Condensed Consolidated Interim Financial Statements of

Firm Capital American Realty Partners Corp.

Three and nine months ended September 30, 2017 and 2016 (Unaudited)

(Expressed In US Dollars)

(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The management of Firm Capital American Realty Partners Corp. (the "Company") is responsible for the preparation of the accompanying condensed consolidated interim financial statements. The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the consolidated financial position, financial performance and cash flows of the Company.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor. These condensed consolidated interim financial statements include all adjustments, consisting of normal and recurring items that management considers necessary for a fair presentation of the consolidated financial position, financial performance and cash flows.

"Kursat Kacira"

Kursat Kacira

Chief Executive Officer

"Sandy Poklar"

Sandy Poklar

Chief Financial Officer

November 8, 2017

Firm Capital American Realty Partners Corp.

Consolidated Balance Sheet
(Expressed in US Dollars)
(Unaudited)

	September 30, 2017	December 31, 2016 (Audited)
Assets	$	$
Current assets		
Cash and cash equivalents	1,143,840	4,520,508
Restricted cash	1,782,899	1,686,152
Accounts receivable	240,556	378,126
Other assets	2,104	51,520
Prepaid expenses	165,349	188,368
Promissory note receivable (note 18(i))	101,318	977,554
Assets held for sale (note 19)	16,090,768	24,911,959
Total current assets	19,526,834	32,714,187
Non-current assets		
Investment properties (note 4)	42,068,960	44,671,717
Equity investments (note 5)	12,599,788	6,104,137
Property and equipment, net (note 6)	11,981	49,960
Total non-current assets	54,680,729	50,825,814
Total assets	74,207,563	83,540,001
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,908,875	2,230,872
Provisions (note 20)	-	40,034
Mortgages payable (note 9)	270,497	159,774
Notes payable (note 7)	145,467	10,976,288
Derivative financial instruments (note 13)	-	5,495
Deferred share unit liabilities (note 22)	40,016	30,880
Liabilities associated with assets held for sale (note 19)	380,400	286,673
Total current liabilities	2,745,255	13,730,016
Non-current liabilities		
Mortgages payable (note 9)	18,442,925	18,628,977
Convertible debentures payable (note 8)	12,762,332	16,296,118
Deferred tax liability	10,950	177,441
Total non-current liabilities	31,216,207	35,102,536
Total liabilities	33,961,462	48,832,552
Shareholders' Equity		
Share capital (note 11)	69,783,889	64,720,400
Derivative financial instruments (notes 12 and 13)	1,050,307	23,725
Contributed surplus	4,049,888	4,049,888
Equity portion of convertible debentures (note 8)	1,242,017	1,242,017
Accumulated foreign currency translation reserve	3,331,940	3,331,940
Deficit	(39,211,940)	(38,660,519)
Total shareholders' equity	40,246,101	34,707,449
Total liabilities and shareholders' equity	74,207,563	83,540,001

Subsequent Events (note 24)
See accompanying Notes to Condensed Consolidated Interim Financial Statements

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

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

Firm Capital American Realty Partners Corp.

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
Three and Nine Month Period Ended September 30, 2017 and 2016
(Expressed in US Dollars)
(Unaudited)

	Three months ended		Nine months ended	
	September 30 2017	September 30 2016	September 30 2017	September 30 2016
	$	$	$	$
Revenue				
Rental	1,110,477	1,019,181	3,515,653	3,003,638
Operating expenses				
Operating costs	416,924	201,631	1,072,347	673,788
Utilities	89,580	81,189	296,067	235,838
Property taxes	152,204	120,047	488,145	362,054
Total operating expenses	658,708	402,867	1,856,559	1,271,680
Net rental income	451,769	616,314	1,659,093	1,731,958
Income from equity investments (note 5)	152,723	-	253,900	-
General and administrative (note 21)	314,725	401,767	1,103,016	1,309,232
Professional fees	37,858	74,820	115,375	217,207
Net finance costs	774,378	827,235	2,439,353	3,058,790
Depreciation (note 6)	7,185	-	17,511	-
	1,134,146	1,303,822	3,675,255	4,585,229
Net loss before other income (expenses) and income taxes	(529,654)	(687,508)	(1,762,261)	(2,853,271)
Other income (expenses)				
Foreign exchange gain	67,628	(15,658)	215,075	(12,116)
Fair value adjustments of investment properties (note 4)	-	948,287	1,346,353	1,905,905
Loss on extinguishment of debt (note 7)	-	-	-	(454,105)
Share based compensation (notes 12,13 and 22)	(481,748)	(4,289)	(485,751)	18,013
Fair value gain on derivative financial instruments (note 13)	15,944	(978)	34,179	67,120
Gain/(Loss) on conversion of convertible debentures (note 8)	-	-	-	(902,353)
Gain on disposition of investment properties	117,945	-	117,945	-
Gain on disposition of property and equipment	-	-	-	8,295
Total other income (expenses)	(280,231)	927,362	1,227,801	630,759
Net income/(loss) from continuing operations before income taxes	(809,885)	239,854	(534,461)	(2,222,512)
Net income/(loss) from discontinued operations before income taxes	319,221	(1,806,899)	(87,267)	(3,343,421)
Net income/(loss) and comprehensive income/(loss) before income taxes	(490,664)	(1,567,045)	(621,728)	(5,565,933)
Income tax (recovery)/expense	(131,760)	4,546	(166,491)	(4,724)
Net loss and comprehensive loss	(358,904)	(1,571,591)	(455,237)	(5,561,209)
Basic and diluted net income / (loss) per share				
From continuing operations (note 14)	$ (0.16)	$ 0.12	$ (0.11)	$ (1.06)
From discontinued operations (note 14)	$ 0.09	$ (0.87)	$ 0.02	$ (1.59)
	$ (0.07)	$ (0.76)	$ (0.10)	$ (2.65)

See accompanying Notes to Condensed Consolidated Interim Financial Statements

Firm Capital American Realty Partners Corp.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
Nine Months Ended September 30, 2017 and 2016
(Expressed in US Dollars)
(Unaudited)

	Share capital	Derivative Financial Instruments	Contributed surplus	Equity portion of convertible debentures	Accumulated foreign currency translation reserve	Deficit	Total
	$	$	$	$	$	$	$
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 Convertible Debentures conversion (note 11(a))	5,500,167	-	-	(307,814)	-	-	5,192,353
Net loss for the period	-	-	-	-	-	(5,561,209)	(5,561,209)
Balance at September 30, 2016	54,760,434	23,725	4,049,888	1,242,017	3,331,940	(38,340,529)	25,067,475
Issuance of shares from Rights Offering (note 11(b))	9,959,966	-	-	-	-	-	9,959,966
Net loss for the period	-	-	-	-	-	(319,990)	(319,990)
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
Issuance of shares from Equity Offering (note 11(c))	5,802,508						5,802,508
Issuance of warrants from Equity Offering (notes 11(c) and 13)	-	573,692	-	-	-	-	573,692
Issuance of options (notes 12 and 13)	-	476,615	-	-	-	-	476,615
Issuance costs	(739,019)	-	-	-	-	-	(739,019)
Expiration of warrants	-	(23,725)	-	-		-	(23,725)
Net loss for the period	-	-	-	-	-	(455,237)	(455,237)
Dividends (note 15)	-	-	-	-	-	(96,186)	(96,186)
Balance at September 30, 2017	69,783,889	1,050,307	4,049,888	1,242,017	3,331,940	(39,211,940)	40,246,101
Shares Outstanding	5,129,919						

See accompanying Notes to Condensed Consolidated Interim Financial Statements

Firm Capital American Realty Partners Corp.

Condensed Consolidated Interim Statement of Cash Flows
Three and Nine Months Ended September 30, 2017 and 2016
(Expressed in US Dollars)
(Unaudited)

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	$	$	$	$
Operating activities				
Net income / (loss) from continuing operations before income taxes	(809,885)	239,854	(534,461)	(2,222,512)
Net income/(loss) from discontinued operations before income taxes	319,221	(1,806,899)	(87,267)	(3,343,421)
Income tax recovery / (expense)	131,760	(4,546)	166,491	4,724
Net loss and comprehensive loss	(358,904)	(1,571,591)	(455,237)	(5,561,209)
Add (Deduct):				
Depreciation (note 6)	7,185	591	17,511	9,552
Accretion expense	264,905	156,334	596,255	761,794
Fair value adjustments of investment properties (note 4)	114,675	510,781	(557,604)	739,043
Share based compensation (notes 12,13 and 22)	481,748	4,289	485,751	(18,013)
Fair value gain on derivative financial instruments (note 13)	(15,944)	978	(34,179)	(67,120)
Gain on disposition of investment properties	(117,945)	-	(117,945)	-
Loss on early conversion of debentures (note 8)	-	-	-	902,353
Gain on disposition of property and equipment	-	-	-	(8,295)
Loss on early extinguishment of debt	-	-	-	55,218
Deferred taxes	(131,760)	4,546	(166,491)	(4,724)
Changes in non-cash operating working capital:				
Accounts receivable	228,129	(45,048)	137,570	(13,927)
Other assets	1,423	(186,019)	49,416	(269,392)
Prepaid expenses	(27,089)	153,450	23,019	230,529
Accounts payable and accrued liabilities	(432,418)	108,932	(288,836)	477,354
Provisions	-	(56,868)	(40,034)	(240,518)
Total operating activities	14,005	(919,625)	(350,804)	(3,007,355)
Investing activities				
Acquisition of equity investments, net of distributions (note 5)	(5,502,213)	-	(6,536,712)	-
Capital expenditures on investment properties (note 4 and 19)	(648,899)	(11,706)	(974,981)	(301,906)
Acquisition of property and equipment (note 6)	-	-	-	(915)
Proceeds from disposition of assets held for sale (note 19)	6,728,950	1,536,124	13,107,422	6,260,586
Proceeds from disposition of property and equipment	-	79	-	16,079
Total investing activities	577,838	1,524,497	5,595,729	5,973,844
Financing activities				
Loss on early extinguishment of debt	-	-	-	491,340
Proceeds from equity and warrant issuances, net of issue costs (note 11(c))	(17,808)	-	5,630,243	-
Warrant expiration	(23,725)	-	(23,725)	-
Proceeds from promissory note receivable (note 18(i))	184,881	410,533	876,236	876,045
Repayment of notes payable (note 7)	(1,966,728)	(779,000)	(10,857,271)	(6,021,130)
Repayment of convertible debentures	(4,075,000)	-	(4,075,000)	-
Repayment of mortgages (note 9)	(24,693)	(7,954)	(75,329)	(72,511)
Total financing activities	(5,923,073)	(376,421)	(8,524,846)	(4,726,256)
Increase / (Decrease) in cash and cash equivalents and restricted cash	(5,331,230)	228,451	(3,279,921)	(1,759,767)
Cash and cash equivalents and restricted cash, beginning of period	8,257,969	900,003	6,206,660	2,888,221
Cash and cash equivalents and restricted cash, end of period	2,926,739	1,128,454	2,926,739	1,128,454
Consisting of:				
Cash and cash equivalents	1,143,840	998,680	1,143,840	998,680
Restricted cash	1,782,899	129,774	1,782,899	129,774
Non-cash Transactions				
Conversion of Convertible Debentures for Common Shares	-	-	-	4,290,000

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." The Company trades on the TSX Venture Exchange ("**TSXV**") under the trading symbols "FCA.U" and "FCA". 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. 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. 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 November 8, 2017.

2. Basis of preparation

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting ("IAS 34") as issued by the IASB and, except as described in Note 3(b), follow the same accounting policies and methods of application as the annual consolidated financial statements of the Company for the year ended December 31, 2016. These condensed consolidated interim financial statements do not contain all disclosures required by IFRS and accordingly should be read in conjunction with the 2016 audited annual consolidated financial statements and the notes thereto.

Basis of presentation

The condensed consolidated interim 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).

Basis of measurement

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

Basis of consolidation

The condensed consolidated interim 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 until control ceases.

Functional currency

The functional currency of the Company and all of its subsidiaries' is the US Dollar ("USD").

3. Accounting policy changes

(a) 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, 2018 and have not been applied in preparing these consolidated financial statements. A summary of these standards is as follows:

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.

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.

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.

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.

With respect to the above noted changes in accounting standards, the Company is in the process of assessing the impact that these standards will have on the condensed consolidated interim financial statements. The Company will be in a position to report on these changes and impacts in this year's audited consolidated financial statements.

(b) *New changes in accounting policy*

A new amendment to standard IAS 7 – Statement of Cash Flows ("IAS 7") became effective for annual periods beginning on or after January 1, 2017 and has been applied in preparing these condensed consolidated interim financial statements. A summary of this amendment is as follows:

IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2016. The amendment enhances disclosure requirements to aid financial statement users in evaluating the changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes in financial assets and the offsetting of financial assets and liabilities.

Please refer to note 10 of these condensed consolidated interim financial statements for the disclosures required by this amendment.

(Expressed in US Dollars unless Otherwise Noted)

4. Investment properties

	September 30, 2017	December 31, 2016
	$	$
Balance, beginning of period	44,671,717	51,476,087
Additions:		
Building improvements	150,889	139,970
Transfers to assets held for sale (note 19)	(4,100,000)	(9,588,050)
Fair value adjustments to investment properties	1,346,353	2,643,710
Balance, end of period	42,068,960	44,671,717

The investment properties as at September 30, 2017 consist of 311 multifamily apartment units in three buildings located in Florida and Texas.

During the period ended September 30, 2017, the Company completed a disposition of its entire Florida mini-multi portfolio for gross cash proceeds (before transaction costs) of approximately $4.2 million. As a result, the Company reclassified them to assets held for sale.

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

	September 30, 2017	December 31, 2016
Key Assumptions		
Capitalization rate	5.25% - 5.50%	5.25% - 6.0%
Occupancy rate	97%	95% - 97%
Weighted average net rental income	$ 888,380	780,829

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:

	September 30, 2017	December 31, 2016
	$	$
Capitalization rate increase by 25 basis points	(1,887,900)	(1,989,938)
Capitalization rate decrease by 25 basis points	2,075,000	2,182,622

5. Equity Investments

On December 20, 2016, the Company closed 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 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 22.5% ownership interest. The preferred equity has a fixed rate of return of 8% per annum.

On January 18, 2017, the Company closed a joint venture investment that consists of eight multi-family buildings comprised of 115 residential units located in the Washington, DC area. 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 25% ownership interest. The preferred equity has a fixed rate of return of 8% per annum.

(Expressed in US Dollars unless Otherwise Noted)

On August 16, 2017, the Company closed a joint venture investment that consists of fourteen multi-family buildings comprised of 462 residential units located in Bridgeport, Connecticut. The purchase price for 100% of the investment was $30.5 million. The company invested approximately $5.1 million in a combination of preferred equity ($3.8 million) and common equity ($1.3 million), which represents a 50% ownership interest. The preferred equity has a fixed rate of return of 9% per annum.

The Company has significant influence over these joint venture investments as further outlined below:

New York City: Certain officers and directors of the Company have an indirect interest or management oversight of approximately 14.6% of the preferred equity and 7.3% of the common equity in the joint venture investment;

Washington DC: Certain officers and directors of the Company have an indirect interest or management oversight of approximately 40.0% of the preferred equity and 20.0% of the common equity in the joint venture investment.

Bridgeport, Connecticut: Certain officers and directors of the Company have an indirect interest or management oversight of approximately 18.0% of the preferred equity and 9.0% 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 September 30, 2017 with comparable figures for the period ended December 31, 2016:

	Sept 30, 2017	December 31, 2016
Equity Accounted Investments, Beginning of Period	$ 6,104,137	$ -
Investments		
- Preferred Equity	4,471,957	4,563,750
- Common Equity	1,810,856	1,521,250
Income Earned		
- Preferred Equity	356,240	11,004
- Common Equity	(102,341)	8,133
Less: Distributions	(41,061)	-
Equity Accounted Investments, End of Period	**$ 12,599,788**	**$ 6,104,137**

(Expressed in US Dollars unless Otherwise Noted)

	Sept 30, 2017	December 31, 2016
Assets		
Cash	$ 5,019,672	$ 1,700,441
Accounts Receivable	375,299	108,603
Other Assets	524,897	187,927
Investment Properties	79,876,613	37,846,104
	$ 85,796,481	**$ 39,843,075**
Liabilities		
Accounts Payable	$ 1,107,880	$ 71,541
Security Deposits	590,375	153,462
Mortgages	54,617,807	22,882,359
	$ 56,316,062	**$ 23,107,362**
Equity		
Retained Earnings / (Deficit)	$ (495,581)	$ 35,713
Preferred Equity	17,698,262	10,020,000
Common Equity	12,277,738	6,680,000
	$ 29,480,419	**$ 16,735,713**
	$ 85,796,481	**$ 39,843,075**
Investment Allocation for the Company		
Preferred Equity	$ 9,035,707	$ 4,563,750
Common Equity	3,332,107	1,521,250
	$ 12,367,814	**$ 6,085,000**

	Three Months Ended Sept 30, 2017	Nine Months Ended Sept 30, 2017
Net Income		
Rental Revenue	$ 1,457,339	$ 3,008,271
Property Operating Expenses	(569,925)	(1,403,754)
Net Rental Income	**887,414**	**1,604,518**
General & Administrative	(111,271)	(240,740)
Interest Expense	(482,266)	(1,086,794)
Net Income Before Preferred Equity Dividend	**$ 293,877**	**$ 276,984**
Less: Preferred Equity Dividend	(301,757)	(751,157)
Net Income	**$ (7,880)**	**$ (474,173)**
Income Earned by the Company		
Preferred Equity	$ 149,390	$ 356,240
Common Equity	3,333	(102,340)
	$ 152,723	**$ 253,900**

6. Property and equipment, net

The carrying amounts of the property and equipment as at September 30, 2017, and December 31, 2016, are as follows:

(Expressed in US Dollars unless Otherwise Noted)

	Cost	Accumulated Depreciation	Net Book Value September 30, 2017	Net Book Value December 31, 2016
	$	$	$	$
Furniture and Equipment	108,738	(96,757)	11,981	49,960
	108,738	(96,757)	11,981	49,960

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

	December 31, 2016	Depreciation	Reclassification	September 30, 2017
	$	$	$	$
Furniture and Equipment	49,960	(17,511)	(20,468)	11,981
Total	49,960	(17,511)	(20,468)	11,981

7. Notes payable

The balance of notes payable is comprised as follows:

	September 30, 2017	December 31, 2016
New Jersey Secured 5.5% Promissory Note	$ 145,467	$ 2,917,459
Senior Secured 7.5% Note	-	8,058,829
Notes Payable	**$ 145,467**	**$ 10,976,288**

New Jersey Secured Promissory Note

On May 1, 2014, the Company completed the acquisition of a portfolio of multi-family homes in New Jersey. As part of the acquisition, the Company issued a secured promissory note payable in the amount of $3,188,685. The promissory note is secured by a portfolio of multi-family homes located in New Jersey and allows for partial repayments as homes under the security are disposed of. The promissory note originally matured on November 1, 2014.

On December 1, 2015, the Company signed an amendment to the promissory note 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 December 31, 2017.

For the nine month period ended September 30, 2017, the Company repaid approximately $2.7 million of the promissory note (September 30, 2016 - Nil).

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) 5 common share purchase warrants of the Company. As the Company did not meet certain liquidity conditions within a specified time frame, the warrants were exercisable at CAD$34.70 and expired 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.

(Expressed in US Dollars unless Otherwise Noted)

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

For the nine month period ended September 30, 2017, the Company repaid approximately $8.1 million of the Notes (September 30, 2016 - $6.0 million).

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 $33.82 per common share (the “Conversion Price”). If the Company has a closing price of $58.82 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 $15.00 per common share for a total of 286,017 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 reverted 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 September 30, 2017, the Debentures balance was $12,762,332 (December 31, 2016 - $16,296,118).

9. Mortgages payable

	September 30, 2017	December 31, 2016
Mortgages payable	$ 18,713,422	$ 18,788,751
Less: current portion	(270,497)	(159,774)
	$ 18,442,925	**$ 18,628,977**

As at September 30, 2017 the Company had mortgages payable secured by the multi-family properties and 120 single family home properties of $18,713,422 (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:

(Expressed in US Dollars unless Otherwise Noted)

	$
2017 (remainder of)	313,204
2018	1,084,234
2019	4,977,228
2020	871,967
2021	871,967
Thereafter	14,138,393
Total	22,256,993

10. Changes in net debt

The following table sets out an analysis of the movements in net debt for the period ended September 30, 2017:

	Cash & Cash Equivalents	Mortgages	Convertible Debentures	Notes Payable	Net Debt
	$	$	$	$	$
As at December 31, 2016	6,206,660	(18,788,751)	(16,296,118)	(10,976,288)	(39,854,497)
Cash Flows	(3,161,057)	75,329	4,075,000	10,857,271	11,846,543
Non Cash Changes	(118,864)	-	(541,214)	(26,450)	(686,528)
As at September 30, 2017	2,926,739	(18,713,422)	(12,762,332)	(145,467)	(28,694,482)

11. Share capital

The Company is authorized to issue an unlimited number of common shares. The common shares are voting and entitle the holder to dividends as and when declared by the board of directors of the Company. The following is a summary of changes in common share capital:

	Number of shares	Value
Balance at December 31, 2015	1,853,862	$ 49,260,267
Issuance of shares from conversion of convertible debentures (a)	286,018	4,290,000
Loss on conversion of convertible debentures (a)	-	1,210,167
Balance at September 30, 2016	2,139,880	$ 54,760,434
Issuance of shares from rights offering (b)	2,139,879	10,069,418
Less: Issue Costs	-	(109,452)
Balance at December 31, 2016	4,279,759	$ 64,720,400
Issuance of shares from equity offering (c)	850,160	5,802,508
Less: Issue Costs	-	(739,019)
Balance at September 30, 2017	5,129,919	$ 69,783,889

(a) 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 $15.00 per common share for a total of 286,017 common shares issued. This resulted on a loss on conversion of $902,353 and accretion expense of $398,887.

(b) On December 15, 2016, the Company issued 2,139,879 common shares at a price of $4.71 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.

(c) On May 29, 2017, the Company issued 850,160 common shares at a price of $7.50 per share (CAD$10.24 per share based on the Bank of Canada daily noon rate of exchange of 1.36535 as of May 10, 2017). The Company raised total gross proceeds of approximately $6.3 million. Net of the value of the warrants as further described in note 13(a) of these condensed consolidated interim financial statements, the common shares had a value of approximately $5.8 million upon issuance.

(Expressed in US Dollars unless Otherwise Noted)

12. 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.

As at September 30, 2017, the Company has 507,159 options issued and outstanding (December 31, 2016 – 69,704) at a $10.92 weighted average exercise price per share (December 31, 2017 - $32.35). Further details around the outstanding balances are detailed in note 13(b) of these condensed consolidated interim financial statements.

13. Derivative financial instruments

As at September 30, 2017, the Company's derivative financial instruments consisting of options and warrants. The exercise price for the options are in USD and the exercise price for the warrants are in both USD and CAD. Because some of the warrants have an exercise price that 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 and the warrants are therefore considered a derivative financial instrument.

Warrants

(a) A continuity of the warrants liability and reserve is as follows:

	Number of warrants	Warrants reserve		Weighted average exercise price
December 31, 2015	165,950	23,725	$	25.00
Revaluation/expiry of warrants	(3,400)	-		CAD $26.47
December 31, 2016	162,550	23,725	$	25.71
Issuance of warrants (note 13(a))	850,160	573,692	$	8.50
Revaluation/expiry of warrants	(130,908)	(23,725)	$	26.05
September 30, 2017	881,802	573,692	$	8.87

The warrant reserve as at September 30, 2017, and December 31, 2016, was calculated using the Black Scholes option-pricing model. The key assumptions used in the model were; stock price of $6.86 (2016 - $5.29); exercise price ranging from $8.50 to CAD$24.29 (2016 - $24.12 to $24.70); expected life ranging, in years, from 1.2 to 2.7 (2016 – 0.67 to 2.2); 30% volatility (2016 - 60%); risk free rate of 1.57% (2016 – 0.73%); and annual dividends of $0.225 per share.

The Company had the following warrants outstanding and exercisable as at September 30, 2017:

Issuance date	Number of warrants		Weighted average exercise price	Expiry date
December 23,2014	31,642		CAD $24.29	December 22, 2018
May 29, 2017	850,160	$	8.50	May 29, 2020
Total / weighted average	881,802	$	8.87	

(i) On May 29, 2017, the Company issued 850,160 Warrants to participants in the common share offering as described in note 11(c) of these condensed consolidated interim financial statements. The Warrants have an exercise price of $8.50 per warrant and expire on May 29, 2020.

(Expressed in US Dollars unless Otherwise Noted)

Options

(b) A continuity of the option liability and reserve is as follows:

	Number of options	Options reserve	Weighted average exercise price
December 31, 2016	69,704	-	$ 32.35
Issuance of Options (note 13(b)(i))	437,455	476,615	$ 7.50
September 30, 2017	507,159	476,615	$ 10.92

The option reserve as at September 30, 2017, was calculated on the issuance date using the Black Scholes option-pricing model. The key assumptions used in the model were; stock price of $6.20; exercise price of $7.50; expected life of approximately 10 years; volatility of 30%; risk free rate of 1.69%; and dividends of $0.225 per share.

(i) On August 17, 2017, the Company issued 437,455 Options to members of senior management and the board. The Options have an exercise price of $7.50 per warrant and expire on August 17, 2027.

14. Net income / (loss) per share

	Three Months Ended Sept 30, 2017	Three Months Ended Sept 30, 2016	Nine Months Ended Sept 30, 2017	Nine Months Ended Sept 30, 2016
	$	$	$	$
Net income / (loss) from continuing operations before income tax recovery	(809,885)	239,854	(534,461)	(2,222,512)
Net income/(loss) from discontinued operations before income tax recovery	319,221	(1,806,899)	(87,267)	(3,343,421)
Net income /(loss) and comprehensive income/(loss) before income taxes	(490,664)	(1,567,045)	(621,728)	(5,565,933)
Income tax (recovery) / expense	(131,760)	4,546	(166,491)	(4,724)
Net income/(loss) and comprehensive income/(loss)	(358,904)	(1,571,591)	(455,237)	(5,561,209)
Weighted average shares - basic	5,129,919	2,077,248	4,665,913	2,101,301
Basic and diluted net income / (loss) per share				
From continuing operations	$ (0.16)	$ 0.12	$ (0.11)	$ (1.06)
From discontinued operations	$ 0.09	$ (0.87)	$ 0.02	$ (1.59)
	$ (0.07)	$ (0.76)	$ (0.10)	$ (2.65)

15. Dividends

For the nine months ended September 30, 2017, dividends of $0.01875 per common share were declared for shareholders of record on September 30, 2017, payable on October 16, 2017, resulting in total dividends of $96,186.

16. 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 other assets	87,546
Accounts payable and accrued liabilities	(200,217)
Total	(112,671)
Effect of +/- 10% change in exchange rate	(11,267)

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 mortgages have been financed at fixed interest rates. 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 condensed consolidated interim 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 or settle a liability in an orderly transaction between market participants at the measurement date. The fair values of the Company's cash and cash equivalents, restricted cash, accounts receivable, other receivables, and accounts payable and accrued liabilities are estimated by management to approximate their carrying values due to their short-term nature.

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

(Expressed in US Dollars unless Otherwise Noted)

- 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 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:

September 30, 2017	**Level 1**	**Level 2**	**Level 3**
	$	$	$
Assets held for sale	-	-	16,090,768
Investment properties	-	-	42,068,960
Equity investments	-	-	12,599,788
Derivative financial instruments	-	-	-

There were no transfers between level 1 and 2 during the nine period ended September 30, 2017.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**
	$	$	$
Assets held for sale	-	-	24,911,959
Investment properties	-	-	44,671,717
Equity investments	-	-	6,104,137
Derivative financial instruments	-	(5,495)	-

17. 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 period, 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 as discussed in note 1 of these condensed consolidated interim financial statements.

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 2017 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.

18. Related party transactions

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

(i) 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 18(ii) of the condensed consolidated interim financial statements, was included in the promissory note, along with a 1% renewal fee of $22,614. The revised promissory note previously bore interest at 9% per annum, calculated and due monthly to June 30, 2016, and 10% thereafter to maturity February 28, 2017, which was subsequently increased to 11%. The revised promissory note allowed for a one month extension to March 31, 2017, at the borrower's request, provided that all accrued interest is paid in full. However, on May 3, 2017, the former CEO and the Company agreed to a further amended and restated promissory note that increased the interest rate to 12.5% on the outstanding balance and extended the maturity date to February 1, 2018 effective April 1, 2017. On July 13, 2017, the Company signed a revised promissory note effective July 11, 2017 with the former CEO. The revised promissory note bears interest at 13.5% per annum, calculated and due monthly from July 11, 2017 through to the new maturity date of February 1, 2018. As at September 30, 2017 the remaining balance on the promissory note with the former CEO was $101,318 (December 31, 2016 - $977,554).

(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 18(i).

(iii) On November 1, 2015, The Company has entered into a Management Agreement with Firm Capital Realty Partners Advisors Inc. (the "**Manager**"), an entity related to a director of the Company. 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.

(Expressed in US Dollars unless Otherwise Noted)

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 Manager 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**").

For the nine months ended September 30, 2017, the Company has paid approximately $1,062,591 (September 30, 2016 - $530,831) in the form of asset, property, loan servicing, acquisition, placement and construction development property management fees. The Company has accrued $579,530 (December 31, 2016 - $613,856) 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:

	Sept 30, 2017	**Sept 30, 2016**
	$	$
Salaries, incentives, short-term benefits and board fees	166,500	191,680
	166,500	191,680

19. Assets held for sale

As at September 30, 2017, the Company had 200 single family homes comprised of 265 units (December 31, 2016 – 449 units) located in Florida, Georgia and New Jersey. These units were classified as held for sale as the Company is actively marketing and intends to sell these properties within one year.

(Expressed in US Dollars unless Otherwise Noted)

	September 30, 2017	December 31, 2016
	$	$
Balance, beginning of period	24,911,959	29,544,629
Transfers from investment properties (note 4)	4,100,000	9,588,050
Building Improvements	824,092	161,936
Dispositions	(12,942,802)	(10,941,219)
Fair value adjustments to assets held for sale	(802,481)	(3,441,437)
Assets held for sale	16,090,768	24,911,959
Liabilities		
Accounts payable and other liabilities	380,400	286,673
Liabilities related to assets held for sale	380,400	286,673

During the period ended September 30, 2017, the Company completed a disposition of its entire Florida mini-multi portfolio for gross cash proceeds (before transaction costs) of approximately $4.2 million. As a result, the Company had previously valued these properties at their net forecasted cash proceeds and reclassified them to assets held for sale.

20. Provisions

As at September 30, 2017, the Company had outstanding fines and penalties relating to liens totaling $Nil (December 31, 2016 - $1,000,850) placed by municipal authorities relating to various code violations pertaining to some of the Florida investment properties. The liability was settled during 2017. As such, there is no liability on these condensed consolidated interim financial statements for the period ended September 30, 2017.

21. General and administrative

	Three Months Ended Sept 30, 2017	Three Months Ended Sept 30, 2016	Nine Months Ended Sept 30, 2017	Nine Months Ended Sept 30, 2016
	$	$	$	$
General and administrative	271,630	131,570	969,002	317,952
Salaries and wages	43,095	270,197	134,014	991,280
Total	314,725	401,767	1,103,016	1,309,232

22. Deferred share units

On March 31, 2015, the Company adopted a deferred share unit ("DSU") 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 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.

23. 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 outlined below:

Note: *New York Tri State Area defined as New York, New Jersey and Connecticut.

Firm Capital American Realty Partners Corp.

Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in US Dollars unless Otherwise Noted)
For the nine months ended September 30, 2017 and 2016
(Unaudited)

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
Nine month period ended Sept 30, 2017	$	$	$	$	$	$	$
Rental revenue	856,367	2,235,107	-	688,054	1,386,523		5,166,052
Operating costs	(163,438)	(963,957)	-	(114,241)	(249,819)	-	(1,491,456)
Utilities	(80,421)	(226,793)	-	(107,211)	(87,913)	-	(502,336)
Property taxes	(167,912)	(286,415)	-	(183,670)	(173,689)	-	(811,685)
Net rental income	444,596	757,942	-	282,933	875,102	-	2,360,575
Income From Equity Investments	-	-	84,585	169,315	-	-	253,900
General and administrative	-	-	-	-	-	(1,103,016)	(1,103,016)
Professional fees	-	-	-	-	-	(115,375)	(115,375)
Finance costs	-	-	-	-	-	(2,439,353)	(2,439,353)
Depreciation and amortization	-	-	-	-	-	(17,511)	(17,511)
Segment income (loss) from operations	444,596	757,942	84,585	452,247	875,102	(3,675,255)	(1,060,780)
Foreign exchange gain	-	-	-	-	-	215,075	215,075
Fair value adjustments of properties	(155,987)	724,314	-	(99,813)	89,091	-	557,604
Share based compensation	-	-	-	-	-	(485,751)	(485,751)
Gain on disposition of investment properties	-	117,945	-	-	-	-	117,945
Fair value gain on derivative financial instruments	-	-	-	-	-	34,179	34,179
Net income (loss) before income taxes	288,609	1,600,201	84,585	352,434	964,193	(3,911,751)	(621,728)
Income tax (recovery)	-	-	-	-	-	(166,491)	(166,491)
Net income (loss) for the period	288,609	1,600,201	84,585	352,434	964,193	(3,745,260)	(455,237)

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
Nine month period ended Sept 30, 2016	$	$	$	$	$	$	$
Rental revenue	1,023,383	2,393,490	-	819,203	1,381,170	-	5,617,246
Operating costs	(891,756)	(1,200,547)	-	(712,018)	(334,168)	-	(3,138,489)
Utilities	(26,212)	(238,753)	-	(135,661)	(83,359)	-	(483,985)
Property taxes	(183,800)	(415,399)	-	(207,251)	(145,285)	-	(951,735)
Net rental income	(78,385)	538,791	-	(235,727)	818,358	-	1,043,037
General and administrative	-	-	-	-	-	(1,309,232)	(1,309,232)
Professional fees	-	-	-	-	-	(217,207)	(217,207)
Finance costs	-	-	-	-	-	(3,058,790)	(3,058,790)
Depreciation and amortization	-	(9,552)	-	-	-	-	(9,552)
Segment income (loss) from operations	(78,385)	529,239	-	(235,727)	818,358	(4,585,229)	(3,551,744)
Foreign exchange gain	-	-	-	-	-	(12,116)	(12,116)
Fair value adjustments of investment properties	(324,296)	(1,590,900)	-	(403,487)	1,579,640	-	(739,043)
Gain on disposition of property and equipment	-	8,295	-	-	-	-	8,295
Loss on early extinguishment of debt	-	-	-	-	-	(454,105)	(454,105)
Share based 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	(402,681)	(1,053,366)	-	(639,214)	2,397,998	(5,868,670)	(5,565,933)
Income (tax) recovery expense	-	-	-	(4,724)	-	-	4,724
Net income (loss) for the period	(402,681)	(1,053,366)	-	(643,938)	2,397,998	(5,868,670)	(5,561,209)

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
As at Sept 30, 2017							
Total current assets	10,984,200	1,580,829	-	5,290,138	323,534	1,348,133	19,526,834
Total non-current assets	-	22,878,313	1,012,500	11,587,288	19,190,648	11,981	54,680,729
Total liabilities	(4,104,144)	(8,364,914)	-	(195,839)	(7,192,629)	(14,103,937)	(33,961,462)

(Expressed in US Dollars unless Otherwise Noted)

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
Three month period ended Sept 30, 2017	$	$	$	$	$	$	$
Rental revenue	293,347	668,357	-	165,523	461,813		1,589,040
Operating costs	52,868	(353,341)	-	51,363	(41,527)	-	(290,637)
Utilities	(43,026)	(65,064)	-	(23,185)	(31,797)	-	(163,072)
Property taxes	(47,515)	(101,780)	-	(42,714)	(57,657)	-	(249,666)
Net rental income	255,675	148,172	-	150,986	330,832	-	885,665
Income From Equity Investments	-	-	54,493	98,230	-	-	152,723
General and administrative	-	-	-	-	-	(314,725)	(314,725)
Professional fees	-	-	-	-	-	(37,858)	(37,858)
Finance costs	-	-	-	-	-	(774,378)	(774,378)
Depreciation and amortization	-	-	-	-	-	(7,185)	(7,185)
Segment income (loss) from operations	255,675	148,172	54,493	249,216	330,832	(1,134,146)	(95,758)
Foreign exchange gain	-	-	-	-	-	67,628	67,628
Fair value adjustments of properties	(114,675)	-	-	-	-	-	(114,675)
Share based compensation	-	-	-	-	-	(481,748)	(481,748)
Gain on disposition of property and equipment	-	117,945	-	-	-	-	117,945
Fair value gain on derivative financial instruments	-	-	-	-	-	15,944	15,944
Net income (loss) before income taxes	141,000	266,116	54,493	249,216	330,832	(1,532,322)	(490,664)
Income tax (recovery)	-	-	-	-	-	(131,760)	(131,760)
Net income (loss) for the period	141,000	266,116	54,493	249,216	330,832	(1,400,562)	(358,904)

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
Three month period ended Sept 30, 2016	$	$	$	$	$	$	$
Rental revenue	286,038	790,020	-	248,048	470,365	-	1,794,471
Operating costs	(203,357)	(427,018)	-	(361,831)	(112,271)	-	(1,104,477)
Utilities	(20,041)	(45,355)	-	(40,543)	(26,556)	-	(132,495)
Property taxes	(51,168)	(138,658)	-	(50,636)	(47,963)	-	(288,425)
Net rental income	11,472	178,989	-	(204,962)	283,575	-	269,074
General and administrative	-	-	-	-	-	(401,767)	(401,767)
Professional fees	-	-	-	-	-	(74,820)	(74,820)
Finance costs	-	-	-	-	-	(827,235)	(827,235)
Depreciation and amortization	-	(591)	-	-	-	-	(591)
Segment income (loss) from operations	11,472	178,398	-	(204,962)	283,575	(1,303,822)	(1,035,339)
Foreign exchange loss	-	-	-	-	-	(15,658)	(15,658)
Fair value adjustments of investment properties	(2,561,930)	847,041	-	-	1,204,108	-	(510,781)
Share based compensation	-	-	-	-	-	(4,289)	(4,289)
Fair value gain on derivative financial instruments	-	-	-	-	-	(978)	(978)
Net income (loss) before income taxes	(2,550,458)	1,025,439	-	(204,962)	1,487,683	(1,324,747)	(1,567,045)
Income tax expense	-	-	-		-	(4,546)	(4,546)
Net income (loss) for the period	(2,550,458)	1,025,439	-	(204,962)	1,487,683	(1,329,293)	(1,571,591)

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
As at Sept 30, 2016							
Total current assets	16,877,416	8,454,302	-	7,357,234	280,237	1,551,541	34,520,730
Total non-current assets	-	24,581,626	-	-	18,950,667	-	43,532,293
Total liabilities	(3,864,732)	(8,925,245)	-	(793,417)	(7,272,449)	(32,129,705)	(52,985,548)

(Expressed in US Dollars unless Otherwise Noted)

	Single	Multi-Family	Equity Investment	Corporate	Total
Nine month period ended Sept 30, 2017	$	$		$	$
Rental revenue	1,650,399	3,515,653	-		5,166,052
Operating costs	(419,109)	(1,072,347)	-	-	(1,491,456)
Utilities	(206,269)	(296,067)	-	-	(502,336)
Property taxes	(323,540)	(488,145)	-	-	(811,685)
Net rental income	701,481	1,659,093	-	-	2,360,575
Income From Equity Investments	-	-	253,900	-	253,900
General and administrative	-	-	-	(1,103,016)	(1,103,016)
Professional fees	-	-	-	(115,375)	(115,375)
Finance costs	-	-	-	(2,439,353)	(2,439,353)
Depreciation and amortization	-	-	-	(17,511)	(17,511)
Segment income (loss) from operations	701,481	1,659,093	253,900	(3,675,255)	(1,060,780)
Foreign exchange gain	-	-	-	215,075	215,075
Fair value adjustments of investment properties	(788,749)	1,346,353	-	-	557,604
Share based compensation	-	-	-	(485,751)	(485,751)
Gain on disposition of investment properties	-	117,945	-	-	117,945
Fair value gain on derivative financial instruments	-	-	-	34,179	34,179
Net income (loss) before income taxes	(87,267)	3,123,391	253,900	(3,911,752)	(621,728)
Income tax recovery	-	-	-	(166,491)	(166,491)
Net income (loss) for the period	(87,267)	3,123,391	253,900	(3,745,261)	(455,237)

	Single	Multi-Family	Equity Investment	Corporate	Total
Nine month period ended Sept 30, 2016	$	$	$	$	$
Rental revenue	2,613,608	3,003,638	-	-	5,617,246
Operating costs	(2,464,701)	(673,788)	-	-	(3,138,489)
Utilities	(248,147)	(235,838)	-	-	(483,985)
Property taxes	(589,681)	(362,054)	-	-	(951,735)
Net rental income	(688,921)	1,731,958	-	-	1,043,037
General and administrative	-	-	-	(1,309,232)	(1,309,232)
Professional fees	-	-	-	(217,207)	(217,207)
Finance costs	-	-	-	(3,058,790)	(3,058,790)
Depreciation and amortization	(9,552)		-	-	(9,552)
Segment income (loss) from operations	(698,473)	1,731,958	-	(4,585,229)	(3,551,744)
Foreign exchange gain	-	-	-	(12,116)	(12,116)
Fair value adjustments of investment properties	(2,644,948)	1,905,905	-	-	(739,043)
Gain on disposition of property and equipment	-	8,295	-	-	8,295
Loss on early extinguishment of debt	-	-	-	(454,105)	(454,105)
Share based 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	(3,343,421)	3,646,158	-	(5,868,670)	(5,565,933)
Income tax recovery		-	-	4,724	4,724
Net income (loss) for the period	(3,343,421)	3,646,158	-	(5,863,946)	(5,561,209)

	Single	Multi-Family	Equity Investment	Corporate	Total
As at Sept 30, 2017					
Total current assets	16,858,969	1,319,730	-	1,348,133	19,526,834
Total non-current assets	-	42,068,960	12,599,788	11,981	54,680,729
Total liabilities	(4,312,953)	(15,544,572)	-	(14,103,937)	(33,961,462)

Firm Capital American Realty Partners Corp.

Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in US Dollars unless Otherwise Noted)
For the nine months ended September 30, 2017 and 2016
(Unaudited)

	Single	Multi-Family	Equity Investment	Corporate	Total
Three month period ended Sept 30, 2017	$	$		$	$
Rental revenue	478,563	1,110,477	-	-	1,589,040
Operating costs	126,287	(416,924)	-	-	(290,637)
Utilities	(73,492)	(89,580)	-	-	(163,072)
Property taxes	(97,462)	(152,204)	-	-	(249,666)
Net rental income	433,896	451,769	-	-	885,665
Income From Equity Investments	-	-	152,723	-	152,723
General and administrative	-	-	-	(314,725)	(314,725)
Professional fees	-	-	-	(37,858)	(37,858)
Finance costs	-	-	-	(774,378)	(774,378)
Depreciation and amortization	-	-	-	(7,185)	(7,185)
Segment income (loss) from operations	433,896	451,769	152,723	(1,134,146)	(95,758)
Foreign exchange gain	-	-	-	67,628	67,628
Fair value adjustments of properties	(114,675)	-	-	-	(114,675)
Share based compensation	-	-	-	(481,748)	(481,748)
Gain on disposition of property and equipment	-	117,945	-	-	117,945
Fair value gain on derivative financial instruments	-	-	-	15,944	15,944
Net income (loss) before income taxes	319,221	569,714	152,723	(1,532,322)	(490,664)
Income tax expense	-	-	-	(131,760)	(131,760)
Net income (loss) for the period	319,221	569,714	152,723	(1,400,562)	(358,904)

	Single	Multi-Family	Equity Investment	Corporate	Total
Three month period ended Sept 30, 2016	$	$	$	$	$
Rental revenue	775,290	1,019,181	-	-	1,794,471
Operating costs	(902,846)	(201,631)	-	-	(1,104,477)
Utilities	(51,306)	(81,189)	-	-	(132,495)
Property taxes	(168,378)	(120,047)	-	-	(288,425)
Net rental income	(347,240)	616,314	-	-	269,074
General and administrative	-	-	-	(401,767)	(401,767)
Professional fees	-	-	-	(74,820)	(74,820)
Finance costs	-	-	-	(827,235)	(827,235)
Depreciation and amortization	(591)	-	-	-	(591)
Segment income (loss) from operations	(347,831)	616,314	-	(1,303,822)	(1,035,339)
Transaction costs	-	-	-	-	-
Foreign exchange loss	-	-	-	(15,658)	(15,658)
Fair value adjustments of investment properties	(1,459,068)	948,287	-	-	(510,781)
Gain on disposition of property and equipment	-	8,295	-	(8,295)	-
Share based compensation	-	-	-	(4,289)	(4,289)
Fair value gain on derivative financial instruments	-	-	-	(978)	(978)
Net income (loss) before income taxes	(1,806,899)	1,572,896	-	(1,333,042)	(1,567,045)
Income (tax) recovery expense		-	-	(4,546)	(4,546)
Net income (loss) for the period	(1,806,899)	1,572,896	-	(1,337,588)	(1,571,591)

	Single	Multi-Family	Equity Investment	Corporate	Total
As at Sept 30, 2016					
Total current assets	32,089,493	879,696	-	1,551,541	34,520,730
Total non-current assets	-	43,532,293	-	-	43,532,293
Total liabilities	(5,292,817)	(15,563,026)	-	(32,129,705)	(52,985,548)

24. Subsequent events

i. Single Family Home Sales

Subsequent to quarter end, the Company closed sales on an additional nine single family homes comprised of 10 units for gross proceeds of approximately $0.6 million (net proceeds of approximately $0.5 million).

ii. Promissory Note

On October 16, 2017, the Company announced that it had fully repaid the outstanding balance on the NJPN.

iii. Debenture Repayment

On October 18, 2017, the Company repaid approximately $0.3 million of the Debentures, leaving an outstanding balance of approximately $12.9 million.

iv. Dividend Payments

On October 16, 2017, the Company paid its first cash dividend. The Company had previously declared and approved a cash dividend in the amount of $0.01875 per common share for shareholders of record on September 30, 2017, payable on October 16, 2017.

v. Dividend Declaration

On November 8, 2017, the Company declared and approved dividends in the amount of U.S. $0.05625 per common share for shareholders of record on March 31, 2018, payable on or about April 16, 2018.