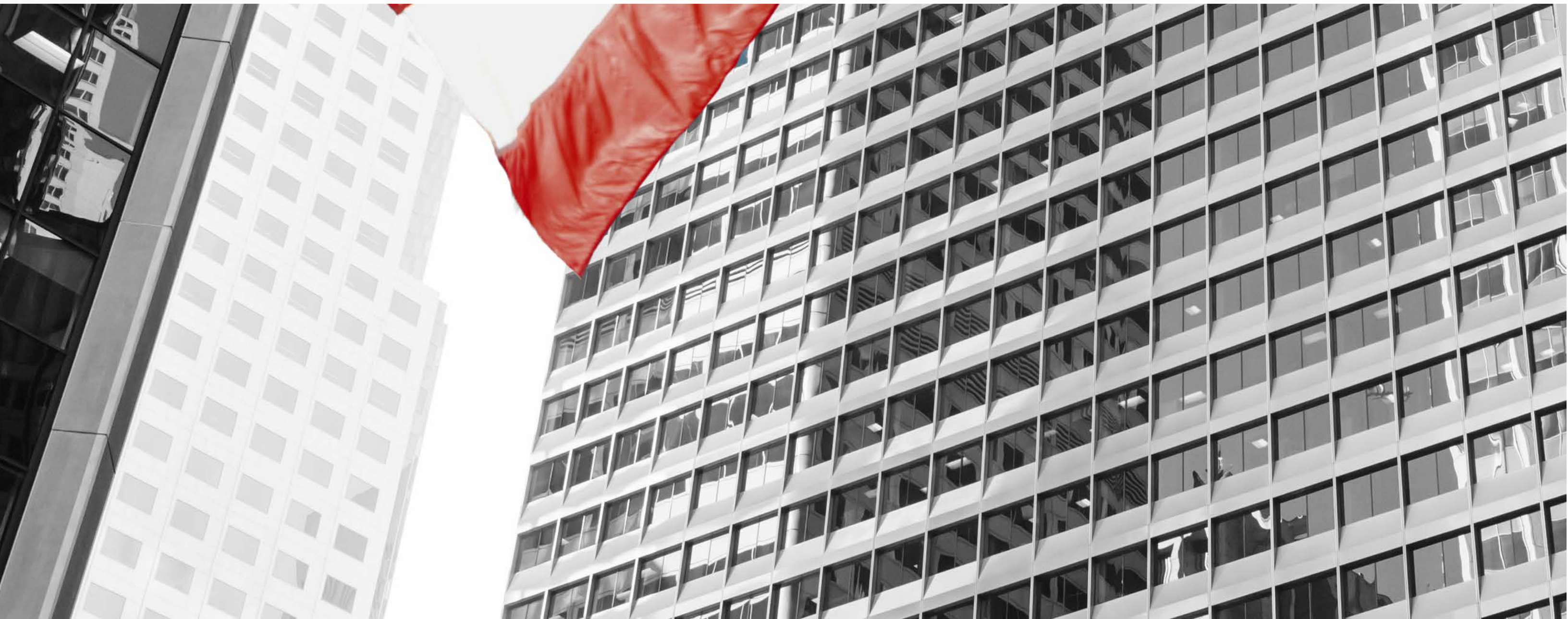
FIRM CAPITAL APARTMENT REIT

CAPITAL PRESERVATION • DISCIPLINED INVESTING

REPORT TO UNITHOLDERS

SECOND QUARTER
JUNE 30, 2023



FIRM CAPITAL APARTMENT REIT

CAPITAL PRESERVATION • DISCIPLINED INVESTING

MD&A

MANAGEMENT DISCUSSION AND ANALYSIS

SECOND QUARTER
JUNE 30, 2023

FORWARD LOOKING STATEMENTS

*The following management's discussion and analysis (“**MD&A**”) of the financial condition and results of operations of Firm Capital Apartment Real Estate Investment Trust (“**Firm Capital Apartment REIT**”, “**FCA**”, “**TSXV: FCA.U/FCA.UN**” or the "**Trust**") should be read in conjunction with the Trust’s unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2023 and June 30, 2022 and the audited consolidated financial statements for years ended December 31, 2022 and December 31, 2021. All disclosures including tables presented herein, related to an interim period are unaudited. This MD&A has been prepared taking into account material transactions and events up to and including August 8, 2023. Additional information about the Trust, including the Trust’s Annual Information Form, required by NI 51-102, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our web site at www.firmcapital.com.*

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our 2023 objectives and our strategies to achieve those objectives, as well as statements with respect to management’s beliefs, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “expect”, “intent”, “estimate”, “anticipate”, “believe”, “should”, “plans” or “continue” or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management.

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

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

BASIS OF PRESENTATION

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

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

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

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

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

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

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

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

Q2/2023 HIGHLIGHTS

EARNINGS

- For the three months ended June 30, 2023, net loss was approximately $1.9 million, in comparison to the $4.9 million net loss reported for the three months ended March 31, 2023 and the $10.3 million net loss reported for the three months ended June 30, 2022;
- Excluding non-cash fair value adjustments, net loss was $0.2 million for the three months ended June 30, 2023, in comparison to the $0.2 million net income reported for the three months ended March 31, 2023 and the $0.8 million net income reported for the three months ended June 30, 2022. Excluding non cash fair value adjustments, net loss was $0.06 million for the six months ended June 30, 2023 in comparison to the $1.3 million net income reported for the six months ended June 30, 2022;
- For the three months ended June 30, 2023, AFFO was negative $0.2 million, in comparison to the $0.2 million reported for the three months ended March 31, 2023 and the $0.7 million reported for the three months ended June 30, 2022. For the six months ended June 30, 2023, AFFO was negative $0.01 million in comparison to the $1.1 million reported for the six months ended June 30, 2022.

	Three Months Ended			Six Months Ended	
	Jun 30, 2023	Mar 31, 2023	Jun 30, 2022	Jun 30, 2023	Jun 30, 2022
Net Loss	$ (1,854,814)	$ (4,901,727)	$ (10,303,122)	$ (6,756,541)	$ (10,648,467)
Net Income Before Fair Value Adjustments	$ (221,406)	$ 160,560	$ 806,599	$ (60,846)	$ 1,338,699
FFO	$ (77,799)	$ (571,581)	$ 971,866	$ (649,380)	$ 1,262,054
AFFO	$ (166,675)	$ 154,444	$ 687,960	$ (12,231)	$ 1,134,311

- **NAV AT $7.01 PER TRUST UNIT (CAD $9.28):**
  Including the face value of the convertible debentures, the Trust reported NAV of $7.01 per Trust Unit (CAD $9.28) in comparison to the $7.24 (CAD $9.80) per Trust Unit as at Q1/2023, also adjusted for the face value of the convertible debentures.

- **AVERAGE RENT INCREASES ACROSS INVESTMENT PORTFOLIO:**

  Wholly-Owned Real Estate Investments Portfolio: For the three months ended June 30, 2023, average rents saw an increase of 1.96% to $1,230 per unit from the $1,206 per unit reported for the three months ended March 31, 2023 and an increase of 8.25% from the $1,136 reported for the three months ended June 30, 2022;

  Joint Venture Real Estate Investments Portfolio: For the three months ended June 30, 2023, average rents saw an increase of 1% to $1,590 per unit from the $1,576 per unit reported for the three months ended March 31, 2023 and an increase of 10.18% from the $1,443 reported for the three months ended June 30, 2022;

STRATEGIC REVIEW

On November 15, 2022, the Board of Trustees initiated a strategic review process to identify, evaluate and pursue a range of strategic alternatives with the goal of maximizing unitholder value (the "**Strategic Review**").

By way of update, the Board is pleased to report on the following:

- **WHOLLY OWNED ASSET DISPOSITIONS:** The Trust has listed for sale its entire Wholly Owned Real Estate Investments and is pleased to report on the following:
  - **Texas:** As previously announced, the Trust completed the sale of one of its properties located in Austin, Texas for $12.6 million. Net of associated mortgage debt and closing costs, the net sale proceeds of approximately $8.8 million were used to pay off additional debt including, but not limited to, the mortgage associated with the Trust's other property located in Austin, Texas; bank indebtedness and the vast majority of the $5.1 million (CAD$6.9 million) Bridge Loan. In addition, the Trust has an unencumbered property located in Austin, Texas under contract for sale. The net sale proceeds will be used to pay the remainder of the $0.9 million (CAD$1.2 million) Bridge Loan and for working capital purposes. This sale is expected to close during Q3/2023. Both properties have/had sales prices in line with their respective IFRS values. In addition, the Trust has two properties located in Houston, Texas that are actively being marketed;
  - **New Jersey:** The Trust has a sale in place for its sole property located in New Jersey. The expected closing of the sale is anticipated to be during Q3/2023. The property disposition has a sales price in line with its IFRS value; and
  - **Florida:** The Trust's property in Florida is under negotiations to be sold.
- **JOINT VENTURE ASSET DISPOSITIONS:** The Trust has listed for sale its Joint Venture Real Estate Investments located in Maryland as both the Trust and its partners have decided it was an appropriate time to exit the respective investments. As of today, one of the Maryland properties is under negotiations and one is being actively marketed. In terms of the remaining joint venture properties located in New York, Connecticut and Georgia, the Trust has decided with its partners to hold these investments until such time as the value of the respective investments can be maximized.
- **PREFERRED CAPITAL INVESTMENTS:** As at June 30, 2023, the Trust has two Preferred Capital Investments located in Texas and South Dakota that aggregate approximately $5.1 million. The Trust continues to hold these investments and earns income at 10% and 12%, respectively. Both investments are current in terms of their interest payments.

The Board will continue to assess matters on a quarterly basis and determine if the Trust should: (i) distribute excess income; (ii) distribute net proceeds from asset sales, after debt repayment; (iii) reinvest net proceeds into other investments; (iv) distribute proceeds as a return of capital or special distribution; and/or (v) use excess proceeds to repurchase Trust units in the marketplace. It is the Trust's current intention not to disclose developments with respect to the Strategic Review unless and until it is determined that disclosure is necessary or appropriate, or as required under applicable securities laws.

INVESTMENT STRUCTURE

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

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

(ii) **Joint Venture Real Estate Investments:**
The Trust has successfully utilized a joint venture strategy with partners who bring strong, local expertise in its core and non-core markets. The Trust strives to have a minimum 50% ownership interest and will fund the equity in a combined preferred/common equity investment structure. The preferred equity provides a fixed rate of return resulting in a secured structure ahead of the partner's ownership interest, while the common equity provides an upside return for investors as the investment meets its targeted objectives. The joint venture strategy de-risks the Trust's investment.

(iii) **Preferred Capital Investments:**

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

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

ACQUISITION & LOAN FUNDING STRUCTURE

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

INVESTMENT PORTFOLIO

Outlined below is a summary of the Investment Portfolio for the three months ended June 30, 2023 and March 31, 2023:

	June 30, 2023				March 31, 2023	
Region	**Number of Units**	**IFRS Value**	**Occupancy**	**Average Monthly Rent**	**Occupancy**	**Average Monthly Rent**
Wholly-Owned Real Estate Investments						
Florida	153	$ 31,352,500	95.4%	$ 1,741	94.1%	$ 1,706
New Jersey	189	18,816,361	88.4%	$ 1,218	88.9%	$ 1,190
Texas	553	62,374,003	90.2%	$ 1,092	94.6%	$ 1,092
Total / Weighted Avg.	**895**	**$ 112,542,864**	**90.7%**	**$ 1,230**	**93.3%**	**$ 1,206**
Joint Venture Real Estate Investments						
Connecticut	109	2,032,201	99.1%	$ 1,401	90.8%	$ 1,357
Georgia	138	7,331,119	91.3%	$ 1,476	90.6%	$ 1,464
Maryland	353	8,297,866	87.3%	$ 1,565	85.6%	$ 1,550
New York	261	$ -	97.3%	$ 1,762	95.8%	$ 1,762
Total / Weighted Avg.	**861**	**$ 17,661,186**	**92.5%**	**$ 1,590**	**90.2%**	**$ 1,576**
Preferred Capital Investments						
South Dakota	N/A	3,717,813	N/A	N/A	N/A	N/A
Texas	N/A	$ 1,489,755	N/A	N/A	N/A	N/A
Total / Weighted Avg.		**$ 5,207,568**	**N/A**	**N/A**	**N/A**	**N/A**
Total / Weighted Avg.	**1,756**	**$ 135,411,618**	**91.6%**	**$ 1,406**	**91.9%**	**$ 1,379**

INVESTMENT PORTFOLIO OCCUPANCY AND AVERAGE RENT

Wholly-Owned Real Estate Investment Portfolio

As at June 30, 2023, occupancy was 90.7%, a decrease of 260 basis points in comparison to the 93.3% at March 31, 2023. This decrease was largely driven by the New Jersey and Texas portfolios and is the result of the Trust's efforts to terminate tenancies for rental arrears, as indicated in the Operational Update announced in the Trust's April 24, 2023 press release.

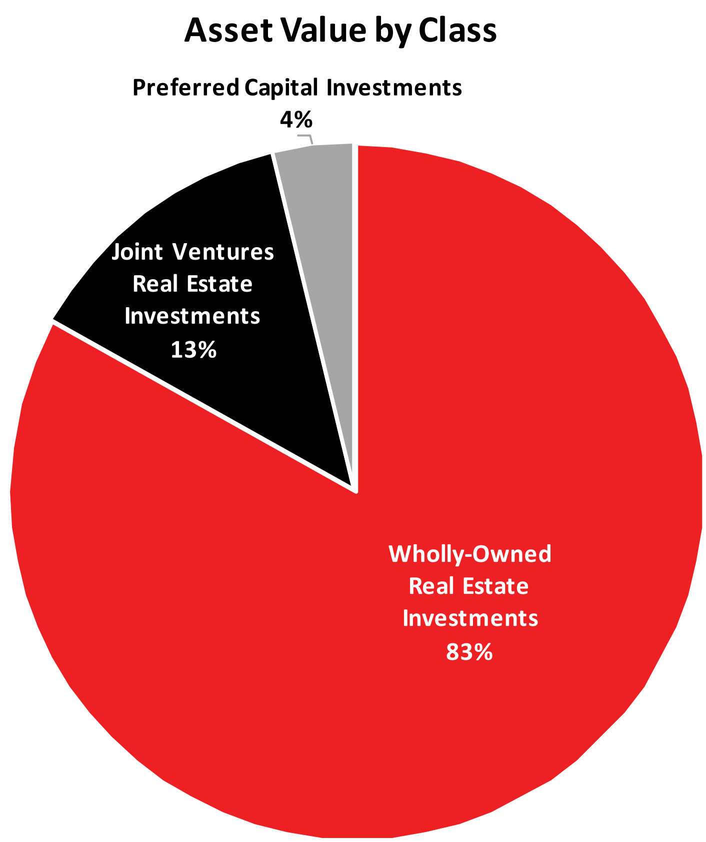
For the three months ended June 30, 2023, average rents saw an increase of 1.96% to $1,230 per unit from the $1,206 per unit reported for the three months ended March 31,

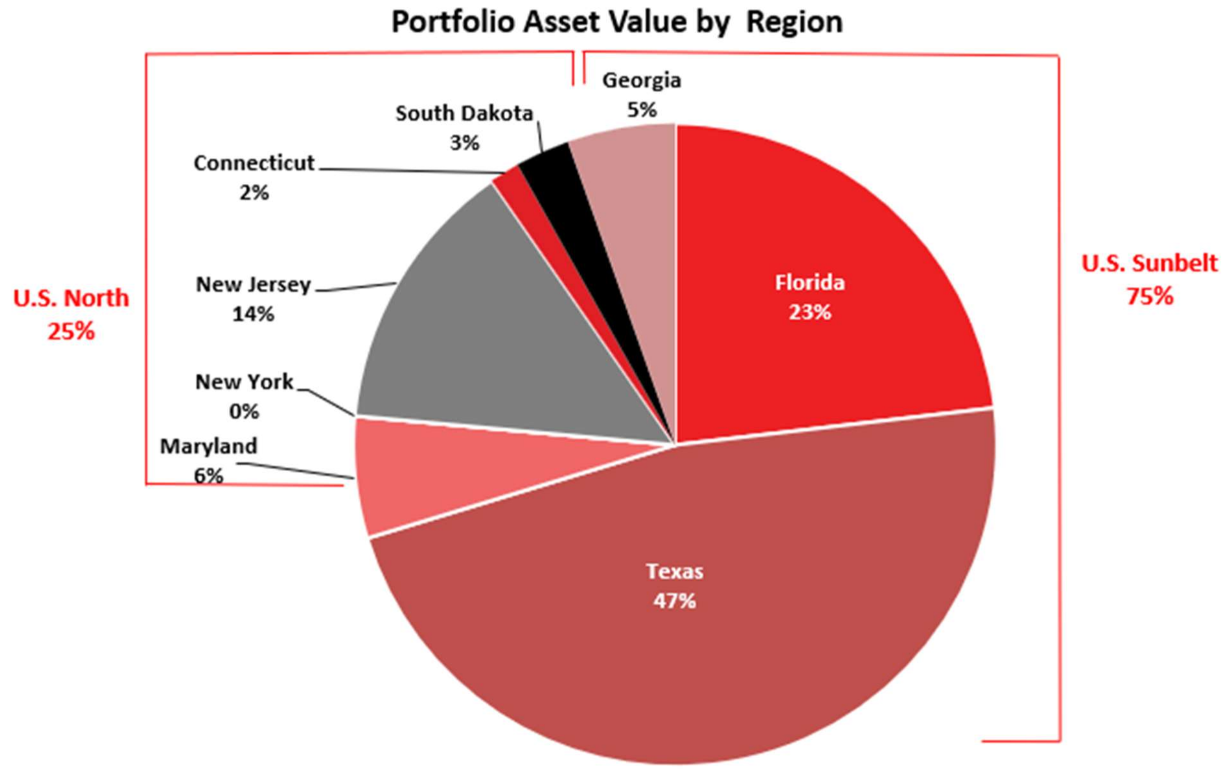
2023. The increase is driven by rental rate increases in the Florida and New Jersey portfolios.

Joint Venture Real Estate Investment Portfolio
As at June 30, 2023, occupancy was 92.5%, an increase of 230 basis points from the 90.2% reported at March 31, 2023. This increase was driven by increased occupancy throughout the portfolios.

Average rent for the three months ended June 30, 2023 was $1,590 per unit, a 1% increase from the $1,576 average monthly rent as at March 31, 2023. The increase was driven by rental rate increases in the Connecticut, Georgia and Maryland portfolios.

INVESTMENT PORTFOLIO BY GEOGRAPHY AND INVESTMENT TYPE





Note: Individual asset classifications correspond with the classifications adopted in the Trust's consolidated balance sheet for the three months ended June 30, 2023.

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

(i) **U.S. Sunbelt**: includes properties in Texas, Florida and Georgia. This represents 75% of the Investment Portfolio.

(ii) **U.S. North**: includes properties in New York, New Jersey, South Dakota Maryland, and Connecticut. This represents 25% of the Investment Portfolio.

QUARTERLY FINANCIAL OVERVIEW

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

	Three Months Ended				Six Months Ended
	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2023
Rental Revenue	$ 3,409,715	$ 3,495,297	$ 3,270,076	$ 3,221,219	$ 6,905,012
Property Operating Expenses	(2,003,811)	(1,805,948)	(1,772,347)	(1,727,437)	(3,809,759)
Net Rental Income	**1,405,904**	**1,689,349**	**1,497,729**	**1,493,782**	**3,095,253**
Income from Equity Accounted and Preferred Investments	222,161	225,951	311,232	536,468	448,112
Income from Preferred Capital Investments	149,111	136,789	172,440	133,800	285,900
General and Administrative	(545,558)	(547,158)	(612,999)	(598,903)	(1,092,716)
Finance Costs	(1,453,024)	(1,344,371)	(1,105,761)	(1,180,469)	(2,797,395)
Fair Value Adjustment of Convertible Debentures	(145,632)	(575,755)	1,446,723	1,023,490	(721,387)
Fair Value Adjustments of Investment Properties and Equity accounted investments	(1,045,845)	(4,162,302)	(3,527,582)	(3,149,264)	(5,208,147)
Provision for Impairment on Equity Accounted Investments, Preferred Investments and Preferred Capital Investments	(200,000)	(130,492)	(697,354)	(1,343,055)	(330,492)
Other (1)	(241,931)	(193,738)	478,255	1,649,992	(435,669)
Net Loss	**$ (1,854,814)**	**$ (4,901,727)**	**$ (2,037,317)**	**$ (1,434,159)**	**$ (6,756,541)**

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

	Three Months Ended				Six Months Ended
	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2022
Rental Revenue	$ 3,049,948	$ 2,049,088	$ 1,751,472	$ 1,781,855	$ 5,099,036
Property Operating Expenses	(1,607,434)	(1,191,750)	(920,585)	(819,708)	(2,799,183)
Net Rental Income	**1,442,514**	**857,339**	**830,887**	**962,147**	**2,299,853**
Income from Equity Accounted and Preferred Investments	547,156	662,874	745,997	730,362	1,210,030
Income from Preferred Capital Investments	162,019	62,773	47,653	118,604	224,792
General and Administrative	(344,844)	(395,891)	(487,967)	(567,154)	(740,735)
Finance Costs	(1,000,245)	(654,995)	(638,620)	(648,438)	(1,655,241)
Fair Value Adjustment of Convertible Debentures	377,834	(227,912)	(422,595)	292,471	149,922
Fair Value Adjustments of Investment Properties and Equity accounted investments	(8,319,739)	(429,408)	4,022,543	4,248,037	(8,749,148)
Provision for Impairment on Equity Accounted Investments, Preferred Investments and Preferred Capital Investments	(3,614,473)	-	(284,330)	(3,551,167)	(3,614,473)
Other (1)	446,657	(220,124)	(334,628)	969,069	226,533
Net Income (loss)	**$ (10,303,122)**	**$ (345,345)**	**$ 3,478,939**	**$ 2,553,930**	**$ (10,648,467)**

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

REVIEW OF QUARTERLY AND YEAR TO DATE RESULTS

REVENUES

For the three months ended June 30, 2023, rental revenue was approximately $3.4 million, a 2.4% decrease over the $3.5 million reported for the three months ended March 31, 2023, and an 11.8% increase over the $3.0 million reported for the three months ended June 30, 2022. The quarter-over-quarter decrease is largely due to the disposition of one of the Austin, Texas portfolios in the quarter resulting in less rental revenue recorded from that portfolio in the period. The year-over-year increase is due to the growth of average rents throughout the portfolios.

PROPERTY OPERATING EXPENSES

For the three months ended June 30, 2023, property operating expenses were approximately $2.0 million, an 11% increase from the $1.8 million reported for the three months ended March 31, 2023 and a 24.7% increase over the $1.6 million reported for the three months ended June 30, 2022. The quarter-over-quarter and year-over-year change is largely due to increased cost of operations from the Texas portfolios as a result of higher insurance expense.

NET RENTAL INCOME FROM INVESTMENT PROPERTIES

For the three months ended June 30, 2023, net rental income was approximately $1.4 million, in comparison to the $1.7 million reported for the three months ended March 31, 2023 and the $1.4 million reported for the three months ended June 30, 2022. The quarter-over-quarter and year-over-year change is largely due to increased operating costs, offset by the higher rental income.

INCOME FROM EQUITY ACCOUNTED AND PREFERRED INVESTMENTS

For the three months ended June 30, 2023, income from equity accounted and preferred investments was $0.2 million which is consistent with the $0.2 million income reported for the three months ended March 31, 2023. $0.5 million was reported for the three months ended June 30, 2022.The year-over-year decrease is largely due to the decrease in net income from the New York portfolios and the post-acquisition consolidation of the Houston, Texas Portfolios as they are accounted for as Wholly Owned Real Estate Investments in the current year.

PRO FORMA CONSOLIDATION OF EQUITY ACCOUNTED INVESTMENTS

Outlined below are the financial statements of the Trust including the pro forma consolidation of its interests in equity accounted investments. Assuming proportionate consolidation, the Trust would have total assets of approximately $181 million.

(In $thousands unless otherwise stated)

	The Trust (1)	Connecticut - Hartford	Georgia - Canton	Maryland - Brentwood	Maryland - Hyattsville	New York - Bronx	New York - New York	Total
Assets								
Cash & Restricted Cash	$ 2,092	$ 37	$ 155	$ 67	$ 840	$ 426	$ (7)	$ 3,611
Accounts Receivable	628	31	8	42	123	125	208	1,165
Other Assets & Investments	1,141	8	26	7	164	31	36	1,413
Preferred Capital Investments	5,208	-	-	-	-	-	-	5,208
Assets Held for Sale	112,543	-	-	-	-	-	-	112,543
Investment Properties	-	6,163	12,418	3,771	18,739	10,619	5,063	56,773
	$121,612	**$ 6,239**	**$ 12,607**	**$ 3,887**	**$ 19,866**	**$ 11,201**	**$ 5,301**	**$ 180,713**
Liabilities								
Accounts Payable	$ 6,369	$ 200	$ 204	$ 189	$ 144	$ 150	$ 1,118	8,374
Other Liabilities	165	9	43	12	56	83	93	462
Mortgages and Convertible Debenture	77,374	5,485	8,753	2,469	16,754	9,603	7,773	128,211
	$ 83,908	**$ 5,693**	**$ 9,000**	**$ 2,671**	**$ 16,955**	**$ 9,836**	**$ 8,984**	**$ 137,047**
Equity								
Unitholders Equity	$ 37,704	$ 546	$ 3,607	$ 1,216	$ 2,911	$ 1,364	$ (3,683)	$ 43,665
	$ 37,704	**$ 546**	**$ 3,607**	**$ 1,216**	**$ 2,911**	**$ 1,364**	**$ (3,683)**	**$ 43,665**
	$121,612	**$ 6,239**	**$ 12,607**	**$ 3,887**	**$ 19,866**	**$ 11,201**	**$ 5,301**	**$ 180,713**

As at June 30, 2023, the Trust has invested in the following Equity Accounted and Preferred Investments:

(In $millions unless otherwise stated)

Location	Units	Investment Properties	Common Equity Ownership %	Equity Accounted Investment - Common Equity	Preferred Investment	Total Investment	Preferred Yield
Connecticut - Hartford	109	$ 12.3	50.0%	$ 0.6	$ 1.4	$ 2.0	8%
Georgia - Canton	138	24.8	50.0%	3.7	3.6	7.3	8%
Maryland - Brentwood	118	15.1	25.0%	1.0	0.1	1.1	8%
Maryland - Hyattsville	235	37.5	50.0%	3.1	4.1	7.2	8%
New York - Bronx	132	21.2	50.0%	-	-	-	
New York - New York	129	22.2	22.8%	-	-	-	
Total/ Weighted Average	**861**	**$ 133.2**	**42.4%**	**$ 8.4**	**$ 9.2**	**$ 17.7**	**8%**

Outlined below are the details of the Trust's net investment in the equity accounted investment and preferred investments. The Equity accounted investments comprise common equity, accounted for using the equity method and the 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 of June 30, 2023 and December 31, 2022 and for the three and six months ended June 30, 2023 and 2022 are included below:

	Equity Accounted Investments	Preferred Investments	Total
As at January 1, 2022	**$ 23,280,118**	**$ 17,246,878**	**$ 40,526,996**
Investment Activity			
- Preferred Investments	-	461,522	461,522
- 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	475,778	-	475,778
- Fair Value Adjustments on Investment Properties	(3,487,748)	-	(3,487,748)
Net income from Equity Accounted Investments	**(3,011,970)**	**-**	**(3,011,970)**
- Income from Preferred Investments	-	734,252	734,252
- Less: Distributions and interest received	(46,258)	(150,499)	(196,757)
- Provision for Impairment on Preferred Investments	-	(2,153,678)	(2,153,678)
As at June 30, 2022	**$ 9,661,834**	**$ 8,737,132**	**$ 18,398,966**
Investment Activity			
- Equity Accounted Investments	212,000	-	212,000
- Preferred Investments	-	1,170,799	1,170,799
Income Items			-
- Income from Equity Accounted Investments	311,945	-	311,945
- Fair Value Adjustments on Investment Properties	(101,142)	-	(101,142)
Net income from Equity Accounted Investments	**210,803**	**-**	**210,803**
- Income from Preferred Investments	-	535,755	535,755
- Less: Distributions and interest received	(51,692)	(532,044)	(583,736)
- Provision for Impairment on Equity Accounted Investments	(1,258,277)	-	(1,258,277)
- Provision for Impairment on Preferred Investments	-	(668,799)	(668,799)
As at December 31, 2022	**$ 8,774,668**	**$ 9,242,843**	**$ 18,017,511**
Investment Activity			
- Equity Accounted Investments	275,000	-	275,000
- Preferred Investments	-	130,492	130,492
Income Items			
- Income from Equity Accounted Investments	83,698	-	83,698
- Fair Value Adjustments on Investment Properties	(514,365)	-	(514,365)
Net income from Equity Accounted Investments	**(430,667)**	**-**	**(430,667)**
- Income from Preferred Investments	-	364,414	364,414
- Less: Distributions and interest received	-	(365,072)	(365,072)
- Provision for Impairment on Equity Accounted Investments	(200,000)	-	(200,000)
- Provision for Impairment on Preferred Investments	-	(130,492)	(130,492)
As at June 30, 2023	**$ 8,419,001**	**$ 9,242,185**	**$ 17,661,186**

	June 30, 2023	December 31, 2022
Assets		
Cash	$ 401,308	$ 344,355
Restricted Cash	2,753,403	2,109,586
Accounts Receivable	1,656,036	1,573,615
Other Assets	644,384	1,432,080
Investment Properties	133,197,322	134,173,704
	$138,652,453	**$139,633,340**
Liabilities		
Accounts Payable and Accrued Liabilities	7,063,728	2,506,583
Security Deposits	839,984	536,022
Mortgages	103,048,014	103,315,627
	$110,951,726	**$106,358,232**
Equity		
Deficit	$ (20,794,639)	$ (18,199,874)
Preferred Equity	22,154,601	25,411,376
Common Equity	26,340,767	26,063,606
	$ 27,700,728	**$ 33,275,108**
	$138,652,453	**$139,633,340**
Investment Allocation for the Trust		
Equity Accounted Investments	$ 8,619,001	$ 8,774,668
Preferred Investments	9,242,185	9,242,843
	$ 17,861,186	**$ 18,017,511**

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net Income				
Rental Revenue	$ 3,516,933	$ 3,073,601	$ 6,591,316	$ 7,212,928
Property Operating Expenses	(2,443,072)	(1,496,246)	(4,487,620)	(3,697,505)
Net Rental Income	**1,073,861**	**1,577,355**	**2,103,696**	**3,515,423**
Interest Expense	(1,194,150)	(933,845)	(2,283,843)	(1,494,416)
Fair Value Adjustments on Investment Properties	(2,057,459)	(13,471,538)	(2,057,459)	(13,471,538)
Net Loss Before Interest from Preferred Investments	**$ (2,177,749)**	**$ (12,828,028)**	**$ (2,237,607)**	**$ (11,450,531)**
Less: Interest from Preferred Investments	(411,564)	(173,274)	(772,008)	(649,445)
Net Loss	**(2,589,312)**	**(13,001,303)**	**(3,009,614)**	**(12,099,977)**
Income Earned by the Trust				
Income from Equity Accounted Investments	$ 39,598	$ 234,702	$ 83,698	$ 475,778
Fair Value Adjustments on Investment Properties	(514,365)	(3,487,748)	(514,365)	(3,487,748)
Net income (loss) from Equity Accounted Investments	**(474,767)**	**(3,253,046)**	**(430,667)**	**(3,011,970)**
Provision for Impairment on Equity Accounted Investments	(200,000)	-	(200,000)	-
Income from Preferred Investments	182,563	312,453	364,414	734,252
Provision for Impairment on Preferred Investments	-	(2,153,678)	(130,492)	(2,153,678)
	(492,204)	**(5,094,271)**	**(396,745)**	**(4,431,396)**

RECENT PORTFOLIO ACTIVITY

On February 8, 2022, the Trust completed the acquisition of the Houston, Texas equity accounted and preferred investment **("Texas Portfolio")**. This transaction has been recognized as an asset acquisition whereby the associated costs have been capitalized. The consideration has been allocated to the identifiable assets acquired and liabilities assumed, based on their fair values at the date of transaction. The purchase price equation for the Texas 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 being 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 transaction is as follows:

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

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

Assets Held For Sale: As at March 31, 2023, the Trust reclassified its investment properties as assets held for sale. As at June 30, 2023 the assets held for sale total $112,542,864 along with an associated mortgage payable that is likely to be assumed upon completion of the sale totaling $18,370,000. Mortgages not likely to be assumed upon completion of a sale are not included in liabilities related to assets held for sale.

As part of its Strategic Review, the Trust committed to a plan to sell these properties and the sales were considered to be highly probable as at June 30, 2023. The Trust has entered into an Agreement of Purchase and Sale to sell its New Jersey portfolio with gross proceeds of $19.5 million. The Trust has also entered into an Agreement of Purchase and Sale to sell one of its investment properties located in Austin, Texas for gross proceeds of $9.9 million. Both sales are expected to close prior to the end of September 30, 2023.

During the period ended June 30, 2023, the Trust completed the sale of one of its properties located in Austin, Texas for gross proceeds of $12.6 million.

INCOME FROM PREFERRED CAPITAL INVESTMENTS

As at June 30, 2023, the Trust has invested in the following preferred capital investments:

- **Houston Portfolio:** Investment of $1.5 million in a $4.8 million preferred capital loan for five apartment buildings. The Houston Preferred Capital earns an interest rate of 10% per annum and matures on September 9, 2025.
- **South Dakota Portfolio:** Investment of $3.5 million for a recapitalization of a portfolio located in Sioux Falls, South Dakota. The Sioux Falls Portfolio earns 12% interest during the initial 3 year term.
- **New York Portfolio:** Investment of $2.5 million in a $12.0 million, interest only preferred capital investment in three apartment buildings in Manhattan, New York.

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

At each reporting date, the Trust assesses the borrower's ability to make contractual payments based on current market conditions. For the three and six months ended June 30, 2023, no further impairment provision was recorded (2022 - $nil).

FAIR VALUE AND IMPAIRMENT ADJUSTMENTS ON THE INVESTMENT PORTFOLIO

As of June 30, 2023, the Trust owned the following investment properties:

- 895 wholly owned apartment units with a fair value of approximately $112 million;
- 861 equity accounted and preferred investment apartment units with an investment fair value of approximately $17.7 million.

Each quarter, the Trust determines the fair value of its wholly owned and equity accounted and preferred investment portfolios using an internally managed valuation model or the offer price less costs to sell of committed sales.

For the three months ended June 30, 2023, the total fair value loss to investment properties was $0.5 million in comparison to the $5.3 million loss for the three months ended June 30, 2022. For the six months ended June 30, 2023, the total fair value loss to investment properties was $4.7 million in comparison to the $5.3 million loss reported for the six months ended June 30, 2022.

For the three and six months ended June 30, 2023, the fair value loss attributed to equity accounted investment properties was $0.5 million in comparison to the $3.5 million loss reported for the three and six months ended June 30, 2022.

The fair value losses were driven by rising capitalization rates in response to rising interest rates. Despite this expansion, capitalization rates in certain markets are still below the cost of borrowing. The Trust will continue to monitor the marketplace in future quarters.

LEVERAGE

The Trust monitors its leverage on mortgage debt (defined as Mortgages and Bank Indebtedness/Investment Portfolio) and total debt (defined as Mortgages, Bank Indebtedness and Convertible Debentures/Investment Portfolio) in conjunction with anticipated future growth through the private and public debt markets and its liquidity in the short term. The table below calculates the Trust's leverage as at June 30, 2023 and December 31, 2022:

	Jun 30, 2023	Dec 31, 2022
Investment Portfolio	$ 135,411,618	$ 151,900,656
Mortgages and loan payable (1)	64,794,359	75,481,410
Bank indebtedness	-	965,000
Convertible Debentures	12,579,991	11,583,342
Total Debt	**$ 77,374,349**	**$ 88,029,752**
Net Equity Excluding Convertible Debentures	**$ 70,617,259**	**$ 75,454,246**
Net Equity Including Convertible Debentures	**$ 58,037,268**	**$ 63,870,904**
Leverage (Mortgages & Bank indebtedness / Investment Portfolio)	***47.8%***	***50.3%***
Leverage (Total Debt / Investment Portfolio)	***57.1%***	***58.0%***

(1) Mortgages and loan payable includes mortgage related to assets held for sale

GENERAL AND ADMINISTRATIVE ("G&A")

For the three months ended June 30, 2023, G&A was approximately $0.5 million in comparison to the $0.3 million reported for the three months ended June 30, 2022. For the six months ended June 30, 2023, G&A was approximately $1.2 million in comparison to the $0.7 million reported for the six months ended June 30, 2022. The increase is largely due to increased cost of operations as a result of higher inflation.

FINANCE COSTS

For the three months ended June 30, 2023, finance costs were approximately $1.5 million in comparison to the $1.0 million reported for the three months ended June 30, 2022. For the six months ended June 30, 2023, finance costs were approximately $2.8 million in comparison to the $1.7 million reported for the six months ended June 30, 2022.The increase is largely due to rising interest rates. In June 2023, the Trust significantly paid down its variable rate loans and bank indebtedness from the sales proceeds of the Austin, Texas portfolio.

The Trust monitors its normalized finance costs **("Cash Finance Costs"**) excluding non-cash accretion or amortization expense as a measure of liquidity. The table below calculates the cash finance costs for periods indicated below.

	Three Months Ended			Six Months Ended	
	Jun 30, 2023	Mar 31, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Finance Costs	$ 1,453,024	$ 1,344,371	$ 1,000,245	$ 2,797,395	$ 1,655,241
Add (Less): Amortization and Mark to Market	(89,879)	(36,118)	82,576	(125,997)	146,890
Cash Finance Costs	**$ 1,363,146**	**$ 1,308,253**	**$ 1,082,821**	**$ 2,671,398**	**$ 1,802,131**
% Change - Cash Finance Costs		**4 %**	**26 %**		**48 %**

FUNDS FROM OPERATIONS ("FFO"), ADJUSTED FUNDS FROM OPERATIONS ("AFFO").

For the three months ended June 30, 2023, FFO was negative $0.07 million, in comparison to the negative $0.6 million reported for the three months ended March 31, 2023. For the six months ended June 30, 2023, FFO was negative $0.6 million in comparison to the $1.3 million reported for the six months ended June 30, 2022.

For the three months ended June 30, 2023, AFFO was negative $0.2 million, in comparison to the $0.2 million reported for the three months ended March 31, 2023 and the $0.7 million reported for the three months ended June 30, 2022. For the six months ended June 30, 2023, AFFO was negative $0.01 million in comparison to the $1.1 million reported for the six months ended June 30, 2022.

The decrease in AFFO for the three months ended June 30, 2023 is largely due to higher operating costs and higher finance costs. In June 2023 the Trust significantly paid down its variable rate loans and bank indebtedness from the sales proceeds of the Austin, Texas portfolio.

	Three Months Ended			Six Months Ended	
	Jun 30, 2023	Mar 31, 2023	Jun 30, 2022	Jun 30, 2023	Jun 30, 2022
Net income	**$ (1,854,814)**	**$ (4,901,727)**	**$(10,303,122)**	**$ (6,756,541)**	**$ (10,648,467)**
Add (deduct):					
Fair Value Adjustments to Investment Properties	531,480	4,162,302	4,831,992	4,693,782	5,261,400
Fair Value Adjustments to Investment Properties Held in Equity Accounted Investments	514,365	-	3,487,748	514,365	3,487,748
Provision for Impairment - Equity Accounted Investments	200,000	-	-	200,000	-
Provision for Impairment - Preferred Investments	-	130,492	2,153,678	130,492	2,153,678
Provision for Impairment - Preferred Capital Investments	-	-	1,460,795	-	1,460,795
Foreign Exchange Loss	441,291	1,234	(576,648)	442,525	(306,209)
Finance Cost and Mark To Market Amortization	89,879	36,118	(82,576)	125,997	(146,890)
FFO	**$ (77,799)**	**$ (571,581)**	**$ 971,866**	**$ (649,380)**	**$ 1,262,054**
Add (deduct):					
Fair Value Adjustments to Convertible Debentures	145,632	575,755	(377,834)	721,387	(149,922)
Fair Value Adjustments to Unit Based Compensation	(199,360)	192,504	129,991	(6,856)	79,676
Capital Expenditures	(35,148)	(42,234)	(36,063)	(77,382)	(57,496)
AFFO	**$ (166,675)**	**$ 154,444**	**$ 687,960**	**$ (12,231)**	**$ 1,134,311**
Weighted Average Units	**7,604,375**	**7,604,375**	**7,604,375**	**7,604,375**	**7,604,375**
FFO per Unit	**$ (0.01)**	**$ (0.08)**	**$ 0.13**	**$ (0.09)**	**$ 0.17**
AFFO per Unit	**$ (0.02)**	**$ 0.02**	**$ 0.09**	**$ (0.00)**	**$ 0.15**

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

	Three Months Ended			Six Months Ended	
	Jun 30, 2023	Mar 31, 2023	Jun 30, 2022	Jun 30, 2023	Jun 30, 2022
Total Operating Activities	$ (391,976)	$ (846,394)	$ 836,847	$ (1,238,370)	$ 902,523
Changes in non-cash working capital items:					
Unrealized Foreign Exchange Gain on Convertible Debentures	(270,624)	(4,638)	458,264	(275,262)	190,105
Accounts Receivable	(157,076)	112,076	49,185	(45,000)	(98,187)
Prepaid Expenses and Other Assets	771,185	(142,596)	(18,096)	628,589	282,252
Accounts Payable and Accrued Liabilities	(598,224)	999,995	(670,434)	401,771	(965,124)
Income from Equity Accounted Investments	39,598	44,100	343,040	83,698	566,156
Income from Preferred Investments	(1,378)	720	242,368	(658)	483,648
Income from Preferred Capital Investments	35,677	32,181	59,496	67,858	136,643
Foreign exchange gain	441,291	1,234	(576,648)	442,525	(306,209)
Capital expenditures	(35,148)	(42,234)	(36,063)	(77,382)	(57,496)
AFFO	**(166,675)**	**154,444**	**687,960**	**(12,231)**	**$ 1,134,311**
AFFO per Unit	**$ (0.02)**	**$ 0.02**	**$ 0.09**	**$ (0.00)**	**$ 0.15**

COMPARABLE CASH FLOWS

Comparable operating, investing and financing cash flows for the three months ended June 30, 2023 and 2022 are outlined below:

	Three Months Ended		Six Months Ended	
	Jun 30, 2023	Jun 30, 2022	Jun 30, 2023	Jun 30, 2022
Operating Activities	$ (391,976)	$ 836,847	$ (1,238,370)	$ 902,523
Investing Activities	11,658,769	(9,887,908)	11,101,297	(12,775,531)
Financing Activities	(11,695,059)	9,582,838	(11,778,048)	9,815,090
Increase (Decrease) in Cash	**$ (428,266)**	**$ 531,777**	**$ (1,915,121)**	**$ (2,057,918)**
Cash, Beginning of Period	2,520,458	2,481,633	4,007,313	5,071,329
Cash, End of Period	**$ 2,092,192**	**$ 3,013,410**	**$ 2,092,192**	**$ 3,013,410**

Net cash generated by operating activities for the three and six months ended June 30, 2023 decreased in comparison to the three and six months ended June 30, 2022 due to decreased income from equity accounted and preferred investments.

Net cash from investing activities for the three and six months ended June 30, 2023 increased in comparison to the three and six months ended June 30, 2022, due to the sale of one of the investment properties, and due to the fact additions to investments have been halted while the Strategic Review process is ongoing.

Net cash generated by financing activities decreased for the three and six months ended June 30, 2023 due to the repayment of debt from the sale of one of the investment properties.

RELATED PARTY TRANSACTIONS

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

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

   a) **Asset Management Fee:** 0.75% of the Gross Invested Assets of the Trust,

   b) **Acquisition Fee:**

      i. 1.0% of the first $300 million of aggregate Gross Book Value in respect of Properties acquired in a particular year; and thereafter

      ii. 0.75% of aggregate Gross Book Value in respect of Properties acquired in such year.

c) **Performance Incentive Fees:** 15% of AFFO once AFFO exceeds $0.63 per Unit.

d) **Placement Fees:** 0.25% of the aggregate value of all debt and equity financing arranged by the Manager.

e) **Property Management Fees:**

   i. Multi-unit residential properties with 120 units or less, 4.0% of Gross Revenue collected from the property;

   ii. Multi-unit residential properties with more than 120 units, 3.5% of Gross Revenue collected from the property;

   iii. Industrial or commercial property, 4.25% of Gross Revenue collected from the property; provided, however, that for such properties with a single tenant 3.0% of Gross Revenue collected from the property

f) **Commercial Leasing Fees:** 3.0% of the net rental payments for the first year of the lease, and 1.5% of the net rental payments for each year during duration of the lease; provided, however, that where a third party broker arranges for the lease of any such property that is not subject to a long-term listing agreement, the Manager shall be entitled to reduced commission equal to 50% of the foregoing amounts with respect to such property.

g) **Commercial Leasing Renewal Fees:** Renewals of space leased on commercial terms (including lease renewals at the option of the tenant) which are handled exclusively by the Manager shall be subject to a 0.50% commission on the net rental payments for each year of the renewed lease. When a long-term listing agreement is in effect for leasing and marketing of space with a party other than the Manager, the Manager shall cooperate fully with the broker and the leasing fees will not be payable to the Manager.

h) **Construction Development Property Management Fees:** Where the Manager is requested by the Trust to construct tenant improvements or to renovate same, or where the Manager is requested by the Trust to construct, modify, or re-construct improvements to, or on, the Properties (collectively, "**Capital Expenditures**"), the Manager shall receive 5.0% of the cost of such Capital Expenditures, including the cost of all permits, materials, labour, contracts, and subcontracts; provided, however, that no such fee shall be payable unless the Capital Expenditures are undertaken following a tendering or procurement process wherein the total cost of such Capital Expenditures exceed $50,000.

i) **Loan Servicing Fees:** 0.25% per annum on the principal amount of each Mortgage Investment (other than syndicated loans serviced by third parties). The Loan Servicing Fee will be calculated as spread interest and deducted from the first interest received on a mortgage investment. Mortgage servicing fees will be payable as to 1/12 monthly based on the receipt of interest payments from borrowers. Loan Servicing Fees will not be payable in respect of the Trust's cash balances or Non-Performing Loans held by the Trust, except that the Manager shall be entitled to retain any overnight float interest on all accounts maintained by the Manager in connection with the servicing of the Trust's Mortgage Investments. The Manager will retain all overnight float interest and related loan servicing fees as charged such as advance fees, discharge statement fees, realty tax escrow account charges, late payment and dishonoured payment charge fees, and all other such fees as charged by a loan servicing agent. This will only apply to the Mortgage Investments of the Trust.

j) **Origination, Commitment & Discharge Fees and Profit Sharing Fees:** The Manager shall remit to the Trust:

   i. 25% of all originating fees, commitment fees and renewal fees it receives from borrowers on mortgages it originates for the Trust (prorated to reflect the Trust's participation in the investment). The Manager will retain 100% of all originating fees, commitment fees, renewal fees and will remit 25% of such fees to the Trust calculated on the Trust's investment amount; and

   ii. 75% of any profit sharing, discharge fees, participation fees and profit made on discounted debt that the Mortgage Banker receives in respect of all Non-Conventional Mortgages and Special Profit Transactions it originates for the Trust (with an 8.0% annual preferential return to be given to the Trust on the Trust's investment amount prior to the Manager receiving its unit of such fees). The Manager shall retain 100% of all servicing charges paid by borrowers which are not identified above, including, without limitation, discharge statement administration fees and all fees identified.

k) **Term and Termination:** Initial term of ten years with automatic renewal for successive five year terms. The Trust may terminate the Agreement any time after November 1, 2025 other than for cause upon the approval of two-thirds of the votes cast by unitholders at a meeting and upon 24 months prior written notice. Upon termination, the Trust shall pay to the Manager the following:

   i. 2% of the Gross Invested Assets of the Properties and the Trust's other assets; and

   ii. any amounts which would have been earned by the Manager under the Agreement for the uncompleted portion of the term (the "**Termination Payment**").

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 the consolidated financial statements. During the three months ended June 30, 2023, the Trust paid $213,467 (CAD $306,651) of interest associated with the Bridge Loan. As at June 30, 2023, the balance on the Bridge Loan was $0.9 million (CAD $1.2 million).

For the three months ended June 30, 2023, asset management fees were $298,072 (June 30, 2022 - $137,483), loan servicing fees were $nil (June 30, 2022 - $14,742), acquisition fees were $nil (June 30, 2022 - $134,000), debt placement fees were $nil (June 30, 2022 - $21,854) and property management fees were $26,004 (June 30, 2022 - $24,865).

For the six months ended June 30, 2023, asset management fees were $679,081 (June 30, 2022 - $491,888), loan servicing fees were $nil (June 30, 2022 - $23,511), acquisition fees were $nil (June 30, 2022 - $297,750), debt placement fees were $nil (June 30, 2022 - $49,516) and property management fees were $50,909 (June 30, 2022 - $47,707).

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

As at June 30, 2023, the Trust has accrued $3,317,702 (December 31, 2022 - $2,638,621) under this Management Agreement, which is included in accounts payable and accrued liabilities.

CONTRACTUAL OBLIGATIONS

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

	Less than 1 year	1-2 years	>2 years	Total
Mortgages and loan payable [1]	$ 1,162,022	$ 23,223,119	$ 40,898,817	$ 65,283,957
Convertible Debentures Payable	-	-	12,579,991	12,579,991
Accounts Payable and Accrued Liabilities	6,369,073	-	-	6,369,073
Total	**$ 7,531,095**	**$ 23,223,119**	**$ 53,478,807**	**$ 84,233,022**

(1) Mortgages and loan payable includes mortgage related to assets held for sale

MORTGAGES AND LOAN PAYABLE

As at June 30, 2023, the Trust had mortgages payable, including liability related to assets held for sale, secured by the multi-family properties of $64,794,359 ($46,424,359 excluding mortgage related to assets held for sale) including the current portion and net of unamortized financing costs and mark to market on assumed mortgages (December 31, 2022 - $75,481,409) which bear interest at a weighted average interest rate of 5.97% (December 31, 2022 - 4.78%) per annum (4.59% excluding liability related to assets held for sale), and have maturity dates ranging between February 2024 and March 2038.

On February 8, 2022, the Trust assumed mortgages with a fair value of $22.5 million, as a result of the acquisition of the Houston, Texas Portfolio. The mortgage has interest-only payments bearing interest at 8% per annum until June 2023 and 8.5% fixed interest rate thereafter, and matures February 2024.

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 June 30, 2023, the balance on the Bridge Loan was $0.9 million (CAD $1.2 million).

On April 29, 2022, the Trust assumed mortgages with a fair value of $11.4 million, as a result of the Second Houston, Texas Portfolio acquisition, which bears interest at 4.90% per annum, and matures 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. Terms of the mortgage are at 4.77% fixed interest rate, interest-only, maturing on September 30, 2032.

	June 30, 2023	December 31, 2022
Mortgages payable	$ 46,913,957	$ 75,833,644
Less: Current Portion	(23,532,510)	(28,711,218)
Less: Unamortized Financing Costs	(715,980)	(613,400)
Add: Mark to Market on assumed mortgages	226,382	261,165
	$ 22,891,849	$ 46,770,191

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

	Principal	Interest	Total
2023	$ 1,162,022	$ 1,898,712	$ 3,060,733
2024	22,663,144	2,062,838	24,725,982
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 before Liabilities Related to Assets Held for Sale	65,283,957	17,851,912	83,135,868
Liabilities Related to Assets Held for Sale (1)	(18,370,000)	(8,324,366)	(26,694,366)
Total	$ 46,913,957	$ 9,527,547	$ 56,441,503

(1) Mortgage related to assets held for sale matures in 2032.

CONVERTIBLE DEBENTURE

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.

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.

DISTRIBUTIONS

For the period ended June 30, 2023, the Trust declared no distributions.

The excess/(shortfall) of cash flow from operating activities over distributions and net income/(loss) and comprehensive income/(loss) over distributions for the three months ended June 30, 2023, 2022 and December 31, 2022 are outlined below:

	Three Months Ended			Six Months Ended	
	Jun 30, 2023	Mar 31, 2023	Jun 30, 2022	Jun 30, 2023	Jun 30, 2022
Total Operating Activities (A)	$ (391,976)	$ (846,394)	$ 836,847	$ (1,238,370)	$ 902,523
Cash Finance Costs					
Finance Costs	1,453,024	1,344,371	1,000,245	2,797,395	1,655,241
Add (Less): Finance Cost and Mark To Market Amortization	(89,879)	(36,118)	82,576	(125,997)	(26,150)
Net Cash Interest Expense (B)	$ 1,363,146	$ 1,308,253	$ 1,082,821	$ 2,671,399	$ 1,629,091
Net Cash Flows from Operating Activities (A-B)	$ (1,755,122)	$ (2,154,647)	$ (245,974)	$ (3,909,769)	$ (726,568)
Net Loss	$ (1,854,814)	$ (4,901,727)	$ (10,303,122)	$ (6,756,541)	$ (10,648,467)
Distributions	$ -	$ -	$ 448,658	$ -	$ 897,316
Deficit of Net Cash Flow From Operating Activities Over Distributions	$ (1,755,122)	$ (2,154,647)	$ (694,633)	$ (3,909,769)	$ (1,623,884)
Deficit of Net Income (Loss) Over Distributions	$ (1,854,814)	$ (4,901,727)	$ (10,751,780)	$ (6,756,541)	$ (11,545,783)

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.

The Trust had the following options outstanding and exercisable on June 30, 2023:

Issuance Date	Number of Options	Weighted average exercise price	Fair Value of Options	Expiry Date
August 17, 2017	340,738	$ 7.50	$ 56,102	August 17, 2027
November 19, 2018	188,900	8.30	42,414	November 19, 2028
March 16, 2021	42,700	7.50	21,996	March 16, 2031
March 16, 2021	60,300	8.30	26,558	March 16, 2031
Total/ Weighted Average	**632,638**	**$ 7.82**	**$ 147,070**	

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

Option Assumptions	June 30, 2023	December 31, 2022
Stock Price	$ 3.07	$ 3.64
Exercise Price	$7.50-$8.30	$7.50-$8.30
Expected Life in Years	4.13-7.71	4.63-8.21
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	$ -	$ 0.12
Discount Rate - Bond Equivalent Yield	4.94%	4.30%

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those described in note 2 of the Trust’s audited consolidated financial statements for the year ended December 31, 2022. The Trust’s accounting policy for Assets Held for Sale is described in note 2 of the Trust’s unaudited condensed consolidated interim financial statements for the period ended June 30, 2023.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF TRUSTEES

Management is responsible for the information disclosed in this MD&A, and has in place the appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is materially complete and reliable. In addition, the Trust’s Audit Committee and Board of Trustees provide an oversight role with respect to all public financial disclosures by the Trust and have reviewed and approved this MD&A and the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2023 and 2022.

CONTROLS AND PROCEDURES

The Trust maintains appropriate information systems, procedures and controls to ensure that information disclosed externally is complete, reliable, and timely. The Trust's Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision of, the design and operating effectiveness of the Trust's disclosure controls and procedures (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Filings) as at June 30, 2023 and have concluded that such disclosure controls and procedures were appropriately designed and were operating effectively.

The Trust has also established adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Trust's financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. The Trust's Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision, of the design and operating effectiveness of the Trust's internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Filings) as at June 30, 2023. Based on that assessment, it was determined that the Trust's internal controls over financial reporting were appropriately designed and were operating effectively. In addition, the Trust did not make any changes to the design of the Trust's internal controls over financial reporting during the three and six months ended June 30, 2023 that would have materially affected or would be reasonably likely to materially affect the Trust's internal controls over financial reporting.

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

RISKS AND UNCERTAINTIES

GEOGRAPHIC CONCENTRATION

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

ACQUISITION RISK

The Trust may be subject to significant operating risks associated with its expanded operations. The Trust's business strategy includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions, and effectively operating and leasing such properties. If the Trust is unable to manage its growth effectively, it could have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations. There can be no assurance as to the pace of growth through property acquisitions or that the Trust will be able to acquire assets that are accretive to earnings and/or cash flow. The Trust may acquire additional properties selectively. The acquisition of additional properties entails risks that investments will fail to perform in accordance with expectations. In undertaking such acquisitions, the Trust will incur certain risks, including the expenditure of funds, including non-refundable deposits, due diligence costs and inspection fees, and the devotion of management's time to transactions that may not come to fruition. Additional risks inherent in acquisitions include risks that the properties will not achieve anticipated occupancy levels and that estimates of the costs and benefits of the renovation and repositioning program intended for the property being acquired may prove inaccurate or may not have the intended results.

CO-INVESTMENT/INVESTMENTS IN ASSOCIATES

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

PURCHASE AGREEMENTS

Additional properties may be sold to the Trust in an ‘‘as is’’ condition, and upon acquisition of said properties, the Trust may have limited recourse with respect to conditions affecting the purchased properties. The costs of unexpected repair and remediation work could be material and may, therefore, have an adverse effect on the Trust’s financial condition and results of operations. Furthermore, representations and warranties made by the seller in a purchase agreement, if any, may survive only for a limited period after closing. If claims arising because of a breach of a representation or warranty are discovered after this period, the Trust may not be able to seek indemnification from the seller and would, therefore, suffer the financial consequences of such a breach, which could be material. Moreover, even if the Trust was entitled to indemnification from the seller, no assurance can be given that the seller would have sufficient funds to satisfy any such indemnification claims.

NON-REFUNDABLE DEPOSITS

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

OPERATIONAL RISKS

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

RISKS RELATED TO PREFERRED CAPITAL LOAN DEFAULTS

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

FORECLOSURE AND RELATED COSTS

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

RISK OF NATURAL DISASTERS

The properties located in Florida, Georgia and Texas historically have experienced periods of extreme weather that have resulted in periods of severe thunderstorms, tornadoes, wind, and rain damage, and may sustain significant storm damage in the future. While the Trust will take insurance to cover a substantial portion of the cost of such events, the Trust's insurance is likely to include deductible amounts and exclusions such that certain items may not be covered by insurance. Future hurricanes, floods, or other natural disasters may significantly affect the Trust's operations and some or all the properties, and more specifically, may cause the Trust to experience reduced rental revenue (including from increased vacancy), incur cleanup costs as well as administration and collection costs, or otherwise incur costs in connection with such events, including damage to property and equipment, increasing material costs, increasing labour costs, increasing insurance premiums, increased time to completion of renovation due to the foregoing factors, and increase in government regulations with respect to setbacks, drainage and engineering of seawalls, and other protective features. Any of these events may have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations and ability to declare and pay dividends, if any, to Trust unitholders. As well, if the Trust was unable to obtain adequate insurance, and the properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the Trust's business, cash flows, and financial condition.

RISK OF LOSS NOT COVERED BY INSURANCE

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

RISK RELATED TO INSURANCE RENEWALS

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

ACCESS TO CAPITAL

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

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

FINANCING RISK

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

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

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

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

DEGREE OF LEVERAGE

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

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

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

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

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

LAWS BENEFITING DISABLED PERSONS
Laws benefiting disabled persons may result in unanticipated expenses being incurred by the Trust. Under the *Americans with Disabilities Act* of 1990 (the ''**ADA**''), all places intended to be used by the public are required to meet certain federal requirements related to access and use by disabled persons. The *Fair Housing Amendments Act* of 1988 (the ''**FHAA**'') requires apartment properties first occupied after March 13, 1991 to comply with design and construction requirements for disabled access. For those projects receiving federal funds, the *Rehabilitation Act* of 1973 also has requirements regarding disabled access. These and other federal, state and local laws may require modifications to the Trust properties, or affect renovations of the properties. Non-compliance with these laws could result in the imposition of fines or an award of damages to private litigants and could also result in an order to correct any non-complying feature, which could result in substantial capital expenditures. Although the Trust believes that the properties are substantially in compliance with present

requirements, the Trust may incur unanticipated expenses to comply with the ADA, the FHAA, and the *Rehabilitation Act* of 1973 in connection with the ongoing operation or redevelopment of the properties.

POTENTIAL CONFLICTS OF INTEREST WITH TRUSTEES

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

INTERNAL CONTROLS

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

U.S. LAWS AND REGULATIONS

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

U.S. CURRENCY RISK

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

LIQUIDITY

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

RELIANCE ON ASSUMPTIONS

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

GENERAL REAL ESTATE OWNERSHIP RISKS

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

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

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

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

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

SUBSTITUTIONS FOR RESIDENTIAL RENTAL UNITS

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

COMPETITION

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

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

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

CHANGES IN APPLICABLE LAWS

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

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

ENVIRONMENTAL MATTERS

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

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

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

THE COSTS ARISING FROM RENOVATION OF PROPERTIES

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

FIXED COSTS AND INCREASED EXPENSES

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

The Trust is also subject to utility and property tax risk relating to increased costs that the Trust experience because of higher resource prices as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised because of re-valuations of properties and their adherent tax rates. In some instances, enhancements to properties may result in significant increases in property assessments following a re-valuation. Additionally, utility expenses, mainly consisting of natural gas, water, and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the Trust cannot charge back to the tenant may have a material adverse effect on the Trust’s business, cash flows, financial condition and results of operations and the ability to make, declare, and pay any dividends. Unlike commercial leases, which generally are ‘‘net’’ leases and allow a landlord to recover expenditures from tenants, residential leases are generally ‘‘gross’’ leases, and the landlord is not able to pass on costs to its tenants. Generally, the Trust’s leases with tenants require the tenant to pay directly for their own utilities. The timing and amount of capital expenditures by the Trust will affect the amount of any distributions available to Unitholders.

INTEREST RATE RISK

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

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

VALUATION AND DISPOSITION RISK

On a quarterly basis the Trust performs a valuation assessment of its properties. As property values fluctuate over time in response to economic and market factors, or as underlying assumptions in the valuation model change, the fair value of the Trust's investment portfolios may change materially and could impact unitholders' value. While the Trust is responsible for the reasonableness of the assumptions and for the accuracy of the inputs into the property valuation model, market assumptions applied for valuation purposes do not necessarily reflect the Trust's specific history or experience and the conditions for realizing the fair values through a sale may change or may not be realized.

From time to time the Trust undertakes strategic property dispositions where the Trust believes the respective investment can be adequately monetized with the goal of maximizing unitholders' value. Failure to dispose of certain assets not aligned with the Trust's investment criteria may adversely affect its operations and financial performance.

ASSUMPTIONS MAY PROVE INACCURATE

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

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

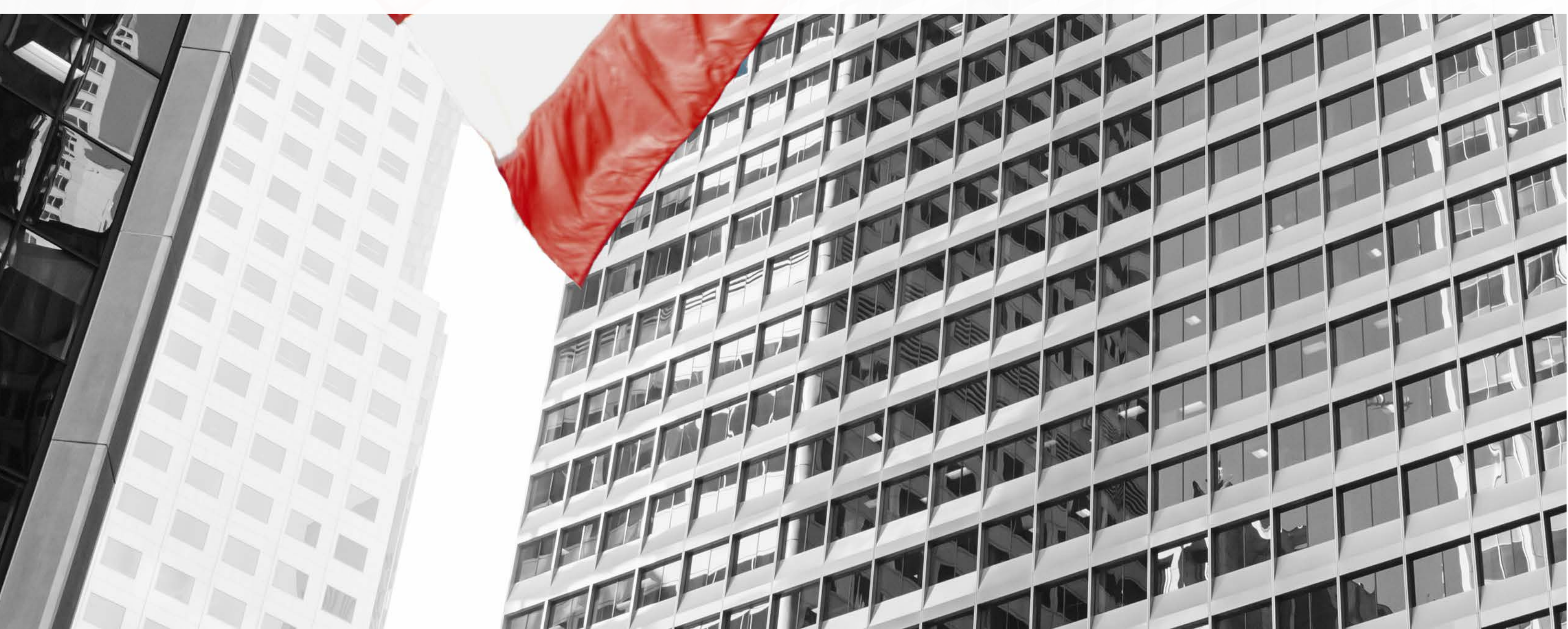
In addition, the recent market and regulatory environments relating to multi-family properties have been changing rapidly, making future trends difficult to forecast.

FIRM CAPITAL APARTMENT REIT

CAPITAL PRESERVATION • DISCIPLINED INVESTING

FINANCIAL STATEMENTS

SECOND QUARTER
JUNE 30, 2023



Condensed Consolidated Interim Financial Statements of

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

For the Three and Six Months Ended June 30, 2023 and 2022

(Expressed in US Dollars)

The accompanying unaudited condensed consolidated interim financial statements of Firm Capital Apartment Real Estate Investment Trust for the three and six months ended June 30, 2023 have been prepared by and are the responsibility of management. These unaudited condensed consolidated interim financial statements, together with the accompanying notes, have been reviewed and approved by members of Firm Capital Apartment Real Estate Investment Trust's audit committee. In accordance with National Instrument 51 – 102 Firm Capital Apartment Real Estate Investment Trust discloses that these unaudited condensed consolidated interim financial statements have not been reviewed by Firm Capital Apartment Real Estate Investment Trust's auditors.

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Balance Sheets

(Expressed in US Dollars)

(Unaudited)

	Notes	June 30, 2023	December 31, 2022
Assets			
Current Assets			
Cash and Cash Equivalents		$ 529,364	$ 817,954
Restricted Cash		1,562,828	3,189,359
Accounts Receivable		628,259	673,259
Prepaid Expenses and Other Assets		1,141,315	512,726
Assets Held for Sale	3	112,542,864	-
Total Current Assets		116,404,630	5,193,298
Non-Current Assets			
Investment Properties	3	-	128,743,435
Equity Accounted Investments	4	8,419,001	8,774,668
Preferred Investments	4	9,242,185	9,242,843
Preferred Capital Investments	5	5,207,568	5,139,710
Total Non-Current Assets		22,868,754	151,900,656
Total Assets		$ 139,273,384	$ 157,093,954
Liabilities and Unitholders' Equity			
Current Liabilities			
Accounts Payable and Accrued Liabilities	12	6,369,073	6,770,844
Bank Indebtedness	7(b),8	-	965,000
Mortgages and Loan Payable	7(a),8	23,532,510	28,711,219
Unit Based Liabilities	9(c)	164,977	171,833
Liability Related to Assets Held for Sale	3,7(a)	18,370,000	-
Total Current Liabilities		48,436,560	36,618,896
Non-Current Liabilities			
Mortgages Payable	7(a),8	22,891,849	46,770,191
Convertible Debentures Payable	6,8	12,579,991	11,583,342
Total Non-Current Liabilities		35,471,840	58,353,533
Total Liabilities		83,908,400	94,972,429
Unitholders' Equity	9	55,364,984	62,121,525
Total Liabilities and Unitholders' Equity		$ 139,273,384	$ 157,093,954

Subsequent Event 15

See accompanying Notes to the Condensed Consolidated Interim Financial Statements

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

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

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three and six months ended June 30, 2023 and 2022
(Expressed in US Dollars)
(Unaudited)

	Notes	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net Rental Income					
Rental Revenue		$ 3,409,715	$ 3,049,948	$ 6,905,012	$ 5,099,036
Property Operating Expenses	13	(2,003,811)	(1,607,434)	(3,809,759)	(2,799,183)
		1,405,904	1,442,514	3,095,253	2,299,853
Income from Investments					
Income from Equity Accounted Investments	4	39,598	234,702	83,698	475,778
Income from Preferred Investments	4	182,563	312,453	364,414	734,252
Income from Preferred Capital Investments		149,111	162,019	285,900	224,792
		371,272	709,174	734,012	1,434,821
Expenses					
General and Administrative	13	(545,558)	(344,844)	(1,092,716)	(740,735)
Finance Costs	13	(1,453,024)	(1,000,245)	(2,797,395)	(1,655,241)
		(1,998,582)	(1,345,089)	(3,890,111)	(2,395,976)
Net Income (Loss) Before Fair Value and Other Adjustments		$ (221,406)	$ 806,599	$ (60,846)	$ 1,338,699
Fair Value Adjustments					
Investment Properties	3	(531,480)	(5,290,626)	(4,693,782)	(5,290,626)
Asset Acquisitions	3	-	458,634	-	29,226
Investment Properties Held in Equity Accounted Investments	4	(514,365)	(3,487,748)	(514,365)	(3,487,748)
Convertible Debentures	6,8	(145,632)	377,834	(721,387)	149,922
Unit Based Recovery (Expense)	9(c)	199,360	(129,991)	6,856	(79,676)
Other Adjustments					
Provision for Impairment - Equity Accounted Investments	4	(200,000)	-	(200,000)	-
Provision for Impairment - Preferred Investments	4	-	(2,153,678)	(130,492)	(2,153,678)
Provision for Impairment - Preferred Capital Investments	5	-	(1,460,795)	-	(1,460,795)
Foreign Exchange Gain (Loss)	14	(441,291)	576,648	(442,525)	306,209
		(1,633,408)	(11,109,721)	(6,695,695)	(11,987,166)
Net Loss and Comprehensive Loss		$ (1,854,814)	$ (10,303,122)	$ (6,756,541)	$ (10,648,467)

See accompanying Notes to the Condensed Consolidated Interim Financial Statements

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity
For the three and six months ended June 30, 2023 and 2022
(Expressed in US Dollars)
(Unaudited)

	Notes	Trust Units	Deficit	Balance
Balance at January 1, 2022		$ 90,221,737	$ (13,060,942)	$ 77,160,795
Net Loss and Comprehensive Loss		-	(10,648,467)	(10,648,467)
Distributions	9(g)	-	(919,327)	(919,327)
Unitholders' Equity, June 30, 2022		$ 90,221,737	$ (24,628,736)	$ 65,593,001
Net Loss and Comprehensive Loss		-	(3,471,476)	(3,471,476)
Unitholders' Equity, December 31, 2022		$ 90,221,737	$ (28,100,212)	$ 62,121,525
Net Loss and Comprehensive Loss		-	(6,756,541)	(6,756,541)
Unitholders' Equity, June 30, 2023		$ 90,221,737	$ (34,856,753)	$ 55,364,984
Trust Units Outstanding				7,604,375

See accompanying Notes to the Condensed Consolidated Interim Financial Statements

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows
For the three and six months ended June 30, 2023 and 2022
(Expressed in US Dollars)
(Unaudited)

		Three Months Ended		Six Months Ended	
For the three and six months ended	Notes	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Cash Flow from (used in) Operating Activities					
Net Loss		$ (1,854,814)	$ (10,303,122)	$ (6,756,541)	$ (10,648,467)
Add (Deduct):					
Adjustments for:					
Fair Value Adjustments to Investment Properties	3	531,480	5,290,626	4,693,782	5,290,626
Fair Value Adjustments on Asset Acquistions	3	-	(458,634)	-	(29,226)
Fair Value Adjustments to Investment Properties Held in Equity Accounted Investments	4	514,365	3,487,748	514,365	3,487,748
Provision for Impairment of Equity Accounted Investments	4	200,000	-	200,000	-
Provision for Impairment of Preferred Investments	4	-	2,153,678	130,492	2,153,678
Provision for Impairment of Preferred Capital Investments	5	-	1,460,795	-	1,460,795
Fair Value Adjustments to Convertible Debentures	6,8	145,632	(377,834)	721,387	(149,922)
Fair Value Adjustments to Unit Based Compensation	9(c)	(199,360)	129,991	(6,856)	79,676
Mark to Market on Assumed Mortgages	8	(25,647)	(86,520)	(34,782)	(173,040)
Finance Cost Amortization	8	115,526	3,944	160,779	26,150
Unrealized Foreign Exchange Loss on Convertible Debentures	14	270,624	(458,264)	275,262	(190,105)
Income from Equity Accounted Investments, Net of Distributions		(39,598)	(343,040)	(83,698)	(566,156)
Income from Preferred Investments, Net of Distributions		1,378	(242,368)	658	(483,648)
Income from Preferred Capital Investments, Net of Distributions		(35,677)	(59,496)	(67,858)	(136,643)
Changes in Non-Cash Operating Working Capital:					
Accounts Receivable		157,076	(49,185)	45,000	98,187
Prepaid Expenses and Other Assets		(771,185)	18,096	(628,589)	(282,252)
Accounts Payable and Accrued Liabilities	12	598,224	670,434	(401,771)	965,124
Total Operating Activities		(391,976)	836,847	(1,238,370)	902,523
Cash Flows from (used in) Investing Activities					
Acquisition of assets, net of cash acquired	3	-	(5,126,237)	-	(7,656,173)
Disposition of assets	3	12,443,562		12,443,562	
Investment in Equity Accounted Investments	4	(275,000)	-	(275,000)	
Investment in Preferred Investments	4	-	(461,522)	(130,492)	(461,522)
Investment in Preferred Capital Investments	5	-	(3,595,000)	-	(3,595,000)
Capital Expenditures on Investment Properties	3	(509,793)	(705,149)	(936,773)	(1,062,836)
Total Investing Activities		11,658,769	(9,887,908)	11,101,297	(12,775,531)
Cash Flows from (used in) Financing Activities					
Distributions Paid	9(g)	-	(448,658)	-	(897,316)
Bank Indebtedness Advance	7(b),8	-	435,000	25,000	1,285,000
Bank Indebtedness Repayment	7(b),8	(990,000)	-	(990,000)	-
Mortgage and Loan Advances	7(a),8	-	9,783,900	-	9,783,900
Mortgage and Loan Repayments, Net of Deferred Finance Costs	7(a),8	(10,705,059)	(187,404)	(10,813,048)	(356,494)
Total Financing Activities		(11,695,059)	9,582,838	(11,778,048)	9,815,090
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash		(428,266)	531,777	(1,915,121)	(2,057,919)
Cash, Cash Equivalents and Restricted Cash, Beginning of Period		2,520,458	2,481,633	4,007,313	5,071,329
Cash, Cash Equivalents and Restricted Cash, End of Period		2,092,192	3,013,410	2,092,192	3,013,410
Consisting of:					
Cash and Cash Equivalents		529,364	464,307	$ 529,364	$ 464,307
Restricted Cash		1,562,828	2,549,103	1,562,828	2,549,103

See accompanying Notes to the Condensed Consolidated Interim 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 1,756 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 condensed consolidated interim financial statements were approved and authorized for issue by the Board of Trustees on August 8, 2023.

2. Basis of preparation

Statement of compliance

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

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting (“IAS 34”) as issued by the IASB and follow the same accounting policies and methods of application as the audited annual consolidated financial statements of the Trust for the year ended December 31, 2022. These condensed consolidated interim financial statements do not contain all disclosures required by IFRS and accordingly should be read in conjunction with the 2022 audited annual consolidated financial statements and the notes thereto.

Significant Accounting Policies

The significant accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those described in note 2 and 3 of the Trust’s audited consolidated financial statements for the year ended December 31, 2022, with the following new significant accounting policies noted below.

Assets Held for Sale

An investment property is reclassified to held for sale when the Trust has committed to a plan to sell the asset, the property is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property, the Trust is actively marketing the sale at a reasonable price in relation to its estimated fair value and a sale is highly probable of being completed within one year in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (“IFRS 5”). The Trust presents non-current assets classified as held for sale and their associated liabilities separately from other assets and liabilities on the condensed consolidated interim balance sheets and in the notes beginning from the period in which they were first classified as “for sale” and the sale is highly probable. Upon designation as held for sale, the investment property is measured at fair value less costs to sell.

(Expressed in US Dollars unless otherwise noted)

3. Investment properties and assets held for sale

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:

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

(Expressed in US Dollars unless otherwise noted)

The table below summarizes activity of the Trust's Investment Properties for the six months ended June 30, 2023 and the year ended December 31, 2022:

	June 30, 2023	December 31, 2022
Balance, beginning of period	$128,743,435	$ 78,405,292
Acquisition	-	59,866,377
Building improvements	426,980	2,338,095
Fair value adjustments to investment properties	(4,162,302)	(11,866,329)
Investment properties reclassified to assets held for sale	(125,008,113)	-
Balance, end of period	$ -	$ 128,743,435

Assets Held For Sale: As at March 31, 2023, the Trust reclassified its investment properties as assets held for sale. As at June 30, 2023 the assets held for sale total $112,542,864 along with an associated mortgage payable that is likely to be assumed upon completion of the sale totaling $18,370,000. Mortgages not likely to be assumed upon completion of a sale are not included in liabilities related to assets held for sale.

As part of its Strategic Review, the Trust committed to a plan to sell these properties and the sales were considered to be highly probable as at June 30, 2023. The Trust has entered into an Agreement of Purchase and Sale to sell its New Jersey portfolio. The Trust has also entered into an Agreement of Purchase and Sale to sell one of its investment properties located in Austin, Texas. Both properties have sales prices in line with their respective IFRS values and are expected to close prior to the end of September 30, 2023.

During the period ended June 30, 2023, the Trust completed the sale of one of its properties located in Austin, Texas for gross proceeds of $12.6 million.

The table below summarizes activity of the Trust's Assets Held for Sale for the six months ended June 30, 2023 and the year ended December 31, 2022:

	June 30, 2023	December 31, 2022
Balance, beginning of period	$ -	$ -
Investment properties reclassified to assets held for sale	125,008,113	-
Building improvements	509,793	-
Fair value adjustments to assets held for sale	(531,480)	-
Disposition	(12,443,562)	-
Balance, end of period	$112,542,864	$ -

The investment properties reclassified to Assets Held for Sale as at June 30, 2023 consist of 895 (2022 – 985) multi-family apartment units in five portfolios located in Florida, Texas and New Jersey.

For the period ended June 30, 2023, the Trust valued the investment properties using the overall capitalization method or the offer price less costs to sell of committed sales. The 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 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 June 30, 2023 are based on current market data.

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

	June 30, 2023	December 31, 2022
Capitalization rate	5.70%-6.90%	5.63%-6.75%

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:

	June 30, 2023
Capitalization rate increase by 25 basis points	$ (4,318,583)
Capitalization rate decrease by 25 basis points	4,747,093

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 period.

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 June 30, 2023 and December 31, 2022.

(In $millions unless otherwise stated).

June 30, 2023

Location	Units	Investment Properties	Common Equity Ownership %	Equity Accounted Investment - Common Equity	Preferred Investment	Total Investment	Preferred Yield
Connecticut - Hartford	109	$ 12.3	50.0%	$ 0.6	$ 1.4	$ 2.0	8%
Georgia - Canton	138	24.8	50.0%	3.7	3.6	7.3	8%
Maryland - Brentwood	118	15.1	25.0%	1.0	0.1	1.1	8%
Maryland - Hyattsville	235	37.5	50.0%	3.1	4.1	7.2	8%
New York - Bronx	132	21.2	50.0%	-	-	-	
New York - New York	129	22.2	22.8%	-	-	-	
Total/ Weighted Average	**861**	**$ 133.2**	**42.4%**	**$ 8.4**	**$ 9.2**	**$ 17.7**	**8%**

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%**

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.

(Expressed in US Dollars unless otherwise noted)

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 June 30, 2023 and December 31, 2022 and for the three and six months ended June 30, 2023 and 2022 are included below:

	Equity Accounted Investments	Preferred Investments	Total
As at January 1, 2022	**$ 23,280,118**	**$ 17,246,878**	**$ 40,526,996**
Investment Activity			
- Preferred Investments	-	461,522	461,522
- 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	475,778	-	475,778
- Fair Value Adjustments on Investment Properties	(3,487,748)	-	(3,487,748)
Net income from Equity Accounted Investments	**(3,011,970)**	**-**	**(3,011,970)**
- Income from Preferred Investments	-	734,252	734,252
- Less: Distributions and interest received	(46,258)	(150,499)	(196,757)
- Provision for Impairment on Preferred Investments	-	(2,153,678)	(2,153,678)
As at June 30, 2022	**$ 9,661,834**	**$ 8,737,132**	**$ 18,398,966**
Investment Activity			
- Equity Accounted Investments	212,000	-	212,000
- Preferred Investments	-	1,170,799	1,170,799
Income Items			-
- Income from Equity Accounted Investments	311,945	-	311,945
- Fair Value Adjustments on Investment Properties	(101,142)	-	(101,142)
Net income from Equity Accounted Investments	**210,803**	**-**	**210,803**
- Income from Preferred Investments	-	535,755	535,755
- Less: Distributions and interest received	(51,692)	(532,044)	(583,736)
- Provision for Impairment on Equity Accounted Investments	(1,258,277)	-	(1,258,277)
- Provision for Impairment on Preferred Investments	-	(668,799)	(668,799)
As at December 31, 2022	**$ 8,774,668**	**$ 9,242,843**	**$ 18,017,511**
Investment Activity			
- Equity Accounted Investments	275,000	-	275,000
- Preferred Investments	-	130,492	130,492
Income Items			
- Income from Equity Accounted Investments	83,698	-	83,698
- Fair Value Adjustments on Investment Properties	(514,365)	-	(514,365)
Net income from Equity Accounted Investments	**(430,667)**	**-**	**(430,667)**
- Income from Preferred Investments	-	364,414	364,414
- Less: Distributions and interest received	-	(365,072)	(365,072)
- Provision for Impairment on Equity Accounted Investments	(200,000)	-	(200,000)
- Provision for Impairment on Preferred Investments	-	(130,492)	(130,492)
As at June 30, 2023	**$ 8,419,001**	**$ 9,242,185**	**$ 17,661,186**

(Expressed in US Dollars unless otherwise noted)

	June 30, 2023	December 31, 2022
Assets		
Cash	$ 401,308	$ 344,355
Restricted Cash	2,753,403	2,109,586
Accounts Receivable	1,656,036	1,573,615
Other Assets	644,384	1,432,080
Investment Properties	133,197,322	134,173,704
	$138,652,453	**$139,633,340**
Liabilities		
Accounts Payable and Accrued Liabilities	7,063,728	2,506,583
Security Deposits	839,984	536,022
Mortgages	103,048,014	103,315,627
	$110,951,726	**$106,358,232**
Equity		
Deficit	$ (20,794,639)	$ (18,199,874)
Preferred Equity	22,154,601	25,411,376
Common Equity	26,340,767	26,063,606
	$ 27,700,728	**$ 33,275,108**
	$138,652,453	**$139,633,340**
Investment Allocation for the Trust		
Equity Accounted Investments	$ 8,619,001	$ 8,774,668
Preferred Investments	9,242,185	9,242,843
	$ 17,861,186	**$ 18,017,511**

	Three Months Ended		Six Months Ended	
	June 30, 2023	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Net Income				
Rental Revenue	$ 3,516,933	$ 3,073,601	$ 6,591,316	$ 7,212,928
Property Operating Expenses	(2,443,072)	(1,496,246)	(4,487,620)	(3,697,505)
Net Rental Income	**1,073,861**	**1,577,355**	**2,103,696**	**3,515,423**
Interest Expense	(1,194,150)	(933,845)	(2,283,843)	(1,494,416)
Fair Value Adjustments on Investment Properties	(2,057,459)	(13,471,538)	(2,057,459)	(13,471,538)
Net Loss Before Interest from Preferred Investments	**$ (2,177,749)**	**$ (12,828,028)**	**$ (2,237,607)**	**$ (11,450,531)**
Less: Interest from Preferred Investments	(411,564)	(173,274)	(772,008)	(649,445)
Net Loss	**(2,589,312)**	**(13,001,303)**	**(3,009,614)**	**(12,099,977)**
Income Earned by the Trust				
Income from Equity Accounted Investments	$ 39,598	$ 234,702	$ 83,698	$ 475,778
Fair Value Adjustments on Investment Properties	(514,365)	(3,487,748)	(514,365)	(3,487,748)
Net income (loss) from Equity Accounted Investments	**(474,767)**	**(3,253,046)**	**(430,667)**	**(3,011,970)**
Provision for Impairment on Equity Accounted Investments	(200,000)	-	(200,000)	-
Income from Preferred Investments	182,563	312,453	364,414	734,252
Provision for Impairment on Preferred Investments	-	(2,153,678)	(130,492)	(2,153,678)
	(492,204)	**(5,094,271)**	**(396,745)**	**(4,431,396)**

(Expressed in US Dollars unless otherwise noted)

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 three months ended June 30, 2023, the impairment recognized for preferred investments was $nil (June 30, 2022 - $2,153,678). For the six months ended June 30, 2023, the impairment recognized for preferred investments was $130,492 (June 30, 2022 - $2,153,678). The provision was for the New York City Portfolio.

Preferred investments, associated allowance for losses and provision for impairment on preferred investments accounted at amortized cost at June 30, 2023 and December 31, 2022 are as follows:

	June 30, 2023				December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Preferred Investments	$ 9,242,185	$ -	$ 9,195,872	$18,438,056	$ 9,242,843	$ -	$ 8,575,107	$17,817,950
Allowance for losses of preferred investments	-	-	(1,222,272)	(1,222,272)	-	-	(731,999)	(731,999)
Provision for impairment of preferred investments	-	-	(7,973,600)	(7,973,600)	-	-	(7,843,108)	(7,843,108)
Preferred Investments, net of allowances and provisions	**$ 9,242,185**	**$ -**	**$ -**	**$ 9,242,185**	**$ 9,242,843**	**$ -**	**$ -**	**$ 9,242,843**

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 three and six months ended June 30, 2023, the impairment recognized for equity accounted investments was $200,000 (June 30, 2022 - $nil).

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.

(Expressed in US Dollars unless otherwise noted)

At each reporting date, the Trust assesses the borrower's ability to make contractual payments based on current market conditions. For the three and six months ended June 30, 2023, no further impairment provision was recorded (2022 - $nil).

Preferred capital investments, associated allowance for losses on preferred capital investments accounted at amortized cost at June 30, 2023 and December 31, 2022 are as follows:

	June 30, 2023				December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Preferred Capital Investments	$ 5,207,568	$ -	$ 3,801,661	$ 9,009,230	$ 5,139,710	$ -	$ 3,572,364	$ 8,712,074
Allowance for losses of preferred capital investments	-	-	(930,865)	(930,865)	-	-	(701,568)	(701,568)
Provision for impairment on preferred capital investments	-	-	(2,870,796)	(2,870,796)	-	-	(2,870,796)	(2,870,796)
Preferred Capital Investments, net of allowances and provisions	**$ 5,207,568**	**$ -**	**$ -**	**$ 5,207,568**	**$ 5,139,710**	**$ -**	**$ -**	**$ 5,139,710**

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.

As the functional currency of the Trust is USD, the Conversion Option was classified as an embedded derivative. 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.

7. Mortgages and loan payable

(a) Mortgages and loan payable

	June 30, 2023	December 31, 2022
Mortgages payable	$ 46,913,957	$ 75,833,644
Less: Current Portion	(23,532,510)	(28,711,218)
Less: Unamortized Financing Costs	(715,980)	(613,400)
Add: Mark to Market on assumed mortgages	226,382	261,165
	$ 22,891,849	$ 46,770,191

As at June 30, 2023, the Trust had mortgages payable, including liability related to assets held for sale, secured by the multi-family properties of $64,794,359 ($46,424,359 excluding mortgage related to assets held for sale) including the current portion and net of unamortized financing costs and mark to market on assumed mortgages (December 31, 2022 - $75,481,409) which bear interest at a weighted average interest rate of 5.97% (December 31, 2022 - 4.78%) per annum (4.59% excluding liability related to assets held for sale), and have maturity dates ranging between February 2024 and March 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. The mortgage has interest-only payments bearing interest at 8% per annum until June 2023 and 8.5% fixed interest rate thereafter, and matures February 2024.

(Expressed in US Dollars unless otherwise noted)

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 June 30, 2023, the balance on the Bridge Loan was $0.9 million (CAD $1.2 million).

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	$ 1,162,022	$ 1,898,712	$ 3,060,733
2024	22,663,144	2,062,838	24,725,982
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 before Liabilities Related to Assets Held for Sale	65,283,957	17,851,912	83,135,868
Liabilities Related to Assets Held for Sale (1)	(18,370,000)	(8,324,366)	(26,694,366)
Total	$ 46,913,957	$ 9,527,547	$ 56,441,503

(1) Mortgage related to assets held for sale matures in 2032.

(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 June 30, 2023 were $nil (December 31, 2022 - $965,000).

(Expressed in US Dollars unless otherwise noted)

8. Changes in debt

The following table sets out an analysis of the movements in net debt during 2023 and 2022:

	Notes	Bank Indebtedness	Mortgages & loan	Convertible Debentures
As at December 31, 2021		$ -	$ 30,620,959	$ 15,079,288
Assumed mortgages	3,7	-	33,954,898	-
Advances		1,285,000	9,515,287	-
Repayments		-	(356,494)	-
Finance cost amortization	7(a),13	-	26,150	-
Mark to market on assumed mortgages	7	-	(173,040)	-
Change in fair value of convertible debenture	6	-	-	(149,922)
Foreign exchange loss	14	-	-	(190,105)
As at June 30, 2022		**$ 1,285,000**	**$ 73,587,760**	**$ 14,739,259**
Assumed mortgages	3,7	-	-	-
Advances		(320,000)	11,378,388	-
Repayments		-	(9,356,487)	-
Finance cost amortization	7(a),13	-	139,233	-
Mark to market on assumed mortgages	7	-	(267,484)	-
Change in fair value of convertible debenture	6	-	-	(2,470,213)
Foreign exchange gain	14	-	-	(685,706)
As at December 31, 2022		**$ 965,000**	**$ 75,481,410**	**$ 11,583,342**
Advances	7(a),7(b)	25,000	-	-
Repayments	7(a),7(b)	(990,000)	(10,813,048)	-
Finance cost amortization	7(a),13	-	160,779	-
Mark to market on assumed mortgages	7(a),13	-	(34,782)	-
Change in fair value of convertible debenture	6	-	-	721,387
Foreign exchange loss	14	-	-	275,262
Liability related to asset held for sale	3,7	-	(18,370,000)	-
As at June 30, 2023		**$ -**	**$ 46,424,359**	**$ 12,579,991**

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.

Trust Units as at June 30, 2023 were 7,604,375 (December 31, 2022 – 7,604,375).

*(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

(Expressed in US Dollars unless otherwise noted)

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 the three and six months ended June 30, 2023 and the year ended December 31, 2022, no Trust Units were issued under DRIP.

(c) Unit Based Liabilities

The Trust's unit-based liabilities as at June 30, 2023 and December 31, 2022 consist of the following:

Unit Based Liabilities	**Notes**		**June 30, 2023**		**December 31, 2022**
Deferred Trust Units	9(d)	$	17,907	$	21,233
Warrants	9(e)		-		-
Options	9(f)		147,070		150,600
Total Unit Based Liabilities		**$**	**164,977**	**$**	**171,833**

(d) Deferred Trust Units

On March 31, 2015, the Trust adopted a Deferred Trust Unit ("DTU") plan. Under the terms of the plan, any units issued must be issued at a unit price which is a minimum of the volume weighted average trading price of the units on the TSXV for the five days trading immediately preceding the date on which DTUs are granted. Distributions equivalents are awarded in respect of DTU holders on the same basis as unitholders and credited to the DTU holders account as additional DTUs. The maximum DTUs which may be awarded under the DTU plan shall not exceed 10% of the issued and outstanding units. The DTU plan is designed such that the board may elect to pay out the DTUs in either cash or common units of the Trust. As at March 31, 2023, the outstanding liability was $25,258.

For the three months ended June 30, 2023, the recovery under the DTU plan was $7,350 and expense of $1,109 for the three months ended June 30, 2022.

For the six months ended June 30, 2023, the recovery under the DTU plan was $3,325 and recovery of $408 for the six months ended June 30, 2022.

(e) Warrants

On March 13, 2022, all outstanding warrants expired. For the three and six months ended June 30, 2023, the recovery for the warrants was $nil. For the three months ended June 30, 2022 the recovery for the warrants was $nil, and the recovery for the six months ended June 30, 2022 was $29.

(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.

The Trust had the following options outstanding and exercisable on June 30, 2023:

Issuance Date	**Number of Options**		**Weighted average exercise price**		**Fair Value of Options**	**Expiry Date**
August 17, 2017	340,738	$	7.50	$	56,102	August 17, 2027
November 19, 2018	188,900		8.30		42,414	November 19, 2028
March 16, 2021	42,700		7.50		21,996	March 16, 2031
March 16, 2021	60,300		8.30		26,558	March 16, 2031
Total/ Weighted Average	**632,638**	**$**	**7.82**	**$**	**147,070**	

(Expressed in US Dollars unless otherwise noted)

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

Option Assumptions	June 30, 2023	December 31, 2022
Stock Price	$ 3.07	$ 3.64
Exercise Price	$7.50-$8.30	$7.50-$8.30
Expected Life in Years	4.13-7.71	4.63-8.21
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	$ -	$ 0.12
Discount Rate - Bond Equivalent Yield	4.94%	4.30%

For the three months ended June 30, 2023, the recovery under the option plan was $192,010 and expense of $128,882 for the three months ended June 30, 2022.

For the six months ended June 30, 2023, the recovery under the option plan was $3,531 and expense of $80,113 for the six months ended June 30, 2022.

(g) Distributions

As at June 30, 2023, no distributions were accrued.

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.

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 condensed consolidated interim financial statements, the Trust has additional exposure to foreign currency risk as the cash proceeds and interest payments of the debenture are in $CAD while it invests the net proceeds from the convertible debenture offering in $USD. The Trust monitors the foreign currency market closely to mitigate these risks. The following $CAD amounts are presented in $USD to demonstrate the effects of changes in foreign exchange rates:

	CAD
Cash, Other Assets	$ 239,356
Total Liabilities	(17,860,123)
Total	(17,620,767)
Effect of +/- 10% change in exchange rate	(1,762,077)

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 June 30, 2023, Accounts Receivable balance is net of expected credit losses of $417,581 (December 31, 2022 - $978,765).

Financing Risk

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

Liquidity risk

Liquidity risk is the risk that the Trust may not be able to generate sufficient cash resources to settle its obligations as they become 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.

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:

(Expressed in US Dollars unless otherwise noted)

		June 30, 2023	December 31, 2022
	Amortized Cost	**Fair Value**	**Fair Value**
Financial Assets			
Cash and Cash Equivalents	$ 529,364	$ 529,364	$ 817,954
Restricted Cash	1,562,828	1,562,828	3,189,359
Accounts Receivable	628,259	628,259	673,259
Financial Liabilties			
Accounts Payable and Accrued Liabilities	$ 6,369,073	$ 6,369,073	$ 6,770,844
Bank Indebtedness	-	-	965,000
Mortgages and Loan Payable	46,424,359	46,667,443	72,436,681
Liability Related to Assets Held for Sale	18,370,000	16,152,889	-
Unit Based Liabilities	-	164,977	171,833
Convertible Debentures Payable	-	12,579,991	11,583,342

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;

June 30, 2023	**Level 1**
Convertible Debentures Payable	$ 12,579,991

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

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

June 30, 2023	**Level 2**
Mortgages and Loan Payable	$ 46,667,443
Liability Related to Assets Held for Sale	16,152,889

December 31, 2022	**Level 2**
Mortgages and Loan Payable	$ 72,436,681
Liability Related to Assets Held for Sale	-

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

June 30, 2023	**Level 3**
Unit Based Liabilities	$ 164,977

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

The fair value of the mortgages, including the liability related to assets held for sale, 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 $46,424,359 (December 31, 2022 - $75,481,410) and the liability related to assets held for sale is carried at amortized cost of $18,370,000 (December 31, 2022 - $nil). The mortgages have an estimated fair value of approximately $46.7 million (December 31, 2022 - $73.4 million) and the liability related to assets held for sale has an estimated fair value of approximately $16.2 million (December 31, 2022 - $nil).

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 three and six months ended June 30, 2023 and the year ended December 31, 2022.

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 condensed consolidated interim financial statements.

Although the Trust is not subject to any formal covenants, there are certain restrictions under the different debts and mortgages that the Trust must target to stay in compliance. The Trust monitors these different debts and mortgages and was in compliance as at June 30, 2023.

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 condensed consolidated interim financial statements. During the three months ended June 30, 2023, the Trust paid $213,467 (CAD $306,651) of interest associated with the Bridge Loan. During the six months ended June 30, 2023, the Trust paid $449,237 (CAD $605,219) of interest associated with the Bridge Loan. As at June 30, 2023, the balance on the Bridge Loan was $0.9 million (CAD $1.2 million).

For the three months ended June 30, 2023, asset management fees were $298,072 (June 30, 2022 - $137,483), loan servicing fees were $nil (June 30, 2022 - $14,742), acquisition fees were $nil (June 30, 2022 - $134,000), debt placement fees were $nil (June 30, 2022 - $21,854) and property management fees were $26,004 (June 30, 2022 - $24,865).

For the six months ended June 30, 2023, asset management fees were $679,081 (June 30, 2022 - $491,888), loan servicing fees were $nil (June 30, 2022 - $23,511), acquisition fees were $nil (June 30, 2022 - $297,750), debt placement fees were $nil (June 30, 2022 - $49,516) and property management fees were $50,909 (June 30, 2022 - $47,707).

(Expressed in US Dollars unless otherwise noted)

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 June 30, 2023, the Trust has accrued $3,317,702 (December 31, 2022 - $2,638,621) 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 three and six months ended June 30, 2023 and 2022 are as follows:

	Three Months Ended		Six Months Ended	
Property Operating Expenses	**June 30, 2023**	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Property Taxes	$ 464,662	$ 508,046	$ 925,988	$ 894,135
Insurance	329,131	145,202	514,116	266,480
Operating Expenses	1,210,018	954,186	2,369,655	1,638,568
Total	$ 2,003,811	$ 1,607,434	$ 3,809,759	$ 2,799,183

	Three Months Ended		Six Months Ended	
General and Administrative	**June 30, 2023**	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Asset Management Fees (note 12)	$ 298,072	$ 152,225	$ 679,081	$ 515,399
Public Company Expenses	38,768	68,399	67,891	12,138
Office and General	208,718	124,220	345,744	213,198
Total	$ 545,558	$ 344,844	$ 1,092,716	$ 740,735

	Three Months Ended		Six Months Ended	
Finance Costs	**June 30, 2023**	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Mortgage and bank interest expense	$ 1,152,201	$ 848,913	$ 2,222,160	$ 1,332,453
Convertible debenture interest expense	210,944	233,908	449,238	469,678
Mark to market on assumed mortgages	(25,647)	(86,520)	(34,782)	(173,040)
Finance cost amortization	115,526	3,944	160,779	26,150
Total	$ 1,453,024	$ 1,000,245	$ 2,797,395	$ 1,655,241

14. Foreign Exchange Gain

The foreign exchange gain for the three and six months ended June 30, 2023 and 2022 are as follows:

	Three Months Ended		Six Months Ended	
Foreign Exchange Gain	**June 30, 2023**	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Foreign exchange gain (loss) on convertible debentures (note 8)	$ (270,624)	$ 458,264	$ (275,262)	$ 190,105
Foreign exchange gain (loss)	(170,667)	118,384	(167,263)	116,104
Total	$ (441,291)	$ 576,648	$ (442,525)	$ 306,209

15. Subsequent Event

Subsequent to June 30, 2023, the Trust entered into an Agreement of Purchase and Sale to sell its investment property located in Austin, Texas. The closing of this sale is expected to occur prior to the end of September 2023.