

The background of the entire page is a low-angle photograph of a skyscraper with a grid of windows. An American flag is flying in the upper left corner, partially overlapping a red horizontal band. The sky is bright and clear.

FIRM CAPITAL APARTMENT REIT

CAPITAL PRESERVATION • DISCIPLINED INVESTING

ANNUAL REPORT

2021

MANAGEMENT DISCUSSION & ANALYSIS

FORWARD LOOKING STATEMENTS

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Firm Capital Apartment Real Estate Investment Trust ("Firm Capital Apartment REIT", "FCA", "TSXV: FCA.U/FCA.UN" or the "Trust") should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2021 and December 31, 2020. All disclosures including tables presented herein, related to an interim period are unaudited. This MD&A has been prepared taking into account material transactions and events up to and including March 14, 2022. Additional information about the Trust, including the Trust's Annual Information Form, required by NI 51-102, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our web site at www.firmcapital.com.

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our 2022 objectives and our strategies to achieve those objectives, as well as statements with respect to management's beliefs, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties, including those described below in this MD&A under Risks and Uncertainties, which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. Such risk factors include, but are not limited to, risks associated with real property ownership, availability of cash flow, general uninsured losses, future property acquisitions, environmental matters, tax related matters, debt financing, unitholder liability, potential conflicts of interest, potential dilution, reliance on key personnel, changes in legislation and changes in the income tax act. The Trust cannot assure investors that actual results will be consistent with any forward-looking statements and the Trust assumes no obligation to update or revise such forward-looking statements to reflect actual events or new circumstances. All forward-looking statements contained in this MD&A are qualified by this cautionary statement. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

All forward-looking statements in this MD&A are qualified by these cautionary statements. Except as required by applicable law, the Trust undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

TRUST NAME CHANGE:

CORPORATE REORGANIZATION AND NAME CHANGE

On January 1, 2020, the Trust completed its plan of arrangement (the "**Arrangement**") to convert Firm Capital American Realty Partners Corp. (the "**Corporation**") into a Real Estate Investment Trust and continuing to trade 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. On September 21, 2020, to better reflect the investment activities of the Trust and its focus on multi-residential investments, the Board of Trustees approved a name change to **Firm Capital Apartment Real Estate Investment Trust**.

MANAGEMENT DISCUSSION & ANALYSIS

BASIS OF PRESENTATION

The Trust has adopted International Financial Reporting Standards (“**IFRS**”), as issued by the International Accounting Standards Board as its basis of financial reporting. The Trust’s reporting currency is the US dollar (“**USD**”) and all amounts reported in this MD&A are in USD, unless otherwise noted.

Certain financial information presented in this MD&A reflects non-IFRS financial measures including Net Rental Income, Funds From Operations (“**FFO**”) and Adjusted Funds From Operations (“**AFFO**”), AFFO Payout Ratio (“**AFFO Payout Ratio**”) (each as defined below). These measures are commonly used by real estate investment companies as useful metrics for measuring performance; however, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other real estate investment companies. The Trust believes that FFO is an important measure to evaluate operating performance, AFFO and AFFO Payout Ratio are important measures of cash available for distribution and, Net Rental Income is an important measure of operating performance. “**GAAP**” means generally accepted accounting principles described by the Chartered Professional Accountants of Canada (“**CPA**”) Handbook - Accounting, which are applicable as at the date on which any calculation using GAAP is to be made. As a public entity, the Trust applies IFRS as described in Part I of the CPA Handbook - Accounting.

Occupancy rate represents the total number of units leased as a percentage of the total number of units owned. Leased properties consist solely of those units that are occupied by a tenant at the given date.

Net Rental Income is a term used by industry analysts, investors, and management to measure operating performance of Canadian real estate investment companies. Net Rental Income represents rental revenue from properties less repairs and maintenance, insurance, utilities, property management, property taxes, bad debt, and other property operating costs. Net Rental Income excludes certain expenses included in the determination of net income such as interest, amortization, corporate overhead and taxes.

Net income (loss) before other income (expenses) (“**net income before fair value adjustments**”) is a measure that the Trust uses in order to present the key operations and administration of the Trust, excluding certain items. Items that are excluded from this total and are presented in other income (expenses) include transaction costs, foreign exchange gain (loss), fair value adjustments of investment properties, gain (loss) on dispositions, fair value gain (loss) on derivative financial instruments and unit-based compensation.

FFO is a term used to evaluate operating performance but is not indicative of funds available to meet the Trust’s cash requirements. The Trust calculates FFO substantially in accordance with the guidelines set out by the Real Property Association of Canada (“**Real PAC**”), for entities adopting IFRS. FFO is defined as net income before fair value gains/losses on real estate properties, gains/losses on the disposition of real estate properties, deferred income taxes, and certain other non-cash adjustments.

AFFO is a term used as a non-IFRS financial measure by most Canadian real estate investment companies but should not be considered as an alternative to net income, cash flows from operations, or any other measure prescribed under IFRS. The Trust

MANAGEMENT DISCUSSION & ANALYSIS

considers AFFO to be a useful measure of cash available for distributions. AFFO should not be interpreted as an indicator of cash generated from operating activities, as it does not consider changes in working capital and includes a deduction for capital expenditures. AFFO is defined as FFO adjusted for (i) adding back deferred financing fees amortization as outlined in the statement of cashflows (ii) deducting an estimate for capital expenditures of 2.5% of Net Operating Income, and (iii) making such other adjustments as may be determined by the trustees of the Trust at their discretion. In addition, the Trust calculates AFFO by adjusting Net Income calculated on the Trust's consolidated financial statements for all changes in non-cash working capital and making such other adjustments as may be determined by the directors of the Trust at their discretion. The AFFO payout ratio is calculated by taking the Distributions paid and dividing it by the AFFO.

Net Income/(Loss) Before Other Income/(Expenses), Net Rental Income, FFO and AFFO should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS. Net Rental Income, FFO and AFFO, are not intended to represent operating profits for the period, or from a property, nor should any of these measures be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Readers should be further cautioned that Net Rental Income, FFO and AFFO as calculated by the Trust may not be comparable to similar measures presented by other real estate companies.

MANAGEMENT DISCUSSION & ANALYSIS

Q4/2021 AND YEAR TO DATE HIGHLIGHTS

EARNINGS

- For the three months ended December 31, 2021, net income was approximately \$3.5 million, in comparison to the \$2.5 million reported for the three months ended December 31, 2020. For the year ended December 31, 2021, net income was \$3.8 million, in comparison to the \$5.6 million net income reported for the year ended December 31, 2020;
- Excluding non-cash fair value adjustments, net income was \$0.5 million for the three months ended December 31, 2021, in line with the \$0.5 million reported for the three months ended December 31, 2020. Excluding non-cash fair value adjustments, net income was \$2.2 million for the year ended December 31, 2021, a 12% increase over the \$2.0 million reported for the year ended December 31, 2020; and
- For the three months ended December 31, 2021, AFFO was approximately \$0.5 million, in comparison to the \$0.6 million reported for the three months ended December 31, 2020. For the year ended December 31, 2021, AFFO was \$2.2 million, an 11% increase over the \$2.0 million reported for the year ended December 31, 2020.

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Net Income/(Loss)	\$ 3,478,939	\$ 2,471,888	\$ 3,840,463	\$ 5,604,353
Net Income Before Fair Value Adjustments	\$ 497,949	\$ 450,531	\$ 2,193,018	\$ 1,944,047
FFO	\$ 244,667	\$ 468,125	\$ (903,503)	\$ 4,739,715
AFFO	\$ 497,684	\$ 616,601	\$ 2,230,050	\$ 2,013,423
Distributions	\$ 448,658	\$ 455,170	\$ 1,811,618	\$ 1,911,984
AFFO Per Unit	\$ 0.07	\$ 0.08	\$ 0.29	\$ 0.26
Distributions Per Unit	\$ 0.06	\$ 0.06	\$ 0.24	\$ 0.24
AFFO Payout Ratio	90%	74%	81%	95%

- **INCREASED NAV BY 10.3% CAGR TO \$10.15 (CAD \$12.86) PER TRUST UNIT:**
Since Q3/2017, the Trust has increased NAV from \$7.85 (CAD \$9.80) per Trust Unit to \$10.15 (CAD \$12.86) per Trust Unit for a +10.3% Compounded Annual Growth Rate (“CAGR”);
- **AVERAGE RENT INCREASES ACROSS INVESTMENT PORTFOLIO:**
For the three months ended December 31, 2021, average rents increased by 1.5% to \$1,228 per unit from the \$1,211 per unit reported for the three months ended September 30, 2021;

MANAGEMENT DISCUSSION & ANALYSIS

- **SECOND DISTRIBUTION INCREASE:**

On February 8, 2022, the Trust announced a 4.2% increase in quarterly distributions from \$0.059 per Trust Unit to \$0.0615 per Trust Unit commencing with the Q2/2022 Distributions;

- **Q2/2022 DISTRIBUTION:**

On February 8, 2022, the Trust declared and approved quarterly distributions of \$0.0615 per unit for unitholders of record on June 30, 2022, payable on or about July 15, 2022;

- **HOUSTON, TX ACQUISITION:**

On February 8, 2022, the Trust acquired the remaining 50% interest in the Houston, TX Equity Accounted and Preferred Investment for \$4.1 million. The Trust will now own 100% of this investment and will report it going forward as an investment property on the Trust's financial statements; and

- **100% RETURN OF CAPITAL ON 2021 DISTRIBUTIONS:**

The Trust's distributions for 2021 were tax efficient for unitholders as it delivered a 100% return of capital.

INVESTMENT STRUCTURE

The Trust's portfolio consists of (i) Wholly Owned Real Estate Investments ("Investment Properties"), (ii) Joint Venture Real Estate Investments ("Equity Accounted and Preferred Investments", "Preferred Investments", "Preferred Equity" or "Common Equity"), and (iii) Preferred Capital Investments.

- (i) **Wholly Owned Real Estate Investments:**

The Trust opportunistically acquires 100% of multi-family residential real estate assets in large core markets on an accretive basis and when the Trust's cost of equity is compelling. Continuing growth in this investment category will require the Trust to raise additional capital through either the private and/or public debt and equity capital markets.

- (ii) **Joint Venture Real Estate Investments:**

The Trust has successfully utilized a joint venture strategy with partners who bring strong, local expertise in its core and 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 resulting in a secured structure ahead of the partner's ownership interest, while the common equity provides an upside return for investors as the investment meets its targeted objectives. The joint venture strategy de-risks the Trust's investment.

- (iii) **Preferred Capital Investments:**

The Trust, using Firm Capital's 30-year plus experience as a leader in the mortgage lending industry, provides preferred capital secured by multi-family residential real estate properties. Preferred capital investments continue to provide attractive, risk adjusted returns for the Trust. Preferred capital ranks ahead of equity, and behind secured debt in the capital structure of a real estate

MANAGEMENT DISCUSSION & ANALYSIS

investment. These types of investments typically generate a higher yield and an overall better risk-adjusted return for the Trust than the underlying real estate when real estate valuations are at a premium or high cost of borrowing for the 1st mortgage. In the near term, the Trust expects to continue to increase its allocation to this investment class.

The chart below illustrates the Trust’s equity position in each investment portfolio:

ACQUISITION & LOAN FUNDING STRUCTURE		
Wholly-Owned Real Estate Investments (Long-Term)	Joint Venture Real Estate Investments (Medium-Term)	Preferred Capital Investments (Short-Term)
New Conventional First Mortgage Typically Fannie Mae & Freddie Mac (65% to 75% LTV)	New Conventional First Mortgage Typically Fannie Mae & Freddie Mac (65% to 75% LTV)	New Conventional First Mortgage Typically Fannie Mae & Freddie Mac (65% to 75% LTV)
Equity FCA REIT (100% remaining equity)	Preferred Equity FCA REIT (~8% rate)	Preferred Capital Loan FCA REIT (~12% rate)
	Common Equity FCA REIT (50% remaining equity)	Equity Borrower (100% remaining equity)
	Common Equity Joint Venture Partner (50% remaining equity)	

STRATEGIC DIRECTION

The Trust’s strategy and primary objective is to use the proven industry experience of management, board of trustees, and joint venture partners to acquire and own U.S. Multi-Family Residential Real Estate Properties to grow the NAV per unit, generate attractive distributions and total unitholder returns.

Over the short and medium-term, the Trust expects to grow its wholly owned real estate investment portfolio by exercising its first offer to acquire the interest of partners on some of its existing joint ventures. Over the medium to long-term, the Trust’s target is to maintain a 1:1 ratio of wholly owned vs. joint venture partner ownership, while continuing to grow its Preferred Capital Investments that provide enhanced cashflows secured by asset classes we own.

MANAGEMENT DISCUSSION & ANALYSIS

INVESTMENT PORTFOLIO

Outlined below is a summary of the Investment Portfolio for the three months ended December 31, 2021, and September 30, 2021:

	December 31, 2021			September 30, 2021		
Region	Number of Units	IFRS Value	Occupancy	Average Monthly Rent	Occupancy	Average Monthly Rent
Wholly-Owned Real Estate Investments						
Florida	153	\$ 32,404,323	98.7%	\$ 1,436	98.7%	\$ 1,410
Texas	158	23,571,111	97.5%	\$ 946	98.1%	\$ 911
New Jersey	189	22,429,858	96.8%	\$ 1,153	97.9%	\$ 1,147
Total / Weighted Avg.	500	\$ 78,405,292	97.6%	\$ 1,174	98.2%	\$ 1,153
Joint Venture Real Estate Investments						
New York	261	\$ 5,161,326	95.0%	\$ 1,543	95.0%	\$ 1,533
Maryland	353	9,128,096	94.3%	\$ 1,418	92.1%	\$ 1,424
Texas	485	17,558,102	94.0%	\$ 985	95.5%	\$ 962
Connecticut	109	2,368,473	98.2%	\$ 1,249	96.3%	\$ 1,232
Georgia	138	6,311,000	95.7%	\$ 1,175	98.6%	\$ 1,128
Total / Weighted Avg.	1,346	\$ 40,526,997	94.8%	\$ 1,248	94.9%	\$ 1,233
Preferred Capital Investments						
New York City	N/A	\$ 1,296,043	N/A	N/A	N/A	N/A
Texas	N/A	1,468,899	N/A	N/A	N/A	N/A
Total / Weighted Avg.		\$ 2,764,942	N/A	N/A	N/A	N/A
Total / Weighted Avg.	1,846	\$ 121,697,231	95.6%	\$ 1,228	95.4%	\$ 1,211

INVESTMENT PORTFOLIO OCCUPANCY AND AVERAGE RENT

Wholly-Owned Real Estate Investment Portfolio

As at December 31, 2021, occupancy was 97.6%, a decrease of 60 basis points in comparison to the 98.2% reported at September 30, 2021. This decrease was driven by lower leasing velocity in both Texas and New Jersey.

Average monthly rents for the three months ended December 31, 2021 were \$1,174 per month, a 2% increase in comparison to the \$1,153 per month reported for the three months ended September 30, 2021. This increase is driven by rental rate increases in Florida and Texas.

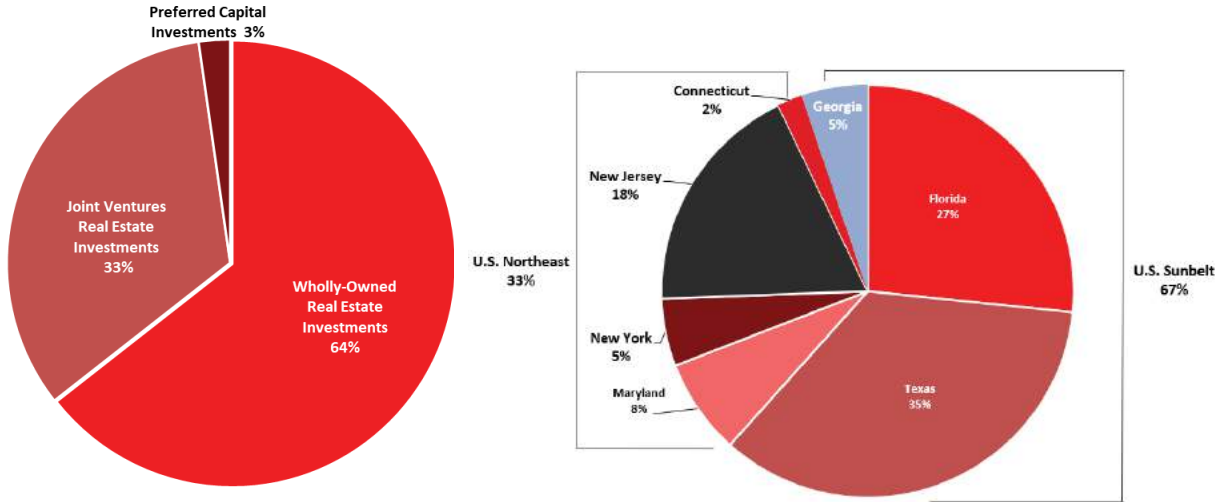
Joint Venture Real Estate Investment Portfolio

As at December 31, 2021, occupancy was 94.8%, a 10 basis point decrease in comparison to the 94.9% reported at September 30, 2021. This was driven by December move outs in Georgia and Texas.

Average monthly rents for the three months ended December 31, 2021 were \$1,248 per month, a 1% increase from the \$1,233 average monthly rent as at September 30, 2021. The increases were driven by increases in the U.S. Sunbelt; offset by decreases in Maryland.

MANAGEMENT DISCUSSION & ANALYSIS

INVESTMENT PORTFOLIO BY GEOGRAPHY AND INVESTMENT TYPE



The Trust's investment portfolio is concentrated in two geographical areas:

- (i) **U.S. Sunbelt:** includes properties in Texas, Florida and Georgia. This represents 67% of the Investment Portfolio.
- (ii) **U.S. Northeast:** includes properties in New York, New Jersey, Maryland, and Connecticut. This represents 33% of the Investment Portfolio.

REVIEW OF COVID-19 IMPACT TO THE TRUST

Given the impact of the changing circumstances surrounding the COVID-19 pandemic and related responses from various levels of government, the Trust has been impacted by shutdowns, eviction and rent moratoriums. In particular, apartment fundamentals have been impacted negatively in the U.S. Northeast. This has resulted in lower rental demand, higher uncertainty in rent collections and capitalization rate expansion. As such, the Trust has updated its valuation assumptions in these markets and has recorded provisions for impairment of its preferred equity investments in these locations. However, the increased rental demand in the U.S. Sunbelt due to less restrictive COVID-19 regulations has created increased valuations / capitalization rate compression. As a result, the Trust has updated its valuation assumptions and recorded fair value increases on investments within its investment portfolio located in these states.

QUARTERLY FINANCIAL OVERVIEW

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

MANAGEMENT DISCUSSION & ANALYSIS

	Three Months Ended				Twelve Months
	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2021
Rental Revenue	\$ 1,751,472	\$ 1,781,855	\$ 1,288,830	\$ 1,055,437	\$ 5,877,596
Property Operating Expenses	(920,585)	(819,708)	(624,757)	(555,660)	(2,920,710)
Net Rental Income	830,887	962,147	664,073	499,777	2,956,886
Income from Equity Accounted and Preferred Investments	745,997	730,362	788,707	861,526	3,126,591
Income from Preferred Capital Investments	47,653	118,604	287,050	127,363	580,669
General and Administrative	(487,967)	(567,154)	(592,172)	(498,399)	(2,145,692)
Finance Costs	(638,620)	(648,438)	(557,057)	(481,319)	(2,325,435)
Convertible Debentures	(422,595)	292,471	(391,068)	(2,374,126)	(2,895,318)
Fair Value Adjustments of Investment Properties and Equity accounted investments	4,022,543	4,248,037	2,052,638	1,097,505	11,420,722
Provision for Impairment on Preferred Investments and Preferred Capital Investments	(284,330)	(3,551,167)	(689,317)	(1,792,485.00)	(6,317,299)
Other (1)	(334,628)	969,069	(809,343)	(385,759)	(560,661)
Net Income	\$ 3,478,939	\$ 2,553,930	\$ 753,511	\$ (2,945,917)	\$ 3,840,463

	Three Months Ended				Twelve Months
	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2020
Rental revenue	\$ 1,041,151	\$ 979,192	\$ 1,033,978	\$ 1,070,855	\$ 4,125,175
Property operating expenses	(651,262)	(536,400)	(506,173)	(482,896)	(2,176,729)
Net rental income (loss)	389,889	442,792	527,805	587,959	1,948,446
Income from Equity Accounted and Preferred Investments	1,047,197	573,532	545,959	671,026	2,837,714
Income from Preferred Capital Investments	120,557	159,987	103,459	122,458	506,461
Income from Mortgage Investments	-	54,430	55,974	-	110,404
General and administrative	(506,480)	(339,427)	(327,231)	(468,124)	(1,641,263)
Finance costs	(508,402)	(440,781)	(439,185)	(429,345)	(1,817,716)
Convertible Debentures	-	1,200	1,146,983	848,363	1,996,546
Fair Value Adjustments of Investment Properties and Equity accounted investments	2,616,826	-	-	(1,768,263)	848,563
Other (1)	(687,699)	164,805	(209,144)	1,547,235	815,197
Net Income	\$ 2,471,888	\$ 616,536	\$ 1,404,620	\$ 1,111,310	\$ 5,604,354

(1) The combination of foreign exchange gain/(loss), unit based recovery (expense) and income tax expense.

REVIEW OF QUARTERLY AND YEAR TO DATE RESULTS

REVENUES

For the three months ended December 31, 2021, rental revenue was approximately \$1.8 million, in line with the \$1.8 million reported for the three months ended September 30, 2021, and an increase over the \$1.0 million reported for the three months ended December 30, 2020. For the year ended December 31, 2021, rental revenue was \$5.9 million, a 42% increase from the \$4.1 million reported for the year ended December 31, 2020. The quarterly and annual increases are largely due to the higher rents as described above and the post-acquisition consolidation of the New Jersey Portfolio as described below.

MANAGEMENT DISCUSSION & ANALYSIS

PROPERTY OPERATING EXPENSES

For the three months ended December 31, 2021, property operating expenses were approximately \$0.9 million, an increase from \$0.8 million reported for the three months ended September 30, 2021. For year ended December 31, 2021, property operating expenses were \$3.0 million, in comparison to the \$2.2 million reported for year ended December 31, 2020. The quarterly increases are due to higher property tax assessments in the Texas Portfolio. The annual increases are largely due to the post-acquisition consolidation of the New Jersey Portfolio as described below.

NET RENTAL INCOME FROM INVESTMENT PROPERTIES

For the three months ended December 31, 2021, net rental income was approximately \$0.8 million, in comparison to the \$1.0 million reported for the three months ended September 30, 2021. The quarterly decreases are largely due to higher property tax assessments in the Texas portfolio.

For the year ended December 31, 2021, net rental income was approximately \$3.0 million, in comparison to the \$2.0 million reported for the year ended December 31, 2020. This Increase is largely due to the impact of the New Jersey Portfolio acquisition and higher rents as described above, offset by higher property operating expenses.

INCOME FROM EQUITY ACCOUNTED AND PREFERRED INVESTMENTS

For the three months ended December 31, 2021, income from equity accounted and preferred investments was \$0.7 million, in comparison to the \$0.7 million income reported for the three months ended September 30, 2021, and the \$1.0 million reported for the three months ended December 31, 2020.

For the year ended December 31, 2021, income from equity accounted investments was \$3.1 million, a 14% increase over the \$2.8 million reported for the year ended December 31, 2020. The increase over the three and twelve months ended December 31, 2021, is largely due to increased rents realized from various value add programs and the full period impact of acquisitions, offset by post-acquisition consolidation of the New Jersey Portfolio as described below.

PRO FORMA CONSOLIDATION OF EQUITY ACCOUNTED INVESTMENTS

Outlined below are the financial statements of the Trust including the pro forma consolidation of its interests in equity accounted investments: assuming proportionate consolidation, the Trust would have total assets of approximately \$180.8 million.

MANAGEMENT DISCUSSION & ANALYSIS

(In \$thousands unless otherwise stated)

December 31, 2021

	The Trust (1)	New York, NY	Brentwood, MD	Houston, TX	Bronx, NY	Hartford, CT	Canton, GA	Houston, TX	Hyattsville, MD	Total
Assets										
Cash & Restricted										
Cash	\$ 5,071	\$ 97	\$ 59	\$ 139	\$ 150	\$ 72	\$ 69	\$ 105	\$ 230	\$ 5,993
Accounts Receivable	677	127	90	320	81	163	81	1,106	915	3,559
Other Assets & Investments	185	(75)	(32)	(120)	185	(66)	(34)	(74)	(55)	(86)
Preferred Capital Investments	2,765	-	-	-	-	-	-	-	-	2,765
Investment Properties	78,405	6,208	4,855	13,264	12,952	6,526	11,668	16,375	18,278	168,532
	\$ 87,103	\$ 6,357	\$ 4,972	\$ 13,604	\$ 13,369	\$ 6,695	\$ 11,784	\$ 17,511	\$ 19,368	\$ 180,763
Liabilities										
Accounts Payable	\$ 3,574	\$ 804	\$ 61	\$ 361	\$ 187	\$ 110	\$ 114	\$ 459	\$ 97	5,768
Other Liabilities	649	44	12	5	20	61	20	7	44	862
Long Term Liabilities	46,246	8,521	2,507	7,687	10,063	5,718	8,521	13,205	16,875	119,344
	\$ 50,469	\$ 9,370	\$ 2,580	\$ 8,053	\$ 10,270	\$ 5,890	\$ 8,655	\$ 13,671	\$ 17,017	\$ 125,975
Equity										
Unitholders Equity	36,634	(3,013)	2,392	5,551	3,099	806	3,129	3,841	2,351	54,789
	\$ 36,634	\$ (3,013)	\$ 2,392	\$ 5,551	\$ 3,099	\$ 806	\$ 3,129	\$ 3,841	\$ 2,351	\$ 52,437
	\$ 87,103	\$ 6,357	\$ 4,972	\$ 13,604	\$ 13,369	\$ 6,695	\$ 11,784	\$ 17,511	\$ 19,368	\$ 180,763

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

As at December 31, 2021, the Trust has has invested in the following Equity Accounted and Preferred Investments:

(In \$millions unless otherwise stated)

Location	Units	Investment Properties	Equity		Preferred Investment	Total Investment	Preferred Yield
			Common Equity Ownership %	Accounted Investment - Common Equity			
New York City	129	\$ 27.3	22.8%	\$ -	\$ 1.7	\$ 1.7	8%
Brentwood, MD	118	19.4	25.0%	2.3	0.1	2.4	8%
Houston, TX	235	26.5	50.0%	6.0	3.5	9.6	9%
Bronx, NY	132	25.9	50.0%	3.5	-	3.5	8%
Hartford, CT	109	13.1	50.0%	1.0	1.3	2.4	8%
Canton, GA	138	23.3	50.0%	3.4	3.0	6.3	8%
Houston, TX	250	32.8	50.0%	4.5	3.5	8.0	9%
Hyattsville, MD	235	36.6	50.0%	2.7	4.1	6.8	8%
Total/ Weighted Average	1,346	\$ 204.8	44.0%	\$ 23.3	\$ 17.2	\$ 40.5	8.4%

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 December 31, 2021 and December 31, 2020.

MANAGEMENT DISCUSSION & ANALYSIS

	Equity Accounted Investments	Preferred Investments	Total
As at December 31, 2019	\$ 16,082,203	\$22,383,164	\$ 38,465,367
Investment Activity			
- Equity Accounted Investments	5,025,630	-	5,025,630
- Preferred Investments	-	8,287,177	8,287,177
- Disposition of Equity Accounted Investments	(1,672,279)	-	(1,672,279)
- Redemption of Preferred Investments	-	(2,694,769)	(2,694,769)
Income Items			
- Income from Equity Accounted Investments	500,502	-	500,502
- Fair Value Adjustments on Investment Properties	(240,268)	-	(240,268)
- Income from Preferred Investments	-	2,375,548	2,375,548
- Less: Distributions and interest received	(99,249)	(1,815,096)	(1,914,345)
As at December 31, 2020	\$ 19,596,539	\$28,536,024	\$ 48,132,563
Investment Activity			
- Equity Accounted Investments	1,236,693	-	1,236,693
- Preferred Investments	-	976,513	976,513
- Redemption of Preferred Investments	-	(5,136,821)	(5,136,821)
- Derecognition of New Jersey Portfolio on Acquisition of Assets	(3,360,757)	(2,704,077)	(6,064,834)
Income Items			
- Income from Equity Accounted Investments	1,080,148	-	1,080,148
- Fair Value Adjustments on Investment Properties	5,355,621	-	5,355,621
- Provision for Impairment on Preferred Investments	-	(5,020,631)	(5,020,631)
- Income from Preferred Investments	-	2,046,442	2,046,442
- Less: Distributions and interest received	(628,125)	(1,450,574)	(2,078,699)
As at December 31, 2021	\$ 23,280,120	\$17,246,877	\$ 40,526,997

MANAGEMENT DISCUSSION & ANALYSIS

	December 31, 2021	December 31, 2020
Assets		
Cash	\$ 788,251	\$ 709,568
Restricted Cash	4,635,344	3,036,713
Accounts Receivable	1,290,580	962,889
Other Assets	943,557	816,782
Investment Properties	204,811,406	221,398,580
	\$ 212,469,138	\$ 226,924,532
Liabilities		
Accounts Payable	2,952,377	2,754,339
Security Deposits	637,041	826,920
Mortgages	137,305,058	145,514,689
	\$ 140,894,476	\$ 149,095,949
Equity		
Retained Earnings	\$ 11,179,381	\$ 11,665,219
Preferred Equity	30,700,770	35,935,735
Common Equity	29,694,509	30,227,629
	\$ 71,574,662	\$ 77,828,582
	\$ 212,469,138	\$ 226,924,532
Investment Allocation for the Trust		
Equity Accounted Investments	\$ 23,280,120	\$ 19,596,539
Preferred Investments	17,246,877	28,536,024
	\$ 40,526,997	\$ 48,132,563

	Years Ended	
	December 31, 2021	December 31, 2020
Net Income		
Rental Revenue	\$ 20,407,531	\$ 21,573,542
Property Operating Expenses	(10,387,958)	(11,135,627)
Net Rental Income	10,019,573	10,437,914
General & Administrative	(69,116)	(80,900)
Interest Expense	(6,192,069)	(6,850,585)
Fair Value Adjustments on Investment Properties	3,462,681	(1,965,009)
Net Income Before Interest from Preferred Investments	\$ 7,221,069	\$ 1,541,421
Less: Interest from Preferred Investments	(2,559,101)	(3,392,057)
Net Income	\$ 4,661,968	\$ (1,850,636)
Income Earned by the Trust		
Income from Equity Accounted Investments	\$ 1,080,148	\$ 500,502
Fair Value Adjustments on Investment Properties	5,355,621	(240,268)
Income from Preferred Investments	2,046,472	2,375,548
Provision for Impairment on Preferred Investments	(5,020,631)	-
	\$ 3,461,610	\$ 2,635,782

RECENT PORTFOLIO ACTIVITY

- On January 31, 2020, the Trust closed an equity accounted and preferred investment to acquire the Woodglen Village, a 250-unit multi-family residential portfolio located in Houston, TX (the “**Woodglen Acquisition**”). The purchase price for 100% of the Woodglen Acquisition was \$27.9 million (including transaction costs). The Woodglen

MANAGEMENT DISCUSSION & ANALYSIS

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 9% and \$1.2 million of common equity representing a 50% ownership stake in the investment. On February 8, 2022, the Trust acquired the remaining 50% interest in this investment for \$4.1 million. The Trust will now own 100% of this investment and will report it going forward as an investment property in the financial statements.

- 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 Point Acquisition was \$40.5 million (including transaction costs). The North Point Acquisition was financed, in part with a \$29.7 million, 3.0% first mortgage due on September 21, 2024. 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.
- 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 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 for the common equity.
- On February 25, 2021, the first mortgage on the Bronx, NY investment was refinanced for total gross proceeds of \$21.6 million. With the \$3.1 million net proceeds received from the refinancing and an additional \$2.0 million contributed by the common equity owners, \$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.
- 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:

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

MANAGEMENT DISCUSSION & ANALYSIS

The Trust establishes loss provisions applicable to its preferred investments using a 12 month expected credit loss approach as described in note 4 of the Trust's consolidated financial statements.

Upon acquisition, the Trust classified this investment as an investment property, whereby rental revenues and operating expenses are recorded rather than income from preferred and equity accounted investments. The impact of this classification is increased rental revenues and operating expenses; offset by lower income from preferred and equity accounted investments.

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 impairment of preferred investments. For the year ended December 31, 2021, the impairment of preferred investments was \$5.0 million (2020 - \$nil). This provision was recorded for the New York City equity accounted and preferred investment due to the impact of COVID-19 in the U.S. Northeast as mentioned above.

INCOME FROM PREFERRED CAPITAL INVESTMENTS

As at December 31, 2021, the Trust has invested in the following preferred capital investments:

- **New York Portfolio:** Investment of \$2.5 million in a \$12 million, interest only preferred capital investment to fund the acquisition by a New York based real estate investment firm of a portfolio of three apartment buildings in Manhattan, New York. The investment earns an interest rate of 12% per annum and matures on January 1, 2023.
- **Houston Portfolio:** On September 10, 2021, the Trust invested \$1.5 million in a \$4.8 million preferred capital loan for the same portfolio of five apartment buildings with the new owner. The Houston Preferred Capital earns an interest rate of 10% per annum and matures on September 9, 2025.

The Trust establishes loss provisions applicable to its preferred capital investments using a 12 month expected credit loss approach as described in note 5 of the Trust's consolidated financial statements.

At each reporting date, the Trust assesses the borrower's ability to make contractual payments based on current market conditions. The Trust updated its valuation model and exercised judgement in assessing its inputs given the uncertainty of the COVID-19 pandemic and recorded a provision for impairment of preferred capital investments. For the year ended December 31, 2021, the impairment of preferred capital investments was \$1.3 million (2020 - \$nil). This provision was recorded for the New York City portfolio due to the impact of COVID-19 in the U.S. Northeast as mentioned above.

FAIR VALUE ADJUSTMENTS ON THE INVESTMENT PORTFOLIO

As of December 31, 2021, the Trust owned the following investment properties:

- 500 wholly owned apartment units with a fair value of approximately \$78.4 million;
- 1,346 equity accounted apartment units with an investment fair value of approximately \$40.2 million.

MANAGEMENT DISCUSSION & ANALYSIS

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

For the year ended December 31, 2021, the total fair value gain to investment properties was \$6.0 million in comparison to the \$1.1 million for the year ended December 31, 2020. The Trust has updated its assumptions used in determining the fair value of investment properties and exercises judgment in assessing its inputs given the uncertainty created by the COVID-19 pandemic. This gain is largely due to capitalization rate compression and rental rate increases in 2021.

For the year ended December 31, 2021, the total fair value adjustment to equity accounted investment properties was a gain of \$5.4 million in comparison to the \$0.2 million net loss reported for the year ended December 31, 2020. This gain is largely due to capitalization rate compression and rental rate increases in 2021.

LEVERAGE

The Trust monitors its leverage (defined as Mortgages / Investment Portfolio) as a measure of anticipating future growth through the private and public debt markets versus its liquidity in the short term. The table below calculates the Trust's leverage as at December 31, 2021 and December 31, 2020.

	Dec 31, 2021	Dec 31, 2020
Investment Portfolio	\$ 121,697,231	\$ 103,247,371
Less: Mortgages ⁽¹⁾	(30,620,959)	(17,573,175)
Net Equity	\$ 91,076,272	\$ 85,674,196

Leverage (Mortgages / Investment Portfolio)	25.2%	17.0%
--	--------------	--------------

(1) Exclusive of the Convertible Debentures, including the Convertible Debentures at December 31, 2021, leverage would be 37.6%.

GENERAL AND ADMINISTRATIVE (“G&A”)

For the three months ended December 31, 2021, G&A was approximately \$0.5 million, in comparison to the \$0.5 million reported for the three months ended December 31, 2020.

For the year ended December 31, 2021, G&A was \$2.2 million, in comparison to the \$1.6 million reported for the year ended December 31, 2020.

FINANCE COSTS

For the three months ended December 31, 2021, finance costs were approximately \$0.6 million, in comparison to the \$0.5 million reported for the three months ended December 31, 2020. For the year ended December 31, 2021, finance costs were \$2.3 million, an increase over the \$1.8 million reported for the year ended December 31, 2020. The increased in comparison to the three and twelve months ended December 31, 2020 are largely due to the impact of the post-acquisition consolidation of the New Jersey Portfolio as described below.

The Trust monitors its normalized finance costs (“Cash Finance Costs”) excluding non-cash accretion or amortization expense as a measure of liquidity. The table below calculates the cash finance costs for the three and twelve months ended December 31, 2021 and 2020.

MANAGEMENT DISCUSSION & ANALYSIS

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Finance Costs	\$ 638,620	\$ 508,402	\$ 2,325,435	\$ 1,817,716
Less: Accretion/ Amortization	(20,507)	(83,587)	(110,954)	(118,086)
Cash Finance Costs	\$ 618,113	\$ 424,815	\$ 2,214,481	\$ 1,699,630
% Change - Cash Finance Costs		46 %		30 %

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

For the three months ended December 31, 2021, FFO was \$0.2 million, in comparison to \$1.4 million reported for the three months ended September 30, 2021 and \$0.5 million reported for the three months ended December 31, 2020. For the year ended December 31, 2021, FFO was negative \$0.9 million, in comparison to the \$4.7 million reported for the year ended December 31, 2020. The quarterly and year-to-date variance is due to fluctuation in the trading prices of the Trust’s units and convertible debentures. These changes resulted in fair value gains in early 2020 and losses in late 2021.

For the three months ended December 31, 2021, AFFO was \$0.5 million, in comparison to \$0.6 million reported for the three months ended September 30, 2021, and \$0.6 million reported in three months ended December 31, 2020. For the year ended December 31, 2021, AFFO was \$2.2 million, a 10% increase compared to the \$2.0 million reported for the year ended December 31, 2020.

The increase in AFFO for year ended December 31, 2021 is largely due to increase in rental rates across portfolio and the impact of the New Jersey portfolio acquisition as described above offset by the higher property operating costs. The decrease in AFFO for the three months ended December 31, 2021 in comparison to the three months ended December 31, 2020, is largely driven by the higher property tax assessments for the Texas portfolio.

	Three Months Ended			Twelve Months Ended	
	Dec 31, 2021	Sep 30, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Net income	\$ 3,478,939	\$ 2,553,930	\$ 2,471,888	\$ 3,840,463	\$ 5,604,354
Add (deduct):					
Income Tax Expense	545,616	-	-	545,616	-
Fair Value Adjustments to Investment Properties	(1,086,484)	(3,346,266)	(1,088,831)	(6,065,102)	(1,088,831)
Fair Value Adjustments to Investment Properties Held in Equity Accounted Investments	(2,936,059)	(901,771)	(1,527,995)	(5,355,621)	240,268
Provision for Impairment - Preferred Investments	(66,457)	3,223,306	-	5,020,631	-
Provision for Impairment - Preferred Capital Investmen	350,787	327,861	-	1,296,668	-
Foreign Exchange Gain	(62,181)	(565,273)	529,476	(297,112)	(134,162)
Finance Cost Amortization	20,507	67,449	83,587	110,954	118,086
FFO	\$ 244,667	\$ 1,359,236	\$ 468,125	\$ (903,503)	\$ 4,739,715
Add (deduct):					
Fair Value Adjustments to Convertible Debentures	422,595	(292,471)	-	2,895,318	(1,996,546)
Fair Value Adjustments to Unit Based Compensation	(148,806)	(403,796)	158,223	312,157	(681,035)
Capital Expenditures	(20,772)	(24,054)	(9,747)	(73,922)	(48,711)
AFFO	\$ 497,684	\$ 638,915	\$ 616,601	\$ 2,230,050	\$ 2,013,423
Weighted Average Units	7,604,375	7,610,885	7,716,762	7,660,140	7,841,795
FFO per Unit	\$ 0.03	\$ 0.18	\$ 0.06	\$ (0.12)	\$ 0.60
AFFO per Unit	\$ 0.07	\$ 0.08	\$ 0.08	\$ 0.29	\$ 0.26

MANAGEMENT DISCUSSION & ANALYSIS

As AFFO is viewed as a measure of cash available for distributions, the following table reconciles AFFO to cash flow from operations:

	Three Months Ended			Twelve Months Ended	
	Dec 31, 2021	Sep 30, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Total Operating Activities	\$ 4,255	\$ 1,539,296	\$(1,389,248)	\$ 3,147,475	\$ 116,862
Changes in non-cash working capital items:					
Foreign Exchange Gain on Convertible Debentures	(26,180)	463,849	(553,759)	(14,948)	(161,916)
Accounts Receivable	9,610	29,201	1,659,688	(1,409,327)	1,691,053
Prepaid Expenses and Other Assets	106,044	(192,520)	108,687	16,947	(14,086)
Accounts Payable and Accrued Liabilities	219,748	(544,457)	(66,201)	(337,283)	(453,842)
Income from Equity Accounted Investments	149,492	6,323	95,570	489,625	401,253
Income from Preferred Investments	64,358	62,477	205,282	627,951	560,452
Income from Preferred Capital Investments	53,309	(135,927)	36,853	80,643	56,519
Foreign exchange gain	(62,181)	(565,273)	529,476	(297,112)	(134,162)
Capital expenditures	(20,772)	(24,054)	(9,747)	(73,922)	(48,711)
AFFO	497,684	\$ 638,915	\$ 616,601	2,230,050	\$ 2,013,423
AFFO per Unit	\$ 0.07	\$ 0.08	\$ 0.08	\$ 0.29	\$ 0.26

COMPARABLE CASH FLOWS

Comparable operating, investing and financing cash flows for the three and twelve months ended December 31, 2021, and 2020 are outlined below:

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Operating Activities	\$ 4,255	\$ (1,529,450)	\$ 3,147,475	\$ 116,864
Investing Activities	(200,536)	4,091,779	1,563,762	(9,374,663)
Financing Activities	(612,063)	(614,103)	(3,206,313)	5,783,685
Increase/ (Decrease) in Cash	\$ (808,344)	\$ 1,948,226	\$ 1,504,924	\$ (3,474,115)
Cash, Beginning of Period	5,879,673	1,618,179	3,566,405	7,040,520
Cash, End of Period	\$ 5,071,329	\$ 3,566,405	\$ 5,071,329	\$ 3,566,405

Net cash generated by operating activities increased in comparison to the three and twelve months ended December 31, 2020 largely due changes in working capital and higher cash flows received from the investment portfolio as described above.

Net cash flows generated by investing activities for the three months ended December 31, 2021 decreased in comparison to the three months ended December 31, 2020 largely due to the 2020 disposition of the Bridgeport, CT portfolio.

Net cash generated by investing activities for the three months ended December 31, 2021 increased in comparison to the twelve months ended December 31, 2020 largely due to the net proceeds received from the redemption of Preferred and Preferred Capital Investments.

Net cash generated by financing activities decreased for the twelve months ended December 31, 2021 largely due to the \$12.6 million of gross proceeds raised in 2020 as part of the Trust's marketed offering; offset by the trust unit repurchase.

RELATED PARTY TRANSACTIONS

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

- 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

MANAGEMENT DISCUSSION & ANALYSIS

a number of services to the Trust, and is entitled to certain fees payable monthly, as follows:

- a) **Asset Management Fee:** 0.75% of the Gross Invested Assets of the Trust,
- b) **Acquisition Fee:**
 - i. 1.0% of the first \$300 million of aggregate Gross Book Value in respect of Properties acquired in a particular year; and thereafter
 - ii. 0.75% of aggregate Gross Book Value in respect of Properties acquired in such year.
- c) **Performance Incentive Fees:** 15% of AFFO once AFFO exceeds \$0.63 per Unit.
- d) **Placement Fees:** 0.25% of the aggregate value of all debt and equity financing arranged by the Manager.
- e) **Property Management Fees:**
 - i. Multi-unit residential properties with 120 units or less, 4.0% of Gross Revenue collected from the property;
 - ii. Multi-unit residential properties with more than 120 units, 3.5% of Gross Revenue collected from the property;
 - iii. Industrial or commercial property, 4.25% of Gross Revenue collected from the property; provided, however, that for such properties with a single tenant 3.0% of Gross Revenue collected from the property
- f) **Commercial Leasing Fees:** 3.0% of the net rental payments for the first year of the lease, and 1.5% of the net rental payments for each year during duration of the lease; provided, however, that where a third party broker arranges for the lease of any such property that is not subject to a long-term listing agreement, the Manager shall be entitled to reduced commission equal to 50% of the foregoing amounts with respect to such property.
- g) **Commercial Leasing Renewal Fees:** Renewals of space leased on commercial terms (including lease renewals at the option of the tenant) which are handled exclusively by the Manager shall be subject to a 0.50% commission on the net rental payments for each year of the renewed lease. When a long-term listing agreement is in effect for leasing and marketing of space with a party other than the Manager, the Manager shall cooperate fully with the broker and the leasing fees will not be payable to the Manager.
- h) **Construction Development Property Management Fees:** Where the Manager is requested by the 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

MANAGEMENT DISCUSSION & ANALYSIS

or procurement process wherein the total cost of such Capital Expenditures exceed \$50,000.

- i) **Loan Servicing Fees:** 0.25% per annum on the principal amount of each Mortgage Investment (other than syndicated loans serviced by third parties). The Loan Servicing Fee will be calculated as spread interest and deducted from the first interest received on a mortgage investment. Mortgage servicing fees will be payable as to 1/12 monthly based on the receipt of interest payments from borrowers. Loan Servicing Fees will not be payable in respect of the 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.
- j) **Origination, Commitment & Discharge Fees and Profit Sharing Fees:** The Manager shall remit to the Trust:
 - i. 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
 - ii. 75% of any profit sharing, discharge fees, participation fees and profit made on discounted debt that the Mortgage Banker receives in respect of all Non-Conventional Mortgages and Special Profit Transactions it originates for the Trust (with an 8.0% annual preferential return to be given to the Trust on the Trust's investment amount prior to the Manager receiving its unit of such fees). The Manager shall retain 100% of all servicing charges paid by borrowers which are not identified above, including, without limitation, discharge statement administration fees and all fees identified.
- k) **Term and Termination:** Initial term of ten years with automatic renewal for successive five year terms. The 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:
 - i. 2% of the Gross Invested Assets of the Properties and the Trust's other assets; and
 - ii. any amounts which would have been earned by the Manager under the Agreement for the uncompleted portion of the term (the "**Termination Payment**").

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended December 31, 2021, asset management fees were \$1.2 million (2020 - \$1.0 million), loan servicing fees were \$0.06 million (2020 - \$0.1 million), acquisition fees were \$ 0.1 million (2020 - \$0.3 million), debt placement fees were \$0.04 million (2020 - \$0.06 million), equity placement fees were \$nil (2020 - \$0.03 million) and property management fees were \$0.09 million (2020 - \$0.08 million).

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 acquisitions are capitalized to investment properties. Equity Placement Fees have been capitalized against unitholders' equity.

As at December 31, 2021, the Trust has accrued \$1.3 million (December 31, 2020 - \$1,1 million) under this Management Agreement, which is included in accounts payable and accrued liabilities.

CONTRACTUAL OBLIGATIONS

The Trust's contractual obligations over the next few years are as follows:

	Less than 1			Total
	year	1-2 years	>2 years	
Mortgages Payable	\$ 11,512,345	\$ 6,706,085	\$ 12,519,277	\$ 30,737,707
Convertible Debentures Payable	-	-	15,079,288	15,079,288
Accounts Payable and Accrued Liabilities	3,574,389	-	-	3,574,389
Total	\$ 15,086,734	\$ 6,706,085	\$ 27,598,565	\$ 49,391,384

MORTGAGES PAYABLE

As at December 31, 2021, the Trust had mortgages payable secured by the multi-family properties of \$30.6 million (including the current portion and net of unamortized financing costs) (December 31, 2020 - \$17.6 million) 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, as a result of the New Jersey Portfolio acquisition, the Trust assumed mortgages with a fair value of \$13.5 million, which bear interest at 3.83% per annum, and mature on March 1, 2038.

	December 31, 2021	December 31, 2020
Mortgages payable	\$ 30,737,709	\$ 17,653,669
Less: current portion	(11,512,345)	(373,540)
Less: unamortized financing costs	(116,750)	(80,494)
	\$ 19,108,614	\$ 17,199,635

The following annual payments of principal and interest are in respect of these mortgages:

	Principal	Interest	Total
2022	\$ 11,512,346	\$ 1,192,885	\$ 12,705,231
2023	6,381,413	633,245	7,014,658
2024	324,672	495,810	820,482
2025	338,813	482,620	821,434
Thereafter	12,180,464	4,753,665	16,934,129
Total	\$ 30,737,709	\$ 7,558,224	\$ 38,295,933

CONVERTIBLE DEBENTURE

MANAGEMENT DISCUSSION & ANALYSIS

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 fair value adjustments to convertible debentures.

On June 14, 2021, the Trust received approval from the TSXV to commence a Normal Course Issuer Bid (“NCIB”) to purchase up to CAD \$2.0 million 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 year ended December 31, 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 \$0.06 million for \$0.04 million (CAD \$0.05 million).

UNITHOLDERS’ EQUITY

Unitholders’ Equity as of December 31, 2021 was \$77 million and consisted of the following:

	Number of Trust Units	Unitholder's Equity
Balance at December 31, 2019	6,935,306	65,122,724
Revaluation of Warrants and Options	-	(979,891)
Unitholder's Equity, January 1, 2020	6,935,306	\$ 64,142,833
Issuance of Units from DRIP	2,669	21,623
Issuance of Units from Marketed Offering	1,590,000	11,523,781
Warrants Exercised	1,000	8,500
Net Income	-	5,604,354
Normal Course Issuer Bid	(128,100)	(721,004)
Trust Unit Repurchase	(686,200)	(2,744,200)
Distributions	-	(1,911,984)
Unitholder's Equity, December 31, 2020	7,714,675	75,923,907
Net Income	-	3,840,463
Normal Course Issuer Bid	(110,300)	(798,469)
Distributions	-	(1,805,106)
Unitholders' Equity, December 31, 2021	7,604,375	77,160,795

Outlined below are the key movements in Trust Units:

MANAGEMENT DISCUSSION & ANALYSIS

- 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).
- 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 May 27, 2020, 1,000 warrants were exercised resulting in net proceeds of \$0.008 million, while the remaining warrants expired.
- On July 27, 2020, the Trust redeemed and cancelled 686,200 Trust Units at a price of CAD \$5.35 (\$4.00) per Trust Unit representing a total gross cost of \$2.7 million (CAD \$3.7 million).
- 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.

DISTRIBUTIONS

For the year ended December 31, 2021, the Trust declared distributions of \$0.236 per Trust Unit resulting in total distributions of \$1.8 million (December 31, 2020 - \$1.9 million). As at December 31, 2021, the Trust accrued \$0.5 million, which is included in its accounts payable and accrued liabilities (December 31, 2020 - \$0.5 million).

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

The excess/(shortfall) of cash flow from operating activities over distributions and net income/(loss) and comprehensive income/(loss) over distributions for the three and twelve months ended December 31, 2021 and 2020 are outlined below:

MANAGEMENT DISCUSSION & ANALYSIS

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Total Operating Activities (A)	\$ 4,255	\$ (1,389,248)	\$ 3,147,475	\$ 116,862
Cash Finance Costs				
Finance Costs	638,620	508,402	2,325,435	1,817,716
Less: Accretion/Amortization	(20,507)	(83,587)	(110,954)	(118,086)
Net Cash Interest Expense (B)	\$ 618,113	\$ 424,815	\$ 2,214,481	\$ 1,699,630
Net Cash Flows from Operating Activities (A-B)	\$ (613,858)	\$ (1,814,063)	\$ 932,995	\$ (1,582,768)
Net Income/(Loss)	\$ 3,478,939	\$ 2,471,888	\$ 3,840,463	\$ 5,604,353
Distributions	\$ 448,658	\$ 455,170	\$ 1,811,618	\$ 1,911,984
Surplus/(Deficit) of Net Cash Flow From Operating Activities Over Distributions	\$ (1,062,516)	\$ (2,269,233)	\$ (878,623)	\$ (3,494,752)
Surplus/(Deficit) of Net Income/(Loss) Over Distributions	\$ 3,030,281	\$ 2,016,718	\$ 2,028,846	\$ 3,692,369

For the three and twelve months ended December 31, 2021, the Trust reported net cash flows from operations less than distributions. The excess distribution was paid in the normal course from recurring cash flow and had no impact on the sustainability of distributions given that the distribution was covered from ongoing cash flows generated from the Trust's Investment Portfolio.

DIVIDEND REINVESTMENT PLAN & UNIT PURCHASE PLAN

The Trust implemented a dividend reinvestment plan (the "**DRIP**") and a share purchase plan (the "**Purchase Plan**" and collectively with the DRIP, the "**Plans**"), each offered to holders of Common Shares 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 Plans, 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 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 Plans. The aggregate number of Trust Units that may be issued

MANAGEMENT DISCUSSION & ANALYSIS

under the Plans 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 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.

WARRANTS

The Trust had the following warrants outstanding and exercisable as at December 31, 2021.

Issuance Date	Number of warrants	Weighted average exercise price	Fair Value of Warrants	Expiry Date
March 13, 2020	1,590,000	\$ 10.75	\$ 29	March 13, 2022

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

Warrant Assumptions	December 31, 2021	December 31, 2020
Stock Price	\$ 6.51	\$ 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	0.81%	0.17%

- On March 13, 2020, the Trust issued 1,590,000 warrants as part of the equity offering as further described in note 9(a)(i) of the condensed consolidated interim financial statements. The Warrants have an exercise price \$10.75 per Trust Unit and expire on March 13, 2022.
- On May 27, 2020, 1,000 warrants were exercised resulting in net proceeds of \$0.008 million, while the remaining warrants expired.

For the year ended December 31, 2021, the recovery for the warrants was \$0.02 million.

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 December 31, 2021:

MANAGEMENT DISCUSSION & ANALYSIS

Issuance Date	Number of Options	Weighted average exercise price	Fair Value of Options	Expiry Date
August 17, 2017	340,738	\$ 7.50	\$ 324,369	August 17, 2027
November 19, 2018	192,900	8.30	167,384	November 19, 2028
March 16, 2021	49,300	7.50	52,868	March 16, 2031
March 16, 2021	70,200	8.30	66,364	March 16, 2031
Total/ Weighted Average	653,138	\$ 7.82	\$ 610,985	

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

Option Assumptions	December 31, 2021	December 31, 2020
Stock Price	\$ 6.51	\$ 5.37
Exercise Price	\$7.50-\$8.30	\$7.50-\$8.30
Expected Life in Years	5.63-9.21	6.63-7.89
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	\$ 0.24	\$ 0.24
Discount Rate - Bond Equivalent Yield	0.81%	0.17%

For the year ended December 31, 2021, the expense for the options was \$0.3 million.

SUBSEQUENT EVENTS

- Distribution Increase:** On February 8, 2022, the Trust announced a 4.2% increase in quarterly distributions from \$0.059 per Trust Unit to \$0.0615 per Trust Unit commencing with the Q2/2022 Distributions. As a result, the Trust declared and approved quarterly of \$0.0615 per unit for unitholders of record on June 30, 2022, payable on or about July 15, 2022.
- Houston, TX Acquisition:** On February 8, 2022, the Trust acquired the remaining 50% interest in the Houston, TX Equity Accounted and Preferred Investment for \$4.1 million. The Trust will now own 100% of this investment and will report it going forward as an Investment Property the financial statements.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the consolidated financial statements are consistent with those described in note 2 of the Trust's audited consolidated financial statements for the year ended December 31, 2021.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF TRUSTEES

Management is responsible for the information disclosed in this MD&A, and has in place the appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is materially complete and reliable. In addition, the Trust's Audit Committee and Board of Trustees provide an oversight role with respect to all public financial disclosures by the Trust and have reviewed and approved this MD&A and the consolidated financial statements for years ended December 31, 2021 and 2020.

CONTROLS AND PROCEDURES

The Trust maintains appropriate information systems, procedures and controls to ensure that information disclosed externally is complete, reliable, and timely. The Trust's Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under

MANAGEMENT DISCUSSION & ANALYSIS

their direct supervision of, the design and operating effectiveness of the Trust's disclosure controls and procedures (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at September 30, 2021 and have concluded that such disclosure controls and procedures were appropriately designed and were operating effectively.

The Trust has also established adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Trust's financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. The Trust's Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision, of the design and operating effectiveness of the Trust's internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2021. Based on that assessment, it was determined that the Trust's internal controls over financial reporting were appropriately designed and were operating effectively. In addition, the Trust did not make any changes to the design of the Trust's internal controls over financial reporting during the three months ended December 31, 2021 that would have materially affected or would be reasonably likely to materially affect the Trust's internal controls over financial reporting.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

RISKS AND UNCERTAINTIES

GEOGRAPHIC CONCENTRATION

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

ACQUISITION RISK

The Trust may be subject to significant operating risks associated with its expanded operations. The Trust's business strategy includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions, and effectively operating and leasing such properties. If the Trust is unable to manage its growth effectively, it could have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations. There can be no assurance as to

MANAGEMENT DISCUSSION & ANALYSIS

the pace of growth through property acquisitions or that the Trust will be able to acquire assets that are accretive to earnings and/or cash flow. The Trust intends to acquire additional properties selectively. The acquisition of additional properties entails risks that investments will fail to perform in accordance with expectations. In undertaking such acquisitions, the Trust will incur certain risks, including the expenditure of funds, including non-refundable deposits, due diligence costs and inspection fees, and the devotion of management's time to transactions that may not come to fruition. Additional risks inherent in acquisitions include risks that the properties will not achieve anticipated occupancy levels and that estimates of the costs and benefits of the renovation and repositioning program intended for the property being acquired may prove inaccurate or may not have the intended results.

CO-INVESTMENT/INVESTMENTS IN ASSOCIATES

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

PURCHASE AGREEMENTS

Additional properties may be sold to the Trust in an "as is" condition, and upon acquisition of said properties, the Trust may have limited recourse with respect to conditions affecting the purchased properties. The costs of unexpected repair and

MANAGEMENT DISCUSSION & ANALYSIS

remediation work could be material and may, therefore, have an adverse effect on the Trust's financial condition and results of operations. Furthermore, representations and warranties made by the seller in a purchase agreement, if any, may survive only for a limited period after closing. If claims arising because of a breach of a representation or warranty are discovered after this period, the Trust may not be able to seek indemnification from the seller and would, therefore, suffer the financial consequences of such a breach, which could be material. Moreover, even if the Trust was entitled to indemnification from the seller, no assurance can be given that the seller would have sufficient funds to satisfy any such indemnification claims.

NON-REFUNDABLE DEPOSITS

Property acquisition transactions may require deposits by the Trust and costs to be incurred by the Trust, which may be non-refundable. If such transactions fail to close, these funds may be unrecoverable in whole or in part, thereby reducing funds otherwise available to the Trust.

OPERATIONAL RISKS

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed infrastructure, from a human process, or from external events. The impact of this risk may be financial loss, loss of reputation, or legal and regulatory proceedings. The Trust endeavors to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and, if deemed necessary, improvements are implemented.

RISKS RELATED TO PREFERRED CAPITAL LOAN DEFAULTS

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

MANAGEMENT DISCUSSION & ANALYSIS

in respect of such preferred capital loans, the returns, financial condition and results of operations of the Trust could be adversely impacted.

FORECLOSURE AND RELATED COSTS

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

COVID-19 RISK

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic, which has resulted in the federal and provincial governments, as well as U.S. federal and state governments to react. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines and a general reduction in consumer activity and the institution of government programs to assist in addressing the economic impact of COVID-19. While these affects are expected to be temporary, the duration of the business disruption and related financial impact cannot be reasonably estimated at this time and may be instituted, terminated and re-instituted from time to time as the COVID-19 outbreak worsens or waves of the COVID-19 outbreak occur from time to time.

The extent of the effect of the ongoing COVID-19 pandemic on the Trust's operational and financial performance will depend on numerous factors, including the duration, spread and intensity of the pandemic, the actions by governments and others taken to contain the pandemic or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of the pandemic and containment measures, all of which are uncertain and difficult to predict considering that the situation continues to evolve rapidly. As a result, it is not currently possible to ascertain the long term impact of COVID-19 on the Trust's business and operations.

Accordingly, these events could have a material adverse effect on the Trust's business, financial conditions and cash flows. The Trust is continuously monitoring the impact of COVID-19 and will continue to transparently communicate with its staff, tenants and stakeholders.

RISK OF NATURAL DISASTERS

The properties located in Florida, Georgia and Texas may have sustained significant storm damage in the past and may sustain significant storm damage in the future. While the Trust will take insurance to cover a substantial portion of the cost of such events, the Trust's insurance is likely to include deductible amounts and exclusions such that

MANAGEMENT DISCUSSION & ANALYSIS

certain items may not be covered by insurance. Future hurricanes, floods, or other natural disasters may significantly affect the Trust's operations and some or all the properties, and more specifically, may cause the Trust to experience reduced rental revenue (including from increased vacancy), incur cleanup costs as well as administration and collection costs, or otherwise incur costs in connection with such events. Any of these events may have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations and ability to declare and pay dividends, if any, to Trust unitholders. As well, if the Trust was unable to obtain adequate insurance, and the properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the Trust's business, cash flows, and financial condition.

RISK OF LOSS NOT COVERED BY INSURANCE

The Trust maintains insurance policies related to its business, including casualty, general liability, and other policies covering the Trust's business operations, employees, and assets. However, the Trust will be required to bear all losses that are not adequately covered by insurance, as well as any insurance deductibles. In the event of a substantial property loss, the existing insurance coverage may be insufficient to pay the full current market value or current replacement cost of such property loss. In the event of an uninsured loss, the Trust could lose some or all its capital investment, cash flow and anticipated profits related to one or more properties. Although the Trust believes that its insurance programs are adequate, assurance cannot be provided that the Trust will not incur losses more than insurance coverage or that insurance can be obtained in the future at acceptable levels and reasonable cost.

RISK RELATED TO INSURANCE RENEWALS

Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When the Trust's current insurance policies expire, the Trust may encounter difficulty in obtaining or renewing property or casualty insurance on the properties at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (e.g., earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Even if the Trust can renew policies at levels and with limitations consistent with current policies, the Trust cannot be sure that it will be able to obtain such insurance at premiums that are reasonable. If the Trust is unable to obtain adequate insurance on the properties for certain risks, it could cause the Trust to be in default under specific covenants on certain of its indebtedness or other contractual commitments that it has which require the Trust to maintain adequate insurance on the properties to protect against the risk of loss. If this were to occur, or if the Trust were unable to obtain adequate insurance and the properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations.

ACCESS TO CAPITAL

The real estate industry is highly capital intensive. The Trust will require access to capital to maintain the properties, as well as to periodically fund its growth strategy and significant capital expenditures. There can be no assurance that the Trust will have access to sufficient capital or access to capital on terms favourable to the Trust for future property acquisitions, financing or refinancing of the properties, funding operating expenses, or other purposes.

MANAGEMENT DISCUSSION & ANALYSIS

In addition, global financial markets have experienced a sharp increase in volatility during recent years. This has been, in part, the result of the re-valuation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the companies who borrow from them. While central banks as well as governments continue attempts to restore liquidity to the global economy, no assurance can be given that the combined impact of the significant re-valuations and constraints on the availability of credit will not continue to cause material adverse effect on economies around the world in the near to medium term. These market conditions and unexpected volatility or illiquidity in financial markets may inhibit the Trust's access to long-term financing, in the Canadian and/or United States capital markets. As a result, it is possible that financing which the Trust may require to grow and expand its operations, upon the expiry of the term of financing, on refinancing any particular property owned by the Trust or otherwise, may not be available or, if it is available, may not be available on favourable terms to the Trust. Failure by the Trust to access required capital could have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations, and ability to declare and pay dividends, if any, to Trust unitholders.

FINANCING RISK

A portion of the cash flow generated by the properties will be devoted to servicing indebtedness, and there can be no assurance that the Trust will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the Trust is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt, or other financing. The failure of the Trust to make or renegotiate interest or principal payments or obtain additional equity, debt, or other financing could have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations.

The Trust will be subject to the risks associated with debt financing, including the risk that the convertible debentures, mortgages, and banking facilities secured by the properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. If the Trust decides to utilize variable rate debt, such debt will result in fluctuations in the Trust's cost of borrowing as interest rates change. To the extent that interest rates rise there may be a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations.

The Trust will seek to manage its financing risk by maintaining a balanced maturity profile with no significant amounts coming due in one period. Given the increased credit quality of such debt, the probability of the Trust being unable to renew the maturing debt or transfer the debt to another accredited lending institution is significantly reduced. However, there can be no assurance that the renewal of debt will be on as favourable terms as existing indebtedness.

The Trust's credit facilities may also contain covenants that require it to maintain certain financial ratios on specific portfolios and/or on a consolidated basis. If the Trust does not maintain such ratios, its cash flows may be restricted and the ability to issue, declare, and pay dividends, if any, may be limited.

DEGREE OF LEVERAGE

MANAGEMENT DISCUSSION & ANALYSIS

The Trust's degree of leverage could have important consequences to Trust unitholders. For example, the degree of leverage could affect the Trust's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development, or other general purposes, making the Trust more vulnerable to a downturn in business or the economy in general.

As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

DEPENDENCE ON FIRM CAPITAL REALTY PARTNERS ADVISORS INC. ("FCRPAI")

The Trust's earnings and operations are impacted by FCRPAI's ability to source appropriate real estate investments that provide sufficient yields for investors and FCRPAI to maintain these real estate investments. The Trust has also entered a long-term contract with FCRPAI, as more particularly described in an agreement dated January 1, 2020 as posted on SEDAR (www.sedar.com). The Trust is exposed to adverse developments in the business and affairs of FCRPAI, since the day-to-day activities of the Trust are run by FCRPAI and since all the Trust's debt and equity investments are originated by FCRPAI.

RELIANCE ON PROPERTY MANAGEMENT

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

LITIGATION RISKS

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

LAWS BENEFITING DISABLED PERSONS

Laws benefiting disabled persons may result in unanticipated expenses being incurred by the Trust. Under the *Americans with Disabilities Act* of 1990 (the "**ADA**"), all places intended to be used by the public are required to meet certain federal requirements related to access and use by disabled persons. The *Fair Housing Amendments Act* of 1988 (the "**FHAA**") requires apartment properties first occupied after March 13, 1991 to

MANAGEMENT DISCUSSION & ANALYSIS

comply with design and construction requirements for disabled access. For those projects receiving federal funds, the *Rehabilitation Act* of 1973 also has requirements regarding disabled access. These and other federal, state and local laws may require modifications to the Trust properties, or affect renovations of the properties. Non-compliance with these laws could result in the imposition of fines or an award of damages to private litigants and could also result in an order to correct any non-complying feature, which could result in substantial capital expenditures. Although the Trust believes that the properties are substantially in compliance with present requirements, the Trust may incur unanticipated expenses to comply with the ADA, the FHAA, and the *Rehabilitation Act* of 1973 in connection with the ongoing operation or redevelopment of the properties.

POTENTIAL CONFLICTS OF INTEREST WITH TRUSTEES

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

INTERNAL CONTROLS

Effective internal controls are necessary for the Trust to provide reliable financial reports and to help prevent fraud. Although the Trust will undertake several procedures and will implement a number of safeguards in order to help ensure the reliability of its financial reports, in each case, including those imposed on the Trust under Canadian securities law, the Trust cannot be certain that such measures will ensure that the Trust will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Trust's results of operations or cause it to fail to meet its reporting obligations. If the Trust or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Trust's consolidated financial statements and material adverse effect on the trading price of the units.

U.S. LAWS AND REGULATIONS

The Trust carries on business in the U.S. and, accordingly, is subject to United States federal, state and local laws, rules, regulations and requirements. Although the Trust believes that the Properties are substantially in compliance with present laws, rules, regulations and requirements, the Trust may incur unanticipated expenses to comply with such laws, rules, regulations and requirements. Noncompliance with these laws, rules, regulations and requirements could have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and could result in, among other things, the imposition of fines or an award of damages to private litigants and could result in an order to correct any non-complying feature of the Properties, which could result in substantial capital expenditures.

U.S. CURRENCY RISK

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

MANAGEMENT DISCUSSION & ANALYSIS

FLORIDA, GEORGIA & TEXAS WEATHER

Florida, Georgia, and Texas historically have experienced periods of extreme weather that have resulted in periods of severe thunderstorms, tornadoes, wind, and rain damage. Extreme weather, including hurricanes and/or tornadoes, can have a negative impact upon the Trust's operating results and financial condition, including damage to property and equipment, increasing material costs, increasing labour costs, increasing insurance premiums, increased time to completion of renovation due to the foregoing factors, and increase in government regulations with respect to setbacks, drainage and engineering of seawalls, and other protective features.

LIQUIDITY

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

RELIANCE ON ASSUMPTIONS

The Trust's investment objectives and strategy have been formulated based on the analysis and expectations regarding recent economic developments in the U.S., the future recovery of U.S. real estate markets in general, and the U.S. to Canadian dollar exchange rate. Such analysis may be incorrect and such expectations may not be realized.

GENERAL REAL ESTATE OWNERSHIP RISKS

All real property investments are subject to risks generally incident to the ownership, remodeling, operation, and sale of real estate, including: (a) changes in general economic or local conditions; (b) changes in supply of or demand for similar or competing properties in a particular geographic area; (c) bankruptcies, financial difficulties, or defaults by vendors, contractors, tenants, and others; (d) increases in operating costs, such as taxes and insurance; (e) the inability to achieve occupancy at rental rates adequate to produce desired financial returns; (f) periods of high interest rates and tight money supply; (g) excess supply of rental properties in the market area; (h) liability for uninsured losses resulting from natural disasters or other perils; (i) liability for environmental hazards; (j) changes in tax, real estate, or environmental laws or regulations; and (k) changes in availability of financing. For these and other reasons, no assurance can be given that the investment will be profitable or that it will achieve its financial objectives.

Certain significant expenditures, including property taxes, maintenance costs, insurance costs, and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Real property investments tend to be relatively illiquid. This illiquidity will limit the ability of the Trust to respond to changing economic or investment conditions. If the Trust were required to liquidate assets quickly, there is a risk the proceeds realized from such a sale would be less than the book value of the assets or less than what could be expected to be realized under normal circumstances. By specializing in a particular type of real estate, the Trust is exposed to adverse effects on that segment of the real estate market and does not benefit from a broader diversification of its portfolio by property class.

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the properties. The properties generate revenue through

MANAGEMENT DISCUSSION & ANALYSIS

rental payments made by the tenants. The ability to rent un-leased suites in properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. The ability to declare and pay dividends, if any, will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases, or if a significant amount of available space in the properties becomes vacant and cannot be leased on economically favourable lease terms. If properties do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, this could have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations and ability to declare and pay dividends, if any, to Unitholders.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the properties or revenues to be thus derived. Reported estimates of market rent can be seasonal and the significance of any variations from quarter to quarter would material adverse effect the Trust's annualized estimated gain-to-lease amount. There can be no assurance that upon the expiration or termination of existing leases that the average occupancy rates and revenues will be higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the Trust due to internal and external limitations on its ability to charge these new market based rents in the short term.

The short-term nature of residential tenant leases exposes the Trust to the effects of declining market rent, which could have a material adverse effect the Trust's results from operations and ability to declare and pay dividends, if any. Most of the Trust's residential tenant leases will be for a term of one year or less. Because the Trust's residential tenant leases generally permit residents to leave at the end of their lease term without any penalty, the Trust's rental revenue may have material adverse effects by declines in market rents more quickly than if such leases were for longer terms.

SUBSTITUTIONS FOR RESIDENTIAL RENTAL UNITS

Demand for the properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. With the recent global economic crisis and its impact on the U.S. credit markets, interest rates offered by financial institutions for financing home ownership have been at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low, demand for rental properties may be adversely affected. A reduction in the demand for rental properties may have a material adverse effect on the Trust's ability to lease suites in the properties and on the rents charged. This, in turn, may have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations and the ability to declare and pay any dividends, if any, to Unitholders.

COMPETITION

The multi-family property sector is highly competitive. The Trust faces competition from many sources, including individuals, Trust's or other entities engaged in real estate investment activities, many of whom have greater financial resources than the Trust.

MANAGEMENT DISCUSSION & ANALYSIS

There is also competition from other rental properties in the immediate vicinity of the various properties and the broader geographic areas where the properties are and will be located. Furthermore, the properties that the Trust owns or may acquire compete with numerous housing alternatives in attracting tenants, including home ownership. The relative demand for such alternatives may be increased by declining mortgage interest rates, government programs which promote home ownership, or other events or initiatives which increase the affordability of such alternatives to the properties and could have a material adverse effect on the Trust's ability to retain tenants and increase or maintain rental rates. Such competition may reduce occupancy rates and rental revenues of the Trust and could have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations and the ability to declare and pay any distributions, if any, to Unitholders.

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

In addition, over-building in the multi-family sector in the United States may increase the supply of total multi-family properties, further increasing the level of competition in those markets.

CHANGES IN APPLICABLE LAWS

The Trust's operations must comply with numerous federal, state, and local laws and regulations, some of which may conflict with one another or be subject to limited judicial or regulatory interpretations. These laws and regulations may include zoning laws, building codes, landlord tenant laws, and other laws generally applicable to business operations. Non-compliance with laws could expose the Trust to liability.

Lower revenue growth or significant unanticipated expenditures may result from the Trust's need to comply with changes in Applicable Laws, including (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; (ii) rent control or rent stabilization laws or other residential landlord/tenant laws; or (iii) other governmental rules and regulations or enforcement policies affecting the development, use, and operation of the properties, including changes to building codes and fire and life-safety codes.

ENVIRONMENTAL MATTERS

Under various environmental and ecological laws, the Trust and/or its subsidiaries could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in one or more of the properties or disposed of at other locations. The failure to deal effectively with such substances may adversely affect the Trust's ability to sell such property and could potentially also result in claims against the Trust by third parties.

MANAGEMENT DISCUSSION & ANALYSIS

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

Upon acquiring a new property, the Trust may have to evict residents who are in unlawful possession before the Trust can secure possession and control of the property. The holdover occupants may be the former owners or tenants of a property, or they may be squatters or others who are illegally in possession. Securing control and possession from these occupants can be both costly and time-consuming. If these costs and delays exceed our expectations in a large proportion of newly acquired properties, the Trust's financial performance may suffer because of the increased expenses incurred or the unexpected delays in turning the properties into revenue-producing assets.

THE COSTS ARISING FROM RENOVATION OF PROPERTIES

The Trust expects that many of the properties will require some level of renovation immediately upon their acquisition or in the future following expiration of a lease or otherwise. The Trust may acquire properties that it plans to extensively renovate. The Trust may also acquire properties that it expects to be in good condition only to discover unforeseen defects and problems that require extensive renovation and capital expenditures. In addition, the Trust will be required to make ongoing capital improvements and replacements and may need to perform significant renovations to reposition properties in the rental market. The Trust's properties will have infrastructure and appliances of varying ages and conditions. Consequently, the Trust expects that its management will routinely retain independent contractors and trade professionals to perform physical repair work and will be exposed to all the risks inherent in property renovation, including potential cost overruns, increases in labour and materials costs, delays by contractors in completing work, delays in the timing of receiving necessary work permits, certificates of occupancy, and poor workmanship. Although the Trust does not expect that renovation difficulties on any individual property will be significant to its overall results, if the assumptions regarding the costs or timing of renovation across the Trust's portfolio prove to be materially inaccurate, the Trust's earnings and distributable cash may be adversely affected.

FIXED COSTS AND INCREASED EXPENSES

The failure to maintain stable or increasing average monthly rental rates combined with acceptable occupancy levels would likely have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations and ability to declare and pay dividends, if any. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs, and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the Trust is unable to meet mortgage payments on any property, losses could be sustained because of the mortgagee's exercise of its rights of foreclosure or sale.

The Trust is also subject to utility and property tax risk relating to increased costs that the Trust experience because of higher resource prices as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised because of re-valuations of properties and their adherent tax rates. In some instances, enhancements to properties may result in significant increases in property assessments following a re-valuation. Additionally, utility expenses, mainly consisting of natural gas, water, and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs

MANAGEMENT DISCUSSION & ANALYSIS

that the Trust cannot charge back to the tenant may have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and the ability to make, declare, and pay any dividends. Unlike commercial leases, which generally are "net" leases and allow a landlord to recover expenditures from tenants, residential leases are generally "gross" leases, and the landlord is not able to pass on costs to its tenants. Generally, the Trust's leases with tenants require the tenant to pay directly for their own utilities. The timing and amount of capital expenditures by the Trust will affect the amount of any distributions available to Unitholders.

INTEREST RATE RISK

Interest rate risk is the combined risk that the Trust would experience a loss because of its exposure to a higher interest rate environment (interest rate risk) and the possibility that at the end of a mortgage term the Trust would be unable to renew the maturing debt either with the existing lender or a new lender (renewal risk).

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

ASSUMPTIONS MAY PROVE INACCURATE

In determining whether a particular property meets its investment criteria, the Trust makes several assumptions, including assumptions related to estimated time of possession and estimated renovation costs and time frames, annual operating costs, market rental rates and potential rent amounts, time from purchase to leasing, and tenant default rates. These assumptions may prove inaccurate, causing the Trust to pay too much for properties it acquires, to overvalue properties or to have properties not perform as expected, and adjustments to the assumptions made in evaluating potential purchases may result in fewer properties qualifying under the Trust's investment criteria. Reductions in the supply of properties that meet the Trust's investment criteria may adversely affect the Trust's operating results and ability to implement its business plan.

Furthermore, the properties are likely to vary materially in terms of time to possession, renovation, quality and type of construction, location, and hazards. The Trust's success will depend on its ability to acquire properties that can be quickly possessed, renovated, repaired, upgraded, and rented with minimal expenses and maintained in rentable condition. The Trust's ability to identify and acquire such properties will be fundamental to its success.

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

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets

(Expressed in US Dollars)

	Notes	December 31, 2021	December 31, 2020
Assets			
Current Assets			
Cash and Cash Equivalents		\$ 4,160,282	\$ 2,909,258
Restricted Cash		911,047	657,148
Accounts Receivable		676,880	1,886,414
Prepaid Expenses and Other Assets		184,592	167,645
Total Current Assets		5,932,802	5,620,465
Non-Current Assets			
Investment Properties	3	78,405,292	49,585,840
Equity Accounted Investments	4	23,280,118	19,596,539
Preferred Investments	4	17,246,878	28,536,024
Preferred Capital Investments	5	2,764,943	5,528,968
Total Non-Current Assets		121,697,231	103,247,371
Total Assets		\$ 127,630,033	\$ 108,867,836
Liabilities and Unitholders' Equity			
Current Liabilities			
Accounts Payable and Accrued Liabilities	13	3,574,389	2,864,903
Mortgages Payable	8,9	11,512,345	373,540
Unit Based Liabilities	10(c)	648,987	336,830
Total Current Liabilities		15,735,721	3,575,273
Non-Current Liabilities			
Mortgages Payable	8,9	19,108,614	17,199,635
Convertible Debentures Payable	7,9	15,079,288	12,169,023
Deferred Tax Liability	16	545,616	-
Total Non-Current Liabilities		34,733,518	29,368,658
Total Liabilities		50,469,238	32,943,931
Unitholders' Equity	10	77,160,795	75,923,905
Total Liabilities and Unitholders' Equity		\$ 127,630,033	\$ 108,867,836

Subsequent Events 17

See accompanying Notes to the Consolidated Financial Statements

(signed) "Geoffrey Bledin"

Geoffrey Bledin

Chairman & Trustee

(signed) "Sandy Poklar"

Sandy Poklar

President & CEO

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Income and Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in US Dollars)

	Notes	December 31, 2021	December 31, 2020
Net Rental Income			
Rental Revenue		\$ 5,877,596	\$ 4,125,175
Property Operating Expenses	14	(2,920,710)	(2,176,729)
		2,956,886	1,948,446
Income from Investments			
Income from Equity Accounted Investments	4	1,080,148	500,502
Income from Preferred Investments	4	2,046,442	2,375,548
Income from Preferred Capital Investments	5	580,669	468,127
Income from Mortgage Investments	6	-	110,403
		3,707,259	3,454,580
Expenses			
General and Administrative	14	(2,145,692)	(1,641,263)
Finance Costs	14	(2,325,435)	(1,817,716)
		(4,471,127)	(3,458,979)
Net Income Before Fair Value and Other Adjustments		\$ 2,193,018	\$ 1,944,047
Fair Value Adjustments			
Investment Properties	3	5,956,200	1,088,831
Acquisitions	3	108,902	-
Investment Properties Held in Equity Accounted Investments	4	5,355,621	(240,268)
Convertible Debentures	7,9	(2,895,318)	1,996,546
Unit Based Compensation	10(d),(e),(f)	(312,157)	681,035
Other Adjustments			
Provision for Impairment - Preferred Investments	4	(5,020,631)	-
Provision for Impairment - Preferred Capital Investments	5	(1,296,668)	-
Foreign Exchange Gain	15	297,112	134,162
		2,193,061	3,660,306
Net Income Before Income Taxes		\$ 4,386,079	\$ 5,604,353
Deferred Tax Expense	16	(545,616)	-
Net Income and Comprehensive Income		\$ 3,840,463	\$ 5,604,353

See accompanying Notes to the Consolidated Financial Statements

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Changes in Unitholders' Equity

For the years ended December 31, 2021 and 2020

(Expressed in US Dollars)

	Notes	Trust Units	Deficit	Balance
Unitholders' Equity, December 31, 2019		\$ 82,931,506	\$(17,808,780)	\$65,122,726
Revaluation of Warrants and Options	10(e),(f)	-	(979,891)	(979,891)
Balance at January 1, 2020		82,931,506	(18,788,671)	64,142,835
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)	(721,004)	-	(721,004)
Trust Unit Repurchase	10(a)(iii)	(2,744,200)	-	(2,744,200)
Net Income and Comprehensive Income		-	5,604,354	5,604,354
Distributions	10(g)	-	(1,911,984)	(1,911,984)
Issuance of Units from Distribution Reinvestment Plan	10(b)	21,623	-	21,623
Unitholders' Equity, December 31, 2020		91,020,206	(15,096,300)	75,923,905
Net Income and Comprehensive Income		-	3,840,463	3,840,463
Normal Course Issuer Bid	10(a)(iv)	(798,469)	-	(798,469)
Distributions	10(g)	-	(1,805,106)	(1,805,106)
Unitholders' Equity, December 31, 2021		90,221,737	(13,060,944)	\$77,160,795
Trust Units Outstanding				7,604,375

See accompanying Notes to the Consolidated Financial Statements

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in US Dollars)

For the years ended	Notes	December 31, 2021	December 31, 2020
Cash Flow from (used in) Operating Activities			
Net Income		\$ 3,840,463	\$ 5,604,354
Add (Deduct):			
Adjustments for:			
Fair Value Adjustments to Investment Properties	3	(5,956,200)	(1,088,831)
Fair Value Adjustments to Acquisition	3	(108,902)	-
Fair Value Adjustments to Investment Properties Held in Equity Accounted Investments	4	(5,355,621)	240,268
Provision for Impairment of Preferred Investments	4	5,020,631	-
Provision for Impairment of Preferred Capital Investments	5	1,296,668	-
Fair Value Adjustments to Convertible Debentures	7,9	2,895,318	(1,996,546)
Fair Value Adjustments to Unit Based Compensation	10(c)	312,157	(681,035)
Finance Cost Amortization		110,954	118,086
Foreign Exchange Gain on Convertible Debentures		14,948	161,916
Income from Equity Accounted Investments		(489,625)	(401,253)
Income from Preferred Investments		(627,951)	(560,452)
Income from Preferred Capital Investments		(80,643)	(56,519)
Deferred Tax Expense	16	545,616	-
Changes in Non-Cash Operating Working Capital:			
Accounts Receivable		1,409,327	(1,691,053)
Prepaid Expenses and Other Assets		(16,947)	14,086
Accounts Payable and Accrued Liabilities	13	337,283	453,843
Total Operating Activities		3,147,475	116,864
Cash Flows from (used in) Investing Activities			
Acquisition of assets, net of cash acquired	3	(2,337,598)	-
Investment in Equity Accounted Investments	4	(1,236,693)	(5,025,630)
Proceeds from Sale of Equity Investments	5	-	1,672,279
Investment in Preferred Investments	4	(976,513)	(8,287,177)
Redemption of Preferred Investments	4	5,136,821	2,694,769
Redemption of Preferred Capital Investments	5	3,000,000	-
Investment in Preferred Capital Investments	5	(1,452,000)	(99,072)
Capital Expenditures on Investment Properties	3	(570,255)	(329,832)
Total Investing Activities		1,563,762	(9,374,663)
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- Trust Units	10(a)(iv)	(798,469)	(721,004)
Trust Unit Repurchase	10(a)(iii)	-	(2,744,200)
Distributions Paid	10(g)	(1,811,618)	(1,911,984)
Normal Course Issuer Bid- Convertible Debentures	7,9	-	(35,768)
Advances of Mortgages	8,9	-	-
Repayment of Mortgages	8,9	(596,226)	(357,263)
Total Financing Activities		(3,206,313)	5,783,685
Increase in Cash, Cash Equivalents and Restricted Cash		1,504,924	(3,474,114)
Cash and Cash Equivalents, Beginning of Year		3,566,405	7,040,520
Cash and Cash Equivalents, End of Year		5,071,329	3,566,406
Consisting of:			
Cash and Cash Equivalents		\$ 4,160,282	\$ 2,909,258
Restricted Cash		911,047	657,148
See accompanying Notes to the Consolidated Financial Statements			
Cash flows from operating activities include:			
Interest paid		\$ 2,214,481	\$ 1,699,630

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

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.

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 consolidated financial statements were approved and authorized for issue by the Board of Trustees on March 14, 2022.

2. Basis of preparation

The consolidated financial statements are prepared on a going concern basis and have been presented in US dollars which is the Trust's reporting currency.

Statement of compliance

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

Basis of measurement

The consolidated financial statements have been prepared on the cost basis except as otherwise noted in notes 2, 3, 4, 5 and 11.

Basis of consolidation

The consolidated 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 December 31, 2021, the functional currency of the Trust and all of its subsidiaries is the US Dollar ("USD").

Investment properties

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

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

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

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

Equity Investments

Investments in entities where the Trust exercises significant influence are accounted for using the equity method and are recorded at initial cost plus the Trust's share of income or loss to date including the fair value adjustments to the underlying investment properties less dividends or distributions received. Cash distributions received from equity accounted investments will be subject to restrictions under the first mortgage and operating expenses of the associate.

Preferred Investments and Preferred Capital Investments

Preferred investments and preferred capital investments are debt and/or equity investments provided to sponsors or borrowers to acquire real estate. These investments are typically ranked above common equity and generate a fixed rate of return over the life of the investment. The investments are recorded at amortized cost. Interest received from Preferred Investments and Preferred Capital Investments will be subject to restrictions under the first mortgage and operating expenses of the borrower.

Accounting for acquisitions

The Trust assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations ("IFRS 3"). Accounting for business combinations under IFRS 3 is only applicable if it is determined that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Trust. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand to fund acquisition and other operating requirements. Cash and cash equivalents consists of cash on deposit and liquid money market funds, which are held at major Canadian and American banking institutions.

Restricted Cash

Restricted cash consists of resident security deposits and escrow deposits held by lenders for property taxes, property insurance, debt service and replacement reserves.

Financial instruments - recognition and measurement

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

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

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

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

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

	Notes	Classification
Assets		
Cash and Cash Equivalents		Amortized cost
Restricted Cash		Amortized cost
Accounts Receivable		Amortized cost
Preferred Capital Investments	4	Amortized cost
Preferred Investments	5	Amortized cost
Liabilities		
Accounts Payable and Accrued Liabilities	13	Amortized cost
Unit Based Liabilities	10(c)	FVTPL
Mortgages Payable	8,9	Amortized cost
Convertible Debentures Payable	7,9	FVTPL

Financial Instruments - Impairment

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

Accounts receivable

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

Preferred investments and preferred capital investments

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

The determination of significant increase in credit risk takes into account different factors which vary based on the investment. The 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.

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

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

Revenue recognition

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

The Trust has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset.

Finance costs

Finance costs comprise interest expense on borrowings.

Income taxes

The Trust is a mutual fund that is not a specified investment flow-through trust ("SIFT") for income tax purposes. Accordingly, the Trust is not liable to pay Canadian income tax provided that its taxable income is fully distributed to unitholders each year. The Trust has certain subsidiaries in the United States that are subject to tax on their taxable income at a combined federal and state tax rate of approximately 26% (2020 - 26%).

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income (loss) except for items recognized directly in equity or in other comprehensive income/ (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax basis, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in net income (loss) in the year of change.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Trust reassesses unrecognized deferred tax assets. The Trust recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Consolidated statements of cash flows

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

Significant estimates and judgements

The preparation of the consolidated financial statements requires management to make estimates and judgements that affect the classification and reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and judgements. In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required.

The estimates and judgements used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic, which has resulted in the federal and provincial governments, as well as U.S. federal and state governments. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines and a general reduction in consumer activity and the institution of government programs to assist in addressing the economic impact of COVID-19. While these effects are expected to be temporary, the duration of the business disruption and related financial impact cannot be reasonably estimated at this time and may be instituted, terminated and re-instituted from time to time as the COVID-19 outbreak worsens or waves of the COVID-19 outbreak occur from time to time.

The extent of the effect of the ongoing COVID-19 pandemic on the Trust's operational and financial performance will depend on numerous factors, including the duration, spread and intensity of the pandemic, the actions by governments and others taken to contain the pandemic or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of the pandemic and containment measures, all of which are uncertain and difficult to predict considering that the situation continues to evolve rapidly. As a result, it is not currently possible to ascertain the long term impact of COVID-19 on the Trust's business and operations. The Trust is continuously monitoring the impact of COVID-19. In the preparation of the consolidated financial statements, the Trust has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets. Refer to note 3.

Equity accounted investments

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

Impairment of Preferred Investments and Preferred Capital Investments

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

Impairment of Trade receivables

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

Investment properties

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

Accounting for acquisitions

Judgement is used by management in determining whether the acquisition of an individual property, or group of properties, qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

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 IAS 32 *Financial Instruments: Presentation* ("IAS 32") and as further described in note 11(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

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

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.

Unit-based compensation

Estimating fair value for unit-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including expected life of the unit-based payment, volatility and dividend yield.

The Trust has issued options, warrants and deferred trust units (collectively the "Units") as outlined in notes 10 (c), (d), (e) and (f) of these consolidated 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)). 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.

On the Arrangement date, the Trust measured the options and warrants at fair value using the Black Scholes model resulting in a decrease of \$979,891. This reduction for the options and warrants was adjusted through opening retained earnings.

3. Investment properties

On June 7, 2021, the Trust completed the acquisition of a real estate portfolio ("New Jersey Portfolio") that was being recorded under equity accounted investment and preferred investment.

This transaction has been recognized as an asset acquisition whereby the associated costs have been capitalized. The fair value of the identifiable assets acquired and liabilities assumed have been determined at the date of transaction. The application of the acquisition method for the New Jersey Portfolio transaction is as follows:

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 December 31, 2021 consist of 500 multi-family apartment units in three portfolios located in Florida, Texas and New Jersey.

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
 For the years ended December 31, 2021, and 2020
 (Expressed in US Dollars unless otherwise noted)

	December 31, 2021	December 31, 2020
Balance, beginning of year	\$ 49,585,840	\$ 48,167,177
Acquisition	22,292,997	-
Building improvements	570,255	329,832
Fair value adjustments to investment properties	5,956,200	1,088,831
Balance, end of year	\$ 78,405,292	\$ 49,585,840

The Trust determined the estimated 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:

	December 31, 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 estimated fair value of investment properties. Capitalization rates used in the valuation of investment properties, equity accounted and preferred investments as at December 31, 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:

	December 31, 2021
	\$
Capitalization rate increase by 25 basis points	(4,100,000)
Capitalization rate decrease by 25 basis points	4,600,000

4. Equity accounted and preferred investments

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

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
 For the years ended December 31, 2021, and 2020
 (Expressed in US Dollars unless otherwise noted)

(In \$ millions unless otherwise stated).

Location	Units	Investment Properties	Common Equity Ownership %	Equity Accounted Investment - Common Equity	Preferred Investment	Total Investment	Preferred Yield
New York City	129	\$ 27.3	22.8%	\$ -	\$ 1.7	\$ 1.7	8%
Brentwood, MD	118	19.4	25.0%	2.3	0.1	2.4	8%
Houston, TX	235	26.5	50.0%	6.0	3.5	9.6	9%
Bronx, NY	132	25.9	50.0%	3.5	-	3.5	8%
Hartford, CT	109	13.1	50.0%	1.0	1.3	2.4	8%
Canton, GA	138	23.3	50.0%	3.4	3.0	6.3	8%
Houston, TX	250	32.8	50.0%	4.5	3.5	8.0	9%
Hyattsville, MD	235	36.6	50.0%	2.7	4.1	6.8	8%
Total/ Weighted Average	1,346	\$ 204.8	44.0%	\$ 23.3	\$ 17.2	\$ 40.5	8.4%

Related parties of the Trust had invested alongside the Trust bound by identical terms in the underlying partnership agreements in the following investments:

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 for 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 December 31, 2021 and 2020 and for years ended December 31, 2021 and 2020:

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
 For the years ended December 31, 2021, and 2020
 (Expressed in US Dollars unless otherwise noted)

	Equity Accounted Investments	Preferred Investments	Total
As at December 31, 2019	\$ 16,082,203	\$22,383,164	\$ 38,465,367
Investment Activity			
- Equity Accounted Investments	5,025,630	-	5,025,630
- Preferred Investments	-	8,287,177	8,287,177
- Disposition of Equity Accounted Investments	(1,672,279)	-	(1,672,279)
- Redemption of Preferred Investments	-	(2,694,769)	(2,694,769)
Income Items			
- Income from Equity Accounted Investments	500,502	-	500,502
- Fair Value Adjustments on Investment Properties	(240,268)	-	(240,268)
- Income from Preferred Investments	-	2,375,548	2,375,548
- Less: Distributions and interest received	(99,249)	(1,815,096)	(1,914,345)
As at December 31, 2020	\$ 19,596,539	\$28,536,024	\$ 48,132,563
Investment Activity			
- Equity Accounted Investments	1,236,693	-	1,236,693
- Preferred Investments	-	976,513	976,513
- Redemption of Preferred Investments	-	(5,136,821)	(5,136,821)
- Derecognition of New Jersey Portfolio on Acquisition of Assets	(3,360,757)	(2,704,077)	(6,064,834)
Income Items			
- Income from Equity Accounted Investments	1,080,148	-	1,080,148
- Fair Value Adjustments on Investment Properties	5,355,621	-	5,355,621
- Provision for Impairment on Preferred Investments	-	(5,020,631)	(5,020,631)
- Income from Preferred Investments	-	2,046,442	2,046,442
- Less: Distributions and interest received	(628,125)	(1,450,574)	(2,078,699)
As at December 31, 2021	\$ 23,280,120	\$17,246,877	\$ 40,526,997

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

	December 31, 2021	December 31, 2020
Assets		
Cash	\$ 788,251	\$ 709,568
Restricted Cash	4,635,344	3,036,713
Accounts Receivable	1,290,580	962,889
Other Assets	943,557	816,782
Investment Properties	204,811,406	221,398,580
	\$ 212,469,138	\$ 226,924,532
Liabilities		
Accounts Payable	\$ 2,952,377	\$ 2,754,339
Security Deposits	637,041	826,920
Mortgages	137,305,058	145,514,689
	\$ 140,894,476	\$ 149,095,949
Equity		
Retained Earnings	\$ 11,179,381	\$ 11,665,219
Preferred Equity	30,700,770	35,935,735
Common Equity	29,694,509	30,227,629
	\$ 71,574,662	\$ 77,828,582
	\$ 212,469,138	\$ 226,924,532
Investment Allocation for the Trust		
Equity Accounted Investments	\$ 23,280,120	\$ 19,596,539
Preferred Investments	17,246,877	28,536,024
	\$ 40,526,997	\$ 48,132,563
	Years Ended	
	December 31, 2021	December 31, 2020
Net Income		
Rental Revenue	\$ 20,407,531	\$ 21,573,542
Property Operating Expenses	(10,387,958)	(11,135,627)
Net Rental Income	10,019,573	10,437,915
General & Administrative	(69,116)	(80,900)
Interest Expense	(6,192,069)	(6,850,585)
Fair Value Adjustments on Investment Properties	3,462,681	(1,965,009)
Net Income Before Interest from Preferred Investments	\$ 7,221,069	\$ 1,541,421
Less: Interest from Preferred Investments	(2,559,101)	(3,392,057)
Net Income	\$ 4,661,968	\$ (1,850,636)
Income Earned by the Trust		
Income from Equity Accounted Investments	\$ 1,080,148	\$ 500,502
Fair Value Adjustments on Investment Properties	5,355,621	(240,268)
Provision for Impairment on Preferred Investments	(5,020,631)	-
Income from Preferred Investments	2,046,472	2,375,548
	\$ 3,461,610	\$ 2,635,782

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 February 8, 2022, the Trust acquired the remaining 50% interest in the Houston, TX Equity Accounted and Preferred

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

Investment for \$4.1 million. The Trust now owns 100% of this investment and will report it going forward as an Investment Property in the financial statements.

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 Point Acquisition was \$40.5 million (including transaction costs). The North Point 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.

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 year ended December 31, 2021, the impairment of preferred investments was \$5,020,631 (2020 - \$nil). The Provision was for the New York City Portfolio.

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

	December 31, 2021				December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Preferred Investments	\$ 15,538,876	\$-	\$ 7,059,291	\$22,598,167	\$ 22,760,425	\$-	\$ 5,979,670	\$28,740,095
Allowance for losses of preferred investments	-	-	(330,659)	(330,659)	-	-	(204,071)	(204,071)
Provision for impairment of preferred investments	-	-	(5,020,631)	(5,020,631)	-	-	-	-
Preferred Investments, net of allowances and provisions	\$ 15,538,876	\$-	\$ 1,708,001	\$17,246,877	\$ 22,760,425	\$-	\$ 5,775,599	\$28,536,024

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.

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

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 its initial term of two years. During 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 annum and matures on September 9, 2025.

The Trust categorizes its preferred capital 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 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 year ended December 31, 2021 the impairment of preferred capital investments was \$1,296,668 (2020 - \$nil). The provision was for the New York Preferred Capital Loan.

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

	December 31, 2021				December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Preferred Capital Investments	\$ 1,468,900	\$-	\$ 2,868,428	\$ 4,337,328	\$ 3,030,140	\$-	\$ 2,568,670	\$ 5,598,810
Allowance for losses of preferred capital investments	-	-	(275,718)	(275,718)	-	-	(69,842)	(69,842)
Provision for impairment on preferred capital investments	-	-	(1,296,668)	(1,296,668)	-	-	-	-
Preferred Capital Investments, net of allowances and provisions	\$ 1,468,900	\$-	\$ 1,296,042	\$ 2,764,942	\$ 3,030,140	\$-	\$ 2,498,828	\$ 5,528,968

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.

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

(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.

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 December 31, 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 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 fair value adjustments to convertible debentures.

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 year ended December 31, 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

	December 31, 2021	December 31, 2020
Mortgages payable	\$ 30,737,709	\$ 17,653,669
Less: current portion	(11,512,345)	(373,540)
Less: unamortized financing costs	(116,750)	(80,494)
	\$ 19,108,614	\$ 17,199,635

As at December 31, 2021, the Trust had mortgages payable secured by the multi-family properties of \$30,620,959 (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 in respect of these mortgages:

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

	Principal	Interest	Total
2022	11,512,346	1,192,885	12,705,231
2023	6,381,413	633,245	7,014,658
2024	324,672	495,810	820,482
2025	338,813	482,620	821,434
Thereafter	12,180,464	4,753,665	16,934,129
Total	\$30,737,709	\$ 7,558,224	\$ 38,295,933

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		(357,263)	-
Finance cost amortization	8,14	118,086	-
Normal course issuer bid	7	-	(35,768)
Change in fair value of convertible debenture	7	-	(1,996,546)
Foreign exchange loss	15	-	161,916
As at December 31, 2020		\$17,573,175	\$ 12,169,023
Assumed mortgages	3,8	13,533,056	-
Repayments	8	(596,226)	-
Finance cost amortization	8,14	110,954	-
Change in fair value of convertible debenture	7	-	2,895,318
Foreign exchange loss	15	-	14,948
As at December 31, 2021		\$30,620,959	\$ 15,079,288

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. No Class B units were issued during the year ended December 31, 2021.

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 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:

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

- (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
- (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

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

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.

Trust Units as at December 31, 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)	(128,100)	(721,004)
Less: Trust Unit Repurchase	10(a)(iii)	(686,200)	\$ (2,744,200)
Balance at December 31, 2020		7,714,675	\$ 91,020,206
Less: Normal Course Issuer Bid	10(a)(iv)	(110,300)	(798,469)
Balance at December 31, 2021		7,604,375	\$ 90,221,737

- (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

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

(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).

On April 28, 2020, the Trust received approval from the TSXV Venture Exchange to commence a 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. . 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.

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 year ended December 31, 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

(b) Distribution Reinvestment Plan (“DRIP”)

The Trust has implemented a dividend reinvestment plan (the “DRIP”) and a unit purchase plan (the “Purchase Plan” and collectively with the DRIP, the “Plans”), each offered to holders of trust units 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 Plans, 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 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 Plans. The aggregate number of Trust Units that may be issued under the Plans 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.

During 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 December 31, 2021 consists of the following:

		December 31,	December 31,
Unit Based Liabilities	Notes	2021	2020
Deferred Trust Units	10(d)	\$ 37,973	\$ 31,318
Warrants	10(e)	29	15,338
Options	10(f)	610,985	290,174
Total Unit Based Liabilities		\$ 648,987	\$ 336,830

(d) Deferred Trust Units

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

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 December 31, 2021, the outstanding liability was \$37,973. For the year ended December 31, 2021, expense under the DTU plan was \$0.006 million.

(e) Warrants

The Trust had the following warrants outstanding and exercisable as at December 31, 2021:

Issuance Date	Number of warrants	Weighted average exercise price	Fair Value of Warrants	Expiry Date
March 13, 2020	1,590,000	\$ 10.75	\$ 29	March 13, 2022

The fair value of warrants was calculated using the Black Scholes model. The following assumptions were used:

Warrant Assumptions	December 31, 2021	December 31, 2020
Stock Price	\$ 6.51	\$ 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	0.81%	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 year ended December 31, 2021, the recovery for the warrants was \$0.015 million.

(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 December 31, 2021:

Issuance Date	Number of Options	Weighted average exercise price	Fair Value of Options	Expiry Date
August 17, 2017	340,738	\$ 7.50	\$ 324,369	August 17, 2027
November 19, 2018	192,900	8.30	167,384	November 19, 2028
March 16, 2021	49,300	7.50	52,868	March 16, 2031
March 16, 2021	70,200	8.30	66,364	March 16, 2031
Total/ Weighted Average	653,138	\$ 7.82	\$ 610,985	

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

The fair value of options was calculated using the Black Scholes model. The following assumptions were used:

Option Assumptions	December 31, 2021	December 31, 2020
Stock Price	\$ 6.51	\$ 5.37
Exercise Price	\$7.50-\$8.30	\$7.50-\$8.30
Expected Life in Years	5.63-9.21	6.63-7.89
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	\$ 0.24	\$ 0.24
Discount Rate - Bond Equivalent Yield	0.81%	0.17%

For the year ended December 31, 2021, the expense for the options was \$0.32 million.

(g) Distributions

For the year ended December 31, 2021, the Trust declared distributions of \$0.236 per Trust Unit resulting in total distributions of \$1,805,106 (December 31, 2020 - \$1,911,984). As at December 31, 2021, the Trust accrued \$448,658, which is included in its accounts payable and accrued liabilities (December 31, 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 consolidated 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	276,063
Total Liabilities	(19,220,449)
Total	(18,944,387)
Effect of +/- 10% change in exchange rate	(1,894,439)

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

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

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.

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. The mortgages for the Florida portfolio mature during 2022 and the Trust is actively sourcing refinancing in the debt markets.

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. The mortgages for the Florida portfolio mature during 2022 and the Trust intends on sourcing refinancing in the debt markets.

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;

December 31, 2021	Level 1
Convertible Debentures Payable	\$ 15,079,288

December 31, 2020	Level 1
Convertible Debentures Payable	\$ 12,169,023

- 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:

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

December 31, 2021	Level 3
Investment properties	\$ 78,405,292

December 31, 2020	Level 3
Investment properties	\$ 49,585,840

There were no transfers between levels during the years ended December 31, 2021 and 2020.

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 consolidated 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 year ended December 31, 2021.

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:**
 - 1.0% of the first \$300 million of aggregate Gross Book Value in respect of Properties acquired in a particular year; and thereafter
 - 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:**
 - Multi-unit residential properties with 120 units or less, 4.0% of Gross Revenue collected from the property;
 - Multi-unit residential properties with more than 120 units. 3.5% of Gross Revenue collected from the property.
 - 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.

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

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.
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 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 year ended December 31, 2021, asset management fees were \$1,278,194 (2020 - \$959,258), loan servicing fees were \$68,605 (2020 - \$98,064), 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 \$91,882 (2020 - \$84,338).

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.

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

As at December 31, 2021, the Trust has accrued \$1,306,022 (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 years ended December 31, 2021 and 2020 are as follows:

	Years Ended	
	December 31, 2021	December 31, 2020
Property Operating Expenses		
Property Taxes	\$ 985,180	\$ 782,506
Insurance	262,640	160,009
Operating Expenses	1,672,890	1,234,214
Total	\$ 2,920,710	\$ 2,176,729

	Years Ended	
	December 31, 2021	December 31, 2020
General and Administrative		
Asset Management Fees (note 13)	\$ 1,346,799	\$ 1,057,322
Public Company Expenses	34,974	102,929
Office and General	763,919	481,012
Total	\$ 2,145,692	\$ 1,641,263

	Years Ended	
	December 31, 2021	December 31, 2020
Finance Costs		
Bank interest expense	\$ 1,025,370	\$ 792,107
Convertible debenture interest expense	1,189,111	907,523
Finance cost amortization	110,954	118,086
Total	\$ 2,325,435	\$ 1,817,716

15. Foreign Exchange Gain/(Loss)

The foreign exchange gain/ (loss) for the years ended December 31, 2021 and 2020 are as follows:

	Years Ended	
	December 31, 2021	December 31, 2020
Foreign Exchange Gain/(Loss)		
Foreign exchange gain/(loss) on convertible debentures (note 9)	\$ (14,948)	\$ (161,916)
Foreign exchange gain	312,060	296,078
Total	\$ 297,112	\$ 134,162

16. Income Taxes

The Trust is a mutual fund that is not a specified investment flow-through trust ("SIFT") for income tax purposes. Accordingly, the Trust is not liable to pay Canadian income tax provided that its taxable income is fully distributed to unitholders each year.

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
(Expressed in US Dollars unless otherwise noted)

(a) Income Tax Expense (Recovery)

	December 31, 2021	December 31, 2020
Income tax computed at the Canadian statutory rate of nil applicable to the Trust for 2021 and 2020	\$ -	\$ -
Current U.S. Income taxes	-	-
Deferred income taxes (recoveries) applicable to US subsidiary	545,616	-
Income tax (recovery) expense	\$ 545,616	\$ -

(b) Deferred taxes

The Trust has certain subsidiaries in the United States that are subject to tax on their taxable income at a combined federal and state tax rate of approximately 26% (2020 - 26%). The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	December 31, 2021	December 31, 2020
Deferred tax assets	\$ -	\$ -
Other Assets	63,176	-
Non-capital losses carried forward	12,891,758	9,748,602
	12,954,934	9,748,602
Deferred tax liabilities		
Assets held for sale and investment properties	(8,865,039)	(5,440,988)
Equity investment	(4,635,511)	(4,307,614)
	(13,500,550)	(9,748,602)
Net deferred income tax liabilities	(545,616)	-

(c) Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible differences:

	December 31, 2021	December 31, 2020
NOL carried forward - US	\$ -	\$ 7,964,523
Non-capital losses carry forward - Canada	3,454,768	1,113,925
Other temporary difference	-	285,439

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Trust can utilize the benefits therefrom. Net operating losses for US tax purposes will expire between 2032 and 2038. Net operating losses arising after December 31, 2017 do not expire and are limited to 80% of taxable income in any given year. Non-capital losses for Canadian tax purposes will expire between 2040 and 2041.

17. Subsequent events

i. Distribution Increase

On February 8, 2022, the Trust announced a 4.2% increase in quarterly distributions from \$0.059 per Trust Unit to \$0.0615 per Trust Unit commencing with the Q2/2022 Distributions. Accordingly, the Trust declared and approved quarterly distributions of \$0.0615 per unit for unitholders on record on June 30, 2022 payable on or about July 15, 2022;



Apartment
Real Estate
Investment
Trust

CORPORATE DIRECTORY

Board of Trustees

Jonathan Mair, CPA, CA
Non-Independent Trustee

Howard Smuschkowitz (1)
Independent Trustee

Geoffrey Bledin (2)
Chairman of the Board, Investment
Committee and Audit Committee

Keith Ray, C.A. (1)
Independent Trustee

Valentina Kalyk (1)
Independent Trustee

Robert Parker (1)
Independent Trustee

Pat DiCapo (1)
Independent Trustee

Officers & Senior Management

Eli Dadouch
Vice Chairman

Sandy Poklar, CPA, C.A.
President & CEO

Mark Goldreich, CPA
Chief Financial Officer

Lorne Morein
VP, Investment Portfolio
Management

Eddy Boudiwan
President and COO, Real
Estate Operations – USA

(1) Independent Trustee

(2) Chairman of the Board, Investment Committee
and Audit Committee

Asset Manager

Firm Capital Realty Partners Advisors Inc.

Property Manager

Firm Capital Realty Partners Advisors Inc.

Registered Office

Firm Capital Apartment Real Estate
Investment Trust

163 Cartwright Avenue
Toronto, Ontario
M6A 1V5
Telephone: 416-635-0221
Fax: 416-635-1713

Auditors

KPMG LLP

Transfer Agent

TSX Trust Company

Legal Counsel

Fogler Rubinoff LLP

Stock Exchange Listing

Units Listed
TSXV Symbol: **FCA.UN / FCA.U**

Plan Eligibility

RRSP, RRIF, TFSA, RESP, RDSP, DPSP

Unitholder Distribution Reinvestment Plan

Firm Capital Apartment Real Estate Investment Trust offers its registered unitholders the opportunity to participate in its Distribution Reinvestment Plan (the "DRIP") and Unit Purchase Plan

If you are a Unitholder and would like to enroll or would like further information about the Plan, please contact Firm Capital Apartment Real Estate Investment Trust, Attention:

Sandy Poklar - President & CEO
Telephone (416) 635-0221