

An American flag is flying in the upper left corner of the page, set against a background of a modern skyscraper with a grid of windows. The flag is partially obscured by a red banner that contains the company name.

FIRM CAPITAL APARTMENT REIT

CAPITAL PRESERVATION • DISCIPLINED INVESTING

FINANCIAL STATEMENTS

THIRD QUARTER
SEPTEMBER 30, 2021

Condensed Consolidated Interim Financial Statements of

**FIRM CAPITAL APARTMENT REAL ESTATE
INVESTMENT TRUST**

For the Three and Nine Months Ended September 30, 2021 and 2020

(Expressed in US Dollars)

The accompanying unaudited condensed consolidated interim financial statements of Firm Capital Apartment Real Estate Investment Trust for the three and nine months ended September 30, 2021 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 Apartment Real Estate Investment Trust's audit committee. In accordance with National Instrument 51 – 102 Firm Capital Apartment Real Estate Investment Trust discloses that these unaudited condensed consolidated interim financial statements have not been reviewed by Firm Capital Apartment Real Estate Investment Trust's auditors.

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Balance Sheets

(Expressed in US Dollars)

(Unaudited)

	Notes	September 30, 2021	December 31, 2020
Assets			
Current Assets			
Cash and Cash Equivalents		\$ 4,664,490	\$ 2,909,258
Restricted Cash		1,215,183	657,148
Accounts Receivable		667,270	1,886,414
Prepaid Expenses and Other Assets		78,548	167,645
Total Current Assets		6,625,491	5,620,465
Non-Current Assets			
Investment Properties	3	77,118,271	49,585,840
Equity Accounted Investments	4	20,194,567	19,596,539
Preferred Investments	4	17,116,063	28,536,024
Preferred Capital Investments	5	3,062,421	5,528,968
Total Non-Current Assets		117,491,322	103,247,371
Total Assets		\$ 124,116,813	\$ 108,867,836
Liabilities and Unitholders' Equity			
Current Liabilities			
Accounts Payable and Accrued Liabilities	13	3,794,136	2,864,903
Mortgages Payable	8,9	686,398	373,540
Unit Based Liabilities	10(c)	797,793	336,830
Total Current Liabilities		5,278,328	3,575,273
Non-Current Liabilities			
Mortgages Payable	8,9	30,077,459	17,199,635
Convertible Debentures Payable	7,9	14,630,513	12,169,023
Total Non-Current Liabilities		44,707,972	29,368,658
Total Liabilities		49,986,300	32,943,931
Unitholders' Equity	10	74,130,513	75,923,905
Total Liabilities and Unitholders' Equity		\$ 124,116,813	\$ 108,867,836

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Income/(Loss) and Comprehensive Income

For the three and nine months ended September 30, 2021

(Expressed in US Dollars)

(Unaudited)

	Notes	Three Months Ended		Nine Months Ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Net Rental Income					
Rental Revenue		\$ 1,781,855	\$ 979,192	\$ 4,126,123	\$ 3,084,025
Property Operating Expenses	14	(819,708)	(536,400)	(2,000,125)	(1,525,468)
		962,147	442,792	2,125,999	1,558,557
Income from Investments					
Income from Equity Accounted Investments	4	292,422	74,150	794,796	204,107
Income from Preferred Investments	4	437,940	499,381	1,585,798	1,578,176
Income from Preferred Capital Investments	5	118,604	159,987	533,016	394,141
Income from Mortgage Investments	6	-	54,430	-	110,403
		848,965	787,948	2,913,610	2,286,827
Expenses					
General and Administrative	14	(567,154)	(339,427)	(1,657,724)	(1,134,784)
Finance Costs	14	(648,438)	(440,781)	(1,686,814)	(1,309,313)
		(1,215,592)	(780,209)	(3,344,539)	(2,444,097)
Net Income Before Fair Value Adjustments		\$ 595,520	\$ 450,531	\$ 1,695,070	\$ 1,401,287
Fair Value Adjustments					
Investment Properties	3	3,346,266	-	4,869,716	-
Acquisition	3	-	-	108,902	-
Equity Accounted Investments	4	901,771	-	2,419,562	(1,768,263)
Preferred Investments	4	(3,223,306)	-	(5,087,088)	-
Preferred Capital Investments	5	(327,861)	-	(945,881)	-
Convertible Debentures	7,9	292,471	1,200	(2,472,723)	1,971,436
Unit Based Recovery/(Expense)	10(d),(e),(f)	403,796	259,272	(460,963)	839,258
Foreign Exchange Gain/(Loss)	15	565,273	(94,467)	234,931	688,748
		1,958,410	166,005	(1,333,544)	1,731,179
Net Income/(Loss) and Comprehensive Income		\$ 2,553,930	\$ 616,536	\$ 361,525	\$ 3,132,466

See accompanying Notes to the Condensed Consolidated Interim Financial Statements

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

For the three and nine months ended September 30, 2021

(Expressed in US Dollars)

(Unaudited)

	Notes	Trust Units	Deficit	Balance
Unitholders' Equity, December 31, 2019		\$ 82,931,506	\$ (17,808,782)	\$ 65,122,724
Revaluation of Warrants and Options	10(e),(f)	-	(979,891)	(979,891)
Balance at January 1, 2020		82,931,506	(18,788,673)	64,142,833
Issuance of Units, Net of Issuance Costs	10(a)(i)	11,523,781	-	11,523,781
Warrants Exercised	10(a)(ii)	8,500	-	8,500
Normal Course Issuer Bid	10(a)(iv)	(700,124)	-	(700,124)
Trust Unit Repurchase	10(a)(iii)	(2,744,200)	-	(2,744,200)
Net Income/(Loss) and Comprehensive Income		-	3,132,466	3,132,466
Distributions	10(g)	-	(1,456,818)	(1,456,818)
Issuance of Units from Distribution Reinvestment Plan	10(b)	21,623	-	21,623
Unitholder's Equity, September 30, 2020		91,041,085	(17,113,023)	73,928,062
Normal Course Issuer Bid	10(a)(iv)	(20,880)	-	(20,880)
Net Income/(Loss) and Comprehensive Income		-	2,471,888	2,471,888
Distributions	10(g)	-	(455,166)	(455,166)
Unitholders' Equity, December 31, 2020		91,020,205	(15,096,300)	75,923,905
Net Income/(Loss) and Comprehensive Income		-	361,525	361,525
Normal Course Issuer Bid	10(a)(iv)	(798,469)	-	(798,469)
Distributions	10(g)	-	(1,356,448)	(1,356,448)
Unitholders' Equity, September 30, 2021		90,221,736	\$ (16,091,223)	\$ 74,130,513
Trust Units Outstanding				7,604,375

See accompanying Notes to the Condensed Consolidated Interim Financial Statements

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows
 For the three and nine months ended September 30, 2021
 (Expressed in US Dollars)
 (Unaudited)

	Notes	Three Months Ended		Nine Months Ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
For the three and nine months ended					
Cash Flow from (used in) Operating Activities					
Net Income		\$ 2,553,930	\$ 616,536	\$ 361,525	\$ 3,132,466
Add (Deduct):					
Fair Value Adjustments					
Investment Properties	3	(3,346,266)	-	(4,869,716)	-
Acquisition	3	-	-	(108,902)	-
Equity Accounted Investments	4	(901,771)	-	(2,419,562)	1,768,263
Provision for Impairment of Preferred Investments	4	3,223,306	-	5,087,088	-
Provision for Impairment of Preferred Capital Investments	5	327,861	-	945,881	-
Convertible Debentures	7,9	(292,471)	(1,200)	2,472,723	(1,971,436)
Unit Based Recovery/(Expense)	10(d),(e),(f)	(403,796)	(259,272)	460,963	(839,258)
Finance Cost Amortization	8,9,14	67,449	11,499	90,447	34,496
Foreign Exchange Gain/(Loss) on Convertible Debentures	7,9,15	(463,849)	262,085	(11,232)	(416,953)
Equity Accounted Investments	4	(6,323)	(58,258)	(340,133)	(23,389)
Preferred Investments	4	(62,477)	(186,909)	(563,593)	(451,046)
Preferred Capital Investments	5	135,927	25,514	(27,334)	(19,666)
Mortgage Investments	6	-	33,853	-	-
Changes in Non-Cash Operating Working Capital:					
Accounts Receivable		(29,201)	22,567	1,219,144	(31,366)
Prepaid Expenses and Other Assets		192,520	50,337	89,097	122,774
Accounts Payable and Accrued Liabilities	13	544,457	548,984	929,233	341,428
Total Operating Activities		1,539,296	1,065,737	3,315,629	1,646,312
Cash Flows from (used in) Investing Activities					
Acquisition of assets, net of cash acquired	3	-	-	(2,516,520)	-
Equity Accounted Investments	4	-	(3,847,209)	(1,236,693)	(5,208,124)
Preferred Investments	4	(168,238)	(4,209,014)	(976,513)	(7,941,669)
Redemption of Preferred Investments	4	-	-	5,136,821	-
Redemption of Preferred Capital Investments	5	3,000,000	-	3,000,000	-
Preferred Capital Investments	5	(1,452,000)	61,970	(1,452,000)	(99,072)
Mortgage Investments	6	-	3,425,270	-	-
Capital Expenditures on Investment Properties	3	(104,405)	(73,571)	(369,718)	(217,577)
Total Investing Activities		1,275,357	(4,642,554)	1,585,377	(13,466,442)
Cash Flows from (used in) Financing Activities					
Issuance of Units, Net of Issuance Costs	10(a)(i)	-	-	-	11,523,781
Issuance of Units, Warrant Exercise	10(a)(ii)	-	-	-	8,500
Issuance of Units from Distribution Reinvestment Plan	10(b)	-	-	-	21,623
Normal Course Issuer Bid ("NCIB")	10(a)(iv)	(492,615)	(49,670)	(798,469)	(700,124)
Trust Unit Repurchase	10(a)(iii)	-	(2,744,200)	-	(2,744,200)
Distributions Paid	10(g)	(448,658)	(498,265)	(1,356,448)	(1,410,599)
NCIB-convertible debentures	7,9	-	(32,834)	-	(35,768)
Repayment of Mortgages	8,9	(207,769)	(88,721)	(432,821)	(265,425)
Total Financing Activities		(1,149,042)	(3,413,690)	(2,587,738)	6,397,788
Increase in Cash, Cash Equivalents and Restricted Cash		1,665,611	(6,990,508)	2,313,268	(5,422,341)
Cash and Cash Equivalents, Beginning of Period		4,214,062	8,608,687	3,566,405	7,040,520
Cash and Cash Equivalents, End of Period		5,879,673	1,618,179	5,879,673	1,618,179
Consisting of:					
Cash and Cash Equivalents		4,664,490	610,867	4,664,490	610,867
Restricted Cash		1,215,183	1,007,312	1,215,183	1,007,312

See accompanying Notes to the Condensed Consolidated Interim Financial Statements

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)
(Unaudited)

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 Corporation completed its plan of arrangement (the "Arrangement") to convert the Corporation into a Real Estate Investment Trust (the "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.

On September 21, 2020, the Trust completed a name change to "Firm Capital Apartment Real Estate Investment Trust".

The Trust is a U.S. focused real estate investment trust that pursues multi-residential income producing real estate and related debt investments on both a wholly owned and joint venture basis. The Trust has ownership interests in a total of 1,846 apartment units diversely located in Florida, Connecticut, Texas, New York, New Jersey, Georgia and Maryland.

The unaudited interim condensed consolidated financial statements were approved and authorized for issue by the Board of Trustees on November 10, 2021.

2. Basis of preparation

The significant accounting policies used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those described in note 2 and 3 of the Trust's audited consolidated financial statements for the year ended December 31, 2020.

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 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, 2020. These condensed consolidated interim financial statements do not contain all disclosures required by IFRS and accordingly should be read in conjunction with the 2020 audited annual consolidated financial statements and the notes thereto.

3. Investment properties

On June 7, 2021, the Trust completed the acquisition of the New Jersey equity accounted and preferred investment ("New Jersey Portfolio").

This transaction has been recognized as an asset acquisition whereby the associated costs have been capitalized. The consideration has been allocated to the identifiable assets acquired and liabilities assumed, based on their fair values at the date of transaction. The purchase price equation for the New Jersey Portfolio transaction is as follows:

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Condensed Consolidated Interim Financial Statements
 For the three and nine months ended September 30, 2021, and 2020
 (Expressed in US Dollars unless otherwise noted)
 (Unaudited)

Investment properties, including transaction costs	\$ 22,292,997
Cash and restricted cash	109,237
Accounts receivable	199,787
Account payables and accrued liabilities	(378,709)
Mortgages payable	(13,533,056)
Net assets acquired	\$ 8,690,256

Consideration:	
Purchase price	\$ 2,516,520
Equity accounted and preferred investment	6,064,834
Fair value adjustment on acquisition	108,902
Total Consideration	\$ 8,690,256

The investment properties as at September 30, 2021 consist of 500 multi-family apartment units in three portfolios located in Florida, Texas and New Jersey.

	September 30, 2021	December 31, 2020
Balance, beginning of period	\$ 49,585,840	\$ 48,167,177
Acquisition	22,292,997	-
Building improvements	369,718	329,832
Fair value adjustments to investment properties	4,869,716	1,088,831
Balance, end of period	\$ 77,118,271	\$ 49,585,840

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:

	September 30, 2021	December 31, 2020
Capitalization rate	4.25%-5.00%	4.50%

In light of the COVID-19 pandemic, the Trust has updated its assumptions used in determining the fair value of investment properties. Capitalization rates used in the valuation of investment properties, equity accounted and preferred investments as at September 30, 2021 are based on current market data available.

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.

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:

	September 30, 2021
	\$
Capitalization rate increase by 25 basis points	(4,200,000)
Capitalization rate decrease by 25 basis points	4,600,000

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Condensed Consolidated Interim Financial Statements
 For the three and nine months ended September 30, 2021, and 2020
 (Expressed in US Dollars unless otherwise noted)
 (Unaudited)

4. 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	\$ 27.0	22.8%	\$ 6.1	\$ -	\$ 1.5	\$ 1.5	8%
Brentwood, MD	118	19.7	25.0%	4.9	2.3	0.1	2.4	8%
Houston, TX	235	27.2	50.0%	13.6	6.4	3.6	10.0	9%
Bronx, NY	132	26.0	50.0%	13.0	3.5	-	3.5	8%
Hartford, CT	109	13.5	50.0%	6.8	1.3	1.3	2.6	8%
Canton, GA	138	19.8	50.0%	9.9	1.7	3.0	4.7	8%
Houston, TX	250	26.1	50.0%	13.1	1.3	3.5	4.8	9%
Hyattsville, MD	235	38.6	50.0%	19.3	3.8	4.1	7.8	8%
Total/ Weighted Average	1,346	\$ 198.0	43.8%	\$ 86.7	\$ 20.2	\$ 17.1	\$ 37.3	8.4%

The Trust has significant influence over this 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.

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 September 30, 2021 and December 31, 2020 and for the three and nine months ended September 30, 2021 and 2020:

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)
(Unaudited)

Equity Accounted and Preferred Investments, December 31, 2019	\$ 38,465,367
Investments	
- Equity Accounted Investments	5,208,124
- Preferred Investments	7,941,669
Income Earned	
- Equity Accounted Investments	204,107
- Fair Value Adjustments	(1,768,263)
- Preferred Investments	1,578,176
- Less: Distributions and interest received	(1,307,848)
Equity Accounted and Preferred Investments, September 30, 2020	\$ 50,321,332
Investments	
- Equity Accounted Investments	(182,494)
- Preferred Investments	345,508
- Disposition of Equity Accounted Investments	(1,672,279)
- Redemption of Preferred Investments	(2,694,769)
Income Earned	
- Equity Accounted Investments	296,395
- Fair Value Adjustments	1,527,995
- Preferred Investments	797,372
- Less: Distributions and interest received	(606,497)
Equity Accounted and Preferred Investments, December 31, 2020	\$ 48,132,563
Investments	
- Equity Accounted Investments	1,236,693
- Preferred Investments	976,513
- Redemption of Preferred Investments	(5,136,821)
Income Earned	
- Equity Accounted Investments	794,796
- Derecognition of New Jersey Portfolio on Acquisition of Assets	(6,064,834)
- Fair Value Adjustments	2,419,562
- Provision for Impairment on Preferred Investments	(5,087,088)
- Preferred Investments	1,585,798
- Less: Distributions and interest received	(1,546,552)
Equity Accounted and Preferred Investments, September 30, 2021	\$ 37,310,630

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)
(Unaudited)

	September 30, 2021	December 31, 2020
Assets		
Cash	\$ 733,886	\$ 709,568
Restricted Cash	3,306,136	3,036,713
Accounts Receivable	1,253,455	962,889
Other Assets	810,863	816,782
Investment Properties	198,012,515	221,398,580
	\$ 204,116,855	\$ 226,924,532
Liabilities		
Accounts Payable	2,514,286	2,754,339
Security Deposits	646,368	826,920
Mortgages	135,967,472	145,514,689
	\$ 139,128,126	\$ 149,095,949
Equity		
Retained Earnings	\$ 4,949,449	\$ 11,665,219
Preferred Equity	30,165,665	35,935,735
Common Equity	29,873,614	30,227,629
	\$ 64,988,731	\$ 77,828,582
	\$ 204,116,857	\$ 226,924,532
Investment Allocation for the Trust		
Equity Accounted Investments	\$ 20,194,567	\$ 19,596,539
Preferred Investments	17,116,063	28,536,024
	\$ 37,310,630	\$ 48,132,563

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Net Income				
Rental Revenue	\$ 4,984,085	\$ 5,211,386	\$ 15,504,724	\$ 15,589,524
Property Operating Expenses	(2,388,821)	\$ (2,792,415)	(7,797,455)	(8,236,603)
Net Rental Income	\$ 2,595,264	\$ 2,418,971	7,707,269	7,352,921
General & Administrative	(22,685)	(19,405)	(58,215)	(73,067)
Interest Expense	(1,419,949)	(1,712,565)	(4,692,289)	(5,016,756)
Fair Value Adjustments	(1,644,011)	-	(2,495,764)	(4,698,934)
Net Income Before Interest from Preferred Investments	\$ (491,381)	\$ 687,001	\$ 461,001	\$ (2,435,836)
Less: Interest from Preferred Investments	(527,436)	(702,900)	(2,028,965)	(2,200,204)
Net Income	\$ (1,018,817)	\$ (15,899)	\$ (1,567,964)	\$ (4,636,039)
Income Earned by the Trust				
Equity Accounted Investments	\$ 292,422	\$ 74,150	\$ 794,796	\$ 204,107
Fair Value Adjustments	901,771	-	2,419,562	(1,768,263)
Provision for Impairment on Preferred Investments	(3,223,306)	-	(5,087,088)	-
Preferred Investments	437,940	499,381	1,585,798	1,578,176
	\$ (1,591,173)	\$ 573,531	\$ (286,932)	\$ 14,020

On January 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 Acquisition was \$27.9 million (including transaction costs). The Woodglen Acquisition was financed, in part with a \$22.1 million, 4.6% first mortgage due on February 9, 2023. The Trust contributed \$3.4 million (100% ownership) of preferred equity yielding 8% and \$1.2 million of common equity representing a 50% ownership interest in the investment.

On September 22, 2020, the Trust closed an equity accounted and preferred investment to acquire a 235 unit multi-family residential portfolio located in Hyattsville, MD (the "North Pointe Acquisition"). The purchase price for 100% of the North Pointe Acquisition was \$40.5 million (including transaction costs). The North Pointe Acquisition was financed, in part with a \$29.7 million, 3.0% first mortgage due on September 22, 2032. The Trust contributed \$4.0 million of preferred equity yielding 8% and \$3.4 million of common equity representing a 50% ownership interest in the investment.

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Condensed Consolidated Interim Financial Statements
 For the three and nine months ended September 30, 2021, and 2020
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 (Unaudited)

On December 23, 2020, the Trust completed a sale of its interest in fourteen multi-family buildings located in Bridgeport, Connecticut to its joint venture partner (the "Bridgeport Sale"). The Trust received net proceeds of approximately \$4.5 million from the Bridgeport Sale consisting of a repayment of its preferred equity (inclusive of accrued interest) of \$2.8 million and \$1.7 million of common equity.

On February 25, 2021, the first mortgage on the Bronx, NY equity accounted investment was refinanced for a total gross proceeds of \$21.6 million. With the \$3.1 million net proceeds received from the refinancing and the additional \$2.0 million invested by equity accounted owners, the \$5.1 million of Preferred Equity was repaid. The new mortgage has a 3.51% interest rate with a 12-year term amortizing over 30 years.

The Trust establishes its loss provisions applicable to its preferred investments using a 12 month ECL approach. Investments with a low credit risk are assigned to stage 1, increased credit risk to stage 2 and where in default to stage 3. The determination of significant increase in credit risk considers 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 borrower and underlying asset, based on judgement.

At each reporting date, the Trust assesses the borrower's ability to make contractual payments based on current market conditions. Based on the impact of the COVID-19 pandemic, the Trust updated its valuation model and recorded a provision for impairment of preferred investments. For the three months ended September 30, 2021, the provision for impairment of preferred investments was \$3,223,306 (2020 - \$nil). For the nine months ended September 30, 2021, the impairment of preferred investments was \$5,087,088 (2020 - \$nil).

Preferred investments, associated allowance for losses and provision for impairment on preferred investments accounted at amortised cost at September 30, 2021 and December 31, 2020 are as follows:

	September 30, 2021			December 31, 2020		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Preferred Investments	\$ 15,548,214	\$ -	\$ 6,953,949	\$ 22,760,425	\$ -	\$ 5,979,670
Allowance for losses of preferred investments	-	-	(299,012)	-	-	(204,071)
Provision for impairment of preferred investments	-	-	(5,087,088)	-	-	-
Preferred Investments, net of allowances and provisions	\$ 15,548,214	\$ -	\$ 1,567,849	\$ 22,760,425	\$ -	\$ 5,775,599

5. 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 Loan") to fund the acquisition of a portfolio of three apartment buildings located in New York, New York. The New York Preferred Capital earned an interest rate of 12% per annum during its initial term of three years and has been extended for a further two years as outlined below. The investment yield is interest only and the loan may be repaid by the borrower prior to maturity in whole or in part upon 30 days prior written notice.

On July 1, 2020, the New York Preferred Capital loan was extended and will mature on January 1, 2023 earning 12% interest of which 9% is paid monthly while the remainder will be paid on maturity.

On November 15, 2019, the Trust closed a participation of \$3.0 million in a \$10.0 million preferred capital loan (the "Original Houston Preferred Capital Loan") for a portfolio of five apartment buildings located in Houston, Texas. The Original Houston Preferred Capital earns an interest rate of 12% per annum during

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its initial term of two years. During the three months end September 30, 2021 the Original Houston Preferred Capital Loan was repaid.

On September 10, 2021, the Trust closed a participation of \$1.5 million in a \$4.8 million preferred capital loan (the "Houston Preferred Capital Loan") for a portfolio of five apartment buildings located in Houston, Texas. The Houston Preferred Capital earns an interest rate of 10% per and matures on September 9, 2025.

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 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 borrower and underlying asset, based on judgement.

At each reporting date, the Trust assesses the borrower's ability to make contractual payments based on current market conditions. Based on the impact of the COVID-19 pandemic, the Trust updated its valuation model and recorded a provision for impairment of preferred capital investments. For the three months ended September 30, 2021, the provision for impairment of preferred capital investments was \$327,861 (2020 - \$nil). For the nine months ended September 30, 2021, the impairment of preferred capital investments was \$945,881 (2020 - \$nil).

Preferred capital investments, associated allowance for losses on preferred capital investments accounted at amortised cost at September 30, 2021 and December 31, 2020 are as follows:

	September 30, 2021			December 31, 2020		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Preferred Capital Investments	\$ 1,474,758	\$ -	\$ 2,693,516	\$ 3,030,140	\$ -	\$ 2,568,670
Allowance for losses of preferred capital investments	-	-	(159,973)	-	-	(69,842)
Provision for impairment on preferred capital investments	-	-	(945,881)	-	-	-
Preferred Capital Investments, net of allowances and provisions	\$ 1,474,758	\$ -	\$ 1,587,663	\$ 3,030,140	\$ -	\$ 2,498,828

6. Mortgage Investments

In 2020, the Trust invested in the following mortgages:

(a) On April 28, 2020, the Trust invested CAD\$1.0 million in a CAD\$5.0 million, interest only, mortgage financing four real estate development sites located in Markham and Stouffville, Ontario (the "Stouffville Mortgage"). The Stouffville Mortgage is a first lien mortgage for one site and a second lien mortgage for the remaining three sites. The term is 2 years, 9.75% interest only. On June 28, 2020, the Trust invested an additional CAD\$0.6 million into the Stouffville Mortgage.

(b) On April 30, 2020, the Trust invested CAD \$0.13 million in a CAD\$1.0 million participation for a CAD\$7.25 million, interest only, first lien mortgage financing two real estate sites in Ottawa, Ontario and Erlanger, Kentucky. (the "Ottawa and Kentucky Mortgages"). The term for the Ottawa and Kentucky Mortgages is 1 year, 9.0% interest only.

(c) On May 4, 2020, the Trust invested CAD \$3.0 million in a CAD\$14.25 million, interest only, first lien mortgage financing three real estate sites located in Toronto, Ontario. (the "Toronto Mortgages"). The term for the Toronto Mortgages is 18 months, 9.5% interest only.

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On September 15, 2020, the Trust sold its interest in the mortgage investments and used the net proceeds to finance the North Pointe Acquisition.

As of September 30, 2021, the Trust's balance in mortgage investments was \$nil (December 31, 2020 - \$nil).

7. Convertible debentures payable

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 subordinated 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 associated with Convertible Debenture expired 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 based on the trading price of the applicable debentures at each reporting date with changes in fair value being recognized in finance costs.

On June 14, 2021, the Trust received approval from the TSXV to commence a Normal Course Issuer Bid ("NCIB") to purchase up to CAD\$1,936,700 principal amount of the Convertible Debentures being equal to 10% of the public float. The NCIB commenced on June 16, 2021, and will end on the earlier of June 15, 2022, or at such time as the NCIB has been completed. For the nine months ended September 30, 2021, no convertible debentures were purchased by the Trust. For the year ended December 31, 2020, the Trust purchased convertible debentures with a face value of CAD \$61,000 for \$35,768 (CAD \$47,710).

8. Mortgages payable

	September 30, 2021	December 31, 2020
Mortgages payable	\$ 30,901,624	\$ 17,653,669
Less: current portion	(686,398)	(373,540)
Less: unamortized financing costs	(137,767)	(80,494)
	\$ 30,077,459	\$ 17,199,635

As at September 30, 2021, the Trust had mortgages payable secured by the multi-family properties of \$30,763,857 (including the current portion and net of unamortized financing costs) (December 31, 2020 - \$17,573,175) which bear interest at a weighted average interest rate of 4.13% (December 31, 2020 - 4.37%) per annum, and have maturity dates ranging between October 2022 and March 2038.

On June 7, 2021, the Trust assumed mortgages with a fair value of \$13.5 million (Note 3), as a result of the acquisition New Jersey Portfolio, which bear interest at 3.83% per annum, and mature on March 1, 2038.

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

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	Principal	Interest	Total
2021	\$ 163,728	\$ 322,470	\$ 486,198
2022	11,488,281	1,192,885	12,681,166
2023	6,356,398	633,245	6,989,643
2024	298,589	495,810	794,398
2025	311,778	482,620	794,398
Thereafter	12,282,851	4,753,665	17,036,515
Total	\$ 30,901,624	\$ 7,880,695	\$ 38,782,319

9. Changes in debt

The following table sets out an analysis of the movements in net debt during 2021 and 2020:

	Notes	Mortgages	Convertible Debentures
As at December 31, 2019		\$ 17,812,352	\$ 14,039,421
Repayments		(265,425)	-
Finance cost amortization	7,14	34,496	-
Normal course issuer bid	7	-	(35,768)
Change in fair value of convertible debenture	7	-	(1,971,436)
Foreign exchange loss/(gain)	15	-	(416,953)
As at September 30, 2020		\$ 17,581,422	\$ 11,615,264
Repayments		(91,838)	-
Finance cost amortization	7,14	83,590	-
Change in fair value of convertible debenture	7	-	(25,110)
Foreign exchange loss/(gain)	15	-	578,869
As at December 31, 2020		\$ 17,573,175	\$ 12,169,023
Assumed mortgages	3,8	13,533,056	-
Repayments	8	(432,821)	-
Finance cost amortization	7,14	90,447	-
Change in fair value of convertible debenture	7	-	2,472,722
Foreign exchange loss/(gain)	15	-	(11,232)
As at September 30, 2021		\$ 30,763,857	\$ 14,630,513

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 thereof and/or the Trust, into a Trust Unit, on the basis of one Trust Unit for each Class B Unit so converted. Notice of conversion of

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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

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- (iv) 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
- (v) 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.

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.

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.

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Trust Units as at September 30, 2021 are as follows:

	Notes	Number of Trust Units	Value
Balance at December 31, 2019		6,935,306	\$ 82,931,506
Issuance of Units:			
Marketed Offering	10(a)(i)	1,590,000	11,523,781
Distribution Reinvestment Plan	10(b)	2,669	21,623
Warrant Exercise	10(a)(ii)	1,000	8,500
Less: Normal Course Issuer Bid	10(a)(iv)	(124,100)	(700,124)
Less: Trust Unit Repurchase	10(a)(iii)	(686,200)	\$ (2,744,200)
Balance at September 30, 2020		7,718,675	\$ 91,041,086
Less: Normal Course Issuer Bid	10(a)(iv)	(4,000)	(20,880)
Balance at December 31, 2020		7,714,675	\$ 91,020,205
Less: Normal Course Issuer Bid	10(a)(iv)	(110,300)	(798,469)
Balance at September 30, 2021		7,604,375	\$ 90,221,736

- (i) 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).
- (ii) On May 27, 2020, 1,000 warrant options were exercised resulting in net proceeds of \$0.008 million, while the remaining options expired.
- (iii) On July 27, 2020, the Trust redeemed and cancelled 686,200 Trust Units at a price of \$4.00 (CAD \$5.35) per Trust Unit representing a total gross cost of \$2.7 million (CAD \$3.7 million).
- (iv) On April 28, 2020, the Trust received approval from the TSXV Venture Exchange to commence a Normal Course Issuer Bid ("NCIB") to purchase up to 645,442 of its trust units being equal to 10% of the public float. The NCIB commenced on April 30, 2020 and ended on April 29, 2021.

On June 14, 2021, the Trust received approval from the TSXV to commence a NCIB to purchase up to 619,750 of Trust Units, being equal to 10% of the public float. The NCIB commenced on June 16, 2021 and will end on the earlier of June 15, 2022, or at such time as the NCIB has been completed. For the nine months ended September 30, 2021, 110,300 Trust Units were repurchased for a total gross cost of \$0.8 million at a weighted average cost of \$7.23 per Trust Unit. For the year ended December 31, 2020, the Trust repurchased 128,100 Trust Units for a total gross cost of \$0.7 million at a weighted average cost of \$5.75 per Trust Unit.

(b) Distribution Reinvestment Plan ("DRIP")

The Trust 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"). 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.

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

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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 and nine months ended September 30, 2021, nil Trust Units were issued under DRIP. During 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) Unit Based Liabilities

The Trust’s unit-based liabilities as at September 30, 2021 consists of the following:

Unit Based Liabilities	Notes		September 30, 2021	December 31, 2020
Deferred Trust Units	10(d)	\$	39,781	\$ 31,318
Warrants	10(e)		8,941	15,338
Options	10(f)		749,071	290,174
Total Unit Based Liabilities		\$	797,793	\$ 336,830

(d) Deferred Trust Units

On March 31, 2015, the Trust adopted a Deferred Trust Unit (“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 September 30, 2021, the outstanding liability was \$39,781. For the three months ended September 30, 2021, the recovery on the DTU plan was \$4,548. For the nine months ended September 30, 2021, the expense on the DTU plan was \$8,463.

(e) Warrants

The Trust had the following warrants outstanding and exercisable as at September 30, 2021:

Issuance Date	Number of warrants	Weighted average exercise price	Warrants Reserve	Expiry Date
March 13, 2020	1,590,000	\$ 10.75	\$ 8,941	March 13, 2022

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

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Warrant Assumptions	September 30, 2021	December 31, 2020
Stock Price	\$ 6.82	\$ 5.37
Exercise Price	\$10.75	\$10.75
Expected Life in Years	0.45	1.20
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	\$ 0.24	\$ 0.24
Discount Rate - Bond Equivalent Yield	0.23%	0.17%

(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)(i) of these interim condensed financial statements. The Warrants have an exercise price \$10.75 per Trust Unit and expire on March 13, 2022.

(ii) On May 27, 2020, 1,000 warrants were exercised resulting in net proceeds of \$0.008 million, while the remaining warrants expired.

For the three months ended September 30, 2021, the recovery for the warrants was \$104,707.

For the nine months ended September 30, 2021, the recovery for the warrants was \$6,397.

(f) 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.

On March 16, 2021, the Trust granted options to certain trustees, officers and management of the Trust to purchase a total 119,500 Trust Units. 49,300 of the options have an exercise price of \$7.50 per Trust Unit and 70,200 of the options have an exercise price of \$8.30 per Trust Unit. Of the 119,500 options granted, 99,833 options vested immediately, and the remaining 19,667 options will equally vest on March 16, 2022 and March 16, 2023. The options expire on March 16, 2031.

The Trust had the following options outstanding and exercisable on September 30, 2021:

Issuance Date	Number of Options	Weighted average exercise price	Options Reserve	Expiry Date
August 17, 2017	368,738	\$ 7.50	\$ 390,135	August 17, 2027
November 19, 2018	240,900	8.30	230,247	November 19, 2028
March 16, 2021	49,300	7.50	56,973	March 16, 2031
March 16, 2021	70,200	8.30	71,716	March 16, 2031
Total/ Weighted Average	729,138	\$ 7.84	\$ 749,071	

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

Option Assumptions	September 30, 2021	December 31, 2020
Stock Price	\$ 6.82	\$ 5.37
Exercise Price	\$7.50-\$8.30	\$7.50-\$8.30
Expected Life in Years	5.88-9.46	6.63-7.89
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	\$ 0.24	\$ 0.24
Discount Rate - Bond Equivalent Yield	0.23%	0.17%

For the three months ended September 30, 2021, the recovery for the options was \$294,539.

For the nine months ended September 30, 2021, the expense for the options was \$458,897.

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(g) Distributions

For the three months ended September 30, 2021, the Trust declared distributions of \$0.059 per Trust Unit resulting in total distributions of \$448,658 (September 30, 2020 - \$455,402). For the nine months ended September 30, 2021, the Trust declared distributions of \$0.178 per Trust Unit resulting in total distributions of \$1,356,448 (September 30, 2020 - \$1,456,818). As at September 30, 2021, the Trust accrued \$448,658, which is included in its accounts payable and accrued liabilities (September 30, 2020 - \$455,402).

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 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, Other Assets	126,157
Total Liabilities	(19,120,925)
Total	(18,994,768)
Effect of +/- 10% change in exchange rate	(1,899,477)

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, preferred equity 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 or preferred equity borrower defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Where appropriate, the Trust obtains collateral.

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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 is 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 favorable 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.

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 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:

September 30, 2021		Level 3
Investment properties	\$	77,118,271
<hr/>		
December 31, 2021		Level 3
Investment properties	\$	49,585,840

There were no transfers between levels during the period ended September 30, 2021.

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, which are 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 during the three and nine months ended September 30, 2021.

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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 \$0.63 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 dishonored 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.

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- 10. Origination, Commitment & Discharge Fees and Profit Sharing Fees:** The Manager shall remit to the Trust:
- 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
 - 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 and upon 24 months prior written notice. Upon termination, the Trust shall pay to the Manager the following:
- 2% of the Gross Invested Assets of the Properties and the Trust's other assets; and
 - 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 September 30, 2021, asset management fees were \$352,580 (2020 - \$355,851), loan servicing fees were \$13,870 (2020 - \$27,138), acquisition fees were \$nil (2020 - \$160,213), debt placement fees were \$nil (2020 - \$37,137), equity placement fees were \$nil (2020 - \$nil) and property management fees were \$22,652 (2020 - \$24,393).

For the nine months ended September 30, 2021, asset management fees were \$955,889 (2020 - \$659,359), loan servicing fees were \$61,438 (2020 - \$70,883), acquisition fees were \$114,813 (2020 - \$285,125), debt placement fees were \$43,968 (2020 - \$64,799), equity placement fees were \$nil (2020 - \$31,623) and property management fees were \$66,784 (2020 - \$61,929).

Asset Management fees and loan servicing fees are included in general and administrative expenses. Property management fees are included in property operating expenses. Acquisition fees and debt placement fees are capitalized to equity accounted investments. Transaction costs associated with the acquisition are capitalized to investment properties. Equity Placement Fees have been capitalized against unitholders' equity.

As at September 30, 2021, the Trust has accrued \$1,314,889 (December 31, 2020 - \$1,110,230) 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 and nine months ended September 30, 2021 and 2020 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Property Operating Expenses				
Property Taxes	\$ 260,130	\$ 171,433	\$ 647,254	\$ 498,377
Insurance	77,154	35,778	167,429	110,255
Operating Expenses	482,423	329,189	1,185,442	916,836
Total	\$ 819,708	\$ 536,400	\$ 2,000,125	\$ 1,525,468

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	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
General and Administrative				
Asset Management Fees (note 13)	\$ 366,450	\$ 187,506	\$ 1,017,327	\$ 730,242
Public Company Expenses	68,399	14,040	173,520	31,068
Office and General	132,305	137,881	466,878	373,474
Total	\$ 567,154	\$ 339,427	\$ 1,657,724	\$ 1,134,784

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Finance Costs				
Bank interest expense	\$ 277,889	\$ 200,068	\$ 706,926	\$ 595,747
Convertible debenture interest expense	303,101	229,215	889,441	679,070
Finance cost amortization	67,449	11,498	90,447	34,495
Total	\$ 648,438	\$ 440,781	\$ 1,686,814	\$ 1,309,313

15. Foreign Exchange Gain/(Loss)

The foreign exchange gain/ (loss) for the three and nine months ended September 30, 2021 and 2020 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2021
Foreign Exchange Gain/(Loss)				
Foreign exchange gain/(loss) on convertible debentures (note 9)	\$ 463,849	\$ (262,085)	\$ 11,232	\$ 416,953
Foreign exchange gain	101,423	167,618	223,698	271,795
Total	\$ 565,273	\$ (94,467)	\$ 234,931	\$ 688,748

16. Subsequent event

On November 10, 2021, the Trust declared and approved quarterly distributions of \$0.059 per unit for unitholders on record on December 31, 2021, payable on or about January 17, 2022.