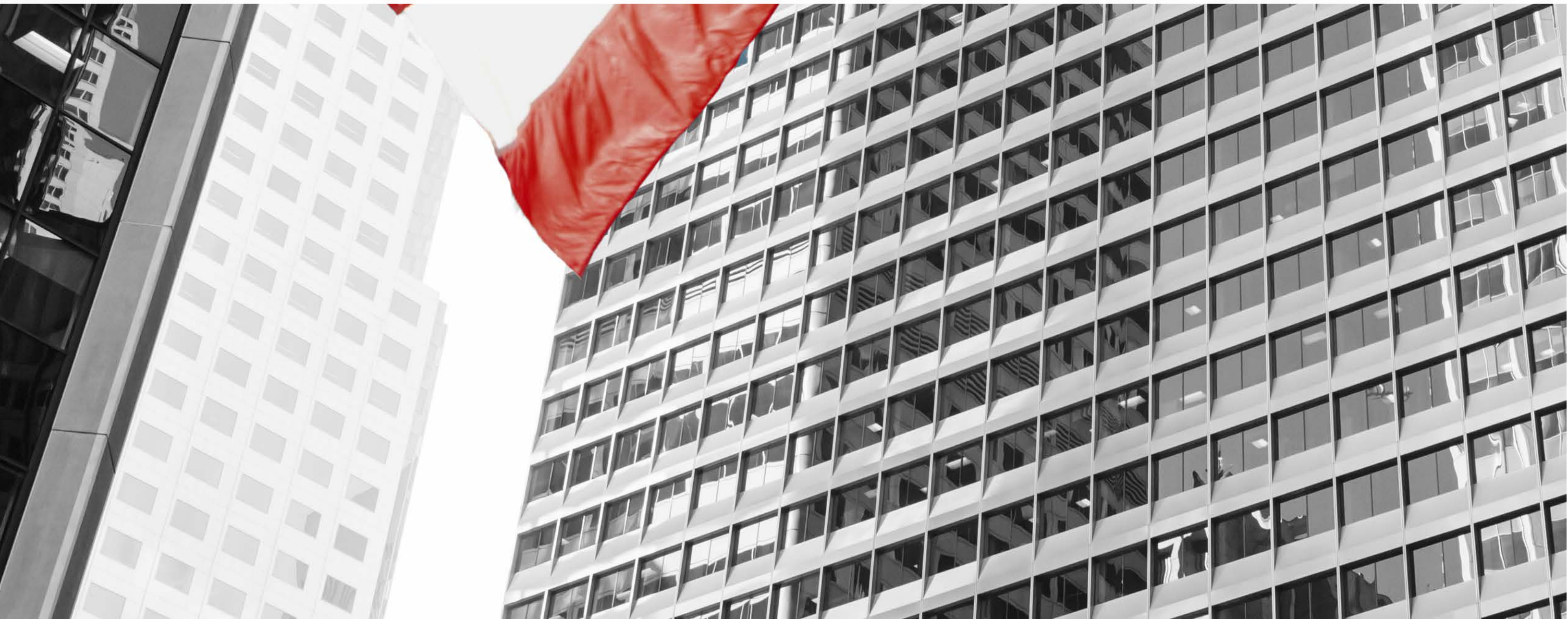
FIRM CAPITAL APARTMENT REIT

CAPITAL PRESERVATION • DISCIPLINED INVESTING

FINANCIAL STATEMENTS

YEAR ENDED
DECEMBER 31, 2022



Consolidated Financial Statements of

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

For the Years Ended December 31, 2022 and 2021

(Expressed in US Dollars)

RSM

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Firm Capital Apartment Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of Firm Capital Apartment Real Estate Investment Trust (the "Trust"), which comprise the consolidated balance sheet as at December 31, 2022 and the consolidated statement of income (loss) and comprehensive income (loss), changes in unitholders' equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trust as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Fair Value of Investment Properties</u>

Refer to consolidated financial statements note 2 – Basis of preparation – Investment properties, note 2 – Significant estimates and judgements, and note 3 – Investment properties.

The fair market value of investment properties as at December 31, 2022 is $128,743,435, which represents approximately 82% of total assets. Management used an internal valuation model based on an overall capitalization income approach to determine the fair value of investment properties as at December 31, 2022.

We identified the valuation of fair value of investment properties as a key audit matter because management made significant assumptions relating to the capitalization rate and forecasted stabilized net operating income of each investment property, including inflation rates, vacancy rates, and net rental income, in its internal model. These significant assumptions involve a high degree of estimation uncertainty and complexity. This resulted in significant audit effort, including the use of valuation specialists and a high degree of auditor judgment and subjectivity to evaluate the audit evidence obtained.

How our audit addressed the Key Audit Matter

Our audit procedures related to the fair value of investment properties included the following, among others:

- We evaluated the appropriateness of the overall capitalization model and tested the underlying data used in the calculation of stabilized net operating income.
- We assessed the competency and objectivity of management's internal valuation team and evaluated their qualifications and expertise.
- We tested the reasonableness of management's estimate process by comparing the prior year forecasted stabilized net operating income from management's internal valuation model to actual results.
- For a sample of properties, we utilized an internal valuation specialist to assist in:
  - Evaluating the appropriateness of assumptions used in management's internal valuation model including capitalization rates, vacancy rates, and forecasted stabilized net operating income by comparing to independent regional market data, industry averages, and improved comparable sales; and
  - Developing independent estimates for the assumptions applied in the internal valuation model based on comparable market benchmarks for similar assets in similar locations.

Impairment of preferred investment and preferred capital investments

Refer to consolidated financial statements note 2 – Basis of preparation – preferred investments and preferred capital investments, note 2 – Significant estimates and judgements, note 4 – equity accounted and preferred investments, and note 5 – preferred capital investments.

The Trust recognized an impairment allowance against its preferred investments and preferred capital investment portfolio in the amount of $8,575,107 and $3,572,364 respectively. The impairment allowance was determined by estimating the expected credit losses based on the expected cash shortfalls of the investments. Management's impairment allowance considers a range of possible scenarios and involves significant assumptions and judgements including the extent of credit deterioration, estimated recoverable value of the underlying security, the probability of default, loss given default, and exposure at default.

We considered the impairment of the preferred investments and preferred capital investments to be a key audit matter due to the significant judgements applied by management to determine assumptions underlying the impairment allowance and the high degree of estimation uncertainty. Assessing these assumptions required significant auditor judgement and increased audit effort.

How our audit addressed the Key Audit Matter

Our audit procedures related to the impairment of preferred investments and preferred capital investments included the following, among others:

- We obtained an understanding of the impairment model and assessed whether it complied with IFRS.
- We inspected underwriting assessments and tested collections of interest receivable on a sample basis to evaluate management's assessment of credit deterioration.
- For all preferred investments and capital investments with first mortgages held by other borrowers, we obtained external confirmations for the amounts and terms of the outstanding first mortgages.
- For a sample of investments, we tested the contributions and interest recorded to evaluate the exposure at default.
- For the impairment of individually assessed investments, we evaluated the recoverable value by inspecting property valuations and assessed other available market data.

- For the impairment of collectively assessed investments, we:
  - Involved professionals with specialized skills and knowledge in credit modelling who assisted in evaluating the appropriateness of the model and significant assumptions by evaluating the Trust’s historical delinquency experience and the correlation between macroeconomic variables to assess portfolio delinquency.
  - Evaluated the significant assumptions used by management by inspecting property valuations and testing data inputs including forced sales discounts, sales commissions, and carrying costs and evaluating the Trust’s historical foreclosure experience.

Other Matter

The consolidated financial statements of Trust for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on March 14, 2022.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mark Jakovcic.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 24, 2023
Toronto, Ontario

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets

(Expressed in US Dollars)

	Notes	December 31, 2022	December 31, 2021
Assets			
Current Assets			
Cash and Cash Equivalents		$ 817,954	$ 4,160,282
Restricted Cash		3,189,359	911,047
Accounts Receivable		673,259	676,880
Prepaid Expenses and Other Assets		512,726	184,592
Total Current Assets		5,193,298	5,932,802
Non-Current Assets			
Investment Properties	3	128,743,435	78,405,292
Equity Accounted Investments	4	8,774,668	23,280,118
Preferred Investments	4	9,242,843	17,246,878
Preferred Capital Investments	5	5,139,710	2,764,943
Total Non-Current Assets		151,900,656	121,697,231
Total Assets		$ 157,093,954	$ 127,630,033
Liabilities and Unitholders' Equity			
Current Liabilities			
Accounts Payable and Accrued Liabilities	12	6,770,844	3,574,389
Bank Indebtedness	7(b),8	965,000	-
Mortgages and Loan Payable	7(a),8	28,711,219	11,512,345
Unit Based Liabilities	9(c)	171,833	648,987
Total Current Liabilities		36,618,896	15,735,721
Non-Current Liabilities			
Mortgages and Loan Payable	7(a),8	46,770,191	19,108,614
Convertible Debentures Payable	6,8	11,583,342	15,079,288
Deferred Tax Liability	15	-	545,616
Total Non-Current Liabilities		58,353,533	34,733,518
Total Liabilities		94,972,429	50,469,238
Unitholders' Equity	9	62,121,525	77,160,795
Total Liabilities and Unitholders' Equity		$ 157,093,954	$ 127,630,033

Subsequent Events 16

See accompanying Notes to the Consolidated Financial Statements

(signed) "Geoffrey Bledin"
Geoffrey Bledin
Chairman & Trustee

(signed) "Sandy Poklar"
Sandy Poklar
President & CEO

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the years ended December 31, 2022 and 2021
(Expressed in US Dollars)

	Notes	December 31, 2022	December 31, 2021
Net Rental Income			
Rental Revenue		$ 11,590,331	$ 5,877,596
Property Operating Expenses	13	(6,298,968)	(2,920,710)
		5,291,363	2,956,886
Income from Investments			
Income from Equity Accounted Investments	4	787,723	1,080,148
Income from Preferred Investments	4	1,270,007	2,046,442
Income from Preferred Capital Investments		531,032	580,669
		2,588,762	3,707,259
Expenses			
General and Administrative	13	(1,952,638)	(2,145,692)
Finance Costs	13	(3,941,470)	(2,325,435)
		(5,894,108)	(4,471,127)
Net Income Before Fair Value and Other Adjustments		$ 1,986,017	$ 2,193,018
Fair Value Adjustments			
Investment Properties	3	(11,866,329)	5,956,200
Asset Acquisitions	3	29,226	108,902
Investment Properties Held in Equity Accounted Investments	4	(3,588,890)	5,355,621
Convertible Debentures	6,8	2,620,135	(2,895,318)
Unit Based Recovery (Expense)	9(c)	477,155	(312,157)
Other Adjustments			
Provision for Impairment - Equity Accounted Investments	4	(1,258,277)	-
Provision for Impairment - Preferred Investments	4	(2,822,477)	(5,020,631)
Provision for Impairment - Preferred Capital Investments	5	(1,574,128)	(1,296,668)
Foreign Exchange Gain	14	1,332,009	297,112
		(16,651,576)	2,193,061
Net Income (Loss) Before Income Taxes		$ (14,665,559)	$ 4,386,079
Deferred Tax Recovery (Expense)	15	545,616	(545,616)
Net Income (Loss) and Comprehensive Income (Loss)		$ (14,119,943)	$ 3,840,463

See accompanying Notes to the Consolidated Financial Statements

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Changes in Unitholders' Equity
For the years ended December 31, 2022 and 2021
(Expressed in US Dollars)

	Notes	Trust Units	Deficit	Balance
Balance at January 1, 2021		$ 91,020,206	$ (15,096,300)	$ 75,923,906
Normal Course Issuer Bid	9(a)(i)	(798,469)	-	(798,469)
Net Income and Comprehensive Income		-	3,840,463	3,840,463
Distributions	9(g)	-	(1,805,105)	(1,805,105)
Unitholders' Equity, December 31, 2021		$ 90,221,737	$ (13,060,942)	$ 77,160,795
Net Loss and Comprehensive Loss		-	(14,119,943)	(14,119,943)
Distributions	9(g)	-	(919,327)	(919,327)
Unitholders' Equity, December 31, 2022		$ 90,221,737	$ (28,100,212)	$ 62,121,525
Trust Units Outstanding				7,604,375

See accompanying Notes to the Consolidated Financial Statements

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in US Dollars)

For the years ended	Notes	December 31, 2022	December 31, 2021
Cash Flow from (used in) Operating Activities			
Net Income (Loss)		$ (14,119,943)	$ 3,840,463
Add (Deduct):			
Adjustments for:			
Fair Value Adjustments to Investment Properties	3	11,866,329	(5,956,200)
Fair Value Adjustments on Asset Acquistions	3	(29,226)	(108,902)
Fair Value Adjustments to Investment Properties Held in Equity Accounted Investments	4	3,588,890	(5,355,621)
Provision for Impairment of Equity Accounted Investments	4	1,258,277	-
Provision for Impairment of Preferred Investments	4	2,822,477	5,020,631
Provision for Impairment of Preferred Capital Investments	5	1,574,128	1,296,668
Fair Value Adjustments to Convertible Debentures	6,8	(2,620,135)	2,895,318
Fair Value Adjustments to Unit Based Compensation	9(c)	(477,155)	312,157
Mark to Market on Assumed Mortgages	8	(440,524)	-
Finance Cost Amortization	8	165,383	110,954
Unrealized Foreign Exchange Gain on Convertible Debentures	14	(875,811)	14,948
Income from Equity Accounted Investments, Net of Distributions		(826,410)	(489,625)
Income from Preferred Investments, Net of Distributions		(487,359)	(627,951)
Income from Preferred Capital Investments, Net of Distributions		(284,060)	(80,643)
Deferred Tax Expense	15	(545,616)	545,616
Changes in Non-Cash Operating Working Capital:			
Accounts Receivable		262,679	1,409,327
Prepaid Expenses and Other Assets		(328,134)	(16,947)
Accounts Payable and Accrued Liabilities	12	2,593,073	337,283
Total Operating Activities		3,096,863	3,147,475
Cash Flows from (used in) Investing Activities			
Acquisition of assets, net of cash acquired	3	(7,539,998)	(2,337,598)
Investment in Equity Accounted Investments	4	(212,000)	(1,236,693)
Investment in Preferred Investments	4	(1,632,321)	(976,513)
Redemption of Preferred Investments	4	-	5,136,821
Redemption of Preferred Capital Investments	5	-	3,000,000
Investment in Preferred Capital Investments	5	(3,664,833)	(1,452,000)
Capital Expenditures on Investment Properties	3	(2,338,095)	(570,255)
Total Investing Activities		(15,387,247)	1,563,762
			-
Cash Flows from (used in) Financing Activities			
Distributions Paid	9(g)	(919,327)	(1,811,618)
Normal Course Issuer Bid	9(a)(i)	-	(798,469)
Bank Indebtedness Advance	7(b),8	965,000	-
Mortgage and Loan Advances, Net of Deferred Finance Costs	7(a),8	20,893,675	-
Mortgage and Loan Repayments	7(a),8	(9,712,981)	(596,226)
Total Financing Activities		11,226,368	(3,206,313)
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash		(1,064,016)	1,504,924
Cash, Cash Equivalents and Restricted Cash, Beginning of Year		5,071,329	3,566,405
Cash, Cash Equivalents and Restricted Cash, End of Year		4,007,313	5,071,329
Consisting of:			
Cash and Cash Equivalents		$ 817,954	$ 4,160,282
Restricted Cash		3,189,359	911,047

See accompanying Notes to the Consolidated Financial Statements

1. Nature of operations

Firm Capital Apartment Real Estate Investment Trust (the "Trust") is a U.S. focused real estate investment trust that pursues multi-residential income producing real estate and related debt investments on both a wholly owned and joint venture basis. The Trust has ownership interests in a total of 1,846 apartment units diversely located in Florida, Connecticut, Texas, New York, New Jersey, Georgia and Maryland. The Trust trades on the TSXV exchange under the symbols FCA.U and FCA.UN. The registered office of the Trust and its head office operations are located at 163 Cartwright Avenue, Toronto, Ontario, M6A 1V5. The Trust is domiciled in Canada.

The consolidated financial statements were approved and authorized for issue by the Board of Trustees on April 24, 2023.

2. Basis of preparation

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

Statement of compliance

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

Basis of measurement

The consolidated financial statements have been prepared on the cost basis except as otherwise noted in notes 2, 3, 4, 5, 6, 9 and 10.

Basis of consolidation

The consolidated financial statements include the accounts of the Trust and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. Subsidiaries are consolidated from the date control commences until control ceases.

New or amended Accounting Standards and Interpretations adopted

The Trust has adopted all new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Functional currency

As at December 31, 2022, the functional currency of the Trust and all of its subsidiaries is the US Dollar ("USD").

Foreign currency transactions

Foreign currency transactions are translated into USD using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Investment properties

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

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

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

Equity Investments

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

At each reporting date, the Trust evaluates whether there is objective evidence that its interest in an associate is impaired. If impairment indicators exist, the entire carrying amount of the associate is compared to the recoverable amount, which is the higher of value in use or fair value less costs to sell.

Joint Arrangements

The Trust has entered into joint arrangements classified as joint ventures. These arrangements are classified as joint ventures because the parties involved have joint control over the operating and financial activities, and rights to the net assets of the joint venture.

Preferred Investments and Preferred Capital Investments

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

Accounting for acquisitions

The Trust assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations ("IFRS 3"). Accounting for business combinations under IFRS 3 is only applicable if it is determined that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Trust. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. Assets acquired and liabilities assumed of real estate portfolios previously held under equity accounted investments and preferred investments are recorded at fair value upon acquisition. When an acquisition does not represent a business as defined under IFRS 3, the Trust classifies these properties or portfolio of properties as an asset acquisition. Identifiable assets acquired and liabilities assumed in an asset acquisition are measured initially at their fair values at the acquisition date. Acquisition-related transaction costs are capitalized to the property.

Cash and cash equivalents

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

Restricted Cash

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

Financial instruments - recognition and measurement

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

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

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

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

	Notes	Classification
Assets		
Cash and Cash Equivalents		Amortized cost
Restricted Cash		Amortized cost
Accounts Receivable		Amortized cost
Preferred Investments	4	Amortized cost
Preferred Capital Investments	5	Amortized cost
Liabilities		
Accounts Payable and Accrued Liabilities	12	Amortized cost
Bank Indebtedness	7(b),8	Amortized cost
Mortgages and Loan Payable	7(a),8	Amortized cost
Unit Based Liabilities	9(c)	FVTPL
Convertible Debentures Payable	6,8	FVTPL

Financial Instruments - Impairment

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

Accounts receivable

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

Preferred investments and preferred capital investments

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

The determination of significant increase in credit risk takes into account different factors which vary based on the investment. The Trust assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and certain criteria are met which are specific to the individual customer/borrower and underlying asset, based on judgement.

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

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

Revenue recognition

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

The Trust enters as a lessor into lease agreements that fall within the scope of IFRS 16, "Leases" ("IFRS 16") which are classified as operating leases.

Finance costs

Finance costs are comprised of interest expense on borrowings and convertible debenture, and amortization of deferred financing fees and mark to market on assumed mortgages.

Income taxes

The Trust is a mutual fund that is not a specified investment flow-through trust ("SIFT") for income tax purposes. Accordingly, the Trust is not liable to pay Canadian income tax provided that its taxable income is fully distributed to unitholders each year. The Trust has certain subsidiaries in the United States that are subject to tax on their taxable income at a combined federal and state tax rate of approximately 26% (2021 - 26%).

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

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

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

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

Consolidated statements of cash flows

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

Unitholders' Equity

As part of the Arrangement completed on January 1, 2020 the common shares of the predecessor Corporation were converted into trust units. The Trust Units are redeemable at the option of the holder and are considered puttable instruments in accordance with IAS 32 *Financial Instruments: Presentation* ("IAS 32") and as further described in note 9(a). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, puttable instruments may be presented as equity. To be presented as equity, a puttable instrument must meet all of the following conditions: (i) it must entitle the holder to a pro rata share of the entity's net assets in the event of the entity's dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class must have identical features; (iv) other than the redemption feature, there can be no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the instrument must be based substantially on the profit or loss of the entity or change in fair value of the instrument. This is called the "Puttable Instrument Exemption". The Trust Units meet the Puttable Instrument Exemption criteria and accordingly are presented as equity in the consolidated financial statements. The distributions on Trust Units are included with Deficit in Unitholders' Equity. The Trust has elected not to present an earnings per unit calculation, as permitted under IFRS for puttable units.

Significant estimates and judgements

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

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

Equity accounted investments

Judgement is used to determine the Trust exercises joint control over the operating and financing activities of the joint venture.

Impairment of Equity accounted investments

Management uses judgement in assessing factors that indicate impairment of equity accounted investments where there is evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated and where its recoverable amount does not exceed the carrying value.

Classification of Preferred Investments and Preferred Capital Investments

Classification of preferred investments and preferred capital investments is based on the assessment of business model and the cash flow characteristics of the investments. The Trust exercises judgement in determining the classification of the investments into measurement categories for Stages 1, 2 and 3 (note 4 and 5).

Impairment of Preferred Investments and Preferred Capital Investments

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

Impairment of Trade receivables

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

Investment properties

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

Accounting for acquisitions

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

Unit-based compensation

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

The Trust has issued options, warrants and deferred trust units (collectively the “Units”) as outlined in notes 9 (c), (d), (e) and (f) of these consolidated financial statements. These Units were granted to senior management, the Board of Trustees of the Trust, investors in the convertible debenture offering (note 6) and the unit issuance (note 9 (a)). These Units provide holders with the right to receive Trust Units, which are puttable. The Trust measures these Units at fair value at the grant date, and a compensation recovery/ expense is recognized over the vesting period. The fair values of the units are determined at both the Arrangement date and each reporting period and the change in fair value is recognized as a fair value adjustment to financial instruments. Unit-based compensation is classified as a liability.

Reportable Operating Segments

Reportable operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The chief operating decision-maker of the Trust is the Chief Executive Officer. All the Trust’s real estate assets and liabilities are in, and their revenue is derived from, the U.S. multi-residential real estate segment. No single tenant accounts for 10% or more of the Trust’s total revenue. The Trust has determined it has one reportable operating segment. Such judgement considers the nature of operations, types of customers and an expectation that the assets within the reportable operating segment have similar long-term economic characteristics.

3. Investment properties

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

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

(Expressed in US Dollars unless otherwise noted)

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

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

On February 8, 2022, the Trust completed the acquisition of a real estate portfolio ("Houston, TX Portfolio") that was previously being held and recorded under equity accounted investments and preferred investments.

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

Investment properties, including transaction costs	$	32,918,525
Cash and restricted cash		1,674,921
Accounts receivable		160,675
Account payables and accrued libilities		(425,360)
Mortgages payable		(22,534,391)
Net assets acquired	$	11,794,370

Consideration:		
Purchase price	$	4,204,856
Equity accounted and preferred investment		8,018,922
Fair value adjustment on acquisition		(429,408)
Total Consideration	$	11,794,370

On April 29, 2022, the Trust completed the acquisition of a real estate portfolio ("Second Houston, TX Portfolio") that was previously being held and recorded under equity accounted investments and preferred investments.

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

(Expressed in US Dollars unless otherwise noted)

Investment properties, including transaction costs	$	26,947,852
Cash and restricted cash		30,400
Accounts receivable		98,383
Account payables and accrued libilities		(178,022)
Mortgages payable		(11,420,504)
Net assets acquired	$	15,478,109

Consideration:		
Purchase price	$	5,076,998
Equity accounted and preferred investment		9,942,477
Fair value adjustment on acquisition		458,634
Total Consideration	$	15,478,109

The investment properties as at December 31, 2022 consist of 985 (2021 – 500) multi-family apartment units in six portfolios located in Florida, Texas and New Jersey.

		December 31, 2022		December 31, 2021
Balance, beginning of year	$	78,405,292	$	49,585,840
Acquisition		59,866,377		22,292,997
Building improvements		2,338,095		570,255
Fair value adjustments to investment properties		(11,866,329)		5,956,200
Balance, end of year	$	128,743,435	$	78,405,292

For the year ended December 31, 2022, the Trust valued the Investment Properties using the overall capitalization method. Investment properties are valued on a highest and best use basis. For all 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. Capitalization rates used in the valuation of investment properties as of December 31, 2022 are based on current market data.

The key valuation assumptions for the properties are set out in the following table:

	December 31, 2022	December 31, 2021
Capitalization rate	5.63%-6.75%	4.25%-5.00%

The fair values of the Trust's investment properties are sensitive to changes in key valuation assumptions. Changes in capitalization rates would result in a change in fair value of the Trust's investment properties as set out in the following table:

	December 31, 2022
	$
Capitalization rate increase by 25 basis points	(5,151,992)
Capitalization rate decrease by 25 basis points	5,684,032

Investment properties measured at fair value are categorized by level according to the inputs used. The Trust has classified these inputs as Level 3. There have been no transfers into or out of Level 3 in the current year.

4. Equity accounted and preferred investments

The Trust has invested in the following equity accounted and preferred investments. The table below lists the carrying value of these investments at December 31, 2022 and December 31, 2021.

(In $millions unless otherwise stated).

December 31, 2022

Location	Units	Investment Properties	Common Equity Ownership %	Equity Accounted Investment - Common Equity	Preferred Investment	Total Investment	Preferred Yield
Connecticut - Hartford	109	$ 12.2	50.0%	$ 0.5	$ 1.4	$ 1.9	8%
Georgia - Canton	138	24.7	50.0%	3.6	3.6	7.2	8%
Maryland - Brentwood	118	16.9	25.0%	1.6	0.1	1.7	8%
Maryland - Hyattsville	235	37.1	50.0%	3.1	4.1	7.2	8%
New York - Bronx	132	21.1	50.0%	-	-	-	
New York - New York	129	22.1	22.8%	-	-	-	
Total/ Weighted Average	**861**	**$ 134.2**	**42.4%**	**$ 8.8**	**$ 9.2**	**$ 18.0**	**8%**

December 31, 2021

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

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

New York City: Certain officers and trustees of the Trust have an indirect interest or management oversight of approximately 14.6% of the preferred equity and 7.3% of the common equity;

Brentwood, Maryland: Certain officers and trustees of the Trust have an indirect interest or management oversight of approximately 20.0% of the common equity.

Outlined below are the details of the Trust's net investment in the equity accounted investment and preferred investments. The Equity accounted investments consist of common equity, accounted for using the equity method and preferred equity accounted for as preferred investment loans carried at amortized cost. In addition, the balance sheet and statement of income (each at 100% of the underlying property) and income allocation from the equity accounted and preferred investments as at December 31, 2022 and December 31, 2021 are included below:

(Expressed in US Dollars unless otherwise noted)

	Equity Accounted Investments	Preferred Investments	Total
As at January 1, 2021	**$ 19,596,539**	**$ 28,536,024**	**$ 48,132,563**
Investment Activity			
- Equity Accounted Investments	1,236,693	-	1,236,693
- Preferred Investments	-	976,513	976,513
- Derecognition of New Jersey Portfolio on Asset Acquisition	(3,360,757)	(2,704,077)	(6,064,834)
- Redemption of Preferred Investments	-	(5,136,821)	(5,136,821)
Income Items			
- Income from Equity Accounted Investments	1,080,148	-	1,080,148
- Fair Value Adjustments on Investment Properties	5,355,621	-	5,355,621
Net income from Equity Accounted Investments	**6,435,769**	**-**	**6,435,769**
- Provision for Impairment on Preferred Investments	-	(5,020,631)	(5,020,631)
- Income from Preferred Investments	-	2,046,442	2,046,442
- Less: Distributions and interest received	(628,125)	(1,450,574)	(2,078,699)
As at December 31, 2021	**$ 23,280,118**	**$ 17,246,878**	**$ 40,526,996**
Investment Activity			
- Equity Accounted Investments	212,000	-	212,000
- Preferred Investments	-	1,632,321	1,632,321
- Derecognition of Houston, TX Portfolio on Asset Acquisition	(4,467,235)	(3,551,687)	(8,018,922)
- Derecognition of Second Houston, TX Portfolio on Asset Acquisition	(6,092,821)	(3,849,656)	(9,942,477)
Income Items			
- Income from Equity Accounted Investments	787,723	-	787,723
- Fair Value Adjustments on Investment Properties	(3,588,890)	-	(3,588,890)
Net income from Equity Accounted Investments	**(2,801,167)**	**-**	**(2,801,167)**
- Income from Preferred Investments	-	1,270,007	1,270,007
- Less: Distributions and interest received	(97,950)	(682,543)	(780,493)
- Provision for Impairment on Equity Accounted Investments	(1,258,277)	-	(1,258,277)
- Provision for Impairment on Preferred Investments	-	(2,822,477)	(2,822,477)
As at December 31, 2022	**$ 8,774,668**	**$ 9,242,843**	**$ 18,017,511**

(Expressed in US Dollars unless otherwise noted)

	December 31, 2022	December 31, 2021
Assets		
Cash	$ 344,355	$ 788,251
Restricted Cash	2,109,586	4,635,344
Accounts Receivable	1,573,615	1,290,580
Other Assets	1,432,080	943,557
Investment Properties	134,173,704	204,811,406
	$ 139,633,340	**$ 212,469,138**
Liabilities		
Accounts Payable and Accrued Liabilities	2,506,583	2,952,377
Security Deposits	536,022	637,041
Mortgages	103,315,627	137,305,058
	$ 106,358,232	**$ 140,894,476**
Equity		
Retained Earnings (Deficit)	$ (18,199,874)	$ 11,179,381
Preferred Equity	25,411,376	30,700,770
Common Equity	26,063,606	29,694,509
	$ 33,275,108	**$ 71,574,662**
	$ 139,633,340	**$ 212,469,138**
Investment Allocation for the Trust		
Equity Accounted Investments	$ 8,774,668	$ 23,280,120
Preferred Investments	9,242,843	17,246,877
	$ 18,017,511	**$ 40,526,997**

(Expressed in US Dollars unless otherwise noted)

	Years Ended	
	December 31, 2022	December 31, 2021
Net Income		
Rental Revenue	$ 14,637,225	$ 20,407,531
Property Operating Expenses	(8,154,853)	(10,387,958)
Net Rental Income	**6,482,372**	**10,019,573**
General & Administrative	-	(69,116)
Interest Expense	(4,588,700)	(6,192,069)
Fair Value Adjustments on Investment Properties	(13,730,992)	3,462,681
Net Income (Loss) Before Interest from Preferred Investments	**$ (11,837,320)**	**$ 7,221,069**
Less: Interest from Preferred Investments	(1,566,528)	(2,559,101)
Net Income (Loss)	**(13,403,848)**	**4,661,968**
Income Earned (Loss Incurred) by the Trust		
Income from Equity Accounted Investments	$ 787,723	$ 1,080,148
Fair Value Adjustments on Investment Properties	(3,588,890)	5,355,621
Net income from Equity Accounted Investments	**(2,801,167)**	**6,435,769**
Provision for Impairment on Equity Accounted Investments	(1,258,277)	-
Income from Preferred Investments	1,270,007	2,046,442
Provision for Impairment on Preferred Investments	(2,822,477)	(5,020,631)
	(5,611,914)	**3,461,580**

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

The Trust establishes loss provisions applicable to its preferred investments using a 12 month ECL approach as prescribed by IFRS 9. Investments with a low credit risk are assigned to stage 1, increased credit risk to stage 2 and where in default to stage 3. The determination of significant increase in credit risk considers different factors which vary based on the investment. The Trust assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and certain criteria are met which are specific to the individual borrower and underlying asset, based on judgement.

At each reporting date, the Trust assesses the borrower’s ability to make contractual payments based on current market conditions. For the year ended December 31, 2022, the impairment recognized for preferred investments was $2,822,477 (2021 - $5,020,631). The provisions were for the New York City Portfolio.

Preferred investments, associated allowance for losses and provision for impairment on preferred investments accounted at amortized cost at December 31, 2022 and December 31, 2021 are as follows:

(Expressed in US Dollars unless otherwise noted)

	December 31, 2022				December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Preferred Investments	$ 9,242,843	$ -	$ 8,575,107	$17,817,950	$ 15,538,876	$ -	$ 7,059,291	$22,598,167
Allowance for losses of preferred investments	-	-	(731,999)	(731,999)	-	-	(330,659)	(330,659)
Provision for impairment of preferred investments	-	-	(7,843,108)	(7,843,108)	-	-	(5,020,631)	(5,020,631)
Preferred Investments, net of allowances and provisions	**$ 9,242,843**	**$ -**	**$ -**	**$ 9,242,843**	**$ 15,538,876**	**$ -**	**$ 1,708,001**	**$17,246,878**

At each reporting date, the Trust establishes loss provisions applicable to its equity accounted investments where there is objective evidence of impairment as a result of a loss event. For the year ended December 31, 2022, the impairment loss on equity accounted investments was $1,258,277 (2021 - $nil). The provision for impairment was on the Bronx, New York Portfolio.

5. Preferred capital investments

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

On April 22, 2022, The Trust provided a $3.5 million preferred capital loan (“South Dakota Preferred Capital Loan”) for the recapitalization of a multi-residential portfolio located in Sioux Falls, South Dakota. The preferred capital loan earns 12% interest during the initial three year term.

On December 18, 2017, the Trust closed a participation in a preferred capital loan (the “New York Preferred Capital Loan”). This investment remains outstanding and available to call in full. The Trust has recorded allowances for losses and provisions for impairment on this preferred capital investment per the table below.

The Trust establishes loss provisions applicable to its preferred capital investments using a 12 month ECL approach as prescribed by IFRS 9. Investments with a low credit risk are assigned to stage 1, increased credit risk to stage 2 and where in default to stage 3. The determination of significant increase in credit risk takes into account different factors which vary based on the investment. The Trust assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and certain criteria are met which are specific to the individual borrower and underlying asset, based on judgement.

At each reporting date, the Trust assesses the borrower’s ability to make contractual payments based on current market conditions. For the year ended December 31, 2022, the impairment recognized for preferred capital investments was $1,574,128 (2021 - $1,296,668). The Provisions were for the New York Preferred Capital Loan.

Preferred capital investments, associated allowance for losses on preferred capital investments accounted at amortized cost at December 31, 2022 and December 31, 2021 are as follows:

	December 31, 2022				December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Preferred Capital Investments	$ 5,139,710	$ -	$ 3,572,364	$ 8,712,074	$ 1,468,900	$ -	$ 2,868,428	$ 4,337,329
Allowance for losses of preferred capital investments	-	-	(701,568)	(701,568)	-	-	(275,718)	(275,718)
Provision for impairment on preferred capital investments	-	-	(2,870,796)	(2,870,796)	-	-	(1,296,668)	(1,296,668)
Preferred Capital Investments, net of allowances and provisions	**$ 5,139,710**	**$ -**	**$ -**	**$ 5,139,710**	**$ 1,468,900**	**$ -**	**$ 1,296,042**	**$ 2,764,943**

(Expressed in US Dollars unless otherwise noted)

6. Convertible debentures payable

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

As the functional currency of the Trust is USD, the Conversion Option and Warrants were classified as embedded derivatives. The Trust has elected to classify and measure the Convertible Debenture at FVTPL based on the trading price of the applicable debentures at each reporting date with changes in fair value being recognized in fair value adjustments to convertible debentures.

On June 14, 2021, the Trust received approval from the TSXV to commence a Normal Course Issuer Bid ("NCIB") to purchase up to CAD$1,936,700 principal amount of the Convertible Debentures being equal to 10% of the public float. The NCIB commenced on June 16, 2021, and ended on June 15, 2022. For the year ended December 31, 2022, no convertible debentures were purchased by the Trust.

7. Mortgages and loan payable

(a) Mortgages and loan payable

	December 31, 2022	December 31, 2021
Mortgages payable	$ 75,833,644	$ 30,737,709
Less: Current Portion	(28,711,218)	(11,512,345)
Less: Unamortized Financing Costs	(613,400)	(116,750)
Add: Mark to Market on assumed mortgages	261,165	-
	$ 46,770,191	**$ 19,108,614**

As at December 31, 2022, the Trust had mortgages payable secured by the multi-family properties of $75,481,409 (including the current portion and net of unamortized financing costs and mark to market on assumed mortgages) (2021 - $30,620,959) which bear interest at a weighted average interest rate of 4.78% (2021 - 4.13%) per annum, and have maturity dates ranging between January 2023 and March 2038. The loan maturing January 2023 was extended subsequent to year-end as noted below.

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

On February 8, 2022, the Trust assumed mortgages with a fair value of $22.5 million (Note 3), as a result of the acquisition of the Houston, Texas Portfolio, which bear interest at 4.49% per annum, and matured on January 31, 2023. Subsequent to year end, this mortgage was extended for 12 months, maturing February 2024 with interest-only payments bearing interest at a fixed interest rate of 8% until June 2023 and 8.5% fixed interest rate thereafter.

On April 18, 2022, the Trust entered into an agreement with an entity affiliated to the Asset Manager of the Trust to borrow CAD $13 million (the "Bridge Loan") to be used for the Second Houston, Texas Transaction and the South Dakota Preferred Capital Loan. Per amendment dated August 4, 2022, an additional CAD $3 million was made available to the Trust on the facility. Summarized terms of the Bridge Loan are (i) interest rate of the greater of 6.0% per annum or the Canadian Chartered Bank Prime Rate plus a spread; (ii) two year term (iii) fully open for repayment at any time prior to maturity; (iv) 1% commitment fee. As at December 31, 2022, the balance on the Bridge Loan was $5.1 million (CAD $6.9 million).

(Expressed in US Dollars unless otherwise noted)

On April 29, 2022, the Trust assumed mortgages with a fair value of $11.4 million (Note 3), as a result of the Second Houston, Texas Portfolio acquisition, which bear interest at 4.90% per annum, and mature on February 28, 2028.

On August 31, 2022, the Trust closed the refinancing of a first mortgage with the Federal National Mortgage Association ("Fannie Mae") on a multi-tenant residential property located in Sunrise, Florida for $18.37 million. The mortgage bears interest at 4.77% per annum, interest-only, maturing on September 30, 2032.

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

	Principal	Interest	Total
2023	28,711,218	2,137,522	30,848,740
2024	5,663,636	1,903,082	7,566,718
2025	559,974	1,877,753	2,437,727
2026	555,449	1,854,208	2,409,657
2027	529,017	1,829,606	2,358,623
Thereafter	39,814,350	8,328,796	48,143,146
Total	**$ 75,833,644**	**$ 17,930,967**	**$ 93,764,611**

(b) Bank indebtedness

The Trust has entered into a revolving operating facility with a Canadian Chartered Bank (the "Bank"). The total amount available under the facility is $2 million. The interest rate is calculated using the secured overnight interest rate ("SOFR") plus a spread of 1.50%. Amounts drawn under this facility as of December 31, 2022 were $965,000 (December 31, 2021 - $nil).

8. Changes in debt

The following table sets out an analysis of the movements in net debt during 2022 and 2021:

	Notes	Bank Indebtedness	Mortgages & loan	Convertible Debentures
As at December 31, 2020		$ -	$ 17,573,175	$ 12,169,023
Assumed mortgages		-	13,533,056	
Repayments		-	(596,226)	-
Finance cost amortization	7(a),13	-	110,954	-
Change in fair value of convertible debenture	6	-	-	2,895,318
Foreign exchange loss/(gain)	14	-	-	14,948
As at December 31, 2021		**$ -**	**$ 30,620,959**	**$ 15,079,288**
Debt assumed	3,7(a)	-	33,954,898	-
Advances	7(a),7(b)	965,000	20,893,675	-
Repayments	7(a),7(b)	-	(9,712,981)	-
Finance cost amortization	7(a),13	-	165,383	-
Mark to market on assumed mortgages	7(a),13	-	(440,524)	-
Change in fair value of convertible debenture	6	-	-	(2,620,135)
Foreign exchange gain	14	-	-	(875,811)
As at December 31, 2022		**$ 965,000**	**$ 75,481,410**	**$ 11,583,342**

9. Unitholders' Equity

(a) Trust Units

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

Trust Units and Class B Units

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

Conversion of Class B Units

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

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

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

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

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

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

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

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

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

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

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

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

(iii) an amount equal to the simple average of the highest and lowest prices of the Trust Units on

(iv) the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Trust Units on the specified date; or

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

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

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

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

(Expressed in US Dollars unless otherwise noted)

Trust Units as at December 31, 2022 are as follows:

	Notes	Number of Trust Units		Value
Balance at December 31, 2020		7,714,675	$	91,020,206
Less: Normal Course Issuer Bid	9(a)(i)	(110,300)		(798,469)
Balance December 31, 2021 and December 31, 2022		7,604,375	$	90,221,737

(i) On June 14, 2021, the Trust received approval from the TSXV to commence a NCIB to purchase up to 619,750 of Trust Units, being equal to 10% of the public float. The NCIB commenced on June 16, 2021 and ended on June 15, 2022, For the year ended December 31, 2021, 110,300 Trust Units were repurchased for a total gross cost of $0.8 million at a weighted average cost of $7.23 per Trust Unit. In 2022, no units were repurchased.

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

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

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

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

During 2022 and 2021, no Trust Units were issued under DRIP.

(c) Unit Based Liabilities

The Trust's unit-based liabilities as at December 31, 2022 consists of the following:

Unit Based Liabilities	Notes		December 31, 2022		December 31, 2021
Deferred Trust Units	9(d)	$	21,233	$	37,973
Warrants	9(e)		-		29
Options	9(f)		150,600		610,985
Total Unit Based Liabilities		**$**	**171,833**	**$**	**648,987**

(d) Deferred Trust Units

On March 31, 2015, the Trust adopted a Deferred Trust Unit ("DTU") plan. Under the terms of the plan, any units issued must be issued at a unit price which is a minimum of the volume weighted average trading price of the units on the TSXV for the five days trading immediately preceding the date on which

(Expressed in US Dollars unless otherwise noted)

DTUs are granted. Distributions equivalents are awarded in respect of DTU holders on the same basis as unitholders and credited to the DTU holders account as additional DTUs. The maximum DTUs which may be awarded under the DTU plan shall not exceed 10% of the issued and outstanding units. The DTU plan is designed such that the board may elect to pay out the DTUs in either cash or common units of the Trust. As at December 31, 2022, the outstanding liability was $21,233.

For the year ended December 31, 2022, the recovery under the DTU plan was $16,741 (2021 - $6,655).

(e) Warrants

On March 13, 2022, all outstanding warrants expired. For the year ended December 31, 2022, the recovery for the warrants was $29 (2021 - $15,309).

(f) Options

The Trust has a 10% rolling incentive stock option plan which provides for the issuance of incentive stock options to directors, management, employees and consultants of the Trust.

On March 16, 2021, the Trust granted options to certain trustees, officers and management of the Trust to purchase a total 119,500 Trust Units. 42,700 of the options have an exercise price of $7.50 per Trust Unit and 60,300 of the options have an exercise price of $8.30 per Trust Unit. 98,667 options granted have vested, 16,500 were forfeited and the remaining 4,333 options vested subsequent to year end on March 16, 2023. The options expire on March 16, 2031.

The Trust had the following options outstanding and exercisable on December 31, 2022:

Issuance Date	Number of Options	Weighted average exercise price	Fair Value of Options	Expiry Date
August 17, 2017	340,738	$ 7.50	$ 69,668	August 17, 2027
November 19, 2018	188,900	8.30	42,941	November 19, 2028
March 16, 2021	42,700	7.50	17,252	March 16, 2031
March 16, 2021	60,300	8.30	20,739	March 16, 2031
Total/ Weighted Average	**632,638**	**$ 7.82**	**$ 150,600**	

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

Option Assumptions	December 31, 2022	December 31, 2021
Stock Price	$ 3.64	$ 6.51
Exercise Price	$7.50-$8.30	$7.50-$8.30
Expected Life in Years	4.63-8.21	5.63-9.21
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	$ 0.12	$ 0.24
Discount Rate - Bond Equivalent Yield	4.30%	0.81%

For the year ended December 31, 2022, the recovery under the option plan was $460,385 and expense of $320,811 for the year ended December 31, 2021.

(g) Distributions

For the year ended December 31, 2022, the Trust declared distributions of $0.12 per Trust Unit resulting in total distributions of $919,327 (2021 – $1,805,105). As at December 31, 2022, no distributions were accrued (2021 - $448,658).

10. Risks

Risk management

In the normal course of its business, the Trust is exposed to a number of financial risks that can affect its operating performance. These risks, and the actions taken to manage them, are as noted below.

(Expressed in US Dollars unless otherwise noted)

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in the market prices and includes foreign currency and interest rate risk.

Foreign currency risk

The Trust's operations are based principally in the United States of America, but it has exposure to foreign exchange risk from the $CAD. Foreign exchange risk arises from the recognized financial assets and liabilities denominated in $CAD. As a result of the convertible debenture offering as further described in note 6 of these consolidated financial statements, the Trust has additional exposure to foreign currency risk as the cash proceeds and interest payments of the debenture are in $CAD while it invests the net proceeds from the convertible debenture offering in $USD. The Trust monitors the foreign currency market closely to mitigate these risks. The following $CAD amounts are presented in $USD to demonstrate the effects of changes in foreign exchange rates:

	CAD
	$
Cash, Other Assets	243,605
Total Liabilities	(22,768,582)
Total	(22,524,977)
Effect of +/- 10% change in exchange rate	(2,252,498)

Interest rate risk

The Trust is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates. As all mortgages, loans and notes payable bear interest at fixed rates, with exception to the Bridge Loan and bank indebtedness, interest rate risk is limited to potential decreases in the interest rate offered on cash held with chartered Canadian and American financial institutions. The risk also exists of a change in interest rates when the Trust is required to renew its debt. The Trust's objective of managing interest rate risk is to minimize the volatility of earnings. Interest rate risk has been minimized as mortgages have been financed at fixed interest rates. As a result of debt not being subject to floating interest rates, changes in prevailing interest rates would not be expected to have a material impact on profit or loss.

Credit risk

Credit risk refers to the risk that a tenant, counterparty and/or preferred equity borrower will default on its contractual obligations resulting in financial loss to the Trust. Financial instruments which are potentially subject to credit risk for the Trust consists primarily of non-payment of accounts receivable. The Trust mitigates this risk by monitoring the credit worthiness of its tenants and borrowers. To ensure that tenants continue to meet their credit terms, the financial viability of tenants is kept under review. Credit risk, or the risk of a counterparty or preferred equity borrower defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Where appropriate, the Trust obtains collateral as security.

The credit risk on cash and restricted cash is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the consolidated financial statements, net of any expected credit losses, represents the Trust's maximum exposure to credit risk.

As at December 31, 2022, Accounts Receivable balance is net of expected credit losses of $978,765 (2021 - $202,411).

Financing Risk

The Trust is subject to the risks associated with debt financing, including the risk that the convertible debentures and mortgages secured by the properties will not be able to be refinanced or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness. To the extent that interest rates rise there may be a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations.

(Expressed in US Dollars unless otherwise noted)

Liquidity risk

Liquidity risk is the risk that the Trust may not be able to generate sufficient cash resources to settle its obligations as they fall due. The Trust's strategy is to satisfy its liquidity needs using cash and cash equivalents, restricted cash and cash flows generated from operating activities, cash flow provided by financing activities, and divestitures of non-current assets. The mortgages for the Houston, TX and Austin, TX portfolios mature during 2023 and the Trust is actively sourcing refinancing in the debt markets. The mortgage for the Houston, TX portfolio matured January 31, 2023 and subsequent to year end was extended for 12 months, maturing February 2024. Terms of the mortgage are further described in note 7 of the consolidated financial statements.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer or settle a liability in an orderly transaction between market participants at the measurement date. The fair values of the Trust's cash and cash equivalents, restricted cash, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The carrying value of the Trust's financial instruments is summarized in the following table:

		December 31, 2022	December 31, 2021
	Amortized Cost	**Fair Value**	**Fair Value**
Financial Assets			
Cash and Cash Equivalents	$ 817,954	$ 817,954	$ 4,160,282
Restricted Cash	3,189,359	3,189,359	911,047
Accounts Receivable	673,259	673,259	676,880
Financial Liabilties			
Accounts Payable and Accrued Liabilities	$ 6,770,844	$ 6,770,844	$ 3,574,389
Bank Indebtedness	965,000	965,000	-
Mortgages and Loan Payable	75,481,409	73,361,046	35,655,592
Unit Based Liabilities	-	171,833	648,987
Convertible Debentures Payable	-	11,583,342	15,079,288

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

December 31, 2022	Level 1
Convertible Debentures Payable	$ 11,583,342

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

- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

December 31, 2022	Level 2
Mortgages and Loan Payable	$ 73,361,046

December 31, 2021	Level 2
Mortgages and Loan Payable	$ 35,655,592

(Expressed in US Dollars unless otherwise noted)

- Level 3 – Inputs that are not based on observable market data.

December 31, 2022		Level 3
Unit Based Liabilities	$	171,833

December 31, 2021		Level 3
Unit Based Liabilities	$	648,987

The fair value of the mortgages is estimated based on the present value of future payments, discounted at a yield on a U.S. Government bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage (Level 2). The mortgages are carried at amortized cost of $75,481,410 (2021 - $30,620,959). The mortgages have an estimated fair value of approximately $73.4 million (2021 - $35.7 million).

The fair value of unit-based liabilities relates to options granted which are carried at fair value, estimated using the Black-Scholes model for option valuation (Level 3) as outlined in note 9(f).

There were no transfers between levels during the years ended December 31, 2022 and 2021.

11. Capital risk management

The capital of the Trust includes equity, which is comprised of issued unit capital and deficit. The Trust's objective when managing its capital is to safeguard the ability to continue as a going concern in order to provide returns for its unitholders, and other stakeholders and to maintain a strong capital base to support the Trust's core activities, which are the acquisition, ownership, management and rental of residential real estate properties as discussed in note 1 of these consolidated financial statements.

Although the Trust is not subject to any formal covenants, there are certain restrictions under the different debts and mortgages that the Trust must target to stay in compliance. The Trust monitors these different debts and mortgages and was in compliance as at December 31, 2022.

12. Related party transactions

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

1. **Asset Management Fee:** 0.75% of the Gross Invested Assets of the Trust,
2. **Acquisition Fee:**
    a. 1.0% of the first $300 million of aggregate Gross Book Value in respect of Properties acquired in a particular year; and thereafter
    b. 0.75% of aggregate Gross Book Value in respect of Properties acquired in such year.
3. **Performance Incentive Fees:** 15% of Adjusted Funds from Operation ("AFFO") once AFFO exceeds $0.63 per Unit.
4. **Placement Fees:** 0.25% of the aggregate value of all debt and equity financing arranged by the Manager.
5. **Property Management Fees:**
    a. Multi-unit residential properties with 120 units or less, 4.0% of Gross Revenue collected from the property;
    b. Multi-unit residential properties with more than 120 units. 3.5% of Gross Revenue collected from the property.
    c. Industrial or commercial property, 4.25% of Gross Revenue are collected from the property; provided, however, that for such properties with a single tenant 3.0% of Gross Revenue collected from the property.
6. **Commercial Leasing Fees:** 3.0% of the net rental payments for the first year of the lease, and 1.5% of the net rental payments for each year during duration of the lease; provided, however, that where a third party broker arranges for the lease of any such property that is not

subject to a long-term listing agreement, the Manager shall be entitled to reduced commission equal to 50% of the foregoing amounts with respect to such property.

7. **Commercial Leasing Renewal Fees:** Renewals of space leased on commercial terms (including lease renewals at the option of the tenant) which are handled exclusively by the Manager shall be subject to a 0.50% commission on the net rental payments for each year of the renewed lease. When a long-term listing agreement is in effect for leasing and marketing of space with a party other than the Manager, the Manager shall cooperate fully with the broker and the leasing fees will not be payable to the Manager.
8. **Construction Development Property Management Fees:** Where the Manager is requested by the Trust to construct tenant improvements or to renovate same, or where the Manager is requested by the Trust to construct, modify, or re-construct improvements to, or on, the Properties (collectively, "**Capital Expenditures**"), the Manager shall receive 5.0% of the cost of such Capital Expenditures, including the cost of all permits, materials, labour, contracts, and subcontracts; provided, however, that no such fee shall be payable unless the Capital Expenditures are undertaken following a tendering or procurement process wherein the total cost of such Capital Expenditures exceed $50,000.
9. **Loan Servicing Fees:** 0.25% per annum on the principal amount of each Mortgage Investment (other than syndicated loans serviced by third parties). The Loan Servicing Fee will be calculated as spread interest and deducted from the first interest received on a mortgage investment. Mortgage servicing fees will be payable as to 1/12 monthly based on the receipt of interest payments from borrowers. Loan Servicing Fees will not be payable in respect of the Trust's cash balances or Non-Performing Loans held by the Trust, except that the Manager shall be entitled to retain any overnight float interest on all accounts maintained by the Manager in connection with the servicing of the Trust's Mortgage Investments. The Manager will retain all overnight float interest and related loan servicing fees as charged such as advance fees, discharge statement fees, realty tax escrow account charges, late payment and dishonored payment charge fees, and all other such fees as charged by a loan servicing agent. This will only apply to the Mortgage Investments of the Trust.
10. **Origination, Commitment & Discharge Fees and Profit Sharing Fees:** The Manager shall remit to the Trust:
    a. 25% of all originating fees, commitment fees and renewal fees it receives from borrowers on mortgages it originates for the Trust (prorated to reflect the Trust's participation in the investment). The Manager will retain 100% of all originating fees, commitment fees, renewal fees and will remit 25% of such fees to the Trust calculated on the Trust's investment amount; and
    b. 75% of any profit sharing, discharge fees, participation fees and profit made on discounted debt that the Mortgage Banker receives in respect of all Non-Conventional Mortgages and Special Profit Transactions it originates for the Trust (with an 8.0% annual preferential return to be given to the Trust on the Trust's investment amount prior to the Manager receiving its share of such fees). The Manager shall retain 100% of all servicing charges paid by borrowers which are not identified above, including, without limitation, discharge statement administration fees and all fees identified.
11. **Term and Termination:** Initial term of ten years with automatic renewal for successive five year terms. The Trust may terminate the Agreement any time after November 1, 2025 other than for cause upon the approval of two-thirds of the votes cast by unitholders at a meeting and upon 24 months prior written notice. Upon termination, the Trust shall pay to the Manager the following:

    a. 2% of the Gross Invested Assets of the Properties and the Trust's other assets; and
    b. any amounts which would have been earned by the Manager under the Agreement for the uncompleted portion of the term (the "**Termination Payment**").

The Trust entered into an agreement with an entity related to the Asset manager of the Trust, to borrow CAD $16 million to be used for the Second Houston, TX acquisition and Preferred Capital Investment. Terms of the Bridge Loan are described in note 7 of these consolidated financial statements. During the year ended

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December 31, 2022, the Trust paid $442,433 (CAD $579,614) of interest associated with the Bridge Loan. As at December 31, 2022, the balance on the Bridge Loan was $5.1 million (CAD $6.9 million).

For the year ended December 31, 2022, asset management fees were $1,302,495 (2021 - $1,278,194), loan servicing fees were $55,784 (2021 - $68,605), acquisition fees were $297,750 (2021 - $114,813), debt placement fees were $107,941 (2021 - $43,968) and property management fees were $95,376 (2021 - $91,882).

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

As at December 31, 2022, the Trust has accrued $2,638,621 (2021- $1,306,022) under this Management Agreement, which is included in accounts payable and accrued liabilities.

13. Property Operating, General and Administrative and Finance Expenses

Property operating, general and administrative and finance expenses for the years ended December 31, 2022 and 2021 are as follows:

	Years Ended	
Property Operating Expenses	**December 31, 2022**	**December 31, 2021**
Property Taxes	$ 1,795,656	$ 985,180
Insurance	594,207	262,640
Operating Expenses	3,909,105	1,672,890
Total	$ 6,298,968	$ 2,920,710

	Years Ended	
General and Administrative	**December 31, 2022**	**December 31, 2021**
Asset Management Fees (note 12)	$ 1,358,279	$ 1,346,799
Public Company Expenses	45,002	34,974
Office and General	549,357	763,919
Total	$ 1,952,638	$ 2,145,692

	Years Ended	
Finance Costs	**December 31, 2022**	**December 31, 2021**
Bank interest expense	$ 3,303,188	$ 1,025,370
Convertible debenture interest expense	913,423	1,189,111
Mark to market on assumed mortgages	(440,524)	-
Finance cost amortization	165,383	110,954
Total	$ 3,941,470	$ 2,325,435

(Expressed in US Dollars unless otherwise noted)

14. Foreign Exchange Gain

The foreign exchange gain for the years ended December 31, 2022 and 2021 are as follows:

	Years Ended			
Foreign Exchange Gain		**December 31, 2022**		**December 31, 2021**
Foreign exchange gain (loss) on convertible debentures (note 8)	$	875,811	$	(14,948)
Foreign exchange gain		456,198		312,060
Total	$	1,332,009	$	297,112

15. Income Taxes

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

(a) Income Tax (Recovery) Expense

		December 31, 2022		**December 31, 2021**
Income tax computed at the Canadian statutory rate of nil applicable to the Trust for 2022 and 2021	$	-	$	-
Current U.S. Income taxes		-		-
Deferred income taxes (recoveries) applicable to US subsidiary		(545,616)		545,616
Income tax (recovery) expense	$	(545,616)	$	545,616

(b) Deferred taxes

The Trust has certain subsidiaries in the United States that are subject to tax on their taxable income at a combined federal and state tax rate of approximately 26% (2021 – 26%). The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

		December 31, 2022		**December 31, 2021**
Deferred Tax Assets				
Other assets	$	-	$	63,176
Non-capital losses carried forward		10,653,791		12,891,758
Total deferred tax assets		10,653,791		12,954,934
Deferred Tax Liabilities				
Assets held for sale and investment properties		(7,563,592)		(8,865,039)
Equity investment		(3,090,199)		(4,635,511)
Total deferred tax liabilities	$	(10,653,791)	$	(13,500,550)
Net deferred income liabilities	$	-	$	(545,616)

(c) Unrecognized deferred tax assets

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

(Expressed in US Dollars unless otherwise noted)

	December 31, 2022	December 31, 2021
NOL carried forward - US	$ 9,010,671	$ -
Non-capital losses carry forward - Canada	5,297,215	3,454,768
Net-capital losses carry forward - Canada	313,394	-
Other temporary difference	958,744	-

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Trust can utilize the benefits therefrom. Net operating losses for US tax purposes will expire between 2032 and 2038. Net operating losses arising after December 31, 2017 do not expire and are limited to 80% of taxable income in any given year. Non-capital losses for Canadian tax purposes will expire between 2040 and 2042.

16. Subsequent Events

Subsequent to year end, the Trust extended the mortgage on one of its Houston, Texas portfolios. The extension is for 12 months, maturing February 2024 with interest-only payments bearing interest at a fixed interest rate of 8% until June 2023 and 8.5% fixed interest rate thereafter.

Subsequent to year end, the Trust entered into an Agreement of Purchase and Sale to sell one of its Texas portfolios located in Austin, Texas with gross proceeds of $12.6 million ($8.8 million net of associated mortgage and closing costs). The closing of this sale is expected to occur prior to the end of June 2023.

Subsequent to year end, the Trust has listed for sale its investment properties.