FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

CAPITAL PRESERVATION • DISCIPLINED INVESTING

MD&A

MANAGEMENT DISCUSSION AND ANALYSIS

FOURTH QUARTER 2019
DECEMBER 31, 2019

FORWARD LOOKING STATEMENTS

*The following management's discussion and analysis ("**MD&A**") of the financial condition and results of operations of Firm Capital American Realty Partners Corp. ("**FCUSA**" or the "**Company**") should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2019 and December 31, 2018 . All disclosures including tables presented herein, related to an interim period are unaudited. This MD&A has been prepared taking into account material transactions and events up to and including April 6, 2020. Additional information about the Company, including the Company's Annual Information Form, required by NI 51-102, 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 2019 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.

CORPORATE REORGANIZATION

Effective January 8, 2020, Firm Capital American Realty Partners Corp. (the **"Company"**) successfully converted into Firm Capital American Realty Partners Trust (the "**Trust**"). Accordingly, references to historical results and transactions will reference the Company while forward looking statements will reference the Trust. The Trust is a U.S. focused real estate investment entity that pursues real estate and debt investments through the following platforms:

- **Income Producing Real Estate Investments:**
  - **Core Markets Wholly Owned Investments:** The Trust is focused on growing its wholly owned multi-residential property portfolio in large core markets with attention to cities located in Texas, Florida, New Jersey, North and South Carolina, Colorado, Georgia and New York.
  - **Core and Non-Core Markets: Joint Venture Investments:** The Trust will also purchase in both core and non-core markets where it lacks knowledge or experience, partial ownership interests in multi-residential properties

with industry leaders as partners. These partners bring both expertise in operations and knowledge, especially in non-core markets. The Trust strives to have a minimum 50% ownership interest and will fund the equity in a combined preferred/common equity investment structure. The preferred equity provides a fixed rate of return for investors in the Trust, resulting in a secured structure ahead of the partners ownership interest, while the common equity provides investors an upside return for investors as the investment meets its targeted objectives.

- **Mortgage Debt Investments:** The Trust, using Firm Capital's 30-year plus experience as a leader in the mortgage lending industry, provides bridge lending of mortgage and preferred capital secured by residential/multi-residential properties.

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**"), Adjusted FFO, Adjusted AFFO, Adjusted FFO Payout Ratio and Adjusted FFO Payout Ratio (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 and Adjusted FFO are important measures to evaluate operating performance, AFFO and Adjusted AFFO are important measures of cash available for distribution and, 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 certain items. Items that are excluded from this total and are presented in other income (expenses) 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.

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"), 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.

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, 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 by adjusting Net Income calculated on the Company's consolidated financial statements for all changes in non-cash working capital, deducting capital expenditures incurred, and making such other adjustments as may be determined by the directors of the Company at their discretion.

Adjusted FFO and Adjusted AFFO is a term used as a non-IFRS financial measure by the Company, but should not be considered as an alternative to net income, cash flow from operations, or any other measure prescribed under IFRS. In addition to FFO and AFFO, the Company considers Adjusted FFO and Adjusted AFFO to also be useful measures of operating performance and cash available for distributions, respectively, as both measures either add-back or deduct non-cash adjustments to FFO and AFFO not normally deducted or added back under RealPAC, but also factor in the Company's business model, which is to generate gains on disposition of assets after certain time horizons and return targets are met as these are more normally recurring under the Company's business model than would be under most other Canadian real estate entities. Adjusted FFO is defined as FFO as outlined above plus share based compensation and gains on disposition of investment properties. Adjusted AFFO is defined as AFFO as outlined above plus gains on disposition of investment properties.

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

Adjusted FFO Payout Ratio is defined as Dividends Declared divided by Adjusted FFO. Adjusted AFFO Payout Ratio is defined as Dividends Declared divided by Adjusted AFFO.

For the purposes of the Company's 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 financial results of the Company for the year ended December 31, 2019 as management does not exclusively review operations on a discontinued basis.

FOURTH QUARTER AND YEAR TO DATE HIGHLIGHTS

- For the three months ended December 31, 2019, net income was approximately $3.5 million, a 49% increase over the $2.4 million reported for the three months ended December 31, 2018. For the year ended December 31, 2019, net income was approximately $7.1 million, a 25% increase over the $5.6 million reported for the year ended December 31, 2018;
- For the three months ended December 31, 2019, basic net income per share was approximately $0.51, a 41% increase over the $0.36 reported for the three months ended December 31, 2018. For the year ended December 31, 2019, basic net income per share was approximately $1.02, a 13% increase over the $0.90 reported for the year ended December 31, 2018;
- For the three months ended December 31, 2019, AFFO was approximately $0.2 million, a significant improvement over the $0.08 million reported for the three months ended December 31, 2018. For the year ended December 31, 2019, AFFO was approximately $1.7 million, a 110% improvement over the $0.8 million reported for the year ended December 31, 2018; and
- $9.39 Net Asset Value ("**NAV**") per Share, a 4% improvement over the $9.07 NAV per Share as reported at September 30, 2019.
- Results for the year ended December 31, 2019 are as follows:

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Net Income	**$ 3,514,541**	**$ 2,353,158**	**$ 7,055,862**	**$ 5,629,358**
FFO	**$ 8,612**	**$ (279,960)**	**$ 1,394,335**	**$ 345,503**
AFFO	**$ 202,343**	**$ 79,409**	**$ 1,731,910**	**$ 824,978**
Dividends	**$ 409,183**	**$ 390,167**	**$ 1,636,731**	**$ 1,424,207**
Basic Net Income Per Share	**$ 0.51**	**$ 0.36**	**$ 1.02**	**$ 0.90**
Diluted Net Income Per Share	**$ 0.48**	**$ 0.30**	**$ 1.02**	**$ 0.71**
FFO Per Share	**$ 0.00**	**$ (0.04)**	**$ 0.20**	**$ 0.05**
AFFO Per Share	**$ 0.03**	**$ 0.01**	**$ 0.25**	**$ 0.12**
Dividends Per Share	**$ 0.06**	**$ 0.06**	**$ 0.24**	**$ 0.23**

- **+108% increase in AFFO Per Share:** Through the impact of accretive investments, the Company realized a +108% year over year AFFO increase to $0.25/share, thereby providing the second full year of positive AFFO for each and every quarter.
- **+95% increase in Income from Equity Accounted and Preferred Investments:** As a result of accretive investments and overall portfolio performance, the Company realized a 95% increase in it's income from equity accounted and preferred investments (excluding fair market value adjustments);
- **8% Increased Valuation in Wholly Owned Portfolio:** Through increased rents and capitalization rate compression, the Company realized +8% increased value in its wholly owned portfolio;
- **Increased NAV by a +10.5% CAGR to $9.39 Per Share:** Since Q3/2017, the Company has increased NAV from $7.85 per Share to $9.39 per Share for a +10.5% Compounded Annual Growth Rate ("**CAGR**") through a combination of accretive investments, debt reduction, new capital and other value-creation initiatives that have ultimately generated higher earnings for the Company;
- **Invested $10.2 Million to acquire $60.2 Million in Real Estate:** During 2019 and early 2020, the Company closed on three equity accounted and preferred investments comprised of 497 units located in West Hartford, Connecticut; Canton, Georgia; and Houston, Texas. The total purchase price for these investments were approximately $60.2 million. The Company contributed $6.2 million of preferred equity, yielding a weighted average interest rate of 8.5% and $4.0 million of common equity representing a 50% ownership interest in each of the following investments:
    - **$13.0 Million Hartford, CT Acquisition:** On April 4, 2019, the Company closed an equity accounted and preferred investment to acquire a 109 unit multi-family residential portfolio comprised of two buildings located in Hartford, CT (the **"Hartford Portfolio"**). The purchase price of the Hartford Portfolio was $13.0 million (including transaction costs). The acquisition was financed with a $10.0 million, 4.81% first mortgage due April 3, 2039 and $3.0 million of equity. The Company contributed $0.6 million (100% ownership) of preferred equity yielding 8% and $1.2 million of common equity, representing a 50% ownership stake in the investment;
    - **$19.3 Million Canton, GA Acquisition:** On September 27, 2019, the Company closed an equity accounted and preferred investment to acquire a 138 unit multi-family residential building located in Canton, GA (the **"Canton Acquisition"**). The purchase price for 100% of the Canton Acquisition was $19.3 million (including transaction costs). The Canton Acquisition was financed, in part with a $14.0 million, 4.0% first mortgage due on September 26, 2029. The Company contributed $2.1 million (100% ownership) of preferred equity yielding 8% and $1.6 million of common equity representing a 50% ownership stake in the investment; and
    - **$27.9 Million Houston, TX Acquisition:** On January 31, 2020, the Trust closed an equity accounted and preferred investment to acquire the Woodglen Village, a 250-unit multi-family residential portfolio located in Houston, TX (the **"Woodglen Acquisition"**). The purchase price for 100% of

the Woodglen Acquisition was $27.9 million (including transaction costs). The Woodglen Acquisition was financed, in part with a $22.1 million, 4.6% first mortgage due on January 30, 2024. The Trust contributed $3.5 million (100% ownership) of preferred equity yielding 9% and $1.2 million of common equity representing a 50% ownership stake in the investment.

- **$3.0 Million Preferred Capital Investment:** On November 15, 2019, the Company closed on a participation of $3.0 million in a $10.0 million preferred capital investment (the “Houston Preferred Capital”) for a portfolio of five apartment buildings located in Houston, Texas. The Houston Preferred Capital earns an interest rate of 12% per annum during its initial term of two years, following which if the term is extended, at an interest rate of 18% per annum;
- **CAD $19.4 Million Convertible Debenture Financing:** On August 8, 2019 and August 13, 2019, the Company closed a total of CAD $19.4 million, 6.25% convertible unsecured unsubordinated debenture (the **“Convertible Debenture”**) offering. The Convertible Debenture has a term to maturity of seven years and is due on June 30, 2026. The Convertible Debenture can be converted into common shares of the Company at an exercise price of CAD $12.60 per common share at any time prior to June 30, 2026. Each Convertible Debenture Unit also includes 79 common share purchase warrants of the Company. The warrants are exercisable at an exercise price of CAD$12.60 per share for a period of two years due on August 7, 2021;
- **$12.8 Million Equity Offering Financing:** On March 13, 2020, the Trust closed a marketed offering of 1,590,000 Trust Units at a price of $8.20 (CAD $10.90 per unit based on the Bank of Canada daily noon rate of exchange of $1.3745). The Trust raised total gross proceeds of $12.8 million;
- **100% of Atlanta Homes Sold:** The Company has sold all 120 homes located in Atlanta, with gross proceeds of approximately $12.3 million;
- **Successful Conversion into Real Estate Investment Trust (REIT):** On January 8, 2020, the Company completed its plan of arrangement to convert into a Real Estate Investment Trust and commenced under Firm Capital American Realty Partners Trust (the “Trust”). The units of the Trust began trading on TSXV on January 8, 2020, under symbols FCA.U and FCA.UN. Under the terms of the Arrangement, each outstanding common share of the Company was exchanged for one unit of the Trust.
- **New Independent Trustee:** On February 12, 2020, the Trust announced the appointment of Ms. Valentina Kalyk to the Board of Trustees. Ms. Kalyk brings over 20 years of capital markets experience. Until her recent retirement, she spent 15 years with Canaccord Genuity where she was a Managing Director and senior member of the institutional equity sales team, with a dedicated focus to REIT’s; and
- **Distributions:** On February 14, 2020, the Trust, declared and approved quarterly distributions of $0.059 per unit for unitholders on record as of March 31, 2020 payable on or about April 15, 2020.

PROPERTY PORTFOLIO SUMMARY

As at December 31, 2019, the Company had three distinct asset portfolios:

INVESTMENT PORTFOLIO

Multi-Family Investment Portfolio: 311 wholly-owned multi-family apartment units located across three portfolios in Florida (one portfolio) and Texas (two portfolios), with an aggregate IFRS valuation of approximately $48.2 million.

Equity Accounted and Preferred Investments: Investment in Equity Accounted and Preferred Investments with ownership interests in 1,512 multi-family apartment units with an aggregate IFRS equity valuation of approximately $38.5 million (including accrued income) and a pro-rata real estate fair market valuation of $73.6 million ($189.7 million on an associate basis).

The Company has invested in the following Equity Accounted and Preferred investments:

(In $millions unless otherwise stated)

Location	Units	Investment Properties	Ownership %	Preferred Investment	Equity Accounted Investment	Total Investment	Preferred Yield
New York City	129	$ 33.3	22.8%	$ 5.3	$ 0.1	$ 5.5	8%
Brentwood, MD	118	17.8	25.0%	-	1.9	1.9	-
Bridgeport, CT	462	38.7	30.0%	2.8	3.0	5.8	9%
Irvington, NJ	189	21.9	50.0%	2.6	2.7	5.4	9%
Houston, TX	235	20.4	50.0%	3.6	2.9	6.5	9%
Bronx, NY	132	25.8	50.0%	5.2	2.5	7.6	8%
Hartford, CT	109	13.1	50.0%	0.9	1.3	2.2	8%
Canton, GA	138	18.7	50.0%	2.1	1.6	3.7	8%
Total/ Weighted Average	**1,512**	**$ 189.7**	**38.8%**	**$ 22.4**	**$ 16.1**	**$ 38.5**	**8.4%**

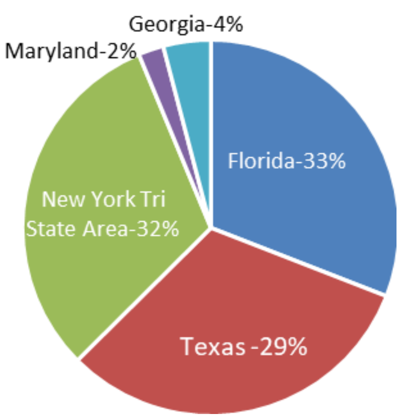
Preferred Capital Investments:

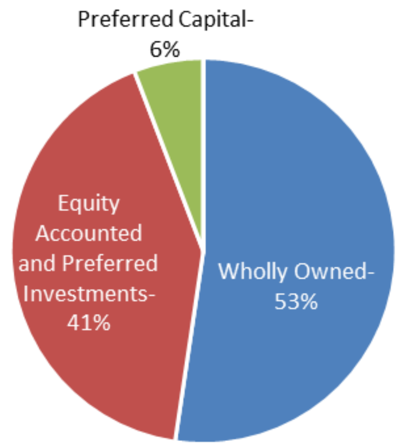
- **New York Portfolio:** Investment of $2.2 million in a $10.5 million, interest only preferred capital investment to fund the acquisition by a New York based real estate investment firm of a portfolio of three apartment buildings in Manhattan, New York. The investment earns an interest rate of 12% per annum during its initial term of three years and, if the term is extended for a further two years, at an interest rate that is the greater of 13% or LIBOR plus 10% per annum.
- **Houston Portfolio:** Investment of $3.0 million in a $10.0 million preferred capital loan for a portfolio of five apartment buildings located in Houston, Texas. The Houston Preferred Capital earns an interest rate of 12% per annum during its initial term of two years, following which if the term is extended, at an interest rate of 18% per annum.

Outlined below is a summary of the Investment Portfolio as at December 31, 2019:

	December 31, 2019				September 30, 2019	
Region	Number of Units	IFRS Value	Occupancy	Average Monthly Rent	Occupancy	Average Monthly Rent
Multi-Family Investment Portfolio						
Florida Multi-Family	153	$ 28,523,622	93.5%	$ 1,362	88.9%	$ 1,368
Texas Multi-Family	158	19,643,555	96.2%	$ 909	96.8%	$ 903
Total / Weighted Avg.	**311**	**$ 48,167,177**	**94.9%**	**$ 1,132**	**92.9%**	**$ 1,132**
Equity Accounted and Preferred Investments						
New York City	129	$ 5,453,603	97.7%	$ 1,739	94.6%	$ 1,710
Brentwood, MD	118	1,929,217	98.3%	$ 1,340	94.1%	$ 1,320
Bridgeport, CT	462	5,774,993	92.4%	$ 831	93.1%	$ 816
Irvington, NJ	189	5,356,301	96.3%	$ 1,032	98.9%	$ 1,030
Houston, TX	235	6,471,925	94.9%	$ 864	94.9%	$ 857
Bronx, NY	132	7,624,195	98.7%	$ 1,421	98.5%	$ 1,405
Hartford, CT	109	2,111,790	89.0%	$ 1,136	89.9%	$ 1,134
Canton, GA	138	3,743,342	84.8%	$ 1,032	91.3%	$ 1,024
Total / Weighted Avg.	**1,512**	**$ 38,465,367**	**93.8%**	**$ 1,070**	**94.4%**	**$ 1,058**
Preferred Capital Invesments						
New York City	N/A	$ 2,344,076	N/A	N/A	N/A	N/A
Houston, TX	N/A	3,029,301	N/A	N/A	N/A	N/A
Total / Weighted Avg.		**$ 5,373,377**	**N/A**	**N/A**	**N/A**	**N/A**
Total / Weighted Avg.	**1,823**	**$ 92,005,921**	**94.0%**	**$ 1,102**	**94.6%**	**$ 1,081**

GEOGRAPHICAL AND ASSET CLASS PORTFOLIO DIVERSICATION BASED ON IFRS ASSET VALUES





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

PRO FORMA CONSOLIDATION OF EQUITY ACCOUNTED INVESTMENTS

Outlined below are the financial statements of the Company including the pro forma consolidation of its interests in equity accounted investments: Assuming proportionate consolidation, the Company would have total assets of approximately $146.7 million.

(In $thousands unless otherwise stated)

December 31, 2019	The Company (1)	New York City	Brentwood, MD	Bridgeport, CT	Irvington, NJ	Houston, TX	Bronx, NY	Hartford, CT	Canton, GA	Total
Assets										
Cash & Restricted Cash	$ 7,041	$ 205	$ 15	$ 408	$ 72	$ 165	$ 56	$ 89	$ 54	$ 8,104
Accounts Receivable	195	28	20	10	65	16	53	4	$ 10	401
Other Assets & Investments	182	1,578	59	1,407	1,296	2,154	2,718	449	1,230	11,072
Preferred Capital Investments	5,374	-	-	-	-	-	-	-	-	5,374
Investment Properties	48,167	7,580	4,457	11,620	10,968	10,180	12,885	6,530	9,370	121,758
	$ 60,958	**$ 9,391**	**$ 4,551**	**$ 13,445**	**$ 12,401**	**$ 12,515**	**$ 15,711**	**$ 7,073**	**$ 10,664**	**$ 146,710**
Liabilities										
Accounts Payable	2,305	39	39	80	102	380	135	128	65	3,272
Other Liabilities	394	52	19	116	100	7	78	-	11	778
Long Term Liabilities	31,852	5,163	2,563	7,948	6,998	5,749	8,032	4,923	6,915	80,142
	$ 34,550	**$ 5,254**	**$ 2,621**	**$ 8,144**	**$ 7,200**	**$ 6,136**	**$ 8,245**	**$ 5,051**	**$ 6,992**	**$ 84,193**
Equity										
Shareholders Equity	26,408	4,137	1,930	5,301	5,200	6,379	7,466	2,022	3,673	62,517
	$ 26,408	**$ 4,137**	**$ 1,930**	**$ 5,301**	**$ 5,200**	**$ 6,379**	**$ 7,466**	**$ 2,022**	**$ 3,673**	**$ 62,517**
	$ 60,958	**$ 9,391**	**$ 4,551**	**$ 13,445**	**$ 12,401**	**$ 12,515**	**$ 15,711**	**$ 7,073**	**$ 10,664**	**$ 146,710**

Note:(1) Excludes equity investments from the company's balance sheet as those are reflected on the proportionate consolidation chart.

INVESTMENT PORTFOLIO OCCUPANCY AND AVERAGE RENT

Multi-Family Investment Portfolio:

Occupancy was 94.9%, a 200 basis point increase from the 92.9% reported at September 30, 2019. The increase was in Florida; offset by a small decrease in Texas. The increase in Florida is a result of leasing initiatives during the quarter. The current occupancy in Florida is 95%.

Average monthly rents were $1,132 per month, inline with the $1,132 per month reported at September 30, 2019.

Equity Accounted Investments:

Occupancy was 93.8%, an 80 basis point decrease from the 94.4% reported at September 30, 2019. The decrease is mainly due to decreases in Canton, GA, Bridgeport, CT, West Hartford, CT and Irvington, NJ; offset by increases in New York City, Bronx, NY and Brentwood, MD. The decrease is largely due to units set aside for renovations and normal move out activity; offset by the leasing activities of completed units.

Average monthly rents were $1,070 per month, a 1% increase over the $1,058 average monthly rent at September 30, 2019. The increases were reflected across the portfolio.

QUARTERLY FINANCIAL OVERVIEW

The following is a discussion of the combined results including discontinued operations as outlined in the financial statements, as well as a review of selected quarterly financial information of the Company:

	Three Months Ended				Twelve Months Ended
	December 31 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31 2019
Rental revenue	$ 1,055,947	$ 1,098,098	$ 1,061,967	$ 1,138,684	$ 4,354,697
Property operating expenses	559,282	518,974	499,650	506,603	2,084,509
Net rental income	**496,665**	**579,124**	**562,317**	**632,081**	**2,270,187**
Income from Equity Accounted and Preferred Investments	3,408,582	617,416	509,045	468,030	5,003,073
Income from Preferred Capital Investments	119,741	64,634	55,691	52,461	292,527
General and administrative	(976,259)	(362,745)	(390,655)	(407,954)	(2,137,613)
Finance costs	(651,668)	(462,399)	(224,139)	(310,098)	(1,648,304)
Fair value adjustments	757,120	(6,464)	860,367	1,303,368	2,914,391
Other (1)	360,359	(5,405)	343	6,307	361,604
Net income	**$3,514,541**	**$424,161**	**$1,372,969**	**$1,744,195**	**$7,055,862**
Net income per share (Basic)	**$0.51**	**$0.06**	**$0.20**	**$0.25**	**$1.02**

	Three Months Ended				Twelve Months Ended
	December 31 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31 2018
Rental revenue	$ 1,189,063	$ 1,392,611	$ 1,435,078	$ 1,404,766	$ 5,421,518
Property operating expenses	569,243	594,009	651,720	450,868	2,265,840
Net rental income (loss)	**619,820**	**798,602**	**783,358**	**953,898**	**3,155,678**
Income from Equity Accounted and Preferred Investments	537,763	655,276	2,381,320	290,936	3,865,295
Income from Preferred Capital Investments	54,272	68,468	67,740	66,267	256,747
General and administrative	(457,628)	(444,684)	(449,940)	(465,266)	(1,817,518)
Finance costs	(349,234)	(656,184)	(529,952)	(517,770)	(2,053,140)
Fair value adjustments	944,690	1,903,024	(321,308)	(92,575)	2,433,831
Other (1)	1,003,474	(642,611)	(514,201)	(58,197)	(211,535)
Net Income	**$ 2,353,158**	**$ 1,681,890**	**$ 1,417,017**	**$ 177,295**	**$ 5,629,358**
Net income per share (Basic)	**$ 0.36**	**$ 0.28**	**$ 0.23**	**$ 0.03**	**$ 0.90**

(1) The combination of foreign exchange gain/ (loss), share based compensation and income tax recoveries.

REVIEW OF QUARTERLY AND YEAR TO DATE RESULTS

REVENUES

For the three months ended December 31, 2019, rental revenue was approximately $1.1 million, in comparison to the $1.1 million reported for the three months ended September 30, 2019, but an 11% decrease in comparison to the $1.2 million reported for the three months ended December 31, 2018. For the year ended December 31, 2019, rental revenue was $4.4 million, a 20% decrease over the $5.4 million reported for the year ended December 31, 2018.

The quarterly and annual decreases are largely due to the disposition of the single family home portfolio, which has been presented as discontinued operations.

PROPERTY OPERATING EXPENSES

For the three months ended December 31, 2019, property operating expenses were approximately $0.6 million, in comparison to the $0.5 million reported for the three months ended September 30, 2019, and the $0.6 million reported for the three months ended December 31, 2018. For the year ended December 31, 2019, property operating expenses were $2.1 million, an 8% decrease in comparison to the $2.3 million reported for the year ended December 31, 2018.

The annual decreases over the year ended December 31, 2018, are largely due to operational cost savings and the disposition of the single family home portfolio, which has been presented as discontinued operations.

INCOME FROM EQUITY ACCOUNTED AND PREFERRED INVESTMENTS

For the three months ended December 31, 2019, income from equity accounted and preferred investments was approximately $3.4 million, a significant increase over the $0.6 million reported for the three months ended September 30, 2019 and the $0.5 million reported for the three months ended December 31, 2018. For the year ended December 31, 2019, income from equity accounted and preferred investments was $5.0 million, a 29% increase in comparison to the $3.9 million reported for the year ended December 31, 2018. The increases on a quarterly and annual basis are largely due to a higher fair market value adjustment on underlying investment properties, the impact of recent acquisitions and increased rents and, thus, net operating income realized across the portfolio.

	Three Months Ended			Twelve Months Ended	
	Dec 31, 2019	**Sept 30, 2019**	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Income from Equity Accounted Investments	$3,408,582	$ 617,416	$537,763	$5,003,073	$3,865,295
Less: Fair value adjustments	(2,807,848)	-	(300,000)	(2,807,848)	(2,742,253)
Income Before Fair Value Adjustments	**$ 600,734**	**$ 617,416**	**$237,763**	**$2,195,225**	**$1,123,042**
		(3) %	**153 %**		**95 %**

For the three months ended December 31, 2019, income from equity accounted investments before fair value adjustments was $0.6 million, largely in line with the $0.6 million reported for the three months ended September 30, 2019 and a significant increase over the $0.2 million reported for the three months ended December 31, 2018. For the year ended December 31, 2019, income from equity accounted investments before fair value adjustments was approximately $2.2 million, a 95% increase over the $1.1 million reported for the year ended December 31, 2018.

The quarterly and annual increases are largely due to the impact of recent acquisitions and increased rents realized across the portfolio.

GENERAL AND ADMINISTRATIVE (“G&A”)

For the three months ended December 31, 2019, G&A was approximately $1.0 million, an increase over the $0.4 million reported for the three months ended September 30, 2019, and the $0.5 million reported for the three months ended December 31, 2018. For the year ended December 31, 2019, G&A was approximately $2.1 million, an increase over the $1.8 million reported for the year ended December 31, 2018.

The quarterly and annual increases are largely due to add back costs incurred as part of the Company’s plan of arrangement into an Investment Trust. These costs include Canadian and US tax advice, legal fees and regulatory filing fees associated with this transition. These costs were approximately $0.4 million.

FINANCE COSTS

For the three months ended December 31, 2019, finance costs were approximately $0.7 million, which is a 41% increase over the $0.5 million reported for the three months ended at September 30, 2019, and a 87% increase over the $0.3 million reported for the three months ended December 31, 2018. For the year ended December 31, 2019, finance costs were $1.7 million, a 20% decrease over the $2.1 million reported for the year ended December 31, 2018.

On a normalized cash basis (excluding non-cash accretion expense/ fair value change), cash finance costs were approximately $0.5 million, which is a 26% increase over the $0.4 million reported for the three months ended September 30, 2019 and a 55% increase over the $0.3 million reported for the three months December 31, 2018. For the year ended December 31, 2019, cash finance costs were approximately $1.3 million, a 22% decrease from the $1.6 million reported for the year ended December 31, 2018.

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Finance Costs	$ 651,668	$ 349,234	$ 1,648,304	$2,053,139
Less: Accretion Expense/ fair value change	(206,090)	(61,675)	(397,189)	(292,532)
Less: Mortgage Refinancing	-		-	(152,393)
Cash Finance Costs	**$ 445,578**	**$ 287,560**	**$ 1,251,115**	**$ 1,608,214**
% Change - Cash Finance Costs		**55 %**		**(22) %**

The increase in quarterly cash finance costs is largely attributable to the 2019 convertible debenture offering; offset by repayments of the previous convertible debentures. The annual decrease in cash finance costs is largely attributable to the repayments of the previous convertible debenture, offset by the 2019 Convertible Debenture Offering (see below).

INVESTMENT PORTFOLIO RESULTS

Results for the three months ended December 31, 2019, September 30, 2019 and December 31, 2018 and for the years ended December 31, 2019 and 2018 for the Investment Portfolio are as follows:

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Rental Revenue	**$ 1,060,956**	**$ 1,063,569**	**$ 4,296,303**	**$ 4,135,834**
Property Operating Costs	(546,849)	(490,625)	(1,960,474)	(1,740,490)
Net Rental Income	**$ 514,107**	**$ 572,944**	**$ 2,335,829**	**$ 2,395,344**
Income From Equity Accounted and Preferred Investments	3,408,582	537,763	5,003,073	3,865,295
Income From Preferred Capital Investments	119,741	54,272	292,527	256,747
Fair Value Adjustment on Investment Properties	770,999	845,805	3,086,342	1,741,574
Total	**$ 4,813,430**	**$ 2,010,784**	**$ 10,717,771**	**$ 8,258,960**

NET RENTAL INCOME

For the three months ended December 31, 2019, net rental income was approximately $0.5 million, largely in line with the $0.6 million reported for the three months ended September 30, 2019. For the year ended December 31, 2019, net rental income was approximately $2.3 million, largely in line with the $2.4 million reported for the year ended December 31, 2018.

INCOME FROM EQUITY ACCOUNTED AND PREFERRED INVESTMENTS

The following table outlines the Company's investments in associates comprised of investments in common equity, accounted for using the equity method and preferred interests, accounted for as preferred capital loans as at and for the years ended December 31, 2019 and 2018.

	December 31, 2019	December 31, 2018
Equity Accounted and Preferred Investments, Beginning of Year	$ 28,698,180	$ 12,694,453
Investments		
- Preferred Investments	3,308,359	10,834,248
- Equity Accounted Investments	2,959,335	4,503,500
- Redemption of Preferred Investments	-	(1,777,188)
Income Earned		
- Interest on Preferred Investments	1,745,183	1,231,720
- Equity Accounted Investments	450,040	(108,678)
- Fair Value Adjustments	2,807,848	2,742,253
Less: Distributions and interest received	(1,503,580)	(1,422,129)
Equity Accounted and Preferred Investments, End of Year	**$ 38,465,367**	**$ 28,698,180**

	December 31, 2019	December 31, 2018
Assets		
Cash	$ 883,977	$ 2,190,301
Restricted Cash	2,843,411	2,830,615
Accounts Receivable	531,860	250,513
Other Assets	719,398	2,388,183
Investment Properties	189,714,434	151,062,573
	$ 194,693,081	**$ 158,722,185**
Liabilities		
Accounts Payable	2,213,869	1,360,264
Security Deposits	1,085,447	1,023,323
Mortgages	124,648,326	102,960,000
	$ 127,947,642	**$ 105,343,587**
Equity		
Retained Earnings	$ 11,263,777	$ 6,398,977
Preferred Equity	30,229,177	26,055,870
Common Equity	25,252,485	20,923,751
	$ 66,745,438	**$ 53,378,597**
	$ 194,693,081	**$ 158,722,185**
Investment Allocation for the Company		
Preferred Investments	$ 22,383,163	$ 18,568,745
Equity Accounted Investments	16,082,204	10,129,435
	$ 38,465,367	**$ 28,698,180**

		December 31, 2019		December 31, 2018
Net Income				
Rental Revenue	$	16,517,038	$	11,493,954
Property Operating Expenses		(7,960,708)		(6,202,104)
Net Rental Income		**8,556,330**		**5,291,850**
General & Administrative		(289,466)		(517,969)
Interest Expense		(4,929,246)		(3,923,059)
Fair Value Adjustments		3,886,118		9,702,958
Net Income Before Interest from Preferred Investments	**$**	**7,223,737**	**$**	**10,553,780**
Less: Interest from Preferred Investments		(2,358,936)		(1,938,304)
Net Income	**$**	**4,864,800**	**$**	**8,615,476**
Income Earned by the Company				
Preferred Investments	$	1,745,183	$	1,231,720
Equity Accounted Investments		3,257,890		2,633,575
	$	**5,003,073**	**$**	**3,865,295**

On April 4, 2019, the Company closed an equity accounted and preferred investment to acquire a 109 unit multi-family residential portfolio comprised of two buildings located in Hartford, CT (the **“Hartford Portfolio”**). The purchase price of the Hartford Portfolio was $13.0 million (including transaction costs). The acquisition was financed with a $10.0 million 4.81% first mortgage due April 3, 2039 and $3.0 million of equity. The Company contributed $0.6 million (100% ownership) of preferred equity yielding 8% and $1.2 million of common equity, representing a 50% ownership stake in the investment.

On September 27, 2019, the Company closed an equity accounted and preferred investment to acquire a 138 unit multi-family residential building located in Canton, GA (the “**Canton Acquistion**”). The purchase price for 100% of the Canton Acquisiton was $19.3 million (including transaction costs). The Canton Acquistion was financed, in part with a $14.0 million, 4.0% first mortgage due on September 26, 2029. The Company contributed $2.1 million (100% ownership) of preferred equity yielding 8% and $1.6 million of common equity representing a 50% ownership stake in the investment.

The increase on a quarterly and annual basis is largely due to a higher fair market value adjustment on underlying investment properties, the impact of recent acquisitions and increased rents realized across the portfolio.

INCOME FROM PREFERRED CAPITAL INVESTMENTS

On December 18, 2017, the Company closed a participation of $2.5 million in a $12.0 million preferred capital loan (the **“New York Preferred Capital**”) to fund the acquisition of a portfolio of three apartment buildings located in New York, New York. The New York Preferred Capital earns an interest rate of 12% per annum during its initial term of three years and, if the term is extended for a further two years, at an interest rate thereafter that is the greater of 13% or London Interbank Offered Rate (“LIBOR”) plus 10% per annum. The investment is interest only and may be repaid prior to maturity in whole or in part upon 30 days prior written notice.

On September 24, 2018, $2.5 million of the New York Preferred Capital was repaid leaving a principal balance of $9.5 million. Subsequently, on June 5, 2019, an additional $1.0 million was advanced leaving a total principal balance of $10.5 million. As at December 31, 2019, the Company’s pro-rata principal balance was $2.3 million.

On November 15, 2019, the Company closed on a participation of $3.0 million in a $10.0 million preferred capital loan (the "**Houston Preferred Capital**") for a portfolio of five apartment buildings located in Houston, Texas. The Houston Preferred Capital earns an interest rate of 12% per annum during its initial term of two years, following which if the term is extended, at an interest rate of 18% per annum. As at December 31, 2019, the Company's pro-rata principal balance was $3.0 million.

FAIR VALUE ADJUSTMENTS ON INVESTMENT PROPERTIES

For the three and twelve months ended December 31, 2019, the fair value adjustment to investment properties was $0.8 million and $3.1 million, respectively, in comparison to the $0.9 million and $1.7 million, respectively, for the three and twelve months ended December 31, 2018. The higher adjustment in fair values on an annual basis was largely due to continuing capitalization rate compression along with increased rents and, thus, net operating income achieved in both the Florida and Texas portfolios.

VALUATION AND LEVERAGE

For the year ended December 31, 2019, the Investment Portfolio had a valuation of $92.0 million. Net of associated mortgage debt of approximately $17.8 million, leverage (defined as Mortgages / Investment Portfolio) was 19.4%. For the year ended December 31, 2018, the Investment Portfolio had a valuation of $75.5 million. Net of associated mortgage debt of approximately $18.1 million, leverage was 24.0%.

	Years Ended	
	Dec 31, 2019	**Dec 31, 2018**
Investment Portfolio (1)	$92,005,921	$75,482,129
Less: Mortgages (2)	(17,812,352)	(18,110,732)
Net Equity	**$74,193,569**	**$57,371,396**
Leverage (Mortgages / Investment Portfolio)	***19.4%***	***24.0%***

(1) Includes equity and preferred capital investments which is net of the Company's share of associated mortgage debt

(2) Exclusive of the Convertible Debentures, including the Convertible Debentures leverage would be 34.6%.

FAIR VALUE CALCULATION METHODOLOGY

As of December 31, 2019, the Company owned the following investment properties:

- 311 wholly owned apartment units with a fair value of approximately $48.2 million;
- 1,512 jointly owned apartment units with an investment fair value of approximately $38.5 million; and
- Preferred capital investment for a fair value of approximately $5.4 million.

Each quarter, the Company determines the fair value of its wholly owned and equity accounted and preferred investment portfolios using a combination of an internally managed valuation model, external appraisals using the income approach as well as comparable property sales.

NET RENTAL INCOME

The following is a reconciliation of the Company's net income to net rental income for the three and twelve months ended December 31, 2019 and 2018:

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Net income	**$3,514,541**	**$2,353,158**	**$7,055,862**	**$5,629,358**
Income from equity accounted and preferred investments	(600,734)	(215,236)	(2,195,225)	(1,123,042)
Income from preferred capital investments	(119,741)	(54,272)	(292,527)	(256,747)
Income tax expense	(525,358)	(1,310,328)	(525,358)	(129,114)
Share-based compensation	58	313,189	(2,858)	329,230
Fair value gain on investment properties	(757,119)	(944,690)	(2,914,393)	(2,433,831)
Fair value gain on equity investment properties	(2,807,848)	(322,527)	(2,807,848)	(2,742,253)
Foreign exchange (gain)/loss	164,941	(6,334)	166,615	11,420
Finance costs	651,668	349,234	1,648,304	2,053,139
General and administrative	976,259	457,628	2,137,613	1,817,518
Net rental income	**$ 496,665**	**$ 619,820**	**$2,270,187**	**$3,155,678**

FUNDS FROM OPERATIONS (“FFO”), ADJUSTED FUNDS FROM OPERATIONS (“AFFO”).

For the three months ended December 31, 2019, FFO was $nil, an improvement over the $0.3 million net loss reported for the three months ended December 31, 2018. For the year ended December 31, 2019, FFO was $1.4 million, a significant improvement over the $0.3 million reported for the three months ended December 31, 2019.

For the three months ended December 31, 2019, AFFO was approximately $0.2 million, a significant improvement over the $0.08 million reported for the three months ended December 31, 2018. For the year ended December 31, 2019, AFFO was approximately $1.7 million, a 108% improvement over the $0.8 million reported for the year ended December 31, 2018.

The increase in both FFO and AFFO, in aggregate and on a per share basis for the year ended December 31, 2019 over the year ended December 31, 2018 is largely due to the impact of the new acquisitions in 2019 in addition to operational efficiencies achieved across the investment portfolio.

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Net income	**$3,514,541**	**$ 2,353,158**	**$ 7,055,863**	**$5,629,358**
Add (deduct):				
Income tax expense	(525,358)	(1,310,328)	(525,358)	(129,113)
Fair value gain on investment properties	(757,119)	(993,927)	(2,914,393)	(2,433,831)
Fair value gain on equity accounted investments	(2,807,848)	(322,527)	(2,807,848)	(2,742,253)
Foreign exchange (gain)/loss	164,941	(6,334)	166,615	11,420
Corporate Reorganization Costs	419,455	-	419,455	-
Depreciation	-	-	-	9,922
FFO	**$ 8,612**	**$ (279,960)**	**$ 1,394,335**	**$ 345,503**
Add (deduct):				
Accretion expense/ fair value change	206,090	61,675	397,189	292,532
Share based compensation	58	313,189	(2,858)	329,230
Capital expenditures	(12,417)	(15,495)	(56,755)	(142,288)
AFFO	**$ 202,343**	**$ 79,409**	**$ 1,731,910**	**$ 824,978**
FFO per share	**$ 0.00**	**$ (0.04)**	**$ 0.20**	**$ 0.05**
AFFO per share	**$ 0.03**	**$ 0.01**	**$ 0.25**	**$ 0.12**

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, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Total Operating Activities	$ (383,395)	$ 37,904	$ 667,138	$ 695,259
Changes in non-cash working capital items:				
Amortization			(49,525)	
Accounts receivable	(23,591)	(103,199)	35,974	(207,186)
Other assets and prepaid expenses	(121,920)	90,258	(49,428)	89,387
Accounts payable and accrued liabilities	(32,233)	75,592	(161,959)	344,248
Change in equity accounted and preferred investments	121,562	-	691,646	26,940
Change in preferred capital investments	69,940	683	68,749	7,198
Foreign exchange loss (gain)	164,941	(6,334)	166,615	11,420
Corporate Reorganization Costs	419,455	-	419,455	-
Capital expenditures	(12,417)	(15,494)	(56,755)	(142,288)
AFFO	**$202,343**	**$ 79,409**	**$1,731,910**	**$ 824,978**
AFFO per share	**$ 0.03**	**$ 0.01**	**$ 0.25**	**$ 0.12**

DIVIDENDS

For the year ended December 31, 2019, the Company declared dividends of $0.236 per common share resulting in total dividends of $1,636,731 (December 31, 2018- $1,424,207). As at December 31, 2019, the Company accrued $409,183 which is included in its accounts payable and accrued liabilities (December 31, 2018- $390,167).

The policy of the Company is to pay cash dividends on or about the 15th day after each quarter end to shareholders of record on the last business day of the preceding quarter end. Dividends paid to shareholders who are non-residents of Canada are subject to Canadian withholding tax.

The excess / (shortfall) of cash flow from operating activities over dividends and net income and comprehensive income over dividends for the quarters and years ended December 31, 2019 and 2018 are outlined below:

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Total Operating Activities (A)	**$ (383,395)**	**$ 37,904**	**$ 667,138**	**$ 695,259**
Cash Finance Costs				
Finance Costs	651,668	349,234	1,648,304	2,053,139
Less: Accretion Expense/ Fair Value Change	(206,090)	(61,675)	(397,189)	(292,532)
Less: Finance Fee Amortization	(12,381)	-	(49,525)	-
Net Cash Interest Expense (B)	**$ 657,336**	**$ 1,062,053**	**$ 2,962,197**	**$ 1,760,607**
Net Cash Flows from Operating Activities (A-B)	**$(1,040,731)**	**$(1,024,150)**	**$ (2,295,059)**	**$(1,065,348)**
Net Income	**$ 3,514,541**	**$ 2,353,158**	**$ 7,055,862**	**$ 5,629,358**
Dividends	**$ 409,183**	**$ 390,167**	**$ 1,636,731**	**$ 1,424,207**
Shortfall of Net Cash Flow From Operating Activities Over Dividends	**$(1,449,914)**	**$(1,414,317)**	**$ (3,931,790)**	**$(2,489,559)**
Excess of Net Income Over Dividends	**$ 3,105,358**	**$ 1,962,991**	**$ 5,419,131**	**$ 4,205,151**

For the three and twelve months ended December 31, 2019 and 2018, the Company had dividends in excess of net cash flow from operating activities. As such, a return of capital was provided to shareholders. This dividend was funded from the Company's cash on hand. The excess dividend was paid in the normal course from recurring cash flow and had no impact on the sustainability of dividends given that the dividend was covered from ongoing cash flows generated from the Company's investment portfolio.

COMPARABLE CASH FLOWS

Comparable operating, investing and financing cash flows for the three and twelve months ended December 31, 2019, and 2018 are outlined below:

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Operating Activities	$ (383,395)	$ 37,904	$ 667,138	$ 695,259
Investing Activities	(2,986,107)	(93,017)	(6,955,317)	522,333
Financing Activities	(514,822)	255,598	10,323,093	(6,318,521)
Increase/ (Decrease) in Cash	**$ (3,884,325)**	**$ 200,485**	**$ 4,034,914**	**$ (5,100,929)**
Cash, Beginning of Period	10,924,845	2,805,121	3,005,606	8,106,535
Cash, End of Period	**$ 7,040,520**	**$ 3,005,606**	**$ 7,040,520**	**$ 3,005,606**

Net cash generated by (used in) operating activities decreased for the three and twelve months ended December 31, 2019 in comparison to the three and twelve months ended December 31, 2018 largely due to corporate reorganization costs in accordance to the Trust's plan of arrangement, offset by the accretive impact of investments.

Net cash generated by (used in) investing activities decreased for the three and twelve months ended December 31, 2019 in comparison to the three and twelve months ended December 31, 2018 is largely due to lower proceeds from asset dispositions combined with higher acquisition activity.

Net cash generated by (used in) financing activities decreased for the three months ended December 31, 2019 in comparison to the three months ended December 31, 2018 is largely due to higher interest costs associated with the convertible debenture offering. Net cash provided by financing activities increased for the year ended December 31, 2019, in comparison to year ended December 31, 2018, largely due to the net proceeds received from the convertible debenture offering.

DEBT FACILITIES

As at December 31, 2019, the Company's debt facilities totaled $32,680,916 with a weighted average interest rate of 5.21%:

	Principal Outstanding	Interest Rate	Type	Security	Maturity
$	7,590,266	3.80%	Mortgage	Secured	October 1, 2022
	3,866,756	5.81%	Supplemental Mortgage	Secured	October 1, 2022
	3,910,052	4.22%	Mortgage	Secured	June 1, 2023
	2,643,759	4.12%	Mortgage	Secured	June 1, 2023
	14,670,083	6.25%	Convertible Debentures	Unsecured	June 30,2026
$	**32,680,916**	**5.21%**			

(1) The principal balance of CAD $19.4 million at $0.7551 FX on date of issuance (Bank of Canada).

On April 3, 2019, the Company entered into a promissory note with the Firm Capital Corporation, a mortgage banker that is related to certain officers and directors of the Company. The promissory note had a one year term, was originally $1.1 million, with an 8.5% interest rate, interest only. The Company agreed to repay the promissory note from net proceeds received from the sale of single family homes located in Atlanta, Georgia. During the year ended December 31, 2019, this note was fully repaid.

On August 8, 2019 and August 13, 2019, the Company closed a total of CAD $19.4 million, 6.25% convertible unsecured unsubordinated debenture ("the **Convertible Debenture**") offering. The Convertible Debenture has a term to maturity of seven years and is due on June 30, 2026. The Convertible Debenture can be converted into common shares of the Company at an exercise price of CAD $12.60 per common share at any time prior to June 30, 2026. Each Convertible Debenture Unit also includes 79 common share purchase warrants of the Company. The warrants are exercisable at an exercise price of CAD$12.60 per share for a period of two years due on August 7, 2021.

SHARE CAPITAL

Issued and outstanding common shares on a fully diluted basis as at December 31, 2019 consists of the following:

	Dec 31, 2019
Common shares	6,935,306
Warrants	3,193,615
Options	617,138
Shares Issuable from Convertible Debentures	1,541,904
Deferred share units	5,833
Fully Diluted Shares	**12,293,796**

Outlined below are the key additions to the Company's fully diluted shares in 2019:

- On January 30, 2019, the Company repurchased 1,000 common shares through a Normal Course Issuer Bid a price of $6.80 per share for a total gross proceeds of $0.007 million.
- On August 8, 2019 and August 13, 2019, the Company closed a total of CAD $19.4 million, 6.25% convertible unsecured unsubordinated debenture (the **"Convertible Debenture"**) offering. The Convertible Debenture has a term to maturity of seven years and is due on June 30, 2026. The Convertible Debenture can be converted into common shares of the Company at an exercise price of CAD $12.60 per common share at any time prior to June 30, 2026. Each Convertible Debenture Unit also includes 79 common share purchase warrants of the Company. The warrants are exercisable at an exercise price of CAD$12.60 per share for a period of two years due on August 7, 2021.

DIVIDEND REINVESTMENT PLAN & UNIT PURCHASE PLAN

On September 29, 2017, the Company announced the commencement of its Dividend Reinvestment Plan ("**DRIP**") and Share Purchase Plan (the "**Purchase Plan**" and collectively with the DRIP the "**Plans**") each to be offered to holders of shares of the Company. For further details, please visit the Company's website at www.firmcapital.com.

RELATED PARTY TRANSACTIONS

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

I. On November 1, 2015, The Company 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 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 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 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 year ended December 31, 2019, asset management fees were $1,080,216 (2018- $815,103), loan servicing fees were $53,809 (2018-$nil), acquisition fees were $152,750 (2018-$284,250), debt placement fees were $76,612 (2018- $137,851) and property management fees were $87,078 (2018- $85,648).

Asset Management fees and loan servicing fees are included in general and administrative expenses. Property management fees are included in property operating expenses. Finance costs associated with the promissory note is included in finance costs, while the acquisition fees and debt placement fees are capitalized to equity accounted investments.

The Company has accrued $722,859 (December 31, 2018 - $895,502) under this Management Agreement, which is included in accounts payable and accrued liabilities.

II. On April 3, 2019, the Company entered into a promissory note with the Firm Capital Corporation, mortgage banker that is related to certain officers and directors of the Company. The promissory note had a one year term, was originally $1.1 million, and an 8.5% interest rate, interest only. The Company agreed to repay the promissory note from net proceeds received from single family homes located in Atlanta, Georgia. During the year ended December 31, 2019, the Company repaid this note in full.

SUBSEQUENT EVENTS

- **Successful Conversion into Real Estate Investment Trust (REIT):** On January 8, 2020, the Company completed its plan of arrangement to convert into a Real Estate Investment Trust and will be trading under Firm Capital American Realty Partners Trust (the “Trust”). The units of the Trust began trading on TSXV on January 8, 2020, under symbols FCA.U and FCA.UN. Under the terms of the Arrangement, each outstanding common share of the Company was exchanged for one unit of the Trust;
- **Houston, TX Acquisition:** On January 31, 2020, the Company closed an equity accounted and preferred investment to acquire the Woodglen Village, a 250-unit multi-family residential portfolio located in Houston, TX (the “**Woodglen Acquisition**”). The purchase price for 100% of the Woodglen Acquisition was $27.9 million (including transaction costs). The Woodglen Acquisition was financed, in part with a $22.1 million, 4.6% first mortgage due on January 30, 2024. The Company contributed $3.5 million (100% ownership) of preferred equity yielding 9% and $1.2 million of common equity representing a 50% ownership stake in the investment;
- **New Independent Trustee:** On February 12, 2020, the Trust announced the appointment of Ms. Valentina Kalyk to the Board of Trustees. Ms. Kalyk brings over 20 years of capital markets experience. Until her recent retirement, she spent 15 years with Canaccord Genuity where she was a Managing Director and senior member of the institutional equity sales team, with a dedicated focus to REIT’s and real estate;
- **Distributions:** On February 14, 2020, the Trust declared and approved quarterly distributions of $0.059 per unit for unitholders on record as of March 31, 2020 payable on or about April 15, 2020;
- **$12.8 Million Equity Offering Financing:** On March 13, 2020, the Trust closed a marketed offering of 1,590,000 Trust Units at a price of $8.20 (CAD $10.90 per unit based on the Bank of Canada daily noon rate of exchange of $1.3745). The Trust raised total gross proceeds of $12.8 million; and
- **Public Health Pandemic:** Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. The Trust will continue to monitor its impact which is uncertain at this time.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied by the Company are described in note 2 of the audited consolidated financial statements for the years ended December 31, 2019 and 2018, and accordingly should be referred to for a description of the significant accounting policies.

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 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 until control ceases.

Functional currency

As at December 31, 2019, the Company and all of its subsidiaries' functional currencies are the US Dollar ("USD").

Investment properties

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

The Company determines the fair value of the investment properties based on an overall capitalization method which is a generally accepted appraisal methodology. Under the overall capitalization method, year one net operating income is stabilized, incorporates allowances for vacancy, management fees and other operating expenses.

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

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 including the fair value adjustments to the underlying investment properties less dividends or distributions received.

Preferred Investments and Preferred Capital Investments

Preferred investments and preferred capital investments are debt and/or equity investments provided to sponsors or borrowers to acquire real estate. These investments are typically ranked above common equity and generate a fixed rate of return over the life of the investment. The investments are held at amortized cost.

Assets held for sale and discontinued operations

Non-current assets and groups of assets and liabilities which are comprised of 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 fair value less costs to sell. When a component of an entity has been disposed of, 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.

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.

Financial instruments - recognition and measurement

The Company recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value plus or minus directly attributable transaction costs when a financial asset or financial liability is not recognized at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Subsequent measurement depends on the initial classification of the financial asset or financial liability.

The classification of financial assets depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified and measured based on the following categories:

- amortized cost
- fair value through other comprehensive income ("FVOCI")
- fair value through profit or loss ("FVTPL")

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

	Notes	Classification
Assets		
Preferred Investments	5	Amortized cost
Preferred Capital Investments	6	Amortized cost
Accounts Receivable		Amortized cost
Deposits and Other Assets		Amortized cost
Restricted Cash		Amortized cost
Cash and Cash Equivalents		Amortized cost
Liabilities		
Mortgages Payable	8,9	Amortized cost
Convertible Debentures Payable	7,9	Amortized cost/ FVTPL
Accounts Payable and Accrued Liabilities	17	Amortized cost
Deferred Share Unit Liabilities	20	FVTPL

Financial Instruments - Impairment

The Company uses the "expected credit loss" ("ECL") model to assess impairment for financial assets carried at amortized cost.

Trade receivables

The Company applies the simplified approach and measures loss allowances at an amount equal to lifetime ECLs. The Company adopted the practical expedient to determine ECL on trade receivables based on historical credit loss experiences to estimate lifetime ECLs.

Preferred investments and preferred capital investments

The preferred investments and preferred capital investments with low credit risk (Stage 1) determine credit loss using 12-month ECL approach, and where the credit risk has increased (Stage 2) or in default (Stage 3) a life time ECL approach.

The determination of significant increase in credit risk takes into account different factors which vary based on the investment. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and certain criteria are met which are specific to the individual customer/borrower and underlying asset, based on judgement.

When determining the ECL provision, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. Management considers past events, current market conditions, and reasonable forecasts of future economic events based on mutually agreed assumptions. In assessing potential economic outcomes, the Company assess multiple scenarios and evaluates the most probable outcome based on facts and management's expertise.

In the calculation of ECLs, management has considered key macroeconomic variables that are relevant to each investment type. The estimation of future cashflows also includes assumptions about local market for the real estate, availability of future financing and the underlying value of the asset. These assumptions are limited to the availability of comparable market data and the uncertainty of future events. Accordingly, the estimates of impairment are subjective and may not be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cashflows could vary. The Company exercises judgement to incorporate multiple economic models in the determination of the final ECL.

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. Non- rental revenue is recorded as the services are provided over the term of the rental contract.

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 and presented as deferred share unit compensation expense. The fair value of the DSU’s are calculated based on the share price of the Company at period end.

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 income/ (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.

Share-based compensation

The fair value of stock options awarded to employees, directors, and lenders is measured using the Black-Scholes and Binomial Tree option pricing models and is recognized over the vesting periods in the consolidated statement of income/(loss) and comprehensive income/(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.

Consolidated statement of cash flows

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

Equity accounted investments

Judgement is used to determine that the Company exercises significant influence over the operating and financing activities of the associate instead of joint control.

Impairment of Preferred Investments and Preferred Capital Investments

Management uses judgement in assessing factors discussed above in assessing ECL.

Impairment of Trade receivables

Management uses judgement in assessing factors discussed above in assessing ECL.

Investment properties

The Company uses significant estimates in the calculations for capitalization rates, inflation rates, vacancy rates, and net rental income.

Share-based compensation

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 and liabilities 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 CHANGES IN ACCOUNTING POLICIES

I. Amendments to IFRS 3. The IASB published amendments to IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendments clarify the definition of a business, as well as provide additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and to asset acquisitions that occur on or after the beginning of that period. Early application is permitted. The Company intends to adopt the amendments to IFRS 3 on the required effective date of January 1, 2020.

II. Amendments to References to the Conceptual Framework in IFRS Standards. On March 29, 2018, the IASB issued a revised version of its Conceptual Framework for

Financial Reporting (the Framework), that underpins IFRS Standards. The IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards to update references in IFRS Standards to previous versions of the Conceptual Framework. Both documents are effective from January 1, 2020 with earlier application permitted. The Company will adopt the amendments in its financial statements for the annual period beginning on January 1, 2020. The Company does not expect the amendments to have a material impact on the financial statements.

III. Definition of Material (Amendments to IAS 1 and IAS 8). On October 31, 2018, the IASB refined its definition of material and removed the definition of material omission or misstatements from IAS 8. The amendments are effective for annual periods beginning on or after January 1, 2020. Early adoption is permitted. The definition of material has been aligned across IFRS Standards and the Framework. The amendments provide a definition and explanatory paragraphs in one place. Pursuant to the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Company will adopt the amendments to IAS 1 and IAS 8 in its financial statements for the annual period beginning on January 1, 2020. The Company does not expect the amendments to have a material impact on the financial statements.

NEW CHANGES IN ACCOUNTING POLICIES

IFRS 16, Leases ("IFRS 16") supersedes IAS 17, Leases ("IAS 17"), 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. IFRS 16 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 financial statements with a right-of-use asset and a corresponding lease liability. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 requirements. The effective date for IFRS 16 was January 1, 2019. Based on the adoption of IFRS 16, the Company did not experience a significant impact on its consolidated financial statements since the Company is the lessor, and not the lessee, in virtually all instances.

RISKS AND UNCERTAINTIES

GEOGRAPHIC CONCENTRATION

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

ACQUISITION RISK

The Trust may be subject to significant operating risks associated with its expanded operations. The Trust's business strategy includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions, and effectively operating and leasing such properties. If the Trust is unable to manage its growth effectively, it could have a material adverse effect on the Trust'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 Trust will be able to acquire assets that are accretive to earnings and/or cash flow. The Trust 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 Trust 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.

CO-INVESTMENT/INVESTMENTS IN ASSOCIATES

The Trust currently is and may in the future become, invested in, or a participant in, directly or indirectly, investments in associates and partnerships with third parties. An investment in an associate or partnership involves certain additional risks, including: (i) the possibility that such associate/partners may at any time have economic or business interests or goals that will be or are inconsistent with those of the Trust or take actions contrary to the Manager's instructions or requests or to the Manager's policies or objectives; (ii) the associate/partner may have control over all of the day to day and fundamental decisions relating to a property; the risk that such associates/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such properties or repay the associates/partners' share of property debt guaranteed by the Trust or its Subsidiary Entities or for which the Trust or its Subsidiary Entities will be liable and/or result in the Trust suffering or incurring delays, expenses and other problems associated with obtaining court approval of an investment in associates or partnership decisions; (iv) the risk that such associates/partners may, through their activities on behalf of or in the name of the associates or partnerships, expose or subject the Trust or its Subsidiary Entities to liability; and (v) the need to obtain associates/ partners' consents with respect to certain major decisions or inability to have any decision making authority, including the decision to distribute cash generated from such properties or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the investments in associates and partnerships may be subject to certain requirements, such as rights of first refusal, rights of first offer or drag-along rights, and certain of the investment in associates and partnership agreements may provide for buy-sell or similar arrangements. Such rights may inhibit the Trust's ability to sell an interest in a property or an investment in associates/partnership within the time frame or otherwise on the basis the Trust desires. Additionally, drag-along rights may be triggered at a time when the Trust may not desire to sell its interest in a property, but the Trust may be forced to do so at a time when it would not otherwise be in the Trust's best interest. In addition, associates/partners of the Trust may sell their interest in the applicable entity to a third party with the result that the Trust is investing in associates or partnering with an unknown third party.

PURCHASE AGREEMENTS

Additional properties may be sold to the Trust in an ‘‘as is’’ condition, and upon acquisition of said properties, the Trust 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 Trust’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 Trust 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 Trust 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 Trust and costs to be incurred by the Trust, 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 Trust.

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 Trust 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.

RISKS RELATED TO PREFERRED CAPITAL LOAN DEFAULTS

The Trust may from time to time deem it appropriate to extend or renew the term of a preferred capital loan past its maturity, or to accrue the interest on a preferred capital loan. The Trust generally will do so if it believes that there is a very low risk to the Trust of not being repaid the full principal and interest owing on the preferred capital loan. In these circumstances, however, the Trust is subject to the risk that the principal and/or accrued interest of such preferred capital loan may not be repaid in a timely manner or at all, which could impact the cash flows of the Trust during the period in which it is exercising such remedies. Further, in the event that the valuation of the asset underlying the preferred capital loan has fluctuated substantially due to market conditions, there is a risk that the Trust may not recover all or substantially all of the principal and interest owed to the Trust in respect of such preferred capital loan. When a preferred capital loan is extended past its maturity, the loan can either be held over on a month to month basis, or renewed for an additional term at the time of its maturity. Notwithstanding any such extension or renewal, if the borrower subsequently defaults under any terms of the loan, the Trust has the ability, subject to the rights of creditors in priority to the Trust, to exercise its preferred capital enforcement remedies in respect of the extended or renewed preferred capital loan. Exercising preferred capital enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact the cash flows of the Trust during the period of enforcement. In addition, as a result of potential declines in real estate values, in particular given the current economic environment, there is no assurance that the Trust will be able to recover all or substantially all of the outstanding principal and interest owed to the Trust in respect of such preferred capital loans by exercising its preferred capital loan enforcement remedies. Should the Trust be unable to recover all or substantially all of the principal and interest owed to the Trust in respect of such preferred capital loans, the returns, financial condition and results of operations of the Trust could be adversely impacted.

FORECLOSURE AND RELATED COSTS

One or more borrowers could fail to make payments according to the terms of their loan, and the Trust could therefore be forced to exercise its rights as the preferred creditor. The recovery of a portion of the Trust's assets may not be possible for an extended period of time during this process and there are circumstances where there may be complications in the enforcement of the Trust's rights as the preferred creditor. Legal fees and expenses and other costs incurred by the Trust in enforcing its rights as the preferred creditor against a defaulting borrower are usually recoverable from the borrower directly or through the sale of the secured property by power of sale or otherwise, although there is no assurance that they will actually be recovered. In the event that these expenses are not recoverable, they will be borne by the Trust. Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income or whether preferred capital loan payments are being made. The Trust may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

RISK OF PUBLIC HEALTH CRISES

Public health crises, pandemics and epidemics, including the novel coronavirus (COVID-19), could adversely impact the Trust's tenants and their ability to make regular rental payments due to decreased income. Accordingly, these events could have a material adverse effect on the Trust's business, financial conditions and cash flows. The Trust is continuously monitoring the impact of COVID-19 and will continue to transparently communicate with its staff, tenants and stakeholders.

RISK OF NATURAL DISASTERS

The properties located in Florida may have sustained significant storm damage in the past and may sustain significant storm damage in the future. While the Trust will take insurance to cover a substantial portion of the cost of such events, the Trust'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 Trust's operations and some or all of the properties, and more specifically, may cause the Trust 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 Trust's business, cash flows, financial condition, and results of operations and ability to declare and pay dividends, if any, to Trust shareholders. As well, if the Trust 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 Trust'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 Trust's business operations, employees, and assets. However, the Trust 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 Trust could lose some or all of its capital investment, cash flow and anticipated profits related to one or more properties. Although the Trust believes that its insurance programs are adequate, assurance cannot be provided that the Trust 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 Trust's current insurance policies expire, the Trust 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 Trust 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 Trust is unable to obtain adequate insurance on the properties for certain risks, it could cause the Trust to be in default under specific covenants on certain of its indebtedness or other contractual commitments that it has which require the Trust to maintain adequate insurance on the properties to protect against the risk of loss. If this were to occur, or if the Trust 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 Trust's business, cash flows, financial condition, and results of operations.

ACCESS TO CAPITAL
The real estate industry is highly capital intensive. The Trust 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 Trust will have access to sufficient capital or access to capital on terms favourable to the Trust for future property acquisitions, financing or refinancing of 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 Trust'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 Trust may require in order to grow and expand its operations, upon the expiry of the term of financing, on refinancing any particular property owned by the Trust or otherwise, may not be available or, if it is available, may not be available on favourable terms to the Trust. Failure by the Trust to access required capital could have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations, and ability to declare and pay dividends, if any, to Trust unitholders.

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 Trust will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the Trust 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 Trust to make or renegotiate interest or principal payments or obtain additional equity, debt, or other financing could have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations.

The Trust will be subject to the risks associated with debt financing, including the risk that the convertible debentures, 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 Trust decides to utilize variable rate debt, such debt will result in fluctuations in the Trust's cost of borrowing as interest rates change. To the extent that interest rates rise there may be a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations.

The Trust 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 Trust 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 Trust's credit facilities may also contain covenants that require it to maintain certain financial ratios on specific portfolios and/or on a consolidated basis. If the Trust 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 Trust's degree of leverage could have important consequences to Trust shareholders. For example, the degree of leverage could affect the Trust's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development, or other general purposes, making the Trust 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 FIRM CAPITAL REALTY PARTENRS ADVISORS INC. ("FCARPI")
The Trust'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 Trust has also entered into a long-term contract with FCRPAI, as more particularly described in an agreement dated January 1, 2020 as posted on SEDAR (www.SEDAR.com). The Trust is exposed to adverse developments in the business and affairs of FCRPAI, since the day to day activities of the Trust are run by FCRPAI and since all of the Trust's debt and equity investments are originated by FCRPAI.

RELIANCE ON PROPERTY MANAGEMENT
The Trust relies upon independent management companies to perform property management functions in respect of certain of the Properties. To the extent the Trust relies upon such management companies, the employees of such management companies will devote as much of their time to the management of the Properties as in their judgment is reasonably required and may have conflicts of interest in allocating management time, services and functions among the Properties and their other development, investment and/or management activities.

LITIGATION RISKS
In the normal course of the Trust's operations, whether directly or indirectly, it may become involved in, named as a party to, or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings, and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment, and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Trust and, as a result, could have a material adverse effect on the Trust's assets, liabilities, business, financial condition, and results of operations. Even if the 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 Trust's business operations, which could have a material adverse effect on the Trust'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 Trust. 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 Trust 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

Trust 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 TRUSTEES

There are potential conflicts of interest to which some of the trustees, officers, insiders and promoters of the Trust will be subject in connection with the operations of the Trust. Conflicts, if any, will be subject to the procedures and remedies as provided under the Ontario Business Corporations Act.

INTERNAL CONTROLS

Effective internal controls are necessary for the Trust to provide reliable financial reports and to help prevent fraud. Although the Trust 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 Trust under Canadian securities law, the Trust cannot be certain that such measures will ensure that the Trust 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 Trust's results of operations or cause it to fail to meet its reporting obligations. If the Trust or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Trust's consolidated financial statements and material adverse effect on the trading price of the shares.

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 Trust believes that the Properties are substantially in compliance with present laws, rules, regulations and requirements, the Trust may incur unanticipated expenses to comply with such laws, rules, regulations and requirements. Noncompliance 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.

U.S. CURRENCY RISK

The Convertible Debenture financing was obtained in Canadian Dollars but invests in the US Market using US Dollars. Accordingly, the Trust has a risk that the value of the US Dollar will increase requiring more Canadian Dollars. In addition, the finance costs are paid in Canadian Dollars and a decrease in the US Dollar at such time will adversely affect the Trust.

FLORIDA, GEORGIA & TEXAS WEATHER

Florida, Georgia, and Texas 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 Trust'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.

LIQUIDITY

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

RELIANCE ON ASSUMPTIONS

The Trust'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 Trust to respond to changing economic or investment conditions. If the Trust 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 Trust is exposed to adverse effects on that segment of the real estate market and does not benefit from a broader diversification of its portfolio by property class.

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the properties. The properties generate revenue through rental payments made by the tenants. 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 Trust's business, cash flows, financial condition, and results of operations and ability to declare and pay dividends, if any, to Unitholders.

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 Trust'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 Trust 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 Trust to the effects of declining market rent, which could have a material adverse effect the Trust's results from operations and ability to declare and pay dividends, if any. Most of the Trust's residential tenant leases will be for a term of one year or less. Because the Trust's residential tenant leases generally permit residents to leave at the end of their lease term without any penalty, the Trust's rental revenue may have 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. A reduction in the demand for rental properties may have a material adverse effect on the Trust's ability to lease suites in the properties and on the rents charged. This, in turn, may have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations and the ability to declare and pay any dividends, if any, to Unitholders.

COMPETITION

The multi-family property sector is highly competitive. The Trust faces competition from many sources, including individuals, Trust's or other entities engaged in real estate investment activities, many of whom have greater financial resources than the Trust. 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 Trust 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 have a material adverse effect on the Trust's ability to retain tenants and increase or maintain rental rates. Such competition may reduce occupancy rates and rental revenues of the Trust and could have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations and the ability to declare and pay any distributions, if any, to Unitholders.

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

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.

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 Trust to liability.

Lower revenue growth or significant unanticipated expenditures may result from the Trust's need to comply with changes in Applicable Laws, including (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; (ii) rent control or rent stabilization laws or other 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 Trust 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 Trust's ability to sell such property and could potentially also result in claims against the Trust by third parties.

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

Upon acquiring a new property, the Trust may have to evict residents who are in unlawful possession before the Trust 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 Trust'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 Trust 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 Trust may acquire properties that it plans to extensively renovate. The Trust 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 Trust will be required to make ongoing capital improvements and replacements and may need to perform significant renovations to reposition properties in the rental market. The Trust's properties will have infrastructure and appliances of varying ages and conditions. Consequently, the Trust 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 Trust 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 Trust's portfolio prove to be materially inaccurate, the Trust'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 Trust'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 Trust is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

The Trust is also subject to utility and property tax risk relating to increased costs that the Trust 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 Trust cannot charge back to the tenant may have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and the 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. Generally, the Trust’s leases with tenants require the tenant to pay directly for their own utilities. The timing and amount of capital expenditures by the Trust will affect the amount of any distributions available to Unitholders.

INTEREST RATE RISK

Interest rate risk is the combined risk that the Trust 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 Trust would be unable to renew the maturing debt either with the existing lender or a new lender (renewal risk).

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

ASSUMPTIONS MAY PROVE INACCURATE

In determining whether a particular property meets its investment criteria, the Trust 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 Trust 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 Trust’s investment criteria. Reductions in the supply of properties that meet the Trust’s investment criteria may adversely affect the Trust’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 Trust’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 Trust’s ability to identify and acquire such properties will be fundamental to its success.

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

OUTLOOK

2019 and early 2020 was a strong period for Firm Capital American Realty Partners Trust. The Trust built upon its prior transformation and is well positioned for future growth. Some of the Trust’s accomplishments include:

- $13.2 Million in three equity accounted and preferred investments and one preferred capital investment thereby investing all net proceeds from the convertible debenture offering (see below);
- CAD $19.4 Million Convertible Debenture Financing;
- $12.8 Million Equity Offering Financing; and
- Successful conversion into Real Estate Investment Trust (REIT).

As a result of these initiatives, the following bottom line results transpired in 2019:

- +108% year over year AFFO increase to $0.25/share, thereby providing the second full year of positive AFFO for each and every quarter;
- +8% increased value in its wholly owned portfolio based on increased rents generated and compressing capitalization rates in Florida and Texas;
- +10.5% of compounded NAV growth since the third quarter in 2017; and
- +95% increase in income from Equity Accounted and preferred investments (excluding fair market value adjustments).

We have entered a period of uncertainty with the effect of the COVID-19 virus. We expect US interest rates to remain low through 2020 and are closely monitoring the economy for further signs of weakness. That said, the Trust expects to grow predominately through external acquisitions once we have visibility into the full economic impact of the COVID-19 virus. With the net proceeds from the equity offering, the Trust is in a position to opportunistically deploy these proceeds into accretive investments that will benefit unitholders over the long term.