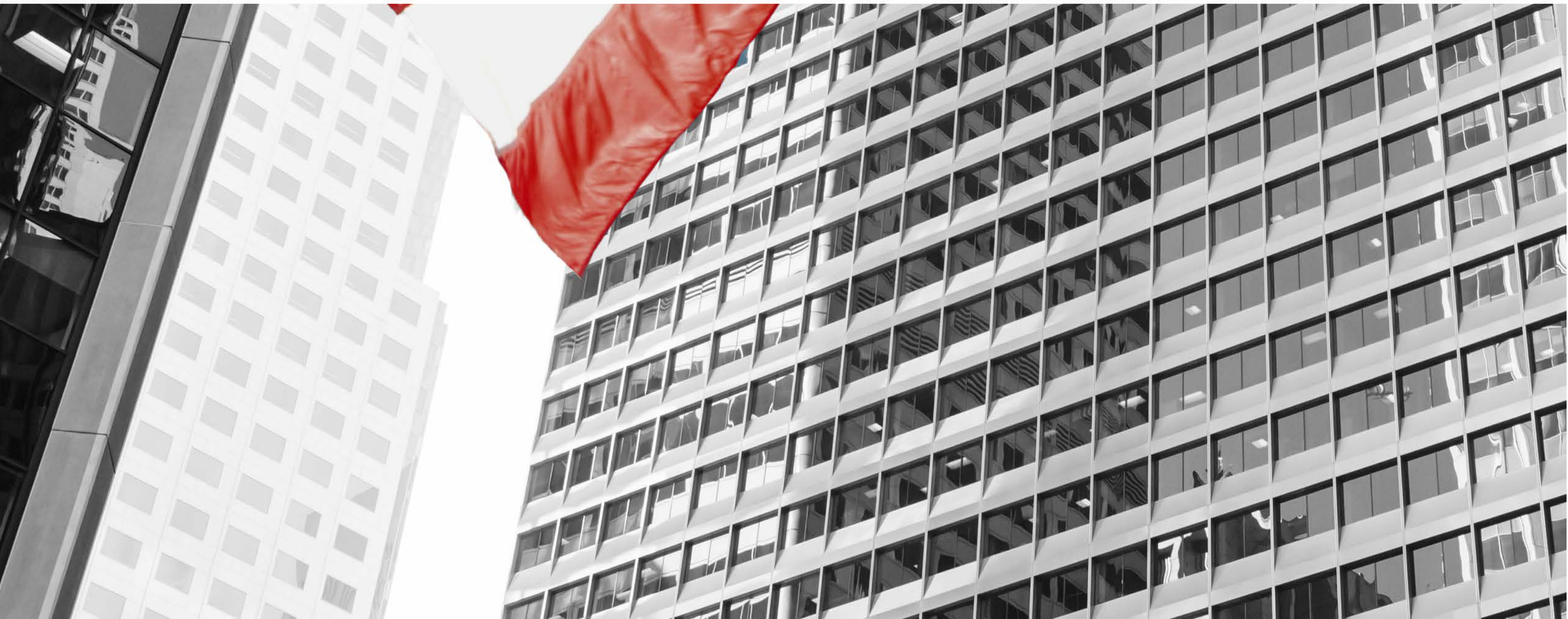
FIRM CAPITAL AMERICAN REALTY PARTNERS TRUST

CAPITAL PRESERVATION • DISCIPLINED INVESTING

FINANCIAL STATEMENTS

FIRST QUARTER 2020
MARCH 31, 2020



FIRM CAPITAL AMERICAN REALTY PARTNERS TRUST

Condensed Consolidated Interim Balance Sheets

(Expressed in US Dollars)

(Unaudited)

	Notes		March 31, 2020	December 31, 2019
Assets				
Current assets				
Cash and Cash Equivalents		$	12,512,768	$ 6,408,509
Restricted Cash			574,746	632,011
Accounts Receivable			241,565	195,361
Prepaid Expenses and Other Assets			167,405	181,731
Total Current Assets			13,496,483	7,417,612
Non-Current Assets				
Investment properties	4		48,248,605	48,167,177
Equity Accounted Investments	5		15,696,912	16,082,203
Preferred Investments	5		26,221,366	22,383,164
Preferred Capital Investments	6		5,433,953	5,373,377
Total Non-Current Assets			95,600,837	92,005,921
Total Assets		$	109,097,320	$ 99,423,533
Liabilities and Unitholders' Equity				
Current liabilities				
Accounts Payable and Accrued Liabilities	13		2,549,093	2,411,062
Mortgages Payable	8,9		363,821	355,899
Unit Based Liabilities	10(c),(d),16		442,840	37,974
Total Current Liabilities			3,355,754	2,804,935
Non-Current Liabilities				
Mortgages Payable	8,9		17,371,079	17,456,453
Convertible Debentures Payable	7,9		12,051,422	14,039,421
Total Non-Current Liabilities			29,422,501	31,495,874
Total liabilities			32,778,255	34,300,809
Unitholders' Equity	10		76,319,065	65,122,724
Total liabilities and unitholders' equity		$	109,097,320	$ 99,423,533

Subsequent Events 17

See accompanying Notes to Condensed Consolidated Interim Financial Statements

(signed) "Geoffrey Bledin"
Geoffrey Bledin
Trustee

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

FIRM CAPITAL AMERICAN REALTY PARTNERS TRUST

Condensed Consolidated Interim Statements of Income and Comprehensive Income
Three Months Ended March 31, 2020 and 2019
(Expressed in US Dollars)
(Unaudited)

	Notes	March 31, 2020	March 31, 2019
Net rental income			
Rental revenue		$ 1,070,855	$ 1,070,863
Property operating expenses	14	(482,896)	(422,807)
		587,960	648,056
Income from Investments			
Income from equity accounted investments	5	132,351	76,551
Income from preferred investments	5	538,675	391,480
Income from preferred capital investments	6	122,458	52,461
		793,485	520,492
Expenses			
General and administrative	14	(468,124)	(407,954)
Finance costs	14	(429,345)	(310,098)
		(897,469)	(718,052)
Net income before fair value adjustments		$ 483,975	$ 450,496
Fair value adjustments			
Investment properties	4	-	1,299,863
Equity accounted investments	5	(1,768,263)	-
Convertible debentures	7	848,363	-
Unit based recovery	10(c),(d),16	575,026	2,275
Foreign exchange	15	972,210	4,032
		627,335	1,306,170
Net Income from continuing operations		$ 1,111,310	$ 1,756,665
Net income/(loss) from discontinued operations		-	(12,470)
Net income and comprehensive income		$ 1,111,310	$ 1,744,195

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FIRM CAPITAL AMERICAN REALTY PARTNERS TRUST

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity
For the Three Months Ended December 31, 2020 and 2019
(Expressed in US Dollars)
(Unaudited)

	Notes	Trust Units	Deficit	Balance
Unitholder's Equity, December 31, 2018		$ 82,938,306	$ (23,227,913)	$ 59,710,394
Normal course issuer bid	10(a)(i)	(6,800)	-	(6,800)
Net Income and Comprehensive Income		-	1,744,195	1,744,195
Distributions	10(e)	-	(409,180)	(409,180)
Unitholder's Equity, March 31, 2019		82,931,506	(21,892,897)	61,038,609
Net Income and Comprehensive Income		-	5,311,667	5,311,667
Distributions		-	(1,227,551)	(1,227,551)
Balance at December 31, 2019		82,931,506	(17,808,781)	65,122,724
Issuance of Units, Net of Issuance Costs	10(a)(ii)	11,546,448	-	11,546,448
Revaluation of Warrants and Options	1,3(v)	-	(979,891)	(979,891)
Net Income and Comprehensive Income		-	1,111,310	1,111,310
Distributions	10(e)	-	(503,151)	(503,151)
Issuance of Units from Distribution Reinvestment Plan	10(b)	21,623	-	21,623
Unitholder's Equity, March 31, 2020		$ 94,499,577	$ (18,180,513)	$ 76,319,065
Trust Units Outstanding				8,527,975

See accompanying Notes to Condensed Consolidated Interim Financial Statements

FIRM CAPITAL AMERICAN REALTY PARTNERS TRUST

Consolidated Statement of Cash Flows
Three Months Ended March 31, 2020 and 2019
(Expressed in US Dollars)

	Notes	March 31, 2020	March 31, 2019
Cash flow from (used in) operating activities			
Net income and comprehensive income		1,111,310	1,744,195
Add (Deduct):			
Fair Value Adjustments			
Investment properties	4	-	(1,303,368)
Equity accounted investments	5	1,768,263	-
Finance cost amortization	7,9	11,499	82,234
Change in fair value of convertible debenture	7,9	(848,363)	-
Foreign exchange gain on convertible debentures	7,9	(1,139,636)	-
Income earned from equity accounted investments, net of distributions	5	(22,057)	(185,771)
Income earned from preferred investments, net of distributions	5	(221,400)	-
Preferred Capital Investments, net of distributions	6	(60,576)	-
Unit based recovery	10(c),(d),16	(575,026)	(2,275)
Changes in non-cash operating working capital:			
Accounts receivable		(46,204)	11,352
Prepaid Expenses and Other Assets		14,326	41,177
Accounts payable and accrued liabilities	13	138,032	(281,729)
Total operating activities		130,169	105,815
Cash flows from (used in) investing activities			
Investment in equity accounted investments	5	(1,360,915)	-
Investment in preferred investments	5	(3,616,802)	(300,000)
Capital expenditures on investment properties	4	(81,428)	(68,943)
Proceeds from disposition of assets held for sale		-	1,524,319
Total investing activities		(5,059,145)	1,155,376
Cash flow from (used in) financing activities			
Issuance of units, net of issuance costs	10(a)(i)	11,546,448	-
Issuance of units from distribution reinvestment plan	10(b)	21,623	-
Normal course issuer bid		-	(6,800)
Cash dividends paid	10(e)	(503,151)	(390,168)
Repayment of convertible debentures	7,9	-	(1,428,950)
Repayment of mortgages	8,9	(88,951)	(87,458)
Total financing activities		10,975,969	(1,913,376)
Increase in cash, cash equivalents and restricted cash		6,046,994	(652,185)
Cash and cash equivalents, beginning of year		7,040,520	3,005,606
Cash and cash equivalents, end of year		13,087,514	2,353,421
Consisting of:			
Cash and cash equivalents		12,512,768	1,824,877
Restricted cash		574,746	528,544

See accompanying Notes to Condensed Consolidated Interim Financial Statements

1. Nature of operations

The predecessor entity, Firm Capital American Realty Partners Corp. (the “Corporation”) was incorporated under the Business Corporations Act (Ontario) on March 19, 2007. On January 1, 2020 (the “Arrangement date”), the Trust completed its plan of arrangement (the “Arrangement”) to convert the Corporation into a Real Estate Investment Trust and began trading under symbols FCA.U and FCA.UN. Under the terms of the Arrangement, each outstanding common share of the Corporation was exchanged for one unit of the Trust. The address of the Trust’s registered office is 163 Cartwright Avenue, Toronto, Ontario, M6A 1V5.

The consolidated financial statements of the Trust as of January,1, 2020 were not materially changed on completion of the Arrangement except for those items disclosed in note 3(iv) and 3(v) of these condensed consolidated interim financial statements.

The Trust is focused on the following investment platforms:

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.

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Trustees on May 19, 2020.

2. Basis of preparation

The condensed consolidated interim financial statements are prepared on a going concern basis and have been presented in US dollars which is the Trust's reporting currency. Standards and guidelines implemented and effective for the current accounting period are described in note 3.

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 and follow the same accounting policies and methods of application as the audited annual consolidated financial statements of the Trust for the year ended December 31, 2019. These condensed consolidated interim financial statements do not contain all disclosures required by IFRS and accordingly should be read in conjunction with the 2019 audited annual consolidated financial statements and the notes thereto.

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 Trust 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 March 31, 2020, the Trust and all of its subsidiaries' functional currencies are the US Dollar ("USD").

3. New Changes in Accounting Policies

(i) Amendments to IFRS 3 ("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. The Trust adopted the amendments on January 1, 2020 and did not experience a material impact reflected in these condensed consolidated interim financial statements.

(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 Trust adopted the amendments on January 1, 2020 and did not experience a material impact reflected in these condensed consolidated interim 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 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 amendments are effective for annual periods beginning on or after January 1, 2020.The Trust adopted the amendments on January 1, 2020 and did not experience a material impact reflected in these condensed consolidated interim financial statements.

(iv) Unitholders' Equity: As part of the Arrangement completed on January 1, 2020 the common shares of the predecessor Corporation were converted into trust units. The Trust Units are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with International Accounting Standard 32 (IAS 32) and as further described in note 10(a). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, puttable instruments may be presented as equity. To be presented as equity, a puttable instrument must meet all of the following conditions: (i) it must entitle the holder to a pro rata share of the entity's net assets in the event of the entity's dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class must have identical features; (iv) other than the redemption feature, there can be no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the instrument must be based substantially on the profit or loss of the entity or change in fair value of the instrument. This is called the "Puttable Instrument Exemption". The Trust Units meet the Puttable Instrument Exemption criteria and accordingly are presented as equity in the consolidated financial statements. The distributions on Trust Units are deducted from retained earnings.

(Expressed in US Dollars unless otherwise noted)

(v) Unit-Based Compensation: The Trust has issued options, warrants and deferred trust units (collectively the “Units”) as outlined in notes 10 (c), (d) and 16 of these condensed consolidated interim financial statements. These Units were granted to senior management, the Board of Trustees of the Trust, investors in the convertible debenture offering (note 7) and the unit issuance (note 10(a)(ii)). These Units provide holders with the right to receive Trust Units, which are puttable. The Trust measures these Units at fair value at the grant date, a compensation recovery/ expense is recognized over the vesting period. The fair values of the units are determined at both the Arrangement date and each reporting period and the change in fair value is recognized as a fair value adjustment to financial instruments. Unit-based compensation is classified as a liability.

4. Investment properties

	March 31, 2020	December 31, 2019
	$	$
Balance, beginning of year	48,167,177	44,783,595
Building improvements	81,428	297,240
Fair value adjustments to investment properties	-	3,086,342
Balance, end of year	48,248,605	48,167,177

The investment properties as at March 31, 2020 consist of 311 multi-family apartment units in three buildings located in Florida and Texas.

The Trust 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:

	March 31, 2020	December 31, 2019
Capitalization rate	4.75%	4.75%

The fair values of the Trust’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 Trust’s investment properties as set out in the following table:

	March 31, 2020
	$
Capitalization rate increase by 25 basis points	(2,408,000)
Capitalization rate decrease by 25 basis points	2,675,000

5. Equity accounted and preferred investments

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

(In $millions unless otherwise stated).

Location	Units	Investment Properties	Ownership %	Pro- Rata Ownership of Investment Properties	Equity Accounted Investment	Preferred Investment	Total Investment	Preferred Yield
New York City	129	$ 34.0	22.8%	$ 7.7	$ -	$ 5.5	$ 5.5	8%
Brentwood, MD	118	17.8	25.0%	4.5	2.0	-	2.0	-
Bridgeport, CT	462	37.2	30.0%	11.2	2.4	2.8	5.2	9%
Irvington, NJ	189	20.9	50.0%	10.5	2.2	2.6	4.8	9%
Houston, TX	235	20.4	50.0%	10.2	2.9	3.6	6.5	9%
Bronx, NY	132	24.7	50.0%	12.3	1.9	5.2	7.1	8%
Hartford, CT	109	13.2	50.0%	6.6	1.3	0.9	2.2	8%
Canton, GA	138	18.9	50.0%	9.4	1.7	2.2	3.9	8%
Houston, TX	250	25.4	50.0%	12.7	1.4	3.5	4.9	9%
Total/ Weighted Average	**1,762**	**$ 212.5**	**34.1%**	**$ 85.1**	**$ 15.7**	**$ 26.2**	**$ 41.9**	**8.5%**

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

New York City: Certain officers and trustees of the Trust 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 trustees of the Trust have an indirect interest or management oversight of approximately 20.0% of the common equity; and

Bridgeport, Connecticut: Certain officers and trustees of the Trust 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 Trust's net investment in the equity accounted investment comprised of common equity, accounted for using the equity method and preferred equity, accounted as preferred investment loans carried at amortized cost, along with the balance sheet and statement of income (each at 100% of the underlying property) and income allocation from the equity accounted and preferred investments as of March 31, 2020 and December 31, 2019 and for the three months ended March 31, 2020 and 2019:

(Expressed in US Dollars unless otherwise noted)

Equity Accounted and Preferred Investments, December 31, 2018	**$ 28,698,180**
Investments	
- Common Equity	1,520
- Preferred Equity	300,000
Income Earned	
- Common Equity	76,551
- Preferred Equity	391,480
Less: Distributions and interest received	(283,780)
Equity Accounted and Preferred Investments, March 31, 2019	**$ 29,183,951**
Investments	
- Common Equity	2,957,815
- Preferred Equity	3,008,359
Income Earned	
- Common Equity	373,489
- Fair Value Adjustments	2,807,848
- Preferred Equity	1,353,703
Less: Distributions and interest received	(1,219,800)
Equity Accounted and Preferred Investments, December 31, 2019	**$ 38,465,367**
Investments	
- Common Equity	1,360,915
- Preferred Equity	3,616,802
Income Earned	
- Common Equity	132,351
- Fair Value Adjustments	(1,768,263)
- Preferred Equity	538,675
Less: Distributions and interest received	(427,567)
Equity Accounted and Preferred Investments, March 31, 2020	**$ 41,918,278**

(Expressed in US Dollars unless otherwise noted)

	March 31, 2020	December 31, 2019
Assets		
Cash	$ 1,759,250	$ 883,977
Restricted Cash	1,879,294	2,843,411
Accounts Receivable	701,608	531,860
Other Assets	865,500	719,398
Investment Properties	212,478,450	189,714,434
	$217,684,101	**$ 194,693,081**
Liabilities		
Accounts Payable	$ 2,108,169	$ 2,213,869
Security Deposits	1,075,096	1,085,447
Mortgages	145,950,053	124,648,326
	$149,133,318	**$ 127,947,642**
Equity		
Retained Earnings	$ 5,732,777	$ 11,263,777
Preferred Equity	34,038,202	30,229,177
Common Equity	28,779,804	25,252,485
	$ 68,550,783	**$ 66,745,438**
	$217,684,101	**$ 194,693,081**
Investment Allocation for the Trust		
Equity Accounted Investments	$ 15,696,912	$ 16,082,204
Preferred Investments	26,221,366	22,383,163
	$ 41,918,278	**$ 38,465,367**

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Net Income		
Rental Revenue	$ 5,158,873	$ 3,649,371
Property Operating Expenses	(2,532,694)	(1,640,995)
Net Rental Income	**2,626,179**	**2,008,376**
General & Administrative	(25,645)	(274,964)
Interest Expense	(1,568,154)	(1,062,292)
Fair Value Adjustments	(4,698,934)	-
Net Income Before Interest from Preferred Investments	**$ (3,666,554)**	**$ 671,120**
Less: Interest from Preferred Investments	(731,974)	(531,636)
Net Income	**$ (4,398,527)**	**$ 139,484**
Income Earned by the Trust		
- Common Equity	$ 132,351	$ 76,551
- Fair Value Adjustments	(1,768,263)	-
- Preferred Equity	538,675	391,480
	$ (1,097,238)	**$ 468,031**

On April 4, 2019, the Trust 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 Trust contributed $0.6 million (100% ownership) of preferred equity yielding 8% and $1.2 million of common equity, representing a 50% ownership interest in the investment.

(Expressed in US Dollars unless otherwise noted)

On September 27, 2019, the Trust 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 Trust contributed $2.1 million (100% ownership) of preferred equity yielding 8% and $1.6 million of common equity representing a 50% ownership interest in the investment.

On Janaury 31, 2020, the Trust closed an equity accounted and preferred investment to acquire a 250 unit multi-family residential building located in Houston, TX (the “Woodglen Acquisition”). The purchase price for 100% of the Woodglen Acquisiton was $27.9 million (including transaction costs). The Woodglen Acquistion was financed, in part with a $22.1 million, 4.6% first mortgage due on Janaury 31, 2025. The Trust contributed $3.6 million (100% ownership) of preferred equity yielding 8% and $1.4 million of common equity representing a 50% ownership interest in the investment.

The Trust categorizes its preferred investments using a 12 month expected credit loss approach. Investments with a low credit risk are assigned to stage 1, increased credit risk to stage 2 and an where in default to stage 3. The determination of a significant increase in credit risk takes into account different factors which vary based on the investment. The Trust 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.

Preferred investments and associated allowance for losses on preferred capital investments accounted at amortised cost at March 31, 2020 and December 31, 2019 are as follows:

	March 31, 2020			December 31, 2019		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Preferred investments	$ 20,769,697	$ 5,433,659	$ -	$ 17,055,350	$ 5,327,814	$ -
Allowance for losses of preferred investments	-	-	-	-	-	-
Preferred Investments, net of allowances	**$ 20,769,697**	**$ 5,433,659**	**$ -**	**$ 17,055,350**	**$ 5,327,814**	**$ -**

As at March 31, 2020, the Trust has presented these assets in accordance to their credit risk. No allowance has been recognized for the three months ended March 31, 2020 and year ended December 31, 2019.

6. Preferred capital investments

On December 18, 2017, the Trust 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 yield is interest only and may be repaid by the borrower 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 March 31, 2020, the Trust’s pro-rata principal balance was $2.4 million.

On November 15, 2019, the Trust 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 March 31, 2020, the Trust's pro-rata principal balance was $3.0 million.

(Expressed in US Dollars unless otherwise noted)

The Trust categorizes its preferred capital investments using a 12 month expected credit loss approach. Investments with a low credit risk are assigned to stage 1, increased credit risk to stage 2 and an where in default to stage 3. The determination of a significant increase in credit risk takes into account different factors which vary based on the investment. The Trust 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.

Preferred capital investments and associated allowance for losses on preferred capital investments accounted at amortised cost at March 31, 2020 and December 31, 2019 are as follows:

	March 31, 2020			December 31, 2019		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Preferred capital investments	$ 3,000,000	$ -	$2,433,953	$ 3,000,000	$ -	$2,373,377
Allowance for losses of preferred capital investments	-	-	-	-	-	-
Preferred Capital Investments, net of allowances	**$ 3,000,000**	**$ -**	**$2,433,953**	**$ 3,000,000**	**$ -**	**$2,373,377**

As at March 31, 2020, the Trust has presented these assets in accordance to their credit risk. No allowance has been recognized for the three months ended March 31, 2020 and year ended December 31, 2019.

7. Convertible debentures payable

(a) The Trust had 7.0% unsecured subordinated convertible debentures (the "Previous Debentures"). The principal balance of the Previous Debentures as at December 31, 2018 was $1.3 million and had the ability to be converted into units of the Trust at $33.82 per trust unit. The maturity date on the Previous Debentures was July 31, 2019. During 2019, the Trust repaid the outstanding principal of $1.4 million. The Trust re-allocated $1.2 million representing the equity portion of the Previous Debentures into Contributed Surplus as the conversion option was not exercised.

(b) On August 8, 2019, the Trust closed a $13.7 million (CAD $18.1 million based on the Bank of Canada daily noon rate of exchange $1.3257), 6.25% convertible unsecured unsubordinated debenture (the "Convertible Debenture") offering. On August 13, 2019, the Trust closed an additional $1.0 million (CAD $1.3 million based on the Bank of Canada daily noon rate of exchange of $1.3236) of the Convertible Debenture. The Convertible Debenture is due on June 30, 2026. The Convertible Debenture can be converted into trust units at an exercise price of CAD $12.60 per trust unit (the "Conversion Option") at any time prior to June 30, 2026. Each Convertible Debenture Unit also includes 79 trust unit purchase warrants (the "Warrants") of the Trust. The warrants are exercisable at an exercise price of CAD $12.60 per trust unit for a period of two years expiring on August 7, 2021.

As the functional currency of the Trust is USD, the Conversion Option and Warrants were classified as embedded derivatives. The Trust has elected to classify and measure the Convertible Debenture at FVTPL with changes in fair value being recognized in finance costs.

(Expressed in US Dollars unless otherwise noted)

8. Mortgages payable

	March 31, 2020	December 31, 2019
Mortgages payable	$ 17,921,981	$ 18,010,932
Less: current portion	(363,821)	(355,899)
Less: unamortized financing costs	(187,082)	(198,580)
	$ 17,371,079	$ 17,456,453

As at March 31, 2020, the Trust had mortgages payable secured by the multi-family properties of $17,921,981 (including the current portion and net of unamortized financing costs) (December 31, 2019- $18,010,932) which bear interest at a weighted average interest rate of 4.37% (December 31, 2019- 4.37%) per annum, and have maturity dates ranging between October 2022 and June 2023.

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

	Principal	Interest	Total
2020	$ 268,313	$ 594,478	$ 862,791
2021	375,241	775,148	1,150,389
2022	11,210,634	676,134	11,886,768
2023	6,067,792	127,451	6,195,243
Total	$17,921,981	$ 2,173,211	$ 20,095,192

9. Changes in debt

The following table sets out an analysis of the movements in net debt during 2020 and 2019:

	Mortgages	Convertible Debentures
	$	$
As at December 31, 2018	18,110,732	1,346,716
Repayments	(87,458)	(1,428,000)
Finance costs amortization	11,499	81,284
As at March 31, 2019	18,034,773	-
Repayments	(1,320,447)	-
Mortgage and Convertible Debenture Advances	1,060,000	14,654,540
Finance cost amortization	38,026	-
Change in fair value of convertible debenture	-	(918,196)
Foreign exchange loss	-	303,077
As at December 31, 2019	17,812,352	14,039,421
Repayments	(88,951)	-
Finance cost amortization	11,499	-
Change in fair value of convertible debenture	-	(848,363)
Foreign exchange gain (note 15)	-	(1,139,636)
As at March 31, 2020	**17,734,899**	**12,051,422**

10. Unitholders' Equity

(a) Trust Units

In accordance with the Declaration of Trust, the Trust may issue an unlimited number of Trust Units and Class B Units. The Board of Trustees of the Trust has discretion with respect to the timing and amount of distributions.

Trust Units and Class B Units

No Trust Unit or Class B Unit will have any preference or priority over another. Each Trust Unit or Class B Unit represents a Unitholder's proportionate, undivided beneficial ownership interest in the Trust and confers the right to one vote at any meeting of Unitholders and to participate pro rata in any distributions by the Trust.

Conversion of Class B Units

Each Class B Unit is convertible at any time, at the option of the holder and/or Trust thereof, into a Trust Unit, on the basis of one Trust Unit for each Class B Unit so converted. Notice of conversion of Class B Units will be given to and by each holder of Class B Units to be converted by the Trust not less than 30 and not more than 60 days prior to the date fixed for conversion.

Redemption of Trust Units and Class B Units at Option of Holder

Trust Units or Class B Units are redeemable at any time on demand by the holders by way of a redemption notice. Upon receipt of the redemption notice by the Trust, all rights to and under the Trust Units or Class B Units tendered for redemption shall be surrendered and the holder thereof will be entitled to receive a price per Trust Unit or Class B Unit (the "**Redemption Price**") equal to:

(i) in respect of the Trust Units, the lesser of: (1) 90% of the Market Price (as such term is hereinafter defined) of the Trust Units calculated on the date (the "**Redemption Date**") on which the Trust Units were surrendered for redemption; and (2) 100% of the Closing Market Price (as such term is hereinafter defined) on the principal market on which the Trust Units are listed for trading, on the Redemption Date; and

(ii) in respect of the Class B Units, the Designated Percentage (as such term is hereinafter defined) of the Net Asset Value per Trust Unit and Class B Unit (as such term is hereinafter defined) calculated at the Valuation Time immediately preceding the date (the "**Class B Redemption Date**") on which the Class B Units were surrendered for redemption.

For purposes of this calculation, the "**Market Price**" as at a specified date will be:

(i) an amount equal to the weighted average trading price of a Trust Unit on the principal exchange or market on which the Trust Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date;

ii) an amount equal to the weighted average of the Closing Market Prices of a Trust Unit on the principal exchange or market on which the Trust Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or

(iii) if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, an amount equal to the simple average of the following prices established for each of the 10 consecutive trading days ending on such date: the simple average of the last bid and last asking price of the Trust Units for each day on which there was no trading; the closing price of the Trust Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Trust Units for each day that there was trading, if the market provides only the highest and lowest prices of Trust Units traded on a particular day.

The "**Closing Market Price**" of a Trust Unit for the purpose of the foregoing calculations, as at any date will be:

(i) an amount equal to the weighted average trading price of a Trust Unit on the principal exchange or market on which the Trust Units are listed or quoted for trading on the specified date and the principal exchange or market provides information necessary to compute a weighted average trading price of the Trust Units on the specified date;

(ii) an amount equal to the closing price of a Trust Unit on the principal market or exchange if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Trust Units on the specified date;

(iii) an amount equal to the simple average of the highest and lowest prices of the Trust Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Trust Units on the specified date; or

(iv) the simple average of the last bid and last asking prices of the Trust Units on the principal market or exchange, if there was no trading on the specified date.

Provided that, if the Trust Units are not listed or quoted for trading in a public market, the Redemption Price of the Trust Units will be the fair market value of the Trust Units, which will be determined by the Trustees in their sole discretion.

For the purposes of the foregoing, "**Designated Percentage**" means: (i) in respect of Class B Units acquired by the holder thereof within the period of twelve months prior to the Class B Redemption Date for such Class B Units, 95%; (ii) in respect of Class B Units acquired by the beneficial holder thereof within the period of twenty-four months prior to the Class B Redemption Date for such Class B Units (and where paragraph (i) hereof does not apply), 98%; and (iii) in respect of Class B Units acquired by the beneficial holder thereof more than twenty-four months prior to the Class B Redemption Date for such Class B Units, 100%.

Further, for the purposes of the foregoing, "**Net Asset Value of the Trust**" as at a specified date means the total value of Trust's assets less the total of the Trust's liabilities, in each case, as at such date and in accordance with the applicable provisions of the Declaration of Trust, and "**Net Asset Value per Trust Unit and Class B Unit**" as at a specified date will be an amount equal to the Net Asset Value of the Trust on such date, divided by the number of issued and outstanding Trust Unit and Class B Units on such date. The Net Asset Value of the Trust and Net Asset Value per Trust Unit and Class B Unit shall be determined as of the Valuation Time on each Valuation Date.

(Expressed in US Dollars unless otherwise noted)

The aggregate Redemption Price payable by the Trust in respect of any Trust Unit or Class B Unit surrendered for redemption during any calendar month within 30 days after the end of the calendar month in which the Trust Units or Class B Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Trust Units or Class B Units is subject to the limitations that: (i) the total amount payable by the Trust in respect of such Trust Unit or Class B Unit and all other Trust Unit or Class B Units tendered for redemption in the same calendar month must not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) in respect of the Trust Units only, on the date such Trust Unit or Class B Units are tendered for redemption, the outstanding Trust Units must be listed for trading or quoted on any stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; (iii) in respect of the Trust Units only, the normal trading of Trust Units is not suspended or halted on any stock exchange on which the Trust Units are listed (or, if not listed on a stock exchange, in any market where the Trust Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10-day trading period commencing immediately before the Redemption Date; and (iv) in respect of the Trust Units only, the redemption of the Trust Units must not result in the delisting of the Trust Units from the principal stock exchange on which the Trust Units are listed.

Redemption of Class B Units at Option of Trust

The Trust will be entitled to redeem at any time or from time to time at the demand of the Trust and upon giving notice, all or any part of the Class B Units by payment of an amount in cash for each Class B Unit so redeemed (the "**Trust Redemption Price**") of the Net Asset Value per Trust Unit and Class B Unit calculated at the Valuation Time immediately preceding the Trust Redemption Date. Notice of redemption of Class B Units will be given to each holder of Class B Units to be redeemed by the Trust not less than 30 and not more than 60 days prior to the date fixed for redemption or conversion, as applicable.

Trust Units as at March 31, 2020 are as follows:

	Number of units	**Value**
Balance at December 31, 2018	6,936,306	$ 82,938,306
Less: Normal Course Issuer Bid (note 10(a)(i))	(1,000)	(6,800)
Balance at March 31 and December 31, 2019	6,935,306	82,931,506
Issuance of from equity offering (note 10(a)(ii))	1,590,000	11,546,448
Issuance of Units from Distribution Reinvestment Plan (note 10 (b))	2,669	21,623
Balance at March 31, 2020	8,527,975	$ 94,499,577

(i) On January 30, 2019, the Trust repurchased 1,000 Trust Units through a Normal Course Issuer Bid at a price of $6.80 per Trust Unit for a total gross proceeds of approximately $0.007 million.

(ii) 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 Trust Unit based on the Bank of Canada daily noon rate of exchange of $1.3745). The Trust raised total gross proceeds of $12.6 million ($11.5 million net of issuance costs and allocation to warrants).

*(b) Distribution Reinvestment Plan (**"DRIP"**)*

On September 29, 2017, the Company announced that it had implemented a dividend reinvestment plan (the "**DRIP**") and a unit purchase plan (the "**Purchase Plan**" and collectively with the DRIP, the "**Plans**"), each to be offered to holders of trust unit resident in Canada and administered by TSX Trust Company (the "**Agent**"). On January 1, 2020, the Plans were assumed by the Trust pursuant to the Arrangement. The Plans enable Unitholders to increase their investment in the Trust by receiving distribution payments and/or optional cash payments in the form of Trust Units. Pursuant to the DRIP and Purchase Plan, holders of Trust Units may elect to: (a) have all cash distributions of the Trust automatically reinvested in additional Trust Units at the Average Market Price and (b) purchase Trust Units by contributing optional cash payments to the Trust, which will be invested for additional Trust Units at the Average Market Price.

(Expressed in US Dollars unless otherwise noted)

If the Average Market Price is less than US$8.10, (the "**Reference Price**"), the Agent shall use such funds to purchase, at a cost less than the Reference Price, additional Trust Units for the participants through the facilities of the TSXV for a period of five (5) trading days following the relevant distribution date. To the extent the Agent is unable to purchase additional Trust Units at a cost less than the Reference Price because Trust Units are not offered or are offered at prices which, after payment of brokerage fees or commissions, would result in a cost at or exceeding the Reference Price, then the remaining funds will be applied to the purchase of Trust Units from the treasury of the Trust at the Reference Price. If the Average Market Price is equal to or more than the Reference Price, the funds will be applied to the purchase of Trust Units from the treasury of the Trust at the Average Market Price.

A minimum purchase of $3,000 on the last business day of each calendar quarter (a "**Quarterly Purchase Date**") and maximum purchases of up to $12,000 per year (payable in one lump sum or from time to time on a Quarterly Purchase Date) are permitted under the DRIP and Purchase Plan. The aggregate number of Trust Units that may be issued under the DRIP and Purchase Plan may not exceed in each year 2% of the number (at the commencement of the fiscal year of the Trust) of the outstanding Trust Units.

For the three months ended March 31, 2020, 2,669 Trust Units were issued from treasury for total gross proceeds of $21,623 to Unitholders who elected to receive their distributions under the DRIP.

(c) Warrants

The Trust had the following warrants outstanding and exercisable as at March 31, 2020:

Issuance Date	**Number of warrants**	**Weighted average exercise price**	**Warrants Reserve**	**Expiry Date**
May 29, 2017	850,160	$ 8.50	$ 21	May 29, 2020
November 9, 2018	808,643	$ 9.50	3,315	November 9, 2020
August 8, 2019 (i)	1,534,812	CAD $12.60	-	August 7, 2021
March 13, 2020 (ii)	1,590,000	$ 10.75	72,107	March 13, 2022
Total/ Weighted Average	4,783,615	$ 9.74	$ 75,443	

The warrant reserve was calculated using the Black Scholes model. The following assumptions were used:

Warrant Assumptions	**March 31, 2020**	**January 1, 2020**
Stock Price	$ 5.50	$ 6.51
Exercise Price	$8.50-$10.75	$8.50-$9.50
Expected Life in Years	0.16-1.95	0.41-0.86
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	$ 0.24	$ 0.24
Discount Rate - Bond Equivalent Yield	0.37%	1.65%

On the Arrangement date, the Trust classified the Warrants and Options as financial derivatives and measured them at fair value using the Black-Scholes model resulting in a decrease of $979,891. This reduction for the Warrants and Options was adjusted through opening retained earnings.

On August 8, 2019, the Trust issued 1,534,812 Warrants as part of the Convertible Debenture offering as further described in note 7(b) of these condensed consolidated interim financial statements. The warrants have an exercise price of CAD $12.60 per Trust Unit and expire on August 7, 2021. As the functional currency of the Trust is USD, the Warrants were classified as embedded derivatives. The Trust has elected to classify and measure the Convertible Debenture at FVTPL with changes in fair value being recognized in finance costs.

(Expressed in US Dollars unless otherwise noted)

(i) On March 13, 2020, the Trust issued 1,590,000 Warrants as part of the equity offering as further described in note 10(a)(ii) of these condensed consolidated interim financial statements. The Warrants have an exercise price $10.75 per Trust Unit and expire on March 13, 2022.

(d) Options

The Trust 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 Trust.

The Trust had the following options outstanding and exercisable on March 31, 2020:

Issuance Date	**Number of Options**		**Weighted average exercise price**		**Options reserve**	**Expiry Date**
August 17, 2017	368,738	$	7.50	$	209,319	August 17, 2027
November 19, 2018	248,400	$	8.30		125,996	November 19, 2028
Total/ Weighted Average	617,138	$	7.82	$	335,315	

The option reserve was calculated using the Black Scholes model. The following assumptions were used:

Option Assumptions	**March 31, 2020**	**January 1, 2020**
Stock Price	$ 5.50	$ 6.51
Exercise Price	$7.50-$8.30	$7.50-$8.30
Expected Life in Years	7-9	7-9
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	$ 0.24	$ 0.24
Discount Rate - Bond Equivalent Yield	0.37%	1.65%

On the Arrangement date, the Trust classified the Warrants and Options as financial derivatives and measured them at fair value using the Black-Scholes model resulting in a decrease of $979,891. This reduction for the Warrants and Options was adjusted through opening retained earnings.

(e) Distributions

For the three months ended March 31, 2020, the Trust declared distributions of $0.059 per Trust Unit resulting in total distributions of $503,151 (March 31, 2019- $409,180). As at March 31, 2020, the Trust accrued $503,151 which is included in its accounts payable and accrued liabilities (March 31, 2019- $409,180).

11. Risks

Risk management

In the normal course of its business, the Trust 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 Trust'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. As a result of the convertible debenture offering as further described in note 7 (b) of these condensed consolidated interim financial statements, the Trust has additional exposure to foreign currency risk as the cash proceeds and interest payments of the debenture are in CAD while it invests the net proceeds from the convertible debenture offering in USD. The Trust monitors the foreign currency market closely to mitigate these risks. The following CAD amounts are presented in USD to demonstrate the effects of changes in foreign exchange rates:

	CAD
	$
Cash and other assets	11,008,500
Total Liabilities	(17,971,190)
Total	(6,962,691)
Effect of +/- 10% change in exchange rate	(696,269)

Interest rate risk

The Trust 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 Trust is required to renew its debt. The Trust'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

Credit risk refers to the risk that a tenant, counterparty or borrower will default on its contractual obligations resulting in financial loss to the Trust. Financial instruments which are potentially subject to credit risk for the Trust consists primarily of non-payment of accounts receivable. The Trust 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 Trust 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 consolidated financial statements, net of any expected credit losses, represents the Trust's maximum exposure to credit risk.

Financing Risk

The Trust subject to the risks associated with debt financing, including the risk that the convertible debentures and mortgages 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. 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.

Liquidity risk

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

(Expressed in US Dollars unless otherwise noted)

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 Trust'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 Trust classifies its fair value measurements in accordance with the fair value hierarchy as follows:

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

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

March 31, 2020		**Level 3**
Investment properties	$	48,248,605

There were no transfers between levels during the period ended March 31, 2020.

December 31, 2019		**Level 3**
Investment properties	$	48,167,177

12. Capital risk management

The capital of the Trust includes equity, which is comprised of issued unit capital and deficit. The Trust's objective when managing its capital is to safeguard the ability to continue as a going concern in order to provide returns for its unitholders, and other stakeholders and to maintain a strong capital base to support the Trust'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 Trust is not subject to any formal covenants, there are certain restrictions under the different debts and mortgages that the Trust must target to stay in compliance. The Trust monitors these different debts and mortgages and was in compliance throughout the three months ended March 31, 2020.

13. Related party transactions

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

1. **Asset Management Fee:** 0.75% of the Gross Invested Assets of the Trust,
2. **Acquisition Fee:**
   a. 1.0% of the first $300 million of aggregate Gross Book Value in respect of Properties acquired in a particular year; and thereafter
   b. 0.75% of aggregate Gross Book Value in respect of Properties acquired in such year.
3. **Performance Incentive Fees:** 15% of Adjusted Funds from Operation ("AFFO") once AFFO exceeds 8.0% of Net Asset Value ("**NAV**") per Unit.
4. **Placement Fees:** 0.25% of the aggregate value of all debt and equity financing arranged by the Manager.
5. **Property Management Fees:**
   a. Multi-unit residential properties with 120 units or less, 4.0% of Gross Revenue collected from the property;

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

6. **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**.**
7. **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.
8. **Construction Development Property Management Fees:** Where the Manager is requested by the Trust to construct tenant improvements or to renovate same, or where the Manager is requested by the Trust 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.
9. **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 Trust's cash balances or Non-Performing Loans held by the Trust, 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 Trust'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 Trust.
10. **Origination, Commitment & Discharge Fees and Profit Sharing Fees:** The Manager shall remit to the Trust:
    a. 25% of all originating fees, commitment fees and renewal fees it receives from borrowers on mortgages it originates for the Trust (prorated to reflect the Trust'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 Trust calculated on the Trust's investment amount; and
    b. 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 Trust (with a 8.0% annual preferential return to be given to the Trust on the Trust'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.
11. **Term and Termination:** Initial term of ten years with automatic renewal for successive five year terms. The Trust 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 unitholders at a meeting

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and upon 24 months prior written notice. Upon termination, the Trust shall pay to the Manager the following:

a. 2% of the Gross Invested Assets of the Properties and the Trust's other assets; and
b. 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 three months ended March 31, 2020, asset management fees were $271,433 (2019- $229,829), loan servicing fees were $19,947 (2019-$18,443), acquisition fees were $124,912 (2019-$nil), debt placement fees were $27,662 (2018- $nil), equity placement fees were $31,623 (2019-$nil) and property management fees were $21,962 (2019- $22,799).

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 are included in finance costs, while the acquisition fees and debt placement fees are capitalized to equity accounted investments. Equity Placement Fees have been capitalized against unitholders' equity.

As at March 31, 2020, the Trust has accrued $649,345 (December 31, 2019 - $722,859) under this Management Agreement, which is included in accounts payable and accrued liabilities.

14. Property Operating, General and Administrative and Finance Expenses

Property operating, general and administrative and finance expenses for the three months ended March 31, 2020 and 2019 are as follows:

Property Operating Expenses	**March 31, 2020**	**March 31, 2019**
Property Taxes	$ 159,825	$ 157,855
Insurance	35,241	32,085
Operating Expenses	287,830	232,867
Total	$ 482,896	$ 422,807

General and Administrative	**March 31, 2020**	**March 31, 2019**
Asset Management Fees (note 13)	$ 271,433	$ 229,829
Public Company Expenses	26,424	22,842
Office and General	170,267	155,283
Total	$ 468,124	$ 407,954

Finance Costs	**March 31, 2020**	**March 31, 2019**
Bank interest expense	$ 197,475	$ 199,816
Convertible debenture interest expense	220,370	16,545
Finance cost amortization	11,499	93,737
Total	$ 429,345	$ 310,098

15. Foreign Exchange Gain

The foreign exchange gain for the three months ended March 31, 2020 and 2019 are as follows:

Foreign Exchange Gain	**March 31, 2020**	**March 31, 2019**
Foreign exchange gain on convertible debentures (note 9)	$ 1,139,636	$ -
Foreign exchange gain/(loss)	(167,426)	4,032
Total foreign exchange gain	$ 972,210	$ 4,032

16. Deferred trust units

On March 31, 2015, the Trust adopted a DTU plan. Under the terms of the plan, any units issued must be issued at a unit price which is a minimum of the volume weighted average trading price of the units on the TSXV for the five days trading immediately preceding the date on which DTUs are granted. Distributions equivalents are awarded in respect of DTU holders on the same basis as unitholders and credited to the DTU holders account as additional DTUs. The maximum DTUs which may be awarded under the DTU plan shall not exceed 10% of the issued and outstanding units. The DTU plan is designed such that the board may elect to pay out the DTUs in either cash or common units of the Trust. As at March 31, 2020, the outstanding liability was $32,082.

17. Subsequent events

i. *Q2/2020 Distributions*

On May 19, 2020, the Trust declared and approved quarterly distributions of $0.059 per unit for unitholders on record on June 30, 2020 payable on or about July 15, 2020.

ii. *Normal Course Issuer Bid*

On April 28, 2020, the Trust received approval from the TSX Venture Exchange to commence a Normal Course Issuer Bid or NCIB to purchase up to 645,442 of its own Trust Units. Subsequently, the Trust purchased 64,500 Trust Units costing approximately $0.3 million.

iii. *COVID-19 Impact*

COVID-19 was declared a global pandemic which resulted in US federal and state governments enacting health and emergency measures to combat the spread of the virus which has led to an economic downturn.

The duration and impact of COVID-19 is currently unknown with federal and state governments providing various stimulus measures to stabilize economic conditions. As of May 19, 2020, the Trust has received approximately 93% and 71% of April and May rents, respectively, and is actively either collecting the remaining rent or working with tenants who require assistance. While it is too early to determine if the Trust will be able to maintain its collection efforts in the months ahead, the Trust’s tenant base is comprised primarily of residential tenants and the overall occupancy rate stands at approximately 94%.

Capitalization rates used in the valuation of investment properties, equity accounted and preferred investments as at March 31, 2020 are based on current market data available and have been adjusted to reflect market uncertainty related to COVID-19 in certain cases where we anticipate possible capitalization rate expansion.

The Trust continues to review its cash flow projections and the fair value of its real estate portfolio in these challenging times. Capitalization rates could change materially as additional market data becomes available. As such, significant changes in assumptions concerning rental income, occupancy rates, tenant inducements and future market rents could negatively impact future real estate valuations and the Trust’s overall operations as COVID-19 continues.