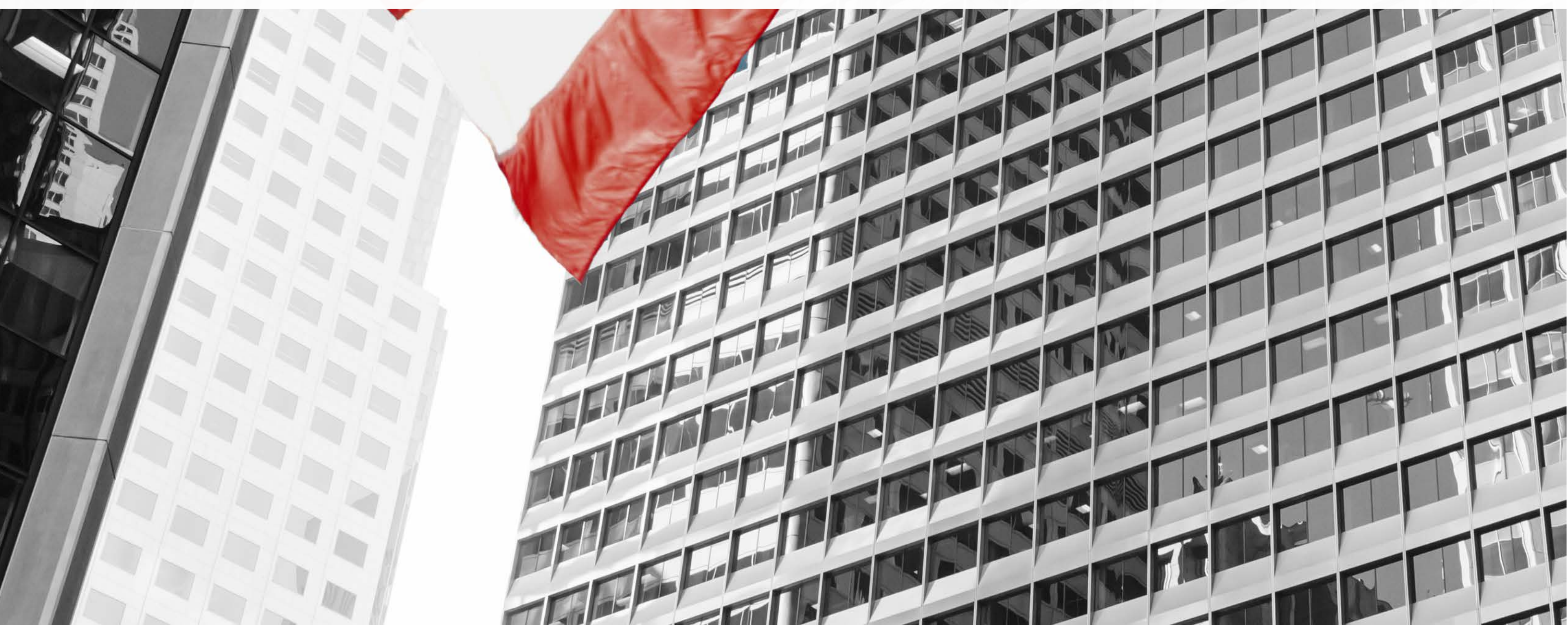
FIRM CAPITAL APARTMENT REIT

CAPITAL PRESERVATION • DISCIPLINED INVESTING

FINANCIAL STATEMENTS

YEAR ENDED
DECEMBER 31, 2021



Consolidated Financial Statements of

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

For the Years Ended December 31, 2021 and 2020

(Expressed in US Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Firm Capital Apartment Real Estate Investment Trust,

Opinion

We have audited the consolidated financial statements of Firm Capital Apartment Real Estate Investment Trust (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2021 and December 31, 2020
- the consolidated statements of income and comprehensive income for the years then ended
- the consolidated statements of changes in unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated balance sheet of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

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We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Kunal Verma.

Toronto, Canada
March 14, 2022

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

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.

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:

	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

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:

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 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. 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 substantially on the profit or loss of the entity or change in fair value of the instrument. This is called the "Puttable Instrument Exemption". The Trust Units meet the Puttable Instrument Exemption criteria and accordingly are presented as equity in the consolidated financial statements. The distributions on Trust Units are deducted from retained earnings.

(Expressed in US Dollars unless otherwise noted)

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 libilities		(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

(Expressed in US Dollars unless otherwise noted)

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.

	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.

(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:

(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**

(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 Acquisiton was $27.9 million (including transaction costs). The Woodglen Acquistion was financed, in part with a $22.1 million, 4.6% first mortgage due on 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 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.

(Expressed in US Dollars unless otherwise noted)

On September 22, 2020, the Trust closed an equity accounted and preferred investment to acquire a 235 unit multi-family residential portfolio located in Hyattsvile, MD (the “North Pointe Acquistion”). The purchase price for 100% of the North Point Acquistion was $40.5 million (including transaction costs). The North Point Acquistion 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 assessses 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.

(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 assessses 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

(Expressed in US Dollars unless otherwise noted)

Erlanger, Kentucky. (the “Ottawa and Kentucky Mortgages”). The term for the Ottawa and Kentucky Mortgages is 1 year, 9.0% interest only.

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

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:

(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:

(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 such date. The Net Asset Value of the Trust and Net Asset Value per Trust Unit and Class B Unit shall be determined as of the Valuation Time on each Valuation Date.

(Expressed in US Dollars unless otherwise noted)

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

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

Trust Units as at 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

(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:

Unit Based Liabilities	**Notes**		**December 31, 2021**		**December 31, 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

(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**	

(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 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:

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

8. **Construction Development Property Management Fees:** Where the Manager is requested by the Trust to construct tenant improvements or to renovate same, or where the Manager is requested by the Trust to construct, modify, or re-construct improvements to, or on, the Properties (collectively, "**Capital Expenditures**"), the Manager shall receive 5.0% of the cost of such Capital Expenditures, including the cost of all permits, materials, labour, contracts, and subcontracts; provided, however, that no such fee shall be payable unless the Capital Expenditures are undertaken following a tendering or procurement process wherein the total cost of such Capital Expenditures exceed $50,000.
9. **Loan Servicing Fees:** 0.25% per annum on the principal amount of each Mortgage Investment (other than syndicated loans serviced by third parties). The Loan Servicing Fee will be calculated as spread interest and deducted from the first interest received on a mortgage investment. Mortgage servicing fees will be payable as to 1/12 monthly based on the receipt of interest payments from borrowers. Loan Servicing Fees will not be payable in respect of the Trust's cash balances or Non-Performing Loans held by the Trust, except that the Manager shall be entitled to retain any overnight float interest on all accounts maintained by the Manager in connection with the servicing of the Trust's Mortgage Investments. The Manager will retain all overnight float interest and related loan servicing fees as charged such as advance fees, discharge statement fees, realty tax escrow account charges, late payment and dishonored payment charge fees, and all other such fees as charged by a loan servicing agent. This will only apply to the Mortgage Investments of the Trust.
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.

(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	
Property Operating Expenses	**December 31, 2021**	**December 31, 2020**
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	
General and Administrative	**December 31, 2021**	**December 31, 2020**
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	
Finance Costs	**December 31, 2021**	**December 31, 2020**
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	
Foreign Exchange Gain/(Loss)	**December 31, 2021**	**December 31, 2020**
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.

(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;