

An American flag is flying from a tall pole 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

# REPORT TO UNITHOLDERS

THIRD QUARTER 2024  
SEPTEMBER 30, 2024

## PRESS RELEASE



### **FIRM CAPITAL APARTMENT REIT PROVIDES STRATEGIC REVIEW UPDATE, IMPROVED Q3/2024 RESULTS AND SENIOR MANAGEMENT CHANGE**

***All figures in \$USD unless otherwise noted.***

Toronto, Ontario, November 6, 2024. Firm Capital Apartment Real Estate Investment Trust (“the **Trust**”), (TSXV: FCA.U), (TSXV: FCA.UN) is pleased to report its financial results for the three and nine months ended September 30, 2024, provide a Strategic Review update and senior management change:

#### **STRATEGIC REVIEW UPDATE**

Given the progress the Trust has made on dispositions and debt repayment to date, the Trust is in a positive cash flow position and is expected to continue to be so based on senior management’s forecasts. Since the commencement of the Strategic Review, the Trust has: (i) disposed of \$71.6 million of wholly owned real estate; (ii) \$60.7 million of debt repayment; (iii) completed the sale of one of its joint venture properties for \$15.9 million (100% of the property); and (iv) redeemed \$1.7 million of the preferred investment in Hartford, Connecticut with a first mortgage refinancing. As a result, the leverage profile has declined to its current level of 36.2% from 59.3% at December 31, 2023.

Furthermore, the board continues to work to dispose of its remaining Wholly Owned Assets and evaluate uses for the Trust. Senior management has had multiple discussions with a number of third parties as to the best path forward for the entity. Senior management and the board will report back to unitholders in due course.

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

**NET ASSET VALUE (“NAV”) INCREASED BY \$0.11 TO \$6.59 PER TRUST UNIT (CAD \$8.90):** Including disposition costs of assets held for sale, the Trust reported an improved NAV of \$6.59 per Trust Unit (CAD \$8.90), up from the \$6.48 per Trust Unit (CAD\$8.87) reported on June 30, 2024.

## EARNINGS

- For the three months ended September 30, 2024, net income was approximately \$0.8 million, in comparison to the \$2.8 million net loss reported for the three months ended June 30, 2024, and the \$1.5 million net loss reported for the three months ended September 30, 2023;
- Excluding non-cash fair value adjustments, net income was \$0.1 million for the three months ended September 30, 2024, in comparison to the \$0.4 million net loss reported for the three months ended June 30, 2024, and the \$0.4 million net loss reported for the three months ended September 30, 2023;
- For the three months ended September 30, 2024, AFFO was \$0.2 million, in comparison to the negative \$0.4 million reported for the three months ended June 30, 2024, and the negative \$0.3 million reported for the three months ended September 30, 2023; and

	Three Months Ended			Nine Months Ended		
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023	Sep 30, 2024	Sep 30, 2023	
Net Income (Loss)	\$ 807,897	\$ (2,809,976)	\$ (1,483,852)	\$ (3,300,929)	\$ (8,240,393)	
Net Income (Loss) Before Fair Value Adjustments	\$ 142,916	\$ (373,700)	\$ (418,741)	\$ (288,720)	\$ (479,587)	
FFO	\$ 252,335	\$ (702,340)	\$ (662,938)	\$ (1,263,635)	\$ (1,312,319)	
AFFO	\$ 158,924	\$ (354,384)	\$ (348,782)	\$ (237,628)	\$ (361,013)	

## STRATEGIC REVIEW PROGRESS

- **\$71.6 MILLION OF WHOLLY OWNED ASSET DISPOSITIONS AND \$60.7 MILLION OF DEBT REPAYMENT:** The Trust has sold four of six wholly owned assets for gross proceeds of approximately \$71.6 million. Net of associated mortgage debt and closing costs, the net sale proceeds of approximately \$28 million were used to redeem additional debt including, but not limited to the: (i) \$13.8 million (CAD \$18.8 million), 6.25% convertible unsecured subordinated debentures due June 30, 2026 (the “**Convertible Debentures**”); (ii) \$5.1 million (CAD\$6.9 million) Bridge Loan; (iii) \$1.0 million Credit Facility with a Canadian Chartered Bank; and (iv) \$3.0 million partial repayment of one of the mortgages secured by a property located in Houston, Texas, resulting in the interest rate on this mortgage being reduced to 8.25% per annum from 9% per annum and the term extended to February 4, 2026. In addition, as part of the transaction to sell the Trust’s only property located in Florida property, the Trust agreed to provide seller financing of \$4.0 million that generates a minimum 9% return for unitholders. The Trust has two remaining wholly owned assets located in Houston, Texas comprised of 485 apartment units that are actively being marketed.
- **JOINT VENTURE ASSET DISPOSITIONS AND INVESTMENT UPDATES:** 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.

On October 1, 2024, one of the Trust’s joint venture investments located in Hartford, Connecticut refinanced its existing first mortgage in excess of the original principal

balance, resulting in net proceeds of \$2.2 million available to the joint venture. From the net proceeds, the joint venture repaid the preferred investment owing to the Trust of \$1.7 million and made a partial return of common equity of approximately \$0.1 million to the Trust.

The Trust continues to work with the remaining various Joint Venture sponsors in either various sale processes or to hold for longer periods of time until unitholder value is realized.

- **PREFERRED CAPITAL INVESTMENTS:** As at September 30, 2024, the Trust had three Preferred Capital Investments located in Texas, South Dakota and Florida that aggregate approximately \$9.1 million, gross principal balance. The Trust continues to hold these investments and earns income of 10% on the Texas portfolio, 12% on the South Dakota portfolio, and 9% on the Florida portfolio. All preferred capital investments are current in terms of their interest payments.

### **SENIOR MANAGEMENT CHANGE**

Effective November 15, 2024, Claudia Alvarenga is resigning as Chief Financial Officer of the Trust to pursue other opportunities outside of real estate and the public markets. The Trust appointed Mordechai Roth as interim Chief Financial Officer.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS:**

Certain information in this news release constitutes forward-looking statements under applicable securities law. Any statements that are contained in this news release that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements are often identified by terms such as "may", "should", "anticipate", "expect", "intend" and similar expressions.

Forward-looking statements necessarily involve known and unknown risks, including, without limitation, risks associated with general economic conditions; adverse factors affecting the U.S. real estate market generally or those specific markets in which the Trust holds properties; volatility of real estate prices; inability to access sufficient capital from internal and external sources, the completion of the Strategic Review; and/or inability to access sufficient capital on favourable terms; industry and government regulation; changes in legislation, income tax and regulatory matters; the ability of the Trust to implement its business strategies; competition; currency and interest rate fluctuations and other risks. Additional risk factors that may impact the Trust or cause actual results and performance to differ from the forward looking statements contained herein are set forth in the Trust's Annual Information form under the heading Risk Factors (a copy of which can be obtained under the Trust's profile on [www.sedar.com](http://www.sedar.com)).

Readers are cautioned that the foregoing list is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated. Forward-looking statements contained in this news release are expressly qualified by this cautionary statement. 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.



Certain financial information presented in this press release reflect certain non-International Financial Reporting Standards (“**IFRS**”) financial measures, which include, but not limited to NOI, FFO and AFFO. These measures are commonly used by real estate investment companies as useful metrics for measuring performance, however, they do not have standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other real estate investment companies. These terms are defined in the Trust’s Management Discussion and Analysis for the three and nine months ended September 30, 2024, filed on [www.sedar.com](http://www.sedar.com).

Neither the Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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Director, Investor Relations

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The background of the entire page is a low-angle photograph of a modern skyscraper with a grid of windows. In the upper left corner, an American flag is flying, partially overlapping the building. A large red horizontal band is positioned across the middle of the image, containing the company name and tagline.

# FIRM CAPITAL APARTMENT REIT

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CAPITAL PRESERVATION • DISCIPLINED INVESTING

# MD&A

## MANAGEMENT DISCUSSION AND ANALYSIS

THIRD QUARTER 2024  
SEPTEMBER 30, 2024

## 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 unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2024, and September 30, 2023, and the 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 November 6, 2024. Additional information about the Trust 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,

## MANAGEMENT DISCUSSION & ANALYSIS

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Net Rental Income is an important measure of operating performance. "**GAAP**" means generally accepted accounting principles described by the Chartered Professional Accountants of Canada ("**CPA**") Handbook - Accounting, which are applicable as at the date on which any calculation using GAAP is to be made. As a public entity, the Trust applies IFRS as described in Part I of the CPA Handbook - Accounting.

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

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

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

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

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

Net Income (Loss) Before Other Income (Expenses), Net Rental Income, FFO and AFFO should not be construed as alternatives to net income or cash flow from operating



## **MANAGEMENT DISCUSSION & ANALYSIS**

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

## Q3/2024 HIGHLIGHTS

### EARNINGS

- For the three months ended September 30, 2024, net income was approximately \$0.8 million, in comparison to the \$2.8 million net loss reported for the three months ended June 30, 2024, and the \$1.5 million net loss reported for the three months ended September 30, 2023;
- Excluding non-cash fair value adjustments, net income was \$0.1 million for the three months ended September 30, 2024, in comparison to the \$0.4 million net loss reported for the three months ended June 30, 2024, and the \$0.4 million net loss reported for the three months ended September 30, 2023;
- For the three months ended September 30, 2024, AFFO was \$0.2 million, in comparison to the negative \$0.4 million reported for the three months ended June 30, 2024, and the negative \$0.3 million reported for the three months ended September 30, 2023;

	Three Months Ended			Nine Months Ended	
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023	Sep 30, 2024	Sep 30, 2023
Net Income (Loss)	\$ 807,897	\$ (2,809,976)	\$ (1,483,852)	\$ (3,300,929)	\$ (8,240,393)
Net Income (Loss) Before Fair Value Adjustments	\$ 142,916	\$ (373,700)	\$ (418,741)	\$ (288,720)	\$ (479,587)
FFO	\$ 252,335	\$ (702,340)	\$ (662,938)	\$ (1,263,635)	\$ (1,312,319)
AFFO	\$ 158,924	\$ (354,384)	\$ (348,782)	\$ (237,628)	\$ (361,013)

The Trust's finance costs were greatly reduced as a result of the Trust discharging its Convertible Debentures on July 2, 2024, the earliest possible redemption date without incurring penalty, along with a paydown of one of its Houston portfolio loans and the sale of the Trust's Florida portfolio. The reduction to finance costs as well as the continued efforts to improve rental operations have resulted in positive results for the three months ended September 30, 2024.

- **NET ASSET VALUE ("NAV") AT \$6.59 PER TRUST UNIT (CAD \$8.90):** Including disposition costs of assets held for sale, the Trust reported NAV of \$6.59 per Trust Unit (CAD \$8.90).

### STRATEGIC REVIEW

Since November 15, 2022, the Trust has been under 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 the entire portfolio of Wholly Owned Real Estate Investments and is pleased to report on the following:

## MANAGEMENT DISCUSSION & ANALYSIS

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- **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 sales price was 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 31, 2023, the Trust completed the 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:** On May 22, 2024, the Trust completed the sale of its property located in Florida for \$30.5 million. Net of associated mortgage debt and closing costs, the net sale proceeds were approximately \$12 million. As part of the transaction, the Trust agreed to provide seller financing for \$4 million. On closing, the Trust received net sale proceeds of approximately \$8.0 million which were used for working capital purposes and debt reduction, including the early redemption of the Trust's Convertible Debenture on July 2, 2024.

- **JOINT VENTURE ASSET DISPOSITIONS AND INVESTMENT UPDATES:** the Trust has an interest in four joint venture investment properties and is working with the various Joint Venture sponsors in either various sale processes or to hold for longer periods of time until unitholder value is realized.

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.

On October 1, 2024, one of the Trust's joint venture investments located in Hartford, Connecticut refinanced its mortgage in excess of the original principal balance, resulting in net proceeds of \$2.2 million available to the joint venture. From the net proceeds, the joint venture repaid the preferred investment owing to the Trust of \$1.7 million and made a partial return of common equity of approximately \$0.1 million to the Trust.

## MANAGEMENT DISCUSSION & ANALYSIS

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- **PREFERRED CAPITAL INVESTMENTS:** As at September 30, 2024, the Trust had three Preferred Capital Investments located in Texas, South Dakota and Florida that aggregate approximately \$9.1 million, gross principal balance. The Trust continues to hold these investments and earns income at 10% on the Texas portfolio, 12% on the South Dakota portfolio, and 9% on the Florida portfolio. All preferred capital investments are current in terms of their interest payments.

**FULL REDEMPTION OF CONVERTIBLE DEBENTURES:** As a result of the Trust's cash position from the aforementioned sales, the Trust announced its intention to redeem early all of its outstanding \$13.8 million (CAD\$18.8 million) aggregate principal amount of 6.25% convertible unsecured subordinated debentures due June 30, 2026 (the "Convertible Debentures") on July 2, 2024 (the "Redemption Date"). The Convertible Debentures, which had a maturity date of June 30, 2026, were redeemed by the Trust early in accordance with the terms of the trust indenture. The Convertible Debentures, which were listed and posted for trading on the TSX Venture Exchange under the symbol FCA.DB, ceased trading on the Redemption Date.

On the Redemption Date, the Trust paid holders of the Convertible Debentures a redemption price equal to \$1,000 for each \$1,000 principal amount of Convertible Debentures and all accrued and unpaid interest up to but excluding the Redemption Date.

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

### INVESTMENT STRUCTURE

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



# MANAGEMENT DISCUSSION & ANALYSIS

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)	

**(i) Wholly Owned Real Estate Investments:**

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

**(ii) Joint Venture Real Estate Investments:**

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

**(iii) Preferred Capital Investments:**

The Trust, using Firm Capital’s 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.

## MANAGEMENT DISCUSSION & ANALYSIS

### INVESTMENT PORTFOLIO

Outlined below is a summary of the Investment Portfolio for the three months ended September 30, 2024, and June 30, 2024:

	September 30, 2024				June 30, 2024	
Region	Number of Units	IFRS Value	Occupancy	Average Monthly Rent	Occupancy	Average Monthly Rent
<b>Wholly-Owned Real Estate Investments</b>						
Texas	485	52,300,000	89.7%	\$ 1,113	93.2%	\$ 1,095
<b>Total / Weighted Avg.</b>	<b>485</b>	<b>\$ 52,300,000</b>	<b>89.7%</b>	<b>\$ 1,113</b>	<b>93.2%</b>	<b>\$ 1,095</b>
<b>Joint Venture Real Estate Investments</b>						
Connecticut	109	4,276,913	93.6%	\$ 1,536	94.5%	\$ 1,546
Georgia	138	7,584,667	89.9%	\$ 1,483	94.9%	\$ 1,472
Maryland	235	8,025,157	86.8%	\$ 1,636	84.7%	\$ 1,652
New York	132	-	100.0%	\$ 1,622	100.0%	\$ 1,622
<b>Total / Weighted Avg.</b>	<b>614</b>	<b>\$ 19,886,737</b>	<b>91.5%</b>	<b>\$ 1,581</b>	<b>92.0%</b>	<b>\$ 1,586</b>
<b>Preferred Capital Investments</b>						
South Dakota	N/A	3,893,665	N/A	N/A	N/A	N/A
Texas	N/A	1,505,221	N/A	N/A	N/A	N/A
Florida	N/A	4,037,895	N/A	N/A	N/A	N/A
<b>Total / Weighted Avg.</b>		<b>\$ 9,436,781</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Total / Weighted Avg.</b>	<b>1,099</b>	<b>\$ 81,623,519</b>	<b>90.7%</b>	<b>\$ 1,374</b>	<b>92.5%</b>	<b>\$ 1,369</b>

### INVESTMENT PORTFOLIO OCCUPANCY AND AVERAGE RENT

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

As at September 30, 2024, occupancy decreased to 89.7%, in comparison to the 93.2% at June 30, 2024, for the Texas portfolios.

For the three months ended September 30, 2024, average rents for the Texas portfolios increased to \$1,113 per unit, in comparison to the \$1,095 per unit reported for the three months ended June 30, 2024.

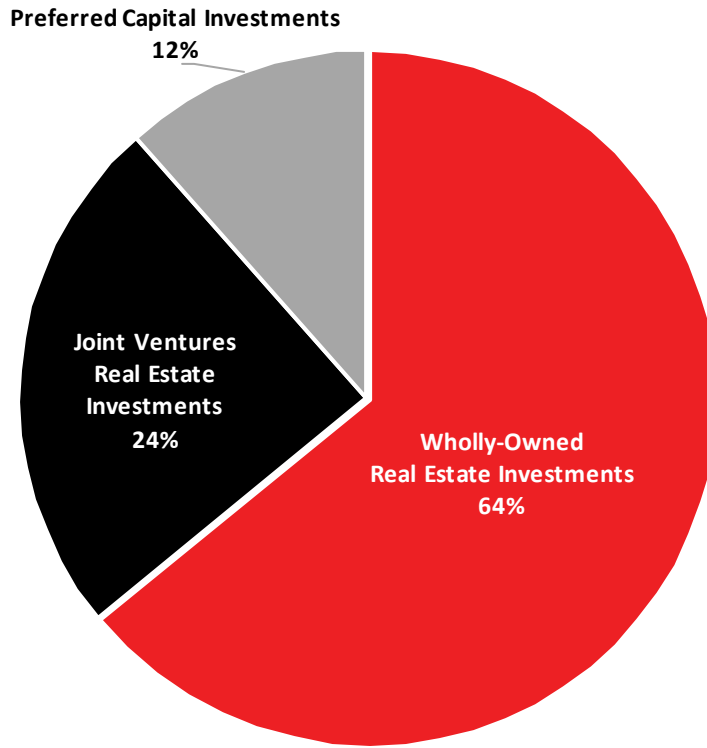
#### **Joint Venture Real Estate Investment Portfolio**

As at September 30, 2024, occupancy slightly decreased to 91.5% compared to an occupancy of 92% as at June 30, 2024.

Average rent for the three months ended September 30, 2024, was \$1,581 per unit, a 0.3% decrease from the \$1,586 average monthly rent as at June 30, 2024.

INVESTMENT PORTFOLIO BY GEOGRAPHY AND INVESTMENT TYPE

Asset Value by Class

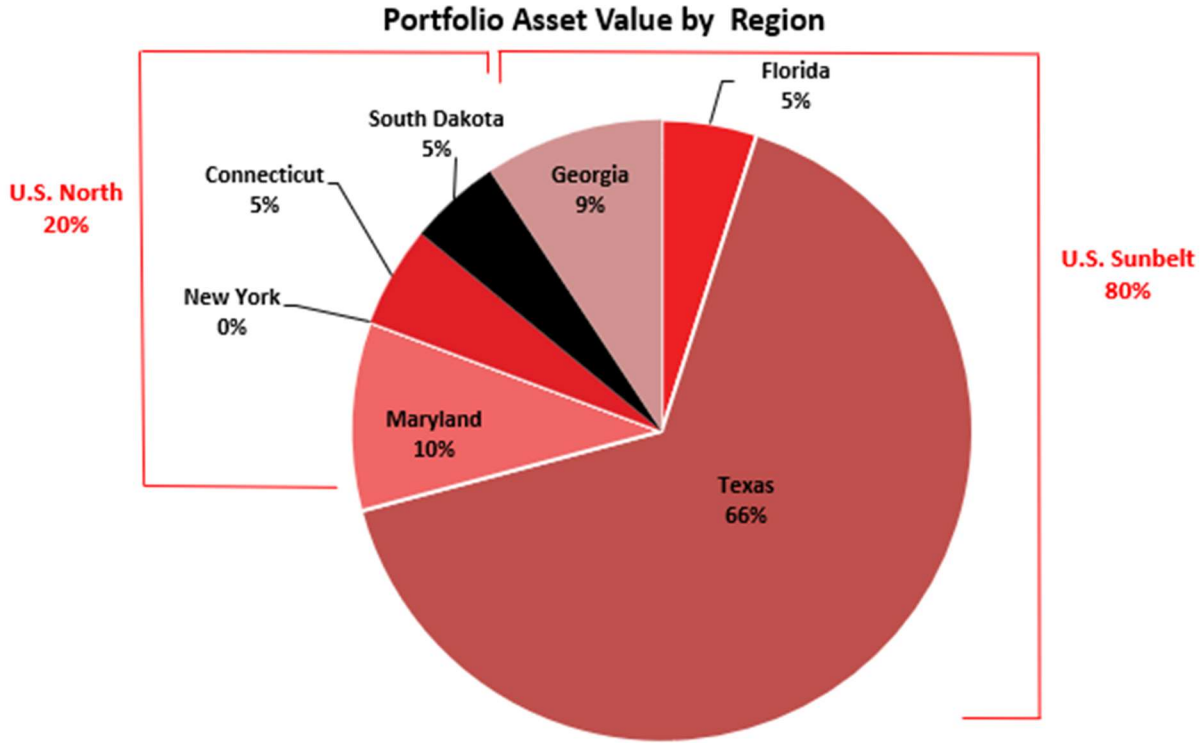


Note: Individual asset classifications correspond with the classifications adopted in the Trust's unaudited condensed consolidated balance sheet as at September 30, 2024.

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

- (i) **U.S. Sunbelt**: includes properties in Texas, Florida and Georgia. This represents 80% of the Investment Portfolio.
- (ii) **U.S. North**: includes properties in New York, South Dakota Maryland, and Connecticut. This represents 20% 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				Nine Months Ended
	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2024
Rental Revenue	\$ 1,603,041	\$ 2,091,012	\$ 2,541,106	\$ 2,370,122	\$ 6,235,158
Property Operating Expenses	(959,719)	(1,359,684)	(1,557,808)	(1,613,913)	(3,877,210)
<b>Net Rental Income</b>	<b>643,322</b>	<b>731,328</b>	<b>983,298</b>	<b>756,209</b>	<b>2,357,948</b>
Income from Equity Accounted and Preferred Investments	289,161	283,815	309,444	288,142	882,419
Income from Preferred Capital Investments	227,026	204,757	146,305	160,578	578,088
General and Administrative	(457,199)	(510,849)	(386,217)	(444,033)	(1,354,265)
Finance Costs	(559,394)	(1,082,751)	(1,110,766)	(1,100,201)	(2,752,910)
Fair Value Adjustment of Convertible Debentures	-	(274,553)	(701,086)	(669,042)	(975,640)
Fair Value Adjustments of Investment Properties and Equity accounted investments and Loss on Sale of Investment Properties	701,421	(2,137,399)	(247,898)	696,938	(1,683,876)
Provision for (Impairment)/Recovery on Equity Accounted Investments, Preferred Investments and Preferred Capital Investments	(114,000)	(80,000)	(520,667)	50,000	(714,667)
Other (1)	77,559	55,676	228,738	(208,129)	361,974
<b>Net Income (Loss)</b>	<b>\$ 807,897</b>	<b>\$ (2,809,976)</b>	<b>\$ (1,298,849)</b>	<b>\$ (469,538)</b>	<b>\$ (3,300,929)</b>

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



## MANAGEMENT DISCUSSION & ANALYSIS

	Three Months Ended				Nine Months Ended
	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2023
Rental Revenue	\$ 2,799,748	\$ 3,409,715	\$ 3,495,297	\$ 3,270,076	\$ 9,704,760
Property Operating Expenses	(1,848,595)	(2,003,811)	(1,805,948)	(1,772,347)	(5,658,354)
<b>Net Rental Income</b>	<b>951,153</b>	<b>1,405,904</b>	<b>1,689,349</b>	<b>1,497,729</b>	<b>4,046,406</b>
Income from Equity Accounted and Preferred Investments	256,710	222,161	225,951	311,232	704,822
Income from Preferred Capital Investments	161,691	149,111	136,789	172,440	447,591
General and Administrative	(484,651)	(545,558)	(547,158)	(612,999)	(1,577,367)
Finance Costs	(1,303,644)	(1,453,024)	(1,344,371)	(1,105,761)	(4,101,039)
Fair Value Adjustment of Convertible Debentures	(351,543)	(145,632)	(575,755)	1,446,723	(1,072,930)
Fair Value Adjustments of Investment Properties and Equity accounted investments	(1,278,881)	(1,045,845)	(4,162,302)	(3,527,582)	(6,487,028)
Provision for Impairment on Equity Accounted Investments, Preferred Investments and Preferred Capital Investments	259,648	(200,000)	(130,492)	(697,354)	(70,844)
Other (1)	305,665	(241,931)	(193,738)	478,255	(130,004)
<b>Net Loss</b>	<b>\$ (1,483,852)</b>	<b>\$ (1,854,814)</b>	<b>\$ (4,901,727)</b>	<b>\$ (2,037,317)</b>	<b>\$ (8,240,393)</b>

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

## REVIEW OF QUARTERLY RESULTS

### REVENUES

For the three months ended September 30, 2024, rental revenue was approximately \$1.6 million, a 23.3% decrease over the \$2.1 million reported for the three months ended June 30, 2024, and a 42.7% decrease over the \$2.8 million reported for the three months ended September 30, 2023. The quarter-over-quarter and year-over-year decreases are largely due to the disposition of the Florida, New Jersey and Austin, Texas portfolios in Q2 and Q3 of fiscal 2023 and part-way through Q2/2024, resulting in fewer investments from which to obtain rental income.

### PROPERTY OPERATING EXPENSES

For the three months ended September 30, 2024, property operating expenses were approximately \$1 million, a 29.4% decrease over the \$1.4 million reported for the three months ended June 30, 2024, and a 44.4% decrease over the \$1.8 million reported for the three months ended September 30, 2023. The quarter-over-quarter and year-over-year change is largely due to the disposition of the Florida, New Jersey and Austin, Texas portfolios in Q2 and Q3 of fiscal 2023 and part-way through Q2/2024, resulting in fewer operating expenses being incurred in the period.

### NET RENTAL INCOME FROM INVESTMENT PROPERTIES

For the three months ended September 30, 2024, net rental income was approximately \$0.6 million, in comparison to the \$0.7 million reported for the three months ended June 30, 2024, and the \$1 million reported for the three months ended September 30, 2023. The quarter-over-quarter and year-over-year decrease is due to the disposition of the Florida, New Jersey and Austin, Texas portfolios. Despite fewer investments from which to obtain net rental income, the income from those investments has stabilized due to a concerted effort to improve operations coming out of an economically difficult period for the industry at large.

### INCOME FROM EQUITY ACCOUNTED AND PREFERRED INVESTMENTS

For the three months ended September 30, 2024, 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 June 30, 2024, and the \$0.3 million reported for the three months ended September 30, 2023, demonstrating a stabilization in operations.

## 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 \$121 million.

*(In \$thousands unless otherwise stated)*

	The Trust (1)	Connecticut - Hartford	Georgia - Canton	Maryland - Hyattsville	New York - Bronx	Total (2)
<b>Assets</b>						
Cash & Restricted Cash	\$ 3,907	\$ 1,188	\$ 218	\$ 991	\$ 429	\$ 6,732
Accounts Receivable	166	77	3	66	185	497
Other Assets & Investments	494	22	14	87	92	708
Preferred Capital Investments	9,437	-	-	-	-	9,437
Assets Held for Sale	52,300	-	-	-	-	52,300
Investment Properties	-	9,346	12,477	19,901	9,513	51,238
	<b>\$ 66,303</b>	<b>\$ 10,633</b>	<b>\$ 12,712</b>	<b>\$ 21,044</b>	<b>\$ 10,218</b>	<b>\$ 120,912</b>
<b>Liabilities</b>						
Accounts Payable	\$ 6,400	\$ 182	\$ 140	\$ 472	\$ 181	7,376
Other Liabilities	162	-	53	44	72	331
Mortgages and Preferred Loans	29,518	6,580	8,658	16,770	9,412	70,937
	<b>\$ 36,079</b>	<b>\$ 6,761</b>	<b>\$ 8,851</b>	<b>\$ 17,286</b>	<b>\$ 9,665</b>	<b>\$ 78,643</b>
<b>Equity</b>						
Unitholders Equity	\$ 30,224	\$ 3,872	\$ 3,861	\$ 3,758	\$ 554	42,268
	<b>\$ 30,224</b>	<b>\$ 3,872</b>	<b>\$ 3,861</b>	<b>\$ 3,758</b>	<b>\$ 554</b>	<b>\$ 42,268</b>
	<b>\$ 66,303</b>	<b>\$ 10,633</b>	<b>\$ 12,712</b>	<b>\$ 21,044</b>	<b>\$ 10,218</b>	<b>\$ 120,912</b>

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

Note:(2) Excludes New York, New York portfolio.

As at September 30, 2024, 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	\$ 18.7	50.0%	\$ 2.6	\$ 1.7	\$ 4.3	8%
Georgia - Canton	138	25.0	50.0%	3.9	3.6	7.5	8%
Maryland - Hyattsville	235	39.8	50.0%	4.0	4.1	8.1	8%
New York - Bronx	132	19.0	50.0%	-	-	-	N/A
<b>Total/ Weighted Average</b>	<b>614</b>	<b>\$ 102.5</b>	<b>50.0%</b>	<b>\$ 10.5</b>	<b>\$ 9.4</b>	<b>\$ 19.9</b>	<b>8%</b>

Note (1): summary above excludes New York, New York portfolio.

Outlined below are the details of the Trust's net investment in the equity accounted investment and preferred investments. The Equity accounted investments comprise common equity, accounted for using the equity method, and the preferred equity accounted for as preferred investment loans carried at amortized cost. In addition, the balance sheet and statement of income (each at 100% of the underlying property) and income allocation from the equity accounted and preferred investments as at September 30, 2024, December 31, 2023, and September 30, 2023, are included below:

## MANAGEMENT DISCUSSION & ANALYSIS

	Equity Accounted Investments	Preferred Investments	Total
<b>As at January 1, 2023</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	-	(259,648)	(259,648)
Income Items			
- Income from Equity Accounted Investments	155,857	-	155,857
- Fair Value Adjustments on Investment Properties	(537,823)	-	(537,823)
<b>Net income from Equity Accounted Investments</b>	<b>(381,966)</b>	<b>-</b>	<b>(381,966)</b>
- Income from Preferred Investments	-	548,965	548,965
- Less: Distributions and interest received	-	(549,281)	(549,281)
- Provision for Impairment on Equity Accounted Investments	(200,000)	-	(200,000)
- Recovery of Impairment on Preferred Investments	-	259,648	259,648
- Equity accounted and preferred investment reclassified to assets held for sale	(983,042)	(83,032)	(1,066,074)
<b>As at September 30, 2023</b>	<b>\$ 7,484,660</b>	<b>\$ 9,159,495</b>	<b>\$ 16,644,155</b>
Investment Activity			
- Preferred Investments	-	80,492	80,492
Income Items			
- Income from Equity Accounted Investments	103,500	-	103,500
- Fair Value Adjustments on Investment Properties	1,560,303	-	1,560,303
<b>Net income from Equity Accounted Investments</b>	<b>1,663,803</b>	<b>-</b>	<b>1,663,803</b>
- Income from Preferred Investments	-	184,642	184,642
- Less: Distributions and interest received	-	(182,894)	(182,894)
- Recovery of Impairment on Preferred Investments	-	(80,492)	(80,492)
- Equity accounted and preferred investment reclassified from assets held for sale	983,042	83,032	1,066,074
<b>As at December 31, 2023</b>	<b>\$ 10,131,505</b>	<b>\$ 9,244,275</b>	<b>\$ 19,375,780</b>
Investment Activity			
- Equity Accounted Investments	352,249	-	352,249
- Preferred Investments	-	222,500	222,500
Income Items			
- Income from Equity Accounted Investments	335,771	-	335,771
- Fair Value Adjustments on Investment Properties	795,657	-	795,657
<b>Net income from Equity Accounted Investments</b>	<b>1,131,428</b>	<b>-</b>	<b>1,131,428</b>
- Income from Preferred Investments	-	546,648	546,648
- Less: Distributions and interest received	-	(546,683)	(546,683)
- Provision for Impairment on Equity Accounted Investments	(298,000)	-	(298,000)
- Disposition of equity accounted and preferred investment	(814,685)	(82,500)	(897,185)
<b>As at September 30, 2024</b>	<b>\$ 10,502,497</b>	<b>\$ 9,384,240</b>	<b>\$ 19,886,737</b>

## MANAGEMENT DISCUSSION & ANALYSIS

	September 30, 2024	December 31, 2023
<b>Assets</b>		
Cash	\$ 2,766,416	\$ 282,192
Restricted Cash	2,883,280	2,359,949
Accounts Receivable	663,133	1,529,186
Other Assets	428,343	943,586
Investment Properties	102,475,245	124,136,214
	<b>\$ 109,216,417</b>	<b>\$ 129,251,127</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	1,948,857	9,127,814
Security Deposits	340,413	841,356
Mortgages	73,511,715	102,819,070
	<b>75,800,986</b>	<b>112,788,240</b>
<b>Equity</b>		
Retained Earnings (Deficit)	6,129,692	(31,706,157)
Preferred Equity	9,326,471	22,024,953
Common Equity	17,959,269	26,144,091
	<b>33,415,432</b>	<b>16,462,887</b>
	<b>\$ 109,216,417</b>	<b>\$ 129,251,127</b>

Note (1): September 30, 2024, figures exclude the balance sheet of the New York, New York portfolio.

	September 30, 2024	December 31, 2023
<b>Investment Allocation for the Trust</b>		
Equity Accounted Investments	\$ 10,502,497	\$ 10,131,505
Preferred Investments	9,384,240	9,244,275
	<b>\$ 19,886,737</b>	<b>\$ 19,375,780</b>



## MANAGEMENT DISCUSSION & ANALYSIS

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	Rental Revenue	\$ 2,600,093	\$ 3,151,375	\$ 7,722,311
Property Operating Expenses	(1,414,684)	(1,592,894)	(4,230,569)	(6,080,514)
<b>Net Rental Income</b>	<b>1,185,409</b>	<b>1,558,481</b>	<b>3,491,742</b>	<b>3,662,177</b>
Interest Expense	(711,537)	(1,159,317)	(2,124,796)	(3,443,160)
Fair Value Adjustments on Investment Properties	4,465,237	(93,834)	4,465,237	(2,151,293)
<b>Net Income (Loss) Before Interest from Preferred Investments</b>	<b>4,939,109</b>	<b>305,330</b>	<b>5,832,183</b>	<b>(1,932,276)</b>
Less: Interest from Preferred Investments	(186,970)	(336,088)	(553,160)	(1,108,096)
<b>Net Income (Loss)</b>	<b>\$ 4,752,140</b>	<b>\$ (30,758)</b>	<b>\$ 5,279,023</b>	<b>\$ (3,040,372)</b>

Note (2): Excludes P&L from equity accounted and preferred investment sold January 31, 2024.

Note (3): Excludes P&L from New York, New York portfolio.

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	<b>Income Earned by the Trust</b>			
Income from Equity Accounted Investments	\$ 105,544	\$ 72,159	\$ 335,771	\$ 155,857
Fair Value Adjustments on Investment Properties	928,446	(23,458)	795,657	(537,823)
<b>Net income (loss) from Equity Accounted Investments</b>	<b>1,033,990</b>	<b>48,701</b>	<b>1,131,428</b>	<b>(381,966)</b>
Provision for Impairment on Equity Accounted Investments	(114,000)	-	(298,000)	(200,000)
Income from Preferred Investments	183,617	184,551	546,648	548,965
Recovery of (Provision for) Impairment on Preferred Investments	-	259,648	-	129,156
	<b>\$ 1,103,607</b>	<b>\$ 492,900</b>	<b>\$ 1,380,076</b>	<b>\$ 96,155</b>

### RECENT PORTFOLIO ACTIVITY

As at March 31, 2023, the Trust classified its investment properties to assets held for sale. As at September 30, 2024, the investment property classified to assets held for sale totals \$52,300,000.

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 September 30, 2024.

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.

On January 31, 2024, the Trust completed the sale of one of its equity accounted and preferred investments located in Maryland for gross proceeds of \$15.9 million (100% of the property); \$3.98 million given the Trust's 25% ownership in the property.

On May 22, 2024, the Trust completed the sale of its property located in Florida for gross proceeds of \$30.5 million. The mortgage associated with this property totaling \$18.4 million was assumed by the buyer upon completion of the sale. The mortgage was previously classified by the Trust as a liability related to assets held for sale. As part of the transaction, the Trust has agreed to provide seller financing for \$4 million due in 12 months with a six month extension available to the borrower.

## MANAGEMENT DISCUSSION & ANALYSIS

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### INCOME FROM PREFERRED CAPITAL INVESTMENTS

As at September 30, 2024, 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.
- **Florida Portfolio:** Investment of \$4 million on a portfolio of buildings located in Sunrise, Florida. The Florida Preferred Capital earns an escalating return of 9% per annum in the first six months, 11% per annum from months 6-12 and 15% per annum from months 12-18. The preferred capital loan is for an initial 12 month term, maturing on May 22, 2025 with a six month extension available to the borrower.

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

As of September 30, 2024, the Trust owned the following investment properties:

- 485 wholly owned apartment units with a fair value of approximately \$52.3 million;
- 614 equity accounted and preferred investment apartment units with an investment fair value of approximately \$19.9 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 three months ended September 30, 2024, the total fair value loss to investment properties was \$0.2 million in comparison to the \$0.7 million loss reported for the three months ended June 30, 2024, and the \$1.3 million loss reported for the three months ended September 30, 2023.

For the three months ended September 30, 2024, the total fair value gain to investment properties held in equity accounted investments was \$0.9 million in comparison to the \$nil gain reported for the three months ended June 30, 2024, and the \$0.02 million loss reported for the three months ended September 30, 2023.

### LEVERAGE

The Trust monitors its leverage on mortgage debt (defined as Mortgages/Investment Portfolio) and total debt (defined as Mortgages 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 September 30, 2024, and December 31, 2023:

## MANAGEMENT DISCUSSION & ANALYSIS

	Sep 30, 2024	Dec 31, 2023
Investment Portfolio	\$ 81,623,519	\$ 108,324,908
Mortgages payable	29,517,773	50,870,309
Convertible Debentures	-	13,350,443
<b>Total Debt</b>	<b>\$ 29,517,773</b>	<b>\$ 64,220,752</b>
<b>Net Equity Excluding Convertible Debentures</b>	<b>\$ 52,105,746</b>	<b>\$ 57,454,600</b>
<b>Net Equity Including Convertible Debentures</b>	<b>\$ 52,105,746</b>	<b>\$ 44,104,156</b>
<b>Leverage (Mortgages / Investment Portfolio)</b>	<b>36.2%</b>	<b>47.0%</b>
<b>Leverage (Total Debt / Investment Portfolio)</b>	<b>36.2%</b>	<b>59.3%</b>

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

For the three months ended September 30, 2024, G&A was approximately \$0.5 million in line with the \$0.5 million reported for the three months ended June 30, 2024, and in line with the \$0.5 million reported for the three months ended September 30, 2023.

### FINANCE COSTS

For the three months ended September 30, 2024, finance costs were approximately \$0.6 million a 48.3% decrease over the \$1.1 million reported for the three months ended June 30, 2024, and a 57.1% decrease from the \$1.3 million reported for the three months ended September 30, 2023. The quarter-over-quarter and year-over-year decrease is due to the discharge of mortgages related to the disposition of the Florida, New Jersey and Austin, Texas portfolios and the Trust paying off its variable rate credit facilities and its Convertible Debentures from excess sales proceeds.

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			Nine Months Ended	
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023	Sep 30, 2024	Sep 30, 2023
Finance Costs	\$ 559,394	\$ 1,082,751	\$ 1,303,644	\$ 2,752,910	\$ 4,101,039
Add (Less): Amortization and Mark to Market	(32,091)	(37,599)	(93,738)	(110,041)	(219,735)
<b>Cash Finance Costs</b>	<b>\$ 527,302</b>	<b>\$ 1,045,152</b>	<b>\$ 1,209,906</b>	<b>\$ 2,642,869</b>	<b>\$ 3,881,304</b>
<b>% Change - Cash Finance Costs</b>		<b>(50) %</b>	<b>(56) %</b>		<b>(32) %</b>

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

For the three months ended September 30, 2024, FFO was \$0.3 million, in comparison to the negative \$0.7 million reported for the three months ended June 30, 2024, and the negative \$0.7 million reported for the three months ended September 30, 2023.

For the three months ended September 30, 2024, AFFO was \$0.2 million, in comparison to the negative \$0.4 million reported for the three months ended June 30, 2024, and the negative \$0.3 million reported for the three months ended September 30, 2023.

The increase in AFFO for the quarter ended September 30, 2024, is due to the Trust’s relentless effort to improve operations, and the reduction to financing fees as a result of the Trust repaying all of its Convertible Debentures, variable interest loans, and the

## MANAGEMENT DISCUSSION & ANALYSIS

paydown of the Houston portfolio mortgage.

	Three Months Ended			Nine Months Ended	
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023	Sep 30, 2024	Sep 30, 2023
<b>Net income (loss)</b>	\$ 807,897	\$ (2,809,976)	\$ (1,483,852)	\$ (3,300,929)	\$ (8,240,393)
Add (deduct):					
Fair Value Adjustments to Investment Properties	227,024	655,900	1,255,423	998,034	5,949,205
Loss on Sale of Investment Properties	-	1,481,499	-	1,481,499	-
Fair Value Adjustments to Investment Properties Held in Equity					
Accounted Investments	(928,446)	-	23,458	(795,657)	537,823
Provision for Impairment - Equity Accounted Investments	114,000	80,000	-	298,000	200,000
Recovery of (Provision of) Impairment - Preferred Investments	-	-	(259,648)	-	(129,156)
Provision for Impairment - Preferred Capital Investments	-	-	-	416,667	-
Foreign Exchange (Gain) Loss	(231)	(147,361)	(292,057)	(471,290)	150,468
Finance Cost and Mark To Market Amortization	32,091	37,599	93,738	110,041	219,734
<b>FFO</b>	\$ 252,335	\$ (702,340)	\$ (662,938)	\$ (1,263,635)	\$ (1,312,319)
Add (deduct):					
Fair Value Adjustments to Convertible Debentures	-	274,553	351,543	975,639	1,072,930
Fair Value Adjustments to Unit Based Compensation	(77,328)	91,685	(13,608)	109,317	(20,464)
Capital Expenditures	(16,083)	(18,283)	(23,779)	(58,949)	(101,160)
<b>AFFO</b>	\$ 158,924	\$ (354,384)	\$ (348,782)	\$ (237,628)	\$ (361,013)
<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>	\$ 0.03	\$ (0.09)	\$ (0.09)	\$ (0.17)	\$ (0.17)
<b>AFFO per Unit</b>	\$ 0.02	\$ (0.05)	\$ (0.05)	\$ (0.03)	\$ (0.05)

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			Nine Months Ended	
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023	Sep 30, 2024	Sep 30, 2023
Total Operating Activities	\$ 858,231	\$ (1,353,043)	\$ 655,481	\$ (757,997)	\$ (582,889)
Changes in non-cash working capital items:					
Unrealized Foreign Exchange Gain on Convertible Debentures	-	136,208	274,994	453,325	(268)
Accounts Receivable	(37,887)	(112,122)	(281,139)	(123,873)	(326,139)
Prepaid Expenses and Other Assets	(268,921)	541,808	(471,218)	(71,919)	157,371
Accounts Payable and Accrued Liabilities	(532,498)	448,448	(329,742)	319,687	72,029
Income from Equity Accounted Investments	105,544	102,879	72,160	335,771	155,858
Income from Preferred Investments	852	(536)	342	(36)	(316)
Income from Preferred Capital Investments	49,917	47,618	46,176	137,654	114,034
Foreign exchange gain	(231)	(147,361)	(292,057)	(471,290)	150,468
Capital expenditures	(16,083)	(18,283)	(23,779)	(58,949)	(101,160)
<b>AFFO</b>	<b>158,924</b>	<b>(354,384)</b>	<b>(348,782)</b>	<b>(237,628)</b>	<b>(361,013)</b>
<b>AFFO per Unit</b>	\$ 0.02	\$ (0.05)	\$ (0.05)	\$ (0.03)	\$ (0.05)

## COMPARABLE CASH FLOWS

Comparable operating, investing and financing cash flows for the three months and years ended September 30, 2024, and 2023, are outlined below:

	Three Months Ended		Nine Months Ended	
	Sep 30, 2024	Sep 30, 2023	Sep 30, 2024	Sep 30, 2023
Operating Activities	\$ 858,231	\$ 655,481	\$ (757,997)	\$ (582,889)
Investing Activities	(563,525)	27,269,837	24,776,237	38,371,134
Financing Activities	(16,784,157)	(13,926,433)	(35,335,336)	(25,704,481)
<b>Increase (Decrease) in Cash</b>	<b>\$ (16,489,451)</b>	<b>\$ 13,998,885</b>	<b>\$ (11,317,096)</b>	<b>\$ 12,083,764</b>
Cash, Beginning of Period	20,396,313	2,092,192	15,223,958	4,007,313
<b>Cash, End of Period</b>	<b>\$ 3,906,862</b>	<b>\$ 16,091,077</b>	<b>\$ 3,906,862</b>	<b>\$ 16,091,077</b>

Net cash from operating activities for the three months ended September 30, 2024, increased in comparison to the three months ended September 30, 2023, due to improvements in the Trust's operations. Net cash used in operating activities for the nine months ended September 30, 2024, increased in comparison to the nine months ended September 30, 2023, due to the Trust using more funds towards its working capital requirements as funds became available from the sale of investment properties.



## MANAGEMENT DISCUSSION & ANALYSIS

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Net cash from investing activities for the three and nine months ended September 30, 2024, decreased in comparison to the three and nine months ended September 30, 2023, due to the Trust having more dispositions of its investment properties by Q3/2023 than by Q3/2024.

Net cash used in financing activities for the three and nine months ended September 30, 2024, increased in comparison to the three and nine months ended September 30, 2023, due to the repayment of mortgages and the Convertible Debentures made by Q3/2024 being greater than the mortgages and loans discharged in Q3/2023.

### RELATED PARTY TRANSACTIONS

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

- I. On November 1, 2015, The Trust entered into a Management Agreement with Firm Capital Realty Partners Advisors Inc. (the “**Manager**”), an entity related to a director of the Trust. Under the terms of the Agreement, the Manager provides a number of services to the Trust, and is entitled to certain fees payable monthly, as follows:
  - a) **Asset Management Fee:** 0.75% of the Gross Invested Assets of the Trust,
  - b) **Acquisition Fee:**
    - i. 1.0% of the first \$300 million of aggregate Gross Book Value in respect of Properties acquired in a particular year; and thereafter
    - ii. 0.75% of aggregate Gross Book Value in respect of Properties acquired in such year.
  - c) **Performance Incentive Fees:** 15% of AFFO once AFFO exceeds \$0.63 per Unit.
  - d) **Placement Fees:** 0.25% of the aggregate value of all debt and equity financing arranged by the Manager.
  - e) **Property Management Fees:**
    - i. Multi-unit residential properties with 120 units or less, 4.0% of Gross Revenue collected from the property;
    - ii. Multi-unit residential properties with more than 120 units, 3.5% of Gross Revenue collected from the property;
    - iii. Industrial or commercial property, 4.25% of Gross Revenue collected from the property; provided, however, that for such properties with a single tenant 3.0% of Gross Revenue collected from the property
  - f) **Commercial Leasing Fees:** 3.0% of the net rental payments for the first year of the lease, and 1.5% of the net rental payments for each year during duration of the lease; provided, however, that where a third party broker arranges for the lease of any such property that is not subject to a long-term listing agreement, the Manager shall be entitled to reduced commission equal to 50% of the foregoing amounts with respect to such property.
  - g) **Commercial Leasing Renewal Fees:** Renewals of space leased on commercial terms (including lease renewals at the option of the tenant) which

## MANAGEMENT DISCUSSION & ANALYSIS

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are handled exclusively by the Manager shall be subject to a 0.50% commission on the net rental payments for each year of the renewed lease. When a long-term listing agreement is in effect for leasing and marketing of space with a party other than the Manager, the Manager shall cooperate fully with the broker and the leasing fees will not be payable to the Manager.

- h) Construction Development Property Management Fees:** Where the Manager is requested by the Trust to construct tenant improvements or to renovate same, or where the Manager is requested by the Trust to construct, modify, or re-construct improvements to, or on, the Properties (collectively, “**Capital Expenditures**”), the Manager shall receive 5.0% of the cost of such Capital Expenditures, including the cost of all permits, materials, labour, contracts, and subcontracts; provided, however, that no such fee shall be payable unless the Capital Expenditures are undertaken following a tendering or procurement process wherein the total cost of such Capital Expenditures exceed \$50,000.
- i) Loan Servicing Fees:** 0.25% per annum on the principal amount of each Mortgage Investment (other than syndicated loans serviced by third parties). The Loan Servicing Fee will be calculated as spread interest and deducted from the first interest received on a mortgage investment. Mortgage servicing fees will be payable as to 1/12 monthly based on the receipt of interest payments from borrowers. Loan Servicing Fees will not be payable in respect of the Trust's cash balances or Non-Performing Loans held by the Trust, except that the Manager shall be entitled to retain any overnight float interest on all accounts maintained by the Manager in connection with the servicing of the Trust's Mortgage Investments. The Manager will retain all overnight float interest and related loan servicing fees as charged such as advance fees, discharge statement fees, realty tax escrow account charges, late payment and dishonoured payment charge fees, and all other such fees as charged by a loan servicing agent. This will only apply to the Mortgage Investments of the Trust.
- j) Origination, Commitment & Discharge Fees and Profit Sharing Fees:** The Manager shall remit to the Trust:
- i. 25% of all originating fees, commitment fees and renewal fees it receives from borrowers on mortgages it originates for the Trust (prorated to reflect the Trust's participation in the investment). The Manager will retain 100% of all originating fees, commitment fees, renewal fees and will remit 25% of such fees to the Trust calculated on the Trust's investment amount; and
  - ii. 75% of any profit sharing, discharge fees, participation fees and profit made on discounted debt that the Mortgage Banker receives in respect of all Non-Conventional Mortgages and Special Profit Transactions it originates for the Trust (with an 8.0% annual preferential return to be given to the Trust on the Trust's investment amount prior to the Manager receiving its unit of such fees). The Manager shall retain 100% of all servicing charges paid by borrowers which are not

## MANAGEMENT DISCUSSION & ANALYSIS

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, 2030, other than for cause upon the approval of two-thirds of the votes cast by unitholders at a meeting and upon 24 months prior written notice. Upon termination, the Trust shall pay to the Manager the following:
- i. 2% of the Gross Invested Assets of the Properties and the Trust's other assets; and
  - ii. any amounts which would have been earned by the Manager under the Agreement for the uncompleted portion of the term (the "Termination Payment").

The Trust entered into an agreement with an entity related to the Asset manager of the Trust, to borrow CAD \$16 million. Terms of the Bridge Loan are described in note 7 of these condensed consolidated interim financial statements. During the three and nine months ended September 30, 2024, the Trust paid \$nil interest associated with the Bridge Loan. As at June 30, 2024, the Bridge loan has been discharged.

For the three months ended September 30, 2024, asset management fees were \$195,138 (September 30, 2023 - \$258,000) and property management fees were \$nil (September 30, 2023 - \$25,010).

For the nine months ended September 30, 2024, asset management fees were \$667,028 (September 30, 2023 - \$937,081) and property management fees were \$38,471 (September 30, 2023 - \$75,919).

Asset Management fees are included in general and administrative expenses. Property management fees are included in property operating expenses.

As at September 30, 2024, the Trust has accrued \$4,148,507 (December 31, 2023 - \$3,762,542) under this Management Agreement, which is included in accounts payable and accrued liabilities.

### CONTRACTUAL OBLIGATIONS

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

	Less than 1			Total
	year	1-2 years	>2 years	
Mortgages payable	\$ 53,950	\$ 19,539,593	\$ 10,091,743	\$ 29,685,286
Accounts Payable and Accrued Liabilities	6,399,785	-	-	6,399,785
<b>Total</b>	<b>\$ 6,453,735</b>	<b>\$ 19,539,593</b>	<b>\$ 10,091,743</b>	<b>\$ 36,085,071</b>

### MORTGAGES PAYABLE

As at September 30, 2024, the Trust had mortgages payable, secured by the multi-family properties of \$29,517,773 including the current portion and net of unamortized financing costs and mark to market on assumed mortgages (December 31, 2023 - \$50,870,309) which bear interest at a weighted average interest rate of 7.05% (December 31, 2023 - 6.41%) per annum, and have maturity dates ranging between

## MANAGEMENT DISCUSSION & ANALYSIS

February, 2026, and March, 2028.

	September 30, 2024	December 31, 2023
Mortgages payable	\$ 29,685,286	\$ 32,883,780
Less: Current Portion	(218,444)	(22,338,472)
Less: Unamortized Financing Costs	(377,388)	(636,274)
Add: Mark to Market on assumed mortgages	209,874	252,803
	\$ 29,299,329	\$ 10,161,837

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

	Principal	Interest	Total
2024	\$ 53,950	\$ 527,946	\$ 581,896
2025	221,161	2,093,482	2,314,643
2026	19,318,431	762,167	20,080,598
2027	244,215	495,831	740,045
2028	9,847,528	121,729	9,969,257
Total	29,685,286	4,001,154	33,686,440

On July 2, 2024, the Trust made a partial repayment of \$3 million on one of its mortgages secured by a property located in Houston, Texas. As a result of the paydown, the interest rate was reduced to 8.25% per annum and the maturity date was extended to February 4, 2026.

The mortgage on the Trust's Florida Portfolio, which was sold on May 22, 2024, was assumed by the buyer upon completion of the sale. The mortgage was previously classified as a liability related to assets held for sale on the Trust's financial statements.

### 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.

On July 2, 2024, the Trust redeemed all of the outstanding \$13.8 million (CAD \$18.8 million) Convertible Debentures, which had a maturity date of June 30, 2026. The debentures were redeemed by the Trust early in accordance with the terms of the trust indenture.

### DISTRIBUTIONS

For the three months ended September 30, 2024, the Trust declared no distributions (September 30, 2023 - \$nil).

### 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 September 30, 2024:

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Issuance Date	Number of Options	Weighted average exercise price	Fair Value of Options	Expiry Date
August 17, 2017	340,738	\$ 7.50	\$ 49,176	August 17, 2027
November 19, 2018	188,900	8.30	41,551	November 19, 2028
March 16, 2021	40,100	7.50	22,811	March 16, 2031
March 16, 2021	56,400	8.30	26,953	March 16, 2031
<b>Total/ Weighted Average</b>	<b>626,138</b>	<b>\$ 7.81</b>	<b>\$ 140,491</b>	

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

Option Assumptions	September 30, 2024	December 31, 2023
Stock Price	\$ 3.67	\$ 2.25
Exercise Price	\$7.50-\$8.30	\$7.50-\$8.30
Expected Life in Years	2.88-6.45	3.63-7.21
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	\$ -	\$ -
Discount Rate - Bond Equivalent Yield	4.00%	5.06%

### SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the unaudited condensed consolidated financial statements for the period ended September 30, 2024, 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 unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2024, and 2023.

### 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 September 30, 2024, and have concluded that such disclosure controls and procedures were appropriately designed and were operating effectively.

The Trust has also established adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Trust's financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. The Trust's Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision, of the design and operating effectiveness of the Trust's internal controls over financial reporting (as defined in



## MANAGEMENT DISCUSSION & ANALYSIS

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National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Filings) as at September 30, 2024. 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 ended September 30, 2024, 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 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 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.

## MANAGEMENT DISCUSSION & ANALYSIS

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### *CO-INVESTMENT/INVESTMENTS IN ASSOCIATES*

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

### *PURCHASE AGREEMENTS*

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

## **MANAGEMENT DISCUSSION & ANALYSIS**

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### *NON-REFUNDABLE DEPOSITS*

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

### *OPERATIONAL RISKS*

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

### *RISKS RELATED TO PREFERRED CAPITAL LOAN DEFAULTS*

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

### *FORECLOSURE AND RELATED COSTS*

One or more borrowers could fail to make payments according to the terms of their loan, and the Trust could therefore be forced to exercise its rights as the preferred creditor. The recovery of a portion of the Trust's assets may not be possible for an extended period during this process and there are circumstances where there may be complications in the enforcement of the Trust's rights as the preferred creditor. Legal fees and expenses and other costs incurred by the Trust in enforcing its rights as the

## MANAGEMENT DISCUSSION & ANALYSIS

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preferred creditor against a defaulting borrower are usually recoverable from the borrower directly or through the sale of the secured property by power of sale or otherwise, although there is no assurance that they will be recovered. If these expenses are not recoverable, they will be borne by the Trust. Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income or whether preferred capital loan payments are being made. The Trust may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

### *RISK OF NATURAL DISASTERS*

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

### *RISK OF LOSS NOT COVERED BY INSURANCE*

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

### *RISK RELATED TO INSURANCE RENEWALS*

Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When the Trust's current insurance

## MANAGEMENT DISCUSSION & ANALYSIS

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

### *ACCESS TO CAPITAL*

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

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

### *FINANCING RISK*

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

## MANAGEMENT DISCUSSION & ANALYSIS

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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.

### *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



## MANAGEMENT DISCUSSION & ANALYSIS

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their judgment is reasonably required and may have conflicts of interest in allocating management time, services and functions among the Properties and their other development, investment and/or management activities.

### *LITIGATION RISKS*

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

### *LAWS BENEFITING DISABLED PERSONS*

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

### *POTENTIAL CONFLICTS OF INTEREST WITH TRUSTEES*

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

### *INTERNAL CONTROLS*

Effective internal controls are necessary for the Trust to provide reliable financial reports and to help prevent fraud. Although the Trust will undertake several procedures and will implement a number of safeguards in order to help ensure the reliability of its financial reports, in each case, including those imposed on the Trust under Canadian securities law, the Trust cannot be certain that such measures will ensure that the Trust will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation,

## MANAGEMENT DISCUSSION & ANALYSIS

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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; (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.

## MANAGEMENT DISCUSSION & ANALYSIS

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

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

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

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

### *SUBSTITUTIONS FOR RESIDENTIAL RENTAL UNITS*

Demand for the properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing

## MANAGEMENT DISCUSSION & ANALYSIS

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

### *COMPETITION*

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

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

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

### *CHANGES IN APPLICABLE LAWS*

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

Lower revenue growth or significant unanticipated expenditures may result from the Trust's need to comply with changes in Applicable Laws, including (i) laws imposing

## MANAGEMENT DISCUSSION & ANALYSIS

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environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; (ii) rent control or rent stabilization laws or other residential landlord/tenant laws; or (iii) other governmental rules and regulations or enforcement policies affecting the development, use, and operation of the properties, including changes to building codes and fire and life-safety codes.

### *ENVIRONMENTAL MATTERS*

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

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

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

### *THE COSTS ARISING FROM RENOVATION OF PROPERTIES*

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

### *FIXED COSTS AND INCREASED EXPENSES*

The failure to maintain stable or increasing average monthly rental rates combined with acceptable occupancy levels would likely have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations and ability to declare

## MANAGEMENT DISCUSSION & ANALYSIS

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

### *INTEREST RATE RISK*

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

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

### *VALUATION AND DISPOSITION RISK*

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

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

## MANAGEMENT DISCUSSION & ANALYSIS

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### *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.



The background of the entire page is a low-angle photograph of a modern skyscraper with a grid of windows. In the upper left corner, an American flag is flying from a tall pole, partially obscuring the building. The sky is bright and clear.

# FIRM CAPITAL APARTMENT REIT

CAPITAL PRESERVATION • DISCIPLINED INVESTING

# FINANCIAL STATEMENTS

THIRD QUARTER 2024  
SEPTEMBER 30, 2024

Condensed Consolidated Interim Financial Statements of

**FIRM CAPITAL APARTMENT REAL ESTATE  
INVESTMENT TRUST**

For the three and nine months ended September 30, 2024, and 2023

(Expressed in US Dollars)

The accompanying unaudited condensed consolidated interim financial statements of Firm Capital Apartment Real Estate Investment Trust for the three and nine months ended September 30, 2024, have been prepared by and are the responsibility of management. These unaudited condensed consolidated interim financial statements, together with the accompanying notes, have been reviewed and approved by members of Firm Capital Apartment Real Estate Investment Trust's audit committee. In accordance with National Instrument 51 – 102 Firm Capital Apartment Real Estate Investment Trust discloses that these unaudited condensed consolidated interim financial statements have not been reviewed by Firm Capital Apartment Real Estate Investment Trust's auditors.

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Balance Sheets

(Expressed in US Dollars)

(Unaudited)

	Notes	September 30, 2024	December 31, 2023
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents		\$ 1,821,025	\$ 12,786,599
Restricted Cash		2,085,837	2,437,359
Accounts Receivable		165,764	289,637
Prepaid Expenses and Other Assets		493,978	565,897
Assets Held for Sale	3	52,300,000	83,650,000
<b>Total Current Assets</b>		<b>56,866,604</b>	<b>99,729,492</b>
Non-Current Assets			
Equity Accounted Investments	4	10,502,497	10,131,505
Preferred Investments	4	9,384,240	9,244,275
Preferred Capital Investments	5	9,436,781	5,299,128
<b>Total Non-Current Assets</b>		<b>29,323,518</b>	<b>24,674,908</b>
<b>Total Assets</b>		<b>\$ 86,190,122</b>	<b>\$ 124,404,400</b>
<b>Liabilities and Unitholders' Equity</b>			
Current Liabilities			
Accounts Payable and Accrued Liabilities	12	6,399,785	6,719,472
Mortgages Payable	7,8	218,444	22,338,472
Unit Based Liabilities	9(c)	161,900	52,583
Liability Related to Assets Held for Sale		-	18,370,000
<b>Total Current Liabilities</b>		<b>6,780,129</b>	<b>47,480,527</b>
Non-Current Liabilities			
Mortgages Payable	7,8	29,299,329	10,161,837
Convertible Debentures Payable	6,8	-	13,350,443
<b>Total Non-Current Liabilities</b>		<b>29,299,329</b>	<b>23,512,280</b>
<b>Total Liabilities</b>		<b>36,079,459</b>	<b>70,992,807</b>
Unitholders' Equity	9	50,110,664	53,411,593
<b>Total Liabilities and Unitholders' Equity</b>		<b>\$ 86,190,122</b>	<b>\$ 124,404,400</b>

Subsequent Event 15

See accompanying Notes to the Condensed Consolidated Interim Financial Statements

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

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

## FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

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

For the three and nine months ended September 30, 2024, and 2023

(Expressed in US Dollars)

(Unaudited)

	Notes	Three months ended		Nine months ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<b>Net Rental Income</b>					
Rental Revenue		\$ 1,603,041	\$ 2,799,748	\$ 6,235,158	\$ 9,704,760
Property Operating Expenses	13	(959,719)	(1,848,595)	(3,877,210)	(5,658,354)
		643,322	951,153	2,357,948	4,046,406
<b>Income from Investments</b>					
Income from Equity Accounted Investments	4	105,544	72,159	335,771	155,857
Income from Preferred Investments	4	183,617	184,551	546,648	548,965
Income from Preferred Capital Investments		227,026	161,691	578,088	447,591
		516,187	418,401	1,460,507	1,152,413
<b>Expenses</b>					
General and Administrative	13	(457,199)	(484,651)	(1,354,265)	(1,577,367)
Finance Costs	13	(559,394)	(1,303,644)	(2,752,910)	(4,101,039)
		(1,016,593)	(1,788,295)	(4,107,175)	(5,678,406)
<b>Net Income (Loss) Before Fair Value and Other Adjustments</b>		<b>\$ 142,916</b>	<b>\$ (418,741)</b>	<b>\$ (288,720)</b>	<b>\$ (479,587)</b>
<b>Fair Value Adjustments</b>					
Investment Properties	3	(227,024)	(1,255,423)	(998,034)	(5,949,205)
Loss on Sale of Investment Properties	3	-	-	(1,481,499)	-
Investment Properties Held in Equity Accounted Investments	4	928,446	(23,458)	795,657	(537,823)
Convertible Debentures	6,8	-	(351,543)	(975,640)	(1,072,930)
Unit Based Expense	9(c)	77,328	13,608	(109,317)	20,464
<b>Other Adjustments</b>					
Provision for Impairment - Equity Accounted Investments	4	(114,000)	-	(298,000)	(200,000)
Recovery of (Provision of) Impairment - Preferred Investments	4	-	259,648	-	129,156
Provision for Impairment - Preferred Capital Investments	5	-	-	(416,667)	-
Foreign Exchange Gain (Loss)	14	231	292,057	471,291	(150,468)
		664,981	(1,065,111)	(3,012,209)	(7,760,806)
<b>Net Income (Loss) and Comprehensive Income (Loss)</b>		<b>\$ 807,897</b>	<b>\$ (1,483,852)</b>	<b>\$ (3,300,929)</b>	<b>\$ (8,240,393)</b>

See accompanying Notes to the Condensed Consolidated Interim Financial Statements

## FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

For the three and nine months ended September 30, 2024, and 2023

(Expressed in US Dollars)

(Unaudited)

	Trust Units	Deficit	Balance
Balance at January 1, 2023	\$ 90,221,737	\$ (28,100,212)	\$ 62,121,525
Net Loss and Comprehensive Loss	-	(8,240,393)	(8,240,393)
Unitholders' Equity, September 30, 2023	90,221,737	(36,340,605)	53,881,132
Net Loss and Comprehensive Loss	-	(469,539)	(469,539)
Unitholders' Equity, December 31, 2023	90,221,737	(36,810,144)	53,411,593
Net Loss and Comprehensive Loss	-	(3,300,929)	(3,300,929)
Unitholders' Equity, September 30, 2024	\$ 90,221,737	\$ (40,111,073)	\$ 50,110,664
Trust Units Outstanding			7,604,375

See accompanying Notes to the Condensed Consolidated Interim Financial Statements

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows

For the three and nine months ended September 30, 2024, and 2023

(Expressed in US Dollars)

(Unaudited)

	Notes	Three months ended		Nine months ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<b>Cash Flow from (used in) Operating Activities</b>					
Net Income (Loss)		\$ 807,897	\$ (1,483,852)	\$ (3,300,929)	\$ (8,240,393)
Add (Deduct):					
Adjustments for:					
Fair Value Adjustments to Investment Properties	3	227,024	1,255,423	998,034	5,949,205
Loss on Sale of Investment Properties	3	-	-	1,481,499	-
Fair Value Adjustments to Investment Properties Held in Equity Accounted Investments	4	(928,446)	23,458	(795,657)	537,823
Provision for Impairment of Equity Accounted Investments	4	114,000	-	298,000	200,000
Provision for (Recovery of) Impairment of Preferred Investments	4	-	(259,648)	-	(129,156)
Provision for Impairment of Preferred Capital Investments	5	-	-	416,667	-
Fair Value Adjustments to Convertible Debentures	6,8	-	351,543	975,640	1,072,930
Fair Value Adjustments to Unit Based Compensation	9(c)	(77,328)	(13,608)	109,317	(20,464)
Mark to Market on Assumed Mortgages	8	(14,309)	(10,861)	(42,929)	(45,643)
Finance Cost Amortization	8	46,400	104,599	152,970	265,378
Foreign Exchange (Gain) Loss on Convertible Debentures	14	-	(274,994)	(453,325)	268
Income from Equity Accounted Investments, Net of Distributions		(105,544)	(72,160)	(335,771)	(155,858)
Income from Preferred Investments, Net of Distributions		(852)	(342)	36	316
Income from Preferred Capital Investments, Net of Distributions		(49,917)	(46,176)	(137,654)	(114,034)
Changes in Non-Cash Operating Working Capital:					
Accounts Receivable		37,887	281,139	123,873	326,139
Prepaid Expenses and Other Assets		268,921	471,218	71,919	(157,371)
Accounts Payable and Accrued Liabilities		532,498	329,742	(319,687)	(72,029)
<b>Total Operating Activities</b>		<b>858,231</b>	<b>655,481</b>	<b>(757,997)</b>	<b>(582,889)</b>
<b>Cash Flows from (used in) Investing Activities</b>					
Disposition of Assets	3	-	27,401,934	29,658,713	39,845,496
Investment in Equity Accounted Investments	4	(114,000)	-	(352,249)	(275,000)
Disposition of Investment in Equity Accounted Investments	4	-	-	814,686	-
Investment in Preferred Investments	4	(222,500)	259,648	(222,500)	129,156
Disposition of Investment in Preferred Investments	4	-	-	82,500	-
Investment in Preferred Capital Investments	5	-	-	(4,416,667)	-
Capital Expenditures on Investment Properties	3	(227,025)	(391,745)	(788,246)	(1,328,518)
<b>Total Investing Activities</b>		<b>(563,525)</b>	<b>27,269,837</b>	<b>24,776,237</b>	<b>38,371,134</b>
<b>Cash Flows from (used in) Financing Activities</b>					
Normal Course Issuer Bid- Convertible Debenture Units	8	-	-	(148,436)	-
Bank Indebtedness Advance		-	-	-	25,000
Bank Indebtedness Repayment		-	-	-	(990,000)
Mortgage Repayments, Net of Deferred Finance Costs	7,8	(3,059,836)	(13,926,433)	(21,462,579)	(24,739,481)
Convertible Debentures Repayment	6,8	(13,724,321)	-	(13,724,321)	-
<b>Total Financing Activities</b>		<b>(16,784,157)</b>	<b>(13,926,433)</b>	<b>(35,335,336)</b>	<b>(25,704,481)</b>
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash		(16,489,451)	13,998,885	(11,317,096)	12,083,764
Cash, Cash Equivalents and Restricted Cash, Beginning of Period		20,396,313	2,092,192	15,223,958	4,007,313
<b>Cash, Cash Equivalents and Restricted Cash, End of Period</b>		<b>\$ 3,906,862</b>	<b>\$ 16,091,077</b>	<b>\$ 3,906,862</b>	<b>\$ 16,091,077</b>
Consisting of:					
Cash and Cash Equivalents		\$ 1,821,025	\$ 13,993,199	\$ 1,821,025	\$ 13,993,199
Restricted Cash		2,085,837	2,097,878	2,085,837	2,097,878

See accompanying Notes to the Condensed Consolidated Interim Financial Statements



# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Condensed Consolidated Interim Financial Statements  
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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 1,099 apartment units diversely located in Connecticut, Georgia, Maryland, New York and Texas. The Trust trades on the TSXV exchange under the symbols FCA.U and FCA.UN. The registered office of the Trust and its head office operations are located at 163 Cartwright Avenue, Toronto, Ontario, M6A 1V5. The Trust is domiciled in Canada.

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Trustees on November 6, 2024.

## 2. Material accounting information

### *Statement of compliance*

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

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting ("IAS 34") as issued by the IASB and follow the same accounting policies and methods of application as the audited annual consolidated financial statements of the Trust for the year ended December 31, 2023. These condensed consolidated interim financial statements do not contain all disclosures required by IFRS and accordingly should be read in conjunction with the 2023 audited annual consolidated financial statements and the notes thereto.

### *Significant Accounting Policies*

The significant accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those described in note 2 of the Trust's audited consolidated financial statements for the year ended December 31, 2023.

## 3. Investment properties and assets held for sale

The table below summarizes activity of the Trust's Investment Properties for the nine months ended September 30, 2024, and year ended December 31, 2023:

	September 30, 2024	December 31, 2023
<b>Balance, beginning of period</b>	\$ -	\$ 128,743,435
Acquisition	-	-
Building improvements	-	426,980
Fair value adjustments to investment properties	-	(4,162,302)
Investment properties reclassified to assets held for sale	-	(125,008,113)
<b>Balance, end of period</b>	<b>\$ -</b>	<b>\$ -</b>

**Assets held for sale:** As at March 31, 2023, the Trust reclassified its investment properties to assets held for sale. As at September 30, 2024 the investment properties classified to assets held for sale total \$52,300,000. Mortgages that will not be assumed upon completion of a sale are not included in liabilities related to assets held for sale.

The investment properties reclassified to assets held for sale as at September 30, 2024, consist of 485 (December 31, 2023 – 638) multi-family apartment units in two portfolios located in Texas.

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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 September 30, 2024.

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.

On May 22, 2024, the Trust completed the sale of its property located in Florida for gross proceeds of \$30.5 million. The mortgage associated with this property totaling \$18,370,000 was assumed by the buyer upon completion of the sale. The mortgage was previously classified by the Trust as a liability related to assets held for sale. As part of the transaction, the Trust has agreed to provide seller financing for \$4 million due in 12 months with a six-month extension available to the borrower.

The table below summarizes activity of the Trust’s assets held for sale for the nine months ended September 30, 2024, and year ended December 31, 2023:

	September 30, 2024	December 31, 2023
<b>Balance, beginning of period</b>	\$ 83,650,000	\$ -
Investment properties reclassified to assets held for sale	-	125,008,113
Building improvements	788,246	1,137,651
Fair value adjustments to assets held for sale	(998,034)	(1,934,591)
Dispositions	(29,658,713)	(39,845,496)
Loss on sale of investment properties	(1,481,499)	(715,677)
<b>Balance, end of period</b>	<b>\$ 52,300,000</b>	<b>\$ 83,650,000</b>

**Loss on sale:** The loss on sale of investment properties for the nine months ended September 30, 2024, and year ended December 31, 2023, consists of the following:

	September 30, 2024	December 31, 2023
Surplus (deficit) of sales proceeds over fair value of investment properties sold	\$ (910,353)	\$ 240,908
Selling costs	(571,146)	(956,585)
<b>Total</b>	<b>\$ (1,481,499)</b>	<b>\$ (715,677)</b>

For the period ended September 30, 2024, 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 the 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 September 30, 2024, are based on current market data.

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

	September 30, 2024	December 31, 2023
Capitalization rate	6.00%-6.30%	6.00%-6.30%

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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:

	<b>September 30, 2024</b>
Capitalization rate increase by 25 basis points	\$ (2,039,121)
Capitalization rate decrease by 25 basis points	2,216,033

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

#### 4. Equity accounted and preferred investments

The Trust has invested in the following equity accounted and preferred investments. The table below lists the carrying value of these investments at September 30, 2024, and December 31, 2023.

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

**September 30, 2024**

Location	Units	Investment Properties	Common Equity Ownership %	Equity Accounted Investment -		Total Investment	Preferred Yield
				Common Equity	Preferred Investment		
Connecticut - Hartford	109	\$ 18.7	50.0%	\$ 2.6	\$ 1.7	\$ 4.3	8%
Georgia - Canton	138	25.0	50.0%	3.9	3.6	7.5	8%
Maryland - Hyattsville	235	39.8	50.0%	4.0	4.1	8.1	8%
New York - Bronx	132	19.0	50.0%	-	-	-	N/A
<b>Total/ Weighted Average</b>	<b>614</b>	<b>\$ 102.5</b>	<b>50.0%</b>	<b>\$ 10.5</b>	<b>\$ 9.4</b>	<b>\$ 19.9</b>	<b>8%</b>

Note (1): summary above excludes New York, New York portfolio.

**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>

On January 31, 2024 the Trust completed the sale of one of its equity accounted and preferred investments located in Maryland for gross proceeds of \$15.9 million (100% of the property); \$3.98 million given the Trust's 25% ownership in the property.

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 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 September 30, 2024, and December 31, 2023 and for the three and nine months ended September 30, 2024, and 2023 are included below:

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	Equity Accounted Investments	Preferred Investments	Total
<b>As at January 1, 2023</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	-	(259,648)	(259,648)
Income Items			
- Income from Equity Accounted Investments	155,857	-	155,857
- Fair Value Adjustments on Investment Properties	(537,823)	-	(537,823)
<b>Net income from Equity Accounted Investments</b>	<b>(381,966)</b>	<b>-</b>	<b>(381,966)</b>
- Income from Preferred Investments	-	548,965	548,965
- Less: Distributions and interest received	-	(549,281)	(549,281)
- Provision for Impairment on Equity Accounted Investments	(200,000)	-	(200,000)
- Recovery of Impairment on Preferred Investments	-	259,648	259,648
- Equity accounted and preferred investment reclassified to assets held for sale	(983,042)	(83,032)	(1,066,074)
<b>As at September 30, 2023</b>	<b>\$ 7,484,660</b>	<b>\$ 9,159,495</b>	<b>\$ 16,644,155</b>
Investment Activity			
- Preferred Investments	-	80,492	80,492
Income Items			
- Income from Equity Accounted Investments	103,500	-	103,500
- Fair Value Adjustments on Investment Properties	1,560,303	-	1,560,303
<b>Net income from Equity Accounted Investments</b>	<b>1,663,803</b>	<b>-</b>	<b>1,663,803</b>
- Income from Preferred Investments	-	184,642	184,642
- Less: Distributions and interest received	-	(182,894)	(182,894)
- Recovery of Impairment on Preferred Investments	-	(80,492)	(80,492)
- Equity accounted and preferred investment reclassified from assets held for sale	983,042	83,032	1,066,074
<b>As at December 31, 2023</b>	<b>\$ 10,131,505</b>	<b>\$ 9,244,275</b>	<b>\$ 19,375,780</b>
Investment Activity			
- Equity Accounted Investments	352,249	-	352,249
- Preferred Investments	-	222,500	222,500
Income Items			
- Income from Equity Accounted Investments	335,771	-	335,771
- Fair Value Adjustments on Investment Properties	795,657	-	795,657
<b>Net income from Equity Accounted Investments</b>	<b>1,131,428</b>	<b>-</b>	<b>1,131,428</b>
- Income from Preferred Investments	-	546,648	546,648
- Less: Distributions and interest received	-	(546,683)	(546,683)
- Provision for Impairment on Equity Accounted Investments	(298,000)	-	(298,000)
- Disposition of equity accounted and preferred investment	(814,685)	(82,500)	(897,185)
<b>As at September 30, 2024</b>	<b>\$ 10,502,497</b>	<b>\$ 9,384,240</b>	<b>\$ 19,886,737</b>

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	September 30, 2024	December 31, 2023
<b>Assets</b>		
Cash	\$ 2,766,416	\$ 282,192
Restricted Cash	2,883,280	2,359,949
Accounts Receivable	663,133	1,529,186
Other Assets	428,343	943,586
Investment Properties	102,475,245	124,136,214
	<b>\$ 109,216,417</b>	<b>\$ 129,251,127</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	1,948,857	9,127,814
Security Deposits	340,413	841,356
Mortgages	73,511,715	102,819,070
	<b>75,800,986</b>	<b>112,788,240</b>
<b>Equity</b>		
Retained Earnings (Deficit)	6,129,692	(31,706,157)
Preferred Equity	9,326,471	22,024,953
Common Equity	17,959,269	26,144,091
	<b>33,415,432</b>	<b>16,462,887</b>
	<b>\$ 109,216,417</b>	<b>\$ 129,251,127</b>

Note (1): September 30, 2024, figures exclude the balance sheet of the New York, New York portfolio.

	September 30, 2024	December 31, 2023
<b>Investment Allocation for the Trust</b>		
Equity Accounted Investments	\$ 10,502,497	\$ 10,131,505
Preferred Investments	9,384,240	9,244,275
	<b>\$ 19,886,737</b>	<b>\$ 19,375,780</b>

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	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Rental Revenue	\$ 2,600,093	\$ 3,151,375	\$ 7,722,311	\$ 9,742,691
Property Operating Expenses	(1,414,684)	(1,592,894)	(4,230,569)	(6,080,514)
<b>Net Rental Income</b>	<b>1,185,409</b>	<b>1,558,481</b>	<b>3,491,742</b>	<b>3,662,177</b>
Interest Expense	(711,537)	(1,159,317)	(2,124,796)	(3,443,160)
Fair Value Adjustments on Investment Properties	4,465,237	(93,834)	4,465,237	(2,151,293)
<b>Net Income (Loss) Before Interest from Preferred Investments</b>	<b>4,939,109</b>	<b>305,330</b>	<b>5,832,183</b>	<b>(1,932,276)</b>
Less: Interest from Preferred Investments	(186,970)	(336,088)	(553,160)	(1,108,096)
<b>Net Income (Loss)</b>	<b>\$ 4,752,140</b>	<b>\$ (30,758)</b>	<b>\$ 5,279,023</b>	<b>\$ (3,040,372)</b>

Note (2): Excludes P&L from equity accounted and preferred investment sold January 31, 2024.

Note (3): Excludes P&L from New York, New York portfolio.

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<b>Income Earned by the Trust</b>				
Income from Equity Accounted Investments	\$ 105,544	\$ 72,159	\$ 335,771	\$ 155,857
Fair Value Adjustments on Investment Properties	928,446	(23,458)	795,657	(537,823)
<b>Net income (loss) from Equity Accounted Investments</b>	<b>1,033,990</b>	<b>48,701</b>	<b>1,131,428</b>	<b>(381,966)</b>
Provision for Impairment on Equity Accounted Investments	(114,000)	-	(298,000)	(200,000)
Income from Preferred Investments	183,617	184,551	546,648	548,965
Recovery of (Provision for) Impairment on Preferred Investments	-	259,648	-	129,156
	<b>\$ 1,103,607</b>	<b>\$ 492,900</b>	<b>\$ 1,380,076</b>	<b>\$ 96,155</b>

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

At each reporting date, the Trust assesses the borrower's ability to make contractual payments based on current market conditions. For the three months ended September 30, 2024, the Trust recognized impairment loss on preferred investments of \$nil (September 30, 2023 – recovery of \$259,648) and for the nine months ended September 30, 2024, \$nil (September 30, 2023 – recovery of \$129,156). For the three months ended September 30, 2024, the Trust recognized an allowance of \$nil (September 30, 2023 - \$247,116) and for the nine months ended September 30, 2024, \$nil (September 30, 2023 - \$737,389), net against income from preferred investments.

Preferred investments, associated allowance for losses and provision for impairment on preferred investments accounted at amortized cost at September 30, 2024 and December 31, 2023 are as follows:

	September 30, 2024				December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Preferred Investments	\$ 9,384,240	\$ -	\$ 9,383,183	\$ 18,767,423	\$ 9,244,275	\$ -	\$ 9,383,183	\$ 18,627,458
Allowance for losses of preferred investments	-	-	(1,719,231)	(1,719,231)	-	-	(1,719,231)	(1,719,231)
Provision for impairment of preferred investments	-	-	(7,663,952)	(7,663,952)	-	-	(7,663,952)	(7,663,952)
<b>Preferred Investments, net of allowances and provisions</b>	<b>\$ 9,384,240</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,384,240</b>	<b>\$ 9,244,275</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,244,275</b>

At each reporting date, the Trust establishes loss provisions applicable to its equity accounted investments where there is objective evidence of impairment as a result of a loss event. For the three

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months ended September 30, 2024, the impairment recognized for equity accounted investments was \$114,000 (September 30, 2023 - \$nil) and for the nine months ended September 30, 2024, \$298,000 (September 30, 2023 - \$200,000).

## 5. Preferred capital investments

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.

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

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

On May 22, 2024, the Trust provided a \$4 million preferred capital loan (the "Florida Preferred Capital Loan") for a portfolio of buildings located in Sunrise, Florida. The Florida Preferred Capital earns an escalating return of 9% per annum in the first six months, 11% per annum from months 6-12 and 15% per annum from months 12-18. The preferred capital loan is for an initial 12-month term, maturing on May 22, 2025, with a six-month extension available to the borrower.

The Trust establishes loss provisions applicable to its preferred capital investments using a 12 month ECL approach. Investments with a low credit risk are assigned to stage 1, increased credit risk to stage 2 and 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 three months ended September 30, 2024, the Trust recognized impairment loss on its preferred capital investments of \$nil (September 30, 2023 - \$nil), and for the nine months ended September 30, 2024, \$416,667 (September 30, 2023 - \$nil). For the three months ended September 30, 2024, the Trust recognized an allowance of \$161,932 (September 30, 2023 - \$122,939), for the nine months ended September 30, 2024, \$450,838 (September 30, 2023 - \$352,236), net against income from preferred capital investments. The provision and allowance were for the New York Preferred Capital Loan.

Preferred capital investments, associated allowance for losses on preferred capital investments accounted at amortized cost at September 30, 2024 and December 31, 2023 are as follows:

	September 30, 2024				December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Preferred Capital Investments	\$ 9,436,781	\$ -	\$ 4,920,510	\$ 14,357,291	\$ 5,299,128	\$ -	\$ 4,053,005	\$ 9,352,133
Allowance for losses of preferred capital investments	-	-	(1,633,047)	(1,633,047)	-	-	(1,182,209)	(1,182,209)
Provision for impairment on preferred capital investments	-	-	(3,287,463)	(3,287,463)	-	-	(2,870,796)	(2,870,796)
<b>Preferred Capital Investments, net of allowances and provisions</b>	<b>\$ 9,436,781</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,436,781</b>	<b>\$ 5,299,128</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,299,128</b>



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## 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. On July 2, 2024, the Trust redeemed all the outstanding \$13.8 million (CAD \$18.8 million) Convertible Debentures, which had a maturity date of June 30, 2026. The debentures were redeemed by the Trust early in accordance with the terms of the trust indenture.

### (b) Normal course issuer bid

Prior to the full redemption of the Convertible Debentures on July 2, 2024, the Trust had 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 could 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 period between January 1, 2024, and July 2, 2024, when all the outstanding Convertible Debentures were redeemed, the Trust repurchased \$0.15 million (CAD \$0.2 million) of the Convertible Debentures under the normal course issuer bid.

## 7. Mortgages payable

	September 30, 2024	December 31, 2023
Mortgages payable	\$ 29,685,286	\$ 32,883,780
Less: Current Portion	(218,444)	(22,338,472)
Less: Unamortized Financing Costs	(377,388)	(636,274)
Add: Mark to Market on assumed mortgages	209,874	252,803
	\$ 29,299,329	\$ 10,161,837

As at September 30, 2024, the Trust had mortgages payable, secured by the multi-family properties of \$29,517,773 including the current portion and net of unamortized financing costs and mark to market on assumed mortgages (December 31, 2023 - \$50,870,309) which bear interest at a weighted average interest rate of 7.05% (December 31, 2023 - 6.41%) per annum, and have maturity dates ranging between February, 2026, and March, 2028.

One of the Trust's Houston, Texas Portfolios has an interest-only mortgage bearing interest at 8.25% fixed interest rate and matures February 4, 2026. On July 2, 2024, the Trust made a partial repayment of \$3 million on this mortgage.

The mortgage on the Trust's Second Houston, Texas Portfolio bears interest at 4.90% per annum, has blended payments and matures on February 28, 2028.

The mortgage on the Trust's Florida Portfolio, which was sold on May 22, 2024, was assumed by the buyer upon completion of the sale. For additional information, see note 3 - investment properties and assets held for sale.

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

	Principal	Interest	Total
2024	\$ 53,950	\$ 527,946	\$ 581,896
2025	221,161	2,093,482	2,314,643
2026	19,318,431	762,167	20,080,598
2027	244,215	495,831	740,045
2028	9,847,528	121,729	9,969,257
Total	29,685,286	4,001,154	33,686,440

## 8. Changes in debt

The following table sets out an analysis of the movements in net debt during 2024 and 2023:

	Notes	Bank Indebtedness	Mortgages & loan	Convertible Debentures
As at December 31, 2022		\$ 965,000	\$ 75,481,410	\$ 11,583,342
Advances		25,000	-	-
Repayments		(990,000)	(24,739,481)	-
Finance cost amortization	7,13	-	265,378	-
Mark to market on assumed mortgages	7,13	-	(45,643)	-
Change in fair value of convertible debenture	6	-	-	1,072,929
Foreign exchange loss	14	-	-	268
Liability related to asset held for sale		-	(18,370,000)	-
<b>As at September 30, 2023</b>		<b>\$ -</b>	<b>\$ 32,591,662</b>	<b>\$ 12,656,539</b>
Repayments		-	(131,708)	-
Finance cost amortization	7,13	-	54,663	-
Mark to market on assumed mortgages	7,13	-	(14,310)	-
Change in fair value of convertible debenture	6	-	-	669,043
Foreign exchange loss	14	-	-	310,786
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>
Repayments	6,7	-	(3,092,577)	(13,724,321)
Finance cost amortization	7,13	-	152,970	-
Mark to market on assumed mortgages	7,13	-	(42,929)	-
Change in fair value of convertible debenture	6	-	-	975,640
Foreign exchange gain	14	-	-	(453,325)
Normal Course Issuer Bid- Convertible Debenture Units	6(b)	-	-	(148,436)
<b>As at September 30, 2024</b>		<b>\$ -</b>	<b>\$ 29,517,773</b>	<b>\$ -</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.

#### *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

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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

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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 September 30, 2024 were 7,604,375 (December 31, 2023 – 7,604,375). There was no issuance or redemption of Trust Units in the period.

#### *(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.

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

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

During the three and nine months ended September 30, 2024, and year ended December 31, 2023, no Trust Units were issued under DRIP.

## (c) Unit-based liabilities

The Trust's unit-based liabilities as at September 30, 2024, and December 31, 2023, consist of the following:

<b>Unit Based Liabilities</b>	<b>Notes</b>	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Deferred Trust Units	9(d)	\$ 21,409	\$ 13,124
Options	9(e)	140,491	39,459
<b>Total Unit Based Liabilities</b>		<b>\$ 161,900</b>	<b>\$ 52,583</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 September 30, 2024, the outstanding liability was \$21,409.

For the three months ended September 30, 2024, the recovery under the DTU plan was \$1,632 and recovery of \$117 for the three months ended September 30, 2023.

For the nine months ended September 30, 2024, the expense under the DTU plan was \$8,285 and recovery of \$3,441 for the nine months ended September 30, 2023.

## (e) 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 September 30, 2024, and December 31, 2023:

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Issuance Date	Number of Options	Weighted average exercise price	Fair Value of Options	Expiry Date
August 17, 2017	340,738	\$ 7.50	\$ 49,176	August 17, 2027
November 19, 2018	188,900	8.30	41,551	November 19, 2028
March 16, 2021	40,100	7.50	22,811	March 16, 2031
March 16, 2021	56,400	8.30	26,953	March 16, 2031
<b>Total/ Weighted Average</b>	<b>626,138</b>	<b>\$ 7.81</b>	<b>\$ 140,491</b>	

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

Option Assumptions	September 30, 2024	December 31, 2023
Stock Price	\$ 3.67	\$ 2.25
Exercise Price	\$7.50-\$8.30	\$7.50-\$8.30
Expected Life in Years	2.88-6.45	3.63-7.21
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	\$ -	\$ -
Discount Rate - Bond Equivalent Yield	4.00%	5.06%

For the three months ended September 30, 2024, the recovery under the option plan was \$75,696 and recovery of \$13,491 for the three months ended September 30, 2023.

For the nine months ended September 30, 2024, the expense under the option plan was \$101,032 and recovery of \$17,022 for the nine months ended September 30, 2023.

## (f) Distributions

As at September 30, 2024, and for the three and nine months ended September 30, 2024, and September 30, 2023, no distributions were paid or accrued.

## 10. Risks

### Risk management

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

### Market risk

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

### Foreign currency risk

The Trust's operations are based principally in the United States of America, but it has exposure to foreign exchange risk from the \$CAD. Foreign exchange risk arises from the recognized financial assets and liabilities denominated in \$CAD. The Trust monitors the foreign currency market closely to mitigate these risks. The following \$CAD amounts are presented in \$USD to demonstrate the effects of changes in foreign exchange rates:

	CAD
Cash, Other Assets	\$ 55,405
Total Liabilities	(40,553)
Total	14,852
Effect of +/- 10% change in exchange rate	1,485

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## *Interest rate risk*

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

## *Credit risk*

Credit risk refers to the risk that a tenant, counterparty 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 consist primarily of non-payment of accounts receivable, preferred investments and preferred capital investments. The Trust mitigates this risk by monitoring the creditworthiness 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 condensed consolidated interim financial statements, net of any expected credit losses, represents the Trust's maximum exposure to credit risk.

As at September 30, 2024, Accounts Receivable balance is net of expected credit losses of \$94,673 (December 31, 2023 - \$178,600).

## *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 September 30, 2024, the Trust has \$3,906,862 in cash and cash equivalents.

## *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:



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	September 30, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Fair Value	
<b>Financial Assets</b>				
Cash and Cash Equivalents	\$ 1,821,025	\$ 1,821,025	\$ 12,786,599	
Restricted Cash	2,085,837	2,085,837	2,437,359	
Accounts Receivable	165,764	165,764	289,637	
<b>Financial Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 6,399,785	\$ 6,399,785	\$ 6,719,472	
Mortgages Payable	29,517,773	29,333,416	32,286,736	
Liability Related to Assets Held for Sale	-	-	16,412,439	
Unit Based Liabilities	-	161,900	52,583	
Convertible Debentures Payable	-	-	13,350,443	

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;

September 30, 2024	Level 1
Convertible Debentures Payable	\$ -

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

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

September 30, 2024	Level 2
Mortgages Payable	\$ 29,333,416
Liability Related to Assets Held for Sale	-

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

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

September 30, 2024	Level 3
Unit Based Liabilities	\$ 161,900

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

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 \$29,517,773 (December 31, 2023 - \$32,500,309). The mortgages have an estimated fair value of approximately \$29.3 million (December 31, 2023 - \$32.3 million).

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

There were no transfers between levels during the three and nine months ended September 30, 2024, and 2023.

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## 11. Capital risk management

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

Although the Trust is not subject to any formal covenants, there are certain restrictions under the different debts and mortgages that the Trust must target to stay in compliance. The Trust monitors these different debts and mortgages and was in compliance as at September 30, 2024.

## 12. Related party transactions

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

1. **Asset Management Fee:** 0.75% of the Gross Invested Assets of the Trust,
2. **Acquisition Fee:**
  - a. 1.0% of the first \$300 million of aggregate Gross Book Value in respect of Properties acquired in a particular year; and thereafter
  - b. 0.75% of aggregate Gross Book Value in respect of Properties acquired in such year.
3. **Performance Incentive Fees:** 15% of Adjusted Funds from Operation ("AFFO") once AFFO exceeds \$0.63 per Unit.
4. **Placement Fees:** 0.25% of the aggregate value of all debt and equity financing arranged by the Manager.
5. **Property Management Fees:**
  - a. Multi-unit residential properties with 120 units or less, 4.0% of Gross Revenue collected from the property;
  - b. Multi-unit residential properties with more than 120 units. 3.5% of Gross Revenue collected from the property.
  - c. Industrial or commercial property, 4.25% of Gross Revenue are collected from the property; provided, however, that for such properties with a single tenant 3.0% of Gross Revenue collected from the property.
6. **Commercial Leasing Fees:** 3.0% of the net rental payments for the first year of the lease, and 1.5% of the net rental payments for each year during duration of the lease; provided, however, that where a third party broker arranges for the lease of any such property that is not subject to a long-term listing agreement, the Manager shall be entitled to reduced commission equal to 50% of the foregoing amounts with respect to such property.
7. **Commercial Leasing Renewal Fees:** Renewals of space leased on commercial terms (including lease renewals at the option of the tenant) which are handled exclusively by the Manager shall be subject to a 0.50% commission on the net rental payments for each year of the renewed lease. When a long-term listing agreement is in effect for leasing and marketing of space with a party other than the Manager, the Manager shall cooperate fully with the broker and the leasing fees will not be payable to the Manager.
8. **Construction Development Property Management Fees:** Where the Manager is requested by the Trust to construct tenant improvements or to renovate same, or where the Manager is requested by the Trust to construct, modify, or re-construct improvements to, or on, the Properties (collectively, "**Capital Expenditures**"), the Manager shall receive 5.0% of the cost of such Capital Expenditures, including the cost of all permits, materials, labour, contracts, and subcontracts; provided, however, that no such fee shall be payable unless the Capital Expenditures are undertaken following a tendering or procurement process wherein the total cost of such Capital Expenditures exceed \$50,000.

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2024, and 2023  
(Expressed in US Dollars unless otherwise noted)  
(Unaudited)

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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, 2030 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. Terms of the Bridge Loan are described in note 7 of these condensed consolidated interim financial statements. During the three and nine months ended September 30, 2024, the Trust paid \$nil interest associated with the Bridge Loan. As at June 30, 2024, the Bridge loan has been discharged.

For the three months ended September 30, 2024, asset management fees were \$195,138 (September 30, 2023 - \$258,000) and property management fees were \$nil (September 30, 2023 - \$25,010).

For the nine months ended September 30, 2024, asset management fees were \$667,028 (September 30, 2023 - \$937,081) and property management fees were \$38,471 (September 30, 2023 - \$75,919).

Asset Management fees are included in general and administrative expenses. Property management fees are included in property operating expenses.

As at September 30, 2024, the Trust has accrued \$4,148,507 (December 31, 2023 - \$3,762,542) under this Management Agreement, which is included in accounts payable and accrued liabilities.

# FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2024, and 2023  
(Expressed in US Dollars unless otherwise noted)  
(Unaudited)

## 13. Property operating, general and administrative and finance expenses

Property operating, general and administrative and finance expenses for the three and nine months ended September 30, 2024, and 2023, are as follows:

Property Operating Expenses	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Property Taxes	\$ 194,348	\$ 400,732	\$ 972,741	\$ 1,326,720
Insurance	196,655	299,604	721,431	813,720
Operating Expenses	568,716	1,148,259	2,183,039	3,517,914
Total	\$ 959,719	\$ 1,848,595	\$ 3,877,210	\$ 5,658,354

General and Administrative	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Asset Management Fees (note 12)	\$ 195,138	\$ 258,000	\$ 667,028	\$ 937,081
Public Company Expenses	39,024	39,494	114,095	107,386
Office and General	223,037	187,156	573,141	532,900
Total	\$ 457,199	\$ 484,651	\$ 1,354,265	\$ 1,577,367

Finance Costs	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Bank interest expense	\$ 527,303	\$ 987,264	\$ 2,206,882	\$ 3,209,424
Convertible debenture interest expense	-	222,642	435,987	671,880
Mark to market on assumed mortgages	(14,309)	(10,861)	(42,929)	(45,643)
Finance cost amortization	46,400	104,599	152,970	265,378
Total	\$ 559,394	\$ 1,303,644	\$ 2,752,910	\$ 4,101,039

## 14. Foreign exchange gain (loss)

The foreign exchange gain (loss) for the three and nine months ended September 30, 2024, and 2023 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Foreign exchange gain (loss) on convertible debentures (note 8)	\$ -	\$ 274,994	\$ 453,325	\$ (268)
Foreign exchange gain (loss)	231	17,062	17,965	(150,201)
Total	\$ 231	\$ 292,057	\$ 471,290	\$ (150,468)

## 15. Subsequent event

On October 1, 2024, one of the Trust's joint venture investments located in Hartford, Connecticut refinanced its mortgage in excess of the original principal balance, resulting in net proceeds of \$2.2 million available to the joint venture. From the net proceeds, the joint venture repaid the preferred investment owing to the Trust of \$1.7 million and made a partial return of common equity of approximately \$0.1 million to the Trust.