

The background of the entire page is a low-angle photograph of a modern skyscraper with a grid of windows. An American flag is flying from a pole in the foreground, partially obscuring the building. The sky is bright and clear.

# FIRM CAPITAL APARTMENT REIT

CAPITAL PRESERVATION • DISCIPLINED INVESTING

# REPORT TO UNITHOLDERS

YEAR ENDED  
DECEMBER 31, 2023

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

# FIRM CAPITAL APARTMENT REIT

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CAPITAL PRESERVATION • DISCIPLINED INVESTING

# MD&A

## MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED  
DECEMBER 31, 2023

## MANAGEMENT DISCUSSION & ANALYSIS

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### FORWARD LOOKING STATEMENTS

*The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Firm Capital Apartment Real Estate Investment Trust ("Firm Capital Apartment REIT", "FCA", "TSXV: FCA.U/FCA.UN" or the "Trust") should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2023 and December 31, 2022. 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 April 26, 2024. 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](http://www.sedar.com) or on our web site at [www.firmcapital.com](http://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 2024 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

## MANAGEMENT DISCUSSION & ANALYSIS

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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

## **MANAGEMENT DISCUSSION & ANALYSIS**

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

## MANAGEMENT DISCUSSION & ANALYSIS

### Q4/2023 HIGHLIGHTS

#### EARNINGS

- For the three months ended December 31, 2023, net loss was approximately \$0.5 million, in comparison to the \$1.5 million net loss reported for the three months ended September 30, 2023 and the \$2.0 million net loss reported for the three months ended December 31, 2022. For the year ended December 31, 2023, net loss was \$8.7 million in comparison to the \$14.1 million for the year ended December 31, 2022;
- Excluding non-cash fair value adjustments, net loss was \$0.3 million for the three months ended December 31, 2023, in comparison to the \$0.4 million net loss reported for the three months ended September 30, 2023 and the \$0.3 million net income reported for the three months ended December 31, 2022. Excluding non-cash fair value adjustments, net loss was \$0.8 million for the year ended December 31, 2023 in comparison to the \$2.0 million net income reported for the year ended December 31, 2022;
- For the three months ended December 31, 2023, AFFO was negative \$0.3 million, in comparison to the negative \$0.3 million reported for the three months ended September 30, 2023 and the \$0.1 million reported for the three months ended December 31, 2022. For the year ended December 31, 2023, AFFO was negative \$0.7 million in comparison to the \$2.0 million reported for the year ended December 31, 2022.

	Three Months Ended		Years Ended	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Net Loss	\$ (469,539)	\$ (2,037,316)	\$ (8,709,932)	\$ (14,119,943)
Net Income (Loss) Before Fair Value Adjustments	\$ (339,306)	\$ 262,641	\$ (818,893)	\$ 1,986,017
FFO	\$ (869,210)	\$ 1,783,066	\$ (2,181,527)	\$ 5,192,213
AFFO	\$ (317,857)	\$ 145,119	\$ (678,871)	\$ 1,962,639

- **NET ASSET VALUE (“NAV”) AT \$6.76 PER TRUST UNIT (CAD \$8.94):**  
Including disposition costs and the principal amount of the convertible debenture, the Trust reported NAV of \$6.76 per Trust Unit (CAD \$8.94).
- **AVERAGE RENT INCREASES ACROSS INVESTMENT PORTFOLIO:**
  - Wholly-Owned Real Estate Investments Portfolio:** For the three months ended December 31, 2023, average rents increased 2.7% to \$1,283 per unit from the \$1,249 per unit reported for the three months ended September 30, 2023 and 7.88% from the \$1,189 reported for the three months ended December 31, 2022;
  - Joint Venture Real Estate Investments Portfolio:** For the three months ended December 31, 2023, average rents increased 0.37% to \$1,598 per unit from the \$1,593 per unit reported for the three months ended September 30, 2023 and 0.59% from the \$1,589 reported for the three months ended December 31, 2022.

## MANAGEMENT DISCUSSION & ANALYSIS

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### 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 Trust is pleased to report on the following:

- **WHOLLY OWNED ASSET DISPOSITIONS:** The Trust had listed for sale its entire portfolio of Wholly Owned Real Estate Investments and is pleased to report on the following:

- **Texas:** On June 22, 2023, the Trust announced 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. The property sold had a sales price in line with its fair value.

On October 2, 2023, the Trust completed the sale of its unencumbered property located in Austin, Texas for \$9.9 million. Net of closing costs, the net sale proceeds of approximately \$9.6 million were used to pay off loans as they came due and for working capital purposes. The property had a sales price in line with its fair value.

In addition, the Trust has two properties located in Houston, Texas that are actively being marketed.

- **New Jersey:** On August 30, 2023, the Trust completed the previously announced sale of its property located in New Jersey for \$19.5 million. Net of associated mortgage debt and closing costs, the net sale proceeds of approximately \$5.4 million were used to pay off the remainder of the Bridge Loan, other loans as they came due and for working capital purposes. The property sold had a sales price in line with its fair value.
- **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 and Connecticut as both the Trust and its partners have decided it is an appropriate time to exit the respective investments. As of today, one of the Maryland properties was sold, as described below, and the other one is being actively marketed, while the Connecticut property is under negotiations with a third party.

On January 31, 2024 the Trust completed the sale of one of its joint venture properties located in Maryland for \$15.9 million (100% of the property). Net of associated mortgage debt and closing costs, the net sale proceeds were approximately \$4.1 million, of which the Trust received approximately \$1.1 million given its 25% ownership in the property. The property had a sales price in line with its fair value.

- **PREFERRED CAPITAL INVESTMENTS:** As at December 31, 2023, the Trust has two Preferred Capital Investments located in Texas and South Dakota that aggregate

## MANAGEMENT DISCUSSION & ANALYSIS

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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.

- **NORMAL COURSE ISSUER BID:** As a result of the Trust's cash position, on September 20, 2023, the Trust announced that it received approval from the TSXV to commence a Normal Course Issuer Bid (the " **Bid** ") to purchase up to \$1.9 million (the "**Allotment**") of the CAD\$19.4 million, 6.25% convertible unsecured subordinated debentures due June 30, 2026 ("**Debentures**") (TSXV:FCA.DB). The Bid commenced on September 25, 2023 and will end no later than September 24, 2024. The Board of Trustees is of the opinion that it is in the best interest of the Trust and its security holders to purchase the Debentures at a discount to Par, through the Bid, while providing liquidity for the security holders. It is the intent of the Trust to acquire as much of the Debentures as possible up to the maximum allowable under the rules of the Exchange in the context of market pricing, thus providing liquidity for existing holders of the Debentures.

During the year ended December 31, 2023, the Trust repurchased \$0.29 million (CAD \$0.38 million) of the Convertible Debenture. Subsequent to year end, the Trust acquired \$0.12 million (CAD \$0.16 million) of the Convertible Debenture. The average price of all Convertible Debentures repurchased is \$94.99 for an affective buy-back yield of 6.6%. Note that the Trust is limited to acquiring up to 2% of the Debentures on a monthly basis.

The Board of Trustees 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



## MANAGEMENT DISCUSSION & ANALYSIS

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 35-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)	Equity Borrower (100% remaining equity)
	Common Equity Joint Venture Partner (50% remaining equity)	

## MANAGEMENT DISCUSSION & ANALYSIS

### INVESTMENT PORTFOLIO

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

	December 31, 2023				September 30, 2023	
Region	Number of Units	IFRS Value	Occupancy	Average Monthly Rent	Occupancy	Average Monthly Rent
<b>Wholly-Owned Real Estate Investments</b>						
Florida	153	\$ 31,350,000	85.0%	\$ 1,824	92.8%	\$ 1,812
Texas	485	52,300,000	90.3%	\$ 1,112	84.3%	\$ 1,072
<b>Total / Weighted Avg.</b>	<b>638</b>	<b>\$ 83,650,000</b>	<b>89.0%</b>	<b>\$ 1,283</b>	<b>86.3%</b>	<b>\$ 1,249</b>
<b>Joint Venture Real Estate Investments</b>						
Connecticut	109	2,982,441	94.5%	\$ 1,467	93.6%	\$ 1,459
Georgia	138	7,405,020	94.2%	\$ 1,468	95.7%	\$ 1,480
Maryland	353	8,988,319	92.6%	\$ 1,555	90.4%	\$ 1,551
New York	261	-	95.4%	\$ 1,781	97.7%	\$ 1,764
<b>Total / Weighted Avg.</b>	<b>861</b>	<b>\$ 19,375,780</b>	<b>93.9%</b>	<b>\$ 1,598</b>	<b>93.9%</b>	<b>\$ 1,593</b>
<b>Preferred Capital Investments</b>						
South Dakota	N/A	3,793,520	N/A	N/A	N/A	N/A
Texas	N/A	1,505,608	N/A	N/A	N/A	N/A
<b>Total / Weighted Avg.</b>		<b>\$ 5,299,128</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Total / Weighted Avg.</b>	<b>1,499</b>	<b>\$ 108,324,908</b>	<b>91.9%</b>	<b>\$ 1,464</b>	<b>90.7%</b>	<b>\$ 1,447</b>

### INVESTMENT PORTFOLIO OCCUPANCY AND AVERAGE RENT

#### **Wholly-Owned Real Estate Investment Portfolio**

As at December 31, 2023, occupancy was 89.0%, an increase of 270 basis points in comparison to the 86.3% at September 30, 2023. This increase was driven by the Texas portfolio, slightly offset by the decrease in the Florida portfolio.

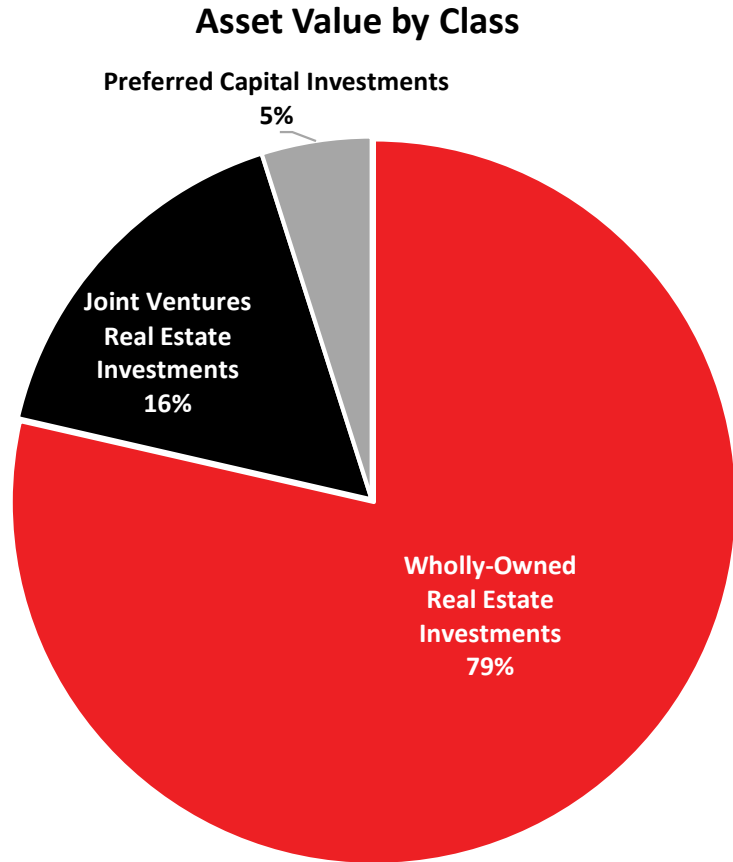
For the three months ended December 31, 2023, average rents saw an increase of 2.66% to \$1,283 per unit from the \$1,249 per unit reported for the three months ended September 30, 2023. The increase is driven by rental rate increases throughout the portfolios.

#### **Joint Venture Real Estate Investment Portfolio**

As at December 31, 2023, occupancy remained at 93.9% compared to occupancy as at September 30, 2023.

Average rent for the three months ended December 31, 2023 was \$1,598 per unit, a 0.37% increase from the \$1,593 average monthly rent as at September 30, 2023.

INVESTMENT PORTFOLIO BY GEOGRAPHY AND INVESTMENT TYPE

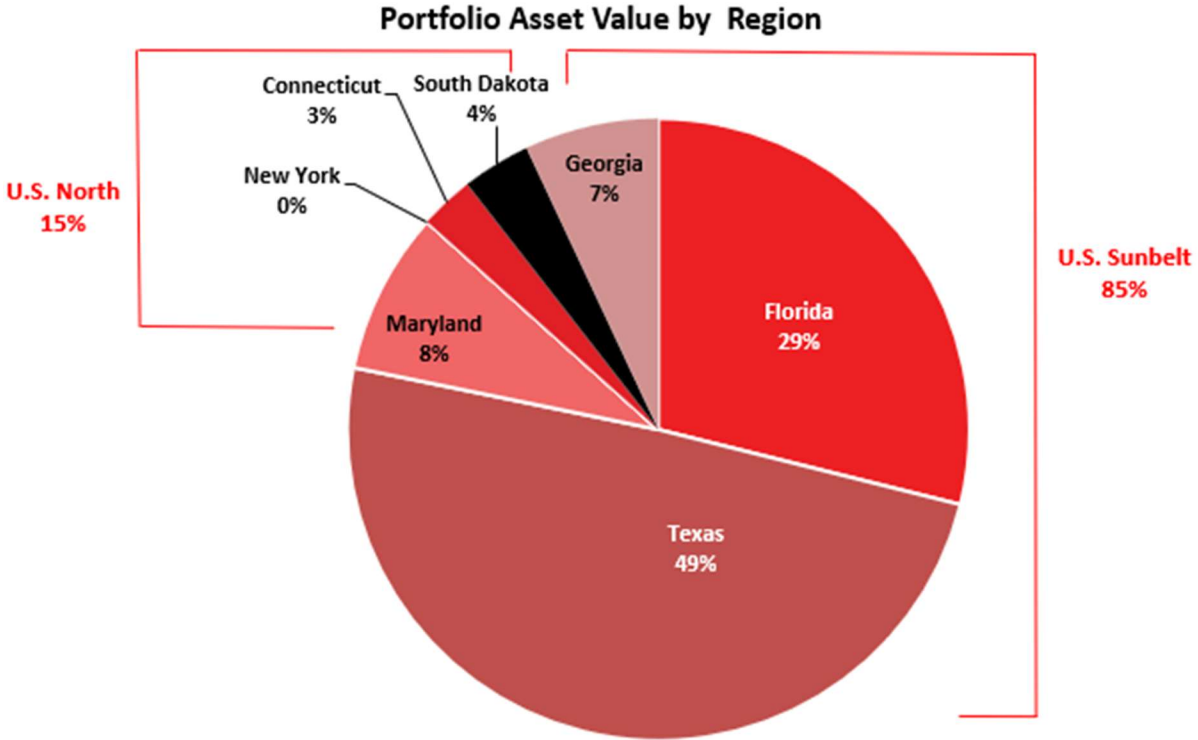


Note: Individual asset classifications correspond with the classifications adopted in the Trust's consolidated balance sheet as at December 31, 2023.

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

- (i) **U.S. Sunbelt**: includes properties in Texas, Florida and Georgia. This represents 85% of the Investment Portfolio.
- (ii) **U.S. North**: includes properties in New York, South Dakota Maryland, and Connecticut. This represents 15% of the Investment Portfolio.

## MANAGEMENT DISCUSSION & ANALYSIS



### 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				Year Ended
	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2023
Rental Revenue	\$ 2,370,122	\$ 2,799,748	\$ 3,409,715	\$ 3,495,297	\$ 12,074,882
Property Operating Expenses	(1,613,913)	(1,848,595)	(2,003,811)	(1,805,948)	(7,272,267)
<b>Net Rental Income</b>	<b>756,209</b>	<b>951,153</b>	<b>1,405,904</b>	<b>1,689,349</b>	<b>4,802,615</b>
Income from Equity Accounted and Preferred Investments	288,142	256,710	222,161	225,951	992,964
Income from Preferred Capital Investments	160,578	161,691	149,111	136,789	608,169
General and Administrative	(444,033)	(484,651)	(545,558)	(547,158)	(2,021,401)
Finance Costs	(1,100,201)	(1,303,644)	(1,453,024)	(1,344,371)	(5,201,240)
Fair Value Adjustment of Convertible Debentures	(669,042)	(351,543)	(145,632)	(575,755)	(1,741,972)
Fair Value Adjustments of Investment Properties and Equity accounted investments and Loss on Sale of Investment Properties	696,938	(1,278,881)	(1,045,845)	(4,162,302)	(5,790,090)
Provision for Impairment on Equity Accounted Investments, Preferred Investments and Preferred Capital Investments	50,000	259,648	(200,000)	(130,492)	(20,844)
Other (1)	(208,129)	305,665	(241,931)	(193,738)	(338,133)
<b>Net Loss</b>	<b>\$ (469,538)</b>	<b>\$ (1,483,852)</b>	<b>\$ (1,854,814)</b>	<b>\$ (4,901,727)</b>	<b>\$ (8,709,932)</b>

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

## MANAGEMENT DISCUSSION & ANALYSIS

	Three Months Ended				Year Ended
	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2022
Rental Revenue	\$ 3,270,076	\$ 3,221,219	\$ 3,049,948	\$ 2,049,088	\$ 11,590,331
Property Operating Expenses	(1,772,347)	(1,727,437)	(1,607,434)	(1,191,750)	(6,298,968)
<b>Net Rental Income</b>	<b>1,497,729</b>	<b>1,493,782</b>	<b>1,442,514</b>	<b>857,338</b>	<b>5,291,363</b>
Income from Equity Accounted and Preferred Investments	311,232	536,468	547,156	662,874	2,057,730
Income from Preferred Capital Investments	172,440	133,800	162,019	62,773	531,032
General and Administrative	(612,999)	(598,903)	(344,844)	(395,891)	(1,952,638)
Finance Costs	(1,105,761)	(1,180,469)	(1,000,245)	(654,995)	(3,941,470)
Fair Value Adjustment of Convertible Debentures	1,446,723	1,023,490	377,834	(227,912)	2,620,135
Fair Value Adjustments of Investment Properties and Equity accounted investments	(3,527,582)	(3,149,264)	(8,319,739)	(429,408)	(15,425,993)
Provision for Impairment on Equity Accounted Investments, Preferred Investments and Preferred Capital Investments	(697,354)	(1,343,055)	(3,614,473)	-	(5,654,882)
Other (1)	478,255	1,649,992	446,657	(220,124)	2,354,780
<b>Net Loss</b>	<b>\$ (2,037,317)</b>	<b>\$ (1,434,159)</b>	<b>\$ (10,303,122)</b>	<b>\$ (345,345)</b>	<b>\$ (14,119,943)</b>

(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 December 31, 2023, rental revenue was approximately \$2.4 million, a 15.3% decrease over the \$2.8 million reported for the three months ended September 30, 2023, and a 27.5% decrease over the \$3.3 million reported for the three months ended December 31, 2022. The quarter-over-quarter decrease is largely due to the disposition of the New Jersey and Austin, Texas portfolios during the year resulting in less rental revenue recorded from those portfolios in the period.

### PROPERTY OPERATING EXPENSES

For the three months ended December 31, 2023, property operating expenses were approximately \$1.6 million, a 12.7% decrease from the \$1.8 million reported for the three months ended September 30, 2023 and a 8.9% decrease over the \$1.8 million reported for the three months ended December 31, 2022. The quarter-over-quarter change is largely due to the disposition of the New Jersey and Austin, Texas portfolios during the year resulting in fewer operating expenses being incurred in the period.

### NET RENTAL INCOME FROM INVESTMENT PROPERTIES

For the three months ended December 31, 2023, net rental income was approximately \$0.8 million, in comparison to the \$1.0 million reported for the three months ended September 30, 2023 and the \$1.5 million reported for the three months ended December 31, 2022. The quarter-over-quarter decrease is due to the disposition of the New Jersey and two Austin, Texas portfolios, as well as a combination of higher costs due to inflation and higher insurance expenses experienced in the Texas portfolios.

### INCOME FROM EQUITY ACCOUNTED AND PREFERRED INVESTMENTS

For the three months ended December 31, 2023, income from equity accounted and preferred investments was \$0.3 million, in line with the \$0.3 million income reported for the three months ended September 30, 2023, and the three months ended December 31, 2022.

## MANAGEMENT DISCUSSION & ANALYSIS

### 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 \$162 million as at December 31, 2023.

*(In \$thousands unless otherwise stated)*

	The Trust (1)	Connecticut - Hartford	Georgia - Canton	Maryland - Brentwood (2)	Maryland - Hyattsville	New York - Bronx	New York - New York	Total
<b>Assets</b>								
Cash & Restricted Cash	\$ 15,224	\$ (6)	\$ 70	\$ (2)	\$ 754	\$ 297	\$ 33	\$ 16,370
Accounts Receivable	290	68	7	40	19	148	202	773
Other Assets & Investments	566	5	76	26	230	182	29	1,115
Preferred Capital Investments	5,299	-	-	-	-	-	-	5,299
Assets Held for Sale	83,650	-	-	3,963	-	-	-	87,613
Investment Properties	-	7,069	12,405	-	19,776	9,454	2,477	51,180
	<b>\$105,029</b>	<b>\$ 7,137</b>	<b>\$ 12,558</b>	<b>\$ 4,027</b>	<b>\$ 20,779</b>	<b>\$ 10,081</b>	<b>\$ 2,741</b>	<b>\$ 162,350</b>
<b>Liabilities</b>								
Accounts Payable	\$ 6,719	\$ 187	\$ 88	\$ 202	\$ 291	\$ 274	\$ 1,512	9,273
Other Liabilities	53	6	51	10	49	73	101	343
Mortgages, Preferred Loans and Convertible Debenture	64,221	5,448	8,739	2,481	16,760	9,516	7,740	114,905
	<b>\$ 70,993</b>	<b>\$ 5,641</b>	<b>\$ 8,878</b>	<b>\$ 2,692</b>	<b>\$ 17,101</b>	<b>\$ 9,863</b>	<b>\$ 9,353</b>	<b>\$ 124,522</b>
<b>Equity</b>								
Unitholders Equity	\$ 34,036	\$ 1,495	\$ 3,680	\$ 1,334	\$ 3,678	\$ 218	\$ (6,613)	\$ 37,829
	<b>\$ 34,036</b>	<b>\$ 1,495</b>	<b>\$ 3,680</b>	<b>\$ 1,334</b>	<b>\$ 3,678</b>	<b>\$ 218</b>	<b>\$ (6,613)</b>	<b>\$ 37,829</b>
	<b>\$105,029</b>	<b>\$ 7,137</b>	<b>\$ 12,558</b>	<b>\$ 4,027</b>	<b>\$ 20,779</b>	<b>\$ 10,081</b>	<b>\$ 2,741</b>	<b>\$ 162,350</b>

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

As at December 31, 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 -		Total Investment	Preferred Yield
				Common Equity	Preferred Investment		
Connecticut - Hartford	109	\$ 14.1	50.0%	\$ 1.6	\$ 1.4	\$ 3.0	8%
Georgia - Canton	138	24.8	50.0%	3.7	3.6	7.3	8%
Maryland - Brentwood	118	15.9	25.0%	0.9	0.1	1.0	8%
Maryland - Hyattsville	235	39.6	50.0%	3.9	4.1	8.0	8%
New York - Bronx	132	18.9	50.0%	-	-	-	N/A
New York - New York	129	10.9	22.8%	-	-	-	N/A
<b>Total/ Weighted Average</b>	<b>861</b>	<b>\$ 124.2</b>	<b>42.4%</b>	<b>\$ 10.1</b>	<b>\$ 9.2</b>	<b>\$ 19.3</b>	<b>8%</b>

Outlined below are the details of the Trust's net investment in the equity accounted investments 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 December 31, 2023 and December 31, 2022 and for the years ended December 31, 2023 and 2022 are included below:

## MANAGEMENT DISCUSSION & ANALYSIS

	Equity Accounted Investments	Preferred Investments	Total
<b>As at January 1, 2022</b>	<b>\$ 23,280,118</b>	<b>\$ 17,246,878</b>	<b>\$ 40,526,996</b>
Investment Activity			
- Equity Accounted Investments	212,000	-	212,000
- Preferred Investments	-	1,632,321	1,632,321
- Derecognition of Houston, TX Portfolio on Asset Acquisition	(4,467,235)	(3,551,687)	(8,018,922)
- Derecognition of Second Houston, TX Portfolio on Asset Acquisition	(6,092,821)	(3,849,656)	(9,942,477)
Income Items			
- Income from Equity Accounted Investments	787,723	-	787,723
- Fair Value Adjustments on Investment Properties	(3,588,890)	-	(3,588,890)
<b>Net income from Equity Accounted Investments</b>	<b>(2,801,167)</b>	<b>-</b>	<b>(2,801,167)</b>
- Income from Preferred Investments	-	1,270,007	1,270,007
- Less: Distributions and interest received	(97,950)	(682,543)	(780,493)
- Provision for Impairment on Equity Accounted Investments	(1,258,277)	-	(1,258,277)
- Provision for Impairment on Preferred Investments	-	(2,822,477)	(2,822,477)
<b>As at December 31, 2022</b>	<b>\$ 8,774,668</b>	<b>\$ 9,242,843</b>	<b>\$ 18,017,511</b>
Investment Activity			
- Equity Accounted Investments	275,000	-	275,000
- Preferred Investments	-	(179,156)	(179,156)
Income Items			
- Income from Equity Accounted Investments	259,357	-	259,357
- Fair Value Adjustments on Investment Properties	1,022,480	-	1,022,480
<b>Net income from Equity Accounted Investments</b>	<b>1,281,837</b>	<b>-</b>	<b>1,281,837</b>
- Income from Preferred Investments	-	733,607	733,607
- Less: Distributions and interest received	-	(732,175)	(732,175)
- Provision for Impairment on Equity Accounted Investments	(200,000)	-	(200,000)
- Recovery of Impairment on Preferred Investments	-	179,156	179,156
<b>As at December 31, 2023</b>	<b>\$ 10,131,505</b>	<b>\$ 9,244,275</b>	<b>\$ 19,375,780</b>

## MANAGEMENT DISCUSSION & ANALYSIS

	December 31, 2023	December 31, 2022
<b>Assets</b>		
Cash	\$ 282,192	\$ 344,355
Restricted Cash	2,359,949	2,109,586
Accounts Receivable	1,529,186	1,573,615
Other Assets	943,586	1,432,080
Investment Properties	124,136,214	134,173,704
	<b>\$ 129,251,127</b>	<b>\$ 139,633,340</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	9,127,814	2,506,583
Security Deposits	841,356	536,022
Mortgages	102,819,070	103,315,627
	<b>\$ 112,788,240</b>	<b>\$ 106,358,232</b>
<b>Equity</b>		
Deficit	\$ (31,706,157)	\$ (18,199,874)
Preferred Equity	22,024,953	25,411,376
Common Equity	26,144,091	26,063,606
	<b>\$ 16,462,887</b>	<b>\$ 33,275,108</b>
	<b>\$ 129,251,127</b>	<b>\$ 139,633,340</b>
<b>Investment Allocation for the Trust</b>		
Equity Accounted Investments	\$ 10,131,505	\$ 8,774,668
Preferred Investments	9,244,275	9,242,843
	<b>\$ 19,375,780</b>	<b>\$ 18,017,511</b>

	Years Ended	
	December 31, 2023	December 31, 2022
Rental Revenue	\$ 13,368,445	\$ 14,637,225
Property Operating Expenses	(8,366,876)	(8,154,853)
<b>Net Rental Income</b>	<b>5,001,569</b>	<b>6,482,372</b>
Interest Expense	(4,657,699)	(4,588,700)
Fair Value Adjustments on Investment Properties	(12,310,959)	(13,730,992)
<b>Net Loss Before Interest from Preferred Investments</b>	<b>(11,967,089)</b>	<b>(11,837,320)</b>
Less: Interest from Preferred Investments	(1,538,742)	(1,566,528)
<b>Net Loss</b>	<b>\$ (13,505,831)</b>	<b>\$ (13,403,848)</b>
<b>Income Earned by the Trust</b>		
Income from Equity Accounted Investments	\$ 259,357	\$ 787,723
Fair Value Adjustments on Investment Properties	1,022,480	(3,588,890)
<b>Net income (loss) from Equity Accounted Investments</b>	<b>1,281,837</b>	<b>(2,801,167)</b>
Provision for Impairment on Equity Accounted Investments	(200,000)	(1,258,277)
Income from Preferred Investments	733,607	1,270,007
Recovery of (Provision for) Impairment on Preferred Investments	179,156	(2,822,477)
	<b>\$ 1,994,600</b>	<b>\$ (5,611,914)</b>



## MANAGEMENT DISCUSSION & ANALYSIS

### 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 were capitalized. The consideration was 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:

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

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

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

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

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

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 to assets held for sale. As at December 31, 2023 the investment properties classified to assets held for sale total \$83,650,000 along with an associated mortgage payable that is to be assumed upon completion of the sale totaling \$18,370,000.

## MANAGEMENT DISCUSSION & ANALYSIS

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Mortgages that will not 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 December 31, 2023.

On June 22, 2023, the Trust completed the sale of one of its properties located in Austin, Texas for gross proceeds of \$12.6 million.

On August 30, 2023, the Trust completed the sale of its property located in New Jersey for gross proceeds of \$19.5 million.

On September 29, 2023, the Trust completed the sale of its second property in Austin, Texas for gross proceeds of \$9.9 million.

### INCOME FROM PREFERRED CAPITAL INVESTMENTS

As at December 31, 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 year ended December 31, 2023, the Trust recognized recovery of impairment loss on preferred investments of \$179,156. The recovery was for the New York City Portfolio.

### FAIR VALUE AND IMPAIRMENT ADJUSTMENTS ON THE INVESTMENT PORTFOLIO

As of December 31, 2023, the Trust owned the following investment properties:

- 638 wholly owned apartment units with a fair value of approximately \$83.7 million;
- 861 equity accounted and preferred investment apartment units with an investment fair value of approximately \$19.4 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 of committed sales.

For the year ended December 31, 2023, the total fair value loss to investment properties was \$6.1 million in comparison to the \$11.9 million loss reported for the year ended December 31, 2022.

## MANAGEMENT DISCUSSION & ANALYSIS

For the year ended December 31, 2023, the fair value gain to equity accounted investment properties was \$1.0 million in comparison to the \$3.6 million loss reported for the year ended December 31, 2022.

The fair value loss to the investment properties was driven by elevated capitalization rates. The fair value gain in the equity accounted investment properties is a result of capitalization rates plateauing in certain geographies paired with improved stabilized net operating income across several portfolios.

### 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 December 31, 2023 and 2022:

	Dec 31, 2023	Dec 31, 2022
Investment Portfolio	\$ 108,324,908	\$ 151,900,656
Mortgages and loan payable <sup>(1)</sup>	50,870,309	75,481,410
Bank indebtedness	-	965,000
Convertible Debentures	13,350,443	11,583,342
<b>Total Debt</b>	<b>\$ 64,220,752</b>	<b>\$ 88,029,752</b>
<b>Net Equity Excluding Convertible Debentures</b>	<b>\$ 57,454,600</b>	<b>\$ 75,454,246</b>
<b>Net Equity Including Convertible Debentures</b>	<b>\$ 44,104,156</b>	<b>\$ 63,870,904</b>
<b>Leverage (Mortgages &amp; Bank indebtedness / Investment Portfolio)</b>	<b>47.0%</b>	<b>50.3%</b>
<b>Leverage (Total Debt / Investment Portfolio)</b>	<b>59.3%</b>	<b>58.0%</b>

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

### GENERAL AND ADMINISTRATIVE (“G&A”)

For the year ended December 31, 2023, G&A was approximately \$2.0 million in line with the \$2.0 million reported for the year ended December 31, 2022.

### FINANCE COSTS

For the year ended December 31, 2023, finance costs were approximately \$5.2 million in comparison to the \$3.9 million reported for the year ended December 31, 2022. The increase is largely due to rising interest rates. During the year ended December 31, 2023, the Trust paid off the remainder of its variable rate credit facilities from sales proceeds obtained in the period.

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		Years Ended	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Finance Costs	\$ 1,100,201	\$ 1,105,760	\$ 5,201,240	\$ 3,941,470
Add (Less): Amortization and Mark to Market	(40,353)	80,077	(260,089)	275,141
<b>Cash Finance Costs</b>	<b>\$ 1,059,848</b>	<b>\$ 1,185,837</b>	<b>\$ 4,941,151</b>	<b>\$ 4,216,611</b>
<b>% Change - Cash Finance Costs</b>		<b>(11) %</b>		<b>17 %</b>

## MANAGEMENT DISCUSSION & ANALYSIS

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

For the three months ended December 31, 2023, FFO was negative \$0.9 million, in comparison to the negative \$0.7 million reported for the three months ended September 30, 2023. For the year ended December 31, 2023, FFO was negative \$2.2 million in comparison to the \$5.2 million reported for the year ended December 31, 2022.

For the three months ended December 31, 2023, AFFO was negative \$0.3 million, in comparison to the negative \$0.3 million reported for the three months ended September 30, 2023 and the \$0.1 million reported for the three months ended December 31, 2022. For the year ended December 31, 2023, AFFO was negative \$0.7 million in comparison to the \$2.0 million reported for the year ended December 31, 2022.

The decrease in AFFO for the year ended December 31, 2023 is largely due to higher operating and finance costs, and lower property revenues offset by higher interest income from the Trust’s cash balances. During the year ended December 31, 2023, the Trust paid off the remainder of its variable rate loans and bank indebtedness from sales proceeds obtained in the period.

	Three Months Ended			Year Ended	
	Dec 31, 2023	Sep 30, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
<b>Net income</b>	\$ (469,539)	\$ (1,483,852)	\$ (2,037,317)	\$ (8,709,932)	\$ (14,119,943)
Add (deduct):					
Income Tax Expense	-	-	(545,616)	-	(545,616)
Fair Value Adjustments to Investment Properties	147,688	1,255,423	3,426,439	6,096,893	11,837,103
Loss on Sale of Investment Properties	715,677	-	-	715,677	-
Fair Value Adjustments to Investment Properties Held in Equity Accounted Investments	(1,560,303)	23,458	101,142	(1,022,480)	3,588,890
Provision for Impairment - Equity Accounted Investments	-	-	104,944	200,000	1,258,277
Provision for (Recovery of) Impairment - Preferred Investments	(50,000)	(259,648)	492,927	(179,156)	2,822,477
Provision for Impairment - Preferred Capital Investments	-	-	99,483	-	1,574,128
Foreign Exchange (Gain) Loss	306,914	(292,057)	221,141	457,383	(947,962)
Finance Cost and Mark To Market Amortization	40,353	93,738	(80,077)	260,088	(275,141)
<b>FFO</b>	\$ (869,210)	\$ (662,938)	\$ 1,783,066	\$ (2,181,527)	\$ 5,192,213
Add (deduct):					
Fair Value Adjustments to Convertible Debentures	669,043	351,543	(1,446,723)	1,741,972	(2,620,135)
Fair Value Adjustments to Unit Based Compensation	(98,786)	(13,608)	(153,781)	(119,250)	(477,155)
Capital Expenditures	(18,904)	(23,779)	(37,443)	(120,066)	(132,284)
<b>AFFO</b>	\$ (317,857)	\$ (348,782)	\$ 145,119	\$ (678,871)	\$ 1,962,639
<b>Weighted Average Units</b>	<b>7,604,375</b>	<b>7,604,375</b>	<b>7,604,375</b>	<b>7,604,375</b>	<b>7,604,375</b>
<b>FFO per Unit</b>	\$ (0.11)	\$ (0.09)	\$ 0.23	\$ (0.29)	\$ 0.68
<b>AFFO per Unit</b>	\$ (0.04)	\$ (0.05)	\$ 0.02	\$ (0.09)	\$ 0.26

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			Year Ended	
	Dec 31, 2023	Sep 30, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
<b>Total Operating Activities</b>	\$ (263,373)	\$ 655,481	\$ 760,815	\$ (846,262)	\$ 3,096,863
Changes in non-cash working capital items:					
Unrealized Foreign Exchange Gain on Convertible Debentures	(310,786)	274,994	(157,485)	(311,054)	875,811
Accounts Receivable	(57,483)	(281,139)	(245,993)	(383,622)	(262,679)
Prepaid Expenses and Other Assets	(104,200)	(471,218)	144,066	53,171	328,134
Accounts Payable and Accrued Liabilities	(20,658)	(329,742)	(747,097)	51,372	(2,593,073)
Income from Equity Accounted Investments	103,501	72,160	103,598	259,357	826,410
Income from Preferred Investments	1,748	342	2,493	1,432	487,359
Income from Preferred Capital Investments	45,384	46,176	101,026	159,418	284,060
Foreign exchange gain	306,914	(292,057)	221,139	457,383	(947,962)
Capital expenditures	(18,904)	(23,779)	(37,443)	(120,066)	(132,284)
<b>AFFO</b>	<b>(317,857)</b>	<b>(348,782)</b>	<b>145,119</b>	<b>(678,871)</b>	<b>1,962,639</b>
<b>AFFO per Unit</b>	\$ (0.04)	\$ (0.05)	\$ 0.02	\$ (0.09)	\$ 0.26

## MANAGEMENT DISCUSSION & ANALYSIS

### COMPARABLE CASH FLOWS

Comparable operating, investing and financing cash flows for the three months and years ended December 31, 2023 and 2022 are outlined below:

	Three Months Ended		Year Ended	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Operating Activities	\$ (263,373)	\$ 760,816	\$ (846,262)	\$ 3,096,863
Investing Activities	(186,113)	(1,659,528)	38,185,021	(15,387,247)
Financing Activities	(417,633)	575,530	(26,122,114)	11,226,368
<b>Increase (Decrease) in Cash</b>	<b>\$ (867,119)</b>	<b>\$ (323,182)</b>	<b>\$11,216,645</b>	<b>\$ (1,064,016)</b>
Cash, Beginning of Period	16,091,077	4,330,495	4,007,313	5,071,329
<b>Cash, End of Period</b>	<b>\$15,223,958</b>	<b>\$ 4,007,313</b>	<b>\$15,223,958</b>	<b>\$ 4,007,313</b>

Net cash generated by operating activities for the year ended December 31, 2023 decreased in comparison to the year ended December 31, 2022 due to lower net rental income due to the disposition of three investment properties in the year ended December 31, 2023, as well as a decrease in income from equity accounted and preferred investments.

Net cash from investing activities for the year ended December 31, 2023 increased in comparison to the year ended December 31, 2022, due to the sale of three investment properties.

Net cash generated by financing activities decreased for the year ended December 31, 2023 due to the repayment of debt from the sales of 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;

## MANAGEMENT DISCUSSION & ANALYSIS

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- 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

## MANAGEMENT DISCUSSION & ANALYSIS

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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 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 year ended December 31, 2023, the Trust paid \$272,447 (CAD \$367,051) of interest associated with the Bridge Loan. As at December 31, 2023, the balance on the Bridge Loan was \$nil.

For the year ended December 31, 2023, Asset Management Fees were \$1,196,591 (2022 - \$888,324), Loan Servicing Fees were \$nil (2022 - \$39,647), Acquisition Fees were \$nil (2022 - \$297,750), Debt Placement Fees were \$nil (2022 - \$107,941) and Property Management Fees were \$101,490 (2022 - \$69,916).

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

As at December 31, 2023, the Trust has accrued \$3,762,542 (December 31, 2022 - \$2,638,621) under this Management Agreement, which is included in accounts payable and accrued liabilities in the consolidated financial statements.

### CONTRACTUAL OBLIGATIONS

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

## MANAGEMENT DISCUSSION & ANALYSIS

	Less than 1 year	1-2 years	>2 years	Total
Mortgages and loan payable <sup>(1)</sup>	\$ 22,338,472	\$ 453,563	\$ 28,461,745	\$ 51,253,780
Convertible Debentures Payable	-	-	13,350,443	13,350,443
Accounts Payable and Accrued Liabilities	6,719,472	-	-	6,719,472
<b>Total</b>	<b>\$ 29,057,944</b>	<b>\$ 453,563</b>	<b>\$ 41,812,188</b>	<b>\$ 71,323,695</b>

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

### MORTGAGES AND LOAN PAYABLE

As at December 31, 2023, the Trust had mortgages payable, including liability related to assets held for sale, secured by the multi-family properties of \$50,870,309 (\$32,500,309 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 6.41% (December 31, 2022 - 4.78%) per annum (7.32% excluding liability related to assets held for sale), and have maturity dates ranging between February 2024 and September 2032.

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. Subsequent to year end, this mortgage was extended for 12 months, maturing February 2025 with interest-only payments bearing interest at 9% per annum until May 2024 and 8.5% fixed interest rate thereafter upon the Trust making a partial repayment bringing the loan to 75% loan-to-value ratio.

On April 18, 2022, the Trust entered into an agreement with an entity affiliated to the Asset Manager of the Trust to borrow CAD \$13 million (the "Bridge Loan") to be used for the Second Houston, Texas Transaction and the South Dakota Preferred Capital Loan. Per amendment dated August 4, 2022, an additional CAD \$3 million was made available to the Trust on the facility. Summarized terms of the Bridge Loan are (i) interest rate of the greater of 6.0% per annum or the Canadian Chartered Bank Prime Rate plus a spread; (ii) two year term (iii) fully open for repayment at any time prior to maturity; (iv) 1% commitment fee. As at December 31, 2023, the balance on the Bridge Loan was \$nil.

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: 4.77% fixed interest rate, interest-only, maturing on September 30, 2032.



## MANAGEMENT DISCUSSION & ANALYSIS

	December 31, 2023	December 31, 2022
Mortgages payable	\$ 32,883,780	\$ 75,833,644
Less: Current Portion	(22,338,472)	(28,711,218)
Less: Unamortized Financing Costs	(636,274)	(613,400)
Add: Mark to Market on assumed mortgages	252,803	261,165
	<b>\$ 10,161,837</b>	<b>\$ 46,770,191</b>

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

	Principal	Interest	Total
2024	\$ 22,338,472	\$ 1,567,029	\$ 23,905,501
2025	221,161	1,395,133	1,616,294
2026	232,402	1,383,892	1,616,294
2027	244,216	1,372,078	1,616,294
2028	9,847,529	997,978	10,845,507
Thereafter	18,370,000	3,285,933	21,655,933
Total including Liabilities Related to Assets Held for Sale	51,253,780	10,002,043	61,255,823
Liabilities Related to Assets Held for Sale (1)	(18,370,000)	(7,667,178)	(26,037,178)
Total	<b>\$ 32,883,780</b>	<b>\$ 2,334,865</b>	<b>\$ 35,218,645</b>

(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 year ended December 31, 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 and years ended December 31, 2023, and December 31, 2022, along with the three months ended September 30, 2023 are outlined below:

	Three Months Ended			Year Ended	
	Dec 31, 2023	Sep 30, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Total Operating Activities (A)	\$ (263,373)	\$ 655,481	\$ 760,816	\$ (846,262)	\$ 3,096,863
Cash Finance Costs					
Finance Costs	1,100,202	1,303,644	1,105,760	5,201,240	3,941,470
Add (Less): Finance Cost and Mark To Market Amortization	(40,353)	(93,738)	80,077	(260,089)	275,141
<b>Net Cash Interest Expense (B)</b>	<b>\$ 1,059,849</b>	<b>\$ 1,209,906</b>	<b>\$ 1,185,837</b>	<b>\$ 4,941,151</b>	<b>\$ 4,216,611</b>
Net Cash Flows from Operating Activities (A-B)	\$ (1,323,221)	\$ (554,425)	\$ (425,021)	\$ (5,787,413)	\$ (1,119,748)
Net Loss	\$ (469,539)	\$ (1,483,852)	\$ (2,037,317)	\$ (8,709,932)	\$ (14,119,943)
Distributions	\$ -	\$ -	\$ -	\$ -	\$ 919,327
Deficit of Net Cash Flow From Operating Activities Over Distributions	\$ (1,323,221)	\$ (554,425)	\$ (425,021)	\$ (5,787,413)	\$ (2,039,075)
Deficit of Net Loss Over Distributions	\$ (469,539)	\$ (1,483,852)	\$ (2,037,317)	\$ (8,709,932)	\$ (15,039,270)

## MANAGEMENT DISCUSSION & ANALYSIS

### 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 December 31, 2023:

Issuance Date	Number of Options	Weighted average exercise price	Fair Value of Options	Expiry Date
August 17, 2017	340,738	\$ 7.50	\$ 10,397	August 17, 2027
November 19, 2018	188,900	8.30	10,720	November 19, 2028
March 16, 2021	42,700	7.50	8,511	March 16, 2031
March 16, 2021	60,300	8.30	9,831	March 16, 2031
<b>Total/ Weighted Average</b>	<b>632,638</b>	<b>\$ 7.82</b>	<b>\$ 39,459</b>	

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

Option Assumptions	December 31, 2023	December 31, 2022
Stock Price	\$ 2.25	\$ 3.64
Exercise Price	\$7.50-\$8.30	\$7.50-\$8.30
Expected Life in Years	3.63-7.21	4.63-8.21
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	\$ -	\$ 0.12
Discount Rate - Bond Equivalent Yield	5.06%	4.30%

### SIGNIFICANT ACCOUNTING POLICIES

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

## MANAGEMENT DISCUSSION & ANALYSIS

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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 December 31, 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 months and year ended December 31, 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 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

## MANAGEMENT DISCUSSION & ANALYSIS

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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

## **MANAGEMENT DISCUSSION & ANALYSIS**

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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

## **MANAGEMENT DISCUSSION & ANALYSIS**

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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.

## MANAGEMENT DISCUSSION & ANALYSIS

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### *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

## MANAGEMENT DISCUSSION & ANALYSIS

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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.sedarplus.ca](http://www.sedarplus.ca)). 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.



## MANAGEMENT DISCUSSION & ANALYSIS

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### *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

## **MANAGEMENT DISCUSSION & ANALYSIS**

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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 audited consolidated financial statements and material adverse effect on the trading price of the units.

### ***U.S. LAWS AND REGULATIONS***

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

### ***U.S. CURRENCY RISK***

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

### ***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;

## MANAGEMENT DISCUSSION & ANALYSIS

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(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

## MANAGEMENT DISCUSSION & ANALYSIS

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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.

## **MANAGEMENT DISCUSSION & ANALYSIS**

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### *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

## MANAGEMENT DISCUSSION & ANALYSIS

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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

## MANAGEMENT DISCUSSION & ANALYSIS

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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.

An American flag is flying in the foreground, partially obscuring a modern skyscraper with a grid of windows. The sky is bright and clear.

# FIRM CAPITAL APARTMENT REIT

CAPITAL PRESERVATION • DISCIPLINED INVESTING

# FINANCIAL STATEMENTS

YEAR ENDED  
DECEMBER 31, 2023



## INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Firm Capital Apartment Real Estate Investment Trust

### *Opinion*

We have audited the consolidated financial statements of Firm Capital Apartment Real Estate Investment Trust (the "Trust"), which comprise the consolidated balance sheets as at December 31, 2023 and 2022, and the consolidated statements of income (loss) and comprehensive income (loss), changes in unitholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trust as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Basis for Opinion*

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

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Fair Value of Investment Properties Held for Sale

Refer to consolidated financial statements note 2 – *Material accounting information – Investment properties and Assets held for sale*, note 2 – *Significant estimates and judgements*, and note 3 – *Investment properties and assets held for sale*

The fair market value of investment properties classified as assets held for sale as at December 31, 2023 is \$83,650,000, which represents approximately 67% of total assets. During fiscal year 2023 the Trust reclassified all of the investment properties to assets held for sale as all of the properties have been actively listed and are expected to sell within the next 12 months. Management used an internal valuation model based on an overall capitalization income approach as well as confirmed offers on the properties to determine the fair value of investment properties classified as assets held for sale as at December 31, 2023.

We identified the valuation of fair value of assets classified as assets held for sale as a key audit matter because management made significant assumptions relating to the capitalization rate and forecasted stabilized net operating income of each investment property, including inflation rates, vacancy rates, and net rental income, in its internal model. These significant assumptions involve a high degree of estimation uncertainty and complexity. This resulted in significant audit effort, including the use of valuation specialists and a high degree of auditor judgment and subjectivity to evaluate the audit evidence obtained. It should be noted however that only the valuation of these properties is a key audit matter. The classification of assets held for sale under IFRS 5, Non-current assets held for sale and discontinued operations does not require significant judgements and estimates and therefore is not considered a key audit matter.

How our audit addressed the Key Audit Matter

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

- We evaluated the appropriateness of the overall capitalization model and tested the underlying data used in the calculation of stabilized net operating income.
- We assessed the competency and objectivity of management's internal valuation team and evaluated their qualifications and expertise.
- We tested the reasonableness of management's estimate process by comparing the prior year forecasted stabilized net operating income from management's internal valuation model to actual results.
- For a sample of properties, we utilized an internal valuation specialist to assist in:
  - Evaluating the appropriateness of assumptions used in management's internal valuation model including capitalization rates, vacancy rates, and forecasted stabilized net operating income by comparing to independent regional market data, industry averages, and improved comparable sales; and
  - Developing independent estimates for the assumptions applied in the internal valuation model based on comparable market benchmarks for similar assets in similar locations.
- We reviewed the purchase sale agreements in place and evaluated the sale price of the properties to evaluate if it was an appropriate basis of fair value. We compared the sales price to the fair value using the direct capitalization and confirmed the sale was with a purchaser at arm's length.

#### Impairment of preferred investment and preferred capital investments

Refer to consolidated financial statements note 2 – *Material accounting information – Preferred investments and preferred capital investments*, note 2 – *Significant estimates and judgements*, note 4 – *Equity accounted and preferred investments*, and note 5 – *Preferred capital investments*

The Trust recognized an impairment allowance against its preferred investments and preferred capital investment portfolio in the amount of \$9,383,183 and \$4,053,005, respectively. The impairment allowance was determined by estimating the expected credit losses based on the expected cash shortfalls of the investments. Management's impairment allowance considers a range of possible scenarios and involves significant assumptions and judgements including the extent of credit deterioration, estimated recoverable value of the underlying security, the probability of default, loss given default, and exposure at default.

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

## How our audit addressed the Key Audit Matter

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

- We obtained an understanding of the impairment model and assessed whether it complied with IFRS.
- We inspected underwriting assessments to evaluate management's assessment of credit deterioration.
- For all preferred investments and capital investments with first mortgages held by other borrowers, we obtained external confirmations for the amounts and terms of the outstanding first mortgages.
- For the impairment of individually assessed investments we evaluated the recoverable value by inspecting property valuations and assessed other available market data.
- For the impairment of collectively assessed investments, we:
  - Involved professionals with specialized skills and knowledge in credit modelling who assisted in evaluating the appropriateness of the model and significant assumptions by evaluating the Trust's historical delinquency experience and the correlation between macroeconomic variables to assess portfolio delinquency; and
  - Evaluated the significant assumptions used by management by inspecting property valuations and testing data inputs including forced sales discounts, sales commissions, and carrying costs and evaluating the Trust's historical foreclosure experience.

### *Other Information*

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

RSM Canada LLP

Chartered Professional Accountants  
Licensed Public Accountants  
April 26, 2024  
Toronto, Ontario

Consolidated Financial Statements of

**FIRM CAPITAL APARTMENT REAL ESTATE  
INVESTMENT TRUST**

For the Years Ended December 31, 2023 and 2022

(Expressed in US Dollars)

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets

(Expressed in US Dollars)

	Notes	December 31, 2023	December 31, 2022
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents		\$ 12,786,599	\$ 817,954
Restricted Cash		2,437,359	3,189,359
Accounts Receivable		289,637	673,259
Prepaid Expenses and Other Assets		565,897	512,726
Assets Held for Sale	3	83,650,000	-
<b>Total Current Assets</b>		<b>99,729,492</b>	<b>5,193,298</b>
Non-Current Assets			
Investment Properties	3	-	128,743,435
Equity Accounted Investments	4	10,131,505	8,774,668
Preferred Investments	4	9,244,275	9,242,843
Preferred Capital Investments	5	5,299,128	5,139,710
<b>Total Non-Current Assets</b>		<b>24,674,908</b>	<b>151,900,656</b>
<b>Total Assets</b>		<b>\$ 124,404,400</b>	<b>\$ 157,093,954</b>
<b>Liabilities and Unitholders' Equity</b>			
Current Liabilities			
Accounts Payable and Accrued Liabilities	12	6,719,472	6,770,844
Bank Indebtedness	7(b),8	-	965,000
Mortgages and Loan Payable	7(a),8	22,338,472	28,711,219
Unit Based Liabilities	9(c)	52,583	171,833
Liability Related to Assets Held for Sale	3,7(a)	18,370,000	-
<b>Total Current Liabilities</b>		<b>47,480,527</b>	<b>36,618,896</b>
Non-Current Liabilities			
Mortgages and Loan Payable	7(a),8	10,161,837	46,770,191
Convertible Debentures Payable	6,8	13,350,443	11,583,342
<b>Total Non-Current Liabilities</b>		<b>23,512,280</b>	<b>58,353,533</b>
<b>Total Liabilities</b>		<b>70,992,807</b>	<b>94,972,429</b>
<b>Unitholders' Equity</b>	9	<b>53,411,593</b>	<b>62,121,525</b>
<b>Total Liabilities and Unitholders' Equity</b>		<b>\$ 124,404,400</b>	<b>\$ 157,093,954</b>

Subsequent Events

16

See accompanying Notes to the Consolidated Financial Statements

(signed) "Geoffrey Bledin"

Geoffrey Bledin

Chairman & Trustee

(signed) "Sandy Poklar"

Sandy Poklar

President & CEO

## FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the years ended December 31, 2023 and 2022

(Expressed in US Dollars)

	Notes	December 31, 2023		December 31, 2022
<b>Net Rental Income</b>				
Rental Revenue		\$ 12,074,882	\$	11,590,331
Property Operating Expenses	13	(7,272,267)		(6,298,968)
		4,802,615		5,291,363
<b>Income from Investments</b>				
Income from Equity Accounted Investments	4	259,357		787,723
Income from Preferred Investments	4	733,607		1,270,007
Income from Preferred Capital Investments		608,169		531,032
		1,601,133		2,588,762
<b>Expenses</b>				
General and Administrative	13	(2,021,401)		(1,952,638)
Finance Costs	13	(5,201,240)		(3,941,470)
		(7,222,641)		(5,894,108)
<b>Net Income (Loss) Before Fair Value and Other Adjustments</b>		<b>\$ (818,893)</b>	<b>\$</b>	<b>1,986,017</b>
<b>Fair Value Adjustments</b>				
Investment Properties	3	(6,096,893)		(11,866,329)
Asset Acquisitions	3	-		29,226
Loss on Sale of Investment Properties	3	(715,677)		-
Investment Properties Held in Equity Accounted Investments	4	1,022,480		(3,588,890)
Convertible Debentures	6,8	(1,741,972)		2,620,135
Unit Based Recovery	9(c)	119,250		477,155
<b>Other Adjustments</b>				
Provision for Impairment - Equity Accounted Investments	4	(200,000)		(1,258,277)
Recovery of (Provision for) Impairment - Preferred Investments	4	179,156		(2,822,477)
Provision for Impairment - Preferred Capital Investments	5	-		(1,574,128)
Foreign Exchange Gain (Loss)	14	(457,383)		1,332,009
		(7,891,039)		(16,651,576)
<b>Net Loss Before Income Taxes</b>		<b>\$ (8,709,932)</b>	<b>\$</b>	<b>(14,665,559)</b>
Deferred Tax Recovery	15	-		545,616
<b>Net Loss and Comprehensive Loss</b>		<b>\$ (8,709,932)</b>	<b>\$</b>	<b>(14,119,943)</b>

See accompanying Notes to the Consolidated Financial Statements



## FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Changes in Unitholders' Equity

For the years ended December 31, 2023 and 2022

(Expressed in US Dollars)

	Notes	Trust Units	Deficit	Balance
Balance at January 1, 2022		\$ 90,221,737	\$ (13,060,942)	\$ 77,160,795
Net Loss and Comprehensive Loss		-	(14,119,943)	(14,119,943)
Distributions	9(g)	-	(919,327)	(919,327)
Unitholders' Equity, December 31, 2022		\$ 90,221,737	\$ (28,100,212)	\$ 62,121,525
Net Loss and Comprehensive Loss		-	(8,709,932)	(8,709,932)
Unitholders' Equity, December 31, 2023		\$ 90,221,737	\$ (36,810,144)	\$ 53,411,593
Trust Units Issued and Outstanding				7,604,375

See accompanying Notes to the Consolidated Financial Statements

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in US Dollars)

	Notes	December 31, 2023	December 31, 2022
<b>Cash Flow from (used in) Operating Activities</b>			
Net Loss		\$ (8,709,932)	\$ (14,119,943)
Add (Deduct):			
Adjustments for:			
Fair Value Adjustments to Investment Properties	3	6,096,893	11,866,329
Fair Value Adjustments on Asset Acquisitions	3	-	(29,226)
Loss on Sale of Investment Properties	3	715,677	-
Fair Value Adjustments to Investment Properties Held in Equity Accounted Investments	4	(1,022,480)	3,588,890
Provision for Impairment of Equity Accounted Investments	4	200,000	1,258,277
Provision for (Recovery of) Impairment of Preferred Investments	4	(179,156)	2,822,477
Provision for Impairment of Preferred Capital Investments	5	-	1,574,128
Fair Value Adjustments to Convertible Debentures	6,8	1,741,972	(2,620,135)
Fair Value Adjustments to Unit Based Compensation	9(c)	(119,250)	(477,155)
Mark to Market on Assumed Mortgages	8	(59,953)	(440,524)
Finance Cost Amortization	8	320,041	165,383
Foreign Exchange (Gain) Loss on Convertible Debentures	14	311,054	(875,811)
Income from Equity Accounted Investments, Net of Distributions		(259,357)	(826,410)
Income from Preferred Investments, Net of Distributions		(1,432)	(487,359)
Income from Preferred Capital Investments, Net of Distributions		(159,418)	(284,060)
Deferred Tax Recovery	15	-	(545,616)
Changes in Non-Cash Operating Working Capital:			
Accounts Receivable		383,622	262,679
Prepaid Expenses and Other Assets		(53,171)	(328,134)
Accounts Payable and Accrued Liabilities	12	(51,372)	2,593,073
<b>Total Operating Activities</b>		<b>(846,262)</b>	<b>3,096,863</b>
<b>Cash Flows from (used in) Investing Activities</b>			
Acquisition of Assets, net of cash acquired	3	-	(7,539,998)
Disposition of Assets	3	39,845,496	-
Investment in Equity Accounted Investments	4	(275,000)	(212,000)
Investment in Preferred Investments	4	179,156	(1,632,321)
Investment in Preferred Capital Investments	5	-	(3,664,833)
Capital Expenditures on Investment Properties	3	(1,564,631)	(2,338,095)
<b>Total Investing Activities</b>		<b>38,185,021</b>	<b>(15,387,247)</b>
<b>Cash Flows from (used in) Financing Activities</b>			
Normal Course Issuer Bid- Convertible Debenture Units	8	(285,925)	-
Distributions Paid	9(g)	-	(919,327)
Bank Indebtedness Advance	7(b),8	25,000	965,000
Bank Indebtedness Repayment	7(b),8	(990,000)	-
Mortgage and Loan Advances	7(a),8	-	20,893,675
Mortgage and Loan Repayments, Net of Deferred Finance Costs	7(a),8	(24,871,189)	(9,712,981)
<b>Total Financing Activities</b>		<b>(26,122,114)</b>	<b>11,226,368</b>
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash		11,216,645	(1,064,016)
Cash, Cash Equivalents and Restricted Cash, Beginning of Year		4,007,313	5,071,329
<b>Cash, Cash Equivalents and Restricted Cash, End of Year</b>		<b>\$ 15,223,958</b>	<b>\$ 4,007,313</b>
Consisting of:			
Cash and Cash Equivalents		\$ 12,786,599	\$ 817,954
Restricted Cash		2,437,359	3,189,359
See accompanying Notes to the Consolidated Financial Statements			
Cash flows from operating activities include:			
Interest paid		\$ 4,941,152	\$ 4,216,611
Interest received		220,759	6,682

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

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## 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 1,499 apartment units diversely located in Florida, Connecticut, Texas, New York, Georgia and Maryland. The Trust trades on the TSXV exchange under the symbols FCA.U and FCA.UN. The registered office of the Trust and its head office operations are located at 163 Cartwright Avenue, Toronto, Ontario, M6A 1V5. The Trust is domiciled in Canada.

The consolidated financial statements were approved and authorized for issue by the Board of Trustees on April 26, 2024.

## 2. Material accounting information

### *Basis of presentation*

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

### *Statement of compliance*

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

### *Basis of measurement*

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

### *Basis of consolidation*

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

### *New or amended Accounting Standards and Interpretations adopted*

Effective January 1, 2023, the Trust adopted the narrow-scope amendments to International Accounting Standard (IAS) 1, Presentation of Financial Statements, IFRS Practice Statement 2, Making Materiality Judgements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarify how to distinguish changes in accounting policies from changes in accounting estimates. These amendments had no material impact on the consolidated financial statements.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. None of these are expected to have a material effect on the financial statements of the Trust.

### *Functional currency*

As at December 31, 2023, the functional currency of the Trust and all of its subsidiaries is the US Dollar ("USD").

### *Foreign currency transactions*

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

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

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## *Investment properties*

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

The Trust determines the fair value of the investment properties based on an overall capitalization method which is a generally accepted appraisal methodology. Under the overall capitalization method, year one net operating income is stabilized and modeled to include allowances for vacancy, management fees and other operating expenses. Where there is a committed sale in place with a knowledgeable and willing arm's length buyer, the fair value of the investment property is measured at the committed offer price.

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

## *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 consolidated balance sheets and in the notes beginning from the period in which they were first classified as "held for sale" and the sale is highly probable. Upon designation as held for sale, the investment property continues to be measured at fair value.

## *Equity investments*

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

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

## *Preferred investments and preferred capital investments*

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

## *Accounting for acquisitions*

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

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

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group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. Assets acquired and liabilities assumed of real estate portfolios previously held under equity accounted investments and preferred investments are recorded at fair value upon acquisition. When an acquisition does not represent a business as defined under IFRS 3, the Trust classifies these properties or portfolio of properties as an asset acquisition. Identifiable assets acquired and liabilities assumed in an asset acquisition are measured initially at their fair values at the acquisition date. Acquisition-related transaction costs are capitalized to the property.

## *Cash and cash equivalents*

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

## *Restricted cash*

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

## *Financial instruments - recognition and measurement*

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

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

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

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

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

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

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## *Financial instruments - Impairment*

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

## *Accounts receivable*

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

## *Preferred investments and preferred capital investments*

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

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

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

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

## *Revenue recognition*

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

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

## *Finance costs*

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

## *Income taxes*

The Trust is a mutual fund that is not a specified investment flow-through trust (“SIFT”) for Canadian income tax purposes. Accordingly, the Trust is not liable to pay Canadian income tax provided that its taxable income is fully distributed to unitholders each year. The Trust has certain subsidiaries in the United States that are subject to tax on their taxable income at a combined federal and state tax rate of approximately 26% (2022 - 26%).

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

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

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

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

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

## *Consolidated statements of cash flows*

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

## *Unitholders' equity*

On January 1, 2020 the common shares of the predecessor Corporation were converted into trust units. The Trust Units are redeemable at the option of the holder and are considered puttable instruments in accordance with IAS 32 *Financial Instruments: Presentation* ("IAS 32") and as further described in note 9(a). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, puttable instruments may be presented as equity. To be presented as equity, a puttable instrument must meet all of the following conditions: (i) it must entitle the holder to a pro rata share of the entity's net assets in the event of the entity's dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class must have identical features; (iv) other than the redemption feature, there can be no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the instrument must be based substantially on the profit or loss of the entity or change in fair value of the instrument. This is called the "Puttable Instrument Exemption". The Trust Units meet the Puttable Instrument Exemption criteria and accordingly are presented as equity in the consolidated financial statements. The distributions on Trust Units are included with Deficit in Unitholders' Equity.

## *Significant estimates and judgements*

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

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

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

## *Equity accounted investments*

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

## *Impairment of Equity accounted investments*

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

## *Classification of preferred investments and preferred capital investments*

Classification of preferred investments and preferred capital investments is based on the assessment of business model and the cash flow characteristics of the investments.

## *Impairment of preferred investments and preferred capital investments*

The Trust exercises judgement in determining the classification of the investments into impairment measurement categories for Stages 1, 2 and 3 (note 4 and 5).

The impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – Where there has not been a significant increase in credit risk (SIR) since initial recognition of a financial instrument, an amount equal to 12 months ECL is recorded. The ECL is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 – When a financial instrument experiences a SIR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of ECL based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime ECL. Forecasts specific to the loan are incorporated when assessing the cash flows expected to be received.

## *Measurement of ECL*

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate ECL are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant financial instrument. Details of these statistical parameters/inputs are as follows:

PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life if the investment has not been previously derecognized and is still in the portfolio. The PD is determined at each reporting date using historical data and current conditions. Adjustments to the PD can be impacted by taking into account forecasted unemployment rates, GDP and interest rates.

EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.

LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the investor would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.



# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

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## *Macroeconomic factors*

In its models, the Trust relies on a range of forward-looking economic information as inputs, such as gross domestic product (GDP), unemployment rate, and interest rate factors. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement.

## *Assessment of significant increase in credit risk (SIR)*

At each reporting date, the Trust assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macro-economic factors, management judgement and delinquency and monitoring.

The common assessments for SIR on investment portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has significantly increased since initial recognition when contractual payments are more than 30 days overdue.

## *Definition of default*

The Trust considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate: (i) significant financial difficulty of the borrower; (ii) default or delinquency in interest or principal payments; (iii) high probability of the borrower entering a phase of bankruptcy or a financial reorganization; and (iv) measurable decrease in the estimated future cash flows from the investment or the underlying assets that back the loan. The Trust considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is appropriate.

## *Allowance for impairment*

For investments that are considered individually impaired the Trust assesses on a case-by-case basis at each reporting period whether an individual allowance for investment losses is required. For collectively assessed investments, allowances are driven by management's judgement on significant assumptions including the probability of default, loss given default and exposure at default factors.

## *Impairment of trade receivables*

IFRS 9 outlines a forward looking "expected credit loss" (ECL) model. For trade receivables the Trust applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure ECL's related to trade receivables includes assessing credit risk characteristics and the days past due. The Trust has concluded that there was no significant impact to financial assets in connection with the ECL model under IFRS 9.

## *Investment properties and investment properties held for sale*

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

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

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## *Accounting for acquisitions*

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

## *Unit-based compensation*

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

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

## *Reportable operating segments*

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

### **3. Investment properties 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 was recognized as an asset acquisition whereby the associated costs were capitalized. The fair value of the identifiable assets acquired and liabilities assumed were determined at the date of transaction. The application of the acquisition method for the Houston, TX portfolio transaction is as follows:

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

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

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

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 was been recognized as an asset acquisition whereby the associated costs were capitalized. The fair value of the identifiable assets acquired and liabilities assumed were 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 liabilities	(178,022)
Mortgages payable	(11,420,504)
<b>Net assets acquired</b>	<b>\$ 15,478,109</b>

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

The table below summarizes activity of the Trust’s Investment Properties for the years ended December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
<b>Balance, beginning of year</b>	\$ 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)	-
<b>Balance, end of year</b>	<b>\$ -</b>	<b>\$ 128,743,435</b>

**Assets held for sale:** As at March 31, 2023, the Trust reclassified its investment properties to assets held for sale. As at December 31, 2023 the investment properties classified to assets held for sale total \$83,650,000 along with an associated mortgage payable that is to be assumed upon completion of the sale totaling \$18,370,000. Mortgages that will not be assumed upon completion of a sale are not included in liabilities related to assets held for sale.

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

The investment properties reclassified to assets held for sale as at December 31, 2023 consist of 638 (2022 – 985) multi-family apartment units in three portfolios located in Florida and Texas.

On November 15, 2022, the Trust 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”). As part of its Strategic Review, the Trust committed to a plan to sell the properties reclassified to assets held for sale and the sales were considered to be highly probable as at December 31, 2023.

On June 22, 2023, the Trust completed the sale of one of its properties located in Austin, Texas for gross proceeds of \$12.6 million.

On August 30, 2023, the Trust completed the sale of its property located in New Jersey for gross proceeds of \$19.5 million.

On September 29, 2023, the Trust completed the sale of its second property in Austin, Texas for gross proceeds of \$9.9 million.

The table below summarizes activity of the Trust’s assets held for sale for the years ended December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
<b>Balance, beginning of year</b>	\$ -	\$ -
Investment properties reclassified to assets held for sale	125,008,113	-
Building improvements	1,137,651	-
Fair value adjustments to assets held for sale	(1,934,591)	-
Dispositions	(39,845,496)	-
Loss on sale of investment properties	(715,677)	-
<b>Balance, end of year</b>	<b>\$ 83,650,000</b>	<b>\$ -</b>

**Loss on sale:** The loss on sale of investment properties for the years ended December 31, 2023 and 2022 consists of the following:

	Years Ended	
	December 31, 2023	December 31, 2022
Surplus of sales proceeds over fair value of investment properties sold	240,908	-
Selling costs	(956,585)	-
<b>Total</b>	<b>\$ (715,677)</b>	<b>\$ -</b>

For the year ended December 31, 2023, the Trust valued its investment properties and investment properties reclassified to assets held for sale (collectively “the investment properties”) using the overall capitalization method or the offer price 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, 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 and take into account any available market data at the valuation date. Capitalization rates used in the valuation of investment properties as of December 31, 2023 are based on current market data.

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

	December 31, 2023	December 31, 2022
Capitalization rate	6.00%-6.30%	5.63%-6.75%

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

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

	December 31, 2023
Capitalization rate increase by 25 basis points	\$ (3,319,902)
Capitalization rate decrease by 25 basis points	3,609,888

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

#### 4. Equity accounted and preferred investments

The Trust has invested in the following equity accounted and preferred investments. The table below lists the carrying value of these investments at December 31, 2023 and December 31, 2022.

*(In \$millions unless otherwise stated).*

December 31, 2023

Location	Units	Investment Properties	Common Equity Ownership %	Equity Accounted Investment -		Total Investment	Preferred Yield
				Common Equity	Preferred Investment		
Connecticut - Hartford	109	\$ 14.1	50.0%	\$ 1.6	\$ 1.4	\$ 3.0	8%
Georgia - Canton	138	24.8	50.0%	3.7	3.6	7.3	8%
Maryland - Brentwood	118	15.9	25.0%	0.9	0.1	1.0	8%
Maryland - Hyattsville	235	39.6	50.0%	3.9	4.1	8.0	8%
New York - Bronx	132	18.9	50.0%	-	-	-	N/A
New York - New York	129	10.9	22.8%	-	-	-	N/A
<b>Total/ Weighted Average</b>	<b>861</b>	<b>\$ 124.2</b>	<b>42.4%</b>	<b>\$ 10.1</b>	<b>\$ 9.2</b>	<b>\$ 19.3</b>	<b>8%</b>

December 31, 2022

Location	Units	Investment Properties	Common Equity Ownership %	Equity Accounted Investment -		Total Investment	Preferred Yield
				Common Equity	Preferred Investment		
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%	-	-	-	N/A
New York - New York	129	22.1	22.8%	-	-	-	N/A
<b>Total/ Weighted Average</b>	<b>861</b>	<b>\$ 134.2</b>	<b>42.4%</b>	<b>\$ 8.8</b>	<b>\$ 9.2</b>	<b>\$ 18.0</b>	<b>8%</b>

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

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

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

Outlined below are the details of the Trust's net investment in the equity accounted investments 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

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
 For the years ended December 31, 2023, and 2022  
 (Expressed in US Dollars unless otherwise noted)

cost. In addition, the balance sheet and statement of income (each at 100% of the underlying property) and income allocation from the equity accounted and preferred investments as at December 31, 2023 and December 31, 2022 and for the years ended December 31, 2023 and 2022 are included below:

	Equity Accounted Investments	Preferred Investments	Total
<b>As at January 1, 2022</b>	<b>\$ 23,280,118</b>	<b>\$ 17,246,878</b>	<b>\$ 40,526,996</b>
Investment Activity			
- Equity Accounted Investments	212,000	-	212,000
- Preferred Investments	-	1,632,321	1,632,321
- Derecognition of Houston, TX Portfolio on Asset Acquisition	(4,467,235)	(3,551,687)	(8,018,922)
- Derecognition of Second Houston, TX Portfolio on Asset Acquisition	(6,092,821)	(3,849,656)	(9,942,477)
Income Items			
- Income from Equity Accounted Investments	787,723	-	787,723
- Fair Value Adjustments on Investment Properties	(3,588,890)	-	(3,588,890)
<b>Net income from Equity Accounted Investments</b>	<b>(2,801,167)</b>	<b>-</b>	<b>(2,801,167)</b>
- Income from Preferred Investments	-	1,270,007	1,270,007
- Less: Distributions and interest received	(97,950)	(682,543)	(780,493)
- Provision for Impairment on Equity Accounted Investments	(1,258,277)	-	(1,258,277)
- Provision for Impairment on Preferred Investments	-	(2,822,477)	(2,822,477)
<b>As at December 31, 2022</b>	<b>\$ 8,774,668</b>	<b>\$ 9,242,843</b>	<b>\$ 18,017,511</b>
Investment Activity			
- Equity Accounted Investments	275,000	-	275,000
- Preferred Investments	-	(179,156)	(179,156)
Income Items			
- Income from Equity Accounted Investments	259,357	-	259,357
- Fair Value Adjustments on Investment Properties	1,022,480	-	1,022,480
<b>Net income from Equity Accounted Investments</b>	<b>1,281,837</b>	<b>-</b>	<b>1,281,837</b>
- Income from Preferred Investments	-	733,607	733,607
- Less: Distributions and interest received	-	(732,175)	(732,175)
- Provision for Impairment on Equity Accounted Investments	(200,000)	-	(200,000)
- Recovery of Impairment on Preferred Investments	-	179,156	179,156
<b>As at December 31, 2023</b>	<b>\$ 10,131,505</b>	<b>\$ 9,244,275</b>	<b>\$ 19,375,780</b>

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

	December 31, 2023	December 31, 2022
<b>Assets</b>		
Cash	\$ 282,192	\$ 344,355
Restricted Cash	2,359,949	2,109,586
Accounts Receivable	1,529,186	1,573,615
Other Assets	943,586	1,432,080
Investment Properties	124,136,214	134,173,704
	<b>\$ 129,251,127</b>	<b>\$ 139,633,340</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	9,127,814	2,506,583
Security Deposits	841,356	536,022
Mortgages	102,819,070	103,315,627
	<b>\$ 112,788,240</b>	<b>\$ 106,358,232</b>
<b>Equity</b>		
Deficit	\$ (31,706,157)	\$ (18,199,874)
Preferred Equity	22,024,953	25,411,376
Common Equity	26,144,091	26,063,606
	<b>\$ 16,462,887</b>	<b>\$ 33,275,108</b>
	<b>\$ 129,251,127</b>	<b>\$ 139,633,340</b>
<b>Investment Allocation for the Trust</b>		
Equity Accounted Investments	\$ 10,131,505	\$ 8,774,668
Preferred Investments	9,244,275	9,242,843
	<b>\$ 19,375,780</b>	<b>\$ 18,017,511</b>

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

	Years Ended	
	December 31, 2023	December 31, 2022
Rental Revenue	\$ 13,368,445	\$ 14,637,225
Property Operating Expenses	(8,366,876)	(8,154,853)
<b>Net Rental Income</b>	<b>5,001,569</b>	<b>6,482,372</b>
Interest Expense	(4,657,699)	(4,588,700)
Fair Value Adjustments on Investment Properties	(12,310,959)	(13,730,992)
<b>Net Loss Before Interest from Preferred Investments</b>	<b>(11,967,089)</b>	<b>(11,837,320)</b>
Less: Interest from Preferred Investments	(1,538,742)	(1,566,528)
<b>Net Loss</b>	<b>\$ (13,505,831)</b>	<b>\$ (13,403,848)</b>
<b>Income Earned by the Trust</b>		
Income from Equity Accounted Investments	\$ 259,357	\$ 787,723
Fair Value Adjustments on Investment Properties	1,022,480	(3,588,890)
<b>Net income (loss) from Equity Accounted Investments</b>	<b>1,281,837</b>	<b>(2,801,167)</b>
Provision for Impairment on Equity Accounted Investments	(200,000)	(1,258,277)
Income from Preferred Investments	733,607	1,270,007
Recovery of (Provision for) Impairment on Preferred Investments	179,156	(2,822,477)
	<b>\$ 1,994,600</b>	<b>\$ (5,611,914)</b>

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

At each reporting date, the Trust assesses the borrower's ability to make contractual payments based on current market conditions. For the year ended December 31, 2023, the Trust recognized recovery of impairment loss on preferred investments of \$179,156 (2022 – impairment of \$2,822,477). The recovery was for the New York City Portfolio. For the year ended December 31, 2022, the Trust recognized an allowance of \$987,232 (2022 - \$401,340), net against income from preferred investments. The allowance 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 December 31, 2023 and December 31, 2022 are as follows:

	December 31, 2023				December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Preferred Investments	\$ 9,244,275	\$ -	\$ 9,383,183	\$18,627,458	\$ 9,242,843	\$ -	\$ 8,575,107	\$17,817,950
Allowance for losses of preferred investments	-	-	(1,719,231)	(1,719,231)	-	-	(731,999)	(731,999)
Provision for impairment of preferred investments	-	-	(7,663,952)	(7,663,952)	-	-	(7,843,108)	(7,843,108)
<b>Preferred Investments, net of allowances and provisions</b>	<b>\$ 9,244,275</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,244,275</b>	<b>\$ 9,242,843</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,242,843</b>



# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

At each reporting date, the Trust establishes loss provisions applicable to its equity accounted investments where there is objective evidence of impairment as a result of a loss event. For the year ended December 31, 2023, the impairment recognized for equity accounted investments was \$200,000 (2022 - \$1,258,277).

## ECL sensitivity and key economic variables

The Trust incorporates forward-looking information into the measurement of ECL and formulates probability weightings to three economic scenarios - base case scenario being the Trust's view of the most probable outcome, as well as benign and adverse scenarios. The key modelled inputs include economic data and forecasts published by various large North American financial institutions. The weights assigned to each scenario have been determined based on applying management's judgement and industry knowledge. The scenario probability weightings applied in the measuring the ECL as at December 31, 2023:

	Benign	Base	Adverse
Macro-economic scenario probability weightings	24%	50%	26%

The Trust has considered the relationship between multiple macro-economic variables that have included interest rates, unemployment rates, and GDP. Forecasting relationships between key macro-economic indicators and the default rates of the loan portfolio have been developed based on analyzing over 10 years of market data and internal data.

For the adverse and benign scenarios, the Trust took the upper and lower limits of the macro economic forward looking data published by various large North American financial institutions.

The impact of each scenario on the collective allowance at December 31, 2023 is as follows:

	Benign	Base	Adverse
Real GDP	1.00%	(0.82%)	(1.50%)
Interest Rates	4.18%	4.94%	5.57%
Unemployment rates	3.80%	4.13%	4.50%

The base scenario forecasted macroeconomic variables from various large North American financial institutions are used.

The adverse scenario presents an economic downturn with GDP declining, interest rates rising and with unemployment increasing.

The benign scenario presents an economic upturn where interest rates decrease, unemployment decreases leading to increasing GDP.

These assumptions are limited to the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairments are subjective and may not necessarily be comparable to the actual outcomes. As new market and internal data become available, the Trust monitors the key modeling assumptions and including macro-economic factors expected trends, and the impact these changes will have on the ECL.

For the year ended December 31, 2023 the collective allowance was \$nil and the specific allowance was \$9,383,183. For the year ended December 31, 2022 the collective allowance was \$nil and the specific allowance was \$8,575,107.

## 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.

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

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 described in note 2 of these financial statements. Investments with a low credit risk are assigned to stage 1, increased credit risk to stage 2 and where in default to stage 3. The determination of significant increase in credit risk takes into account different factors which vary based on the investment. The Trust assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and certain criteria are met which are specific to the individual borrower and underlying asset, based on judgement.

At each reporting date, the Trust assesses the borrower's ability to make contractual payments based on current market conditions. For the year ended December 31, 2023, no further impairment provision was recorded (2022 - \$1,574,128). For the year ended December 31, 2022, the Trust recognized an allowance of \$480,641 (2022 - \$425,850), net against income from preferred capital investments. The allowance was for the New York Preferred Capital Loan.

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

	December 31, 2023				December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Preferred Capital Investments	\$ 5,299,128	\$ -	\$ 4,053,005	\$ 9,352,133	\$ 5,139,710	\$ -	\$ 3,572,364	\$ 8,712,074
Allowance for losses of preferred capital investments	-	-	(1,182,209)	(1,182,209)	-	-	(701,568)	(701,568)
Provision for impairment on preferred capital investments	-	-	(2,870,796)	(2,870,796)	-	-	(2,870,796)	(2,870,796)
<b>Preferred Capital Investments, net of allowances and provisions</b>	<b>\$ 5,299,128</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,299,128</b>	<b>\$ 5,139,710</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,139,710</b>

## ECL sensitivity and key economic variables

See Note 4 for key inputs included in the ECL model.

For the year ended December 31, 2023 the collective allowance was \$nil and the specific allowance was \$4,053,005. For the year ended December 31, 2022 the collective allowance was \$nil and the specific allowance was \$3,572,364.

## 6. Convertible debentures payable

### (a) 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.

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

## *(b) Normal course issuer bid*

The Trust announced its intention to make a normal course issuer bid with respect to its outstanding Convertible Debenture units. During the 12 month period commencing September 25, 2023 and ending no later than September 24, 2024, the Trust may purchase through the facility of the TSX Venture Exchange up to \$1,455,131 (CAD \$1,929,068 based on the Bank of Canada daily noon rate of exchange \$1.3257), principal amount of the Convertible Debenture units in total, being 10% of the “public float” of Convertible Debentures. During the year ended December 31, 2023, the Trust repurchased \$0.29 million (CAD \$0.38 million) of the Convertible Debenture.

Subsequent to the year ended December 31, 2023, the Trust repurchased Convertible Debentures as outlined in Note 16 of these consolidated financial statements.

## 7. Mortgages and loan payable

### *(a) Mortgages and loan payable*

	December 31, 2023	December 31, 2022
Mortgages payable	\$ 32,883,780	\$ 75,833,644
Less: Current Portion	(22,338,472)	(28,711,218)
Less: Unamortized Financing Costs	(636,274)	(613,400)
Add: Mark to Market on assumed mortgages	252,803	261,165
	\$ 10,161,837	\$ 46,770,191

As at December 31, 2023, the Trust had mortgages payable, including liability related to assets held for sale, secured by the multi-family properties of \$50,870,309 (\$32,500,309 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 6.41% (December 31, 2022 - 4.78%) per annum (7.32% excluding liability related to assets held for sale), and have maturity dates ranging between February 2024 and September 2032.

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. Subsequent to year end, this mortgage was extended for 12 months, maturing February 2025 with interest-only payments bearing interest at 9% per annum until May 2024 and 8.5% fixed interest rate thereafter upon the Trust making a partial repayment.

On April 18, 2022, the Trust entered into an agreement with an entity affiliated to the Asset Manager of the Trust to borrow CAD \$13 million (the “Bridge Loan”) to be used for the Second Houston, Texas Transaction and the South Dakota Preferred Capital Loan. Per amendment dated August 4, 2022, an additional CAD \$3 million was made available to the Trust on the facility. Summarized terms of the Bridge Loan are (i) interest rate of the greater of 6.0% per annum or the Canadian Chartered Bank Prime Rate plus a spread; (ii) two year term (iii) fully open for repayment at any time prior to maturity; (iv) 1% commitment fee. As at December 31, 2023, the balance on the Bridge Loan was \$nil.

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.

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

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

	Principal	Interest	Total
2024	\$ 22,338,472	\$ 1,567,029	\$ 23,905,501
2025	221,161	1,395,133	1,616,294
2026	232,402	1,383,892	1,616,294
2027	244,216	1,372,078	1,616,294
2028	9,847,529	997,978	10,845,507
Thereafter	18,370,000	3,285,933	21,655,933
Total including Liabilities Related to Assets Held for Sale	51,253,780	10,002,043	61,255,823
Liabilities Related to Assets Held for Sale (1)	(18,370,000)	(7,667,178)	(26,037,178)
Total	\$ 32,883,780	\$ 2,334,865	\$ 35,218,645

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

## 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		965,000	20,893,675	-
Repayments		-	(9,712,981)	-
Finance cost amortization	7(a),13	-	165,383	-
Mark to market on assumed mortgages	7(a),13	-	(440,524)	-
Change in fair value of convertible debenture	6	-	-	(2,620,135)
Foreign exchange gain	14	-	-	(875,811)
<b>As at December 31, 2022</b>		<b>\$ 965,000</b>	<b>\$ 75,481,410</b>	<b>\$ 11,583,342</b>
Advances	7(a),7(b)	25,000	-	-
Repayments	7(a),7(b)	(990,000)	(24,871,189)	-
Finance cost amortization	7(a),13	-	320,041	-
Mark to market on assumed mortgages	7(a),13	-	(59,953)	-
Change in fair value of convertible debenture	6	-	-	1,741,972
Foreign exchange loss	14	-	-	311,054
Liability related to asset held for sale	3,7	-	(18,370,000)	-
Normal Course Issuer Bid- Convertible Debenture Units	6(b)	-	-	(285,925)
<b>As at December 31, 2023</b>		<b>\$ -</b>	<b>\$ 32,500,309</b>	<b>\$ 13,350,443</b>

## 9. Unitholders' equity

### (a) Trust Units

In accordance with the Declaration of Trust, the Trust may issue an unlimited number of Trust Units, Class B Units and Special Voting 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.

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

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## *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

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

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

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- (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 December 31, 2023 were 7,604,375 (December 31, 2022 – 7,604,375). There was no issuance or redemption of Trust Units in the year.

#### *(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

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

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

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

During the years December 31, 2023 and December 31, 2022, no Trust Units were issued under DRIP.

## (c) Unit-based liabilities

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

<b>Unit Based Liabilities</b>	<b>Notes</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Deferred Trust Units	9(d)	\$ 13,124	\$ 21,233
Warrants	9(e)	-	-
Options	9(f)	39,459	150,600
<b>Total Unit Based Liabilities</b>		<b>\$ 52,583</b>	<b>\$ 171,833</b>

## (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 December 31, 2023, the outstanding liability was \$13,124.

For the year ended December 31, 2023, the recovery under the DTU plan was \$8,109 (2022 - \$16,741).

## (e) Warrants

On March 13, 2022, all outstanding warrants expired. For the year ended December 31, 2023, the recovery for the warrants was \$nil (2022 - \$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.

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

The Trust had the following options outstanding and exercisable on December 31, 2023 and December 31, 2022:

## December 31, 2023

Issuance Date	Number of Options	Weighted average exercise price	Fair Value of Options	Expiry Date
August 17, 2017	340,738	\$ 7.50	\$ 10,397	August 17, 2027
November 19, 2018	188,900	8.30	10,720	November 19, 2028
March 16, 2021	42,700	7.50	8,511	March 16, 2031
March 16, 2021	60,300	8.30	9,831	March 16, 2031
<b>Total/ Weighted Average</b>	<b>632,638</b>	<b>\$ 7.82</b>	<b>\$ 39,459</b>	

## December 31, 2022

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

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

Option Assumptions	December 31, 2023	December 31, 2022
Stock Price	\$ 2.25	\$ 3.64
Exercise Price	\$7.50-\$8.30	\$7.50-\$8.30
Expected Life in Years	3.63-7.21	4.63-8.21
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	\$ -	\$ 0.12
Discount Rate - Bond Equivalent Yield	5.06%	4.30%

For the year ended December 31, 2023, the recovery under the option plan was \$111,141 (2022 - \$460,385).

### (g) Distributions

As at December 31, 2023, and for the year ended December 31, 2023, no distributions were paid or accrued. For the year ended December 31, 2022, distributions of \$919,327 were paid.

## 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



# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

in note 6 of these consolidated financial statements, the Trust has additional exposure to foreign currency risk as the cash proceeds and interest payments of the debenture are in \$CAD while it invests the net proceeds from the convertible debenture offering in \$USD. The Trust monitors the foreign currency market closely to mitigate these risks. The following \$CAD amounts are presented in \$USD to demonstrate the effects of changes in foreign exchange rates:

	<b>CAD</b>
Cash, Other Assets	\$ 105,166
Total Liabilities	(17,791,350)
Total	(17,686,184)
Effect of +/- 10% change in exchange rate	(1,768,618)

## *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 the exception of 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, preferred investments and preferred capital investments. The Trust mitigates this risk by monitoring the credit worthiness of its tenants and borrowers. To ensure that tenants continue to meet their credit terms, the financial viability of tenants is kept under review. Credit risk, or the risk of a counterparty or preferred equity borrower defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Where appropriate, the Trust obtains collateral as security.

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

As at December 31, 2023, Accounts Receivable balance is net of expected credit losses of \$178,600 (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. As at December 31, 2023, the Trust has \$12,786,599 in cash and cash equivalents and \$2,000,000 in undrawn credit facilities.

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

## Fair value

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

	December 31, 2023		December 31, 2022	
	Amortized Cost	Fair Value	Fair Value	
<b>Financial Assets</b>				
Cash and Cash Equivalents	\$ 12,786,599	\$ 12,786,599	\$ 817,954	
Restricted Cash	2,437,359	2,437,359	3,189,359	
Accounts Receivable	289,637	289,637	673,259	
<b>Financial Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 6,719,472	\$ 6,719,472	\$ 6,770,844	
Bank Indebtedness	-	-	965,000	
Mortgages and Loan Payable	32,500,309	32,286,736	73,361,046	
Liability Related to Assets Held for Sale	18,370,000	16,412,439	-	
Unit Based Liabilities	-	52,583	171,833	
Convertible Debentures Payable	-	13,350,443	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;

December 31, 2023	Level 1
Convertible Debentures Payable	\$ 13,350,443

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

December 31, 2023	Level 2
Mortgages Payable	\$ 32,286,736
Liability Related to Assets Held for Sale	16,412,439

December 31, 2022	Level 2
Mortgages Payable	\$ 73,361,046
Liability Related to Assets Held for Sale	-

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

December 31, 2023	Level 3
Unit Based Liabilities	\$ 52,583

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 \$32,500,309 (December 31, 2022 - \$75,481,410) and the liability related to assets held for sale is carried at amortized

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

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cost of \$18,370,000 (December 31, 2022 - \$nil). The mortgages have an estimated fair value of approximately \$32.3 million (December 31, 2022 - \$73.4 million) and the liability related to assets held for sale has an estimated fair value of approximately \$16.4 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 years ended December 31, 2023 and 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 consolidated financial statements.

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

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

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

9. **Loan Servicing Fees:** 0.25% per annum on the principal amount of each Mortgage Investment (other than syndicated loans serviced by third parties). The Loan Servicing Fee will be calculated as spread interest and deducted from the first interest received on a mortgage investment. Mortgage servicing fees will be payable as to 1/12 monthly based on the receipt of interest payments from borrowers. Loan Servicing Fees will not be payable in respect of the Trust's cash balances or Non-Performing Loans held by the Trust, except that the Manager shall be entitled to retain any overnight float interest on all accounts maintained by the Manager in connection with the servicing of the Trust's Mortgage Investments. The Manager will retain all overnight float interest and related loan servicing fees as charged such as advance fees, discharge statement fees, realty tax escrow account charges, late payment and dishonored payment charge fees, and all other such fees as charged by a loan servicing agent. This will only apply to the Mortgage Investments of the Trust.
10. **Origination, Commitment & Discharge Fees and Profit Sharing Fees:** The Manager shall remit to the Trust:
  - a. 25% of all originating fees, commitment fees and renewal fees it receives from borrowers on mortgages it originates for the Trust (prorated to reflect the Trust's participation in the investment). The Manager will retain 100% of all originating fees, commitment fees, renewal fees and will remit 25% of such fees to the Trust calculated on the Trust's investment amount; and
  - b. 75% of any profit sharing, discharge fees, participation fees and profit made on discounted debt that the Mortgage Banker receives in respect of all Non-Conventional Mortgages and Special Profit Transactions it originates for the Trust (with an 8.0% annual preferential return to be given to the Trust on the Trust's investment amount prior to the Manager receiving its share of such fees). The Manager shall retain 100% of all servicing charges paid by borrowers which are not identified above, including, without limitation, discharge statement administration fees and all fees identified.
11. **Term and Termination:** Initial term of ten years with automatic renewal for successive five year terms. The Trust may terminate the Agreement any time after November 1, 2025 other than for cause upon the approval of two-thirds of the votes cast by unitholders at a meeting and upon 24 months prior written notice. Upon termination, the Trust shall pay to the Manager the following:
  - a. 2% of the Gross Invested Assets of the Properties and the Trust's other assets; and
  - b. any amounts which would have been earned by the Manager under the Agreement for the uncompleted portion of the term (the "**Termination Payment**").

The Trust entered into an agreement with an entity related to the Asset manager of the Trust, to borrow CAD \$16 million to be used for the Second Houston, TX acquisition and Preferred Capital Investment. Terms of the Bridge Loan are described in note 7 of these consolidated financial statements. During the year ended December 31, 2023, the Trust paid \$272,447 (CAD \$367,051) of interest associated with the Bridge Loan. As at December 31, 2023, the balance on the Bridge Loan was \$nil.

For the year ended December 31, 2023, asset management fees were \$1,196,591 (2022 - \$888,324), loan servicing fees were \$nil (2022 - \$39,647), acquisition fees were \$nil (2022 - \$297,750), debt placement fees were \$nil (2022 - \$107,941) and property management fees were \$101,490 (2022 - \$69,916).

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.

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

As at December 31, 2023, the Trust has accrued \$3,762,542 (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 years ended December 31, 2023 and 2022 are as follows:

	Years Ended	
	December 31, 2023	December 31, 2022
<b>Property Operating Expenses</b>		
Property Taxes	\$ 1,701,351	\$ 1,795,656
Insurance	1,096,828	594,207
Operating Expenses	4,474,088	3,909,105
Total	\$ 7,272,267	\$ 6,298,968

	Years Ended	
	December 31, 2023	December 31, 2022
<b>General and Administrative</b>		
Asset Management Fees (note 12)	\$ 1,196,591	\$ 1,358,279
Public Company Expenses	143,149	45,002
Office and General	681,661	549,357
Total	\$ 2,021,401	\$ 1,952,638

	Years Ended	
	December 31, 2023	December 31, 2022
<b>Finance Costs</b>		
Bank interest expense	\$ 4,047,504	\$ 3,303,188
Convertible debenture interest expense	893,648	913,423
Mark to market on assumed mortgages	(59,953)	(440,524)
Finance cost amortization	320,041	165,383
Total	\$ 5,201,240	\$ 3,941,470

## 14. Foreign exchange gain (loss)

The foreign exchange gain (loss) for the years ended December 31, 2023 and 2022 are as follows:

	Years Ended	
	December 31, 2023	December 31, 2022
Foreign exchange gain (loss) on convertible debentures (note 8)	\$ (311,054)	\$ 875,811
Foreign exchange gain (loss)	(146,329)	456,198
Total	\$ (457,383)	\$ 1,332,009

## 15. Income taxes

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

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

## (a) Income tax expense (recovery)

	December 31, 2023	December 31, 2022
Income tax computed at the Canadian statutory rate of nil applicable to the Trust for 2023 and 2022	-	-
Current U.S. Income taxes	-	-
Deferred income taxes (recoveries) applicable to US subsidiary	-	(545,616)
Income tax recovery	-	(545,616)

## (b) Deferred taxes

The Trust has certain subsidiaries in the United States that are subject to tax on their taxable income at a combined federal and state tax rate of approximately 26% (2022 – 26%). The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	December 31, 2023	December 31, 2022
<b>Deferred tax assets</b>		
Non-capital losses carried forward	8,623,048	10,653,791
	8,623,048	10,653,791
<b>Deferred tax liabilities</b>		
Assets held for sale and investment properties	(6,572,134)	(7,563,592)
Equity investment	(2,050,914)	(3,090,199)
Total deferred tax liabilities	(8,623,048)	(10,653,791)
Net deferred income tax liabilities	-	-

## (c) Unrecognized deferred tax assets

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

	December 31, 2023	December 31, 2022
NOL carried forward - US	11,078,242	9,010,671
Non-capital losses carried forward - Canada	7,362,096	5,297,215
Net-capital losses carried forward - Canada	305,996	313,394
Other temporary differences	916,673	958,744

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Trust can utilize the benefits therefrom. Net operating losses for US tax purposes will expire between 2032 and 2038. Net operating losses arising after December 31, 2017 do not expire and are limited to 80% of taxable income in any given year. Non-capital losses for Canadian tax purposes will expire between 2040 and 2043.

## 16. Subsequent events

- a) On January 31, 2024, Trust completed the sale of one of its joint venture properties for gross proceeds of \$15.9 million of which the Trust held a 25% ownership.
- b) On February 13, 2024, the Trust extended the mortgage on one of its Houston, Texas properties. The extension is for 12 months, maturing February 2025 with interest-only payments bearing interest at 9% per annum until May 2024 and 8.5% fixed interest rate thereafter upon partial repayment.

# **FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023, and 2022  
(Expressed in US Dollars unless otherwise noted)

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- c) Subsequent to year end, the Trust repurchased \$0.12 million (CAD \$0.16 million) of the Convertible Debenture.