



FIRM CAPITAL PROPERTY TRUST

CAPITAL PRESERVATION • DISCIPLINED INVESTING

MD&A

MANAGEMENT
DISCUSSION
AND ANALYSIS

FOURTH QUARTER
DECEMBER 31, 2022



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PART I

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Firm Capital Property Trust ("FCPT" or the "Trust") should be read in conjunction with the Trust's unaudited condensed consolidated interim financial statements for the three and twelve months ended December 31, 2022 and December 31, 2021. This MD&A has been prepared taking into account material transactions and events up to and including March 20, 2023. Additional information about the Trust 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.

FORWARD-LOOKING DISCLAIMER

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 tax treatment of trusts. 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.

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.

BASIS OF PRESENTATION

FCPT 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 Canadian dollar.

Certain financial information presented in this MD&A reflects certain non-IFRS financial measures, which include Net Operating Income ("NOI"), Earnings Before Interest, Taxes, Depreciation & Amortization ("EBITDA"), Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO"), AFFO Payout Ratio, Net Operating Income on a cash basis ("Cash NOI"), Same-Property Net Operating Income ("SP-NOI") and Debt/Gross Book Value ("GBV") (each as defined below). These measures are commonly used by real estate investment trusts as useful metrics for measuring performance and/or cash flows, 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 trusts. The Trust believes that FFO is an important measure to evaluate operating performance, AFFO is an important measure of cash available for distribution and, NOI is an

important measure of operating performance. "GAAP" means generally accepted accounting principles described by the Chartered Professional Accountants 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 square footage leased as a percentage of the total amount of square footage owned. Leased properties consist solely of those units that are occupied by a tenant at the given date.

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

Same-Property NOI is a term used by industry analysts, investors, trusts, and management to measure operating performance of Canadian real estate investment trusts. Same-Property NOI represents rental revenue from properties less repairs and maintenance, insurance, utilities, property management, property taxes, bad debt, and other property operating costs on properties owned for at least one full year. Same-Property NOI 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) is a measure that the Trust uses in order to present the key operations and administration of the Trust, excluding special items. Items that are excluded from this total and are presented in other income include transaction costs, fair value adjustments of investment properties, and gain (loss) on dispositions.

Funds From Operations ("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 in accordance with the guidelines set out by the Real Property Association of Canada ("RealPAC"), as issued in January 2022 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, performance fee attributed to gains and certain other non-cash adjustments.

Adjusted Funds from Operations ("AFFO") is a term used as a non-IFRS financial measure by most Canadian real estate investment trusts but should not be considered as an alternative to net income, cash flows from operations, or any other measure prescribed under IFRS. Unlike RealPac, who considers AFFO to be a useful measure of net income, the Trust considers AFFO to be a useful measure of cash available for distributions. AFFO is calculated largely in accordance with the guidelines set out by RealPAC and is defined as FFO less adjustments for non-cash items such as straight-line rent, free rent and noncash interest expense as well as normalized capital expenditures, tenant inducements and leasing charges. However, under RealPAC guidance, unit-based compensation expense (recovery) is included as part of AFFO, but the Trust excludes this amount and the Trust includes gains and losses on the sale of real estate properties calculated as gross proceeds less the actual cost of real estate including capitalized additions ("**Gain on Sales**").

FFO Payout Ratio is defined as Distributions Declared divided by FFO. AFFO Payout Ratio is defined as Distributions Declared divided by AFFO.

NOI, EBITDA, FFO, AFFO, FFO Payout Ratio, AFFO Payout Ratio and Debt/GBV should not be construed as alternatives to net income or cash flows from operating activities determined in accordance with IFRS. NOI, 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 NOI, EBITDA, FFO, AFFO, FFO Payout Ratio, AFFO Payout Ratio and Debt/GBV as calculated by the Trust may not be comparable to similar measures presented by other issuers.

*(“**TIs/LCs**”) are defined as Tenant Inducements, Leasing Charges and Capital Expenditures. The Trust bases its calculation of TIs/LCs reserve at an estimated 2.5% of Net Operating Income or NOI, which is senior managements’ best estimate in operating real estate of the type that the Trust owns and operates.*

PART II

FOURTH QUARTER HIGHLIGHTS

The following table outlines the changes in a few key operating and financial metrics on a three and twelve month basis.

	Three Months			Twelve Months		
	Dec 31, 2022	Dec 31, 2021	Change	Dec 31, 2022	Dec 31, 2021	Change
	\$	\$				
Rental Revenue	14,245,157	11,954,312	19%	\$ 54,018,887	\$ 46,430,420	16%
NOI - IFRS Basis	9,165,483	7,898,791	16%	35,457,372	30,215,936	17%
NOI - Cash Basis	9,163,698	7,756,945	18%	35,074,668	29,874,111	17%
Same-Property NOI	7,985,853	8,096,318	(1%)	30,225,946	29,848,218	1%
Net Income	8,663,638	6,566,305	32%	(1,184,280)	58,387,894	(102%)
FFO	4,586,850	3,134,372	46%	19,524,208	14,767,066	32%
AFFO	4,327,687	3,869,233	12%	16,445,149	15,224,751	8%
Total Assets				\$ 633,898,464	\$ 576,355,914	10%
Total Mortgages				306,781,314	239,912,757	28%
Bank Indebtedness				18,726,067	24,797,881	(24%)
Unitholders' Equity				296,513,896	295,915,326	0%
Units Outstanding (000s)				37,100	34,011	9%
FFO Per Unit	\$0.123	\$0.092	34%	\$0.541	\$0.462	17%
AFFO Per Unit	\$0.116	\$0.114	2%	\$0.456	\$0.477	(4%)
Distributions Per Unit	\$0.130	\$0.128	2%	\$0.520	\$0.510	2%
			(3,221)			
FFO Payout Ratio	106%	138%	bps	96%	110%	(1,392) bps
AFFO Payout Ratio	112%	112%	13 bps	114%	107%	707 bps
Wtd. Avg. Int. Rate - Mort.						
Debt				3.8%	3.3%	50 bps
Debt to GBV				51%	46%	535 bps
GLA - Commercial, SF				2,552,214	2,420,168	6%
Units - Multi-Res				599	464	29%
Units - MHCs				422	423	(0%)
Occupancy - Commercial				95.9%	95.9%	2 bps
Occupancy - Multi-Res				90.3%	93.6%	(335) bps
Occupancy MHCs				99.8%	99.1%	66 bps
Rent PSF - Retail				\$18.43	\$17.90	3%
Rent PSF - Industrial				\$7.60	\$6.67	14%
Rent per month - Multi-Res				\$1,198	\$1,175	2%
Rent per month - MHCs				\$603	\$519	16%

Significant highlights for the fourth quarter include:

- Net income for the three months ended December 31, 2022 was approximately \$8.7 million, versus the \$6.6 million reported for the three months ended December 31, 2021. Income before fair value adjustments for the three months ended December 31, 2022 was \$4.0MM with the difference primarily related to the gain on sale of investment properties.
- \$7.64 NAV per Unit, a 7% decrease in comparison to the \$8.24 NAV per Unit reported in Q4/2021, but a 2% increase to the \$7.51 NAV per Unit reported for Q3/2022.
- All asset classes saw rent growth of between 2%, and 16%, on a YoY basis.

- NOI for the three months ended December 31, 2022 was \$9.2 million, a 16% increase on YoY basis. NOI on a cash basis also increased by 18% YoY.
- AFFO for Q4/2022 was \$4.3 million, a 12% increase from \$3.9 million reported in Q4/2021.
- AFFO Payout Ratio was 112% for Q4/2022, compared to the 112% for Q4/2021.
- Commercial occupancy was 95.9%, Multi-Residential occupancy was 90.3%, while Manufactured Homes Communities was 99.8%.
- Conservative leverage profile with Debt / GBV at 51%.
- On December 13, 2022, the Trust closed on an early renewal of the mortgage on the Montreal Industrial Portfolio for proceeds of \$44.0 million at a 4.88% interest rate, amortizing and for a term of seven years. The previous mortgage was at a 3.98% interest rate and was set to mature in August 2023. As part of the early repayment of the mortgage the lender paid out an early break fee of approximately \$0.6 million to the property partnership.
- On December 21, 2022, the Trust closed on a 50% interest in two multi-tenant industrial properties located in Edmonton, Alberta. The acquisition price of the portfolio was \$3.2 million (including transaction costs). The acquisition of the Edmonton Industrial Portfolio was financed through the assumption of a \$1.2 million mortgage and a new \$0.9 million mortgage.
- On December 21, 2022, the Trust completed the sale of retail property in Pembroke, Ontario for gross proceeds of \$2.7 million. The Trust recognized a gain on sale of approximately \$0.2 million.
- On December 29, 2022, the Trust completed the sale of an office property in Barrie, Ontario for gross proceeds of \$10.5 million. As part of the transaction, the Trust provided a first priority vendor take back mortgage of approximately \$6.8 million for a one year term at an interest rate of 4.0% and a second priority vendor takeback mortgage of approximately \$1.6 million for a five year term at an interest rate of 5.0% for the first two years, 6.0% for the third and fourth year and 7.0% for the final year. The Trust recognized a gain on sale of approximately \$5.0 million.

Same-Property Performance

Same-Property NOI decreased 1% and increased 1% YoY, respectively, for the three and twelve months ended December 31, 2022.

	Three Months			Twelve Months		
	Dec 31, 2022	Dec 31, 2021	Change	Dec 31, 2022	Dec 31, 2021	Change
Rental Revenue	12,698,360	12,087,933	5%	46,382,320	44,089,170	5%
Property Operating Expenses	(4,712,507)	(3,991,615)	18%	(16,156,374)	(14,240,951)	13%
NOI - IFRS Basis	7,985,853	8,096,318	(1%)	30,225,946	29,848,218	1%

Portfolio Occupancy

The Trust portfolio continues to maintain high occupancy across all asset classes, except the Multi-Res sector.

Period ended	Occupancy			
	Retail	Industrial	Multi-Res	MHCs
December 31, 2021	95.6%	97.6%	93.6%	99.1%
September 30, 2022	95.5%	95.9%	92.7%	99.5%
December 31, 2022	95.6%	96.2%	90.3%	99.8%

Subsequent Events

- On January 16, 2023, the Trust closed on an early renewal of a \$35.9 million mortgage on our Waterloo Industrial Portfolio. The terms of the loan are at a 4.77% fixed interest rate, 7 year term and a 30 year amortization. The Trust's 70% portion of the loan was \$25.1 million.
- On February 2, 2023, the Trust closed on two 50% interests in manufactured housing communities located in Peterborough and Trenton, Ontario (collectively the "MHC Properties"). The acquisition price for 100% of the MHC Properties was approximately \$5.7 million, excluding transaction costs. The Trust's portion of the acquisition price is approximately \$2.9 million. The Properties were funded through existing cash resources.
- On February 15, 2023, the maturity date of \$39,500,000 mortgage with a Canadian Chartered Bank on a multi-residential building in Pointe Claire, Quebec was extended to May 11, 2023.
- On March 1, 2023, the \$0.7 million mortgage received secured against one of the Center Ice Retail properties was fully repaid.
- On March 20, 2023, the Trust declared and approved monthly distributions in the amount of \$0.0433 per Trust Unit for Unitholders of record on April 28, 2023, May 31, 2023 and June 30, 2023, payable on or about May 15, 2023, June 15, 2023 and July 17, 2023, respectively.
- Subsequent to December 31, 2022, the Trust repurchased 29,800 units under the NCIB for gross proceeds of approximately \$0.17 million.

OUTLOOK & CURRENT BUSINESS ENVIRONMENT

Moving forward, we will continue to monitor and assess the impacts to the economy that affect the performance of our portfolio. The current inflationary environment which has shown some signs of cooling is still expected to remain above the central bank's target rate in 2023. While, central banks have indicated a pause in the pace of interest rate increases, there is still some risk that interest rates may continue to be increased. While we expect that continued interest rates increases to have some short-term impacts to our cash flow, we believe this will continue to be offset over time by increased revenues through rising rental rates across most of our portfolio. We continue to see strong demand and increasing rental rates across our Ontario and Quebec industrial portfolio and continued demand for space across our convenience retail portfolio that has allowed us to produce steady and increasing cashflow across those portfolios. Even with the current interest rate environment, mortgage rates are still extremely attractive and only slightly above our average mortgage rates across the portfolio. As well, we have adjusted our capitalization rates to reflect the impacts of the resulting higher financing costs.

The current macro environment that has seen interest rates rise rapidly during 2022 and persistent inflation is presenting a challenging environment for the REIT. This has led to a small decrease in the Trust's IFRS real estate valuations during Q4/2022 as the gains in rental income were mostly offset by higher cap rates in the REIT's industrial portfolio. For context, Net Asset Value has decreased to \$7.64/Unit, down from a high of \$8.27/Unit in Q1/2022.

The \$23 million equity issue that closed in May of 2022 ensures that the Trust has sufficient liquidity not only to meet our operational needs through 2023, but also to fund our current acquisition and development projects. We believe that the Trust is well positioned for growth with our leverage below our target range of 55% to 65%.

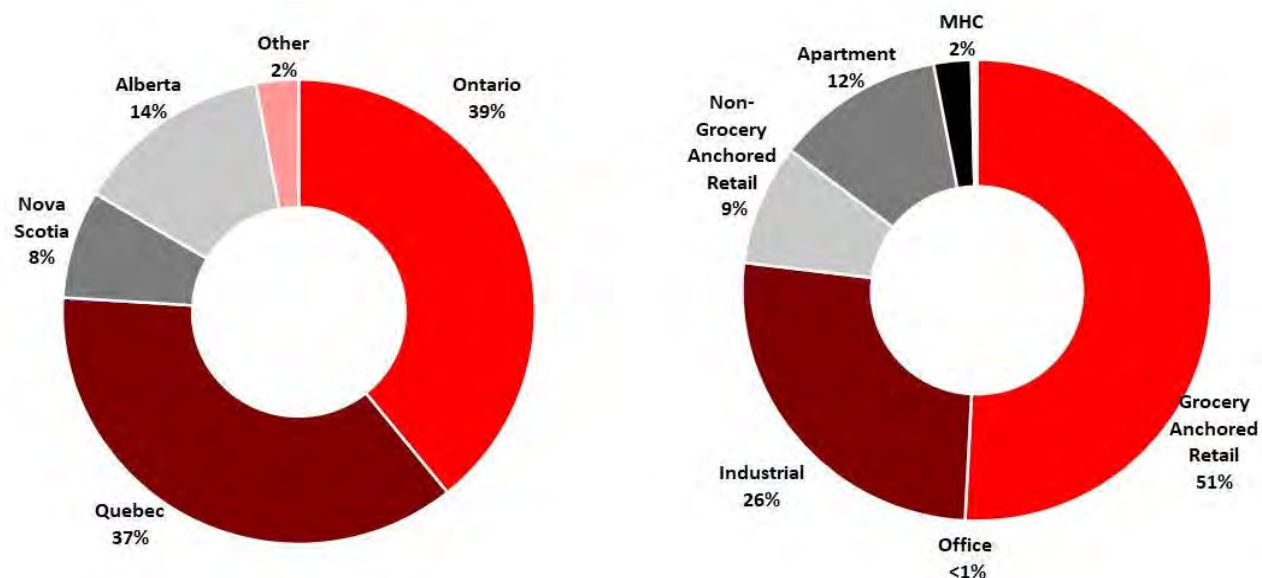
Management is always looking to assess and evolve its portfolio of assets. The Trust will focus its near-term acquisition efforts on the industrial and multi-residential sectors across Canada as well as continue to slowly reduce its exposure to its non-core retail assets when opportunities exist to create a more balanced property portfolio demonstrated by the sales and acquisitions completed in 2022. The Trust expects to grow its asset base predominately through acquisitions during 2023. As always, we will continue to assess each acquisition to ensure they meet our disciplined investment objectives.

PART III

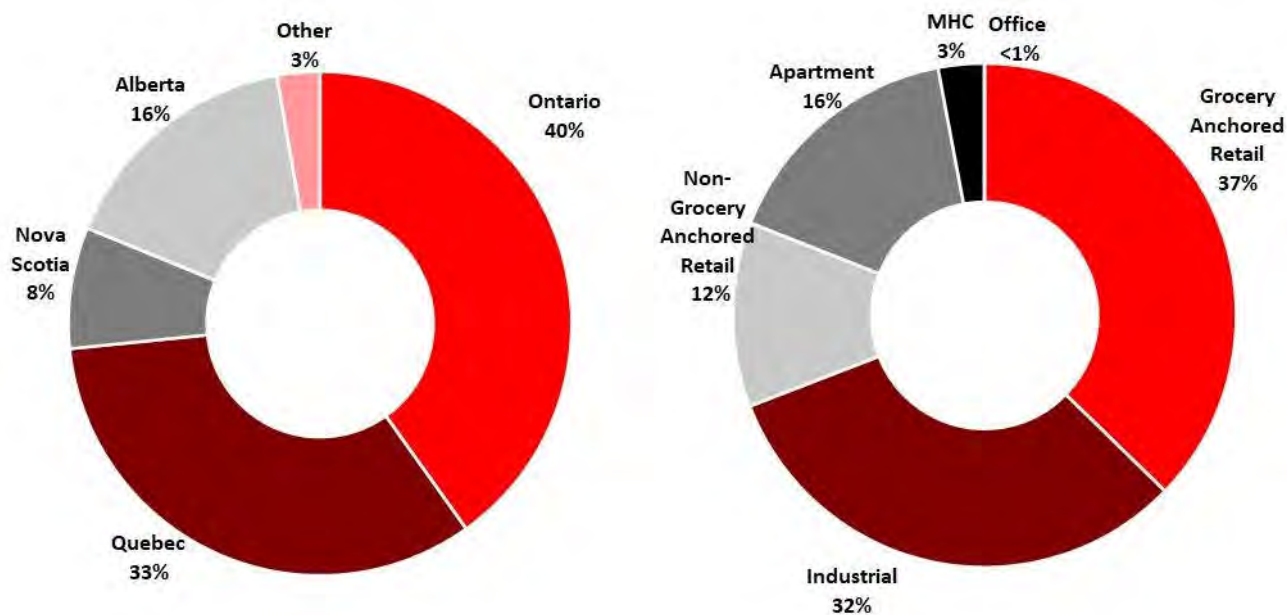
OVERVIEW OF FCPT

As at December 31, 2022, FCPT's portfolio consists of 66 commercial properties with a total GLA of 2,552,214 square feet, five Multi-Residential complexes comprised of 599 units and two Manufactured Homes Communities comprised of 422 units.

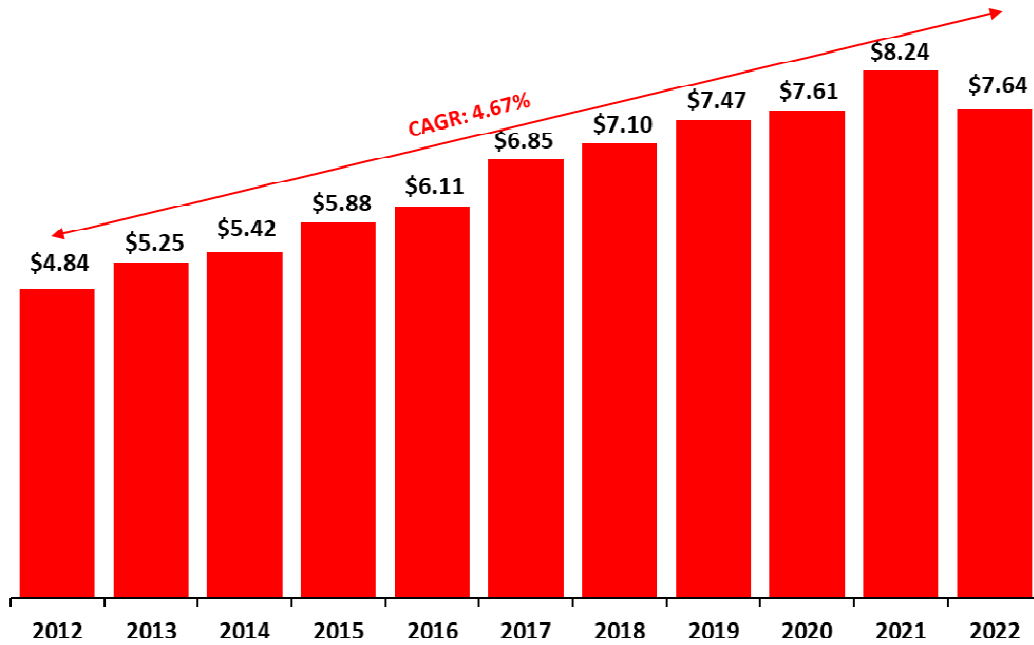
Geographical and Asset Class Portfolio Diversification based on NOI



Geographical and Asset Class Portfolio Diversification based on IFRS Values



Net Asset Value Growth



Real Estate Portfolio Growth

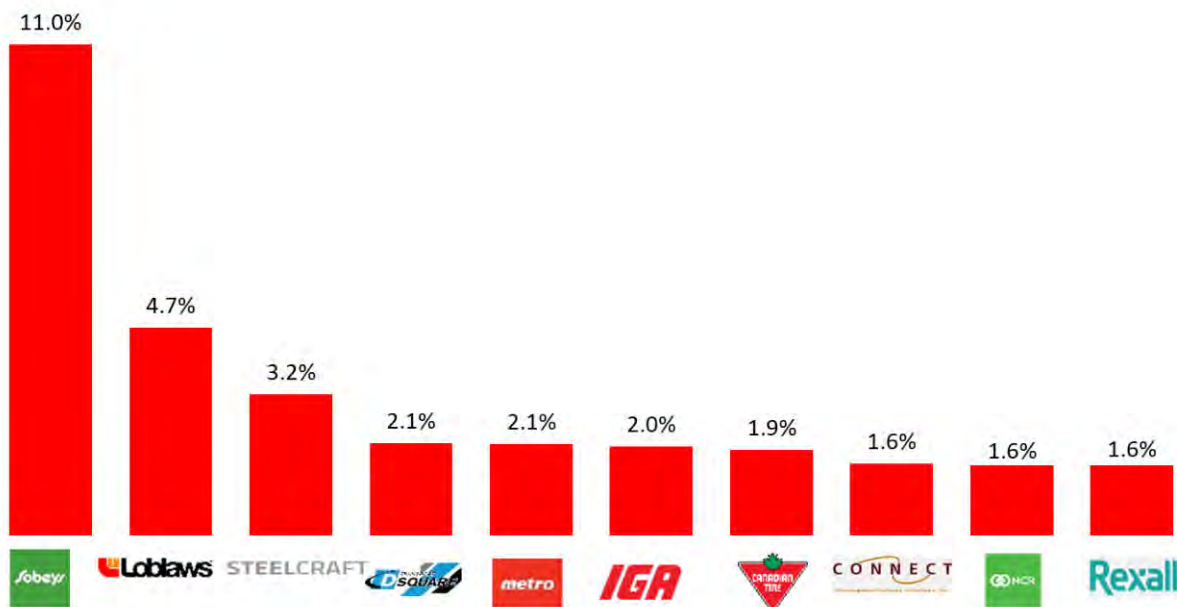


Top 10 Tenants

FCPT's tenant base includes a diverse and established group of companies that represent many of Canada's established businesses. The Trust strives for stability in its revenue stream, while diversifying its revenue sources and avoiding dependence on any single tenant. The portfolio is well diversified by tenant profile with no tenant currently accounting for more than 11% of total net rent. Further, the top 10 tenants account for 31.8% of total net rent.

Top Tenants

(by % of net rent)



Strategy

Firm Capital Property Trust is focused on creating long-term value for Unitholders, through capital preservation and disciplined investing to achieve stable distributable income. In partnership with management and industry leaders, the Trust's plan is to own as well as co-own a diversified property portfolio of multi-residential, flex industrial, net lease convenience retail and manufactured home communities.

In addition to stand alone accretive acquisitions, the Trust will make joint acquisitions with strong financial partners and acquisitions of partial interests from existing ownership groups, in a manner that provides liquidity to those selling owners and professional management for those remaining as partners. Firm Capital Realty Partners Inc., through a structure focused on an alignment of interests with the Trust sources, syndicates and property and asset manages investments on behalf of the Trust.

PROPERTY PORTFOLIO

Property	Gross Leasable Area	Occupancy			
		Q4/2022	Q3/2022	Q2/2022	Q1/2022
Retail					
Bridgewater, Nova Scotia	46,903	94.9%	94.9%	94.9%	94.9%
Brampton, Ontario	36,137	95.8%	90.1%	90.1%	92.1%
Moncton, New Brunswick	16,372	100.0%	100.0%	100.0%	100.0%
Guelph, Ontario	115,742	92.0%	92.6%	92.6%	92.6%
Centre Ice Retail Portfolio	16,583	100.0%	100.0%	100.0%	83.6%
<i>Crombie Joint Venture Properties</i>					
8118 - 188 Ave NE, Edmonton, Alberta	22,154	100.0%	100.0%	100.0%	100.0%
Forest Hills, Cole Harbour , Dartmouth, Nova Scotia	21,793	100.0%	100.0%	100.0%	100.0%
Russell Lake , Dartmouth, Nova Scotia	33,725	100.0%	97.6%	97.6%	100.0%
2915 - 13th Ave , Regina, Saskatchewan	20,359	100.0%	100.0%	100.0%	100.0%
University Park , Regina, Saskatchewan	18,610	100.0%	100.0%	100.0%	100.0%
409 Bayfield Street , Barrie, Ontario	23,871	100.0%	100.0%	100.0%	100.0%
1 Westminister Ave N , Montreal, Quebec	10,480	100.0%	100.0%	100.0%	100.0%
<i>First Capital Joint Venture Properties</i>					
The Whitby Mall, Whitby, Ontario	149,842	85.2%	86.2%	90.3%	92.6%
Thickson Place, Whitby, Ontario	41,926	100.0%	100.0%	100.0%	100.0%
901 Eglinton Ave, Toronto, Ontario	4,461	100.0%	100.0%	100.0%	100.0%
Gloucester City Centre , Ottawa, Ontario	184,703	95.0%	95.1%	95.1%	96.1%
Merivale Mall , Ottawa, Ontario	109,399	94.6%	94.6%	94.3%	95.4%
Galleries de Repentigny , Repentigny, Quebec	65,370	100.0%	100.0%	100.0%	100.0%
Galleries Brien East , Repentigny, Quebec	4,435	100.0%	85.8%	100.0%	100.0%
Galleries Brien West , Repentigny, Quebec	26,166	100.0%	100.0%	100.0%	100.0%
Carrefour du Plateau , Gatineau, Quebec	121,070	100.0%	100.0%	100.0%	100.0%
Gateway Village, St. Albert, Alberta	52,688	98.9%	100.0%	99.1%	93.8%
Total / Weighted Average	1,142,786	95.5%	95.5%	96.1%	96.2%
Industrial					
Montreal, Quebec	612,400	97.6%	97.3%	97.9%	97.9%
Waterloo, Ontario	360,232	98.3%	99.2%	100.0%	99.7%
Edmonton, Alberta	244,922	86.5%	82.3%	91.4%	93.0%
Woodstock, Ontario	66,381	100.0%	100.0%	100.0%	100.0%
Stratford, Ontario	125,493	100.0%	100.0%	100.0%	100.0%
Total / Weighted Average	1,409,427	96.2%	95.9%	97.7%	98.2%
Commercial Total / Weighted Average	2,552,214	95.9%	95.1%	96.2%	95.7%
Multi-Residential					
	Units				
Ottawa, Ontario	135	94.1%	93.3%	88.9%	91.1%
Dartmouth, Nova Scotia	69	95.7%	97.1%	100.0%	98.6%
Lower Sackville, Nova Scotia	132	97.0%	97.0%	96.2%	98.5%
Edmonton, Alberta	128	90.6%	92.2%	94.5%	96.9%
Pointe-Claire, Quebec	135	80.7%	87.4%	94.8%	97.8%
Total / Weighted Average	599	90.3%	92.7%	95.0%	95.6%
Manufactured Homes Communities					
Calgary, Alberta	181	99.4%	99.4%	100.0%	99.4%
McGregor, Ontario	241	100.0%	99.6%	99.6%	99.6%
Total / Weighted Average	422	99.8%	99.5%	99.8%	99.5%

Commercial: As at December 31, 2022, commercial occupancy of 95.9% or 80bps above the 95.1% as at September 30, 2022. The sequential increase was largely due to occupancy gains in both the Retail and Industrial portfolios.

Multi-Residential: The sequential decline in the Multi-Residential portfolio was mainly due to turnover at the Quebec property and the Alberta property, partially offset by the gains in Ontario and Nova Scotia.

MHCs: The occupancy rate of the MHC portfolio remained strong above 99%.

SUMMARY OF SELECTED QUARTERLY INFORMATION

This table highlights the changes in various operating and financial metrics over the most recently completed eight quarters, and is reflective of the timing of acquisitions, divestitures, re-development, leasing and maintenance expenditures and the effect of measuring investment properties at fair value under IFRS. Similarly, mortgages, debentures, construction loans and bank debt reflect financing activities relating to asset additions and debt retirement using surplus cash, which serve to increase FFO in the future. Property rental revenue, FFO, and AFFO are reflective of changes in the underlying income-producing asset base and changing leverage. These measures demonstrate sequential volatility from time to time due to non-recurring items, lease termination income, and expense reimbursement or recovery limitations for anchor or major tenants in the retail portfolio.

Selected quarterly information	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20
Property rental revenue	\$ 14,245,157	\$ 13,278,554	\$ 13,454,489	\$ 13,040,687	\$ 11,954,312	\$ 11,861,170	\$ 11,277,357	\$ 11,337,581	\$ 10,990,587	\$ 11,313,104
Net operating income	9,165,483	8,985,669	9,002,396	8,303,824	7,898,791	8,055,672	7,210,383	7,051,088	7,087,092	7,558,421
Net income	8,663,638	5,132,990	(20,318,925)	5,338,017	6,566,305	9,826,281	31,835,794	10,159,514	13,419,177	3,933,363
Funds from operations	4,586,850	5,227,250	5,511,940	4,198,168	3,134,372	5,162,097	2,995,157	3,475,457	3,268,721	4,278,263
Adjusted funds from operations	4,327,687	4,049,626	4,025,800	4,042,035	3,869,233	4,331,519	3,584,444	3,439,568	3,375,880	4,118,534
Total assets	633,898,464	631,403,138	631,587,165	642,158,461	576,355,914	558,741,635	537,117,579	491,984,982	480,520,668	463,365,377
Total mortgages	306,781,314	306,310,058	304,957,905	294,716,199	239,912,757	237,331,275	238,778,434	221,536,818	227,519,622	236,483,018
Unitholders' equity (net book value)	296,513,896	294,428,855	295,122,294	296,819,578	295,915,326	293,725,736	286,171,927	230,087,253	223,451,954	213,734,074
Units o/s at period end (000s)	37,100	37,402	37,549	34,011	34,011	34,011	33,673	29,390	29,350	29,356
Per unit amounts										
Funds from operations	\$0.123	\$0.139	\$0.156	\$0.123	\$0.092	\$0.152	\$0.097	\$0.118	\$0.111	\$0.145
Adjusted funds from operations	\$0.116	\$0.108	\$0.114	\$0.119	\$0.114	\$0.128	\$0.116	\$0.117	\$0.115	\$0.139
Financial ratios										
FFO Payout Ratio	106%	93%	83%	105%	138%	84%	131%	108%	112%	86%
AFFO Payout Ratio	112%	121%	114%	109%	112%	100%	110%	109%	109%	90%
Wtd. avg. interest rate - mortgage debt	3.8%	3.5%	3.5%	3.2%	3.3%	3.3%	3.4%	3.4%	3.4%	3.4%
Debt to GBV	51%	51%	51%	51%	46%	45%	45%	51%	52%	52%
Operating stats										
GLA - commercial, SF	2,552,214	2,572,736	2,567,977	2,453,963	2,420,168	2,241,013	2,266,676	2,313,389	2,351,657	2,350,850
Units - Multi-Res	599	599	599	599	464	464	464	204	204	204
Units - MHCs	422	423	423	423	423	423	181	181	0	0
Occupancy - commercial (period-end)										
Occupancy - Multi-Res (period-end)	95.9%	95.1%	96.2%	95.7%	95.9%	95.6%	92.7%	95.7%	94.9%	94.9%
Occupancy - MHCs (period-end)	90.3%	92.7%	95.0%	95.6%	93.6%	93.7%	95.6%	96.3%	95.6%	96.0%
	99.8%	99.5%	99.8%	99.5%	99.1%	99.4%	100.0%	100.0%	100.0%	0.0%
Rent PSF - Retail										
Rent PSF - Retail	\$18.43	\$18.54	\$18.43	\$17.88	\$17.90	\$17.79	\$17.27	\$17.27	\$17.02	\$16.89
Rent PSF - Industrial	\$7.60	\$7.37	\$6.81	\$6.66	\$6.67	\$6.96	\$6.50	\$6.50	\$6.41	\$6.38
Rent per month - Multi-Res	\$1,198	\$1,310	\$1,327	\$1,319	\$1,175	\$1,057	\$1,062	\$1,062	\$1,074	\$1,061
Rent per month - MHCs	\$603	\$599	\$565	\$524	\$519	\$510	\$535	\$535	0	0

PART IV

RESULTS OF OPERATIONS

Included in the following sections is a discussion of the various components of net income, followed by discussions and reconciliations of FFO and AFFO from comparable IFRS measures.

	Year Ended December 31, 2022			
	Trust Wholly Owned	Co-Owned at Proportionate Ownership	Total	Co-Owned at 100%
Net Operating Income				
Rental Revenue	\$11,444,326	\$ 42,574,561	\$ 54,018,887	\$ 82,216,702
Property Operating Expenses	(3,398,770)	(15,162,745)	(18,561,515)	(29,227,197)
	8,045,556	27,411,816	35,457,372	52,989,505
Interest and Other Income	6,905	142,482	149,387	266,072
Expenses:				
Finance Costs	3,661,203	8,931,060	12,592,263	16,933,472
General and Administrative	1,217,667	4,529,901	5,747,568	8,473,966
	4,878,870	13,460,961	18,339,831	25,407,438
Income Before Fair Value Adjustments	3,173,591	14,093,337	17,266,928	27,848,139
Fair Value Adjustments:				
Investment Properties	(11,287,112)	(13,919,079)	(25,206,191)	(26,462,127)
Gain/(Loss) on Sale of Investment Properties	5,142,839	(47,516)	5,095,323	(67,880)
Unit-based Compensation Recovery	1,659,660	-	1,659,660	-
Net Income (Loss) and Comprehensive Income (Loss)	\$ (1,311,022)	\$ 126,742	\$ (1,184,280)	\$ 1,318,132

	Year Ended December 31, 2021			
	Trust Wholly Owned	Co-Owned at Proportionate Ownership	Total	Co-Owned at 100%
Net Operating Income				
Rental Revenue	\$ 7,506,134	\$ 38,924,286	\$ 46,430,420	\$ 75,042,204
Property Operating Expenses	(2,780,226)	(13,434,258)	(16,214,484)	(26,472,021)
	4,725,908	25,490,028	30,215,936	48,570,183
Interest and Other Income	7,762	52,162	59,924	90,353
Expenses:				
Finance Costs	1,646,902	7,533,417	9,180,319	14,002,774
General and Administrative	5,049,516	1,236,726	6,286,242	2,221,717
	6,696,418	8,770,143	15,466,561	16,224,491
Income Before Fair Value Adjustments	(1,962,748)	16,772,047	14,809,299	32,436,045
Fair Value Adjustments:				
Investment Properties	1,521,853	45,893,500	47,415,353	94,367,903
Gain/Loss on Sale of Investment Properties	(472,818)	(1,635,423)	(2,108,241)	(2,336,319)
Unit-based Compensation (Expense)	(1,728,517)	-	(1,728,517)	-
Net Income and Comprehensive Income	\$ (2,642,230)	\$ 61,030,124	\$ 58,387,894	\$ 124,467,629

Rental Revenue

Property rental revenue includes rent paid by tenants for their leased premises plus reimbursements or recoveries from tenants for property operating costs, realty taxes and other recoverable costs ("recoveries") relating to their leased premises and the common property areas. For the three and twelve months ended December 31, 2022, property rental revenue increased primarily due to the impact of income from acquisition activity, transfers of properties under development to income-producing properties and same-property growth across all asset classes.

Many of FCPT's expenses are recoverable from tenants in accordance with their respective lease agreements, with the Trust absorbing these expenses to the extent of vacancies.

	Three Months Ended			Twelve Months Ended		
	Dec 31, 2022	Dec 31, 2021	Change	Dec 31, 2022	Dec 31, 2021	Change
Base Rent	\$ 9,927,503	\$ 8,469,276	17%	\$ 38,488,915	\$ 32,046,595	20%
Operating Cost Recoveries	2,061,896	1,525,742	35%	7,038,993	6,481,728	9%
Tax Recoveries	2,253,973	1,817,448	24%	8,108,275	7,560,272	7%
Straight Line Rent	37,087	166,205	(78%)	529,836	440,950	20%
Free Rent	(35,302)	(24,359)	45%	(147,132)	(99,125)	48%
Rental Revenue	\$ 14,245,157	\$ 11,954,312	19%	\$ 54,018,887	\$ 46,430,420	16%

The variance in comparing the three and twelve months ended December 31, 2022 over the three and twelve months ended December 31, 2021 is largely due to increased base rental income from the Trust's various acquisitions along with the net rent increases as outlined in the same-property NOI analysis (see below).

Free rent relates to rent free periods provided to certain new and renewal tenants at the Trust's properties. Under IFRS, the Trust is required to adjust rental revenue by the value of the rent free period and amortize this adjustment over the life of the individual lease as a reduction to income.

Property Operating Expenses

Property operating expenses include realty taxes as well as other costs related to maintenance, HVAC, insurance, utilities and property management fees. Property operating expenses consist of the following:

	Three Months Ended			Twelve Months Ended		
	Dec 31, 2022	Dec 31, 2021	Change	Dec 31, 2022	Dec 31, 2021	Change
Realty Taxes	\$ 2,330,486	\$ 2,205,400	6%	\$ 9,104,084	\$ 8,443,377	8%
Property Management	550,995	468,615	18%	2,169,035	1,836,128	18%
Operating Expenses	2,198,193	1,381,506	59%	7,288,396	5,934,979	23%
Property Operating Expenses	\$ 5,079,674	\$ 4,055,521	25%	\$ 18,561,515	\$ 16,214,484	14%

The variance in comparing the three months ended December 31, 2022 over the three months ended December 31, 2021 is primarily due to the impact of FCPT's various acquisitions along with higher operating costs.

Net Operating Income ("NOI")

NOI on a cash basis excludes non-cash items such as straight-line and free rent.

	Three Months Ended			Twelve Months Ended		
	Dec 31, 2022	Dec 31, 2021	Change	Dec 31, 2022	Dec 31, 2021	Change
Rental Revenue	\$ 14,245,157	\$ 11,954,312	19%	\$ 54,018,887	\$ 46,430,420	16%
Property Operating Expenses	(5,079,674)	(4,055,521)	25%	(18,561,515)	(16,214,484)	14%
NOI - IFRS Basis	\$ 9,165,483	\$ 7,898,791	16%	\$ 35,457,372	\$ 30,215,936	17%
Less: Straight-Line Rent	(37,087)	(166,205)	(78%)	(529,836)	(440,950)	20%
Less: Free Rent	35,302	24,359	45%	147,132	99,125	48%
NOI - Cash Basis	\$ 9,163,698	\$ 7,756,945	18%	\$ 35,074,668	\$ 29,874,111	17%

The variance in comparing the three and twelve months ended December 31, 2022 over the three and twelve months ended December 31, 2021 are primarily due to the impact of the FCPT's various acquisitions, offset by higher property operating costs.

Same-Property NOI Analysis

The following tables summarize FCPT's same-property performance segmented by asset class.

Q4/2022 and 2022 same-property NOI increased/decreased across various asset classes as follows:

- **Retail:** Increased 4% (-2% for 2022) primarily due to higher occupancy, offset by higher operating expenses on a quarter over quarter basis.
- **Industrial:** Was flat (+11% for 2022) as positive rent growth was offset by higher operating costs on a quarter over quarter basis.
- **Multi-Residential:** Decreased 42% (+1% for 2022) primarily due to a reduction in occupancy, aided by higher operating costs, on a quarter over quarter basis.
- **MHCs:** Increased by 6% primarily due increasing rental rates on a quarter over quarter basis.

RETAIL	Three Months			Twelve Months		
	Dec 31, 2022	Dec 31, 2021	Change	Dec 31, 2022	Dec 31, 2021	Change
	Rental Revenue	\$ 7,924,585	\$ 7,484,890	6%	\$ 29,989,028	\$ 29,520,374
Operating Expenses	(2,694,708)	(2,456,442)	10%	(10,328,081)	(9,408,973)	10%
NOI - IFRS Basis	5,229,877	5,028,448	4%	19,660,948	20,111,401	(2%)

INDUSTRIAL	Three Months			Twelve Months		
	Dec 31, 2022	Dec 31, 2021	Change	Dec 31, 2022	Dec 31, 2021	Change
	Rental Revenue	\$ 3,255,937	\$ 3,140,348	4%	\$ 12,174,549	\$ 11,177,418
Operating Expenses	(1,179,427)	(1,067,823)	10%	(4,099,283)	(3,905,518)	5%
NOI - IFRS Basis	2,076,511	2,072,525	0%	8,075,266	7,271,900	11%

MULTI-RESIDENTIAL	Three Months			Twelve Months		
	Dec 31, 2022	Dec 31, 2021	Change	Dec 31, 2022	Dec 31, 2021	Change
	Rental Revenue	\$ 1,128,899	\$ 1,107,281	2%	\$ 4,218,743	\$ 3,391,378
Operating Expenses	(677,227)	(327,696)	107%	(1,729,011)	(926,460)	87%
NOI - IFRS Basis	451,671	779,585	(42%)	2,489,732	2,464,917	1%

MHCs	Three Months			Twelve Months		
	Dec 31, 2022	Dec 31, 2021	Change	Dec 31, 2022	Dec 31, 2021	Change
	Rental Revenue	\$ 388,940	\$ 355,414	9%	-	-
Operating Expenses	(161,145)	(139,654)	15%	-	-	0%
NOI - IFRS Basis	227,794	215,760	6%	-	-	0%

Finance Costs

Finance fee amortization relates to fees paid on securing the Facility as defined below on the FCPT's various mortgages. Non-cash interest expense relates to the fair value adjustment to interest expense required under IFRS as a result of the assumed mortgages from the FCPT's various acquisitions.

	Three Months Ended			Twelve Months Ended		
	Dec 31, 2022	Dec 31, 2021	Change	Dec 31, 2022	Dec 31, 2021	Change
Mortgage Interest	\$ 3,141,360	\$ 2,146,113	46%	\$ 11,389,928	\$ 8,074,672	41%
Bank Indebtedness Interest	118,234	81,861	44%	346,093	296,753	17%
Finance Fee Amortization	280,994	297,656	(6%)	1,006,503	982,503	2%
Non-cash Interest Expense	(37,358)	(39,839)	(6%)	(150,261)	(173,609)	(13%)
Finance Costs	\$ 3,503,230	\$ 2,485,791	41%	\$ 12,592,263	\$ 9,180,319	37%

The variance in comparing the three and twelve months ended December 31, 2022 compared to the three months and twelve months ended December 31, 2021 is related to higher mortgage interest costs as a result of acquisitions and mortgage refinancings. The weighted average interest rate of the mortgages as at December 31, 2022 stands at approximately 3.8% (December 31, 2021 – 3.3%).

General and Administrative Expenses

	Three Months Ended			Twelve Months Ended		
	Dec 31, 2022	Dec 31, 2021	Change	Dec 31, 2022	Dec 31, 2021	Change
Asset Management Fees	\$ 744,518	\$ 729,447	2%	\$ 3,424,133	\$ 2,852,946	20%
Performance Incentive Fees	702,361	60,206	1067%	953,067	2,118,237	(55%)
Public Company Expenses	71,943	71,754	0%	382,844	311,480	23%
Office & General	239,780	309,264	(22%)	987,524	1,003,579	(2%)
General & Administrative	\$ 1,758,602	\$ 1,170,671	50%	\$ 5,747,568	\$ 6,286,242	(9%)

The YoY variance is largely due to a decrease in the performance incentive fees (that were triggered from sale of investment properties in 2021), partly offset by an increase in asset management fees (due to FCPT's various acquisitions in 2022.)

Fair Value Gains (Losses)

	Three Months Ended			Twelve Months Ended		
	Dec 31, 2022	Dec 31, 2021	Change	Dec 31, 2022	Dec 31, 2021	Change
Investment Properties	\$ (420,915)	\$ 3,615,564	(112%)	\$ (25,206,191)	\$ 47,415,353	(153%)
Sale of Investment Properties	5,095,323	(197,502)	(2680%)	5,095,323	(2,108,241)	(342%)
Unit-based Compensation	(9,117)	(1,108,219)	(99%)	1,659,660	(1,728,517)	(196%)
Fair Value Gains (Losses)	\$ 4,665,291	\$ 2,309,843	102%	\$ (18,451,208)	\$ 43,578,595	(142%)

Sequential Quarterly Results

The following table shows the sequential changes from September 30, 2022 for a few key metrics.

	Three Months Ended		
	Dec 31, 2022	Sept 30, 2022	Sequential Change
Rental Revenue	\$ 14,245,157	\$ 13,278,554	7%
Property Operating Expenses	5,079,674	4,292,885	18%
NOI - IFRS Basis	9,165,483	8,985,669	2%
Finance Costs	3,503,230	3,383,148	4%
General & Admin Costs	1,758,602	1,263,736	39%

For the three months ended December 31, 2022, NOI increased 2%, while finance costs increased by 4% versus September 30, 2022 due to increased borrowings. G&A also increased sequentially due to higher office and general costs.

Co-Ownership Interests

The Trust's Properties has the following property interests and includes its proportionate share of the related assets, liabilities, revenue and expenses of these properties:

	As at December 31, 2022			
	Trust Wholly Owned	Co-Owned at Proportionate Ownership	Total	Co-Owned at 100%
Current Assets	\$ 8,720,978	\$ 7,296,776	\$ 16,017,754	\$ 13,912,586
Non-Current Assets	137,287,469	480,593,241	617,880,710	936,025,467
Total Assets	\$ 146,008,447	\$ 487,890,017	\$ 633,898,464	\$ 949,938,053
Current Liabilities	48,679,740	52,514,396	101,194,136	89,420,786
Non-Current Liabilities	28,227,572	207,962,860	236,190,432	\$ 393,737,920
Total Liabilities	\$ 76,907,312	\$ 260,477,256	\$ 337,384,568	\$ 483,158,706
Total Owners' Equity	\$ 69,101,135	\$ 227,412,761	\$ 296,513,896	\$ 466,779,347

	As at December 31, 2021			
	Trust Wholly Owned	Co-Owned at Proportionate Ownership	Total	Co-Owned at 100%
Current Assets	\$ 1,519,748	\$ 11,484,548	\$ 13,004,296	\$ 21,492,901
Non-Current Assets	98,180,571	465,171,047	563,351,618	905,151,546
Total Assets	\$ 99,700,319	\$ 476,655,595	\$ 576,355,914	\$ 926,644,447
Current Liabilities	22,952,044	33,826,479	56,778,523	41,972,835
Non-Current Liabilities	19,384,928	204,277,137	223,662,065	400,510,007
Total Liabilities	\$ 42,336,972	\$ 238,103,616	\$ 280,440,588	\$ 442,482,842
Total Owners' Equity	\$ 57,363,347	\$ 238,551,979	\$ 295,915,326	\$ 484,161,605

FFO and AFFO

	Three Months Ended			Twelve Months Ended	
	Dec 31, 2022	Sep 30, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Cash Flows from Operating Activities	\$ 8,420,355	\$ 8,380,889	\$ 8,145,747	\$ 29,970,344	\$ 26,600,632
Add (deduct):					
Tenant Rental Deposits	(87,641)	(29,046)	360,615	(334,177)	(134,361)
Accounts Payable and Accrued Liabilities	635,779	328,693	608,778	2,872,106	(4,287,787)
Restricted Cash	(10,334)	(319,887)	151,081	(1,507)	(1,640)
Prepaid Expenses, Deposits & Other Assets	(669,849)	(517,277)	(489,830)	(1,398,658)	691,774
Accounts Receivable	(879,755)	(166,919)	(2,273,613)	(1,817,592)	685,291
Finance Fee Amortization	(280,994)	(243,453)	(297,656)	(1,006,503)	(982,503)
Land Lease Amortization	(3,458)	(3,327)	83,494	36,584	33,960
Finance Costs, Net of Interest & Dividends	(3,164,899)	(3,155,405)	(2,213,839)	(11,586,634)	(8,311,501)
Unit Based Compensation Expense/ (Recovery)	(9,117)	866,816	(1,108,219)	1,659,660	(1,728,517)
Straight-Line and Free Rent Adjustments	1,785	48,807	141,846	382,704	341,825
Non-Cash Interest Expense	37,358	37,359	39,839	150,261	173,609
Subtract Performance Fee Attributed to Gain	597,620	-	(13,871)	597,620	1,686,284
FFO	\$ 4,586,850	\$ 5,227,250	\$ 3,134,372	\$ 19,524,208	\$ 14,767,066
Straight Line Rent and Free Rent Adjustments	(1,785)	(48,807)	(141,846)	(382,704)	(341,825)
Tenant Inducements, Leasing Costs & Capex	(229,137)	(224,642)	(191,673)	(886,434)	(755,398)
Non-Cash Interest Expense	(37,358)	(37,359)	(39,839)	(150,261)	(173,609)
Unit Based Compensation Expense/(Recovery)	9,117	(866,816)	1,108,219	(1,659,660)	1,728,517
AFFO	\$ 4,327,687	\$ 4,049,626	\$ 3,869,233	\$ 16,445,149	\$ 15,224,751
Gain on Sale of Investment Properties	3,984,130	-	(365,031)	3,984,130	11,241,893
Performance Fee Attributable To Gain	(597,620)	-	13,871	(597,620)	(1,686,284)
FFO including Gain on Sale of Assets	\$ 7,973,360	\$ 5,227,250	\$ 2,783,212	\$ 22,910,718	\$ 24,322,675
AFFO including Gain on Sale of Assets	\$ 7,714,197	\$ 4,049,626	\$ 3,518,073	\$ 19,831,659	\$ 24,780,364
FFO Per Unit	\$ 0.123	\$ 0.139	\$ 0.092	\$ 0.541	\$ 0.462
AFFO Per Unit	\$ 0.116	\$ 0.108	\$ 0.114	\$ 0.456	\$ 0.477
FFO including Gain on Sale of Assets	\$ 0.214	\$ 0.139	\$ 0.082	\$ 0.635	\$ 0.761
AFFO including Gain on Sale of Assets	\$ 0.207	\$ 0.108	\$ 0.103	\$ 0.550	\$ 0.776
Distributions Per Unit	\$ 0.130	\$ 0.130	\$ 0.128	\$ 0.520	\$ 0.510
FFO Payout Ratio	106%	93%	138%	96%	110%
AFFO Payout Ratio	112%	121%	112%	114%	107%

The differences between the add back of FFO and AFFO is the deduction for straight-line rent, free rent, reserves for TIs/LCs, capital expenditures and the non-cash interest expense component for all assumed mortgages, offset by the deduction for unit-based compensation expense. Under RealPAC and the Trust, unit-based compensation expense is deducted for reporting FFO. However, the Trust adds back this expense for the purpose of calculating AFFO.

The variance in comparing AFFO for the three and twelve months ended December 31, 2022 over the three and twelve months ended December 31, 2021 is largely due to the positive impact from the Trust's acquisitions and net rents, offset by higher operating, interest and G&A expenses and the impact of the various equity capital raises that occurred over the reporting period.

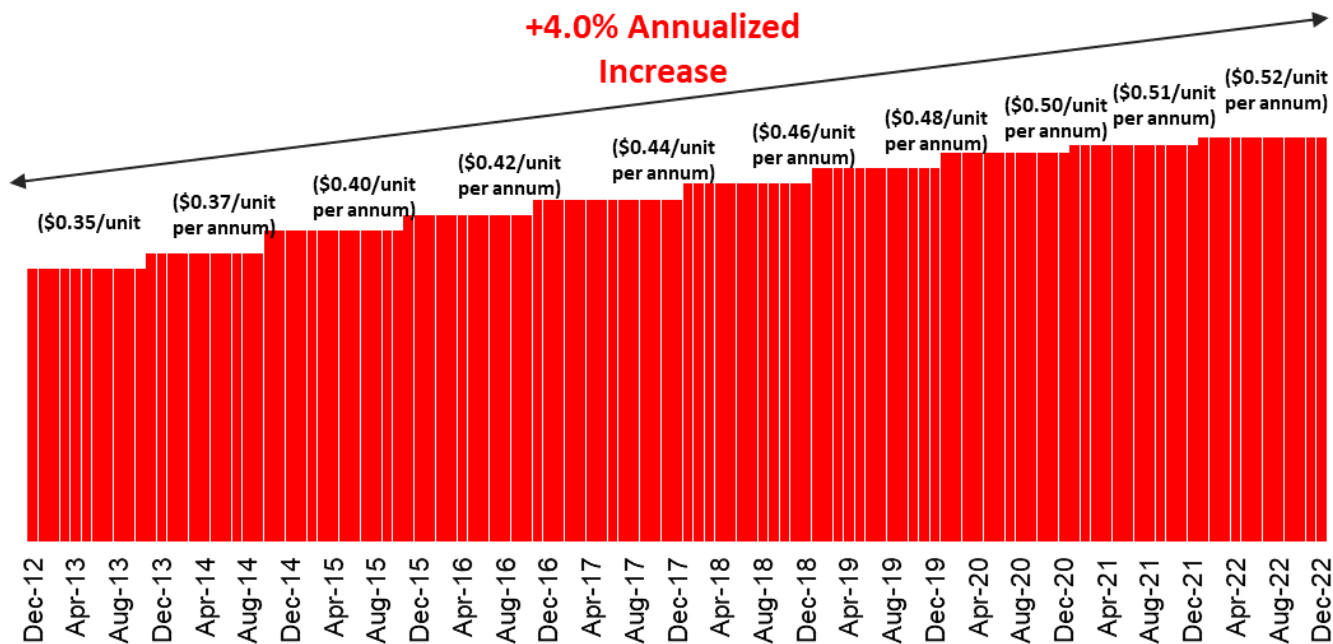
AFFO is calculated largely in accordance with the guidelines set out by RealPAC and is defined as FFO less adjustments for non-cash items such as straight-line rent, free rent and noncash interest expense as well as normalized capital expenditures, tenant inducements and leasing charges. However, under RealPAC, unit-based compensation expense is deducted for reporting AFFO, but the Trust adds back this expense and includes cash gains on the sale of real estate properties calculated as gross proceeds less the actual cost of real estate including capitalized additions.

PART V

CASH DISTRIBUTION

Since FCPT's inception in Q4/2012, distributions have been raised nine times in nine years and represents a cumulative increase of 48.6% or 4.0% on an annualized basis. For 2022, distributions were approximately 91% Return of Capital with the remaining being taxable capital gains (2021 – 48% Return of Capital with the remaining being taxable capital gains).

Historical Cash Distributions



For the twelve months ended December 31, 2022, distributions of \$0.04333 per unit were declared each month commencing in January 2022 through to December 2022. For the twelve months ended December 31, 2021, distributions of \$0.0425 per unit were declared each month.

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

PAYOUT RATIO

The excess/(shortfall) of cash flow from operating activities over distributions and net income and comprehensive income over distributions for the three months ended December 31, 2022, and December 31, 2021 and twelve months ended December 31, 2022 and December 31, 2021 are outlined below:

	Three Months Ended			Year Ended		
	Dec 31, 2022	Dec 31, 2021	Change	Dec 31, 2022	Dec 31, 2021	Change
CF From Operating Activities (A)	\$ 8,420,355	\$8,145,747	3%	\$29,970,344	\$26,600,632	13%
Net Cash Interest Expense						
Less: Mortgage Interest	(3,751,997)	(1,946,164)	93%	(11,389,928)	(8,074,672)	41%
Less: Bank Indebtedness Interest	(118,234)	(36,067)	228%	(346,093)	(296,753)	17%
Add: Interest and Other Income	94,695	14,133	570%	149,387	59,924	149%
Net Cash Interest Expense (B)	(3,775,536)	(1,968,098)	92%	(11,586,634)	(8,311,502)	39%
Net CF from Operating Activities						
(A-B) = (C)	4,644,819	6,177,648	(25%)	18,383,710	18,289,132	1%
Net Income & Comprehensive Income (D)	8,663,638	6,566,305	32%	(1,184,280)	58,387,894	(102%)
Distributions (E)	4,841,251	4,316,431	12%	18,862,026	16,367,183	15%
Excess / (Shortfall) CF From Operating Activities Over Distributions (C-E)	(\$196,432)	\$1,861,217	(111%)	(\$478,316)	\$1,921,950	(125%)
Excess / (Shortfall) of Net Income & Comprehensive Income Over Distributions (D-E)	\$3,822,387	\$2,249,874	69%	(\$20,046,306)	\$42,020,712	(148%)

For the three months and twelve months ended December 31, 2022, the Trust had distributions in excess of operating income. The shortfalls are largely due to the timing of deposits and amounts receivables which impact cash flows from operating activities and fair value losses which are non-cash in nature. Had these adjustments not occurred, these figures would be in excess of distributions.

DISTRIBUTION REINVESTMENT PLAN (DRIP)

Under the terms of the DRIP, FCPT's Unitholders may elect to automatically reinvest all or a portion of their regular monthly distributions in additional Trust Units, without incurring brokerage fees or commissions. Units purchased through the DRIP are acquired at the weighted average closing price of the Trust Units in the five trading days immediately prior to the distribution payment date, either in the open market or be issued directly from FCPT's treasury based on a floor price to be set at the discretion of the board of trustees. Currently, there are 257,075 units reserved under the DRIP.

For the twelve months ended December 31, 2022 and December 31, 2021, 380 and 290 Trust Units were issued, respectively, from treasury for total gross proceeds of \$2,500 and \$2,000, respectively, to Unitholders who elected to receive their distributions as units under the DRIP.

PART VI

BALANCE SHEET

Included in the following section is a discussion of the various components of the balance sheet.

Investment Properties

As at December 31, 2022, the Trust's property portfolio consisted of 73 properties with a fair value of \$616.3 million, in comparison to the \$563.4 million reported as at December 31, 2021. The variance is largely due to increases in fair value adjustments from changes in NOI, capital expenditures and the Trust's acquisitions. The investment portfolio valuation is allocated by property type as follows:

	Retail and Commercial	Core Service Provider Office	Industrial	Multi- residential	Manufactured Housing Communities	Total
December 31, 2020	\$ 312,639,485	\$ 5,332,276	\$ 111,427,137	\$ 20,028,495	-	\$ 449,427,393
Acquisitions	9,974,558	-	15,341,533	30,261,000	14,072,347	69,649,438
Dispositions	(7,890,000)	-	-	-	-	(7,890,000)
Assets Held for Sale	-	-	-	-	-	-
Capital Expenditures	1,622,827	18,057	2,073,666	593,936	-	4,308,486
Straight-line Rents	225,408	1,022	214,518	-	-	440,948
Fair Value Adjustment	4,857,860	(62,998)	42,394,636	225,855	-	47,415,353
December 31, 2021	\$ 321,430,138	\$ 5,288,357	\$ 171,451,490	\$ 51,109,286	\$ 14,072,347	\$ 563,351,618
Acquisitions	-	-	24,745,482	56,747,737	-	81,493,219
Dispositions	(2,544,529)	(5,285,719)	-	-	-	(7,830,248)
Capital Expenditures	2,521,595	-	798,178	611,725	83,123	4,014,621
Straight-line Rents	312,480	(2,638)	172,849	-	-	482,691
Fair Value Adjustment	(18,876,270)	-	(880,096)	(9,539,113)	4,089,288	(25,206,191)
December 31, 2022	\$ 302,843,414	-	\$ 196,287,903	\$ 98,929,635	\$ 18,244,758	\$ 616,305,710

For the year ended December 31, 2022, senior management of the Trust valued the Investment Properties using the overall capitalization method and independent third party appraisals. Investment properties are valued on a highest and best use basis. For all of the Trust's investment properties, the current use is considered the best use. Fair value was determined by applying a capitalization rate to stabilized net operating income ("Stabilized NOI"). Stabilized NOI incorporates allowances for vacancy, management fees and structural reserves for tenant inducements and capital expenditures to which a capitalization rate is applied that is deemed appropriate for investment property. Capitalization rates are based on many factors, including but not limited to the asset location, type, size and quality of the asset and taking into account any available market data at the valuation date.

Properties are typically independently appraised at the time of acquisition or refinancing when required. When an independent appraisal is obtained, the Trust assesses all major inputs used by the independent valuers in preparing their reports and holds discussions with them on the reasonableness of their assumptions. The reports are then used by the Trust for consideration in preparing the valuations as reported in these consolidated financial statements.

Capitalization rates used in the valuation of investment properties as of December 31, 2022 are based on current market data.

The Trust continues to review its cash flow projections, liquidity and the estimated fair value of its real estate portfolio in these challenging times. Capitalization rates could change materially as additional market data becomes available.

The properties independently appraised each year represent a subset of the property types and geographic distribution of the overall portfolio. During the year ended December 31, 2022, approximately 18% of the portfolio has been independently appraised (27% during the year ended December 31, 2021). A breakdown of

the aggregate fair value of investment properties independently appraised each quarter, in accordance with the Trust's policy, is as follows:

	2022			2021		
	Number of investment properties	Fair value at 100%	Fair value at Trust's share	Number of investment properties	Fair value at 100%	Fair value at Trust's share
Q1	1	\$ 57,000,000	\$ 57,000,000	3	\$ 61,790,000	\$ 39,753,000
Q2	1	36,750,000	18,375,000	26	180,600,000	90,300,000
Q3	3	36,341,000	36,341,000	1	10,850,000	5,425,000
Q4	-	-	-	3	15,440,000	15,440,000
Total	5	\$ 130,091,000	\$ 111,716,000	33	\$ 268,680,000	\$ 150,918,000

Investment Properties measured at fair value are categorized by level according to the inputs used. The Trust has classified these inputs as Level 3. With the exception of the acquisition and dispositions of investment properties as further described in note 4 of the condensed consolidated interim financial statements, there have been no transfers into or out of Level 3 in the current year. Significant unobservable inputs in Level 3 valuations are as follows:

	Retail & Commercial	Core Service Provider Office	Industrial	Multi-Residential	Manufactured Housing Communities	Weighted Average
December 31, 2022						
Capitalization Rate Range	4.00% - 8.00%	n.a.	3.05% - 9.03%	4.75% - 5.00%	4.75% - 5.75%	5.84%
Weighted Average Capitalization Rate	6.48%	n.a.	5.41%	4.87%	5.07%	5.84%

	Retail & Commercial	Core Service Provider Office	Industrial	Multi-Residential	Manufactured Housing Communities	Weighted Average
December 31, 2021						
Capitalization Rate Range	3.0% - 7.50%	7.00%	3.95% - 6.50%	4.65% - 5.00%	5.75%	5.56%
Weighted Average Capitalization Rate	6.10%	7.00%	4.69%	4.88%	5.75%	5.56%

Sale of Investment Properties

On May 18, 2022, the Trust completed the sale of a retail property from the Centre Ice Retail Portfolio, for gross proceeds of approximately \$0.6 million. The Trust's pro-rata share of the gross proceeds was \$0.4 million. The Trust recognized a loss on sale of \$0.05 million.

On December 21, 2022, the Trust completed the sale of retail property in Pembroke, Ontario for gross proceeds of \$2.7 million. The Trust recognized a gain on sale of approximately \$0.2 million.

On December 29, 2022, the Trust completed the sale of an office property in Barrie, Ontario for gross proceeds of \$10.5 million. As part of the transaction, the Trust provided a first priority vendor take back mortgage of approximately \$6.8 million for a one year term at an interest rate of 4.0% and a second priority vendor takeback mortgage of approximately \$1.6 million for a five year term at an interest rate of 5.0% for the first two years, 6.0% for the third and fourth year and 7.0% for the final year. The Trust recognized a gain on sale of approximately \$5.0 million.

During the year ended December 31, 2021, the Trust completed sales of twelve retail properties from the Centre Ice Retail Portfolio, for gross proceeds of approximately \$31.3 million. The Trust's pro-rata share of the gross proceeds was \$21.9 million. The Trust recognized a loss on sale of \$1.7 million related to transaction costs. During the year, the Trust also sold its 100% owned retail commercial property located in Hanover, Ontario for gross proceeds of approximately \$6.0 million, and recognized a loss on sale of approximately \$0.4 million related to transaction costs.

Mortgages Receivable

As part of one of the dispositions of the Centre Ice Retail Portfolio properties in 2021, a mortgage was taken back from the purchaser for \$1.0 million. Terms are 5% interest only, two year term, fully open for repayment prior to maturity on March 1, 2023 and fully secured against the disposed property. The Trust's portion of the mortgage receivable is \$0.7 million as at December 31, 2022 (\$0.7 million as at December 31, 2021).

As noted in the Sale of Investments Properties section, two mortgage take backs occurred as the result of the sale of Barrie, Ontario for \$8.4 million on December 29, 2022.

Current Assets

Current assets as at December 31, 2022, September 30, 2022 and December 31, 2021 consisted of the following:

	Dec 31, 2022	Sep 30, 2022	Dec 31, 2021
Accounts Receivable	\$ 1,179,618	\$ 2,059,373	\$ 2,984,658
Prepaid Expenses, Deposits & Other Assets	2,126,471	2,761,549	3,221,129
Cash & Cash Equivalents	4,985,624	5,417,453	5,895,961
Restricted Cash	201,041	211,375	202,548
Mortgages Receivable	7,525,000	700,000	-
Assets Held For Sale	-	7,584,749	-
	\$ 16,017,754	\$ 18,734,499	\$ 12,304,296

Accounts receivable consist mainly of tenant receivables, and Harmonized Sales Tax ("HST") and Quebec Sales Tax ("QST") recoveries from the Canada Revenue Agency and Revenue Quebec, respectively. Prepaid expenses, deposits and other assets consist mainly of prepaid property taxes, insurance, utility deposits, deferred financing costs related to the Facility, acquisition deposits and the capitalization of free rent provided to tenants as required under IFRS. Restricted Cash represents realty tax escrows requested by the lender on the Guelph Retail Portfolio mortgage. Mortgages Receivable consists of mortgages taken back from the sale of investment properties. Assets Held For Sale consists of the fair market value of assets to be sold as outlined above.

CONTRACTUAL OBLIGATIONS

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

	Less than 1 Year	1 - 2 Years	>2 Years	Total
Mortgages (note 7a)	\$ 73,012,398	\$ 96,504,822	\$ 137,415,450	\$ 306,932,670
Bank Indebtedness (note 6)	18,726,067	-	-	18,726,067
Tenant Rental Deposits	538,900	403,459	1,608,270	2,550,629
Distribution Payable	1,607,547	-	-	1,607,547
Land Lease Liability (note 7b)	38,870	85,183	97,946	221,998
Accounts Payable and Accrued Liabilities (note 5)	7,497,013	-	-	7,497,013
	\$ 101,420,795	\$ 96,993,465	\$ 139,121,666	\$ 337,535,925

DEBT STRATEGY

FCPT's objectives when managing capital are to safeguard its ability to continue as a going concern and to generate sufficient returns to provide unitholders with stable cash distributions. The Trust's capital currently consists of bank indebtedness, mortgages and unitholders' equity.

FCPT's Declaration of Trust permits the Trust to incur or assume indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the Trust is not more than 75% of the gross book value of FCPT's total assets. Gross Book Value ("GBV") is defined in the Declaration of Trust as "at any time, the book value of the assets of the Trust and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet, plus the

amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets) shown thereon or in the notes thereto plus the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by the Trust shown thereon or in the notes thereto, or if approved by a majority of the Trustees at any time, the appraised value of the assets of the Trust and its consolidated subsidiaries may be used instead of book value." As at December 31, 2022 and December 31, 2021, the ratio of such indebtedness to gross book value was 51.4% and 45.9% respectively, which complies with the requirement in the Declaration of Trust and is consistent with FCPT's objectives.

With respect to the bank indebtedness, the Trust must maintain ratios including minimum Unitholders' equity, maximum debt/GBV, minimum interest service and debt service coverage ratios. The Trust monitors these ratios and was in compliance with these requirements throughout the periods ended December 31, 2022 and December 31, 2021.

In addition to the above key ratio, FCPT's mortgages has various covenants calculated as defined within these agreements. The Trust monitors these covenants and was in compliance as at December 31, 2022 and December 31, 2021.

DEBT STRUCTURE

Mortgages

The following tables show the scheduled principal and interest payments of the FCPT's mortgages outstanding. The weighted average interest rate at the end of December 31, 2022 is 3.8% (3.3% as at December 31, 2021) and weighted average repayment term of approximately 3.0 years (3.2 years as at December 31, 2021). The mortgages are repayable as follows:

	Scheduled Principal Repayments	Debt Maturing During The Period	Total Mortgages Payable	Scheduled Interest Payments
2023	5,962,358	67,050,040	73,012,398	9,106,660
2024	4,362,139	92,142,683	96,504,822	6,315,496
2025	3,407,294	13,186,495	16,593,789	4,702,198
2026	2,642,704	41,935,043	44,577,747	4,455,090
2027	1,542,785	17,040,957	18,583,742	2,713,230
Thereafter	4,255,160	53,405,012	57,660,172	5,833,244
Face Value	\$ 22,172,440	\$ 284,760,231	\$ 306,932,670	\$ 33,125,917
Unamortized Financing Costs			(373,481)	
Mark to Market on Assumed Mortgages			222,125	
Total Mortgages			\$ 306,781,314	

	December 31, 2022	December 31, 2021
Current:		
Mortgages	\$ 73,012,398	\$ 18,347,693
Unamortized Financing Costs	(373,481)	(471,909)
Mark to Market on Assumed Mortgages	146,822	109,374
	\$ 72,785,739	\$ 17,985,158
Non-Current:		
Mortgages	\$ 233,920,272	\$ 222,024,691
Unamortized Financing Costs	-	(360,105)
Mark to Market on Assumed Mortgages	75,303	263,013
	\$ 233,995,575	\$ 221,927,599
Total Mortgages	\$ 306,781,314	\$ 239,912,757

On April 30, 2021, the Mountview Manufactured Housing Communities was financed with an \$11.3 million first mortgage from a Canadian Chartered Bank. The interest only mortgage carries a 2.5% interest rate and a 1-year term. The Trust's pro rata share of the mortgage is \$5.7 million and matures on April 30, 2022. This mortgage was refinanced as described below.

On May 3, 2021, the Trust financed a new \$17.0 million mortgage (\$11.9 million Trust's pro-rated share) as part of the acquisition in Edmonton, Alberta as described in note 3 of the consolidated financial statements. The mortgage has a 2.36% interest rate, amortizes and matures on May 1, 2026.

On May 5, 2021, the Trust financed a new \$13.7 million mortgage (\$9.6 million Trust's pro-rated share) as part of the acquisition in Lower Sackville, Nova Scotia as described in note 3 of the consolidated financial statements. The mortgage has a 2.40% interest rate and matures on June 1, 2026.

On September 10, 2021, the Trust financed a new \$7.7 million mortgage for its Hidden Creek Manufactured Housing Communities. The Trust's portion was \$3.9 million. The mortgage has a 3.04% interest rate, amortizes and matures on September 14, 2026.

During the twelve months ended December 31, 2021, the Trust completed sales of twelve retail properties from the Centre Ice Retail Portfolio for gross proceeds of approximately \$31.3 million. The Trust's pro-rata share of gross proceeds was \$21.9 million. The Trust used these proceeds to reduce the mortgage balance on the portfolio encumbering the Centre Ice Portfolio. As such, no amount is owing on the Centre Ice Portfolio.

On January 20, 2022, the Trust closed a \$9.8 million first mortgage with a Canadian Chartered Bank for the three industrial properties located in Woodstock and Stratford, Ontario acquired on December 7, 2021. Terms of the mortgage are a 3.95% interest rate with a 10 year amortization due June 10, 2032.

On February 14, 2022, as part of the \$56.3 million multi-residential acquisition located in Point Claire, Quebec for \$56.3 million, the Trust financed with a new \$39.5 million mortgage with a Canadian Chartered Bank. Terms of the mortgage are at a floating interest rate of BA + 1.75%, interest only and due February 14, 2023.

On March 15, 2022, the Trust closed an \$8.9 million first mortgage with a Canadian Chartered Bank for the Core Toronto Retail Property located in Toronto, Ontario acquired on September 28, 2021. Terms of the mortgage are a 3.24% interest rate, interest only for the first two years, 28 year amortization due March 15, 2027.

On April 12, 2022, the Trust closed on a \$11.9 million first mortgage with a Canadian Chartered bank for a multi-tenant industrial portfolio located in Edmonton, Alberta. Terms of the mortgage are a 4.41% fixed rate, five year term, 25 year amortization due on April 12, 2027.

On July 5, 2022, the Trust closed on the refinancing of a first mortgage with a Canadian Chartered Bank on a multi-residential property located in Ottawa, Ontario for \$5.0 million dollar. Terms of the mortgage are fixed at 4.75%, 2 year term, 30 year amortization with a maturity date of July 5, 2024.

On August 8, 2022, the Trust closed on the refinancing of a first mortgage with a Canadian Chartered Bank on a manufactured homes community located in Calgary, Alberta for \$7.5 million. Terms of the mortgage are fixed at 4.42%, 7 year term, 30 year amortization and with a maturity date of July 9, 2029.

On December 13, 2022, the Trust closed on an early renewal of the mortgage on the Montreal Industrial Portfolio for proceeds of \$44.0 million at a 4.88% interest rate, amortizing and for a term of seven years. The previous mortgage was at a 3.98% interest rate and was set to mature in August 2023. As part of the early repayment of the mortgage the lender paid out an early break fee of approximately \$0.6 million to the property partnership. The Trust has a 50% interest in the mortgage.

On December 21, 2022, the Trust closed on a 50% interest in two multi-tenant industrial properties located in Edmonton, Alberta. The acquisition price of the portfolio was \$3.2 million (including transaction costs). The acquisition of the portfolio was financed through the assumption of a \$1.2 million mortgage and a new \$0.9 million mortgage.

Revolving Operating Facility

FCPT has entered into a Revolving Operating Facility (the “Facility”) with a Canadian Chartered Bank (the “Bank”) fully secured by first charges against certain investment properties. On December 31, 2022, the total amount available under the Facility was \$19.0 million. The interest rate is based on a calculated formula using the Bank’s prime lending rate. Amounts drawn under the Facility are due to be repaid at the maturity date on October 31, 2024.

Amounts drawn under the Facility as at December 31, 2022 and December 31, 2021 were \$2,473,100 and \$14,797,896, respectively.

Line of Credit

FCPT has entered into a Line of Credit (the “LOC”) with a Canadian Chartered Bank (the “Bank”) fully secured by first charges against the Merivale Mall Property. On December 31, 2022, the total amount available under the LOC was \$22.0 million. The interest rate is based on a calculated formula using the Bank’s prime lending rate. Amounts drawn under the Facility are due to be repaid at the maturity date on November 30, 2025. Amounts drawn under the LOC as December 31, 2022, and December 31, 2021 were \$16,252,967 and \$9,999,985, respectively.

Within the Montreal Industrial Portfolio, where the Trust is a 50% co-owner of the joint arrangement, a co-terminus \$1 million LOC with a Bank was established with the existing mortgage on the Industrial Portfolio that has a maturity Date of December 2029. The interest rate is based on a calculated formula using the Bank’s prime lending rate. Amounts drawn under the line attributed to the Trust as at December 31, 2022 was \$nil (2021 – \$nil).

Land Lease Liability

On May 9, 2019, as part of the FCR Retail Portfolio the joint arrangement assumed a land lease on a retail property located in Ottawa, Ontario. The terms of the land lease are gross annual payments of \$101,040 per annum that mature on April 1, 2027. The land lease liability is calculated in accordance with IFRS 16, using a present value of the remaining lease payments, discounted using the incremental borrowing rate at May 9, 2019 of 6.13% for the term of the lease. The Trust’s pro-rata portion of the lease liability at 50% is as follows:

	Lease Liability			Ending Balance
	Opening Balance	Lease Payment	Imputed Interest Expense	
2023	\$ 221,998	\$ (50,520)	\$ 11,650	\$ 183,128
2024	183,128	(50,520)	9,220	141,828
2025	141,828	(50,520)	6,638	97,946
2026	97,946	(50,520)	3,896	51,322
2027	51,322	(46,109)	1,126	6,339
				December 31, 2022
Current				\$ 38,870
Non-Current				183,128
Total				\$ 221,998

UNITHOLDERS' EQUITY

Unitholders' equity as at December 31, 2022 was \$296,513,896. This is comprised of retained earnings of \$77,803,257 and the following Trust Units:

	Number of Units	Amount
Balance, December 31, 2020	29,349,694	\$ 167,623,102
Options Exercised	553,333	3,378,669
Issuance of Units from Distribution Reinvestment Plan	290	2,000
Public Equity Offering	4,107,800	27,061,992
Balance, December 31, 2021	34,011,117	198,065,763
Options Exercised	295,000	1,843,750
Issuance of Units from Distribution Reinvestment Plan	380	2,500
Public Equity Offering	3,243,000	21,423,261
Normal Course Issuer Bid	(449,400)	(2,624,635)
Balance, December 31, 2022	37,100,097	218,710,639

Options Exercised

During the twelve months ended December 31, 2022, 295,000 Trust Unit options at a weighted average price of \$6.25 per Trust Unit were exercised for gross proceeds of approximately \$1.8 million.

During the twelve months ended December 31, 2021, 553,333 Trust unit options at a weighted average price of \$6.11 per Trust Unit were exercised for gross proceeds of approximately \$3.4 million.

Public Equity Offering

On May 25, 2022 and May 31 2022, the Trust completed a public equity offering of 3,243,000 Trust Units at a price of \$7.10 per Trust Unit for gross proceeds of approximately \$23.0 million (\$21.5 million, net of closing costs).

On June 8, 2021, the Trust completed a public equity offering of 4,107,800 Trust Units at a price of \$7.00 per Trust Unit for gross proceeds of approximately \$28.8 million (\$27.1 million, net of closing costs).

As at March 20, 2023, there were 37,070,297 Trust Units issued and outstanding.

Unit Purchase Plan (UPP)

Unitholders who elect to receive Trust Units under the DRIP may also enroll in FCPT's Unit Purchase Plan. The UPP gives each Unitholder who is resident in Canada the right to purchase additional units of the Trust monthly. Under the terms of the UPP, FCPT's Unitholders may purchase a minimum of \$1,000 of Units on each Monthly Purchase Date and maximum purchases of up to \$12,000 per annum. The aggregate number of Units that may be issued may not exceed 2% of the Units of the Trust per annum.

Registered Unitholders may enroll in the DRIP and the UPP by completing a form and submitting to Equity Financial Trust Company at the address set out in the form, or contact the Trust for copies of the forms. Beneficial Unitholders are encouraged to see their broker or other intermediary for enrolment information. The expected level of insider participation by management and trustees of the Trust under the DRIP and the UPP is currently not known. The DRIP and the UPP are subject to certain limitations and restrictions; interested participants are encouraged to review the full text of the DRIP and UPP at www.firmcapital.com.

UNIT BASED LIABILITIES

Option Plan

Under the Trust's unit option plan, the aggregate number of unit options reserved for issuance at any given time shall not exceed 10% of the number of outstanding Trust Units. As at December 31, 2022, the Trust has 3,610,000 Trust Unit options issued and outstanding at a fair market value of \$835,359 consisting of the following issuances:

On March 26, 2018, the Trust granted 600,000 Trust Unit options at a weighted average exercise price of \$6.25 per Trust Unit. 525,000 unit options fully vested on the date of the grant with the remaining 75,000 vesting at one-third each year for the next three years and expire on March 26, 2023. The balance as at December 31, 2022 was 220,000 Trust unit options.

On November 8, 2018, the Trust granted 60,000 Trust Unit options at a weighted average exercise price of \$6.35 per Trust Unit. The unit options fully vested on the date of grant and expire on November 8, 2023. The balance as at December 31, 2022 was 60,000 Trust unit options.

On August 14, 2019, the Trust granted 1,400,000 Trust Unit options at a weighted average exercise price of \$6.40 per Trust Unit. 1,290,000 unit options fully vested on the date of the grant with the remaining 110,000 vesting at one-third each year for the next three years and expire on August 14, 2024. The balance as at December 31, 2022 was 1,290,000 Trust unit options.

On December 1, 2020, the Trust granted 400,000 Trust Unit options at a weighted average exercise price of \$6.75 per Trust Unit. 360,000 unit options fully vested on the date of the grant with the remaining 40,000 vesting at one-third each year for the next three years and expire on December 1, 2025. The balance as at December 31, 2022 was 350,000 Trust unit options.

On March 15, 2021, the Trust granted 10,000 Trust Unit options at a weighted average exercise price of \$6.75 per Trust Unit. 3,333 unit options fully vest on the date of the grant with the remaining 6,667 vesting over the following 2 years and expire on March 15, 2026. The balance as at December 31, 2022 was 10,000.

On June 14, 2022, the Trust granted 1,740,000 Trust Unit options at a weighted average exercise price of \$7.10 per Trust Unit. 1,360,000 unit options fully vest on the date of the grant with the remaining 380,000 vesting over 3 years and expire on June 14, 2027. The balance as at December 31, 2022 was 1,680,000.

Unit-based compensation related to the aforementioned unit options stands at a recovery of \$1,659,660 for the year ended December 31, 2022 (an expense \$1,728,517 for the year ended December 31, 2021). Unit-based compensation was determined using the Black-Scholes option pricing model and based on the following assumptions:

	As at December 31, 2022	As at December 31, 2021
Expected Option Life (Years)	3.1	2.4
Risk Free Interest Rate	3.70%	1.04%
Distribution Yield	9.14%	6.55%
Expected Volatility	21.83%	20.00%

Expected volatility is based in part on the historical volatility of the Trust Units consistent with the expected life of the option. The risk free interest rate of return is the yield on zero-coupon Government of Canada bonds of a term consistent with the expected option life.

The estimated fair value of an option under the Trust's unit option plan at the date of grants were \$0.40, \$0.36, \$0.34, \$0.16 and \$0.43 per unit option for March 26, 2018, November 8, 2018, August 14, 2019, December 1, 2020 and June 14, 2022 issuances, respectively.

Deferred Trust Units

On August 1, 2018, 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 at the volume weighted average trading price of the units on the TSX for the five days trading immediately preceding the date on which DTUs are granted. Distributions equivalents are awarded in respect of the DTU holders on the same basis as unitholders and credited to the DTU holders account as additional DTUs. As at December 31, 2022, the outstanding liability was \$74,971.

RELATED PARTY TRANSACTIONS

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and are measured at fair value.

Asset Management Agreement

FCPT has entered into an Asset Management Agreement with FCRPI and Firm Capital Property Limited Partnership has entered into a Performance Incentive agreement, entities indirectly related to certain trustees and management of FCPT. The term of the contract is initially ten years and automatically renews for successive five year periods. Details of the Asset Management Agreement are posted on SEDAR (www.SEDAR.com) and in the notes to the financial statements.

For the twelve months ended December 31, 2022 and December 31, 2021, Asset Management Fees were \$3,424,133 and \$2,852,946; Acquisition Fees were \$595,488 and \$514,554; Placement fees were \$252,851 and \$140,787; and Performance Incentive Fees were \$953,067 and \$2,118,237, respectively. Asset management fees and acquisition fees have increased due to the increase in portfolio size. The performance fees have decreased based on lower dispositions in 2022 versus 2021.

Asset Management and Performance Incentive Fees are recorded in General and Administrative Expenses while Acquisition and Placement Fees are capitalized to Investment Properties, Mortgages and Unitholders’ Equity on the Consolidated Balance Sheet.

Unrealized Performance Incentive Fees, pursuant to the Asset Management Agreement with the Asset Manager, are a contingent liability of the Trust in the event of contract termination or asset disposition and represent approximately \$11.1 million as being contingently payable to the Asset Manager. The respective Net Asset Value of the assets of the Trust have been reduced accordingly due to the treatment of the contingent liability.

Property Management Agreement

FCPT has entered into a Property Management Agreement with FCPMC, an entity indirectly related to certain trustees and management of FCPT. The term of the contract is initially ten years and automatically renews for successive five year periods. Details of the Property Management Agreement are posted on SEDAR (www.SEDAR.com) and in the notes to the financial statements.

For the year ended December 31, 2022 and December 31, 2021, Property Management Fees were \$1,258,010 and \$958,977 and Commercial Leasing Fees were \$133,814 and \$129,702, respectively.

For the year ended December 31, 2022, Property Management Fees were higher than the amount reported at December 31, 2021 largely due to the various acquisitions as discussed above.

Property Management Fees are charged monthly. Commercial leasing and renewal fees are charged on a per lease basis.

PART VII

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, FCPT's Audit Committee and Board of Trustees provide an oversight role with respect to all public financial disclosures by FCPT, and have reviewed and approved this MD&A and the consolidated financial statements as at December 31, 2022 and December 31, 2021.

Controls And Procedures

FCPT 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 their direct supervision of, the design and operating effectiveness of FCPT's disclosure controls and procedures (as defined in

National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2022 and have concluded that such disclosure controls and procedures were appropriately designed and were operating effectively.

FCPT has also established adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of FCPT'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 FCPT'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, 2022. Based on that assessment, it was determined that FCPT'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 FCPT's internal controls over financial reporting during the period ended December 31, 2022 that would have materially affected or would be reasonably likely to materially affect FCPT'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.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied by the Trust are described in note 2 of FCPT's consolidated financial statements for the year ended December 31, 2022 and accordingly should be read in conjunction with them.

Estimates

The critical accounting estimates have been set out in FCPT's consolidated financial statements for the year ended December 31, 2022 and accordingly should be read in conjunction with them.

Critical Judgement

Critical judgments have been set out in the consolidated financial statements for the year ended December 31, 2022 and accordingly should be read in conjunction with them.

RISKS AND UNCERTAINTIES

FCPT is faced with the following ongoing risk factors, among others, that would affect Unitholders' equity and FCPT's ability to generate returns. All real property investments are subject to elements of risk. General economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors affect such investments. The Trust's properties are located across Canada. As a result, our properties are impacted by factors specifically affecting their respective real estate markets. These factors may differ from those affecting the real estate markets in other regions of Canada.

LIQUIDITY & GENERAL MARKET CONDITIONS

FCPT faces the risk associated with general market conditions and their potential consequent effects. Current general market conditions may include, among other things, the insolvency of market participants, tightening lending standards and decreased availability of cash, and changes in unemployment levels, retail sales levels, and real estate values along with access to capital. These market conditions may affect occupancy levels and FCPT's ability to obtain credit on favorable terms or to conduct financings through the public market.

REAL PROPERTY OWNERSHIP AND TENANT RISKS

Real property investments are relatively illiquid. This illiquidity will tend to limit the ability of the Trust to respond to changing economic or investment conditions. If the Trust were to be required to liquidate assets quickly, there is a risk the proceeds realized from such 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 certain types 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 rental payments made by the tenants thereof. The ability to rent unleased space 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. Cash available for distribution 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 favorable 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 FCPT's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for FCPT's properties or revenues to be derived therefrom. Reported estimates of market rent can be seasonal and the significance of any variations from quarter to quarter would materially affect FCPT's annualized estimated gain-to-lease amount. There can be no assurance that upon the expiry or termination of existing leases, 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.

COMPETITION

Many of the sectors in which the Trust operates are highly competitive. The Trust faces competition from many sources, including from other buildings in the immediate vicinity of the properties and the broader geographic areas where FCPT's properties are and will be located. In addition, overbuilding in the geographic areas where FCPT's properties are located may increase the supply of competing properties and may reduce occupancy rates and rental revenues of the Trust and could have a material adverse effect on FCPT's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units.

FCPT's ability to make real estate investments in accordance with FCPT's objectives and investment policies depends upon the availability of suitable investments and the general economy and marketplace. Increased competition for acquisitions in the geographies in which the Trust operates from other acquirers of real estate may impact the availability of suitable investments and achievable investment yields for FCPT.

CHANGES IN APPLICABLE LAWS

FCPT's operations will have to comply with numerous federal, provincial 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 FCPT'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 landlord/tenant laws, or (iii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of FCPT's properties, including changes to building codes and fire and life-safety codes.

UNEXPECTED COSTS OR LIABILITIES RELATED TO ACQUISITIONS

Risks associated with real property acquisitions are that there may be an undisclosed or unknown liability concerning the acquired properties, and the Trust may not be indemnified for some or all of these liabilities. Following an acquisition, the Trust may discover that it has acquired undisclosed liabilities, which may be material. The Trust conducts what it believes to be an appropriate level of investigation in connection with its acquisition of properties and seeks through contract to ensure that risks lie with the appropriate party.

ACCESS TO CAPITAL

The real estate industry is highly capital intensive. The Trust will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance that the Trust will have access to sufficient capital or access to capital on terms favorable to the Trust for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, the Trust may not be able to borrow funds due to the limitations set forth in the Declaration of Trust.

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 issuers 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 materially and adversely affect economies around the world in the near to medium term. These market conditions and unexpected volatility or illiquidity in financial markets may inhibit FCPT's access to long-term financing in the Canadian capital markets. As a result, it is possible that financing which the Trust may require in order 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 favorable terms to FCPT. Failure by the Trust to access required capital could have a material adverse effect on FCPT's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units.

INTEREST RATE & DEBT FINANCING RISK

FCPT will be subject to the risks associated with debt financing. There can be no assurance that the Trust will be able to refinance its existing indebtedness on terms that are as or more favorable to the Trust as the terms of existing indebtedness. The inability to replace financing of debt on maturity would have an adverse impact on the financial condition and results of FCPT.

ENVIRONMENTAL RISK

Environmental and ecological related policies have become increasingly important in recent periods. Under various federal, provincial and municipal laws, an owner or operator of real property could become liable for the cost of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The existence of such a liability can have a negative impact on the value of the underlying real property.

It is our policy to obtain a Phase I environmental audit conducted by a qualified environmental consultant prior to acquiring any additional property, who has the appropriate insurance coverage. In addition, where appropriate, tenant leases generally specify that the tenant will conduct its business in accordance with environmental regulations and be responsible for any liabilities arising out of infractions to such regulations.

LEGAL RISK

In the normal course of FCPT'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 FCPT'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 FCPT's business operations, which could have a material adverse effect on FCPT's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units.

LEASE ROLLOVER RISK

The value of investment properties and the stability of cash flows derived from those properties are dependent upon the level of occupancy and lease rates in those properties. Upon expiry of any lease, there is no assurance that a lease will be renewed on favorable terms, or at all; nor is there any assurance that a tenant can be replaced. A contraction in the Canadian economy would negatively impact demand for space in our properties, consequently increasing the risk that leases expiring in the near term will not be renewed.

INCOME TAX RISK

On December 22, 2007, the SIFT Rules were enacted. Under the SIFT Rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to the tax.

The SIFT Rules do not apply to a "real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The Trust has reviewed the REIT Conditions and has

assessed their interpretation and application to FCPT's assets and liabilities. The Trust believes that it has met the REIT Conditions throughout the relevant periods ended. There can be no assurances, however, that the Trust will continue to be able to satisfy the REIT Conditions in the future such that the Trust will not be subject to the tax imposed by the SIFT Rules.

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 FCPT's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units. 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 as a result of the mortgagee's exercise of its rights of foreclosure or sale.

FCPT is also subject to utility and property tax risk relating to increased costs that the Trust may experience as a result 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 as a result 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 and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the Trust cannot charge back to the tenant may have a material adverse effect on FCPT's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units.

The timing and amount of capital expenditures by the Trust will affect the amount of cash available for distributions to holders of Trust Units. Distributions may be reduced, or even eliminated, at times when the Trust deems it necessary to make significant capital or other expenditures.

UNITHOLDER RISK

There is a risk that FCPT's Unitholders could become subject to liability. The Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as Trustee or carrier shall be held to have any personal liability as such, and no resort shall be had to, nor shall recourse or satisfaction be sought from, the private property of any Unitholder or annuitant for any liability whatsoever, in tort, contract or otherwise, to any person in connection with the Trust property or the affairs of the Trust, including, without limitation, for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Trust or of the Trustees or any obligation which a Unitholder or annuitant would otherwise have to indemnify a Trustee for any personal liability incurred by the Trustee as such, but rather the assets of the Trust only are intended to be liable and subject to levy or execution for satisfaction of such liability. Each Unitholder and annuitant under a plan of which a Unitholder acts as Trustee or carrier shall be entitled to be reimbursed out of the assets of the Trust in respect of any payment of a Trust obligation made by such Unitholder or annuitant. The Declaration of Trust further provides that, whenever possible, any written instrument creating an obligation which is or includes the granting by the Trust of a mortgage, and to the extent management of the Trust determines to be practicable, any written instrument which is, in the judgment of management of the Trust, a material obligation, shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the Trustees, Unitholders, annuitants under a plan of which a Unitholder acts as a Trustee or carrier, or Officers, employees or agents of the Trust, but that only property of the Trust or a specific portion thereof shall be bound; the Trust, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the Trust upon the acquisition of real property.

Certain provinces have legislation relating to Unitholder liability protection, including British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Québec. To FCPT's knowledge, certain of these statutes have not yet been judicially considered and it is possible that reliance on such statute by a Unitholder could be successfully challenged on jurisdictional or other grounds.

DEPENDENCE ON FCRPI AND FCPMC

The Trust's earnings and operations are impacted by FCRPI's ability to source appropriate real estate investments that provide sufficient yields for investors and FCPMC to maintain these real estate investments. The Trust has also entered into long-term contracts with FCRPI and FCPMC, as more particularly described in the "Asset Management Agreement" and "Property Management Agreement" both dated November 20, 2012 and updated on August 12, 2021 as posted on SEDAR (www.SEDAR.com). The Trust is exposed to adverse developments in the business and affairs of FCRPI and FCPMC, since the day to day activities of the Trust are run by FCRPI and FCPMC and since all of the Trust's real estate investments are originated by FCRPI.

RETURN RISK

There is no guarantee as to the return an investment in Trust Units of the Trust will generate.

POTENTIAL CONFLICTS OF INTEREST

FCPT is subject to various potential conflicts of interest because the Asset Manager and Property Manager are entities indirectly related to certain trustees and management of the Trust. Further, the Trustees and Officers may co-invest in property acquisitions and investments alongside the Trust. In addition, the Trustees and Officers of the Trust may from time to time deal with parties with whom the Trust may be dealing with, or may be seeking investments similar to those desired by the Trust. Certain Trustees and Officers of the Trust are also employed by entities directly and/or indirectly related to the Asset Manager and Property Manager and are involved in varying real estate related activities including, but not limited to acquisitions, divestitures and management of real estate and real estate related debt and equity.

The Declaration of Trust does not restrict Trustees or Officers of the Trust, the Asset Manager, the Property Manager and/or its affiliates from being engaged (directly or indirectly) in real estate and business transactions in which their individual interests are actually, or are perceived to be, in conflict with the interests of the Trust. Accordingly, there can be no guarantee that the Trustees and Officers of the Trust, when acting in a capacity other than a Trustee or Officer of the Trust will act in the best interests of the Trust.

RELIANCE ON KEY PERSONNEL AND TRUSTEES

In assessing the risk of an investment in the Trust Units, potential investors should be aware that they will be relying on the good faith, experience and judgment of the Trustees. Although investments made by the Trust are carefully chosen by the Trustees, there can be no assurance that such investments will earn a positive return in the short or long-term or that losses may not be suffered by the Trust from such investments.

DILUTION

The number of Trust Units the Trust is authorized to issue is unlimited. The Trustees have the discretion to issue additional Trust Units in other circumstances, including under the Unit Option Plan. Any issuance of Trust Units may have a dilutive effect to existing Unitholders.

OPERATIONAL RISKS

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

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 and future insurance policies expire, the Trust may encounter difficulty in obtaining or renewing property or casualty insurance on its 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 is able to renew its policies at levels and with limitations consistent with its 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 its 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 its properties to protect against the risk of loss. If this were to occur, or if the Trust were unable to obtain adequate insurance, and its 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 and ability to make distributions to holders of Trust Units.

CO-OWNERSHIP INTEREST IN PROPERTIES

In certain situations, the Trust may be adversely affected by a default by a co-owner of a property under the terms of a mortgage, lease or other agreement. Although all co-owners' agreements entered into by Trust provide for remedies to Trust in such circumstances, such remedies may not be exercisable in all circumstances, or may be insufficient or delayed, and may not cure a default in the event that such default by a co-owner is deemed to be a default of Trust.