

A low-angle photograph of a skyscraper with a grid of windows. An American flag is flying from a pole in the foreground, partially obscuring the building. The sky is bright and clear.

**FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.**

**CAPITAL PRESERVATION • DISCIPLINED INVESTING**

# **FINANCIAL STATEMENTS**

**SECOND QUARTER 2019  
JUNE 30, 2019**

Condensed Consolidated Interim Financial Statements of

**FIRM CAPITAL AMERICAN REALTY PARTNERS  
CORP.**

For the Three and Six Months Ended June 30, 2019 and 2018

(Expressed In US Dollars)

(Unaudited)

# **FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.**

Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

(Unaudited)

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The accompanying unaudited condensed consolidated interim financial statements of Firm Capital American Realty Partners Corp. for the three and six months ended June 30, 2019 have been prepared by and are the responsibility of management. These unaudited condensed consolidated interim financial statements, together with the accompanying notes, have been reviewed and approved by members of Firm Capital American Realty Partners Corp.'s audit committee. In accordance with National Instrument 51 – 102, Firm Capital American Realty Partners Corp. discloses that these unaudited condensed consolidated interim financial statements have not been reviewed by Capital American Realty Partners Corp.'s auditors.

# FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Condensed Consolidated Interim Balance Sheets

(Expressed in US Dollars)

(Unaudited)

	June 30, 2019	December 31, 2018
<b>Assets</b>	\$	\$
Current assets		
Cash and cash equivalents	564,656	2,374,340
Restricted cash	769,278	631,266
Accounts receivable	135,176	159,387
Prepaid expenses and other assets	339,954	475,737
Assets held for sale (note 18)	726,680	3,085,841
<b>Total current assets</b>	<b>2,535,744</b>	<b>6,726,571</b>
Non-current assets		
Investment properties (note 4)	47,128,415	44,783,595
Equity Accounted and Preferred Investments (note 5)	31,192,757	28,698,180
Preferred capital investments (note 6)	2,206,582	2,000,354
<b>Total non-current assets</b>	<b>80,527,754</b>	<b>75,482,129</b>
<b>Total assets</b>	<b>83,063,498</b>	<b>82,208,700</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 17)	1,942,803	2,170,970
Mortgages payable (notes 8 and 9)	699,468	341,974
Convertible debentures payable (note 7)	-	1,346,716
Deferred share unit liabilities (note 19)	40,541	40,832
Liabilities associated with assets held for sale (note 18)	13,878	59,119
<b>Total current liabilities</b>	<b>2,696,690</b>	<b>3,959,611</b>
Non-current liabilities		
Mortgages payable (notes 8 and 9)	17,839,054	18,013,336
Deferred tax liability	525,358	525,358
<b>Total non-current liabilities</b>	<b>18,364,412</b>	<b>18,538,694</b>
<b>Total liabilities</b>	<b>21,061,102</b>	<b>22,498,305</b>
<b>Shareholders' Equity</b>		
Share capital (note 10)	82,931,506	82,938,306
Contributed surplus	7,006,755	5,764,738
Equity portion of convertible debentures (note 7)	-	1,242,017
Accumulated foreign currency translation reserve	3,331,940	3,331,940
Deficit	(31,267,805)	(33,566,606)
<b>Total shareholders' equity</b>	<b>62,002,396</b>	<b>59,710,395</b>
<b>Total liabilities and shareholders' equity</b>	<b>83,063,498</b>	<b>82,208,700</b>

Subsequent Events (note 21)

See accompanying Notes to Condensed Consolidated Interim Financial Statements

(signed) "Geoffrey Bledin"  
Geoffrey Bledin  
Director

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

# FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Condensed Consolidated Interim Statements of Income and Comprehensive Income

Three and Six Months Ended June 30, 2019 and 2018

(Expressed in US Dollars)

(Unaudited)

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	\$		\$	
<b>Revenue</b>				
Rental	1,072,430	1,049,922	2,143,293	2,050,216
Operating expenses				
Operating costs	246,231	214,360	424,944	366,287
Utilities	75,281	81,171	161,144	158,322
Property taxes	159,282	145,368	317,513	293,342
Total operating expenses	480,794	440,899	903,601	817,951
Net rental income	591,636	609,023	1,239,692	1,232,265
Income from equity accounted and preferred investments (note 5)	509,045	2,381,320	977,076	2,672,256
Income from preferred capital investments (note 6)	55,691	67,740	108,152	134,007
Expenses:				
General and administrative	352,811	388,146	706,387	767,378
Professional fees	37,844	61,794	92,222	147,827
Net finance costs	224,139	529,952	534,237	1,047,721
	614,794	979,892	1,332,846	1,962,926
<b>Net Income/(loss) before other income/ (expenses)</b>	541,578	2,078,191	992,074	2,075,602
<b>Other income (expenses)</b>				
Foreign exchange gain/ (loss)	2,323	(1,612)	6,355	3,005
Fair value adjustments of investment properties (note 4)	898,172	-	2,198,035	-
Share based compensation (notes 11, 12 and 19)	(1,983)	(1,692)	292	(584)
Total other income/ (expenses)	898,512	(3,304)	2,204,682	2,421
Net income from continuing operations before income taxes	1,440,090	2,074,887	3,196,758	2,078,023
Income tax expense	-	549,845	-	550,676
Net Income from continuing operations	1,440,090	1,525,042	3,196,758	1,527,347
Net income/(loss) from discontinued operations (net of income tax expense) (note 20)	(67,121)	(108,025)	(79,593)	66,966
Net income and comprehensive income	1,372,969	1,417,017	3,117,165	1,594,313
<b>Basic net income per share</b>				
From continuing operations (note 13)	\$ 0.21	\$ 0.25	\$ 0.46	\$ 0.25
From discontinued operations (note 13)	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ 0.01
	\$ 0.20	\$ 0.23	\$ 0.45	\$ 0.26
<b>Diluted net income per share</b>				
From continuing operations (note 13)	\$ 0.16	\$ 0.20	\$ 0.35	\$ 0.20
From discontinued operations (note 13)	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ 0.01
	\$ 0.15	\$ 0.18	\$ 0.34	\$ 0.21

See accompanying Notes to Condensed Consolidated Interim Financial Statements

# FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

Periods Ended June 30, 2019 and 2018

(Expressed in US Dollars)

(Unaudited)

	Share capital	Contributed surplus	Equity portion of convertible debentures	Accumulated foreign currency translation reserve	Deficit	Total
Balance at December 31, 2017	76,842,700	5,100,195	1,242,017	3,331,940	(37,771,757)	48,745,095
Issuance costs (note 10)	(40,595)	-	-	-	-	(40,595)
Net income and comprehensive income for the period	-	-	-	-	1,594,313	1,594,313
Dividends (note 14)	-	-	-	-	(689,362)	(689,362)
Balance at June 30, 2018	76,802,105	5,100,195	1,242,017	3,331,940	(36,866,807)	49,609,450
Issuance of shares from Equity Offering (note 10(a))	6,211,579	-	-	-	-	6,211,579
Issuance of warrants from Equity Offering (note 10(a) and 12(a)(ii))	-	338,229	-	-	-	338,229
Issuance costs (note 10)	(75,378)	-	-	-	-	(75,378)
Issuance of options (notes 11 and 12(b)(i))	-	401,182	-	-	-	401,182
Expiration of options	-	(74,868)	-	-	-	(74,868)
Net income and comprehensive income for the period	-	-	-	-	4,035,046	4,035,046
Dividends (note 14)	-	-	-	-	(734,845)	(734,845)
Balance at December 31, 2018	82,938,306	5,764,738	1,242,017	3,331,940	(33,566,606)	59,710,395
Normal Course Issuer Bid (note 10(b))	(6,800)	-	-	-	-	(6,800)
Reclass of equity portion of convertible debentures	-	1,242,017	(1,242,017)	-	-	-
Net Income and comprehensive income for the period	-	-	-	-	3,117,165	3,117,165
Dividends (note 14)	-	-	-	-	(818,364)	(818,364)
Balance at June 30, 2019	82,931,506	7,006,755	-	3,331,940	(31,267,805)	62,002,396
Shares Outstanding	6,935,306					

See accompanying Notes to Condensed Consolidated Interim Financial Statements

# FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Condensed Consolidated Interim Statement of Cash Flows  
 Three and Six Months Ended June 30, 2019 and 2018  
 (Expressed in US Dollars)  
 (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	\$	\$	\$	\$
<b>Operating activities</b>				
Net income from continuing operations before income taxes	1,440,090	2,074,887	3,196,758	2,078,023
Income tax expense	-	549,845	-	550,676
Net Income from continuing operations	1,440,090	1,525,042	3,196,758	1,527,347
Net income/(loss) from discontinued operations (net of income tax expense) (note 20)	(67,121)	(108,025)	(79,593)	66,966
Net income and comprehensive income	1,372,969	1,417,017	3,117,165	1,594,313
Add (Deduct):				
Depreciation	-	1,860	-	3,719
Accretion expense	-	68,827	82,234	137,398
Equity accounted and preferred investments, net of distributions (note 5)	(175,241)	(113,754)	(361,012)	(358,939)
Preferred Capital Investments, net of distributions (note 6)	2,105	-	2,105	(8,835)
Fair value adjustments of investment properties (notes 4 and 18)	(860,367)	321,308	(2,163,736)	413,883
Fair value adjustments of equity accounted investments (note 5)	-	(2,119,727)	-	(2,119,727)
Share based compensation (notes 11, 12 and 19)	1,983	1,692	(292)	584
Deferred tax liability	-	510,897	-	574,820
Changes in non-cash operating working capital:				
Accounts receivable	12,859	(70,042)	24,211	(8,067)
Prepaid expenses and other assets	94,606	156,970	135,783	(9,774)
Accounts payable and accrued liabilities	(10,690)	84,562	(292,419)	(450,602)
Total operating activities	438,224	259,609	544,039	(231,227)
<b>Investing activities</b>				
Investments in equity accounted and preferred investments (note 5)	(1,833,565)	-	(2,133,565)	(8,104,000)
Investments in Preferred capital investments (note 6)	(208,333)	-	(208,333)	-
Capital expenditures on investment properties (note 4)	(77,842)	(52,994)	(146,785)	(286,910)
Proceeds from disposition of assets held for sale (note 18)	800,542	2,533,583	2,324,861	4,039,954
Total investing activities	(1,319,198)	2,480,589	(163,822)	(4,350,956)
<b>Financing activities</b>				
Issuance costs (note 10)	-	-	-	(40,595)
Normal Course Issuer bid (note 10(b))	-	-	(6,800)	-
Cash dividends paid (note 14)	(409,183)	(344,681)	(799,351)	(689,362)
Repayment of convertible debentures (note 7)	-	(2,225,000)	(1,428,950)	(4,296,000)
Mortgages, advances (note 8)	1,060,000	-	1,060,000	3,950,000
Repayment of mortgages (note 8)	(789,330)	(80,352)	(876,788)	(152,193)
Total financing activities	(138,513)	(2,650,032)	(2,051,889)	(1,228,150)
Increase in cash and cash equivalents and restricted cash	(1,019,487)	90,166	(1,671,672)	(5,810,333)
Cash and cash equivalents and restricted cash, beginning of period	2,353,421	2,206,036	3,005,606	8,106,535
Cash and cash equivalents and restricted cash, end of period	1,333,934	2,296,202	1,333,934	2,296,202
Consisting of:				
Cash and cash equivalents	564,656	1,001,222	564,656	1,001,222
Restricted cash	769,278	1,294,980	769,278	1,294,980

See accompanying Notes to Condensed Consolidated Interim Financial Statements

# FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and six months ended June 30, 2019 and 2018

(Unaudited)

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## 1. Nature of operations

Firm Capital American Realty Partners Corp. (the “**Company**”) was incorporated under the Business Corporations Act (Ontario) on March 19, 2007. The Company trades on the TSX Venture Exchange (“**TSXV**”) under the trading symbols “FCA.U” and “FCA”. The address of the Company’s registered office is 163 Cartwright Avenue, Toronto, Ontario, M6A 1V5.

The Company is focused on the following investment platforms:

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

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

The financial statements were approved and authorized for issue by the Board of Directors on August 28, 2019.

## 2. Basis of preparation

### *Statement of compliance*

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

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting (“IAS 34”) as issued by the IASB and, except as described in Note 3(a) and follow the same accounting policies and methods of application as the audited annual consolidated financial statements of the Company for the year ended December 31, 2018. These condensed consolidated interim financial statements do not contain all disclosures required by IFRS and accordingly should be read in conjunction with the 2018 audited annual consolidated financial statements and the notes thereto.

### *Basis of presentation*

The condensed consolidated interim financial statements are prepared on a going concern basis and have been presented in US dollars which is the Company’s reporting currency. Standards and guidelines not effective for the current accounting period are described in note 3(a). Standards and guidelines implemented and effective for the current accounting period are described in note 3(b).

### *Basis of measurement*

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

### *Basis of consolidation*

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

### *Functional currency*

As at June 30, 2019, the Company and all of its subsidiaries’ functional currencies are the US Dollar (“USD”).



# FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and six months ended June 30, 2019 and 2018

(Unaudited)

## 3. Accounting policy changes

### (a) Future changes in accounting policies

Amendments to IFRS 3, Business Combinations. 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 Trust intends to adopt the amendments to IFRS 3 on the required effective date of January 1, 2020.

### (b) New changes in accounting policies

IFRS 16 - Leases ("IFRS 16"). IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the condensed consolidated interim financial statements with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 requirements. The effective date for IFRS 16 is January 1, 2019. Based on an assessment of the standard, the Company did not experience a significant impact on its condensed consolidated interim financial statements since the Company is the lessor, and not the lessee, and this standard only impacts the accounting treatment from the perspective of the lessee.

## 4. Investment properties

	June 30, 2019	December 31, 2018
	\$	\$
<b>Balance, beginning of period</b>	44,783,595	42,651,982
Building improvements	146,785	390,039
Fair value adjustments to investment properties	2,198,035	1,741,574
<b>Balance, end of period</b>	<b>47,128,415</b>	<b>44,783,595</b>

The investment properties as at June 30, 2019 consist of 311 multi-family apartment units in three buildings located in Florida and Texas.

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

	June 30, 2019	December 31, 2018
<b>Key Assumptions</b>		
Capitalization rate	4.85%-4.95%	5.00%
Occupancy rate	95% - 97%	95% - 97%
Weighted average net rental income	\$ 974,603	\$ 925,264

# FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and six months ended June 30, 2019 and 2018

(Unaudited)

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

	June 30, 2019	December 31, 2018
	\$	\$
Capitalization rate increase by 25 basis points	(2,291,000)	(2,132,000)
Capitalization rate decrease by 25 basis points	2,538,000	2,375,000

## 5. Equity accounted and preferred investments

The Company has invested in the following equity accounted and preferred investments.

(In \$millions unless otherwise stated).

Location	Units	FMV of Assets (A)	Ownership % (B)	Pro-Rata Real Estate Valuation (A*B)	Preferred Investment	Common Investment	Total Investment	Preferred Yield
New York City	129	\$ 38.0	22.8%	\$ 8.6	\$ 5.1	\$ 1.3	\$ 6.4	8%
Brentwood, MD	118	15.0	25.0%	3.7	-	1.2	1.2	-
Bridgeport, CT	462	39.3	30.0%	11.8	2.8	3.3	6.1	9%
Irvington, NJ	189	18.9	50.0%	9.5	2.6	1.0	3.6	9%
Houston, TX	235	16.8	50.0%	8.4	3.6	1.4	4.9	9%
Bronx, NY	132	25.3	50.0%	12.7	5.1	2.0	7.1	8%
Hartford, CT	109	12.9	50.0%	6.4	0.6	1.3	1.9	8%
<b>Total/ Wtd. Avg.</b>	<b>1,374</b>	<b>\$ 166.2</b>	<b>36.8%</b>	<b>\$ 61.2</b>	<b>\$ 19.7</b>	<b>\$ 11.5</b>	<b>\$ 31.2</b>	<b>8.5%</b>

The Company has significant influence over these equity accounted and preferred investments as further outlined below:

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

Brentwood, Maryland: Certain officers and directors of the Company have an indirect interest or management oversight of approximately 20.0% of the common equity; and

Bridgeport, Connecticut: Certain officers and directors of the Company have an indirect interest or management oversight of approximately 18.0% of the preferred equity and 9.0% of the common equity.

Outlined below are the details of the Company's net investment in the equity accounted and preferred investment comprised of common interests, accounted for using the equity method and preferred interests, accounted as preferred capital loans, along with the balance sheet and statement of income (each at 100% of the equity accounted and preferred investment) and income allocation from the equity accounted and preferred investments for the period ended June 30, 2019 with comparable figures for the periods ended December 31, 2018 and June 30, 2018:

# FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and six months ended June 30, 2019 and 2018

(Unaudited)

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<b>Equity Accounted and Preferred Investments, December 31, 2017</b>	<b>\$12,694,453</b>
Investments	
- Preferred Equity	6,078,000
- Common Equity	2,193,000
Income Earned	
- Preferred Equity	607,763
- Common Equity	(55,235)
- Fair Value Adjustments	2,119,727
Less: Distributions Received	(360,590)
<b>Equity Accounted and Preferred Investments, June 30, 2018</b>	<b>\$23,277,119</b>
Investments	
- Preferred Equity	4,756,248
- Common Equity	2,310,500
- Redemption of Preferred Equity	(1,777,188)
Income Earned	
- Preferred Equity	623,957
- Common Equity	(53,443)
- Fair Value Adjustments	622,526
Less: Distributions Received	(1,061,539)
<b>Equity Accounted and Preferred Investments, December 31, 2018</b>	<b>\$28,698,180</b>
Investments	
- Preferred Equity	860,000
- Common Equity	1,273,565
Income Earned	
- Preferred Equity	799,839
- Common Equity	177,237
Less: Distributions Received	(616,064)
<b>Equity Accounted and Preferred Investments, June 30, 2019</b>	<b>\$31,192,757</b>

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# FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and six months ended June 30, 2019 and 2018

(Unaudited)

	June 30, 2019		December 31, 2018	
<b>Assets</b>				
Cash	\$	3,769,706	\$	4,437,769
Accounts Receivable		297,984		250,513
Other Assets		2,388,119		2,971,330
Investment Properties		166,246,601		151,062,573
	<b>\$</b>	<b>172,702,410</b>	<b>\$</b>	<b>158,722,185</b>
<b>Liabilities</b>				
Accounts Payable	\$	1,902,254	\$	1,360,264
Security Deposits		1,187,123		1,023,323
Mortgages		112,738,288		102,960,000
	<b>\$</b>	<b>115,827,665</b>	<b>\$</b>	<b>105,343,587</b>
<b>Equity</b>				
Retained Earnings / (Deficit)	\$	6,605,106	\$	6,398,977
Preferred Equity		27,348,841		26,055,870
Common Equity		22,920,798		20,923,751
	<b>\$</b>	<b>56,874,746</b>	<b>\$</b>	<b>53,378,597</b>
	<b>\$</b>	<b>172,702,410</b>	<b>\$</b>	<b>158,722,185</b>
<b>Investment Allocation for the Company</b>				
Preferred Equity	\$	19,679,329	\$	18,568,745
Common Equity		11,513,429		10,129,435
	<b>\$</b>	<b>31,192,757</b>	<b>\$</b>	<b>28,698,180</b>
		<b>Three Months Ended</b>		<b>Six Months Ended</b>
		June 30,	June 30,	June 30,
		2019	2018	2019
		June 30,	June 30,	June 30,
		2019	2018	2018
<b>Net Income</b>				
Rental Revenue	\$	4,075,540	\$	3,063,838
Property Operating Expenses		(1,868,692)		(1,777,110)
<b>Net Rental Income</b>		<b>2,206,847</b>		<b>1,286,728</b>
General & Administrative		(182,643)		(175,021)
Interest Expense		(1,257,834)		(866,829)
Fair Value Adjustments		-		7,427,876
<b>Net Income Before Preferred Equity Dividend</b>	<b>\$</b>	<b>766,370</b>	<b>\$</b>	<b>7,672,754</b>
Less: Preferred Equity Dividend		(562,088)		(1,015,595)
<b>Net Income</b>	<b>\$</b>	<b>204,282</b>	<b>\$</b>	<b>7,119,913</b>
		<b>\$</b>		<b>\$</b>
		<b>409,649</b>		<b>334,047</b>
		<b>\$</b>		<b>\$</b>
		<b>99,396</b>		<b>2,047,273</b>
		<b>\$</b>		<b>\$</b>
		<b>509,045</b>		<b>977,076</b>
		<b>\$</b>		<b>\$</b>
		<b>2,381,320</b>		<b>2,672,256</b>

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.

## 6. 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 "Preferred Capital") to fund the acquisition of a portfolio of three apartment buildings

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located in New York, New York. The 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 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 of June 30, 2019, the Company's pro-rata principal balance was \$2.2 million.

## 7. Convertible debentures payable

The Company had 7.0% unsecured subordinated convertible debentures ("the Debentures"). The principal balance as at December 31, 2018 was \$1.3 million and had the ability to be converted into common shares of the Company at \$33.82 per common share. The maturity date on the Debentures was July 31, 2019. During the six months ended June 30, 2019, the Debentures were fully repaid and discharged.

## 8. Mortgages payable

	June 30, 2019	December 31, 2018
	\$	\$
Mortgages payable	\$ 18,538,522	\$ 18,355,310
Less: current portion	(699,468)	(341,974)
	\$ 17,839,054	\$ 18,013,336

As at June 30, 2019 the Company had mortgages payable secured by the multi-family properties as well as a promissory note (see below) for a total of \$18,538,522 (including the current portion and net of unamortized financing costs) (December 31, 2018-\$18,355,310) which bear interest at an average interest rate of 4.45% (June 30, 2018- 4.37%) per annum, and have maturity dates ranging between March 2020 and June 2023.

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

	\$
2019	929,846
2020	1,150,389
2021	1,150,389
2022	11,886,768
2023	6,195,246
Total	21,312,637

On April 3, 2019, the Company entered into a promissory note with the Firm Capital Corporation. The promissory note has 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 three months ended June 30, 2019, the Company repaid approximately \$0.7 million of this promissory note and was left with a principal balance outstanding of approximately \$0.4 million.

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## 9. Changes in net debt

The following table sets out an analysis of the movements in net debt for the period ended June 30, 2019:

	Cash & Cash Equivalents	Mortgages	Convertible Debentures	Net Debt
	\$	\$	\$	\$
As at December 31, 2018	3,005,606	(18,355,310)	(1,346,716)	(16,696,421)
Cash Flows	(1,539,247)	(183,212)	1,428,950	(293,509)
Non Cash Changes	(132,425)	-	(82,234)	(214,659)
As at June 30, 2019	1,333,934	(18,538,522)	-	(17,204,589)

## 10. Share capital

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

	Number of shares	Value
Balance at December 31, 2017	6,127,663	76,842,700
Less: Issuance Costs	-	(40,595)
Balance at June 30, 2018	6,127,663	76,802,105
Issuance of shares from equity offering (a)	808,643	6,211,579
Less: Issuance Costs	-	(75,378)
Balance at December 31, 2018	6,936,306	82,938,306
Less: Normal Course Issuer Bid (b)	(1,000)	(6,800)
Balance at June 30, 2019	6,935,306	82,931,506

(a) On November 9, 2018 the Company issued 808,643 common shares at a price of \$8.10 per share for total gross proceeds of approximately \$6.6 million. Net of the value of the warrants as further described in 12(a)(ii) of these condensed consolidated interim financial statements, the common shares had a value of approximately \$6.2 million.

(b) On January 30, 2019, the Company repurchased 1,000 common shares through a Normal Course Issuer Bid at a price of \$6.80 per share for a total gross proceeds of approximately \$0.06 million.

## 11. Share-based compensation

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

As at June 30, 2019, the Company has 617,138 options issued and outstanding (December 31, 2018 – 686,842) at a \$8.66 weighted average exercise price per share (December 31, 2018 - \$10.30). Further details around the outstanding balances are detailed in note 12(b) of these condensed consolidated interim financial statements.

## 12. Derivative financial instruments

As at June 30, 2019, the Company's derivative financial instruments consists of options and warrants.

### Warrants

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

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	Number of warrants	Warrants reserve		Weighted average exercise price
Balance at December 31, 2017	881,802	573,692	\$	8.87
Issuance of warrants (note 12(a)(ii))	808,643	338,229	\$	9.50
Revaluation/expiry of warrants	(31,642)	-	\$	26.05
Balance at June 30, 2019	1,658,803	911,921	\$	8.95

The warrant reserve was calculated using the Black Scholes option-pricing model. The key assumptions used in the model were: stock prices ranging from \$6.86 to \$7.00; exercise price ranging from \$8.50 to \$9.50; expected life ranging, in years, from 2.0 to 2.7; 30% volatility; risk free rate ranging from 1.57% to 2.36%; and annual dividends of \$0.225 per share.

The Company had the following warrants outstanding and exercisable as at June 30, 2019:

Issuance Date	Number of warrants		Weighted average exercise price	Expiry Date
May 29, 2017 (note 12 (a)(i))	850,160	\$	8.50	May 29, 2020
November 9, 2018 (note 12 (a)(ii))	808,643		9.50	November 9, 2020
Total/ Weighted Average	1,658,803	\$	8.95	

- (i) On May 29, 2017, the Company issued 850,160 Warrants to participants in a common share offering that closed on the same day. The Warrants have an exercise price of \$8.50 per warrant and expire on May 29, 2020.
- (ii) On November 9, 2018, the Company issued 808,643 Warrants to participants in the common share offering as described in note 10(a) of these condensed consolidated interim financial statements. The warrants have an exercise price of \$9.50 per warrant and expire on November 9, 2020.

## Options

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

The option reserve as at June 30, 2019, was calculated on the issuance date using the Black Scholes option-pricing model. The key assumptions used in the model were; stock price ranging from \$6.20 to \$7.30; exercise price ranging from \$7.50 to \$8.30; expected life of approximately 10 years; volatility of 30%; risk free rate ranging from 1.69% to 2.22%; and dividends of \$0.225 per share.

	Number of Options	Options reserve		Weighted average exercise price
Balance at December 31, 2017	507,159	476,615	\$	10.92
Expiry of Options	(138,421)	(74,868)	\$	7.50
Issuance of Options (note 12(b)(i))	248,400	401,182	\$	8.30
Balance at June 30, 2019	617,138	802,929	\$	8.66

The Company had the following options outstanding and exercisable on June 30, 2019.

Issuance Date	Number of Options		Weighted average exercise price	Expiry Date
August 17, 2017	368,738	\$	7.50	August 17, 2027
November 19, 2018 (note 12 (b)(i))	248,400	\$	8.30	November 19, 2028
Total/ Weighted Average	617,138	\$	8.66	

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- (i) On November 19, 2018, the Company issued 248,400 Options to members of senior management and the board. The Options have an exercise price of \$8.30 per option and expire on November 19, 2028.

## 13. Net income / (loss) per share

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	\$	\$	\$	\$
Net income from continuing operations before income taxes	1,440,090	2,074,887	3,196,758	2,078,023
Income tax expense	-	549,845	-	550,676
Net Income from continuing operations	1,440,090	1,525,042	3,196,758	1,527,347
Net income/(loss) from discontinued operations (net of income tax expense) (note 20)	(67,121)	(108,025)	(79,593)	66,966
Net income and comprehensive income	\$ 1,372,969	\$ 1,417,017	\$ 3,117,165	\$ 1,594,313
Weighted average shares - basic	6,935,306	6,127,666	6,935,472	6,127,666
Weighted average shares - diluted	9,211,247	7,798,727	9,221,228	7,825,481
<b>Basic net income / per share</b>				
From continuing operations	\$ 0.21	\$ 0.25	\$ 0.46	\$ 0.25
From discontinued operations	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ 0.01
	\$ 0.20	\$ 0.23	\$ 0.45	\$ 0.26
<b>Diluted net income / per share</b>				
From continuing operations	\$ 0.16	\$ 0.20	\$ 0.35	\$ 0.20
From discontinued operations	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ 0.01
	\$ 0.15	\$ 0.18	\$ 0.34	\$ 0.21

## 14. Dividends

For the three months ended June 30, 2019, the Company declared dividends of \$0.059 per common share resulting in total dividends of \$409,183 (June 30, 2018- 344,681) For the six months ended June 30, 2019, the Company declared dividends of \$0.118 per common share resulting in total dividends of \$818,364 (June 30, 2018- 689,362).

## 15. Financial instruments and risk management

### *Risk management*

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

### *Market risk*

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

### *Foreign currency risk*

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



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	<b>CAD</b>
	\$
Cash and other assets	82,980
Accounts payable and accrued liabilities	(109,715)
Total	(26,735)
Effect of +/- 10% change in exchange rate	(2,674)

## *Interest rate risk*

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

## *Credit risk and concentration risk*

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

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

## *Liquidity risk*

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

## *Fair value*

Fair value is the price that would be received to sell an asset or paid to transfer or settle a liability in an orderly transaction between market participants at the measurement date. The fair values of the Company's cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities are estimated by management to approximate their carrying values due to their short-term nature.

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

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

<b>June 30, 2019</b>	<b>Level 3</b>
Assets held for sale	\$ 726,680
Investment properties	47,128,415

There were no transfers between levels during the period ended June 30, 2019.

<b>December 31, 2018</b>	<b>Level 3</b>
Assets held for sale	\$ 3,085,841
Investment properties	44,783,595

## 16. Capital risk management

The capital of the Company includes equity, which is comprised of issued share capital, contributed surplus, equity portion of convertible debentures, warrants, accumulated foreign currency translation reserve and deficit. The Company's objective when managing its capital is to safeguard the ability to continue as a going concern in order to provide returns for its shareholders, and other stakeholders and to maintain a strong capital base to support the Company's core activities, the acquisition, ownership, management and rental of residential real estate properties as discussed in note 1 of these condensed consolidated interim financial statements.

Although the Company is not subject to any formal covenants, there are certain restrictions under the different debts and mortgages that the Company must target to stay in compliance. The Company monitors these different debts and mortgages and was in compliance throughout the three and six months ended June 30, 2019.

## 17. Related party transactions

(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 Adjusted Funds from Operation ("AFFO") once AFFO exceeds 8.0% of Net Asset Value ("**NAV**") per share.
- d. Placement Fees:** 0.25% of the aggregate value of all debt and equity financing arranged by the Manager.
- e. Property Management Fees:**
  - i. Multi-unit residential properties with 120 units or less, 4.0% of Gross Revenue collected from the property;
  - ii. Multi-unit residential properties with more than 120 units. 3.5% of Gross Revenue collected from the property.
  - iii. Industrial or commercial property, 4.25% of Gross Revenue are collected from the property; provided, however, that for such properties with a single tenant 3.0% of Gross Revenue collected from the property.
- f. Commercial Leasing Fees:** 3.0% of the net rental payments for the first year of the lease, and 1.5% of the net rental payments for each year during duration of the lease; provided, however, that where a third party broker arranges for the lease of any such property that is not subject to a long-term listing agreement, the Manager shall be entitled to reduced commission equal to 50% of the foregoing amounts with respect to such property.

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- 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 six months ended June 30, 2019, the Company has accrued and/or paid approximately \$624,133 (June 30, 2018 - \$441,012) in the form of asset, property, loan servicing, acquisition, placement and

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construction development property management fees. The Company has accrued \$593,052 (June 30, 2018 - \$694,298) under this Management Agreement, which is included in accounts payable and accrued liabilities.

On April 3, 2019, the Company entered into a promissory note with the Firm Capital Corporation. The promissory note has 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 three months ended June 30, 2019, the Company repaid approximately \$0.7 million of this promissory note and was left with a principal balance outstanding of approximately \$0.4 million.

## 18. Assets held for sale

As at June 30, 2019, the Company had 6 single family homes located in Georgia (December 31, 2018—31 units). The Company has classified the single family units as held for sale as the Company is actively marketing and intends to sell these properties within one year.

	June 30, 2019	December 31, 2018
	\$	\$
<b>Balance, beginning of period</b>	3,085,841	16,019,657
Building Improvements	-	52,014
Dispositions	(2,324,861)	(13,678,088)
Fair value adjustments to assets held for sale	(34,300)	692,257
<b>Balance, end of period</b>	<b>726,680</b>	<b>3,085,841</b>
<b>Liabilities</b>		
Accounts payable and other liabilities	13,878	59,119
Liabilities related to assets held for sale	13,878	59,119

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

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	\$	\$	\$	\$
Operating activities	(30,909)	76,986	(90,536)	474,617
Investing activities	800,542	2,533,583	2,324,861	4,015,622
Net cash inflow	769,633	2,610,569	2,234,326	4,490,239

## 19. Deferred share units

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

## 20. Segmented information

The Company defines its reportable segments based on geographical locations and on asset types including single family buildings, multi-family buildings, equity accounted and preferred investments and corporate. The segmented information based on geographical and asset types are outlined below. Note

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that the segments of Georgia and New York, Tri State Area combined (excluding income from equity investments and preferred capital investments) and the reportable segment of the single family homes represent the Company's discontinued operations:

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

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
<b>Three Month Period Ended June 30, 2019</b>	\$	\$	\$	\$	\$	\$	\$
Rental revenue	(10,463)	630,970	-	-	441,460	-	1,061,967
Operating costs	(11,192)	(124,813)	-	-	(115,425)	-	(251,430)
Utilities	(7,625)	(54,251)	-	-	(21,030)	-	(82,906)
Property taxes	(5,139)	(92,528)	-	-	(67,647)	-	(165,314)
Net rental income	(34,419)	359,378	-	-	237,358	-	562,317
Income from equity accounted and preferred investments	-	-	24,874	378,075	106,096	-	509,045
Income from preferred capital investments	-	-	-	55,691	-	-	55,691
General and administrative	-	-	-	-	-	(352,811)	(352,811)
Professional fees	-	-	-	-	-	(37,844)	(37,844)
Finance costs	-	-	-	-	-	(224,139)	(224,139)
Segment income (loss) from operations	(34,419)	359,378	24,874	433,766	343,454	(614,794)	512,259
Foreign exchange gain	-	-	-	-	-	2,323	2,323
Fair value adjustments of properties	(37,805)	737,173	-	-	161,000	-	860,368
Share based compensation	-	-	-	-	-	(1,983)	(1,983)
Net income (loss) before income taxes	(72,224)	1,096,551	24,874	433,766	504,454	(614,454)	1,372,969
Income tax (recovery)/expense	-	-	-	-	-	-	-
Net income (loss) for the period	(72,224)	1,096,551	24,874	433,766	504,454	(614,454)	1,372,969

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
<b>Three Month period ended June 30, 2018</b>	\$	\$	\$	\$	\$	\$	\$
Rental revenue	301,903	589,013	-	98,731	445,431	-	1,435,078
Operating costs	(78,719)	(115,934)	-	(27,165)	(106,434)	-	(328,251)
Utilities	(4,933)	(59,968)	-	(10,857)	(22,303)	-	(98,061)
Property taxes	(32,655)	(102,306)	-	(30,269)	(60,177)	-	(225,407)
Net rental income	185,596	310,805	-	30,440	256,517	-	783,358
Income from equity investments	-	-	575,309	1,749,200	56,810	-	2,381,320
Income from preferred capital investments	-	-	-	67,740	-	-	67,740
General and administrative	-	-	-	-	-	(388,146)	(388,146)
Professional fees	-	-	-	-	-	(61,794)	(61,794)
Finance costs	-	-	-	-	-	(529,952)	(529,952)
Segment income (loss) from operations	185,596	310,805	575,309	1,847,380	313,327	(979,892)	2,252,526
Foreign exchange gain	-	-	-	-	-	(1,612)	(1,612)
Fair value adjustments of properties	(103,105)	-	-	(218,203)	-	-	(321,308)
Share based compensation	-	-	-	-	-	(1,692)	(1,692)
Net income (loss) before income taxes	82,491	310,805	575,309	1,629,177	313,327	(983,196)	1,927,914
Income tax (recovery)/expense	21,860	82,363	152,457	431,732	83,032	(260,547)	510,897
Net income (loss) for the period	60,631	228,442	422,852	1,197,445	230,295	(722,649)	1,417,017

# FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and six months ended June 30, 2019 and 2018

(Unaudited)

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
<b>Six Month Period Ended June 30, 2019</b>	\$	\$	\$	\$	\$	\$	\$
Rental revenue	50,118	1,269,114	-	-	881,420	-	2,200,652
Operating costs	(25,401)	(232,234)	-	-	(191,521)	-	(449,156)
Utilities	(31,164)	(122,735)	-	-	(39,888)	-	(193,787)
Property taxes	(43,947)	(183,613)	-	-	(135,752)	-	(363,312)
Net rental income	(50,394)	730,532	-	-	514,259	-	1,194,397
Income from equity accounted and preferred investments	-	-	40,631	709,921	226,525	-	977,076
Income from preferred capital investments	-	-	-	108,152	-	-	108,152
General and administrative	-	-	-	-	-	(706,387)	(706,387)
Professional fees	-	-	-	-	-	(92,222)	(92,222)
Finance costs	-	-	-	-	-	(534,237)	(534,237)
Segment income (loss) from operations	(50,394)	730,532	40,631	818,073	740,784	(1,332,846)	946,779
Foreign exchange gain	-	-	-	-	-	6,355	6,355
Fair value adjustments of properties	(34,300)	2,061,929	-	-	136,107	-	2,163,736
Share based compensation	-	-	-	-	-	292	292
Net income (loss) before income taxes	(84,694)	2,792,461	40,631	818,073	876,891	(1,326,199)	3,117,165
Income tax (recovery)/expense	-	-	-	-	-	-	-
Net income (loss) for the period	(84,694)	2,792,461	40,631	818,073	876,891	(1,326,199)	3,117,165

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
<b>Six Month Period Ended June 30, 2018</b>	\$	\$	\$	\$	\$	\$	\$
Rental revenue	608,000	1,151,149	-	196,594	884,101	-	2,839,844
Operating costs	(96,087)	(189,046)	-	28,704	(180,328)	-	(436,757)
Utilities	(10,959)	(117,095)	-	(50,008)	(45,561)	-	(223,623)
Property taxes	(64,626)	(189,755)	-	(67,773)	(120,054)	-	(442,208)
Net rental income	436,329	655,253	-	107,517	538,158	-	1,737,257
Income from equity accounted and preferred investments	-	-	576,379	1,994,381	101,495	-	2,672,256
Income from preferred capital investments	-	-	-	134,007	-	-	134,007
General and administrative	-	-	-	-	-	(767,379)	(767,379)
Professional fees	-	-	-	-	-	(147,827)	(147,827)
Finance costs	-	-	-	-	-	(1,047,722)	(1,047,722)
Segment income (loss) from operations	436,329	655,253	576,379	2,235,905	639,653	(1,962,928)	2,580,592
Foreign exchange gain	-	-	-	-	-	3,005	3,005
Fair value adjustments of properties	(195,680)	-	-	(218,203)	-	-	(413,883)
Share based compensation	-	-	-	-	-	(584)	(584)
Net income (loss) before income taxes	240,649	655,253	576,379	2,017,702	639,653	(1,960,507)	2,169,133
Income tax (recovery)/expense	63,772	173,642	152,741	534,691	169,508	(519,534)	574,820
Net income (loss) for the period	176,877	481,611	423,638	1,483,011	470,145	(1,440,973)	1,594,313

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
<b>As at June 30, 2019</b>							
Total current assets	876,444	919,604	-	-	383,953	355,743	2,535,744
Total non-current assets	-	27,350,921	1,247,892	27,214,269	24,714,672	-	80,527,754
Total liabilities	(13,878)	(11,987,073)	-	-	(6,865,215)	(2,194,936)	(21,061,102)

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
<b>As at June 30, 2018</b>							
Total current assets	10,731,687	287,197	-	1,170,122	161,608	2,306,504	14,657,118
Total non-current assets	-	24,027,953	1,596,597	19,402,625	23,693,732	-	68,720,907
Total liabilities	(4,364,440)	(12,139,765)	-	(81,716)	(7,013,474)	(10,169,180)	(33,768,575)

# FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and six months ended June 30, 2019 and 2018

(Unaudited)

	Single	Multi-Family	Preferred Capital Investments	Equity Accounted and Preferred Investments	Corporate	Total
<b>Three Month Period Ended June 30, 2019</b>	\$	\$	\$	\$	\$	\$
Rental revenue	(10,463)	1,072,430	-	-	-	1,061,967
Operating costs	(5,199)	(246,231)	-	-	-	(251,430)
Utilities	(7,623)	(75,281)	-	-	-	(82,904)
Property taxes	(6,032)	(159,282)	-	-	-	(165,314)
Net rental income	(29,317)	591,636	-	-	-	562,319
Income from equity accounted and preferred investments	-	-	-	509,045	-	509,045
Income from preferred capital investments	-	-	55,691	-	-	55,691
General and administrative	-	-	-	-	(352,811)	(352,811)
Professional fees	-	-	-	-	(37,844)	(37,844)
Finance costs	-	-	-	-	(224,139)	(224,139)
Segment income (loss) from operations	(29,317)	591,636	55,691	509,045	(614,794)	512,261
Foreign exchange gain	-	-	-	-	2,323	2,323
Fair value adjustments of properties	(37,804)	898,172	-	-	-	860,368
Share based compensation	-	-	-	-	(1,983)	(1,983)
Net income (loss) before income taxes	(67,121)	1,489,807	55,691	509,045	(614,454)	1,372,969
Income tax (recovery)/expense	-	-	-	-	-	-
Net income (loss) for the period	(67,121)	1,489,807	55,691	509,045	(614,454)	1,372,969

	Single	Multi-Family	Preferred Capital Investments	Equity Investments	Corporate	Total
<b>Three Month period ended June 30, 2018</b>	\$	\$	\$	\$	\$	\$
Rental revenue	385,156	1,049,922	-	-	-	1,435,078
Operating costs	(113,891)	(214,360)	-	-	-	(328,251)
Utilities	(16,891)	(81,171)	-	-	-	(98,062)
Property taxes	(80,039)	(145,368)	-	-	-	(225,407)
Net rental income	174,335	609,023	-	-	-	783,358
Income from equity accounted and preferred investments	-	-	-	2,381,320	-	2,381,320
Income from preferred capital investments	-	-	67,740	-	-	67,740
General and administrative	-	-	-	-	(388,146)	(388,146)
Professional fees	-	-	-	-	(61,794)	(61,794)
Finance costs	-	-	-	-	(529,952)	(529,952)
Segment income (loss) from operations	174,335	609,023	67,740	2,381,320	(979,892)	2,252,526
Foreign exchange gain	-	-	-	-	(1,612)	(1,612)
Fair value adjustments of properties	(321,308)	-	-	-	-	(321,308)
Share based compensation	-	-	-	-	(1,692)	(1,692)
Net income (loss) before income taxes	(146,973)	609,023	67,740	2,381,320	(983,196)	1,927,914
Income tax (recovery)/expense	(38,948)	161,391	17,951	631,050	(260,547)	510,897
Net income (loss) for the period	(108,025)	447,632	49,789	1,750,270	(722,649)	1,417,017

# FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and six months ended June 30, 2019 and 2018

(Unaudited)

	Single	Multi-Family	Preferred Capital Investments	Equity Accounted and Preferred Investments	Corporate	Total
<b>Six Month Period Ended June 30, 2019</b>	\$	\$	\$	\$	\$	\$
Rental revenue	57,359	2,143,293	-	-	-	2,200,652
Operating costs	(24,212)	(424,944)	-	-	-	(449,156)
Utilities	(32,643)	(161,144)	-	-	-	(193,787)
Property taxes	(45,799)	(317,513)	-	-	-	(363,312)
Net rental income	(45,295)	1,239,692	-	-	-	1,194,397
Income from equity investments	-	-	-	977,076	-	977,076
Income from preferred capital investments	-	-	108,152	-	-	108,152
General and administrative	-	-	-	-	(706,387)	(706,387)
Professional fees	-	-	-	-	(92,222)	(92,222)
Finance costs	-	-	-	-	(534,236)	(534,236)
Segment income (loss) from operations	(45,295)	1,239,692	108,152	977,076	(1,332,846)	946,779
Foreign exchange gain	-	-	-	-	6,355	6,355
Fair value adjustments of properties	(34,299)	2,198,035	-	-	-	2,163,736
Share based compensation	-	-	-	-	292	292
Net income (loss) before income taxes	(79,593)	3,437,727	108,152	977,076	(1,326,199)	3,117,165
Income tax (recovery)/expense	-	-	-	-	-	-
Net income (loss) for the period	(79,593)	3,437,727	108,152	977,076	(1,326,199)	3,117,165

	Single	Multi-Family	Preferred Capital Investments	Equity Accounted and	Corporate	Total
<b>Six Month Period Ended June 30, 2018</b>	\$	\$	\$	\$	\$	\$
Rental revenue	789,628	2,050,216	-	-	-	2,839,844
Operating costs	(70,470)	(366,287)	-	-	-	(436,757)
Utilities	(65,301)	(158,322)	-	-	-	(223,623)
Property taxes	(148,866)	(293,342)	-	-	-	(442,208)
Net rental income	504,991	1,232,265	-	-	-	1,737,256
Income from equity accounted and preferred investments	-	-	-	2,672,256	-	2,672,256
Income from preferred capital investments	-	-	134,007	-	-	134,007
General and administrative	-	-	-	-	(767,378)	(767,378)
Professional fees	-	-	-	-	(147,827)	(147,827)
Finance costs	-	-	-	-	(1,047,722)	(1,047,722)
Segment income (loss) from operations	504,991	1,232,265	134,007	2,672,256	(1,962,928)	2,580,592
Foreign exchange gain	-	-	-	-	3,005	3,005
Fair value adjustments of properties	(413,885)	-	-	-	-	(413,885)
Share based compensation	-	-	-	-	(584)	(584)
Net income (loss) before income taxes	91,106	1,232,265	134,007	2,672,256	(1,960,507)	2,169,133
Income tax (recovery)/expense	24,144	326,550	35,512	708,148	(519,534)	574,820
Net income (loss) for the period	66,962	905,715	98,495	1,964,108	(1,440,973)	1,594,313

	Single	Multi-Family	Preferred Capital Investments	Equity Accounted and Preferred	Corporate	Total
<b>As at June 30, 2019</b>						
Total current assets	876,444	1,303,561	-	-	355,743	2,535,744
Total non-current assets	-	47,128,415	2,206,582	31,192,757	-	80,527,754
Total liabilities	(13,878)	(18,852,288)	-	-	(2,194,936)	(21,061,102)



# FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars unless otherwise noted)

For the three and six months ended June 30, 2019 and 2018

(Unaudited)

	Single	Multi-Family	Preferred Capital Investments	Equity Accounted and Preferred Investments	Corporate	Total
<b>As at June 30, 2018</b>						
Total current assets	11,918,314	432,300	-	-	2,306,504	14,657,118
Total non-current assets	-	42,920,963	2,522,825	23,277,119	-	68,720,907
Total liabilities	(4,446,156)	(19,153,239)	-	-	(10,169,180)	(33,768,575)

## 21. Subsequent events

### i. Single Family Home Sales

Subsequent to June 30, 2019, the Company closed sales on one single family property located in Atlanta for gross proceeds of approximately \$0.06 million (net proceeds of approximately \$0.05 million).

### ii. Dividend Payments

On July 15, 2019, dividends of \$0.059 per common share were paid in the amount of \$409,183.

### iii. Dividends

On August 28, 2019, the Company announced that it has declared and approved quarterly dividends in the amount of \$0.059 per common share for shareholders of record on December 31, 2019 payable on or about January 15, 2020.

### iv. Convertible Debenture

On August 8, 2019, the Company closed a CAD \$18.1 million, 6.25% convertible unsecured unsubordinated debenture ("the Convertible Debenture") offering. On August 13, 2019, the Company closed an additional CAD \$1.4 million of the Convertible Debenture. 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 also consists of 79 common share purchase warrants of the Company. The warrants are exercisable at an exercise price of CAD \$12.60 per common share for a period of two years following the closing date of the Offering.

### v. Repayment of Promissory Note

On August 8, 2019, the Company repaid in full the remaining amount owing on the promissory note payable to the Firm Capital Corporation as further described in note 8 of these condensed consolidated interim financial statements.

## 22. Comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation in these consolidated interim financial statements.