States. Focused on providing all forms of bridge mortgage loans and joint venture capital.

BASIS OF PRESENTATION

The Company has adopted International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board as its basis of financial reporting. The Company's reporting currency is the US dollar ("**USD**") and all amounts reported in this MD&A are in USD, unless otherwise noted.

Certain financial information presented in this MD&A reflects certain non-IFRS financial measures, which include Net Rental Income, Funds From Operations ("**FFO**") and Adjusted Funds From Operations ("**AFFO**"), (each as defined below). These measures are commonly used by real estate investment companies as useful metrics for measuring performance, however, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other real estate investment companies. The Company believes that FFO is an important measure to evaluate operating performance, AFFO is an important measure of cash available for distribution, Net Rental Income is an important measure of operating performance. "**GAAP**" means generally accepted accounting principles described by the Chartered Professional Accountants of Canada ("**CPA**") Handbook - Accounting, which are applicable as at the date on which any calculation using GAAP is to be made. As a public entity, the Company applies IFRS as described in Part I of the CPA Handbook - Accounting.

Occupancy rate represents the total number of units leased as a percentage of the total number of units owned. Leased properties consist solely of those units that are occupied by a tenant at the given date.

Net Rental Income is a term used by industry analysts, investors, and management to measure operating performance of Canadian real estate investment companies. Net Rental Income represents rental revenue from properties less repairs and maintenance, insurance, utilities, property management, property taxes, bad debt, and other property operating costs. Net Rental Income excludes certain expenses included in the determination of net income such as interest, amortization, corporate overhead and taxes.

Net income (loss) before other income (expenses) and income taxes is a measure that the Company uses in order to present the key operations and administration of the Company, excluding special items. Items that are excluded from this total and are presented in other income include transaction costs, foreign exchange gain (loss), fair value adjustments of investment properties, gain (loss) on dispositions, fair value gain (loss) on derivative financial instruments and share-based compensation.

Funds From Operations ("**FFO**") is a term used to evaluate operating performance, but is not indicative of funds available to meet the Company's cash requirements. The Company calculates FFO substantially in accordance with the guidelines set out by the Real Property Association of Canada ("**RealPAC**"), as issued in April 2014 for entities adopting IFRS. FFO is defined as net income before fair value gains/losses on real estate properties, gains/losses on the disposition of real estate properties, deferred income taxes, and certain other non-cash adjustments.

Adjusted Funds From Operations ("**AFFO**") is a term used as a non-IFRS financial measure by most Canadian real estate investment companies, but should not be considered as an alternative to net income, cash flow from operations, or any other measure prescribed under IFRS. The Company considers AFFO to be a useful measure of cash available for distributions. AFFO should not be interpreted as an indicator of cash generated from operating activities, as it does not consider changes in working capital and includes a deduction for capital expenditures. AFFO is defined as FFO adjusted for (i) adding back amortization of deferred financing costs in place at closing (ii) deducting capital expenditures incurred, and (iii) making such other adjustments as may be determined by the directors of the Company at their discretion. In addition, the Company calculates AFFO using cash flow from operations as calculated on the Company's condensed consolidated statements of cash flows and (i) adjusting for all changes in non-cash working capital, ii) deducting capital expenditures incurred, and (iii) making such other adjustments as may be determined by the directors of the Company at their discretion.

Net Rental Income, FFO, and AFFO should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS. Net Rental Income, 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 Net Rental Income, FFO and AFFO as calculated by the Company may not be comparable to similar measures presented by other issuers.

Note as a result of the share consolidation that occurred subsequent to December 31, 2016, all per share amounts are both on a pre-share and post-share consolidation basis in this MD&A.

For the purposes of the Company's consolidated financial statements, the single family homes are treated as assets held for sale and discontinued operations as required under IFRS. Unless otherwise stated, this MD&A reports the entire consolidated operational and financial results of the Company for the year ended December 31, 2016 as management does not review operations on a discontinued basis.

Q4/2016, 2016 AND 2017 YEAR-TO-DATE HIGHLIGHTS

- For the quarter ended December 31, 2016, net loss was approximately $0.3 million or a 92% improvement in comparison to the $4.1 million loss reported at December 31, 2015;
- For the year ended December 31, 2016, net loss was approximately $5.9 million or a 71% improvement in comparison to the $20.0 million loss reported at December 31, 2015;
- For the quarter ended December 31, 2016, FFO was approximately a $0.6 million loss or a 39% improvement over the $1.0 million loss reported at December 31, 2015.

AFFO was approximately a $0.4 million loss or a 60% improvement over the $1.0 million loss reported at December 31, 2015;

- For the year ended December 31, 2016, FFO was approximately a $5.5 million loss or an 11% improvement over the $6.1 million loss reported at December 31, 2015. AFFO was approximately a $3.5 million loss or a 42% improvement over the $6.0 million loss reported at December 31, 2015;
- For the quarter ended December 31, 2016, Net loss per share was $(0.004) ($(0.13) on a post-consolidation per share basis). For the year ended December 31, 2016, net loss per share was $(0.09) ($(2.69) on a post-consolidation per share basis). Both are a 94% and 74% improvement over the net losses reported for the quarter and year ended December 31, 2015, respectively;
- For the quarter ended December 31, 2016, FFO per share was $(0.01) ($(0.23) on a post-consolidation per share basis) and AFFO per share was $(0.006) ($(0.16) on a post-consolidation per share basis). Both are a 53% and 69% improvement over the FFO and AFFO reported for the quarter ended December 31, 2015;
- For the year ended December 31, 2016, FFO per share was $(0.08) ($(2.49) on a post-consolidation per share basis) and AFFO per share was $(0.05) ($(1.59) on a post-consolidation per share basis). Both are a 21% and 48% improvement over the FFO and AFFO reported for the year ended December 31, 2015;
- The Company currently has two asset portfolios:
  - **Investment Portfolio:** A portfolio of real estate investments with a fair value of approximately $52 million consisting of the following:
    - **Multi-Family Portfolio**: Consisting of three mini-multi residential buildings 66 mini-multi condominium units located across three buildings in Florida and 311 multi-family apartment units located across three buildings in Florida (1 building) and Texas (two buildings) with a fair value of approximately $44.7 million; and
    - **Joint Venture Investments**: Consisting of two joint venture investments: eight multi-family buildings comprised of 127 residential units and two commercial units located in New York City with a fair value of approximately $6.1 million and eight multi-family buildings comprised of 115 residential apartment units located in the Washington D.C. area with a fair value of approximately $1.0 million.
  - **Single Family Disposition Portfolio:** Consisting of 449 single family homes located in Florida, Atlanta and New Jersey with a fair value of approximately $24.9 million;
- **Occupancy:** Multi-Family Investment Portfolio occupancy was a strong 95.0%, while Joint Venture Investment occupancy was a strong 91.3%;
- **Average Rents:** Multi-Family Investment Portfolio average monthly rents increased by 1.7% over September 30, 2016;
- **$7.3 Million in Senior Secured Note ("SSN") and New Jersey Secured Promissory Note ("NJPN") Repayments Reduces Original Balances By 74%**

and Generates $0.6 Million in Interest Expense Savings: During the quarter, the Company repaid $3.4 million and $0.3 million of the SSN and NJPN, respectively. Subsequent to quarter end, the Company repaid an additional $3.2 million and $0.4 million of the SSN, respectively. In total, the Company repaid $7.3 million of the SSN and NJPN from October 1, 2016 until today. As a result, the SSN and NJPN balances currently stand at approximately $4.9 million and $2.4 million, respectively, or 26% of the original balance. The repayments of the SSN and NJPN over this period will generate the Company approximately $0.6 million in interest expense savings;

- **$7.5 Million in Single Family Home Sales:** During the quarter ended December 31, 2016, the Company closed sales on 89 single family home units for gross proceeds of approximately $4.8 million (net proceeds of approximately $4.3 million). Subsequent to quarter end, the Company closed sales on an additional 44 single family home units for gross proceeds of approximately $2.7 million (net proceeds of approximately $2.3 million). In addition to closed home sales, the Company has under contract 77 single family homes units contracted for sale for gross proceeds of approximately $4.6 million;

- **Single Family Home Inventory Update:** The Company currently has 24 single family home units available for sale in Florida, 76 single family home units available for sale in New Jersey and 224 single family home units available for sale in Atlanta. 120 of the Atlanta single family homes are part of a rental pool secured by a $4.0 million first mortgage due July 1, 2019 and 104 homes are currently being marketed for sale;

- **Completion of $10 Million Rights Offering:** On December 15, 2016, the Company completed its previously announced $10 million Rights Offering to all existing shareholders of the Company at a price of US$0.16 per Rights Share (pre-share consolidation) or approximately $4.71 per Rights Share on a post-share consolidation basis. The Company immediately used a portion of the net proceeds of the Rights Offering to close the previously announced joint venture investments in New York City and Washington, DC (see below), along with debt reduction and will use the remaining net proceeds for future acquisitions and general corporate purposes;

- **Executed on $6.1 Million Joint Venture Investment in New York City:** On December 20, 2016, the Company closed on a joint venture investment that consists of eight multi-family buildings comprised of 127 residential units and two commercial units located in New York City with an experienced local partner. The Portfolio is currently 91% occupied and presents significant repositioning and value enhancement opportunities. The purchase price for 100% of the investment was $38.4 million, representing a going-in 4.5% capitalization rate. The joint venture plans to renovate the apartment units and increase rents over a three year repositioning period. The Company invested $6.1 million in a combination of preferred equity ($4.6 million) and common equity ($1.5 million), which represents a 22.5% ownership interest. The preferred equity has a fixed rate of return of 8% per annum. The investment was funded from Rights Offering proceeds;

- **Executed on $1.0 Million Joint Venture Investment in the Washington, DC area:** On January 18, 2017, the Company closed on a joint venture investment that consists of eight multi-family buildings comprised of 115 residential units located in the Washington, DC area with an experienced local partner. The Portfolio is currently 92% occupied and presents significant repositioning and value enhancement opportunities. The purchase price for 100% of the investment was $9.8 million, representing a going-in 7.6% capitalization rate. The joint venture plans to refurbish the buildings, add units and apply more hands-on management in order to increase the net rental income over a seven year time horizon. The Company invested $1.0 million in a combination of preferred equity ($0.7 million) and common equity ($0.3 million), which represents a blended 25% ownership interest. The preferred equity has a fixed rate of return of 8% per annum. The investment was funded from proceeds received from the Rights Offering;

- **Completion of Share Consolidation:** On February 3, 2017, the Company completed the consolidation of its issued and outstanding common shares on the basis of one (1) post-consolidation common share for every 29.41 pre-consolidation common shares;

- **Announced Senior Management Changes Including New Chief Executive Officer and Director:** On February 27, 2017, the Company announced the appointment of Kursat Kacira as President, Chief Executive Officer and a Director of the Company. Previously, on January 12, 2017, the Company announced the appointment of Sandy Poklar as Chief Financial Officer of the Company. Further, the Company announced that Jonathan Mair would be responsible for all mortgage debt underwriting and Michael Weitzner would be responsible for all real estate acquisitions and equity underwriting initiatives as Vice President, Investment Portfolio Management; and

- **Announces Board Changes:** The Company announces the resignation of Romeo DeGasperis from the Board of Directors. In addition, the Company announces that Geoffrey Bledin has been appointed to the audit committee and at the Company's Annual General Meeting ("**AGM**") will be appointed to Chairman of the Board of Directors. Keith Ray will remain a director of the Company and Chairman of the audit committee.

PROPERTY PORTFOLIO SUMMARY

As at December 31, 2016, the Company had two distinct asset portfolios:

INVESTMENT PORTFOLIO

Multi-Family Investment Portfolio: 66 mini-multi condominium units located across three buildings in Florida and 311 multi-family apartment units located across three buildings in Florida (1 building) and Texas (two buildings).

Joint Venture Investments: Investment in a portfolio of eight multi-family buildings comprised of 127 residential units and two commercial units located in New York City.

The Company has invested approximately $6.1 million (including accrued income) in a combination of preferred equity ($4.6 million) and common equity ($1.5 million) represents a blended 22.5% ownership interest. The preferred equity has an 8% fixed rate of return per annum.

The following table provides a summary of our investment portfolio as at December 31, 2016:

	December 31, 2016					September 30, 2016	
Region	**Number of Units**	**Units Leased**	**IFRS Value**	**Occ.**	**Average Monthly Rent**	**Occ.**	**Average Monthly Rent**
Multi-Family Investment Portfolio							
Florida Multi-Family	153	151	$ 21,625,081	98.7%	$ 1,207	96.7%	$ 1,191
Texas Multi-Family	158	148	18,950,667	93.7%	$ 886	99.4%	$ 888
Florida Mini-Multi (1)	66	59	4,095,969	89.4%	$ 882	87.9%	$ 833
Total / Weighted Avg.	**377**	**358**	**$ 44,671,717**	**95.0%**	**$ 1,021**	**96.3%**	**$ 1,003**
Joint Venture Investments							
New York City	127	116	$ 6,104,137	91.3%	$ 1,639	N/A	N/A
Total / Weighted Avg.	**127**	**116**	**$ 6,104,137**	**91.3%**	**$ 1,639**	**N/A**	**N/A**
Overall Total / Wtd. Avg.	**504**	**474**	**$ 50,775,854**	**94.0%**	**$ 1,172**	**96.3%**	**$ 1,003**

(1) Mini-multi unit count excludes two units in one building and four units in a second building not owned by the Company.

SINGLE FAMILY DISPOSITION PORTFOLIO

The single family disposition portfolio consists of 449 single family home units located in Florida, Georgia and New Jersey. The following table provides a summary of our single family disposition portfolio as at December 31, 2016:

	December 31, 2016					September 30, 2016	
Region	**Number of Units**	**Units Leased**	**IFRS Value**	**Occ.**	**Average Monthly Rent**	**Occ.**	**Average Monthly Rent**
Single Family Disposition Portfolio							
Florida Single-Family	72	23	$ 4,145,182	31.9%	$ 880	30.3%	$ 944
Georgia Single-Family (1)	260	118	14,305,611	45.4%	$ 799	44.0%	$ 792
New Jersey Single-Family	117	88	6,461,166	75.2%	$ 859	82.0%	$ 865
Total / Weighted Avg.	**449**	**229**	**$ 24,911,959**	**51.0%**	**$ 830**	**49.3%**	**$ 842**

(2) Includes 120 single family homes not currently listed for sale

INVESTMENT PORTFOLIO OCCUPANCY AND AVERAGE RENT

Multi-Family Investment Portfolio:

Occupancy was a strong 95.0%, which is a slight decrease over the 96.3% reported on September 30, 2016. The slight decline was largely in the Texas multi-family portfolio and was to due to normal turnover. As of today, the Texas multi-family portfolio is approximately 97% occupied. As of today, overall occupancy stands at approximately 97%.

Average monthly rents increased by 1.7% over September 30, 2016 to $1,021 per month due to a combination of new leases and renewals.

Joint Venture Investments:
Occupancy was a strong 91.3%, while average monthly rents were $1,639 per month. Since the acquisition closed during the quarter ended December 31, 2016, there are no comparable figures.

SINGLE FAMILY HOME DISPOSITIONS AND REMAINING HOME INVENTORY
During the quarter ended December 31, 2016, the Company closed sales on 89 single family home units for gross proceeds of approximately $4.8 million (net proceeds of approximately $4.3 million). 60 of the closed sales were in Florida for gross proceeds of approximately $3.3 million (net proceeds of $2.9 million), 24 of the closed sales were in Atlanta for gross proceeds of approximately $1.2 million (net proceeds of $1.1 million), while five of the closed sales were in New Jersey for gross proceeds of approximately $0.3 million (net proceeds of $0.3 million). The variance between gross proceeds and net proceeds of approximately $0.5 million is attributed to closing costs which include, but are not limited to, selling commissions, legal and title document closing costs.

Subsequent to quarter end, the Company closed sales on 44 single family home units for gross proceeds of approximately $2.7 million (net proceeds of approximately $2.3 million). 24 of the closed sales were in Florida for gross proceeds of approximately $1.6 million (net proceeds of $1.3 million), while 20 of the closed sales were in Atlanta for gross proceeds of approximately $1.1 million (net proceeds of $1.0 million). The variance between gross proceeds and net proceeds of $0.4 million is attributed to closing costs which include, but are not limited to, selling commissions, legal and title document closing costs.

In addition to closed home sales, the Company has under contract 77 single family homes units contracted for sale for gross proceeds of approximately $4.6 million. 41 single family home units are located in New Jersey for gross proceeds of approximately $2.3 million, 18 single family home units are located in Florida for gross proceeds of approximately $1.4 million and 18 single family home units located in Georgia for gross proceeds of approximately $0.9 million. These home sales are anticipated to close during the first and second quarters of 2017 and the net proceeds generated will be used for further repayment of the SSN and NJPN.

In terms of remaining home inventory, the Company has 24 single family home units available for sale in Florida, 76 single family home units available for sale in New Jersey and 224 single family home units available for sale in Atlanta. 120 of the Atlanta single family homes are part of a rental pool secured by a $4.0 million first mortgage due July 1, 2019 and 104 homes are currently being marketed for sale. Except for the 120 single family homes as outlined above, all of the remaining single family home inventory across the Company's portfolio are currently listed for sale with various brokerages.

The Company remains confident that the sale of the single-family home portfolio accompanied by the pay down of debt will strengthen its balance sheet while increasing

operating income by eliminating the costs associated with operating the non-performing single-family homes.

MUNICIPAL CODE VIOLATIONS

As reported in previous corporate filings, the Company received notices of fines and penalties relating to liens placed by municipal authorities due to code violations on certain Florida single-family investment properties. As at December 31, 2016, the Company had seven municipal code violations remaining for approximately $1.0 million that were in various stages of compliance. Once in compliance, the Company expected to settle the remaining penalties and fines for approximately 4% of the lien totals.

Subsequent to year end, the Company reports all but one of the remaining violations have been settled with their respective municipalities for fines in line with the 4% estimated lien amount or approximately $0.04 million. The amount of the remaining lien stands at approximately $0.1 million. The one remaining property is awaiting its final reduction amount. The Company expects to settle the remaining penalties and fines for approximately 4% of the lien totals. The costs to remediate the various properties were approximately $0.03 million or below the cost of the actual lien settlement amounts.

To ensure this issue is not repeated, the Company has implemented appropriate operating procedures so that the exposure to municipal code violations is significantly reduced and brought in line with industry standards.

ANNUAL FINANCIAL OVERVIEW

The following is a review of selected annual financial information of the Company.

For the Year Ended	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Rental revenue	$ 7,520,334	$ 7,962,756	$ 9,645,731	$ 6,121,841	$ 3,108,834
Property operating expenses	5,862,422	7,201,724	7,949,094	4,292,435	1,917,613
Net operating income	1,657,912	761,032	1,696,637	1,829,406	1,191,221
Income from Equity Investments	19,136	-	-	-	-
General and administrative	1,724,347	1,408,440	2,137,815	2,945,602	2,675,919
Professional fees	242,972	136,842	558,856	591,010	712,376
Finance costs	3,834,301	5,102,756	5,319,917	6,457,074	1,758,918
Depreciation	17,117	21,485	33,169	100,397	94,048
Transaction costs	-	14,240	330,478	4,665,672	-
Fair value (gain) on investment properties	797,727	15,191,056	2,736,178	(5,936,866)	(10,441,703)
Other	941,786	(1,112,715)	(145,046)	1,150,065	2,059,398
Net earnings (loss)	(5,881,202)	(20,001,072)	(9,274,730)	(8,143,548)	4,332,265
Net earnings (loss) per share (pre-share consolidation)	$ (0.09)	$ (0.35)	$ (0.17)	$ (0.33)	$ 0.21
Net earnings (loss) per share (post-share consolidation)	$ (2.69)	$ (10.31)	$ (5.00)	$ (9.70)	$ 6.04
Investment properties [(1)]	69,583,676	81,020,716	84,973,874	99,960,201	50,585,000
Equity Investments	6,104,137	-	-	-	-
Total assets	83,540,001	87,350,189	115,695,986	111,589,667	60,943,500
Total long-term liabilities	35,102,536	38,698,247	61,961,161	56,797,752	24,415,470

(1) Includes assets held for sale

REVIEW OF ANNUAL RESULTS

REVENUES

For the year ended December 31, 2016, rental revenue was approximately $7.5 million or a 6% decline over the $8.0 million reported at December 31, 2015. The decline over December 31, 2015 is largely due to the sale of homes since the Company commenced disposing of its single family home portfolio, offset by increases in rental rates in the multi-family investment portfolio.

PROPERTY OPERATING EXPENSES

Property operating expenses include repairs and maintenance, insurance, utilities, property management fees, property taxes, bad debts, and other costs directly attributable to the portfolio of single family and multi-family homes.

For the year ended December 31, 2016, property operating expenses was approximately $5.9 million or a 19% decline over the $7.2 million reported at December 31, 2015. The decline over December 31, 2015 is largely due to the sale of single family homes over the year along with cost savings located in insurance expenses and other operating costs.

INCOME FROM EQUITY INVESTMENTS

For the year ended December 31, 2016, income from equity investments was approximately $0.019 million. This was income earned from the Joint Venture Investment as outlined above.

GENERAL AND ADMINISTRATIVE ("G&A")

G&A is comprised largely of salaries, wages, the costs of rent and office operations and asset management fees paid to Firm Capital Realty Partners Advisors Inc.

For the year ended December 31, 2016, G&A was approximately $1.7 million or a 22% increase in comparison to the $1.4 million reported at December 31, 2015. While the overall annual amount is higher over December 31, 2015, the quarterly amount declined over 2016 from a peak of approximately $0.5 million to $0.4 million for the quarters ended September 30, 2016 and December 31, 2016.

PROFESSIONAL FEES

Professional fees for the year ended December 31, 2016 were approximately $0.24 million, or a 78% increase over the $0.14 million reported at December 31, 2015.

While the overall annual amount is higher over December 31, 2015, the quarterly amount declined over 2016 from a peak of approximately $0.1 million to $0.026 million for the quarter ended December 31, 2016. This quarterly decline in professional fees is due in part to a focus by current senior management to generate cost savings to improve overall earnings and cash flow for the Company. The reduction was largely due to the Company entering into a fixed price contract arrangement during 2016 with its legal services provider to undertake certain basic services on a fixed fee arrangement.

FINANCE COSTS

Finance costs consist primarily of interest and accretion expense from the Company's various outstanding debt facilities.

For the year ended December 31, 2016, finance costs were approximately $3.8 million or a 25% decline over the $5.1 million reported at December 31, 2015. The decline over December 31, 2015 is largely attributable to a decline in the SSN balance as a result of single family home sales in addition to the restructuring of the convertible debentures which both lowered the overall interest rate to 5.5% and the conversion of 20% of the debentures into common shares of the Company.

FAIR VALUE ADJUSTMENTS ON INVESTMENT PROPERTIES AND ASSETS HELD FOR SALE

For the year ended December 31, 2016, the fair value adjustment was a loss of approximately $0.8 million or a 95% improvement in comparison to the $15.2 million loss reported at December 31, 2015. The improved decline in the value of the investment properties over the comparable period is due to an improvement in property valuations through market capitalization rate compression in the multi-family investment portfolio, offset by overall declines in value in the single-family disposition portfolio.

QUARTERLY FINANCIAL OVERVIEW

The following is a review of selected quarterly financial information of the Company.

For the Three Months Ended	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Rental revenue	$ 1,903,088	$ 1,794,471	$ 1,887,258	$ 1,935,517
Property operating expenses	1,288,213	1,525,397	1,452,042	1,596,770
Net rental income	**614,875**	**269,074**	**435,216**	**338,747**
Income from Equity Investments	19,136	-	-	-
General and administrative	415,115	401,767	534,637	372,828
Professional fees	25,765	74,820	48,178	94,209
Finance costs	775,511	827,235	1,060,417	1,171,138
Depreciation	7,565	591	3,956	5,005
Transaction costs	-	-	-	-
Fair value adjustments	58,684	510,781	228,262	-
Other	(328,636)	25,471	(4,721)	1,249,672
Net loss	**(319,993)**	**(1,571,591)**	**(1,435,513)**	**(2,554,105)**
Net loss per share (pre-share consolidation)	**$ (0.004)**	**$ (0.03)**	**$ (0.02)**	**$ (0.05)**
Net loss per share (post-share consolidation)	**$ (0.13)**	**$ (0.76)**	**$ (0.67)**	**$ (1.34)**
Total assets	83,540,001	78,053,023	80,193,357	83,643,959
Total long-term liabilities	35,102,536	46,796,780	35,208,288	34,949,054

For the Three Months Ended	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Rental revenue	$ 1,801,905	$ 1,963,311	$ 2,005,120	$ 2,192,420
Property operating expenses	1,575,248	1,606,900	2,085,609	1,933,967
Net rental income (loss)	**226,657**	**356,411**	**(80,489)**	**258,453**
Income from Equity Investments	-	-	-	-
General and administrative	218,704	270,331	480,665	438,740
Professional fees	(318,449)	164,825	188,072	102,394
Finance costs	1,203,587	1,282,098	1,236,311	1,380,760
Amortization	5,297	5,428	5,332	5,428
Transaction costs	4,240	-	-	10,000
Fair value adj. on investment prop	2,629,521	-	12,561,535	-
Other	569,358	(379,165)	(270,548)	(1,032,360)
Net loss	**(4,085,601)**	**(987,106)**	**(14,281,856)**	**(646,509)**
Net loss per share (pre-share consolidation)	**$ (0.07)**	**$ (0.02)**	**$ (0.25)**	**$ (0.01)**
Net loss per share (post-share consolidation)	**$ (2.11)**	**$ (0.51)**	**$ (7.70)**	**$ (0.35)**
Total assets	87,350,189	93,601,861	94,446,127	111,155,361
Total long-term liabilities	38,698,247	38,075,796	37,924,338	59,540,418

REVIEW OF QUARTERLY RESULTS

REVENUES

For the quarter ended December 31, 2016, rental revenue was approximately $1.9 million or a 6% increase over the $1.8 million reported at September 30, 2016 and December 31, 2015, respectively. The increase over both periods is largely due to increases in rental rates in the multi-family investment portfolio.

PROPERTY OPERATING EXPENSES

For the quarter ended December 31, 2016, property operating expenses was approximately $1.3 million or a 16% decrease over the $1.5 million reported at September 30, 2016 and an 18% decrease over the $1.6 million reported at December 31, 2015, respectively. The decline over both September 30, 2016 and December 31, 2015 is largely due to the sale of single family homes over the year along with cost savings located in insurance expenses and other operating costs.

INCOME FROM EQUITY INVESTMENTS

For the year ended December 31, 2016, income from equity investments was approximately $0.019 million. This was income earned from the Joint Venture Investment as outlined above.

GENERAL AND ADMINISTRATIVE ("G&A")

For the quarter ended December 31, 2016, G&A was approximately $0.4 million, largely in line with the $0.4 million reported at September 30, 2016 and $0.2 million reported at December 31, 2015.

PROFESSIONAL FEES

For the quarter ended December 31, 2016, professional fees were approximately $0.025 million or a 66% decrease over the $0.075 million reported at September 30, 2016. The decline in professional fees is due in part to a focus by current senior management to generate cost savings to improve overall earnings and cash flow for the Company.

FINANCE COSTS

For the quarter ended December 31, 2016, finance costs were approximately $0.8 million or a 6% decrease over the $0.8 million reported at September 30, 2016 and a 36% decrease over the $1.2 million reported at December 31, 2015, respectively. The decline over September 30, 2016 and December 31, 2015 is largely attributable to a decline in the SSN balance as a result of single family home sales in addition to the restructuring of the convertible debentures which both lowered the overall interest rate to 5.5% and the conversion of 20% of the debentures into common shares of the Company.

INVESTMENT PORTFOLIO RESULTS

Results for the three and twelve months ended December 31, 2016 and December 31, 2015 for the Investment Portfolio are as follows:

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2016	**Dec 31, 2015**	**Dec 31, 2016**	**Dec 31, 2015**
Rental revenue	$ 1,203,229	$ 981,213	$4,616,662	$3,854,111
Operating costs	(509,529)	(222,328)	(938,695)	(663,650)
Utilities	(95,626)	(77,509)	(349,947)	(286,423)
Property taxes	(170,557)	(134,658)	(576,161)	(471,143)
Net rental income	**$ 427,517**	**$ 546,718**	**$ 2,751,859**	**$ 2,432,895**
Income from Equity Investments	19,136	-	19,136	-
Fair value adj. on investment properties	1,160,396	1,887,747	2,643,710	1,887,747
Total	**$ 1,607,049**	**$ 2,434,465**	**$ 5,414,705**	**$ 4,320,642**

NET RENTAL INCOME

For the three months ended December 31, 2016, net rental income was approximately $0.4 million in comparison to the $0.5 million reported at December 31, 2015. For the year ended December 31, 2016, net rental income was approximately $2.8 million in comparison to the $2.4 million reported at December 31, 2015. The increase over the annual periods are largely due to higher rental revenue due to increased rental rates on lease turnovers, offset by slightly higher operating costs.

Going forward, it is the Company's intent to increase net rental income for the Investment Portfolio through occupancy and rental rate improvements and lowering property operating costs through locating efficiencies and property tax appeals.

INCOME FROM EQUITY INVESTMENTS

JOINT VENTURE INVESTMENT

The following table outlines the Company's joint venture investment in New York City as at December 31, 2016:

		Dec 31, 2016
Equity Accounted Investments, Beginning of Year	$	-
Investments		
- Preferred Equity		4,563,750
- Common Equity		1,521,250
Income Earned		
- Preferred Equity		11,004
- Common Equity		8,133
Equity Accounted Investments, End of Year	**$**	**6,104,137**

	Dec 31, 2016
Assets	
Cash	$ 1,700,441
Accounts Receivable	108,603
Other Assets	187,927
Investment Properties	37,846,104
	$ 39,843,075
Liabilities	
Accounts Payable	71,541
Security Deposits	153,462
Mortgages	22,882,359
	$ 23,107,362
Equity	
Retained Earnings	$ 35,713
Preferred Equity	10,020,000
Common Equity	6,680,000
	$ 16,735,713
	$ 39,843,075

Investment Allocation for the Company	
Preferred Equity	$ 4,563,750
Common Equity	1,521,250
	$ 6,085,000

	Dec 31, 2016
Net Income	
Rental Revenue	$ 272,808
Property Operating Expenses	(25,600)
Net Rental Income	**247,208**
General & Administrative	(162,229)
Interest Expense	(25,108)
Net Income Before Preferred Equity Dividend	**$ 59,871**
Less: Preferred Equity Dividend	(24,158)
Net Income	**$ 35,713**
Income Earned by the Company	
Preferred Equity	$ 11,004
Common Equity	8,132
	$ 19,136

FAIR VALUE ADJUSTMENTS ON INVESTMENT PROPERTIES

For the three and twelve months ended December 31, 2016, fair value adjustment to investment properties was approximately $1.2 million and $1.6 million, respectively. The adjustment to fair value for the year was due to an improvement in property valuations largely the result of market capitalization rate compression due to the overall increase in multi-family property values in Florida and Texas.

VALUATION AND LEVERAGE

For the year ended December 31, 2016, the Investment Portfolio had a valuation of $50.8 million. Net of associated mortgage debt of approximately $15.0 million, leverage (defined as Mortgages / Investment Portfolio) was a conservative 29.3%. For the year ended December 31, 2015, the Investment Portfolio had a valuation of $51.5 million. Net of associated mortgage debt of approximately $15.0 million, leverage was 29.2%.

	Year Ended	
	Dec 31, 2016	**Dec 31, 2015**
Investment Portfolio [1]	$ 50,775,854	$ 51,476,087
Less: Mortgages	(14,882,867)	(15,055,646)
Net Equity	**$ 35,892,987**	**$ 36,420,441**
Leverage (Mortgages / Investment Properties)	***29.3%***	***29.2%***

(1) Includes equity investments in joint ventures which is net of the Company's share of associated mortgage debt

COMPARABLE CASH FLOWS

Comparable operating, investing and financing cash flows for the three and twelve months ended December 31, 2016 and December 31, 2015 are outlined below:

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2016	**Dec 31, 2015**	**Dec 31, 2016**	**Dec 31, 2015**
Operating Activities	$ (209,397)	$(1,229,462)	$(3,216,753)	$(4,725,901)
Investing Activities	(1,440,920)	1,327,712	4,532,924	6,545,744
Financing Activities	6,728,523	(477,867)	2,002,268	(4,817,080)
Increase/(Decrease) in Cash & Cash Equivalents	**$ 5,078,206**	**$ (379,617)**	**$ 3,318,439**	**$(2,997,237)**
Cash & Cash Equivalents, Beginning of Period	1,128,454	3,267,838	2,888,221	5,885,458
Cash & Cash Equivalents, End of Period	**$ 6,206,660**	**$ 2,888,221**	**$ 6,206,660**	**$ 2,888,221**

Cash provided by operating activities improved for the three and twelve months ended December 31, 2016 in comparison to the three and twelve months ended December 31, 2015 largely due to lower net losses and improved changes in working capital.

Cash provided by investing activities declined for the three and twelve months ended December 31, 2016 in comparison to the three and twelve months December 31, 2015 largely due to the acquisition of the equity investment as outlined above, offset by higher proceeds received from the single family disposition portfolio.

Cash provided by financing activities improved for the three and twelve months ended December 31, 2016 in comparison to the three and twelve months ended December 31, 2015 largely due to the net proceeds received from the rights offering completed during the quarter ended December 31, 2016, offset by higher repayments of the SSN and the NJPN in comparison to the prior periods.

INVESTMENT PROPERTIES, ASSETS HELD FOR SALE AND FAIR VALUE ADJUSTMENTS

As at December 31, 2016, the Company owned 504 units in its investment portfolio with a fair value of approximately $50.8 million and 449 single-family units in its disposition portfolio with a fair value of $24.9 million.

As part of the sales process for the single family disposition portfolio, the Company classified these homes as held for sale. This reclassification led to a reduction in fair value as the assets held for sale were reduced to their estimated net sale proceeds value. This included a reduction in value to account for all closing costs.

Each quarter, the Company determines the fair value of its single-family and multi-family portfolio using a combination of an internally managed valuation model, external appraisals using the income approach as well as comparable property sales. For the value of the single family home portfolio, the model calculates the increase/decrease in fair value of the properties based on a number of factors including, but not limited to the condition of the assets, the indices for specific regions and property classes, historical sales executed by the Company and then makes adjustments for the anticipated net proceeds that would be received upon sale of the property. The fair value increase/decrease for the multi-family investment properties and joint venture investments are calculated using Net Rental Income and market capitalization rates from both a combination of an internally managed valuation model and external portfolio appraisals.

NET RENTAL INCOME

The following is a reconciliation of the Company's Net Rental Income to net loss for the quarters and years ended December 31, 2016 and December 31, 2015:

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2016	**Dec 31, 2015**	**Dec 31, 2016**	**Dec 31, 2015**
Net income (loss)	$ (319,993)	$ (4,085,601)	$(5,881,202)	$(20,001,072)
Income from Equity Investments	(19,136)	-	(19,136)	-
Gain on disposition of property and equipment	-	-	(8,295)	-
Income tax	(285,110)	467,275	(289,835)	(159,073)
Fair value gain on derivative financial instruments	-	51,207	(67,120)	(1,062,003)
Deferred share unit compensation	-	8,792	(18,013)	(85,232)
Loss on extinguishment of debt	-	68,777	454,105	333,473
Loss on conversion of convertible debentures	-	-	902,353	-
Transaction costs	-	4,240	-	14,240
Fair value loss on properties	58,684	2,629,521	797,727	15,191,056
Foreign exchange (gain) / loss	(43,526)	(26,693)	(31,409)	(139,880)
Depreciation	7,565	5,297	17,117	21,485
Finance costs	775,511	1,203,587	3,834,301	5,102,756
Professional fees	25,765	(318,449)	242,972	136,842
General and administrative	415,115	218,704	1,724,347	1,408,440
Net rental income	**$ 614,875**	**$ 226,657**	**$ 1,657,912**	**$ 761,032**

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

For the quarter ended December 31, 2016, FFO was approximately a $0.6 million loss or a 39% improvement over the $1.0 million loss reported at December 31, 2015. AFFO was approximately a $0.4 million loss or a 60% improvement over the $1.0 million loss reported at December 31, 2015.

For the year ended December 31, 2016, FFO was approximately a $5.5 million loss or an 11% improvement over the $6.1 million loss reported at December 31, 2015. AFFO was approximately a $3.5 million loss or a 42% improvement over the $6.0 million loss reported at December 31, 2015.

For the quarter ended December 31, 2016, FFO per share was $(0.01) (($0.23) on a post-consolidation per share basis) and AFFO per share was $(0.006) (($0.16) on a post-consolidation per share basis). Both are a 53% and 69% improvement over the FFO and AFFO reported for the quarter ended December 31, 2015.

For the year ended December 31, 2016, FFO per share was $(0.08) ($2.49) on a post-consolidation per share basis) and AFFO per share was $(0.05) ($1.59) on a post-consolidation per share basis). Both are a 21% and 48% improvement over the FFO and AFFO reported for the year ended December 31, 2015.

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2016	**Dec 31, 2015**	**Dec 31, 2016**	**Dec 31, 2015**
Net loss	**$ (319,993)**	**$ (4,085,601)**	**$ (5,881,202)**	**$(20,001,072)**
Add (deduct):				
Deferred income tax (recovery)	(285,110)	467,275	(289,835)	(159,073)
Fair value gain on derivative financial instruments	-	51,207	(67,120)	(1,062,003)
Fair value adj. on properties	58,684	2,629,521	797,727	15,191,056
Foreign exchange gain / (loss)	(43,526)	(26,693)	(31,409)	(139,880)
Depreciation	7,565	5,297	17,117	21,485
Funds From Operations (FFO)	**$ (582,379)**	**$ (958,994)**	**$ (5,454,722)**	**$ (6,149,487)**
Add (deduct):				
Amortization of deferred financing costs	173,994	345,901	935,788	1,431,421
Loss on extinguishment of debt	-	68,777	454,105	333,473
Loss on conversion of convertible debentures	-	-	902,353	-
Deferred share unit compensation	-	8,792	(18,013)	(85,232)
Transaction costs	-	4,240	-	14,240
Capital expenditures	-	(488,750)	(301,906)	(1,517,220)
Adjusted Funds From Operations (AFFO)	**$(408,385)**	**$(1,020,034)**	**$ (3,482,395)**	**$(5,972,805)**
FFO per share (pre-share consolidation)	**$ (0.01)**	**$ (0.02)**	**$ (0.08)**	**$ (0.11)**
AFFO per share (pre-share consolidation)	**$ (0.006)**	**$ (0.02)**	**$ (0.05)**	**$ (0.10)**
FFO per share (post-share consolidation)	**$ (0.23)**	**$ (0.50)**	**$ (2.49)**	**$ (3.17)**
AFFO per share (post-share consolidation)	**$ (0.16)**	**$ (0.53)**	**$ (1.59)**	**$ (3.08)**

The improvement in both FFO and AFFO in aggregate and on a per share basis over both the quarter and year ended December 31, 2015 is largely due to higher net rental income due to a combination of higher revenues and improved operating expenses largely due to the sale of vacant single family homes along with lower finance costs due to the SSN and NJPN repayments from proceeds generated from the single family home sales combined with lower capital expenditures.

As AFFO is viewed as a measure of cash available for distributions, the following table reconciles AFFO to cash flow from operations:

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2016	**Dec 31, 2015**	**Dec 31, 2016**	**Dec 31, 2015**
Total Operating Activities	**$ (209,397)**	**$ (1,229,462)**	**$ (3,216,753)**	**$ (4,725,901)**
Changes in non-cash working capital items:				
Accounts receivable	272,174	(32,154)	286,101	(329,475)
Other assets	(819,161)	173,032	(549,769)	(412,519)
Prepaid expenses	(7,618)	3,912	(238,147)	(39,451)
Accounts payable and accrued liabilities	297,232	507,491	(180,122)	1,123,553
Provisions	46,691	68,351	287,209	(8,652)
Loss on extinguishment of debt	55,218	-	454,105	62,500
Gain on disposition of property and equipment	-	-	8,295	-
Transaction costs	-	4,240	-	14,240
Foreign exchange gain / (loss)	(43,526)	(26,693)	(31,409)	(139,880)
Capital expenditures	-	(488,750)	(301,906)	(1,517,220)
Adjusted Funds From Operations (AFFO)	**$ (408,385)**	**$(1,020,034)**	**$ (3,482,395)**	**$(5,972,805)**
AFFO per share (pre-share consolidation)	**$ (0.006)**	**$ (0.02)**	**$ (0.05)**	**$ (0.10)**
AFFO per share (post-share consolidation)	**$ (0.16)**	**$ (0.53)**	**$ (1.59)**	**$ (3.08)**

DEBT FACILITIES

As at December 31, 2016, the Company's debt facilities totaled $47,197,525 with a weighted average interest rate of 5.34%:

Principal Outstanding	Interest Rate	Type	Security	Maturity
$ 2,917,459	5.50%	NJ Secured Promissory Notes ("**NJPN**")	Secured	September-01-16
8,087,200	7.50%	Senior Secured Notes ("**SSN**")	Secured	December-31-17
150,000	7.00%	Convertible Debentures	Unsecured	July-31-18
17,160,000	5.50%	Convertible Debentures	Unsecured	July-31-19
4,000,000	5.23%	Mortgage	Secured	July-01-19
7,900,000	3.80%	Mortgage	Secured	October-01-22
4,157,483	4.22%	Mortgage	Secured	June-01-23
2,825,383	4.12%	Mortgage	Secured	June-01-23
$ 47,197,525	**5.34%**			

During the quarter, the Company repaid $3.4 million of the SSN. Subsequent to quarter end, the Company repaid an additional $3.2 million of the SSN.

The Company completed talks with the holder of the NJPN about extending the maturity date and was able to extend the maturity date from September 1, 2016 to September 1, 2017. During the quarter ended December 31, 2016, the Company repaid $0.3 million of the NJPN from the five single family home sales and a further $0.4 million subsequent to quarter end from existing cash on hand

With respect to the $4 million mortgage that encumbers 120 single family homes in Atlanta, the Company has not been able to yet bring the debt service coverage ratio into compliance since the portfolio of 120 homes was approximately 55.8% occupied as at December 31, 2016. As of today, this portfolio is 60.8% occupied with plans to increase occupancy over time through a combination of capital expenditures and active leasing with a view to bringing this portfolio into compliance with the debt service coverage ratio. As this is a technical and not a liquidity default, the breach of the debt service coverage ratio has no impact to the Company's liquidity position.

With respect to the Senior Secured Notes or SSN, as at December 31, 2016, the Company had 449 single family home units with a fair value of approximately $24.9 million. Net of the $4 million mortgage due July 1, 2019 that encumbers 120 single family homes in Atlanta and the $2.9 million promissory note as outlined above, the Company expects to generate sufficient liquidity from single family homes sales to repay the SSN. The municipal code violations in Florida had delayed closings, but now that they have almost cleared, the Company has commenced closings of the sales of these properties. To the best of our knowledge, the code violations impacted to date only five potential closings in Florida. Specifically, these potential sales did not close, but the properties have been re-listed with brokers and have been sold and/or a part of closed sales with other third party purchasers.

With respect to the Convertible Debentures, the Company anticipates that it will be able to repay the Convertible Debentures from a combination of the following: (i) net cash proceeds from the sale of single family homes; (ii) financing and refinancing of the Investment Portfolio; and (iii) raising debt and equity capital. As outlined above, the

Investment Portfolio had a fair value of approximately $50.8 million with approximately $15.0 million of associated property level debt for a conservative leverage ratio of approximately 29.3%. This leaves net equity of approximately $35.9 million available within the Investment Portfolio that the Company can finance to repay the Convertible Debentures.

SHARE CAPITAL

Issued and outstanding common shares on a fully diluted basis as at December 31, 2016 consists of the following:

	Dec 31, 2016	Rights Offering	Closing	Post-Share Consolidation
Common shares	62,933,860	62,933,860	125,867,720	4,279,759
Dilutive effect of unsecured debentures	15,052,173	-	15,052,173	511,805
Warrants	4,780,605	-	4,780,605	162,550
Options	2,050,000	-	2,050,000	69,704
Deferred share units	171,544	-	171,544	5,833
Fully Diluted Shares	**84,988,182**	**62,933,860**	**147,922,042**	**5,029,651**

On December 15, 2016, the Company completed its previously announced $10 million Rights Offering to all existing shareholders of the Company at a price of US$0.16 per Rights Share (pre-share consolidation) or approximately $4.71 per Rights Share on a post-share consolidation basis. Total common shares issued were 62,933,860.

On February 3, 2017, the Company completed the consolidation of its outstanding common shares on the basis of one (1) post-consolidation common share for every 29.41 pre-consolidation common shares. As a result, the Company's basic share count is currently 4,279,759 while its fully diluted share count stands at 5,029,651. This MD&A reflects per share amounts on both a pre and post-share consolidation basis.

RELATED PARTY TRANSACTIONS

The Company has entered into the following transactions with related parties:

I. On December 30, 2013, the Company was still pending approval for the transfer of a mortgage associated with a fourth multifamily property. The transaction to acquire the multifamily property was with a senior officer and director of the Company. The Company had paid $4,303,248 as a deposit on the acquisition of the property from the former CEO of the Company. A promissory note receivable was signed which bears interest at 7% payable quarterly and matured on December 30, 2015 related to this deposit. This has been presented as a promissory note receivable on the consolidated statement of financial position. On May 25, 2015, the Company had signed an interest bearing promissory note in the amount of $789,612 effective September 19, 2013, which bears interest at 7% per annum. The promissory note was issued in respect to the same property to fulfill the mortgagors' liquidity account requirements, which has been recorded as other assets.

The Company signed a revised promissory note on April 26, 2016, effective December 31, 2015 with the former CEO under which the $352,500 referenced in note 16(ii), was included in the promissory note, along with a 1% renewal fee of $22,614. The revised promissory note bears interest at 9% per annum, calculated and due monthly to June 30, 2016, and 10% thereafter to maturity February 28, 2017. The revised promissory note allows for a one month extension to March 31, 2017, at the borrowers request, provided that all accrued interest is paid in full. As at December 31, 2016 the remaining balance on the promissory note with the former CEO was $977,554 (December 31, 2015 - $2,284,030).

II. On December 30, 2013, the Company signed an advisory services agreement with a company controlled by the former CEO and director of the Company, where services were provided related to the multifamily properties that were acquired, including acting as a required guarantor on the mortgages payable. Under the terms of the agreement, the Company was paying $23,500 per month. This agreement was terminated effective March 31, 2015. It was agreed that $352,500 of the amount paid as an advisory fee would be repaid to the Company on or before June 30, 2016. This amount receivable has been rolled into the promissory note in note 16(i).

III. During the twelve month period ended December 31, 2016, the Company charged interest and renewal fees of $152,252 (2015 - $173,586), related to the promissory notes due from the former CEO, which was recorded as part of net finance costs.

IV. During the twelve month period ended December 31, 2016, the Company charged $Nil (2015 - $25,831), netted against general and administrative expenses, to a company controlled by the former CEO related to assistance with the management of a multi-unit building not owned by the Company. The amount is equal to 1% of the multi-unit buildings revenue. As of October 31, 2015, the Company is no longer engaged to provide these services.

V. On November 1, 2015, the Company entered into a Management Agreement with Firm Capital Realty Partners Advisors Inc. ("**FCRPAI**" or the "**Manager**"). Under the terms of the Agreement, the Manager provides a number of services to the Company, and is entitled to certain fees payable monthly, as follows:

a) Asset Management Fee: 0.75% of the Gross Invested Assets of the Company,

b) Acquisition Fee:

i. 1.0% of the first $300 million of aggregate Gross Book Value in respect of Properties acquired in a particular year; and thereafter

ii. 0.75% of aggregate Gross Book Value in respect of Properties acquired in such year.

c) Performance Incentive Fees: 15% of Adjusted Funds from Operation ("AFFO") once AFFO exceeds 8.0% of Net Asset Value ("**NAV**") per share.

d) Placement Fees: 0.25% of the aggregate value of all debt and equity financing arranged by the Manager.

e) Property Management Fees:

i. Multi-unit residential properties with 120 units or less, 4.0% of Gross Revenue collected from the property;
ii. Multi-unit residential properties with more than 120 units. 3.5% of Gross Revenue collected from the property;
iii. Industrial or commercial property, 4.25% of Gross Revenue are collected from the property; provided, however, that for such properties with a single tenant 3.0% of Gross Revenue collected from the property

f) **Commercial Leasing Fees:** 3.0% of the net rental payments for the first year of the lease, and 1.5% of the net rental payments for each year during 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, the Manager shall be entitled to reduced commission equal to 50% of the foregoing amounts with respect to such property.

g) **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 the Manager shall be subject to a 0.50% commission on the net rental payments for each year of the renewed lease. When a long-term listing agreement is in effect for leasing and marketing of space with a party other than the Manager, the Manager shall cooperate fully with the broker and the leasing fees will not be payable to the Manager.

h) **Construction Development Property Management Fees:** Where the Manager is requested by the Company to construct tenant improvements or to renovate same, or where the Manager is requested by the Company to construct, modify, or re-construct improvements to, or on, the Properties (collectively, "**Capital Expenditures**"), the Manager shall receive 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 wherein the total cost of such Capital Expenditures exceed $50,000.

i) **Loan Servicing Fees:** 0.25% per annum on the principal amount of each Mortgage Investment (other than syndicated loans serviced by third parties). The Loan Servicing Fee will be calculated as spread interest and deducted from the first interest received on a mortgage investment. Mortgage servicing fees will be payable as to 1/12 monthly based on the receipt of interest payments from borrowers. Loan Servicing Fees will not be payable in respect of the Company's cash balances or Non-Performing Loans held by the Company, except that the Manager shall be entitled to retain any overnight float interest on all accounts maintained by the Manager in connection with the servicing of the Company's Mortgage Investments. The Manager will retain all overnight float interest and related loan servicing fees as charged such as advance fees, discharge statement fees, realty tax escrow account charges, late payment and dishonoured payment charge fees, and all other such fees as charged by a loan servicing agent. This will only apply to the Mortgage Investments of the Company.

j) **Origination, Commitment & Discharge Fees and Profit Sharing Fees:** The Manager shall remit to the Company:

i. 25% of all originating fees, commitment fees and renewal fees it receives from borrowers on mortgages it originates for the Company (prorated to reflect the Company's participation in the investment).The Manager will retain 100% of all originating fees, commitment fees, renewal fees and will remit 25% of such fees to the Company calculated on the Company's investment amount; and

ii. 75% of any profit sharing, discharge fees, participation fees and profit made on discounted debt that the Mortgage Banker receives in respect of all Non-Conventional Mortgages and Special Profit Transactions it originates for the Company (with a 8.0% annual preferential return to be given to the Company on the Company's investment amount prior to the Manager receiving its share of such fees). The Manager shall retain 100% of all servicing charges paid by borrowers which are not identified above, including, without limitation, discharge statement administration fees and all fees identified.

k) Term and Termination: Initial term of ten years with automatic renewal for successive five year terms. The Company may terminate the Agreement any time after November 1, 2025 other than for cause upon the approval of two-thirds of the votes cast by shareholders at a meeting and upon 24 months prior written notice. Upon termination, the Company shall pay to the Manger the following:

i. 2% of the Gross Invested Assets of the Properties and the Company's other assets; and

ii. any amounts which would have been earned by the Manager under the Agreement for the uncompleted portion of the term (the "Termination Payment").

Early termination by either party in the event that shareholder approval not obtained or Management Changeover not completed on or before December 31, 2016, in which case no Termination Payment shall be payable.

As at December 31, 2016, the Company expensed approximately $813,855 (December 31, 2105 – nil) in the form of asset and property management fees and capitalized approximately $25,174 in placement fees in shareholder's equity. The Company accrued $613,856 (December 31, 2015 - $Nil) under this Management Agreement which is included in accounts payable and accrued liabilities.

SUBSEQUENT EVENTS

- **Single Family Home Sales:** Subsequent to quarter end, the Company closed sales on 44 single family home units for gross proceeds of approximately $2.7 million (net proceeds of approximately $2.3 million). 24 of the closed sales were in Florida for gross proceeds of approximately $1.6 million (net proceeds of $1.3 million), while 20 of the closed sales were in Atlanta for gross proceeds of approximately $1.1 million (net proceeds of $1.0 million);

- **$3.2 Million in SSN Repayments:** Subsequent to quarter end, the Company repaid an additional $3.2 million of the SSN. As a result, the SSN balance currently stands at approximately $4.9 million. As such, the Company has repaid 80% of the original balance;

- **$0.4 Million in NJPN Repayment:** Subsequent to quarter end, the Company repaid $0.4 million of the New Jersey Promissory Note. As a result, the balance today stands at approximately $2.4 million;

- **Promissory Note Revised Terms:** The Company signed a revised promissory note effective January 1, 2017 with the former CEO. The revised promissory note bears interest at 11% per annum, calculated and due monthly from January 1, 2017 through to maturity on March 31, 2017;

- **Executed on $1.0 Million Joint Venture Investment in the Washington, DC area:** On January 18, 2017, the Company closed on a joint venture investment that consists of eight multi-family buildings comprised of 115 residential units located in the Washington, DC area with a strong local partner. The Portfolio is currently 92% occupied and presents significant repositioning and value enhancement opportunities. The purchase price for 100% of the investment was $9.8 million, representing a going-in 7.6% capitalization rate. The joint venture plans to refurbish the buildings, add units and apply more hands-on management in order to increase the net rental income over a seven year time horizon. The Company invested $1.0 million in a combination of preferred equity ($0.7 million) and common equity ($0.3 million), which represents a blended 25% ownership interest. The preferred equity has a fixed rate of return of 8% per annum. The investment was funded from proceeds received from the Rights Offering;

- **Completion of Share Consolidation:** On February 3, 2017, the Company completed the consolidation of its issued and outstanding common shares on the basis of one (1) post-consolidation common share for every 29.41 pre-consolidation common shares;

- **Announced Senior Management Changes Including New Chief Executive Officer and Director:** On February 27, 2017, the Company announced the appointment of Kursat Kacira as President, Chief Executive Officer and a Director of the Company. Previously, on January 12, 2017, the Company announced the appointment of Sandy Poklar as Chief Financial Officer of the Company. Further, the Company announced that Jonathan Mair would be responsible for all mortgage debt underwriting and Michael Weitzner would be responsible for all real estate acquisitions and equity underwriting initiatives as Vice President, Investment Portfolio Management; and

- **Announces Board Changes:** The Company announces the resignation of Romeo DeGasperis from the Board of Directors. In addition, the Company announces that Geoffrey Bledin has been appointed to the audit committee and at the Company's

Annual General Meeting ("**AGM**") will be appointed to Chairman of the Board of Directors. Keith Ray will remain a director of the Company and Chairman of the audit committee.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied by the Company are described in note 2 of the consolidated financial statements for the years ended December 31, 2016 and December 31, 2015 and accordingly should be read in conjunction with them.

SIGNIFICANT ESTIMATES AND JUDGEMENTS

Allowance for doubtful accounts receivable and impairment of receivables

Assessment is made of the collectability of accounts receivable based on several factors including the credit risk of the counter-party and the age of the receivable. The allowance is assessed quarterly against the actual experience of unrecoverable accounts, and assumptions are adjusted if appropriate.

Investment properties and assets held for sale

Investment properties are re-measured at fair value at each reporting date. The values are determined annually by a combination of an internal valuation model and external appraisals. To value the investment properties, significant estimates are used in the calculations such as capitalization rates, inflation rates, vacancy rates, and Net Rental Income.

Convertible debentures and valuation of derivative financial instruments

The Company has issued convertible debentures that have an embedded derivative feature, relating to the forced conversion upon the Company completing a going public transaction while meeting certain financing requirements. The derivative financial instrument is valued at the estimated additional equity value to be received above the par value of the convertible debentures upon conversion. The Company was required to estimate the period of time until the convertible debentures will be converted as well as the value of the forced conversion option.

Share-based compensation

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments on the date on which they are granted if the fair value of the goods or services received by the Company cannot be reliably estimated. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including expected life of the share-based payment, volatility and dividend yield, and making assumptions about them.

Deferred income taxes

Tax interpretations and regulations in the jurisdictions of operations are subject to change, and as such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to

determine the likelihood that they will be realized from future taxable income. Judgment is required in determining the manner in which the carrying amounts will be recovered.

FUTURE ACCOUNTING POLICY CHANGES

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2017 and have not been applied in preparing these consolidated financial statements. A summary of these standards is as follows:

IAS 7, "Statement of Cash Flows ("IAS 7"), has been amended by the IASB to introduce additional disclosure that will allow users to understand changes in liabilities arising from financing activities. This amendment to IAS 7 is effective for annual periods beginning on or after January 1, 2017. The Company will provide the additional disclosure starting with its financial statements for the period ending March 31, 2017.

IFRS 9 Financial Instruments (“IFRS 9”) was issued by the IASB in its final form in June 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company intends to adopt IFRS 9 on its effective date and has not reviewed the effects of this future policy change.

IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) was issued by the IASB in May 2014. IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. The Company intends to adopt IFRS 15 on its effective date and has not reviewed the effects of this future policy change.

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 liabilities. The amendments are effective for annual periods beginning on or after January 1, 2018 and are required to be applied in accordance with the standard. The Company intends to adopt IFRS 7 on its effective date and has not reviewed the effects of this future policy change.

IFRS 16 Leases ("IFRS 16") supersedes IAS 17 Leases; IFRIC 4 Determining whether an Arrangement contains a Lease; SIC-15 Operating Leases – Incentives; and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment, or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 requirements. The effective date for IFRS 16 is January 1, 2019. The Company intends to adopt IFRS 16 on its effective date and has not reviewed the effects of this future policy change

With respect to the above noted changes in accounting standards, it is not yet possible to determine the impact that these standards will have on the Company's audited consolidated financial statements. The Company anticipates that it will be in a position to report on these changes in next year's audited consolidated financial statements.

RISKS AND UNCERTAINTIES

INABILITY TO EXECUTE SINGLE FAMILY HOME DISPOSITION PROGRAM AND BUSINESS STRATEGY

The Company is currently focused on, among other things, on executing its single family property disposition program. Proceeds realized are intended to be used by the Company in connection with the repayment and restructuring of the Company's outstanding debt. In addition, the Company intends to retain certain multi-residential properties and acquire additional multi-residential and commercial properties and invest in debt instruments in the U.S.

This is a new business model that has not been tested on a national scale. The Company's assumptions are unproven, and if they prove to be incorrect, then it may fail to provide the financial returns that investors hope or expect to receive. Accordingly, there can be no assurances that the Company will be successful in implementing and completing its transformative rebranding and business strategy, including its newly adopted investment guidelines, as currently contemplated or at all. The failure of the Company in this regard may have a material adverse effect on the Company's business, cash flows, financial condition and results of operations.

GEOGRAPHIC CONCENTRATION

The properties are located in the States of Florida, Georgia, New Jersey, New York and Texas. Accordingly, the market value of the properties and the income to be generated by the Company's performance are particularly sensitive to changes in the economic conditions and regulatory environments of those US states. Adverse changes in the economic condition or regulatory environment of these US states may have a material adverse effect on the Company's business, cash flows, financial condition, and results of operations.

ACQUISITION RISK

The Company may be subject to significant operating risks associated with its expanded operations. The Company's business strategy includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions, and effectively operating and leasing such properties. If the Company is unable to manage its growth effectively, it could have a material adverse effect on the Company's business, cash flows, financial condition, and results of operations. There can be no assurance as to the pace of growth through property acquisitions or that the Company will be able to acquire assets that are accretive to earnings and/or cash flow. The Company intends to acquire additional properties selectively. The acquisition of additional properties entails risks that investments will fail to perform in accordance with expectations. In undertaking such acquisitions, the Company will incur certain risks, including the expenditure of funds, including non-refundable deposits, due diligence costs and inspection fees, and the devotion of management's time to transactions that may not come to fruition. Additional risks inherent in acquisitions include risks that the properties will not achieve anticipated occupancy levels and that estimates of the costs and benefits of the renovation and repositioning program intended for the property being acquired may prove inaccurate or may not have the intended results.

PURCHASE AGREEMENTS

Additional properties may be sold to the Company in an ''as is'' condition, and upon acquisition of said properties, the Company may have limited recourse with respect to conditions affecting the purchased properties. The costs of unexpected repair and remediation work could be material and may, therefore, have an adverse effect on the Company's financial condition and results of operations. Furthermore, representations and warranties made by the seller in a purchase agreement, if any, may survive only for a limited period of time after closing. If claims arising as a result of a breach of a representation or warranty are discovered after this period, the Company may not be able to seek indemnification from the seller and would, therefore, suffer the financial consequences of such a breach, which could be material. Moreover, even if the Company was entitled to indemnification from the seller, no assurance can be given that the seller would have sufficient funds to satisfy any such indemnification claims.

NON-REFUNDABLE DEPOSITS

Property acquisition transactions may require deposits by the Company and costs to be incurred by the Company, which may be non-refundable. If such transactions fail to close, these funds may be unrecoverable in whole or in part, thereby reducing funds otherwise available to the Company.

OPERATIONAL RISKS

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed infrastructure, from a human process, or from external events. The impact of this risk may be financial loss, loss of reputation, or legal and regulatory proceedings. The Company endeavors 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 OF NATURAL DISASTERS

The single-family homes that are located in Florida may have sustained significant storm damage in the past and may sustain significant storm damage in the future. While the Company will take insurance to cover a substantial portion of the cost of such events, the Company's insurance is likely to include deductible amounts and exclusions such that certain items may not be covered by insurance. Future hurricanes, floods, or other natural disasters may significantly affect the Company's operations and some or all of the properties, and more specifically, may cause the Company to experience reduced rental revenue (including from increased vacancy), incur cleanup costs as well as administration and collection costs, or otherwise incur costs in connection with such events. Any of these events may have a material adverse effect on the Company's business, cash flows, financial condition, and results of operations and ability to declare and pay dividends, if any, to Company shareholders. As well, if the Company was unable to obtain adequate insurance, and the properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the Company's business, cash flows, and financial condition.

RISK OF LOSS NOT COVERED BY INSURANCE

The Company maintains insurance policies related to its business, including casualty, general liability, and other policies covering the Company's business operations, employees, and assets. However, the Company will be required to bear all losses that are not adequately covered by insurance, as well as any insurance deductibles. In the event of a substantial property loss, the existing insurance coverage may be insufficient to pay the full current market value or current replacement cost of such property loss. In the event of an uninsured loss, the Company could lose some or all of its capital investment, cash flow and anticipated profits related to one or more properties. Although the Company believes that its insurance programs are adequate, assurance cannot be provided that the Company will not incur losses in excess of insurance coverage or that insurance can be obtained in the future at acceptable levels and reasonable cost.

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 Company's current insurance policies expire, the Company may encounter difficulty in obtaining or renewing property or casualty insurance on the 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 Company is able to renew policies at levels and with limitations consistent with current policies, the Company cannot be sure that it will be able to obtain such insurance at premiums that are reasonable. If the Company is unable to obtain adequate insurance on the properties for certain risks, it could cause the Company to be in default under specific covenants on certain of its indebtedness or other contractual commitments that it has which require the Company to maintain adequate insurance on the properties to protect against the risk of loss. If this were to occur, or if the Company were unable to obtain adequate insurance and the properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the Company's business, cash flows, financial condition, and results of operations.

ACCESS TO CAPITAL

The real estate industry is highly capital intensive. The Company will require access to capital to maintain the properties, as well as to periodically fund its growth strategy and significant capital expenditures. There can be no assurance that the Company will have access to sufficient capital or access to capital on terms favourable to the Company for future property acquisitions, financing or refinancing of the properties, funding operating expenses, or other purposes.

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 companies 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 material adverse effect from economies around the world in the near to medium term. These market conditions and unexpected volatility or illiquidity in financial markets may inhibit the Company's access to long-term financing, in the Canadian and/or United States capital markets. As a result, it is possible that financing which the Company 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 Company or otherwise, may not be available or, if it is available, may not be available on favourable terms to the Company. Failure by the Company to access required capital could have a material adverse effect on the Company's business, cash flows, financial condition and results of operations, and ability to declare and pay dividends, if any, to Company shareholders.

FINANCING RISK

A portion of the cash flow generated by the properties will be devoted to servicing indebtedness, and there can be no assurance that the Company will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the Company is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt, or other financing. The failure of the Company to make or renegotiate interest or principal payments or obtain additional equity, debt, or other financing could have a material adverse effect on the Company's business, cash flows, financial condition, and results of operations.

The Company will be subject to the risks associated with debt financing, including the risk that the Secured Notes, mortgages, and banking facilities secured by the properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. If the Company decides to utilize variable rate debt, such debt will result in fluctuations in the Company's cost of borrowing as interest rates change. To the extent that interest rates rise there may be a material adverse effect on the Company's business, cash flows, financial condition, and results of operations.

The Company will seek to manage its financing risk by maintaining a balanced maturity profile with no significant amounts coming due in one particular period. Given the increased credit quality of such debt, the probability of the Company being unable to renew the maturing debt or transfer the debt to another accredited lending institution is significantly reduced. However, there can be no assurance that the renewal of debt will be on as favourable terms as existing indebtedness.

The Company's credit facilities may also contain covenants that require it to maintain certain financial ratios on specific portfolio's and/or on a consolidated basis. If the Company does not maintain such ratios, its cash flows may be restricted and the ability to issue, declare, and pay dividends, if any, may be limited.

DEGREE OF LEVERAGE

The Company's degree of leverage could have important consequences to Company shareholders. For example, the degree of leverage could affect the Company's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development, or other general purposes, making the Company more vulnerable to a downturn in business or the economy in general.

As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

DEPENDENCE ON FCRPAI

The Company's earnings and operations are impacted by FCRPAI's ability to source appropriate real estate investments that provide sufficient yields for investors and FCRPAI to maintain these real estate investments. The Company has also entered into a long-term contract with FCRPAI, as more particularly described in an agreement dated November 1, 2015 as posted on SEDAR (www.SEDAR.com). The Company is exposed to adverse developments in the business and affairs of FCRPAI, since the day to day activities of the Company are run by FCRPAI and since all of the Company's debt and equity investments are originated by FCRPAI.

LITIGATION RISKS

In the normal course of the Company'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 Company and, as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition, and results of operations. Even if the Company 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 Company's business operations, which could have a material adverse effect on the Company's business, cash flows, financial condition, and results of operations.

LAWS BENEFITING DISABLED PERSONS

Laws benefiting disabled persons may result in unanticipated expenses being incurred by the Company. Under the *Americans with Disabilities Act* of 1990 (the ''**ADA**''), all places intended to be used by the public are required to meet certain federal requirements related to access and use by disabled persons. The *Fair Housing Amendments Act* of 1988 (the ''**FHAA**'') requires apartment properties first occupied after March 13, 1991 to comply with design and construction requirements for disabled access. For those projects receiving federal funds, the *Rehabilitation Act* of 1973 also has requirements regarding disabled access. These and other federal, state and local laws may require modifications to the Company properties, or affect renovations of the properties. Non-compliance with these laws could result in the imposition of fines or an award of damages to private litigants and could also result in an order to correct any non-complying feature, which could result in substantial capital expenditures. Although the Company believes that the properties are substantially in compliance with present requirements, the Company may incur unanticipated expenses to comply with the ADA, the FHAA, and the *Rehabilitation Act* of 1973 in connection with the ongoing operation or redevelopment of the properties.

POTENTIAL CONFLICTS OF INTEREST WITH DIRECTORS

There are potential conflicts of interest to which some of the directors and officers of the Company be subject in connection with the operations of the Company. All of the directors and officers are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the business of the Company. Accordingly, situations may arise where some or all of the directors and officers will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies as provided under the OBCA.

INTERNAL CONTROLS

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards in order to help ensure the reliability of its financial reports, in each case, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and material adverse effect on the trading price of the shares.

U.S. MARKET FACTORS

U.S. markets are currently experiencing increased levels of volatility due to a combination of many economic factors. At this time, although national and local economies are recovering from a severe recession, other factors such as the Greek and Asian economies could affect such recovery from continuing, or perhaps even cause

the economy to weaken substantially. Concern about the general stability of the markets and the strength of the economic recovery may lead lenders to reduce or cease to provide funding to businesses and consumers and force financial institutions to continue to take the necessary steps to restructure their business and capital structures; and in a worst case scenario, this could result in a complete loss of properties if a lender was to foreclose. The Company cannot predict when the real estate markets will return to their pre-downturn levels. The value of the properties may decline if market conditions worsen.

U.S. LAWS AND REGULATIONS

The Company carries on business in the U.S. and, accordingly, is subject to United States federal, state and local laws, rules, regulations and requirements. Although the Company believes that the Properties are substantially in compliance with present laws, rules, regulations and requirements, the Company may incur unanticipated expenses to comply with such laws, rules, regulations and requirements. Non-compliance with these laws, rules, regulations and requirements could have a material adverse effect on the Company's business, cash flows, financial condition and results of operations. and could result in, among other things, the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature of the Properties, which could result in substantial capital expenditures.

FLORIDA AND GEORGIA WEATHER

Florida and Georgia historically have experienced periods of extreme weather that have resulted in periods of severe thunderstorms, tornadoes, wind, and rain damage. Extreme weather, including hurricanes and/or tornadoes, can have a negative impact upon the Company's operating results and financial condition, including damage to property and equipment, increasing material costs, increasing labour costs, increasing insurance premiums, increased time to completion of renovation due to the foregoing factors, and increase in government regulations with respect to setbacks, drainage and engineering of seawalls, and other protective features.

CONTINGENT LIABILITIES ON DISPOSITION OF INVESTMENTS

In connection with the disposition of a real estate investment, the Company may be required to make representations about such property. The Company may also be required to indemnify purchasers of such properties to the extent that any such representations are inaccurate. These arrangements may result in the occurrence of contingent liabilities for which reserves or escrow accounts may be required. Such actions could result in losses to the Company and investors and/or delay the receipt of any dividends, if any, to Company Shareholders.

LIQUIDITY

The Company is a relatively new issuer and there can be no assurance that an active trading market in the Common Shares will be sustained. There is a significant liquidity risk associated with an investment in the Common Shares.

RELIANCE ON ASSUMPTIONS

The Company's investment objectives and strategy have been formulated based on the analysis and expectations regarding recent economic developments in the U.S., the future recovery of U.S. real estate markets in general, and the U.S. to Canadian dollar exchange rate. Such analysis may be incorrect and such expectations may not be realized.

GENERAL REAL ESTATE OWNERSHIP RISKS

All real property investments are subject to risks generally incident to the ownership, remodeling, operation, and sale of real estate, including: (a) changes in general economic or local conditions; (b) changes in supply of or demand for similar or competing properties in a particular geographic area; (c) bankruptcies, financial difficulties, or defaults by vendors, contractors, tenants, and others; (d) increases in operating costs, such as taxes and insurance; (e) the inability to achieve occupancy at rental rates adequate to produce desired financial returns; (f) periods of high interest rates and tight money supply; (g) excess supply of rental properties in the market area; (h) liability for uninsured losses resulting from natural disasters or other perils; (i) liability for environmental hazards; (j) changes in tax, real estate, or environmental laws or regulations; and (k) changes in availability of financing. For these and other reasons, no assurance can be given that the investment will be profitable or that it will achieve its financial objectives.

Certain significant expenditures, including property taxes, maintenance costs, 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. Real property investments tend to be relatively illiquid. This illiquidity will limit the ability of the Company to respond to changing economic or investment conditions. If the Company were required to liquidate assets quickly, there is a risk the proceeds realized from such a 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 a particular type of real estate, the Company 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. The ability to rent un-leased suites 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. The ability to declare and pay dividends, if any, 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 Company's

business, cash flows, financial condition, and results of operations and ability to declare and pay dividends, if any, to Company Shareholders.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the properties or revenues to be thus derived. Reported estimates of market rent can be seasonal and the significance of any variations from quarter to quarter would material adverse effect the Company's annualized estimated gain-to-lease amount. There can be no assurance that upon the expiration or termination of existing leases that 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 Company due to internal and external limitations on its ability to charge these new market based rents in the short term.

The short-term nature of residential tenant leases exposes the Company to the effects of declining market rent, which could materially adverse effect the Company's results from operations and ability to declare and pay dividends, if any. Most of the Company's residential tenant leases will be for a term of one year or less. Because the Company's residential tenant leases generally permit residents to leave at the end of their lease term without any penalty, the Company's rental revenue may be material adverse effects by declines in market rents more quickly than if such leases were for longer terms.

SUBSTITUTIONS FOR RESIDENTIAL RENTAL UNITS

Demand for the properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. With the recent global economic crisis and its impact on the U.S. credit markets, interest rates offered by financial institutions for financing home ownership have been at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low, demand for rental properties may be adversely affected. Additionally, the southeastern United States continues to experience historically high levels of foreclosures on single-family homes, which has increased the supply of single-family homes available for purchase, and may adversely affect demand for such properties. A reduction in the demand for rental properties may have a material adverse effect on the Company's ability to lease suites in the properties and on the rents charged. This, in turn, may have a material adverse effect on the Company's business, cash flows, financial condition, and results of operations and the ability to declare and pay any dividends, if any, to Company Shareholders.

COMPETITION

The single-family housing and multi-family property sectors are highly competitive. The Company faces competition from many sources, including individuals, corporations or other entities engaged in real estate investment activities, many of whom have greater financial resources than the Company. There is also competition from other rental properties in the immediate vicinity of the various properties and the broader geographic areas where the properties are and will be located. Furthermore, the properties that the Company owns or may acquire compete with numerous housing alternatives in attracting tenants, including home ownership. The relative demand for such alternatives

may be increased by declining mortgage interest rates, government programs which promote home ownership, or other events or initiatives which increase the affordability of such alternatives to the properties and could material adverse effect on the Company's ability to retain tenants and increase or maintain rental rates. Such competition may reduce occupancy rates and rental revenues of the Company and could have a material adverse effect on the Company's business, cash flows, financial condition, and results of operations and the ability to declare and pay any dividends, if any, to Company Shareholders.

The competition for the properties available for sale may significantly increase the cost of acquiring such assets and may result in such assets being acquired by the Company at prices or on terms which are comparatively less favourable to the Company or may result in such assets being acquired by competitors of the Company. In addition, the number of entities seeking to acquire single-family homes, multi-family properties, and/or the amount of funds competing for such acquisitions may increase. Increases in the cost to the Company of acquiring properties may material adverse effect on the ability of the Company to acquire such properties on favourable terms and may otherwise have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and ability to declare and pay any dividends to Company Shareholders.

In addition, over-building in the multi-family sector in the United States may increase the supply of total multi-family properties, further increasing the level of competition in those markets.

GOVERNMENT REGULATION

The Company's single-family home operations utilize the U.S. Government's Section 8 Housing Choice Voucher Program. The Company's operations must comply with the Section 8 Program's existing qualifications process to qualify newly-renovated homes for eligible participants to participate in the Section 8 Program. The Company has no assurances that the existing rules and regulations under such program will not adversely affect the Company's growth strategy, the timing or cost of renting any current or future properties, or that any additional Section 8 Program rules, regulations or standards will not be adopted or any existing Section 8 Program rules, regulations or standards will not be modified, changed or discontinued as they apply to the ''tenant-based'' or ''project-based'' voucher systems currently in place, and any such changes could have a material adverse effect on the Company's business, financial condition and results of operation. The Company also conducts its operations in adherence to determinations made by applicable local public housing governmental authorities. Such authorities make determinations on which individuals and properties qualify for Section 8 Program funding and the Company cannot ensure that such public housing governmental authorities will qualify or continue to qualify properties under the Section 8 Program.

CHANGES IN APPLICABLE LAWS

The Company's operations must comply with numerous federal, state, 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 Company to liability.

Lower revenue growth or significant unanticipated expenditures may result from the Company'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 residential landlord/tenant laws; or (iii) other governmental rules and regulations or enforcement policies affecting the development, use, and operation of the properties, including changes to building codes and fire and life-safety codes.

ENVIRONMENTAL MATTERS

Under various environmental and ecological laws, the Company and/or its subsidiaries could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in one or more of the properties or disposed of at other locations. The failure to deal effectively with such substances may adversely affect the Company's ability to sell such property and could potentially also result in claims against the Company by third parties.

THE COSTS OF SECURING POSSESSION AND CONTROL OF NEWLY ACQUIRED PROPERTIES MAY EXCEED EXPECTATIONS

Upon acquiring a new property, the Company may have to evict residents who are in unlawful possession before the Company can secure possession and control of the property. The holdover occupants may be the former owners or tenants of a property, or they may be squatters or others who are illegally in possession. Securing control and possession from these occupants can be both costly and time-consuming. If these costs and delays exceed our expectations in a large proportion of newly acquired properties, the Company's financial performance may suffer because of the increased expenses incurred or the unexpected delays in turning the properties into revenue-producing assets.

THE COSTS ARISING FROM RENOVATION OF PROPERTIES

The Company expects that many of the properties will require some level of renovation immediately upon their acquisition or in the future following expiration of a lease or otherwise. The Company may acquire properties that it plans to extensively renovate. The Company may also acquire properties that it expects to be in good condition only to discover unforeseen defects and problems that require extensive renovation and capital expenditures. In addition, the Company will be required to make ongoing capital improvements and replacements and may need to occasionally perform significant renovations to reposition properties in the rental market. The Company's homes will have infrastructure and appliances of varying ages and conditions. Consequently, the Company expects that its management will routinely retain independent contractors and trade professionals to perform physical repair work and will be exposed to all of the risks inherent in property renovation, including potential cost overruns, increases in labour and materials costs, delays by contractors in completing work, delays in the timing of receiving necessary work permits, certificates of occupancy, and poor workmanship. Although the Company does not expect that renovation difficulties on any individual

property will be significant to its overall results, if the assumptions regarding the costs or timing of renovation across the Company's portfolio prove to be materially inaccurate, the Company's earnings and distributable cash may be adversely affected.

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 Company's business, cash flows, financial condition and results of operations and ability to declare and pay dividends, if any. 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 Company 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 Company is also subject to utility and property tax risk relating to increased costs that the Company 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, water 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 Company cannot charge back to the tenant may have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and ability to make declare and pay any dividends. Unlike commercial leases, which generally are "net" leases and allow a landlord to recover expenditures from tenants, residential leases are generally "gross" leases and the landlord is not able to pass on costs to its tenants. The timing and amount of capital expenditures by the Company will affect the amount of any dividends available to Shareholders.

INTEREST RATE RISK

Interest rate risk is the combined risk that the Company would experience a loss as a result of its exposure to a higher interest rate environment (interest rate risk) and the possibility that at the end of a mortgage term the Company would be unable to renew the maturing debt either with the existing lender or a new lender (renewal risk).

The Company will seek to manage its interest rate risk by negotiating, where possible, fixed interest rates on all of its debt.

ASSUMPTIONS MAY PROVE INNACURATE

In determining whether a particular property meets its investment criteria, the Company makes a number of assumptions, including assumptions related to estimated time of possession and estimated renovation costs and time frames, annual operating costs, market rental rates and potential rent amounts, time from purchase to leasing, and tenant default rates. These assumptions may prove inaccurate, causing the Company to pay too much for properties it acquires, to overvalue properties or to have properties

not perform as expected, and adjustments to the assumptions made in evaluating potential purchases may result in fewer properties qualifying under the Company's investment criteria. Improvements in the market prices for single-family homes in the Company's target markets or decreases in the available inventory could also reduce the supply of properties that meet the Company's investment criteria. Reductions in the supply of properties that meet the Company's investment criteria may adversely affect the Company's operating results and ability to implement its business plan.

Furthermore, the properties are likely to vary materially in terms of time to possession, renovation, quality and type of construction, location, and hazards. The Company's success will depend on its ability to acquire properties that can be quickly possessed, renovated, repaired, upgraded, and rented with minimal expenses and maintained in rentable condition. The Company's ability to identify and acquire such properties will be fundamental to its success.

In addition, the recent market and regulatory environments relating to single-family homes and multi-family properties have been changing rapidly, making future trends difficult to forecast.

OUTLOOK

The Company's operating and financial performance continues to improve through a combination of single family home sales, debt repayment, operational efficiencies and more recently new investments. These "four pillars" of performance improvement should enable the Company to continue stabilizing its balance sheet and improving earnings and cash flows. As we look forward to new acquisitions, such as the recent New York City and Washington, DC transactions, the Company remains focused on single family home sales and debt repayment. The Company benefits from single family home sales having a "multiplier effect" to earnings as they not only eventually reduce debt levels, which translates into interest expense savings, but they also eliminate various "carrying costs" such as property taxes and repairs and maintenance. As the vast majority of the homes disposed were unoccupied, this "multiplier effect" has been significant and has dramatically improved the Company's earnings.

With a vast majority of the "heavy lifting" being completed in terms of transformation, the Company is now focused on further strengthening its balance sheet through a combination of capital and new investments. Going forward, the Company is actively seeking additional investment opportunities in both income producing real estate and mortgage debt investments located in major cities across the United States. Any new investments will require additional debt and/or equity capital and the Company intends to opportunistically raise such capital from both the private and public markets.

Consolidated Financial Statements of

Firm Capital American Realty Partners Corp.

(Formerly Delavaco Residential Properties Corp.)

For the Years Ended December 31, 2016 and 2015

(In US Dollars)

April 3, 2017

Independent Auditor's Report

To the Shareholders of
Firm Capital American Realty Partners Corp.

We have audited the accompanying consolidated financial statements of Firm Capital American Realty Partners Corp. and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2016 and the consolidated statements of loss and comprehensive loss, changes in shareholders' 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.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Firm Capital American Realty Partners Corp. and its subsidiaries as at December 31, 2016 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter
The comparative consolidated financial statements of Firm Capital American Realty Partners Corp. (formerly known as Delavaco Residential Properties Corp.) for the year ended December 31, 2015 (prior to the restatement of the comparative information described in note 17 to the consolidated financial statements relating to discontinued operations) were audited by another auditor who expressed an unmodified opinion on those financial statements on April 26, 2016.

As part of our audit of the consolidated financial statements of Firm Capital American Realty Partners Corp. for the year ended December 31, 2016, we also audited the reclassification adjustments that were applied to the 2015 comparative figures in the consolidated statements of loss and comprehensive loss relating to discontinued operations presentation as described in note 17. In our opinion, such reclassifications are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the financial statements of Firm Capital American Realty Partners Corp. for the year ended December 31, 2015 other than with respect to the reclassifications referred to above and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended December 31, 2015 taken as a whole.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Firm Capital American Realty Partners Corp.

(Formerly Delavaco Residential Properties Corp.)
Consolidated Balance Sheet
(Expressed in US Dollars)

	December 31, 2016	December 31, 2015
Assets	$	$
Current assets		
Cash and cash equivalents	4,520,508	1,074,544
Restricted cash	1,686,152	1,813,677
Accounts receivable	378,126	92,025
Other assets	51,520	601,289
Prepaid expenses	188,368	426,515
Promissory note receivable (note 16(i))	977,554	1,415,115
Assets held for sale (note 17)	24,911,959	29,544,629
Total current assets	32,714,187	34,967,794
Non-current assets		
Promissory note receivable (note 16(i))	-	868,915
Investment properties (note 4)	44,671,717	51,476,087
Equity investments (note 5)	6,104,137	-
Property and equipment, net (note 6)	49,960	37,393
Total non-current assets	50,825,814	52,382,395
Total assets	83,540,001	87,350,189
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,230,872	2,048,894
Provisions (note 18)	40,034	327,243
Mortgages payable (note 9)	159,774	130,498
Notes payable (note 7)	10,976,288	20,298,939
Derivative financial instruments (note 12)	5,495	72,615
Deferred share unit liabilities (note 20)	30,880	48,893
Liabilities associated with assets held for sale (note 17)	286,673	288,529
Total current liabilities	13,730,016	23,215,611
Non-current liabilities		
Mortgages payable (note 9)	18,628,977	18,754,896
Convertible debentures payable (note 8)	16,296,118	19,476,076
Deferred tax liability (note 22)	177,441	467,275
Total non-current liabilities	35,102,536	38,698,247
Total liabilities	48,832,552	61,913,858
Shareholders' Equity		
Share capital (note 10)	64,720,400	49,260,267
Warrants (note 12)	23,725	23,725
Contributed surplus	4,049,888	4,049,888
Equity portion of convertible debentures (note 8)	1,242,017	1,549,831
Accumulated foreign currency translation reserve	3,331,940	3,331,940
Deficit	(38,660,519)	(32,779,320)
Total shareholders' equity	34,707,449	25,436,331
Total liabilities and shareholders' equity	83,540,001	87,350,189

Subsequent Events (note 23)
Share consolidation (note 23(vi))
See accompanying Notes to Consolidated Financial Statements

(signed) "*Keith Ray*"
Keith Ray
Director

(signed) "*Sandy Poklar*"
Sandy Poklar
CFO & Director

Firm Capital American Realty Partners Corp.

Consolidated Statements of Loss and Comprehensive Loss
(Formerly Delavaco Residential Properties Corp.)
Years Ended December 31, 2016 and 2015
(Expressed in US Dollars)

	December 31, 2016	December 31, 2015
	$	$
Revenue		
Rental	4,616,662	3,854,111
Operating expenses		
Operating costs	938,695	663,650
Utilities	349,947	286,423
Property taxes	576,161	471,143
Total operating expenses	1,864,803	1,421,216
Net rental income	2,751,859	2,432,895
Income from equity investments (note 5)	19,136	-
General and administrative (note 19)	1,724,347	1,408,440
Professional fees	242,972	136,842
Net finance costs	3,834,301	5,102,756
Depreciation (note 6)	17,117	-
	5,818,737	6,648,038
Net loss before other income (expenses) and income taxes	(3,047,742)	(4,215,143)
Other income (expenses)		
Transaction costs	-	(14,240)
Foreign exchange gain	31,409	139,880
Fair value adjustments of properties (note 4 and 17)	2,643,710	1,887,747
Loss on extinguishment of debt (note 7 and 8)	(454,105)	(333,473)
Deferred share unit compensation (note 20)	18,013	85,232
Fair value gain on derivative financial instruments (note 12)	67,120	1,062,003
Loss on conversion of convertible debentures (note 8 and 10)	(902,353)	-
Gain on disposition of property and equipment	8,295	-
Total other income (expenses)	1,412,089	2,827,149
Net loss from continuing operations before income tax recovery	(1,635,653)	(1,387,994)
Loss from discontinued operations before income tax recovery	(4,535,384)	(18,772,151)
Net loss and comprehensive loss for the year before income taxes	(6,171,037)	(20,160,145)
Income tax recovery (note 22)	(289,835)	(159,073)
Net loss and comprehensive loss for the year	(5,881,202)	(20,001,072)
Basic and diluted loss per share (pre-share consolidation basis) (note 23(vi))		
From continuing operations (note 13)	$ (0.02)	$ (0.02)
From discontinued operations (note 13)	$ (0.07)	$ (0.33)
	$ (0.09)	$ (0.35)
Basic and diluted loss per share (post-share consolidation basis) (note 23(vi))		
From continuing operations (note 13)	$ (0.62)	$ (0.62)
From discontinued operations (note 13)	$ (2.07)	$ (9.69)
	$ (2.69)	$ (10.31)

See accompanying Notes to Consolidated Financial Statements

Firm Capital American Realty Partners Corp.

Consolidated Statements of Changes in Shareholders' Equity
(Formerly Delavaco Residential Properties Corp.)
Years Ended December 31, 2016 and 2015
(Expressed in US Dollars)

	Share capital	Warrants	Contributed surplus	Equity portion of convertible debentures	Accumulated foreign currency translation reserve	Deficit	Total
	$	$	$	$	$	$	$
Balance at December 31, 2014	51,953,609	23,725	1,335,290	1,549,831	3,331,940	(12,778,248)	45,416,147
Cancellation of common shares	(2,714,598)	-	2,714,598	-	-	-	-
Issuance of shares from conversion of DSU's	21,256	-	-	-	-	-	21,256
Net loss for the year	-	-	-	-	-	(20,001,072)	(20,001,072)
Balance at December 31, 2015	49,260,267	23,725	4,049,888	1,549,831	3,331,940	(32,779,320)	25,436,331
Issuance of shares from conversion of Convertible Debentures	5,500,167	-	-	(307,814)	-	-	5,192,353
Issuance of shares from Rights Offering	9,959,966	-	-	-	-	-	9,959,966
Net loss for the year	-	-	-	-	-	(5,881,202)	(5,881,202)
Balance at December 31, 2016	64,720,400	23,725	4,049,888	1,242,017	3,331,940	(38,660,519)	34,707,449

See accompanying Notes to Consolidated Financial Statements

Firm Capital American Realty Partners Corp.

Consolidated Statements of Cash Flows
(Formerly Delavaco Residential Properties Corp.)
Years Ended December 31, 2016 and 2015
(Expressed in US Dollars)

	December 31, 2016	December 31, 2015
	$	$
Operating activities		
Net loss from continuing operations before income tax recovery	(1,635,653)	(1,387,994)
Loss from discontinued operations before income tax recovery	(4,535,384)	(18,772,151)
Income tax recovery (note 22)	289,835	159,073
Net loss and comprehensive loss for the year	(5,881,202)	(20,001,072)
Add (Deduct):		
Depreciation (note 6)	17,117	21,485
Accretion expense	935,788	1,431,421
Fair value adjustments of investment properties (note 4 and 17)	797,727	15,191,056
Deferred share unit compensation (note 20)	(18,013)	(85,232)
Fair value gain on derivative financial instruments (note 12)	(67,120)	(1,062,003)
Loss on early conversion of debentures (note 8)	902,353	-
Deferred taxes (note 22)	(289,835)	(159,073)
Gain on disposition of property and equipment	(8,295)	-
Loss on early extinguishment of debt (note 7)	-	270,973
Changes in non-cash operating working capital:		
Accounts receivable	(286,101)	329,475
Other assets	549,769	412,519
Prepaid expenses	238,147	39,451
Accounts payable and accrued liabilities	180,122	(1,123,553)
Provisions	(287,209)	8,652
Total operating activities	(3,216,753)	(4,725,901)
Investing activities		
Acquisition of investment properties (note 4 and 17)	-	(2,066,480)
Acquisition of equity investments (note 5)	(6,085,000)	-
Capital expenditures on investment properties (note 4 and 17)	(301,906)	-
Acquisition of property and equipment (note 6)	(37,468)	-
Proceeds of disposition of property and equipment	16,079	4,075
Investment properties deposits in escrow	-	586,570
Proceeds from disposition of assets held for sale	10,941,219	8,021,579
Total investing activities	4,532,924	6,545,744
Financing activities		
Loss on early extinguishment of debt	491,340	-
Proceeds from promissory note receivable (note 16(i))	1,306,476	2,808,830
Net proceeds from rights offering (note 10(d))	9,959,966	-
Repayment of notes payable (note 7)	(9,625,017)	(7,500,000)
Repayment of mortgages	(130,498)	(125,910)
Total financing activities	2,002,268	(4,817,080)
Increase / (Decrease) in cash and cash equivalents and restricted cash	3,318,439	(2,997,237)
Cash and cash equivalents and restricted cash, beginning of year	2,888,221	5,885,458
Cash and cash equivalents and restricted cash, end of year	6,206,660	2,888,221
Consisting of:		
Cash and cash equivalents	4,520,508	1,074,544
Restricted cash	1,686,152	1,813,677
Non-cash Transactions		
Conversion of Convertible Debentures for Common Shares	4,290,000	-

See accompanying Notes to Consolidated Financial Statements

1. Nature of Operations

Firm Capital American Realty Partners Corp. (formally known as Delavaco Residential Properties Corp.) (the "**Company**") was incorporated under the Business Corporations Act (Ontario) on March 19, 2007. On August 2, 2016, the Company officially changed its name to "Firm Capital American Realty Partners Corp." and changed its TSX Venture Exchange ("**TSXV**") trading symbol "FCA.U". The address of the Company's registered office is 163 Cartwright Avenue, Toronto, Ontario, M6A 1V5.

The Company is focused on the following investment platforms:

Income Producing Real Estate Investments: Acquiring income producing real estate assets in major cities across the United States of America. Acquisitions are completed solely by the Company or in joint-venture partnerships with local industry expert partners who retain property management; and

Mortgage Debt Investments: Real estate debt and equity lending platform in major cities across the United States of America. Focused on providing all forms of bridge mortgage loans and joint venture capital.

The financial statements were authorized for issue by the Board of Directors on April 3, 2017.

2. Basis of preparation

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**").

Basis of presentation

The consolidated financial statements are prepared on a going concern basis and have been presented in US dollars, which is the Company's reporting currency. Standards and guidelines not effective for the current accounting period are described in note 3. A summary of the significant accounting policies are set out below.

Basis of measurement

The consolidated financial statements have been prepared on the cost basis except as otherwise noted.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. Subsidiaries are consolidated from the date control commences and until control ceases.

Functional currency

As at December 31, 2016, the Company and all of its subsidiaries' functional currencies are the US Dollar ("USD").

Investment properties

The Company's investment properties include multi-family residential properties that are held to earn rental income. Investment properties acquired through a business combination are recognized at fair value. Investment properties acquired through an asset purchase are initially recognized at cost, which includes all amounts directly related to the acquisition of the properties. All costs associated with upgrading and extending the economic life of the existing properties, other than ordinary repairs and maintenance, are capitalized to investment properties. Investment properties are re-measured to fair value at each reporting date. Fair value is determined based on internal valuation models, statistical market evidence and valuations by third-party appraisers. Changes in the fair value of investment properties are recorded in the consolidated statement of loss and comprehensive loss in the period in which they arise. Investment properties are not amortized.

Equity Investments

Investments in entities where the Company exercises significant influence are accounted for using the equity method and are recorded initially at cost plus the Company's share of income or loss to date less dividends or distributions received.

Property and equipment

All property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes the purchase price and any expenditures that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Company.

Cost includes the cost of replacing part of an existing item of property and equipment at the time that cost is incurred if the recognition criteria are met, and excludes the cost of day-to-day servicing.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will follow to the asset grouping and the cost of the item can be measured reliably. The carrying amounts of those parts that are replaced are derecognized. All other repairs and maintenance are charged to the consolidated statement of loss and comprehensive loss during the financial period in which they are incurred.

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:

Asset	Useful life
Leasehold improvements	Remaining lease term
Furniture and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

At the end of each reporting period, the Company assesses whether there are any indicators that an asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by the calculating the difference between proceeds and the carrying amount of the asset and are included in the consolidated statement of loss and comprehensive loss.

Assets held for sale and discontinued operations

Non-current assets and groups of assets and liabilities which comprise disposal groups are presented as assets held for sale where the asset or disposal group is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan. Where an asset or disposal group is acquired with a view to resale, it is classified as a current asset held for sale if the disposal is expected to take place within one year of the acquisition. Non-current assets held for sale and disposal groups are carried at the lesser of carrying amount and the fair value less costs to sell.

When a component of an entity has been disposed, or is reclassified as held for sale, and it represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, the related results of operations and gain or loss on reclassification or disposition are presented in discontinued operations. The profit or loss arising on disposition of assets or disposal groups that do not represent discontinued operations are presented in gains (losses) on disposition of investment properties.

Accounting for acquisitions

The Company assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations ("**IFRS 3**"). This assessment requires management to make judgments on whether the assets acquired and liabilities assumed constitute a business, as defined in IFRS 3, and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business, and the Company obtains controls of the business.

Financial instruments

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. These categories are defined and measured as follow:

Classification	Definition	Measurement
FVTPL	Classified as FVTPL when the financial asset is either held for trading or it is designated as at FVTPL as discussed below:	
	Classified as held for trading if:	
	It has been acquired principally for the purpose of selling it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking; or it is a derivative that is not designated and effective as a hedging instrument.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
	Classified as FVTPL upon initial recognition if:	
	Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group which is managed and its performance is evaluated on a fair value basis;	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
Held-to-maturity investments	Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity.	Measured at amortized cost using the effective interest method less any impairment. (1) (2)
Available-for-sale	Non-derivative financial assets that either are designated as available- for-sale or are not classified as (a) loans and receivables, (b) held-to- maturity investments or (c) financial assets at FVTPL.	Measured at fair value through other comprehensive income. (2)
Loans and receivables	Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.	Measured at amortized cost using the effective interest method less any impairment. (1)(2)

(1) The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or where appropriate, a shorter period, to the net carrying amount on initial recognition.

(2) Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Generally, the carrying amount of the financial asset is reduced by the impairment loss.

The Company's financial assets are classified and measured as follows:

Financial assets	Classification	Measurement
Cash and cash equivalents	FVTPL	Fair Value
Restricted cash	FVTPL	Fair Value
Accounts and other receivables	Loans and receivables	Amortized cost
Promissory note receivable	Loans and receivables	Amortized cost

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Impairment of financial assets

Financial assets that are measured at amortized cost are assessed for 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 assets, the estimated future cash flows of the assets have been affected.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Debt and equity issued are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities categories are defined and measured as follow:

Classification	Definition	Measurement
FVTPL	Classified as FVTPL when the financial liability is either held for trading or it is designated as at FVTPL as discussed below:	
	Classified as held for trading if:	
	It has been acquired principally for the purpose of repurchasing it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking; or it is a derivative that is not designated and effective as a hedging instrument.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
	Classified as FVTPL upon initial recognition if:	
	Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial liability forms part of a group which is managed and its performance is evaluated on a fair value basis; or it forms part of a contract containing one or more embedded derivatives.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
Other financial liabilities	All other liabilities	Measured at amortized cost using the effective interest method. (1)

(1) The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company's financial liabilities are as follows:

Financial liabilities	Classification	Measurement
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Notes payable	Other financial liabilities	Amortized cost
Mortgages payable	Other financial liabilities	Amortized cost
Convertible debentures payable	Other financial liabilities	Amortized cost
Derivative financial instruments	FVTPL	Fair value

The Company derecognizes a financial liability when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Derivative financial instruments, which are comprised of the forced conversion feature related to the convertible debentures payable, are initially recognized at fair value and are recorded as a separate component of equity.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand to fund acquisition and other operating requirements. Cash and cash equivalents consists of cash on deposit and liquid money market funds, which are held at major Canadian and American banking institutions.

Accounts and other receivables

Trade receivables are amounts due from tenants from providing services in the ordinary course of business. Trade receivables are classified as current assets if payment is due within one year or less. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, less impairment.

The Company maintains an allowance for doubtful accounts to provide for impairment of trade receivables. The expense relating to doubtful accounts is included within "operating costs" in the consolidated statement of loss and comprehensive loss.

Other receivables are amounts due from various sources in the ordinary course of business. Other receivables are classified as current assets if the payment is due within one year or less. Other receivables are recognized initially at fair value and subsequently measured at amortized cost, less impairment.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue recognition

The Company 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 recognition under a lease commences when the tenant has a right to use the leased asset.

Rental revenue from investment properties includes rents. All residential leases are for one year terms or less and revenue is recognized on a straight-line basis over the term of the lease, when collectability is reasonably assured.

Rental revenue includes payments received pursuant to Section 8 of the United States Housing Act of 1937, as amended, which authorizes the payment of rental housing assistance to private landlords on behalf of low-income households, and certain other government subsidies. These payments are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Finance costs

Finance costs comprise interest expense on borrowings and impairment losses, if any, recognized on financial assets.

Deferred share units

The Company's deferred share unit ("DSU") plan provides for grants to non-employee directors as a long-term incentive component of their compensation. DSU's vest immediately upon grant and are paid out in either cash or shares when a participant ceases to be a director of the Company. The DSUs are recorded as a liability at fair value at the date of grant. Each subsequent reporting period, the liability is updated to the period end fair value of the DSU's and changes are recorded as a deferred share unit compensation expense. The fair value of the DSU's are calculated based on the period ended share price of the Company.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income (loss) except for items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax basis, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in net income (loss) in the year of change.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Warrants classified as derivative financial instruments

The Company's warrants, all of which have a CAD exercise price, which were issued in connection with its loan and notes payable are all considered derivative financial instruments as the Company's functional currency is USD. The instruments are initially recognized at fair value and are subsequently remeasured at fair value at each reporting period with the change being recorded as part of profit and loss using the Black-Scholes option pricing model.

Share-based compensation

The fair value of options awarded to employees, directors, and lenders is measured using the Black-Scholes option pricing model and is recognized over the vesting periods in the consolidated statement of loss and comprehensive loss and in contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon exercise of the option, consideration received, together with the amount previously recognized in contributed surplus, is reclassified as an increase to share capital.

Income (loss) per share

Basic income (loss) per share is computed by dividing the net income (loss) applicable to common shares of the Company by the weighted average number of common shares outstanding for the period. Diluted income per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. When there is a loss, no potential shares are included in the computation of the denominator as they are anti-dilutive.

Statement of cash flows

The Company prepares its statement of cash flows using the indirect method. The Company classifies interest received and paid as part of operating activities in the statement of cash flows.

Significant estimates and judgements

The preparation of the consolidated financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and judgements. In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required.

The estimates and judgements used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

Allowance for doubtful accounts receivable and impairment of receivables
Assessment is made of the collectability of accounts receivable based on several factors including the credit risk of the counter-party and the age of the receivable. The allowance is assessed quarterly against the actual experience of unrecoverable accounts, and assumptions are adjusted if appropriate.

Investment properties and assets held for sale
Investment properties are re-measured at fair value at each reporting date. The values are determined annually by a combination of an internal valuation model and external appraisals. To value the investment properties, significant estimates are used in the calculations such as capitalization rates, inflation rates, vacancy rates, and Net Rental Income.

Convertible debentures and valuation of derivative financial instruments
The Company has issued convertible debentures that have an embedded derivative feature, relating to the forced conversion upon the Company completing a going public transaction while meeting certain financing requirements. The derivative financial instrument is valued at the estimated additional equity value to be received above the par value of the convertible debentures upon conversion. The Company was required to estimate the period of time until the convertible debentures will be converted as well as the value of the forced conversion option.

Share-based compensation
The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments on the date on which they are granted if the fair value of the goods or services received by the Company cannot be reliably estimated. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including expected life of the share-based payment, volatility and dividend yield, and making assumptions about them.

Deferred income taxes
Tax interpretations and regulations in the jurisdictions of operations are subject to change, and as such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable income. Judgment is required in determining the manner in which the carrying amounts will be recovered.

3. Future accounting policy changes

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2017 and have not been applied in preparing these consolidated financial statements. A summary of these standards is as follows:

IAS 7, "Statement of Cash Flows ("**IAS 7**"), has been amended by the IASB to introduce additional disclosure that will allow users to understand changes in liabilities arising from financing activities. This amendment to IAS 7 is effective for annual periods beginning on or after January 1, 2017. The Company will provide the additional disclosure starting with its financial statements for the period ending March 31, 2017.

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 liabilities. The amendments are effective for annual periods beginning on or after January 1, 2018 and are required to be applied in accordance with the standard. The Company intends to adopt IFRS 7 on its effective date and has not reviewed the effects of this future policy change.

IFRS 9 Financial Instruments **("IFRS 9**") was issued by the IASB in its final form in June 2014, and will replace IAS 39 Financial Instruments: Recognition and Measurement ("**IAS 39**"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company intends to adopt IFRS 9 on its effective date and has not reviewed the effects of this future policy change.

IFRS 15 Revenue from Contracts with Customers ("**IFRS 15**") was issued by the IASB in May, 2014. IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. The Company intends to adopt IFRS 15 on its effective date and has not reviewed the effects of this future policy change.

IFRS 16 - Leases ("**IFRS 16**"). IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 requirements. The effective date for IFRS 16 is January 1, 2019. The Company intends to adopt IFRS 16 on its effective date and has not reviewed the effects of this future policy change.

With respect to the above noted changes in accounting standards, it is not yet possible to determine the impact that these standards will have on the Company's audited consolidated financial statements. The Company anticipates that it will be in a position to report on these changes in next year's audited consolidated financial statements.

4. Investment properties

	December 31, 2016	December 31, 2015
	$	$
Balance, beginning of period	51,476,087	76,935,067
Additions:		
Property acquisitions	-	549,260
Building improvements	139,970	1,030,326
Investment properties disposed	-	(85,769)
Transfers to assets held for sale (note 17)	(9,588,050)	(24,927,646)
Fair value adjustments to investment properties	2,643,710	(2,025,151)
Balance, end of period	44,671,717	51,476,087

The investment properties as at December 31, 2016 consist of 66 mini-multifamily apartment units and 311 multifamily apartment units in six buildings located in Florida and Texas.

The Company determined the fair value of the investment properties using a combination of internal valuations and property appraisals. The key valuation assumptions for the properties are set out in the following table on a stabilized basis:

	December 31, 2016	December 31, 2015
Key Assumptions		
Capitalization Rate	5.25% - 6.0%	5.75%
Occupancy Rate	95% - 97%	96% - 97%
Market Rental Rates - Average Per Square Foot	$1.14 - $1.66	$1.02 - $1.68

The fair values of the Company's investment properties are sensitive to changes in key valuation assumptions. Changes in capitalization rates would result in a change in fair value of the Company's investment properties as set out in the following table:

	December 31, 2016	December 31, 2015
	$	$
Capitalization rate increase by 25 basis points	(1,989,938)	(1,558,274)
Capitalization rate decrease by 25 basis points	2,182,622	1,699,936

5. Equity Investments

On December 20, 2016, the Company closed on a joint venture investment that consists of eight multi-family buildings comprised of 127 residential units and two commercial units located in New York City. The purchase price for 100% of the joint venture investment was $38.4 million. The Company invested approximately $6.1 million in a combination of preferred equity ($4.6 million) and common equity ($1.5 million), which represents a blended 22.5% ownership interest. The preferred equity has a fixed rate of return of 8% per annum.

The Company has significant influence over this joint venture investment. Certain officers and directors of the Company have an indirect interest of approximately 14.6% of the preferred equity and 7.3% of the common equity in the joint venture investment.

Outlined below are the details of the Company's equity investment in the joint venture, along with the balance sheet and statement of income (each at 100% of the joint venture) and income allocation from the joint venture for the period ended December 31, 2016:

		December 31, 2016
Equity Accounted Investments, Beginning of Year	$	-
Investments		
- Preferred Equity		4,563,750
- Common Equity		1,521,250
Income Earned		
- Preferred Equity		11,004
- Common Equity		8,133
Equity Accounted Investments, End of Year	**$**	**6,104,137**

		December 31, 2016
Assets		
Cash	$	1,700,441
Accounts Receivable		108,603
Other Assets		187,927
Investment Properties		37,846,104
	$	**39,843,075**
Liabilities		
Accounts Payable	$	71,541
Security Deposits		153,462
Mortgages		22,882,359
	$	**23,107,362**
Equity		
Retained Earnings	$	35,713
Preferred Equity		10,020,000
Common Equity		6,680,000
	$	**16,735,713**
	$	**39,843,075**

		December 31, 2016
Net Income		
Rental Revenue	$	272,808
Property Operating Expenses		(25,600)
Net Rental Income		**247,208**
General & Administrative		(162,229)
Interest Expense		(25,108)
Net Income Before Preferred Equity Dividend	**$**	**59,871**
Less: Preferred Equity Dividend		(24,158)
Net Income	**$**	**35,713**
Income Earned by the Company		
Preferred Equity	$	11,004
Common Equity		8,132
	$	**19,136**

6. Property and equipment, net

The carrying amounts of the property and equipment as at December 31, 2016, and December 31, 2015, are as follows:

	Cost	Accumulated Depreciation	Net Book Value December 31, 2016	Net Book Value December 31, 2015
	$	$	$	$
Furniture and Equipment	108,738	(58,778)	49,960	37,393
	108,738	(58,778)	49,960	37,393

A continuity of the property and equipment balance is as follows:

	December 31, 2015	Reclassification	Depreciation	Dispositions	December 31, 2016
	$	$	$	$	$
Furniture and Equipment	37,393	37,468	(17,117)	(7,784)	49,960
Total	37,393	37,468	(17,117)	(7,784)	49,960

7. Notes payable

The balance of notes payable is comprised as follows:

	December 31, 2016	December 31, 2015
New Jersey Secured 5.5% Promissory Note	$ 2,917,459	$ 3,123,202
Senior Secured 7.5% Note	8,058,829	17,175,737
Notes Payable	**$ 10,976,288**	**$ 20,298,939**

New Jersey Secured Promissory Note

On May 1, 2014, the Company completed the acquisition of a portfolio of multifamily homes in New Jersey. As part of the acquisition, the Company issued secured promissory notes payable in the amount of $3,188,685. The promissory note is secured by a portfolio of multifamily homes located in New Jersey and allows for partial repayments as homes under the security are disposed. The promissory note matured on November 1, 2014, and bore no interest until the date on which the occupancy rate of the 91 units exceeded 90% at which point it started to bear interest of 5.5% per annum. On May 13, 2014, the portfolio reached 90% occupancy and interest on the promissory notes started to accrue. The acquisition was subject to a working capital adjustment, which was adjusted through the note payable.

On December 1, 2015, the Company signed an amendment to the promissory notes under which the Company agreed to work towards selling the investment properties securing the note, and upon completion of sale, proceeds would be used to repay the balances owing. As part of the amendment the maturity date of the promissory note was revised to the earlier of September 1, 2016, and the date on which the sale of all or part of the investment properties is completed and sufficient proceeds are applied to repay the promissory note. Subsequently, the promissory note was extended to September 1, 2017.

For the year ended December 31, 2016, the Company repaid approximately $0.3 million of the promissory notes.

Senior Secured $25,000,000 Financing

On June 4, 2012, the Company closed a private placement debt offering (the "Offering") comprised of 7.50% Senior Secured Notes (the "Notes"), due June 30, 2016. The Company contemporaneously entered into an Underwriting Agreement (the "Agreement") and a 7.50% Senior Secured Notes Trust Indenture Agreement (the "Indenture") which governs the Notes issuance. The Company raised a total amount of $25,000,000 under the Agreement by way of issuing 25,000 units, each unit consisting of: (i) one (1) $1,000 principal amount 7.50% Note issued pursuant to the Agreement and Indenture; and (ii) 154 common share purchase warrants of the Company. As the Company did not meet certain liquidity conditions within a specified time frame, the warrants are exercisable at CAD$1.18 and expire on June 3, 2017.

On issuance, the total instrument amount was allocated amongst the notes payable and the warrants. The financial liability portion was determined by calculating the fair value of the Notes using the expected discounted cash flows assuming a 9% discount rate. Accordingly, $23,751,941 was allocated to the Notes payable, which was their fair value on the date of issuance, less transaction costs of $1,871,417, and the residual amount of $1,248,059 was allocated to the warrants less transaction costs of $98,334.

On June 30, 2016, the Company signed an amending agreement to the Notes extending the maturity date to December 31, 2017.

For the year ended December 31, 2016, $9.4 million of the Notes ($7.5 million for the year ended December 31, 2015) principal amounts were repaid. In addition, early repayment penalties of nil ($0.06 million for the year ended December 31, 2015) and losses on extinguishment of debt of $0.05 million ($0.3 million for the year ended December 31, 2015) were recorded in these consolidated financial statements.

As at December 31, 2016, $608,504 (December 31, 2015 - $1,276,639) of the Company's restricted cash is held in trust on behalf of the noteholders. The funds held in trust are restricted to purchasing additional investment properties or repayment of the Notes.

8. Convertible debentures payable

$21,600,000 Convertible Debentures

During the year ended December 31, 2013, the Company completed a multi-tranche private placement financing raising gross proceeds of $21,600,000 through the issuance of unsecured subordinated convertible debentures (the "Debentures"). The Debentures bear interest at 7% per annum, payable quarterly and mature on July 31, 2018. The Debentures also hold a conversion feature which allows the holder to convert at any time after the Company becomes a publicly traded entity, at a price of $1.15 per common share (the "Conversion Price"). If the Company has a closing price of $2.00 or greater for a period of ten consecutive trading days, the debentures will automatically convert at the Conversion Price. The Company incurred transaction costs of $1,410,450.

The Company used the residual method to allocate the liability and equity portion of the convertible debenture. The Company allocated a fair value of $19,310,699 less transaction costs of $1,277,208 to the debt component and $2,289,301 less transaction costs of $133,242 to equity. The fair value of the liability was measured using a discounted cash flow method. In determining fair value of the liability, the Company applied an interest coupon of 10%.

On February 29, 2016, the Company, with the approval of the convertible debenture holders, agreed to convert 20% of the $21,600,000 convertible debentures into common shares at a price of $0.51 per common share for a total of 8,411,765 common shares issued. This reduced the total amount payable under the convertible debentures to $17,310,000.

The Company also amended the terms of the remaining convertible debenture such that the interest rate was reduced from 7% to 5.5% for a period of 12 months, following which the interest rate shall automatically revert back to 7% per annum. The maturity date of the convertible debentures was amended from July 31, 2018 to July 31, 2019. The remaining 80% of the Debentures will be repaid in cash from proceeds from the sale of single family homes after repayment of the Notes. Upon full repayment of the principal amount outstanding of the Notes, the Debentures shall be granted the same security over the assets and undertaking of the Company as was formerly held by Note holders so that the Debentures are no longer unsecured.

As at December 31, 2016, the Debentures balances was $16,296,118 (December 31, 2015 - $19,476,076).

9. Mortgages payable

	December 31, 2016	December 31 2015
	$	$
Mortgages payable	18,788,751	18,885,394
Less: current portion	(159,774)	(130,498)
	18,628,977	**18,754,896**

As at December 31, 2016 the Company had mortgages payable secured by the multi-family properties and 120 single family home properties of $18,788,751 (including the current portion and net of unamortized financing costs), which bear interest at an average rate of 4.24% per annum, and have maturity dates ranging between July 1, 2019 and June 1, 2023.

The following annual payments of principal and interest are required over the next five years in respect of the mortgages:

	$
2017	969,630
2018	1,084,234
2019	4,977,228
2020	871,967
2021	871,967
Thereafter	14,138,393
Total	**22,913,419**

10. Share capital

The Company is authorized to issue an unlimited number of Class A and Class B common shares. The Class A common shares are voting and entitle the holder to dividends as and when declared by the board of directors of the Company. The Class B common shares are non-voting, are convertible into Class A common shares on a one-to-one basis at the option of the holder and are entitled to receive the payment of dividends when declared by the board of directors of the Company. The common shares have no stated par value. The issued and outstanding common shares consists solely of Class A common shares.

The following is a summary of changes in common share capital:

	Number of shares	Value
		$
Balance at December 31, 2014	57,415,814	51,953,609
Cancellation of common shares (a)	(3,000,000)	(2,714,598)
Issuance of shares from conversion of deferred share units (b)	106,282	21,256
Balance at December 31, 2015	54,522,096	49,260,267
Issuance of shares from conversion of convertible debentures (c)	8,411,764	4,290,000
Loss on conversion of convertible debentures (c)	-	1,210,167
Issuance of shares from rights offering (d)	62,933,860	10,069,418
Less: Issue Costs	-	(109,452)
Balance at December 31, 2016	**125,867,720**	**64,720,400**

(a) In November, 2015, as part of the former CEO's resignation, 3,000,000 common shares were returned to treasury for cancellation at no cost.

(b) On December 15, 2015, upon the resignation of two directors of the Company, 106,282 common shares were issued as part of the conversion of DSU's.

(c) On February 29, 2016, the Company, with the approval of the convertible debenture holders, agreed to convert 20% of the $21,600,000 convertible debentures into common shares at a price of $0.51 per common share for a total of 8,411,764 common shares issued. This resulted on a loss on conversion of $902,353 and accretion expense of $398,887.

(d) On December 15, 2016, the Company issued 62,933,860 common shares of the Company at a price of $0.16 per share for total gross proceeds of approximately $10.0 million ($10.0 million net of closing costs) in the form of a Rights Offering to existing shareholders of the Company.

11. Share-based compensation

The Company has a 10% rolling incentive stock option plan which provides for the issuance of incentive stock options to directors, management, employees and consultants of the Company.

A continuity of the Company's stock options on a pre-share consolidation basis are as follows:

	Number of Options	Weighted Avg Exercise Price
Balance as at December 31, 2014	3,150,000	1.10
Options cancelled or expired	(300,000)	1.10
Balance as at December 31, 2015	2,850,000	$ 1.10
Options cancelled or expired	(800,000)	$ 1.10
Balance as at December 31 2016	2,050,000	$ 1.10

The estimated fair value of the options is expensed over the vesting period, within share-based compensation expense in the consolidated statements of loss and comprehensive loss. For the year ended December 31, 2016, $Nil (2015 – $Nil) share-based compensation expense was recorded for the fair value of stock options vested as the options fully vested during the year ended December 31, 2014. No options were issued during the year ended December 31, 2016. The options expire on May 12, 2019.

12. Warrants and derivative financial instruments

As at December 31, 2016, the Company's derivative financial instruments consist solely of warrants with an exercise price in CAD. Because the exercise price is denominated in a currency other than the Company's functional currency, the fair value of the exercise proceeds can vary due to foreign exchange rate fluctuations between CAD and USD in a prior year and the warrants are therefore considered a derivative financial instrument.

A continuity of the warrants liability and reserve are as follows:

	Number of warrants	Warrants liability	Warrants reserve	Weighted average exercise price
December 31, 2014	5,112,611	1,134,618	23,725	1.00
Expiry of warrants	(232,000)	-	-	CAD1.03
Revaluation of warrants		(1,062,003)		
December 31, 2015	4,880,611	72,615	23,725	0.84
Expiry of warrants	(100,006)			0.90
Revaluation of warrants	-	(67,120)	-	
December 31, 2016	4,780,605	5,495	23,725	$ 0.87

The warrants liability as at December 31, 2016, and December 31, 2015, were calculated using the Black Scholes option-pricing model. The key assumptions used in the model were; stock price of $0.18 (2015 - $0.285); exercise price ranging from $0.82 to $0.88 (2015 - $0.79 to $0.85); expected life ranging, in years, from 0.42 to 1.98 (2015 – 1.42 to 2.98); volatility of 60% (2015 - 60%); risk free rate of 0.73% (2015 – 0.48%); and no dividends.

The Company had the following warrants outstanding and exercisable on a pre-share consolidation basis as at December 31, 2016:

Issuance Date	Number of warrants	Weighted average exercise price	Expiry Date
June 4, 2012	3,850,000	$ 0.90	June 3, 2017
December 23, 2014	930,605	CAD$1.10	December 22, 2018
Total	4,780,605	$ 0.87	

13. Loss per share

	Year Ended December 31 2016	Year Ended December 31 2015
	$	$
Numerator		
Net loss from continuing operations before income taxes	(1,635,653)	(1,387,994)
Loss from discontinued operations before income taxes	(4,535,384)	(18,772,151)
Net loss and comprehensive loss for the year before income taxes	(6,171,037)	(20,160,145)
Income tax recovery (note 22)	(289,835)	(159,073)
Net loss and comprehensive loss for the year	(5,881,202)	(20,001,072)
Denominator		
Weighted average shares - basic (pre-share consolidation basis)	64,306,089	56,977,592
Weighted average shares - basic (post-share consolidation basis)	2,186,538	1,937,354
Basic and diluted loss per share (pre-share consolidation basis)		
From continuing operations	$ (0.02)	$ (0.02)
From discontinued operations	$ (0.07)	$ (0.33)
	$ (0.09)	$ (0.35)
Basic and diluted loss per share (post-share consolidation basis)		
From continuing operations	$ (0.62)	$ (0.62)
From discontinued operations	$ (2.07)	$ (9.69)
	$ (2.69)	$ (10.31)

During the years ended December 31, 2016, and 2015, the Company had warrants, stock options and DSUs outstanding which could potentially dilute basic loss per share, but which were excluded from the computation of diluted loss per share in the period presented, as their effect would have been anti-dilutive. The Company calculates weighted average shares based on the effective date of any share issuance or conversion.

14. Financial instruments and risk management

Risk management

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

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in the market prices and includes foreign currency and interest rate risk.

Foreign currency risk

The Company's operations are based principally in the United States of America, but it has exposure to foreign exchange risk from the CAD. Foreign exchange risk arises from the recognized financial assets and liabilities denominated in CAD. The following CAD amounts are presented in USD to demonstrate the effects of changes in foreign exchange rates:

	CAD
	$
Cash and cash equivalents	114,235
Accounts receivable	10,052
Accounts payable and accrued liabilities	(277,428)
Total	(153,141)
Effect of +/- 10% change in exchange rate	(15,314)

Interest rate risk

The Company is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates. As all mortgages, loans and notes payable bear interest at fixed rates, interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian and American financial institutions. The risk also exists of a change in interest rates when the Company is required to renew its debt. The Company's objective of managing interest rate risk is to minimize the volatility of earnings. Interest rate risk has been minimized as the mortgage has been financed at a fixed interest rate. As a result of debt not being subject to floating interest rates, changes in prevailing interest rates would not be expected to have a material impact on profit or loss.

Credit risk and concentration risk

Credit risk refers to the risk that a tenant or counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial instruments which are potentially subject to credit risk for the Company consists primarily of non-payment of accounts and other receivables. The Company mitigates this risk by monitoring the credit worthiness of its tenants. To ensure that tenants continue to meet their credit terms, the financial viability of tenants is kept under review. Credit risk, or the risk of a counterparty defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Where appropriate, the Company obtains security deposits as collateral.

The credit risk on cash is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the audited financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk.

The Company derives approximately 15% of its revenues from tenant subsidies received pursuant to Section 8 of the United States Housing Act of 1937, as amended, and certain other government subsidies.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations as they fall due. The Company's strategy is to satisfy its liquidity needs using cash on hand, cash flow generated from operating activities, cash flow provided by financing activities, and divestitures of long term assets.

Fair value

Fair value is 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. The fair value of the Company's cash and cash equivalents, restricted cash, accounts receivable, other receivables, promissory note receivable, notes payables and accounts payable and accrued liabilities are estimated by management to approximate their carrying values due to their short-term nature or lack of liquidity or market for comparable instruments.

The Company classifies its fair value measurements in accordance with the three levels fair value hierarchy as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following table summarizes information about financial assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position and categorized by level of significance of the inputs used in making the measurements:

December 31, 2016	Level 1	Level 2	Level 3
	$	$	$
Assets held for sale	-	-	24,911,959
Investment properties	-	-	44,671,717
Derivative financial instruments	-	(5,495)	-

There were no transfers between level 1 and 2 during the year ended December 31, 2016.

December 31, 2015	Level 1	Level 2	Level 3
	$	$	$
Assets held for sale	-	-	29,544,629
Investment properties	-	-	51,476,087
Derivative financial instruments	-	(72,615)	-

15. Capital risk management

The capital of the Company includes equity, which is comprised of issued share capital, contributed surplus, equity portion of convertible debentures, warrants, accumulated foreign currency translation reserve and deficit. The Company's objective when managing its capital, which was unchanged during the year, is to safeguard the ability to continue as a going concern in order to provide returns for its shareholders, and other stakeholders and to maintain a strong capital base to support the Company's core activities, the acquisition, ownership, management and rental of residential real estate properties.

Although the Company is not subject to any formal covenants, there are certain restrictions under the different debts and mortgages that the Company must target to stay in compliance with. The debt and mortgage holders have the option to enforce temporary restrictive measures against the Company if these targets are not met.

On October 2, 2015, as the Company did not meet certain restrictions on the $4,000,000 mortgage in Georgia, the mortgage administrator declared a trigger period. Under the trigger period, the Company will only receive a fixed amount of disbursement funds based on the 2016 budget, after payments are made for the tax escrow, insurance escrow, capex reserve and interest payments, and the remainder of funds will be held in trust until the Company meets certain debt service coverage ratios for three consecutive months, thus ending the trigger period. As at December 31, 2016, the trigger period had not ended.

16. Related party transactions

The Company has entered into the following transactions with related parties:

(i) On December 30, 2013, the Company was still pending approval for the transfer of a mortgage associated with a fourth multifamily property. The transaction to acquire the multifamily property was with a senior officer and director of the Company. The Company had paid $4,303,248 as a deposit on the acquisition of the property from the former CEO of the Company. A promissory note receivable was signed which bears interest at 7% payable quarterly and matured on December 30, 2015 related to this deposit. This has been presented as a promissory note receivable on the consolidated statement of financial position. On May 25, 2015, the Company had signed an interest bearing promissory note in the amount of $789,612 effective September 19, 2013, which bears interest at 7% per annum. The promissory note was issued in respect to the same property to fulfill the mortgagors' liquidity account requirements, which has been recorded as other assets.

The Company signed a revised promissory note on April 26, 2016, effective December 31, 2015 with the former CEO under which the $352,500 referenced in note 16(ii), was included in the promissory note, along with a 1% renewal fee of $22,614. The revised promissory note bears interest at 9% per annum, calculated and due monthly to June 30, 2016, and 10% thereafter to maturity February 28, 2017. The revised promissory note allows for a one month extension to March 31, 2017, at the borrowers request, provided that all accrued interest is paid in full. As at December 31, 2016 the remaining balance on the promissory note with the former CEO was $977,554 (December 31, 2015 - $2,284,030).

(ii) On December 30, 2013, the Company signed an advisory services agreement with a company controlled by the former CEO and director of the Company, where services were provided related to the multifamily properties that were acquired, including acting as a required guarantor on the mortgages payable. Under the terms of the agreement, the Company was paying $23,500 per month. This agreement was terminated effective March 31, 2015. It was agreed that $352,500 of the amount paid as an advisory fee would be repaid to the Company on or before June 30, 2016. This amount receivable has been rolled into the promissory note in note 16(i).

(iii) During the twelve month period ended December 31, 2016, the Company charged interest and renewal fees of $152,252 (2015 - $173,586), related to the promissory notes due from the former CEO, which was recorded as part of net finance costs.

(iv) During the twelve month period ended December 31, 2016, the Company charged $Nil (2015 - $25,831), netted against general and administrative expenses, to a company controlled by the former CEO related to assistance with the management of a multi-unit building not owned by the Company. The amount is equal to 1% of the multi-unit building's revenue. As of October 31, 2015, the Company is no longer engaged to provide these services.

(v) On November 1, 2015, The Company has entered into a Management Agreement with Firm Capital Realty Partners Advisors Inc. (the "**Manager**"). Under the terms of the Agreement, the Manager provides a number of services to the Company, and is entitled to certain fees payable monthly, as follows:

a. Asset Management Fee: 0.75% of the Gross Invested Assets of the Company,

b. Acquisition Fee:
- i. 1.0% of the first $300 million of aggregate Gross Book Value in respect of Properties acquired in a particular year; and thereafter
- ii. 0.75% of aggregate Gross Book Value in respect of Properties acquired in such year.

c. Performance Incentive Fees: 15% of Adjusted Funds from Operation ("AFFO") once AFFO exceeds 8.0% of Net Asset Value ("**NAV**") per share.

d. Placement Fees: 0.25% of the aggregate value of all debt and equity financing arranged by the Manager.

e. Property Management Fees:
- i. Multi-unit residential properties with 120 units or less, 4.0% of Gross Revenue collected from the property;

ii. Multi-unit residential properties with more than 120 units. 3.5% of Gross Revenue collected from the property.

iii. **I**ndustrial or commercial property, 4.25% of Gross Revenue are collected from the property; provided, however, that for such properties with a single tenant 3.0% of Gross Revenue collected from the property.

f. **Commercial Leasing Fees:** 3.0% of the net rental payments for the first year of the lease, and 1.5% of the net rental payments for each year during 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, the Manager shall be entitled to reduced commission equal to 50% of the foregoing amounts with respect to such property**.**

g. **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 the Manager shall be subject to a 0.50% commission on the net rental payments for each year of the renewed lease. When a long-term listing agreement is in effect for leasing and marketing of space with a party other than the Manager, the Manager shall cooperate fully with the broker and the leasing fees will not be payable to the Manager.

h. **Construction Development Property Management Fees:** Where the Manager is requested by the Company to construct tenant improvements or to renovate same, or where the Manager is requested by the Company to construct, modify, or re-construct improvements to, or on, the Properties (collectively, "**Capital Expenditures**"), the Manager shall receive 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 wherein the total cost of such Capital Expenditures exceed $50,000.

i. **Loan Servicing Fees:** 0.25% per annum on the principal amount of each Mortgage Investment (other than syndicated loans serviced by third parties). The Loan Servicing Fee will be calculated as spread interest and deducted from the first interest received on a mortgage investment. Mortgage servicing fees will be payable as to 1/12 monthly based on the receipt of interest payments from borrowers. Loan Servicing Fees will not be payable in respect of the Company's cash balances or Non-Performing Loans held by the Company, except that the Manager shall be entitled to retain any overnight float interest on all accounts maintained by the Manager in connection with the servicing of the Company's Mortgage Investments. The Manager will retain all overnight float interest and related loan servicing fees as charged such as advance fees, discharge statement fees, realty tax escrow account charges, late payment and dishonoured payment charge fees, and all other such fees as charged by a loan servicing agent. This will only apply to the Mortgage Investments of the Company.

j. **Origination, Commitment & Discharge Fees and Profit Sharing Fees:** The Manager shall remit to the Company:

i. 25% of all originating fees, commitment fees and renewal fees it receives from borrowers on mortgages it originates for the Company (prorated to reflect the Company's participation in the investment). The Manager will retain 100% of all originating fees, commitment fees, renewal fees and will remit 25% of such fees to the Company calculated on the Company's investment amount; and

ii. 75% of any profit sharing, discharge fees, participation fees and profit made on discounted debt that the Mortgage Banker receives in respect of all Non-Conventional Mortgages and Special Profit Transactions it originates for the Company (with a 8.0% annual preferential return to be given to the Company on the Company's investment amount prior to the Manager receiving its share of such fees). The Manager shall retain 100% of all servicing charges paid by borrowers which are not identified above, including, without limitation, discharge statement administration fees and all fees identified.

k. **Term and Termination:** Initial term of ten years with automatic renewal for successive five year terms. The Company may terminate the Agreement any time after November 1, 2025 other than for cause upon the approval of two-thirds of the votes cast by shareholders at a meeting and upon 24 months prior written notice. Upon termination, the Company shall pay to the Manger the following:

i. 2% of the Gross Invested Assets of the Properties and the Company's other assets; and
ii. any amounts which would have been earned by the Manager under the Agreement for the uncompleted portion of the term (the "**Termination Payment**").

Early termination by either party in the event that shareholder approval is not obtained or Management Changeover is not completed on or before December 31, 2016, in which case no Termination Payment shall be payable.

As at December 31, 2016, the Company expensed approximately $813,855 (December 31, 2105 – nil) in the form of asset and property management fees and capitalized approximately $25,174 in placement fees in shareholder's equity. The Company accrued $613,856 (December 31, 2015 - $Nil) under this Management Agreement which is included in accounts payable and accrued liabilities.

Key management compensation

Key management personnel are comprised of the Company's directors and executive officers. Key management personnel compensation is as follows:

	December 31, 2016	**December 31, 2015**
	$	$
Salaries, incentives, short-term benefits and board fees	181,974	405,733
	181,974	405,733

17. Assets and liabilities held for sale and discontinued operations

As at December 31, 2016, the Company had 449 single family home units and 484 single family home units as at December 31, 2015 located in Florida, Georgia and New Jersey classified as held for sale and discontinued operations. These units were classified as held for sale and discontinued operations as the Company is actively marketing and intends to sell these properties within one year.

	December 31, 2016	**December 31, 2015**
	$	$
Balance, beginning of period	29,544,629	25,231,804
Transfers from investment properties (note 4)	9,588,050	24,927,646
Building Improvements	161,936	486,894
Dispositions	(10,941,219)	(7,935,810)
Fair value adjustments to assets held for sale	(3,441,437)	(13,165,905)
Assets held for sale	24,911,959	29,544,629
Liabilities		
Accounts payable and other liabilities	286,673	288,529
Liabilities related to assets held for sale	286,673	288,529

The Company's results of its single family home units classified as assets held for sale and discontinued operations are detailed in note 21 of these consolidated financial statements.

The net cash flows associated with discontinued operations are as follows:

	December 31, 2016	December 31, 2015
	$	$
Operating activities	(1,485,407)	(2,777,228)
Investing activities	10,779,283	7,534,685
Financing activities	-	-
Net cash inflow	9,293,876	4,757,457

18. Provisions

As at December 31, 2016, the Company had notices for outstanding fines and penalties relating to liens totaling approximately $1,000,850 (December 31, 2015 - $7,023,371) placed by municipal authorities relating to various code violations pertaining to some of the Florida Investment properties. The Company is in the process of rectifying the outstanding issues. Based on experience and discussion with advisors specializing in the code violations, the Company expects to settle the penalties and fines for approximately $40,034 (December 31, 2015 - $327,243), and has accrued this amount in these financial statements.

19. General and administrative

	December 31, 2016	December 31, 2015
	$	$
General and administrative	1,075,132	638,409
Salaries and wages	640,693	755,572
Travel	8,522	14,459
Total	1,724,347	1,408,440

20. Deferred share units

On March 31, 2015, the Company adopted a deferred share unit plan. Under the terms of the plan, any units issued must be issued at a share price which is a minimum of the volume weighted average trading price of the shares on the TSXV for the five days trading immediately preceding the date on which the deferred share units ("DSUs") are granted. Dividend equivalents are awarded in respect of DSU holders on the same basis as shareholders, and credited to the DSU holders account as additional DSUs. The maximum DSUs which may be awarded under the DSU plan shall not exceed 10% of the issued and outstanding common shares. The DSU plan is designed such that the board may elect to pay out the DSUs in either cash or common shares of the Company.

On July 15, 2015, the Company granted non-employee directors an aggregate of 221,000 DSUs (pre-share consolidation basis) at a deemed price of approximately $0.60 per unit (pre-share consolidation basis) for a total value of $132,700. The effective value per DSUs was $0.34 per unit (pre-share consolidation basis) based upon the underlying share price at the date of issuance.

On November 12, 2015, the Company granted non-employee directors an aggregate of 56,836 DSUs (pre-share consolidation basis) at a deemed price of approximately $0.40 per unit (pre-share consolidation basis) for a total value of $22,681 to directors of the Company. The effective value per DSUs was $0.19 per unit (pre-share consolidation basis) based upon the underlying share price at the date of issuance.

On December 15, 2015, two non-employee directors resigned and their 106,282 DSU's (pre-share consolidation basis) were converted into common shares of the Company (note 10).

For the year ended December 31, 2016, the Company recorded an expense on the deferred share unit compensation of $4,289 and a gain of $ 18,013, reflecting a reduction in the share price of the Company. As at December 31, 2016, 171,554 DSUs (pre-share consolidation basis) remained outstanding at a value of $30,880.

21. Segmented information

The Company defines its reportable segments based on geographical locations and single family versus multi-family buildings. The corporate segment has been provided to reconcile the reportable segments to the consolidated results.

The segmented information based on geographical and asset types are as follows:

	Georgia	Florida	New York /New Jersey	Texas	Corporate	Total
Year Ended December 31, 2016	$	$	$	$	$	$
Rental revenue	1,371,442	3,166,076	1,113,928	1,868,888	-	7,520,334
Operating costs	(1,101,124)	(1,609,132)	(764,627)	(370,745)	-	(3,845,628)
Utilities	(36,658)	(338,924)	(183,973)	(112,605)	-	(672,160)
Property taxes	(258,149)	(588,699)	(282,095)	(215,690)	-	(1,344,633)
Net rental income	(24,489)	629,320	(116,767)	1,169,848	-	1,657,912
Income From Equity Investments	-	-	19,136	-	-	19,136
General and administrative	-	-	-	-	(1,724,347)	(1,724,347)
Professional fees	-	-	-	-	(242,972)	(242,972)
Finance costs	-	-	-	-	(3,834,301)	(3,834,301)
Depreciation and amortization	-	-	-	-	(17,117)	(17,117)
Segment income (loss) from operations	(24,489)	629,320	(97,631)	1,169,848	(5,818,737)	(4,141,689)
Foreign exchange gain	-	-	-	-	31,409	31,409
Fair value adjustments	(1,024,348)	(633,351)	(719,668)	1,579,640	-	(797,727)
Gain on disposition of property and equipment	-	-	-	-	8,295	8,295
Loss on early extiniguishment of debt	-	-	-	-	(454,105)	(454,105)
Deferred share unit compensation	-	-	-	-	18,013	18,013
Fair value gain on derivative financial instruments	-	-	-	-	67,120	67,120
Loss on Conversion of debentures	-	-	-	-	(902,353)	(902,353)
Net income (loss) before income taxes	(1,048,837)	(4,031)	(817,299)	2,749,488	(7,050,358)	(6,171,037)
Income tax (recovery)	-	-	-	-	(289,835)	(289,835)
Net income (loss) for the period	(1,048,837)	(4,031)	(817,299)	2,749,488	(6,760,522)	(5,881,202)

	Georgia	Florida	New York /New Jersey	Texas	Corporate	Total
As at December 31, 2016						
Total current assets	15,049,910	4,882,650	6,644,182	302,784	5,834,661	32,714,187
Total non-current assets	-	25,721,050	6,104,137	18,950,667	49,960	50,825,814
Total liabilities	(3,977,777)	(8,468,422)	(236,768)	(7,291,590)	(28,857,995)	(48,832,552)

	Georgia	Florida	New York /New Jersey	Texas	Corporate	Total
Year Ended December 31, 2015	$	$	$	$	$	$
Rental revenue	1,773,309	3,308,557	1,111,493	1,769,397	-	7,962,756
Operating costs	(1,292,256)	(2,657,243)	(834,591)	(295,752)	-	(5,079,842)
Utilities	(48,466)	(435,753)	(183,488)	(102,181)	-	(769,888)
Property taxes	(226,528)	(697,057)	(245,123)	(183,286)	-	(1,351,994)
Net rental income	206,059	(481,496)	(151,709)	1,188,178	-	761,032
Income From Equity Investments	-	-	-	-		-
General and administrative	-	-	-	-	(1,408,440)	(1,408,440)
Professional fees	-	-	-	-	(136,842)	(136,842)
Finance costs	-	-	-	-	(5,102,756)	(5,102,756)
Depreciation and amortization	-	(21,485)	-	-	-	(21,485)
Segment income (loss) from operations	206,059	(502,981)	(151,709)	1,188,178	(6,648,038)	(5,908,491)
Transaction costs	-	-	-	-	(14,240)	(14,240)
Foreign exchange gain	-	-	-	-	139,880	139,880
Fair value adjustments of investment properties	(7,796,780)	(7,086,084)	(1,021,830)	713,638	-	(15,191,056)
Loss on early extiniguishment of debt	-	-	-	-	(333,473)	(333,473)
Deferred share unit compensation					85,232	85,232
Fair value gain on derivative financial instruments	-	-	-	-	1,062,003	1,062,003
Net income (loss) before income taxes	(7,590,721)	(7,589,065)	(1,173,539)	1,901,816	(5,708,636)	(20,160,145)
Income (tax) recovery expense	-	-	-	-	159,073	159,073
Net income (loss) for the year	(7,590,721)	(7,589,065)	(1,173,539)	1,901,816	(5,549,563)	(20,001,072)

	Georgia	Florida	New York /New Jersey	Texas	Corporate	Total
As at December 31, 2015						
Total current assets	17,687,507	14,652,923	224,247	344,464	2,058,653	34,967,794
Total non-current assets	-	26,738,828	7,443,400	17,331,252	868,915	52,382,395
Total liabilities	(3,994,874)	(8,998,692)	(714,877)	(7,444,485)	(40,760,930)	(61,913,858)

	Single	Multi-Family	Equity Investment	Corporate	Total
Year Ended December 31, 2016	$	$		$	$
Rental revenue	2,903,672	4,616,662	-	-	7,520,334
Operating costs	(2,906,933)	(938,695)	-	-	(3,845,628)
Utilities	(322,213)	(349,947)	-	-	(672,160)
Property taxes	(768,472)	(576,161)	-	-	(1,344,633)
Net rental income	(1,093,947)	2,751,859	-	-	1,657,912
Income From Equity Investments	-	-	19,136	-	19,136
General and administrative	-	-	-	(1,724,347)	(1,724,347)
Professional fees	-	-	-	(242,972)	(242,972)
Finance costs	-	-	-	(3,834,301)	(3,834,301)
Depreciation and amortization	-	-	-	(17,117)	(17,117)
Segment income (loss) from operations	(1,093,947)	2,751,859	19,136	(5,818,737)	(4,141,689)
Foreign exchange gain	-	-	-	31,409	31,409
Fair value adjustments of investment properties	(3,441,437)	2,643,710	-	-	(797,727)
Gain on disposition of property and equipment	-	-	-	8,295	8,295
Loss on early extiniguishment of debt	-	-	-	(454,105)	(454,105)
Deferred share unit compensation	-	-	-	18,013	18,013
Fair value gain on derivative financial instruments	-	-	-	67,120	67,120
Loss on Conversion of debentures	-	-	-	(902,353)	(902,353)
Net income (loss) before income taxes	(4,535,384)	5,395,569	19,136	(7,050,359)	(6,171,037)
Income tax (recovery)	-	-	-	(289,835)	(289,835)
Net income (loss) for the period	(4,535,384)	5,395,569	19,136	(6,760,523)	(5,881,202)

	Single	Multi-Family	Equity Investment	Corporate	Total
As at December 31, 2016					
Total current assets	25,874,206	1,005,320	-	5,834,661	32,714,187
Total non-current assets	-	44,671,717	6,104,137	49,960	50,825,814
Total liabilities	(4,525,198)	(15,449,359)	-	(28,857,995)	(48,832,552)

	Single	Multi-Family	Equity Investment	Corporate	Total
Year Ended December 31, 2015	$	$	$	$	$
Rental revenue	4,108,645	3,854,111	-	-	7,962,756
Operating costs	(4,416,192)	(663,650)	-	-	(5,079,842)
Utilities	(483,465)	(286,423)	-	-	(769,888)
Property taxes	(880,851)	(471,143)	-	-	(1,351,994)
Net rental income	(1,671,863)	2,432,895	-	-	761,032
Income From Equity Investments	-	-	-	-	-
General and administrative	-	-	-	(1,408,440)	(1,408,440)
Professional fees	-	-	-	(136,842)	(136,842)
Finance costs	-	-	-	(5,102,756)	(5,102,756)
Depreciation and amortization	(21,485)	-	-	-	(21,485)
Segment income (loss) from operations	(1,693,348)	2,432,895	-	(6,648,038)	(5,908,491)
Transaction costs	-	-	-	(14,240)	(14,240)
Foreign exchange gain	-	-	-	139,880	139,880
Fair value adjustments of investment properties	(17,078,803)	1,887,747	-	-	(15,191,056)
Loss on early extiniguishment of debt	-	-	-	(333,473)	(333,473)
Deferred share unit compensation			-	85,232	85,232
Fair value gain on derivative financial instruments	-	-	-	1,062,003	1,062,003
Net income (loss) before income taxes	(18,772,151)	4,320,642	-	(5,708,636)	(20,160,145)
Income (tax) recovery expense	-	-	-	159,073	159,073
Net income (loss) for the year	(18,772,151)	4,320,642	-	(5,549,563)	(20,001,072)

	Single	Multi-Family	Equity Investment	Corporate	Total
As at December 31, 2015					
Total current assets	32,240,134	669,007	-	2,058,653	34,967,794
Total non-current assets	14,093,727	37,419,753	-	868,915	52,382,395
Total liabilities	(5,644,044)	(15,508,884)	-	(40,760,930)	(61,913,858)

22. Income Taxes

(a) Income tax expense

The reconciliation of the combined Canadian federal and provincial statutory tax rate of 26.5% to the effective tax rates for the years ended December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
	$	$
Net loss before recovery of items	(6,171,037)	20,160,145
Expected income tax recovery	(1,635,325)	(5,342,438)
Difference in foreign tax rates	(659,836)	(1,849,908)
Tax rate changes and other adjustments	(700,270)	1,577,476
Permanent differences	251,264	(1,064,573)
Unrealized foreign exchange	11,763	(24,838)
Changes in tax benefits not recognized	2,442,569	6,545,208
Income tax recovery	(289,835)	(159,073)

(b) Deferred taxes

The following table summarizes the components of recognized deferred taxes:

	December 31, 2016	December 31, 2015
Deferred tax assets	$	$
Other Assets	37,584	-
Non-capital losses carried forward	6,537,126	5,838,405
	6,574,710	5,838,405
Deferred tax liabilities		
Assets held for sale and investment properties	(6,440,406)	(5,656,910)
Equity investment	(7,215)	-
Notes payable and mortgages	(35,851)	(85,930)
Convertible debenture	(268,679)	(562,840)
	(6,752,151)	(6,305,680)
Net deferred income tax liabilities	(177,441)	(467,275)

Movement in net deferred tax liabilities:

	December 31, 2016	December 31, 2015
	$	$
Balance, beginning of year	(467,275)	(626,348)
Recognized in profit/loss	289,834	159,073
Balance, end of year	(177,441)	(467,275)

(c) Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible differences:

	December 31, 2016	December 31, 2015
	$	$
Capital losses carried forward - Canada	1,704,937	704,644
Non-capital losses carried forward - Canada	26,431,475	23,507,275
Share issuance costs	886,650	2,744,412
Other temporary differences	1,144,732	363,543

The non-capital loss carry forwards expire between 2026 and 2036. Share issuance costs will be fully amortized in 2020. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The company has unrecorded non-capital losses for US branch purposes of approximately $23.2 million which will expire between 2031 and 2036. However, as there is no future tax value expected to be realized from US branch losses, no deferred tax assets have been recognized for these loss carry-forwards.

23. Subsequent events

i. Disposition of Assets Held For Sale

Subsequent to quarter end, the Company closed sales on 44 single family home units for gross proceeds of approximately $2.7 million (net proceeds of approximately $2.3 million).

ii. Senior Secured Notes

Subsequent to quarter end, the Company repaid an additional $3.2 million of the Notes. As a result, the Note balance currently stands at approximately $4.9 million.

iii. New Jersey Secured Promissory Note

Subsequent to quarter end, the Company repaid $0.4 million of the New Jersey Secured Promissory Note.

iv. Promissory Note

The Company signed a revised promissory note effective January 1, 2017 with the former CEO. The revised promissory note bears interest at 11% per annum, calculated and due monthly from January 1, 2017 through to maturity on March 31, 2017.

v. Investment

On January 18, 2017, the Company closed on a joint venture investment that consists of eight multi-family buildings comprised of 115 residential units located in the Washington, DC area with a strong local partner. The purchase price for 100% of the investment was $9.8 million. The Company invested $1.0 million in a combination of preferred equity ($0.7 million) and common equity ($0.3 million), which represents a blended 25% ownership interest. The preferred equity has a fixed rate of return of 8% per annum.

vi. Share Consolidation

On February 3, 2017, the Company completed the consolidation of its issued and outstanding common shares on the basis of one (1) post-consolidation common share for every 29.41 pre-consolidation common shares.

vii. Changes in Senior Management and Directors

On February 27, 2017, the Company announced the appointment of Kursat Kacira as President, Chief Executive Officer and a Director of the Company. On January 12, 2017, the Company announced the appointment of Sandy Poklar as Chief Financial Officer of the Company.

On March 20, 2017, Romeo DeGasperis resigned from the Board of Directors and Geoffrey Bledin was appointed to the audit committee.