

The background of the entire page is a low-angle photograph of a skyscraper with a grid of windows. An American flag is flying in the upper left corner, partially obscured by a red banner. The sky is a pale, overcast grey.

FIRM CAPITAL APARTMENT REIT

CAPITAL PRESERVATION • DISCIPLINED INVESTING

ANNUAL INFORMATION FORM

DECEMBER 31, 2020



FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2020

APRIL 1, 2021

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ANNUAL INFORMATION FORM

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

1. EXPLANATORY NOTES AND CAUTIONARY STATEMENTS

1.1 Explanatory Notes/ Corporate Reorganization and Name Change

Effective January 1, 2020, Firm Capital American Realty Partners Corp. ("**FCA**" or the "**Company**") successfully converted into Firm Capital American Realty Partners Trust ("**FCA**" or the "**Trust**"). Accordingly, references to historical results and transactions will reference the Company while forward looking statements will reference the Trust. On September 22, 2020, to more reflect the investment activities of the Trust and its focus on multi-residential investments, the Board of Trustees has approved a name change to "**Firm Capital Apartment Real Estate Investment Trust**". Unless otherwise stated in this AIF, the information contained herein is stated as at December 31, 2020. Unless the context otherwise requires or where otherwise provided, all terms not otherwise defined herein shall have the meanings given to them under the heading "Definitions" below.

1.2 Forward-Looking Information

Certain information in this AIF constitutes forward-looking information and statements (collectively, "**forward-looking statements**") under applicable securities law. Any statements that are contained in this AIF 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 (including negative and grammatical variations thereof). Forward-looking statements in this AIF include, but are not limited to, statements regarding the future financial position, business strategy, budgets, litigation, projected costs, capital investments, financial results, taxes, plans and objectives of, or involving the Trust. Some of the specific forward looking statements in this AIF include, but are not limited to, statements with respect to: the arrangements described herein with the Manager (as defined below), including the Asset Management, Property Management and Mortgage Banking Agreement (as defined below); the current state of the United States economy and real estate markets generally and the expectation that any economic recovery will lead to increases in the demand for, and the values of multi-family properties in FCA's target markets; the ability of FCA to execute its business and new growth strategies (including by making new acquisitions of properties in its target markets, the ability to establish and grow its debt investment platform, the ability to execute intended renovation and subsequent rental programs in its multi-family portfolios and the expected returns therefrom); future legislative and regulatory developments that may affect the Trust; access to debt and/or equity markets on acceptable terms; and expectations, including anticipated trends and challenges, in respect of the housing sector in major markets in the United States.

Although the forward-looking statements contained in this AIF are based on assumptions which management believes are reasonable as of the date hereof, there can be no assurance actual results will be consistent with these forward-looking statements; they may prove to be incorrect. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the Trust's control that may cause the Trust or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, without limitation, geographic concentration, acquisition risk, co-investment/investments in associates, purchase agreements, non-refundable deposits, operational risks, risks related to preferred capital loan defaults, foreclosure and related costs, risk of public health crisis, risk of natural disasters, risk of loss not covered by insurance, risk related to insurance renewals, access to capital, financing risk, degree of leverage, income tax risk, unitholder risk, dependence on the manager, reliance on property management, litigation risk, laws benefiting disabled persons, potential conflicts of interest with Trustees, return risk, reliance on key personnel and Trustees, dilution, internal controls, U.S. laws and regulations, U.S. currency risk, weather risks, liquidity, reliance on assumptions, general real estate ownership risks, substitutions for residential rental units, competition, change in applicable laws, environmental matters, costs of securing possession and control of newly acquired properties may exceed expectations, costs arising from renovations of

properties, fixed costs and increased expenses and interest rate risk. For a detailed discussion of risk factors, refer to the “*Risk Factors*” section of this AIF.

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 AIF are expressly qualified by this cautionary statement. Subject to applicable law, the Trust does not undertake any obligation to publicly update or revise any forward-looking information.

1.3 Note Regarding Financial Information

Financial data included in this AIF has been prepared in accordance with International Financial Reporting Standards (“**IFRS**”). This AIF should be read in conjunction with the Trust’s management discussion and analysis or MD&A of the results of operations and financial condition for the year ended December 31, 2020, incorporated herein by reference, and the consolidated annual audited financial statements for the year ended December 31, 2020, each of which is publicly available at www.sedar.com under the Trust’s profile.

1.4 Non-IFRS Financial Measures

The Trust have adopted IFRS, as issued by the International Accounting Standards Board as its basis of financial reporting.

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”), Adjusted FFO, Adjusted AFFO, Adjusted FFO Payout Ratio and Adjusted 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 and Adjusted FFO are important measures to evaluate operating performance, AFFO and Adjusted AFFO are important measures of cash available for distribution and, Net Rental Income is an important measure of operating performance. “GAAP” means generally accepted accounting principles described by the Chartered Professional Accountants of Canada (“CPA”) Handbook - Accounting, which are applicable as at the date on which any calculation using GAAP is to be made. As a public entity, the Trust applies IFRS as described in Part I of the CPA Handbook - Accounting.

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

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

Net income (loss) before other income (expenses) 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 calculate FFO substantially in accordance with the guidelines set out by the Real Property Association of Canada (“**RealPAC**”) 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 entities but should not be considered as an alternative to net income, cash flow from operations, or any other measure prescribed under IFRS. Unlike RealPac, who considers AFFO to be a useful measure of net income, the Trust consider 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 amortization of deferred financing costs in place at closing (ii) deducting capital expenditures, and (iii) making such other adjustments as may be determined by the Trustees of the Trust at their discretion. In addition, the Trust calculate AFFO by adjusting Net Income calculated on the Trust's, as applicable, consolidated financial statements for all changes in non-cash working capital, deducting capital expenditures incurred, and making such other adjustments as may be determined by the Trustees of the Trust, as applicable, at their discretion.

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

For the purposes of the Trust's financial statements, the single family homes are treated as assets held for sale and discontinued operations as required under IFRS.

1.5 Definitions

Unless the context otherwise requires or where otherwise provided, the following words and terms shall have the meanings set forth below when used in this AIF:

"Affiliate" of a Person means any Person that would be deemed to be an affiliated entity of such Person within the meaning of National Instrument 45-106 — *Prospectus Exemptions*, as replaced or amended from time to time (including any successor rule or policy thereto), if the term "person" therein was as defined in the Asset Management, Property Management and Mortgage Banking Agreement. For greater certainty, the Manager shall not be considered an Affiliate of the Trust and the Trust shall not be considered an Affiliate of the Manager.

"AFFO" means Adjusted Funds From Operations, as further described above under the heading "Non-IFRS Financial Measures.

"Arrangement" has the meaning ascribed to it under the heading "*Corporate Structure – Name, Address and Incorporation*".

"Asset Management, Property Management and Mortgage Banking Agreement" means, depending on the period being referenced, the asset management, property management and mortgage banking agreement between the Company and the Manager dated as of November 1, 2015 or the asset management, property management and mortgage banking agreement dated as of January 1, 2020 between the Trust and the Manager pursuant to which the Manager has agreed to provide external asset management, lending syndication, mortgage banking and property management services to the Company prior to January 1, 2020 and the Trust thereafter.

"August 2019 Warrant" has the meaning ascribed thereto under the heading "*General Development of the Business-Three Year History- Common Share, Option and Warrant Activity*".

"August 2019 Warrant Indenture" means the warrant indenture dated as of August 8, 2019 between the Company and TSX Trust Company as supplemented by the supplemental indenture entered into on January 1, 2020 between the Trust and TSX Trust Company.

"Austin Properties" means, collectively, the 90 multi-family residential units located in the Enclave in Austin, Texas and the 68 multi-family residential units located in the South Congress Commons in Austin Texas, in which the Trust have an interest.

"Austin Property Management Agreements" means the two separate property management agreements dated October 31, 2012 and May 14, 2013 between Roscoe and Las Olas Bay Properties Common LP and Enclave Partnership, respectively, in respect of the third-party property management for the Austin Properties.

"BCA" means the business combination agreement dated September 18, 2013 among Sereno and DPI providing for the Business Combination.

"Board" means the Trustees of the Trust, as applicable.

"Brentwood Property" means, collectively, the eight multi-family buildings comprised of 115 residential units located in Brentwood, Maryland.

"Brentwood Property Management Agreement" means the property management agreement dated January 18, 2017 between Capitol Square, LP and Signature relating to the Brentwood Property.

"Bridgeport Property" means, collectively, the fourteen multi-family buildings comprised of 462 residential units located in Bridgeport, Connecticut.

"Bronx Property" means, collectively, the three multi-family buildings comprised of 132 residential units located in the Bronx, New York.

"Bronx Property Management Agreement" means the property management agreement dated November 7, 2018 between Stonelock, 504 Tinton LP, 514 Tinton LP and 520 Tinton LP.

"Business Combination" means the series of transactions, as detailed in the BCA, through which the businesses of DPI and Sereno were combined.

"Business Combination Date" means December 30, 2013.

"Business Day" means a day, other than a Saturday, Sunday or statutory or civic holiday, when banks are generally open for the transaction of business in Toronto, Ontario.

"Canton Property" means a 138-unit multi-family residential building located in Canton, Georgia.

"Capital Expenditures" has the meaning ascribed thereto under the heading *"General Development of the Business-Three Year History- Construction Development Property Management Fees"*.

"Class B Redemption Date" has the meaning ascribed to it under the heading *"Declaration of Trust and Description of Share Capital"*.

"Class B Unit" means the Class B Units of the Trust.

"Clearstone" means The Clearstone Group Inc.

"Closing Market Price" has the meaning ascribed to it under the heading *"Declaration of Trust and Description of Share Capital"*.

"Common Shares" means the common shares in the capital of the Company.

"Common Units" means, collectively, the Trust Units and the Class B Units.

"Consideration Shares" has the meaning ascribed to it under the heading *"Corporate Structure – Name, Address and Incorporation"*.

"Conventional Mortgage" means a mortgage for which the principal amount, at the time of commitment, together with all other equal and prior ranking mortgages (a) in the case of a property purchase, does not exceed the lower of 75% of the purchase price of the underlying real property securing the mortgage and 75% of the appraised value of the underlying real property securing the mortgage as determined by a Qualified Appraiser, and (b) in the case of a refinancing, does not exceed 75% of the appraised value of the underlying real property securing the mortgage as determined by a Qualified Appraiser at the time of such refinancing.

"Convertible Debentures" means the 6.25% convertible unsecured unsubordinated debenture due June 30, 2026 issued on August 8, 2019 and August 13, 2019.

"Convertible Debenture Indenture" means the trust indenture dated as of August 8, 2019 between the Company and TSX Trust Company as supplemented by the supplemental indenture entered into on January 1, 2020 between the Trust and TSX Trust Company.

"Declaration of Trust" means the Trust's Declaration of Trust dated October 15, 2019.

"Designated Percentage" has the meaning ascribed to it under the heading *"Declaration of Trust and Description of Share Capital"*.

"Directors" means the directors of the Company from time to time.

"DPI" means Delavaco Properties Inc.

"DTUs" means the deferred trust units of FCA.

"Enclave Partnership" means Las Olas Bay Properties Enclave, LP, a limited partnership formed under the laws of the State of Delaware.

"Exchangeable LP Units" has the meaning ascribed to it under the heading *"Corporate Structure – Name, Address and Incorporation"*.

"FCA" or the **"Company"** means Firm Capital American Realty Partners Corp.

"FCA" or the **"Trust"** means Firm Capital American Realty Partners Trust before name change completed on September 22, 2020, and Firm Capital Apartment Real Estate Investment Trust after name change.

"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.

"General Partner" means W&D Properties, LLC, the general partner of the Single-Family Partnerships and the Multi-Family Partnerships.

"Gross Book Value" means the book value of New Real Estate Properties acquired by FCA and its Subsidiary Entities, as shown on its then most recent consolidated balance sheet, plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets) shown thereon or in the notes thereto plus the amount of future income tax assets arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by FCA shown thereon or in the notes thereto.

"Gross Invested Assets" means at any time, the book value of the invested assets of FCA and its Subsidiary Entities, as shown on its then most recent consolidated balance sheet, plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets) shown thereon or in the notes thereto plus the amount of future income tax assets arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by FCA shown thereon or in the notes thereto, or if approved by a majority of the Trustees at any time, the appraised

value of the assets of FCA and its consolidated subsidiaries may be used instead of book value. Further, all cash balances are excluded from this calculation.

"Gross Revenue" means all rents, including parking revenues, tenant recoveries, leasehold recoveries and any other revenues or monies accruing to the Properties, or sums which may be receipts due and payable in connection with or incidental to the Properties collected by the Manager.

"Houston Property" means the multi-family residential property in Houston, Texas, comprised of 12 buildings and 235 apartment units.

"Houston Property Management Agreement" means the third party management agreement effective March 1, 2018 between Roscoe and Broadmoor 10215 Beechnut Street LP relating to the Houston Property.

"IFRS" means International Financial Reporting Standards adopted by the International Accounting Standards Board, as updated and amended from time to time.

"Investment Guidelines" has the meaning ascribed thereto under the heading *"Description of the Business – Current Objectives and Business Strategy"*.

"Investment Portfolio" means, currently, the Multi-Family Property Portfolio, including joint venture investments and preferred capital investments completed by the Trust, and prospectively will also include the investments to be completed by the Trust as more particularly described under the heading *"Description of the Business – Current Objectives and Business Strategy"*.

"Irvington Property" means the multi-family residential portfolio in Irvington, New Jersey, comprised of 7 separate properties and 189 units in total (184 apartment units and 5 ground floor retail units).

"Irvington Property Management Agreement" means the third-party property management agreement dated March 1, 2018 with Clearstone relating to the Irvington Property.

"Manager" or **"Firm Capital"** means Firm Capital Realty Partners Advisors Inc. and any of its successors or permitted assignees.

"March 2020 Unit" has the meaning ascribed thereto under the heading *"General Development of the Business-Recent Developments-Equity Offering"*.

"March 2020 Warrant" has the meaning ascribed thereto under the heading *"General Development of the Business-Recent Developments-Equity Offering"*.

"March 2020 Warrant Indenture" means the warrant indenture dated as of March 13, 2020 between the Trust and TSX Trust Company as supplemented by the supplemental indenture entered into on March 17, 2020 between the Trust and TSX Trust Company.

"March 2020 Warrant Expiry Date" has the meaning ascribed thereto under the heading *"General Development of the Business-Recent Developments-Equity Offering"*.

"Market Price" has the meaning ascribed to it under the heading *"Declaration of Trust and Description of Share Capital"*.

"Master LP" means the master Delaware limited partnership of DPI, which was the vehicle used to acquire the Multi-Family Property Portfolio as part of the Reorganization.

"Master LP Agreement" means the limited partnership agreement of the Master LP, dated July, 2013, between the Master LP, the General Partner and DPI, providing for the organization and operation of the Master LP amongst the parties.

"Mortgage Investments" means, at any time, the mortgage loans or interests therein comprising the Mortgage Portfolio.

"Mortgage Portfolio" means, at any time, the Trust's portfolio of mortgages or interests therein.

"Multi-Family Partnerships" means the South Common Partnership, the Summerfield Partnership and the Enclave Partnership, collectively.

"Multi-Family Property Portfolio" has the meaning ascribed thereto.

"Net Asset Value" or **"NAV"** means the sum of the Gross Invested Assets plus all other assets as reported on the balance sheet of the Trust, net of all liabilities of the Trust at a particular point in time. For greater clarity, NAV will be calculated using the financial statements of the Trust that is calculated using IFRS.

"Net Asset Value of the Trust" has the meaning ascribed to it under the heading *"Declaration of Trust and Description of Share Capital"*.

"Net Asset Value per Common Unit" has the meaning ascribed to it under the heading *"Declaration of Trust and Description of Share Capital"*.

"New Real Estate Properties" means any real estate property, or interest therein, acquired, directly or indirectly, by FCA or any of its Affiliates during the operation of the Asset Management, Property Management and Mortgage Banking Agreement.

"New York City Property" means the 127 residential units and two commercial units comprising the New York City joint venture.

"New York City Property Management Agreement" means the third-party property management agreement dated June 25, 2019 with Clearstone Group Inc. relating to the New York City Property.

"Non-Conventional Mortgage" means a mortgage other than a Conventional Mortgage, and includes, without limitation, mortgage investments that exceed 75% of the appraised value of the real property underlying such mortgages as determined by a Qualified Appraiser, such as mezzanine and subordinated debt, participating mortgages, related investments, distressed debt and joint venture mortgages.

"Non-Resident" means an individual (including a trust) or a corporation who is not, or is deemed not to be, a resident in Canada for purposes of the Tax Act and a partnership that is not a "Canadian partnership" within the meaning of the Tax Act.

"Normal Course Issuer Bid" has the meaning ascribed thereto under the heading *"General Development of the Business – 3.1 – Three Year History"*.

"North Pointe Property" mean the 235 multi-family residential units located in Hyattsville, Maryland.

"North Pointe Property Management Agreement" means the third-party property management agreement dated September 21, 2020 with Element National Management LLC relating to the North Pointe Property.

"November 2018 Unit" has the meaning ascribed thereto under the heading *"General Development of the Business-Three Year History- Common Share, Option and Warrant Activity"*.

"November 2018 Warrant" has the meaning ascribed thereto under the heading *"General Development of the Business-Three Year History- Common Share, Option and Warrant Activity"*.

"November 2018 Warrant Indenture" means the warrant indenture dated as of November 9, 2018 between the Company and TSX Trust Company as supplemented by the supplemental indenture entered into on January 1, 2020 between the Trust and TSX Trust Company.

"OBCA" means the *Business Corporation Act* (Ontario) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time.

"Options" means options to purchase Trust Units.

"Partnerships" means the Multi-Family Partnerships.

"Person" means and includes any individual, general partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, joint stock company, association, company, bank, pension fund, director, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or other organization or entity, whether or not a legal entity, however designated or constituted.

"Properties" means FCA's portfolio of debt and mortgage investments, equity investments, related investments, development and income producing real estate from time to time.

"Qualified Appraiser" means a person who is an accredited appraiser of the Appraisal Institute of the United States of America or any successor thereof.

"Redemption Date" has the meaning ascribed to it under the heading "*Declaration of Trust and Description of Share Capital*".

"Redemption Price" has the meaning ascribed to it under the heading "*Declaration of Trust and Description of Share Capital*".

"Related Investments" are loans that may or may not be secured by a mortgage charge security.

"Reorganization" means the internal corporate reorganization of DPI pursuant to which DPI acquired all of the issued and outstanding limited partnership units in the Multi-Family Partnerships, thereby having acquired title to the Austin Properties and the Sunrise Property.

"Riverview Apartments" means collectively the 138-unit, Class B+ multifamily apartment located in Atlanta, Georgia.

"Riverview Apartments Management Agreement" means the third-party property management agreement dated September 18, 2019 with Rincon Partners relating to the Riverview Apartments.

"RH Management" means RH Management Services LLC.

"Roscoe" means Roscoe Properties, Inc.

"SEDAR" means the System for Electronic Document Analysis and Retrieval.

"Serenio" means Sereno Capital Corporation.

"Signature" means Signature Properties, LLC.

"South Common Partnership" means Las Olas Bay Properties South Common, LP, a limited partnership formed under the laws of the State of Delaware.

"Special Profit Transaction" means a Related Investment or an investment in a mezzanine financing transaction, discounted debt purchase or a profit oriented transaction which entitles the holder to a profit entitlement including in the form of a fixed discharge fee or a percentage of profit payment which is designated by the Directors and/or Trustees as a **"Special Profit Transaction"**.

"Special Voting Unit" means the Special Voting Units of the Trust

"Stonelock" means Stonelock Properties LLC.

"Subsidiary Entities" means any partnerships and and/or corporations all of the shares and/or units of which are owned directly or indirectly by FCA or another entity, that would be consolidated with FCA under either US generally accepted accounting principles, or GAAP and/or IFRS.

"Summerfield Partnership" means Las Olas Bay Properties 3200 84th Ave., LP, a limited partnership formed under the laws of the State of Delaware.

"Sunrise Property" means the multi-family residential units located within the Summerfield Apartment Homes in Sunrise, Florida in which FCA has an interest.

"Tax Act" means the *Income Tax Act* (Canada) and the regulations thereunder.

"TSX" means the Toronto Stock Exchange.

"TSXV" means the TSX Venture Exchange.

"Trust" means Firm Capital American Realty Partners Trust before name change completed on September 22, 2020, and Firm Capital Apartment Real Estate Investment Trust after name change.

"Trust Conversion Date" has the meaning ascribed to it under the heading "*Declaration of Trust and Description of Share Capital*".

"Trust Redemption Date" has the meaning ascribed to it under the heading "*Declaration of Trust and Description of Share Capital*".

"Trust Redemption Price" has the meaning ascribed to it under the heading "*Declaration of Trust and Description of Share Capital*".

"Trustees" means the trustees of the Trust from time to time.

"Trust Units" means a unit of beneficial interest in the Trust or a fraction thereof, designated as a "Trust Unit", but, for greater certainty, excludes a Special Voting Unit and a Class B Unit.

"Unitholders" means the holders of Trust Units, Class B Units and/or Special Voting Units.

"Units" means, collectively, the Common Units and the Special Voting Units.

"U.S." or "United States" means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

"Valuation Date" means the last Business Day of each month.

"Valuation Time" means 5:00 p.m. (Toronto, Ontario local time) on a Valuation Date, and any other time as determined by the Trustees.

"Warrants" has the meaning ascribed thereto under the heading "*General Development of the Business – 3.1 – Three Year History – Convertible Debenture*".

"West Hartford Portfolio" means a 109 unit multi-family residential portfolio comprised of two buildings located in West Hartford, Connecticut.

"West Hartford Portfolio Management Agreement" means the third-party property management agreement dated March 25, 2019 with CS Management LLC relating to the West Hartford Portfolio.

"Woodglen Village Apartments" means collectively 250 multifamily units located in Houston, Texas.

“Woodglen Village Apartment Management Agreement” means the third-party property management agreement dated January 14, 2020 with Roscoe Properties, Inc. relating to the Woodglen Village Apartments.

1.6 Currency

FCA’s financial statements are presented in United States dollars and all references to “dollars” and “\$” herein are expressed in United States dollars unless specifically stated otherwise.

The high, low, average and closing exchange rates for Canadian dollars in terms of the United States dollar for each of the three years in the period ended December 31, 2020, as quoted by the Bank of Canada, were as follows:

	Year ended December 31		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
High.....	C\$1.4496	C\$1.3600	C\$1.3642
Low.....	C\$1.2718	C\$1.2988	C\$1.2288
Average ⁽¹⁾	C\$1.3415	C\$1.3269	C\$1.2957

Notes:

(1) Calculated as an average of the daily exchange rates for 2018-2020.

1.7 Market Data

This AIF contains statistical data, market research and industry forecasts that were obtained from government and industry publications and reports or are based on estimates derived from such publications and reports and FCA’s knowledge of, and experience in, the markets in which it operates. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. Actual outcomes may vary materially from those forecast in such publications or reports, and the prospect for material variation can be expected to increase as the length of the forecast period increases. While FCA believes this data to be reliable, market and industry data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs and other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy, currency and completeness of this information cannot be guaranteed. FCA has not independently verified any of the data from third-party sources referred to in this AIF or ascertained the underlying assumptions relied upon by such sources.

2. CORPORATE STRUCTURE

2.1 Name, Address and Incorporation

The Company, formerly named Delavaco Residential Properties Corp., was incorporated on March 19, 2007, under the OBCA under the name “Sereno Capital Corporation”. On the Business Combination Date, the Company’s name was changed to Delavaco Residential Properties Corp. as part of the Business Combination. On July 20, 2016, Shareholders approved an amendment to the Company’s articles to change the Company’s name to “Firm Capital American Realty Partners Corp.”.

DPI was incorporated under the OBCA on January 27, 2011. On September 18, 2013, Sereno and DPI announced that they had entered into the BCA.

As part of the Business Combination, the common shares of DPI were cancelled and former shareholders of DPI received that number of Sereno common shares equal to (A) the number of DPI common shares so cancelled, multiplied by (B) 7.36 (the "**Consideration Shares**").

At a special shareholders' meeting of Sereno held on December 30, 2013, Sereno shareholders approved the consolidation of all of the issued and outstanding common shares of Sereno (including the Consideration Shares) on the basis of 7.36 pre-consolidation shares for one post-consolidation Common Share. The common share purchase warrants of DPI and the incentive stock options of Sereno were also adjusted to become exercisable for Common Shares. Sereno shareholders also approved an amendment to the articles of incorporation to change Sereno's name to "Delavaco Residential Properties Corp."

At a special shareholders' meeting of DPI held on December 30, 2013, DPI shareholders approved the completion of the Business Combination by way of a three-cornered amalgamation under the OBCA whereby DPI amalgamated with a wholly-owned subsidiary of Sereno.

At an annual and special meeting of Shareholders held on July 20, 2016, Shareholders approved, among other items, an amendment to the Company's articles to change the Company's name to Firm Capital American Realty Partners Corp. Effective February 3, 2017, all of the issued and outstanding Common Shares were consolidated on the basis of 29.41 pre-consolidation Common Shares for one post-consolidation Common Share.

Effective January 1, 2020, the Company completed a statutory plan of arrangement under the OBCA (the "**Arrangement**") to convert into the Trust. Under the Arrangement, shareholders of the Company received one Trust Unit for each Common Share held. Qualifying shareholders of the Company were offered the option to elect to receive exchangeable Class B limited partnership units ("**Exchangeable LP Units**") in a partnership controlled by the Trust in exchange for their Common Shares however no elections for Exchangeable LP Units were received by the Company. Following the completion of the Arrangement shareholders of the Company continued to own, through their Trust Units, the same pro rata economic interest in the Company's business. In connection with the Arrangement, the Trust assumed all of the covenants and obligations of the Company in respect of the Company's outstanding convertible Debentures, Common Share purchase warrants, options and deferred share units. Furthermore, the Trust adopted a distribution reinvestment plan and unit purchase plan that have the same terms as the Company's dividend reinvestment plan and share purchase plan.

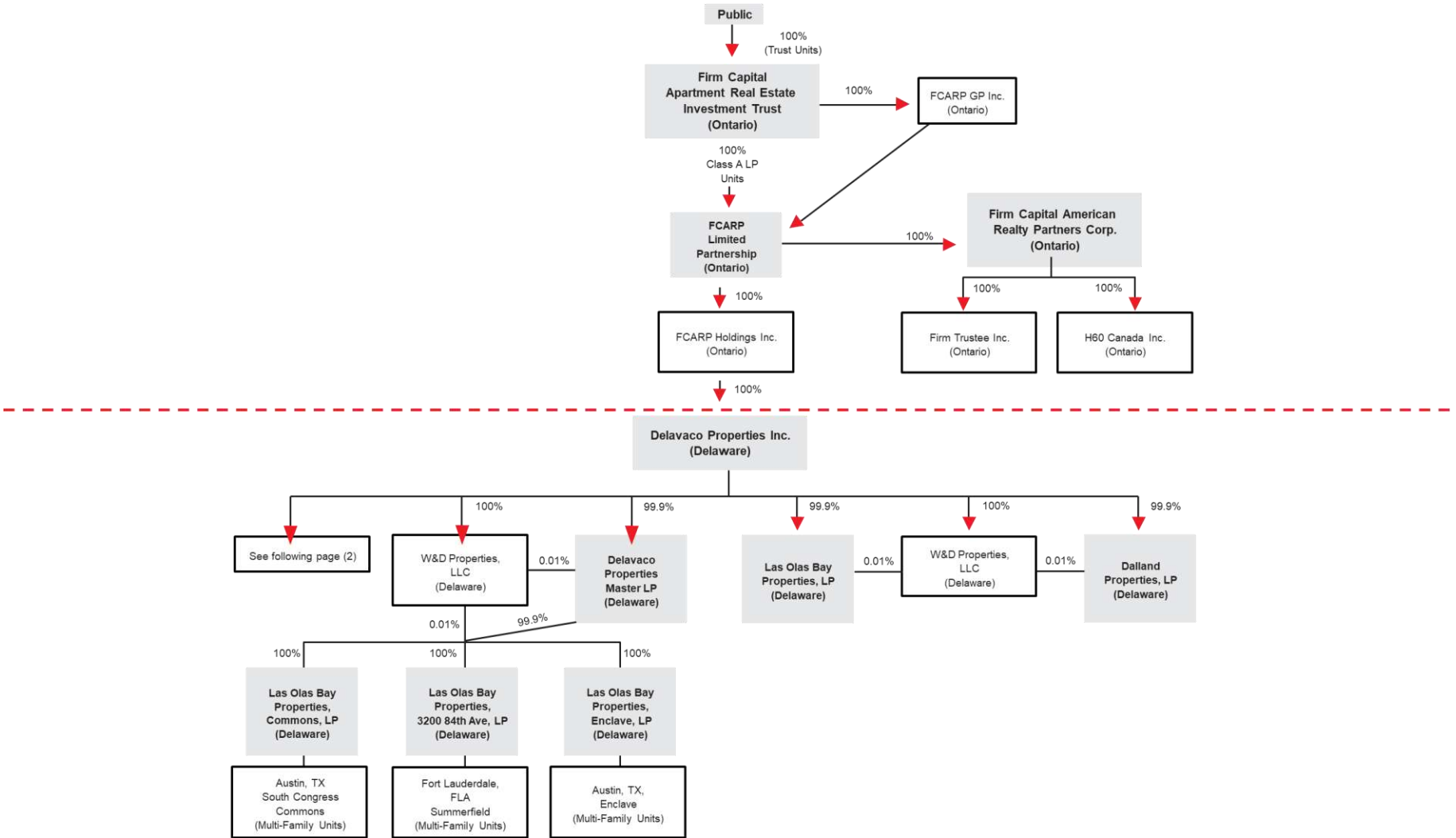
On September 22, 2020, to more reflect the investment activities of the Trust and its focus on multi-residential investments, the Board of Trustees has approved a name change to "Firm Capital Apartment Real Estate Investment Trust".

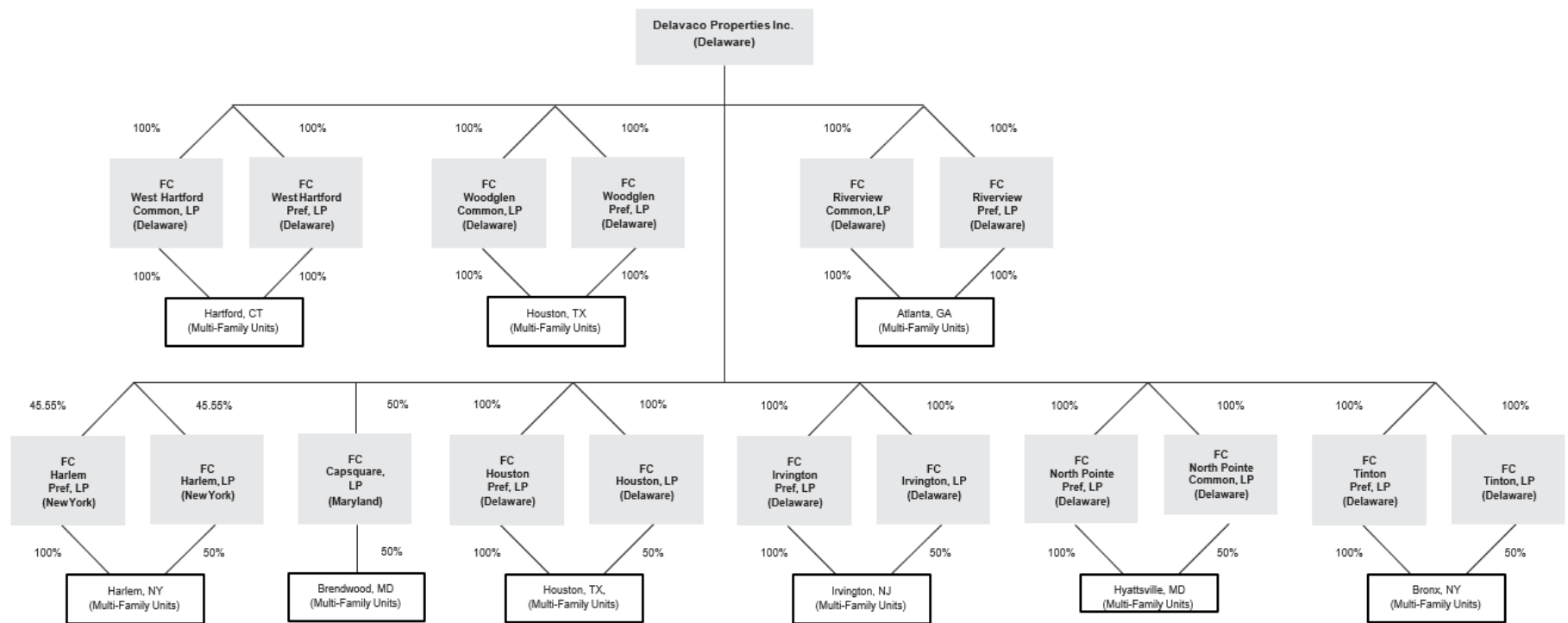
The head and registered office of FCA is located at 163 Cartwright Avenue, Toronto, Ontario, M6A 1V5.

The information about FCA prior to the Business Combination Date contained in this AIF is in reference to the business of DPI. Information regarding Sereno is neither relevant nor material for the purposes of this AIF. Certain information about DPI and Sereno prior to December 30, 2013 can be found in the joint management information circular of DPI and Sereno, dated November 29, 2013 which has been filed under the Trust's SEDAR profile at www.sedar.com.

2.2 Intercorporate Relationships

The current organizational chart below indicates the corporate structure of the Trust including its subsidiaries, their respective jurisdictions of organization, and the percentage of voting rights held by the Trust, directly or indirectly:





3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Three Year History

Over the three most recently completed financial years, the following events contributed materially to the development of FCA's business:

Business Strategy

The Trust is a U.S. focused real estate investment entity that pursues real estate and debt investments through the following platforms:

- ***Income Producing Real Estate Investments:***
 - ***Core Markets Wholly Owned Investments:*** The Trust is focused on growing its wholly owned multi-residential property portfolio in large core markets with attention to cities located in Texas, Florida, New Jersey, North and South Carolina, Colorado, Georgia and New York.
 - ***Core and Non-Core Markets: Joint Venture Investments:*** The Trust will also purchase in both core and non-core markets where it lacks knowledge or experience, partial ownership interests in multi-residential properties with industry leaders as partners. These partners bring both expertise in operations and knowledge, especially in 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 for investors in the Trust, resulting in a secured structure ahead of the partners ownership interest, while the common equity provides investors an upside return as the investment meets its targeted objectives.
- ***Mortgage Debt Investments:*** The Trust, using Firm Capital's plus 30-year experience as a leader in the mortgage lending industry, provides bridge lending of mortgage and preferred capital secured by residential/multi-residential properties.

Asset Management, Property Management and Mortgage Banking Agreement

On December 29, 2015, the Company announced that it agreed to enter into a transformative rebranding and revised business strategy with the Manager. The Company entered into the Asset Management, Property Management and Mortgage Banking Agreement with the Manager with effect from November 1, 2015, to provide external asset management, lending syndication, mortgage banking and property management services to the Company.

On March 10, 2016, the TSXV formally approved: (i) the appointment of the Manager as manager under the Asset Management, Property Management and Mortgage Banking Agreement; (ii) the continuation of the Company's single-family property disposition program; and (iii) the adoption of new investment policies for the Company in line with its future anticipated areas of business.

On January 1, 2020, the Company completed its successful transition into an investment trust and in connection with the completion of that transaction entered into a new Asset Management, Property Management and Mortgage Banking Agreement with the Manager on substantially the same terms as those contained in the Asset Management, Property Management and Mortgage Banking Agreement previously entered into with the Company.

Under the terms of the Asset Management, Property Management and Mortgage Banking Agreement, the Manager is entitled to certain fees, as described below.

Asset Management Fee

The Manager is entitled to an asset management fee of 0.75% per annum of the Gross Invested Assets, calculated and payable monthly.

Acquisition Fee

The Manager is entitled to an acquisition fee as follows: (i) 1.0% of the first \$300 million of aggregate Gross Book Value in respect of New Real Estate Properties acquired in a particular year; and (ii) thereafter 0.75% of aggregate Gross Book Value in respect of New Real Estate Properties acquired in such year.

Performance Incentive Fees

The Manager is entitled to performance incentive fees of 15% of AFFO once AFFO exceeds \$0.63 per Unit.

Placement Fees

The Manager is entitled to placement fees of 0.25% of the aggregate value of all debt and equity financing arranged by the Manager.

Property Management Fees

For each multi-unit residential property with 120 units or less, the Manager is entitled to a fee equal to four percent (4.0%) per annum of Gross Revenue collected from the property; and for each multi-unit residential property with more than 120 units, the Manager is entitled to a fee equal to three and one half percent (3.5%) per annum of Gross Revenue collected from the property.

For each industrial or commercial property, the Manager is entitled to a fee equal to four and one quarter percent (4.25%) per annum of Gross Revenue collected from the property; provided, however, that for such properties with a single tenant, the fee is equal to three percent (3.0%) per annum of Gross Revenue collected from the property.

Commercial Leasing Fees

Where the Manager leases a rental space on commercial terms, the Manager is entitled to receive a leasing commission equal to three percent (3.0%) per annum of the net rental payments for the first year of the lease, and one and one half percent (1.5%) per annum of the net rental payments for each year during the balance of the 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 is entitled to a reduced commission equal to 50% of the foregoing amounts with respect to such property.

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 are subject to a commission payable to the Manager of one half of one percent (0.50%) per annum of 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 will cooperate fully with the broker and the leasing fees will not be payable to the Manager.

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 will

receive as compensation for its services with respect thereto a fee equal to five percent (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 will 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.

Loan Servicing Fees

The Manager is entitled to a loan servicing fee equal to 0.25% per annum on the principal amount of each Mortgage Investment (other than syndicated loans serviced by third parties). The loan servicing fee is calculated as spread interest and deducted from the first interest received on a mortgage investment. Mortgage servicing fees are payable as to 1/12 monthly based on the receipt of interest payments from borrowers. Loan servicing fees are not payable in respect of the Trust's cash balances or Non-Performing Loans held by the Trust, except that the Manager is entitled to retain any overnight float interest on all accounts maintained by the Manager in connection with the servicing of the Mortgage Investments. For greater clarity, the Manager retains 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 only applies to the Mortgage Investments if the Trust.

Origination, Commitment & Discharge Fees and Profit-Sharing Fees

The Manager remits 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). For greater certainty, the Manager retains 100% of all originating fees, commitment fees, renewal fees and remits 25% of such fees to the Trust calculated on the Trust's investment amount; and (ii) 75% of any profit sharing fees, discharge fees, participation fees and profit made on discounted debt that the mortgage banker, Firm Capital Corporation, 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). For further certainty, the Manager retains 100% of all servicing charges paid by borrowers which are not identified above, including, without limitation, discharge statement administration fees and all fees identified.

Capital Placement Fee

Where a Capital Placement Fee is charged to sponsors as part of a preferred equity investment or joint venture transaction, the Manager shall remit to the Trust, 25% of such fee received by the Manager, prorated to reflect the Trust's participation in the investment, and if a joint venture, prorated to the Trust's ownership interest in the joint venture.

Term and Termination

The Asset Management, Property Management and Mortgage Banking Agreement has an initial term of ten years with automatic renewals for successive five-year terms. The Trust may terminate the Asset Management, Property Management and Mortgage Banking Agreement any time after November 1, 2025 other than for cause upon the approval of two-thirds of the votes cast by Unitholders at a meeting and upon 24 months' prior written notice to the Manager given after the aforesaid approval of Unitholders. If such approval is not obtained by November 1, 2025, then the references to "2025" in the immediately preceding sentence shall be deemed to read "2030".. Upon termination, the Trust will pay to the Manager the greater of: (A) a fee equal to 2% of the Gross Invested Assets of the Properties and the Trust's other assets; or (B) 2% of the Trust's assets under administration on the date on which the Manager received the notice of termination.

As noted above, management services are provided to the Trust by the Manager pursuant to the terms of the Asset Management, Property Management and Mortgage Banking Agreement.

Such agreement provides, in part, that the services provided include the appointment on an annual basis, at the Manager's sole discretion, of members of the Manager's senior management team to act as Chief Executive Officer ("**CEO**"), Chief Financial Officer ("**CFO**") and Vice President, Investment Portfolio Management ("**VP**") of the Trust, for whose services the Trust shall pay the Manager a fixed fee of \$50,000 per annum for each of the CEO, CFO and VP until the Trust's Gross Invested Assets (as such term is defined in the management agreement) are equivalent to \$100,000,000 or more, at which time 50% of the CEO and CFO compensation will be paid by the Manager while the remainder will be paid by the Trust. Once the Trust's Gross Invested Assets are equivalent to \$100,000,000 or more, the Trust shall internalize the position of VP and the above fee arrangement will be terminated, thereafter all costs associated with the VP will be assumed by the Trust. Notwithstanding the foregoing provision, to date neither the CEO nor the CFO have received any cash compensation from the Manager for the provision of services to the Trust. The Manager is 100% owned by an entity under the control, direction and management of Eli Dadouch, the Vice Chairman and a Trustee of the Trust.

For additional information regarding the Asset Management, Property Management and Mortgage Banking Agreement, please visit www.sedar.com.

Common Share, Option and Warrant Activity

On November 9, 2018, the Company issued 808,643 units ("**November 2018 Units**") at a price of \$8.10 per November 2018 Unit. Each November 2018 Unit was comprised of one Common Share and one Common Share purchase warrant ("**November 2018 Warrant**"). Each November 2018 Warrant is exercisable into one Common Share (now Trust Unit) at any time on or before November 9, 2020 at an exercise price of \$9.50. The Company raised total gross proceeds of approximately \$6.6 million. The November 2018 Warrants are governed by the November 2018 Warrant Indenture.

On November 19, 2018, the Company issued 248,400 Options to members of senior management and the Board. The Options have an exercise price of \$8.30 per option and expire on November 19, 2028.

On January 30, 2019, the Company repurchased 1,000 Common Shares through a Normal Course Issuer Bid at a price of \$6.80 per share for total gross proceeds of approximately \$0.007 million.

On August 8, 2019, the Company issued 1,534,812 Common Share purchase warrants (the "**August 2019 Warrants**") as part of the Convertible Debenture offering described below. Each August 2019 Warrant is exercisable into one Trust Unit at any time on or before August 8, 2021 at an exercise price of CAD\$12.60. The August 2019 Warrants are governed by the August 2019 Warrant Indenture.

On March 13, 2020, the Trust closed a marketed offering of 1,590,000 Trust Units at a price of \$8.20 (CAD \$10.90 per unit based on the Bank of Canada daily noon rate of exchange of \$1.3745). The Trust raised total gross proceeds of approximately \$12.6 million.

On May 27, 2020, 1,000 warrants were exercised resulting in net proceeds of \$0.008 million, while the remaining warrants expired.

On April 28, 2020, the Trust received approval from the TSXV Venture Exchange to commence a Normal Course Issuer Bid ("NCIB") to purchase up to 645,442 of its trust units being equal to 10% of the public float. The NCIB commenced on April 30, 2020 and will end on the earlier of April 29, 2021, or such time as the bid has been completed. For the year ended December 31, 2020, the Trust repurchased 128,100 Trust Units for a total gross cost of \$0.7 million at a weighted average cost of \$5.75 per Trust Unit.

On July 27, 2020, the Trust redeemed and cancelled 686,200 Trust Units at a price of \$4.00 (CAD \$5.35) per Trust Unit representing a total gross cost of \$2.7 million (CAD \$3.7 million).

Convertible Debenture

On August 8, 2019, the Company 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**”) unit offering. On August 13, 2019, the Company 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 unit offering. Each Convertible Debenture unit consisted of \$1,000 principal amount of Convertible Debentures and 79 August 2019 Warrants. The Convertible Debentures have a term to maturity of seven years and are due on June 30, 2026. The Convertible Debentures can be converted into Trust Units at an exercise price of CAD \$12.60 per Common Share (the “**Conversion Option**”) at any time prior to June 30, 2026. The terms of the August 2019 Warrants are described above. The Convertible Debentures are governed by the Convertible Debenture Indenture.

Supplemental Loan

On February 20, 2018, the Company closed a supplemental first mortgage loan of approximately \$4.0 million from the existing lender on its multi-family residential property located in Sunrise, Florida with a fixed interest rate of approximately 5.8%, a term to maturity of approximately 4.6 years and co-terminus with the existing first mortgage loan, and a 30-year amortization period.

Equity Accounted and Preferred Investments

On February 28, 2018, the Company closed a joint venture investment that consists of seven multi-family buildings comprised of 189 residential units located in Irvington, New Jersey (the “**Irvington Property**”). The purchase price for 100% of the investment was \$17.8 million, representing a going-in capitalization rate of approximately 5.8%, or approximately \$94,180 per unit. The Company invested \$3.4 million in a combination of 100% of the preferred equity (\$2.6 million) and common equity (\$0.8 million), which represents a 50% ownership interest. The preferred equity has a fixed rate of return of 9% per annum.

On February 28, 2018, the Company closed a joint venture investment that consists of 12 multi-family buildings comprised of 235 residential units located in Houston, Texas (the “**Houston Property**”). The purchase price for 100% of the investment was \$15.3 million, representing a going-in capitalization rate of approximately 6.2%, or approximately \$65,106 per unit. The Company invested \$4.7 million in a combination of 100% of the preferred equity (\$3.5 million) and common equity (\$1.2 million), which represents a 50% ownership interest. The preferred equity has a fixed rate of return of 9% per annum.

On December 24, 2018, the Company closed a joint venture investment to acquire three multi-family buildings comprised of 132 residential units located in the Bronx, New York (the “**Bronx Property**”). The purchase price for 100% of the investment was approximately \$25.0 million, representing a going-in capitalization rate of approximately 6.0%, or approximately \$189,393 per unit. The Company invested approximately \$6.7 million through a combination of preferred equity (\$4.8 million), which represents 100% of the preferred equity and common equity (\$1.9 million), which represents a 50% ownership interest. The preferred equity has a fixed rate of return of 8% per annum.

On April 4, 2019, the Company closed a joint venture investment to acquire a 109-unit multi-family residential portfolio comprised of two buildings located in Hartford, CT (the “**West Hartford Portfolio**”). The purchase price of the West Hartford Portfolio was \$13.0 million (including transaction costs). The acquisition was financed with a \$10.0 million 4.81% first mortgage due April 3, 2039 and \$3.0 million of equity. The Company contributed \$0.6 million for 100% of the preferred equity yielding 8% per annum and \$1.2 million of common equity, representing a 50% ownership interest.

On September 27, 2019, the Company closed a joint venture investment to acquire a 138-unit multi-family residential building located in Canton, GA (the “**Canton Acquisition**”). The purchase price for 100% of the Canton Acquisition was \$19.3 million (including transaction costs). The Canton Acquisition was financed, in part with a \$14.0 million, 4.0% first mortgage due on September 26, 2029. The Company contributed \$2.1 million for 100% of the preferred equity yielding 8% per annum and \$1.6 million of common equity, representing a 50% ownership interest.

On January 31, 2020, the Trust closed an equity accounted and preferred investment to acquire a 250 unit multi-family residential building located in Houston, TX (the “**Woodglen Acquisition**”). The

purchase price for 100% of the Woodglen Acquisition was \$27.9 million (including transaction costs). The Woodglen Acquisition was financed, in part with a \$22.1 million, 4.6% first mortgage due on February 9, 2023. The Trust contributed \$3.4 million (100% ownership) of preferred equity yielding 8% and \$1.2 million of common equity representing a 50% ownership interest in the investment.

On September 22, 2020, the Trust closed an equity accounted and preferred investment to acquire a 235 unit multi-family residential portfolio located in Hyattsville, MD (the "**North Pointe Acquisition**"). The purchase price for 100% of the North Point Acquisition was \$40.5 million (including transaction costs). The North Point Acquisition was financed, in part with a \$29.7 million, 3.0% first mortgage due on September 22, 2032. The Trust contributed \$4.0 million of preferred equity yielding 8% and \$3.4 million of common equity representing a 50% ownership interest in the investment.

On December 23, 2020, the Trust completed a sale of its interest in fourteen multi-family buildings located in Bridgeport, Connecticut to its joint venture partner (the "**Bridgeport Sale**"). The Trust received net proceeds of approximately \$4.5 million from the Bridgeport Sale consisting of a repayment of its preferred equity (inclusive of accrued interest) of \$2.8 million and \$1.7 million of common equity, respectively.

Preferred Capital Investment

On December 18, 2017, the Company closed a participation of \$2.5 million in a \$12.0 million preferred capital loan (the "**New York Preferred Capital**") to fund the acquisition of a portfolio of three apartment buildings located in New York City. The New York Preferred Capital earns an interest rate of 12% per annum during its initial term of three years and, if the term is extended for a further two years, at an interest rate thereafter that is the greater of 13% or London Interbank Offered Rate ("**LIBOR**") plus 10% per annum. The investment yield is interest only and may be repaid by the borrower prior to maturity in whole or in part upon 30 days prior written notice. On September 24, 2018, \$2.5 million of the New York Preferred Capital was repaid leaving a principal balance of approximately \$9.5 million. Subsequently, on June 5, 2019, an additional \$1.0 million was advanced leaving a total principal balance of \$10.5 million. As at December 31, 2020, the Company's pro-rata principal balance in the New York Preferred Capital was \$2.5 million.

On November 15, 2019, the Company closed on a participation of \$3.0 million in a \$10.0 million preferred capital loan (the "**Houston Preferred Capital**") for a portfolio of five apartment buildings located in Houston, Texas. The Houston Preferred Capital earns an interest rate of 12% per annum during its initial term of two years, following which if the term is extended, at an interest rate of 18% per annum. As at December 31, 2020, the Company's pro-rata principal balance in the Houston Preferred Capital was \$3.0 million.

Implementation of DRIP

On September 29, 2017, the Company announced that it had implemented a dividend reinvestment plan (the "**DRIP**") and a share purchase plan (the "**Purchase Plan**" and collectively with the DRIP, the "**Plans**"), each to be offered to holders of Common Shares resident in Canada and administered by TSX Trust Company (the "**Agent**"). On January 1, 2020 the Plans were assumed by the Trust pursuant to the Arrangement. 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 DRIP and Purchase Plan, holders of Trust Units may elect to: (a) have all cash distributions of the Trust automatically reinvested in additional Trust Units at the Average Market Price and (b) purchase Trust Units by contributing optional cash payments to the Trust, which will be invested for additional Trust Units at the Average Market Price.

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

applied to the purchase of Trust Units from the treasury of the Trust at the Reference Price. If the Average Market Price is equal to or more than the Reference Price, the funds will be applied to the purchase of Trust Units from the treasury of the Trust at the Average Market Price.

A minimum purchase of \$3,000 on the last business day of each calendar quarter (a “**Quarterly Purchase Date**”) and maximum purchases of up to \$12,000 per year (payable in one lump sum or from time to time on a Quarterly Purchase Date) are permitted under the DRIP and Purchase Plan. The aggregate number of Trust Units that may be issued under the DRIP and Purchase Plan 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.

Non-Resident Unitholders are not entitled to participate in the DRIP and Purchase Plan. Upon ceasing to be a resident of Canada, a Unitholder must terminate the Unitholder's participation in the DRIP and Purchase Plan.

For the purposes of this announcement, “**Average Market Price**” means the volume weighted average price of the United States dollar traded Trust Units traded on the TSXV for the five trading days immediately preceding the relevant distribution payment date or the effective date of the purchase of additional Trust Units under the Plans.

For the year ended December 31, 2020, 2,669 Trust Units were issued from treasury for total gross proceeds of \$21,623 to Unitholders who elected to receive their distributions under the DRIP.

Changes to Management and Board of Directors/Trustees

On September 18, 2018, the Company announced: (i) the appointment of Mr. Eli Dadouch as Interim President and Chief Executive Officer; and (ii) the resignation of Mr. Kursat Kacira as President, Chief Executive Officer and Director.

On November 5, 2018, the Company announced the appointment of Ojus Ajmera as a Director of the Company. During 2020, Ojus Ajmera resigned from the Board of Trustees.

On February 12, 2020, the Trust announced the appointment of Valentina Kalyk as a Trustee of the Trust.

On February 12, 2020, the Trust announced the resignation of Scott Reid as a Trustee of the Trust.

On April 14, 2020, the Trust announced the resignation of Robert Janson as a Trustee of the Trust.

On August 11, 2020, the Trust announced the appointment of Jonathan Mair as a Trustee of the Trust.

On September 15, 2020 the Trust announced the appointment of Robert Parker to the Board of Trustees.

On October 22, 2020, the Trust announced the promotion of Sandy Poklar to President and Chief Executive Officer and the appointment of Mark Goldreich to Chief Financial Officer.

3.2 Recent Developments

Subsequent to the completion of the most recent financial year, the following events contributed materially to the development of the Trust's business.

Bronx Property Refinancing

On February 25, 2021, the first mortgage on the Bronx, NY joint venture was refinanced for gross proceeds of \$21.6 million. With the \$3.6 million net proceeds received from the refinance and the \$1.6

million of capital contributed by Common Shareholders, the Preferred Equity was repaid in full. The mortgage is a 3.51%, \$21.6 million first mortgage with a 12-year term amortizing over 30 years.

4. DESCRIPTION OF THE BUSINESS

4.1 Current Objectives and Business Strategy

Overview

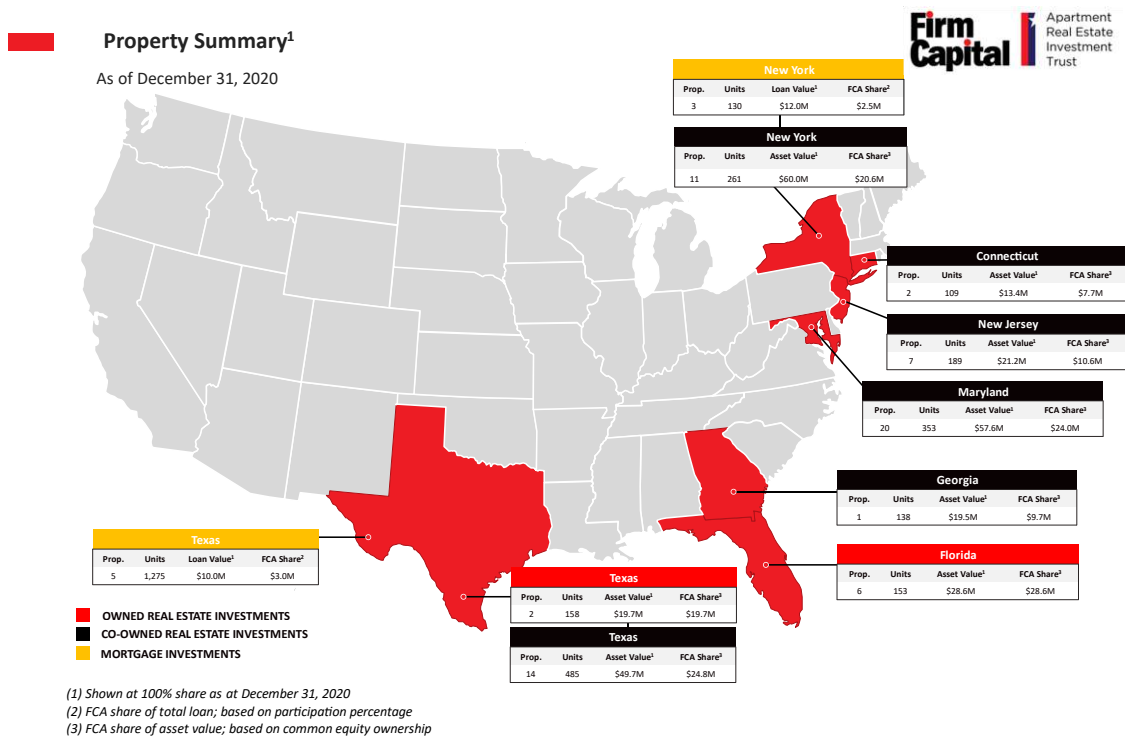
The Trust is based in Toronto, Ontario and was formed pursuant to the Declaration of Trust and is a reporting issuer in each of the Provinces of Canada other than Québec. The Trust Units are both U.S. and Canadian dollar denominated and are listed and posted for trading on the TSXV under the symbols FCA.U and FCA.UN, respectively. The Trust's head office is located at 163 Cartwright Avenue; Toronto, Ontario; M6A1V5.

Business Strategy

The Trust is a U.S. focused real estate investment entity that pursues real estate and debt investments through the following platforms:

- **Income Producing Real Estate Investments:**
 - **Core Markets Wholly Owned Investments:** The Trust is focused on growing its wholly owned multi-residential property portfolio in large core markets with attention to cities located in Texas, Florida, New Jersey, North and South Carolina, Colorado, Georgia and New York.
 - **Core and Non-Core Markets: Joint Venture Investments:** The Trust will also purchase in both core and non-core markets where it lacks knowledge or experience, partial ownership interests in multi-residential properties with industry leaders as partners. These partners bring both expertise in operations and knowledge, especially in 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 for investors in the Trust, resulting in a secured structure ahead of the partners ownership interest, while the common equity provides investors an upside return for investors as the investment meets its targeted objectives.
- **Mortgage Debt Investments:** The Trust, using Firm Capital's plus 30-year experience as a leader in the mortgage lending industry, provides bridge lending of mortgage and preferred capital secured by residential/multi-residential properties.

The following shows the geographical location of the Trust's investments:



Note: All figures are shown at 100% share.

Investment Highlights

Unique Blend of Underlying Assets

Preferred & Common Equity investment (joint ventures) in 55 multi-family residential properties with 1,535 units in seven different U.S. States. Preferred capital loan investments on 8 multi-family residential properties with 1,405 residential units in New York & Houston.

Alignment of Interests

As at the date of this AIF, senior management team and Board members have control over approximately 19.7% of the outstanding Trust Units, and 12.8% ownership interest of the Common Equity and Preferred Capital in the Trust.

Strategic Portfolio Diversification

Strategically diversified by geography (across 7 U.S. states) and investment type (blend of stabilized and value-add income producing real estate investments & mortgage debt investments).

Compelling Investment Metrics & Attractive Growth

The Trust pays quarterly distributions of \$0.059 per Trust Unit. Further, Net Asset Value or NAV increased by a 13.3%+ compounded annual growth rate to \$9.84 per Trust Unit and the Trust's return of capital for 2020 were tax efficient to unitholders as it delivered a 100% return of capital.

Disciplined Philosophy for Growth & Income

Full capital stack investment model targets balanced growth and income returns to the Trust, including a mix of common equity returns (targeted at >20%), preferred equity returns

(targeted at >8%), and bridge lending returns (targeted at >12%). There is no guarantee that the targeted returns will be achieved.

The Trust believes that the U.S. multi-family real estate sector presents a compelling investment opportunity and provides competitive long-term returns when compared to other real estate asset classes. The Trust believes that its existing investment portfolio benefits from being located in strong sub-markets with favourable demographics, and believes that this provides a platform for further growth in the U.S. market through additional investments.

Compelling Valuation Metrics

The Trust has growth vehicle with \$14.6 million of imbedded growth, and trades at a significant discount to its multi-residential peers.

Investment Objectives

The Trust's future investments are subject to Board approval and are expected to be made in accordance with the following investment criteria and guidelines (the "**Investment Guidelines**"). A complete copy of the Investment Guidelines can be found under the Company's profile on SEDAR at www.sedar.com.

Investment Guidelines

In order to meet its investment objectives, the Trust's investment strategy is as follows:

Acquisition of U.S. Income Producing Multi-Family Real Estate

- (i) Identify acquisition opportunities in the U.S. multi-family residential market by leveraging the Trust's relationships with principals, operators, and brokers located in major markets across the U.S. and by its ability to source "off-market" opportunities.
- (ii) Identify acquisition opportunities where the Trust can act in joint-venture partnerships with experienced local industry expert partners who retain property management.
- (iii) Target multi-family assets that are:
 - (i) well located Class "B" stabilized properties with the potential to benefit from an active asset management strategy.
 - (ii) located in major markets across the U.S., each with favourable demographics and fundamentals; and
 - (iii) located in mature areas with barriers to new development.
- (iv) Complete a comprehensive due diligence program, including cash flow and return modeling, operating expense reviews, and third-party reports including market studies, structural and environmental assessments and appraisals.
- (v) Conduct a broad canvass of the lending community, including lenders with whom the Trust enjoys long-term relationships, to secure debt financing on competitive terms.

Mortgage Debt Investments in U.S. Income Producing Multi-Family Real Estate

- (i) Identify mortgage debt investment opportunities in the U.S. multi-family residential market by leveraging the Trust's relationships with principals, operators, and brokers located in major markets across the U.S. and by its ability to source "off-market" opportunities.
- (ii) Target shorter term and higher yield mortgage debt investments, secured by high-quality multi-family assets that are located in major markets across the U.S., each with favourable demographics and fundamentals, and with borrowers who are local industry expert partners with equity invested in the assets and management expertise to operate the assets.

Target Major Markets Across the U.S.

The Trust will target acquisitions in major markets across the U.S., with the following features:

- (i) compelling population, economic and employment growth rates;
- (ii) "landlord friendly" legal environments; and
- (iii) comfortable climates and quality of life.

Strategic U.S. Market and Asset Class Focus

The Trust believes that:

- (i) multi-family fundamentals are strong, featuring both declining vacancy rates and appealing rental growth rates due to a reduction in home ownership and strong employment growth;
- (ii) positive demographic trends increasingly support strong demand for rental accommodation, while the U.S. housing market has shifted away from home ownership in favour of rental housing, which should enhance the sector's performance;
- (iii) younger Americans prefer to rent rather than own as it provides flexibility to relocate elsewhere in the U.S. and the quality of rental accommodations and amenities are in some cases superior to what would be found in a new home, without the requirement for a down payment;
- (iv) new supply of multi-family product remains below historical levels;
- (v) attractive mortgage debt financing rates create positive leverage; and
- (vi) multi-family real estate provides strong, risk-adjusted long term returns compared to other real estate asset classes.

The Trust has the platform necessary to capitalize on this opportunity, with its experience, expertise, and the benefit of its established network of industry contacts. The Trust believes that the multi-family real estate sector in the U.S. currently provides an opportunity to acquire multi-family properties at favourable pricing. The Trust believes that, since recovering from the global financial crisis that occurred in 2007 and 2008, real estate investment trusts and institutional investors have focused their attention on trophy assets that have lower perceived risk, higher liquidity, and more favourable lending characteristics. Consequently, the Trust believes that there exists a substantial inventory of well located Class "B" income-generating, multi-family properties that it can source on an "on" and "off" market basis at attractive pricing. Capital growth will be

pursued by the Trust through value-added enhancements to the properties and organic growth in suite rental rates.

The U.S. Multi-Family Real Estate Sector

The Trust believes that the outlook for the multi-family market remains positive, owing to the strong demand for rental housing to sustain household formation. The Trust believes that robust demographic and economic trends continue to support the multi-family residential market, including: the propensity to rent rather than buy for those aged 20 to 34 years, a continued shift away from homeownership, and a growing diversity in household composition. This positive momentum demonstrates the opportunity that the Trust has identified to strategically acquire well located and stabilized assets, in need of value-added enhancements, in a market environment poised to see further price increases.

Employees

As at December 31, 2020, FCA, combined with those managing the Multi-Family Property Portfolio, had three full-time employees. The full-time employees of FCA have historically provided a broad range of services to FCA including property management, maintenance, administration, leasing and management. Additional staffing such as senior management including the CEO and CFO, are employed by the Manager and are 50% compensated from fees received under the Asset Management, Property Management and Mortgage Banking Agreement, while the remainder is compensated by the Trust. Vice President Investment Portfolio Management is employed and compensated by the Trust.

4.2 Assets of FCA

Investment Portfolio

The Company's Investment Portfolio, as at December 31, 2020, consisted of the following assets:

Multi-Family Investment Portfolio: 311 wholly-owned multi-family apartment units located across three portfolios in Florida (one portfolio) and Texas (two portfolios), with an aggregate IFRS valuation of approximately \$49.6 million.

Equity Accounted and Preferred Investments: Investment in Equity Accounted and Preferred Investments with ownership interests in 1,535 multi-family apartment units with an aggregate IFRS equity valuation of approximately \$48.1 million (including accrued income) and a pro-rata real estate fair market valuation of \$96.6 million (\$221.4 million on an associate basis).

Preferred Capital Investments:

New York Portfolio: Investment of \$2.5 million in a \$12.0 million, interest only preferred capital investment to fund the acquisition by a New York based real estate investment firm of a portfolio of three apartment buildings in Manhattan, New York. The investment earns an interest rate of 12% per annum and matures on January 1, 2023.

Houston Portfolio: Investment of \$3.0 million in a \$10.0 million preferred capital loan for a portfolio of five apartment buildings located in Houston, Texas. The Houston Preferred Capital earns an interest rate of 12% per annum during its initial term of two years, following which if the term is extended, at an interest rate of 18% per annum.

Outlined below is a summary of the Investment Portfolio as at December 31, 2020:

December 31, 2020				
Region	Number of Units	IFRS Value	Occupancy	Average Monthly Rent
Multi-Family Investment Portfolio				
Florida Multi-Family	153	\$ 29,523,222	94.8%	\$ 1,397
Texas Multi-Family	158	20,062,618	94.3%	\$ 919
Total / Weighted Avg.	311	\$ 49,585,840	94.5%	\$ 1,154
Equity Accounted and Preferred Investments				
New York City	129	\$ 5,775,599	96.1%	\$ 1,635
Brentwood, MD	118	2,298,527	89.8%	\$ 1,341
Irvington, NJ	189	5,143,246	98.9%	\$ 1,097
Houston, TX	235	8,398,518	94.5%	\$ 865
Bronx, NY	132	7,562,409	98.5%	\$ 1,407
Hartford, CT	109	2,332,223	88.1%	\$ 1,192
Canton, GA	138	4,191,892	93.5%	\$ 1,053
Houston, TX	250	4,754,665	94.4%	\$ 945
Hyattsville, MD	235	7,675,484	95.3%	\$ 1,420
Total / Weighted Avg.	1,535	\$ 48,132,563	94.7%	\$ 1,180
Preferred Capital Investments				
New York City	N/A	\$ 2,528,968	N/A	N/A
Houston, TX	N/A	3,000,000	N/A	N/A
Total / Weighted Avg.		\$ 5,528,968	N/A	N/A
Total / Weighted Avg.	1,846	\$ 103,247,371	94.7%	\$ 1,175

Environmental Assessment of the Investment Portfolio

Each of the properties in the Investment Portfolio had a Phase I environmental site assessment report conducted and prepared by independent environmental consultants before their acquisition. The purpose of the Phase I environmental site assessments was to assess whether evidence of potential or actual environmental contamination exists. The Phase I environmental site assessments were prepared in accordance with general industry practice for assessment reports. Intrusive sampling and analysis were not part of these Phase I environmental site assessments. Environmental site assessments involving intrusive soil and/or groundwater sampling and analysis were deemed not necessary to be carried out due to the results of the Phase I assessments.

Management is not aware of any non-compliance with environmental laws that would have a material adverse effect on the Trust. Management is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with the Investment Portfolio.

Property Condition Assessment of the Investment Portfolio

Property condition assessment reports ("**PCA Reports**") were prepared for each of the properties in the Investment Portfolio by independent engineering firms for the purpose of assessing and documenting the existing condition of each building and major building operating components and systems. The assessments identified and qualified any major defects in materials or systems that might significantly affect the value of any of the Properties or the continued operation thereof. In addition to required regular maintenance on the various components of the buildings, each of the PCA Reports assessed both work to be completed immediately (i.e., within 90 days of acquiring the property) and work recommended to be completed during the subsequent 10 to 12 year time period in order to maintain the building in its current condition.

Based on the PCA Reports, each of the properties in the Investment Portfolio was determined to be in good condition commensurate with its age and comparable to other similar properties in its respective market.

Third Party Property Management

Investment Properties

As at December 31, 2020, with the exception of the Florida multi-family properties which are managed by FCA's internal staff, all of the remaining Properties have a property management agreement with arm's length third-party service providers. The Austin Properties (comprising the Enclave and the South Congress Commons apartment communities), Houston Property and Woodglen Village Apartments are managed by Roscoe. The New York City Property is managed by Clearstone Property Management. The Brentwood Property is managed by Signature. The Irvington Property is managed by Clearstone. The Bronx Property is managed by Stonelock. The Riverview Apartments are managed by Lincoln BP Management, Inc. The West Hartford Portfolio is managed by CS Management LLC. The North Pointe Property is managed by Element National Management LLC:

Austin Property Management Agreements

Under the terms of the Austin Property Management Agreements, Roscoe is responsible for the management, maintenance and operation of the Austin Properties. This includes the collection of all rents and other charges, repair and servicing of the properties. Las Olas Bay Properties Enclave, LP and Las Olas Bay Properties South Common, LP, in their capacity as owners, pre-approve all operating and capital budgets and otherwise maintain general control and supervision of the Austin Properties.

As consideration for its services, Roscoe receives a monthly management fee equal to 4% of total income, plus additional fees that are reimbursed for the costs of gross salary and wages of all on-site personnel employed by Roscoe in connection with managing the Austin Properties. The Austin Property Management Agreements continue for an indefinite term subject to termination upon thirty days' prior written notice by either Roscoe or the property owners.

New York City Property Management Agreement

Under the terms of the New York City Property Management Agreement, Clearstone Property Management is responsible for the management, maintenance and operation of the New York City Property. This includes the collection of all rents and other charges, repair and servicing of the properties.

As consideration for its services, Clearstone Property Management receives a monthly management fee equal to 3% of gross revenue from the properties comprising the New York City Property. Clearstone Property Management will also be reimbursed for all out-of-pocket expenses properly incurred pursuant to the New York City Property Management Agreement and for the costs of gross salary and wages of all on-site personnel.

The New York City Property Management Agreement continues for an indefinite term, and is subject to termination on thirty days' prior written notice by the property owners in the event of a default, or in the event of the sale of the properties.

Brentwood Property Management Agreement

Under the terms of the Brentwood Property Management Agreement, Signature is responsible for the management, maintenance, operation and leasing of the Brentwood Property. This includes the collection of all rents and other charges, repair and servicing of the properties. Capitol Square, LP, in its capacity as owner, pre-approves all annual budgets.

As consideration for its services, Signature receives a management fee equal to 4% of gross revenue from the Brentwood Property, where “gross revenue” means all rent, additional rent, percentage rent, parking revenue and other property income collected in respect of the Property, but shall not include any sums resulting from awards paid from expropriation, legal damages, condemnation, casualty and liability insurance proceeds and proceeds from a new mortgage or a refinancing of an existing mortgage. Signature will also be reimbursed for all out-of-pocket expenses properly incurred pursuant to the Brentwood Property Management Agreement and for the costs of salary and wages of all on-site personnel that provide services exclusive to the Brentwood Property. The Brentwood Property Management Agreement continues for an indefinite term, and is subject to termination on thirty days’ prior written notice by the property owners in the event of a default, in the event of substantial damage to the Brentwood Property, or in the event of the sale of any one of the properties comprising of the Brentwood Property to a third party.

Houston Property Management Agreement

Under the terms of the Houston Property Management Agreement, Roscoe is responsible for the management, maintenance and operation of the Houston Property. This includes the collection of all rents and other charges, repair and servicing of the properties. Broadmoor 10215 Beechnut Street LP, in its capacity as owner, pre-approves all operating and capital budgets and otherwise maintains general control and supervision of the Houston Property.

As consideration for its services, Roscoe receives a monthly management fee equal to 3.5% of total revenues for the Houston Property, plus additional fees that are reimbursed for the costs of gross salary and wages of all on-site personnel employed by Roscoe in connection with managing the Houston Property. The Houston Property Management Agreement continues for an indefinite term subject to termination upon thirty days’ prior written notice by either Roscoe or the property owners or upon the sale of the Houston Property.

Irvington Property Management Agreement

Under the terms of the Irvington Property Management Agreement, Clearstone is responsible for the management, maintenance, operation and leasing of the Irvington Property. This includes the collection of all rents and other charges, repair and servicing of the properties. CS FC NJ LP, in its capacity as owner, pre-approves all operating and capital budgets and otherwise maintains general control and supervision of the Irvington Property.

As consideration for its services, Clearstone receives a monthly management fee equal to 4% of gross collected and banked revenue, plus additional fees that are reimbursed for the costs of gross salary and wages of all on-site personnel employed by Clearstone in connection with managing the Irvington Property. The Irvington Property Management Agreement continues for an indefinite term subject to termination upon thirty days’ prior written notice by either Clearstone or the property owner or upon the sale of the Irvington Property.

Bronx Property Management Agreement

Under the terms of the Bronx Property Management Agreement, Stonelock is responsible for the management, maintenance, operation and leasing of the Bronx Property. This includes the collection of all rents and other charges, repair and servicing of the properties. 504 Tinton LP, 514 Tinton LP and 520 Tinton LP, in its capacity as owner, pre-approves all operating and capital budgets and otherwise maintains general control and supervision of the Bronx Property.

As consideration for its services, Stonelock receives a monthly management fee equal to 4% of gross collected and banked revenue, plus additional fees that are reimbursed for the costs of gross salary and wages of all on-site personnel employed by Stonelock in connection with managing the Bronx Property. The Bronx Property Management Agreement continues for an indefinite term subject to termination upon thirty days’ prior written notice by either Stonelock or the property owner or upon the sale of the Bronx Property.

West Hartford Portfolio Management Agreement

Under the terms of the West Hartford Portfolio Management Agreement, CS Management LLC is responsible for the management, repair and maintenance, managing all AR/AP related to the operation of Hartford Portfolio. This includes the collection of all rents and other charges and to perform all of Owner's repairs and maintenance obligations (including trash removal, where applicable) as landlord under leases for premises at the project. 43 Caya LP/ 158 Newington LP in its capacity as owner, pre-approves all operating and capital budgets and otherwise maintains general control and supervision of the West Hartford Portfolio.

As consideration for its services, CS Management LLC receives a monthly management fee equal to 3% of gross revenue as property management fee and an additional 1% of gross revenue as an asset management fee. The Owner is also responsible for reimbursing CS Management LLC for the costs of gross salary and wages of all on-site personnel employed by CS Management LLC in connection with managing the West Hartford Portfolio. The West Hartford Management Agreement continues for an indefinite term subject to termination upon thirty days' prior written notice by either CS Management LLC or the property owner or upon the sale of the West Hartford Portfolio.

Riverview Apartments Management Agreement

Under the terms of the Riverview Apartments Management Agreement, Lincoln BP Management, Inc. is responsible for the management, maintenance, operation and leasing of the Riverview Apartments. This includes the collection of all rents and other charges, repair and servicing of the properties. 56 Riverview Owner, LP in its capacity as owner, pre-approves all operating and capital budgets and otherwise maintains general control and supervision of the Riverview Apartments.

As consideration for its services, Lincoln BP Management receives a monthly management fee equal to 3% of monthly gross collections. The Riverview Apartments Management Agreement continues for an indefinite term subject to termination upon thirty days' prior written notice by either Lincoln BP Management or the property owner or upon the sale of the Riverview Apartments.

Woodglen Village Apartments Management Agreement

Under the terms of the Woodglen Village Apartments Management Agreement, Roscoe is responsible for the management, maintenance and operation of the Woodglen Village Apartments. This includes the collection of all rents and other charges, repair and servicing of the properties. Woodglen Property Owner LP, in its capacity as owner, pre-approves all operating and capital budgets and otherwise maintains general control and supervision of the Woodglen Village Apartments.

As consideration for its services, Roscoe receives a monthly management fee equal to 3.0% of total income generated by the property. The Woodglen Village Apartments Management Agreement continues for an indefinite term subject to termination upon thirty days' prior written notice by either Roscoe or the property owners or upon the sale of the Houston Property.

North Pointe Property Management Agreement

Under the terms of the North Pointe Property Management Agreement, Element National Management LLC is responsible for the management, maintenance, operation and servicing of the North Pointe Property. This includes the collection of all rents and other charges and to perform all repairs and maintenance (including periodic roofing inspections) as required by the Owner as landlord under leases for premises at the project. North Pointe Property LP, a Delaware Limited Partnership in its capacity as owner, pre-approves all operating and capital budgets and otherwise maintains general control and supervision of the North Pointe Property.

As consideration for its services, Element National Management LLC receives a monthly management fee equal to 3% of gross revenue generated by the property. The North Pointe Property Management Agreement continues for an indefinite term subject to termination upon one hundred and eighty days' written notice by either the property owner or Element National Management LLC or upon sale of the North Pointe Property.

4.3 Risk Factors

Risks Related to the Operations of FCA

Geographic Concentration

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

Acquisition Risk

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

Co-Investment / Investments in Associates

The Trust currently is and may in the future become, invested in, or a participant in, directly or indirectly, investments in associates and partnerships with third parties. An investment in an associate or partnership involves certain additional risks, including: (i) the possibility that such associate/partners may at any time have economic or business interests or goals that will be or are inconsistent with those of the Trust or take actions contrary to the Manager's instructions or requests or to the Manager's policies or objectives; (ii) the associate/partner may have control over all of the day to day and fundamental decisions relating to a property; the risk that such associates/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such properties or repay the associates/partners' share 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 investments 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/partners 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 of time after closing. If claims arising as a result of a breach of a representation or warranty are discovered after this period, the Trust may not be able to seek indemnification from the seller and would, therefore, suffer the financial consequences of such a breach, which could be material. Moreover, even if the Trust was entitled to indemnification from the seller, no assurance can be given that the seller would have sufficient funds to satisfy any such indemnification claims.

Non-Refundable Deposits

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

Operational Risks

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

Risks Related to Preferred Capital Loan Defaults

The Trust may from time to time deem it appropriate to extend or renew the term of a preferred capital loan past its maturity, or to accrue the interest on a preferred capital loan. The Trust generally will do so if it believes that there is a very low risk to the Trust of not being repaid the full principal and interest owing on the preferred capital loan. In these circumstances, however, the Trust is subject to the risk that the principal and/or accrued interest of such preferred capital loan may not be repaid in a timely manner or at all, which could impact the cash flows of the Trust during the period in which it is exercising such remedies. Further, in the event that 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, as a result 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 of 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 of time during this process and there are circumstances where there may be complications in the enforcement of the Trust's rights as the preferred creditor. Legal fees and expenses and other costs incurred by the Trust in enforcing its rights as the preferred creditor against a defaulting borrower are usually recoverable from the borrower directly or through the sale of the secured property by power of sale or otherwise, although there is no assurance that they will actually be recovered. In the event that 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.

COVID-19 RISK

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic, which has resulted in the federal and provincial governments, as well as U.S. federal and state governments. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines and a general reduction in consumer activity and the institution of government programs to assist in addressing the economic impact of COVID-19. While these affects are expected to be temporary, the duration of the business disruption and related financial impact cannot be reasonably estimated at this time and may be instituted, terminated and re-instituted from time to time as the COVID-19 outbreak worsens or waves of the COVID-19 outbreak occur from time to time.

The extent of the effect of the ongoing COVID-19 pandemic on the Trust's operational and financial performance will depend numerous factors, including the duration, spread and intensity of the pandemic, the actions by governments and others taken to contain the pandemic or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of the pandemic and containment measures, all of which are uncertain and difficult to predict considering that the situation continues to evolve rapidly. As a result, it is not currently possible to ascertain the long term impact of COVID-19 on the Trust's business and operations. Accordingly, these events could have a material adverse effect on the Trust's business, financial conditions and cash flows. The Trust is continuously monitoring the impact of COVID-19 and will continue to transparently communicate with its staff, tenants and stakeholders.

As the United States slowly exits the COVID-19 pandemic, it is anticipated that states where the Trust has investments will reopen for commerce and the impact of the lockdowns will diminish over time. This will in turn translate into both higher monthly rent and collections for almost all real estate asset classes. That said, COVID-19 has not had a material impact on the operations of FCA given that the Trust has consistently collected approximately 93% of its rent over the course of the pandemic, and preCOVID-19, rent collections were in the +95% range.

Risk of Natural Disasters

The properties located in Florida may have sustained significant storm damage in the past 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 of 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. 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 distributions, if any, to 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 of 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 in excess of insurance coverage or that insurance can be obtained in the future at acceptable levels and reasonable cost.

Risk Related to Insurance Renewals

Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When the Trust's current insurance policies expire, the Trust may encounter difficulty in obtaining or renewing property or casualty insurance on the properties at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (e.g., earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Even if the Trust is able to 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 material adverse effect from 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 in order to grow and expand its operations, upon the expiry of the term of financing, on refinancing any particular property owned by the Trust or otherwise, may not be available or, if it is available, may not be available on 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 distributions, if any, to Trust Unitholders.

Financing Risk

A portion of the cash flow generated by the Properties will be devoted to servicing indebtedness, and there can be no assurance that the Trust will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the Trust is unable to meet interest or principal

payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt, or other financing. The failure of the Trust to make or renegotiate interest or principal payments or obtain additional equity, debt, or other financing could have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations.

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

The Trust will seek to manage its financing risk by maintaining a balanced maturity profile with no significant amounts coming due in one particular 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 distributions, 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.

Unitholder Risk

There is a risk that Unitholders could become subject to liability. The Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier shall be held to have any personal liability as such, and no resort shall be had to the private property of any Unitholder or annuitant for any liability whatsoever, to any person in connection with the Trust property or the affairs of the Trust, including, without limitation, for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Trust or of the Trustees or any obligation which a Unitholder or annuitant would otherwise have to indemnify a Trustee for any personal liability incurred by the Trustee as such, but rather the assets of the Trust only are intended to be liable and subject to levy or execution for satisfaction of such liability. The Declaration of Trust further provides that any written instrument creating an obligation which is or includes the granting by the Trust of a lease, sublease or mortgage or which is, in the judgment of the Trustees, a material obligation, shall contain a provision to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property (including any property consisting of or arising from a distribution of any kind or nature by the Trust) of any of the Unitholders or annuitant or officers, trustees, employees and agents of the Trust, but the property of the Trust or a specific portion thereof only shall be bound. If the Trust acquires any real property or other investment subject to existing contractual obligations, the Trustees shall use their reasonable efforts to have any such obligations under material agreements (including mortgages), other than leases, modified so as to achieve the aforesaid disavowal of contractual liability. Further, the Trustees shall cause the operations of the Trust to be conducted in such a way and in such jurisdictions as to avoid, as far as reasonably possible, any material risk of liability on the Unitholders or Annuitant for claims against the Trust, and shall, to the extent which they determine to be possible and reasonable, including in the cost or premiums, to cause the Trust to carry insurance for the benefit of such persons in such amounts as they consider adequate to cover any foreseeable non-contractual or non-excluded contractual liability.

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

Dependence on the Manager

The Trust's earnings and operations are impacted by the Manager's ability to source appropriate real estate investments that provide sufficient yields for investors and the Manager to maintain these real estate investments. The Trust is exposed to adverse developments in the business and affairs of the Manager, since the day to day activities of the Trust are run by the Manager and since all of the Trust's debt and equity investments are originated by the Manager.

Reliance on Property Management

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

Litigation Risks

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

Laws Benefiting Disabled Persons

Laws benefiting disabled persons may result in unanticipated expenses being incurred by the Trust. Under the *Americans with Disabilities Act* of 1990 (the "**ADA**"), all places intended to be used by the public are required to meet certain federal requirements related to access and use by disabled persons. The *Fair Housing Amendments Act* of 1988 (the "**FHAA**") requires apartment properties first occupied after March 13, 1991 to comply with design and construction requirements for disabled access. For those projects receiving federal funds, the *Rehabilitation Act* of 1973 also has requirements regarding disabled access. These and other federal, state and local laws may require modifications to the Trust's 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 in the Declaration of Trust.

Return Risk

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

Reliance on Key Personnel and Trustees

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

Dilution

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

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

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 also 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 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.

Florida, Georgia and Texas Weather

Florida, Georgia, and Texas historically have experienced periods of extreme weather that have resulted in periods of severe thunderstorms, tornadoes, wind, and rain damage. Extreme weather, including hurricanes and/or tornadoes, can have a negative impact upon the Trust's operating results and financial condition, 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.

Liquidity

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

Reliance on Assumptions

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

General Real Estate Ownership Risks

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

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

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the Properties. The Properties generate revenue through rental payments made by the tenants. The ability to rent un-leased suites in Properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. The ability to declare and pay distributions, 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 distributions, 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 could materially 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 distributions, 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 be materially adversely affected by declines in market rents more quickly than if such leases were for longer terms.

Substitutions for Residential Rental Units

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

Competition

The multi-family property sector is highly competitive. The Trust faces competition from many sources, including individuals, companies 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 have a material adverse effect on the ability of the Trust to acquire such properties on favourable terms and may otherwise have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and ability to declare and pay any distributions to Unitholders.

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

Changes in Applicable Laws

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

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

Environmental Matters

Under various environmental and ecological laws, the Trust and/or its subsidiaries could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in one or more of the Properties or disposed of at other locations. The failure to deal effectively with such

substances may adversely affect the Trust's ability to sell such property and could potentially also result in claims against the Trust by third parties.

The Costs of Securing Possession and Control of Newly Acquired Properties May Exceed Expectations

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

The Costs Arising from Renovation of Properties

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

Fixed Costs and Increased Expenses

The failure to maintain stable or increasing average monthly rental rates combined with acceptable occupancy levels would likely have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations and ability to declare and pay distributions, 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 as a result 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 as a result of higher resource prices as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised as a result of re-valuations of properties and their adherent tax rates. In some instances, enhancements to properties may result in significant increases in property assessments following a re-valuation. Additionally, utility expenses, mainly consisting of natural gas, water, and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these costs that the Trust cannot charge back to the tenants 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 distributions. 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 as a result 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 of its debt.

Assumptions May Prove Inaccurate

In determining whether a particular property meets its investment criteria, the Trust makes a number of 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.

5. DISTRIBUTIONS / DIVIDENDS

For the year ended December 31, 2020, the Company declared distributions of \$0.236 per Trust Unit resulting in total distributions of approximately \$1.9 million. For the year ended December 31, 2019, the Company declared dividends of \$0.236 per Common Share resulting in total dividends of approximately \$1.6 million. For the year ended December 31, 2018, the Company declared dividends of \$0.05625 per Common Share resulting in total dividends of approximately \$1.4 million.

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

Management of the Trust believes this payout ratio should allow the Trust to meet its internal funding needs, while being able to support stable growth in cash distributions. However, the actual payout ratio will be determined by the Trustees in their discretion. Pursuant to the Declaration of Trust, the Trustees have full discretion respecting the timing and amounts of distributions including the adoption, amendment or revocation of any distribution policy. It is the Trust's current intention to make distributions to Unitholders at least equal to the amount of net income and net realized capital gains of the Trust as is necessary to ensure that the Trust will not be liable for ordinary income taxes on such income.

Under the Declaration of Trust and pursuant to the distribution policy of the Trust, where the Trust's cash is not sufficient to make payment of the full amount of a distribution, such payment will, to the extent necessary, be distributed in the form of additional Units.

For 2020, the distributions were 100% return of capital.

6. DECLARATION OF TRUST AND DESCRIPTION OF CAPITAL STRUCTURE

The Declaration of Trust authorizes the issuance of an unlimited number of three classes of units, namely "Trust Units", "Class B Units" and "Special Voting Units". Special Voting Units are only issued in tandem with the issuance of securities exchangeable into Units. As at December 31, 2020, there were 7,714,675 Trust Units issued and outstanding. As at April 1, 2021, there were 7,714,675 Trust Units issued and outstanding and no Class B Units or Special Voting Units outstanding. The decision as to whether to issue Class B Units in the future will be made by the Board.

Common Units – Trust Units and Class B Units

No Common Unit will have any preference or priority over another. Each Common 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, whether of net income, net realized capital gains or other amounts and, in the event of termination or winding-up of the Trust, in the net assets of the Trust remaining after satisfaction of all liabilities. Common Units are fully paid and non-assessable when issued. The Trust Units are freely transferable but the Class B Units will not be transferable unless otherwise permitted by the Declaration of Trust or pursuant to applicable laws. The Common Units are redeemable at the holder's option, as described below under "Redemption Right at Option of Holder of Common Units". Class B Units are redeemable at the Trust's option, as described below under "Redemption of Class B Units at Option of Trust" and are convertible into Trust Units at the holder's option and the Trust's option, as described below under "Conversion of Class B Units". Fractional Units may be issued as a result of an act of the Trustees, but fractional Units will not entitle the holders thereof to vote, except to the extent that such fractional Units may represent in the aggregate one or more whole Common Units.

Conversion of Class B Units

Each Class B Unit is convertible at any time, at the option of the holder thereof, into a Trust Unit, on the basis of one Trust Unit for each Class B Unit so converted. The holder of Class B Units desiring to convert such Class B Units into Trust Units on the basis aforesaid will deliver to the Trust's transfer agent for the time being of the Trust Units the certificate(s) representing the Class B Units which the holder desires to so convert accompanied by a written notice duly executed by such holder or his attorney duly authorized in writing, in accordance with the applicable provisions of the Declaration of Trust, including the payment of any applicable transfer tax. Such holder will, in addition, comply with such other reasonable requirements as such transfer agent may prescribe.

As promptly as practicable after the receipt of such notice of election to convert, the payment of such transfer tax (if any), the delivery of such unit certificate(s) and compliance with all reasonable requirements of the transfer agent, the Trust will cause the transfer agent for the Trust Units to issue and deliver Trust Units in accordance with the notice of election to convert, electronically or via a unit certificate representing the number of Trust Units into which such Class B Units have been converted. Such conversion will be deemed to have been made immediately prior to the close of business on the date on which all conditions precedent to the conversion of such Class B Units have been fulfilled and the person or persons in whose name or names any unit certificate(s) for Trust Units will be issuable will be deemed to have become on the said date the holder or holders of record of the Trust Units represented thereby; provided, however, that if the transfer books of the Trust for Trust Units will be closed on the said date, the Trust will not be required to issue Trust Units upon such conversion until the date on which such transfer books will be re-opened and such person or persons will not be deemed to have become the holder or holders of record of such Trust Units until the said date on which such transfer books will be reopened. There will be no payment or adjustment on account of any unpaid distributions on the Class B Unit converted or on account of any distributions on the Trust Units resulting from such conversion. In the event that part only of the Class B Units represented by any unit certificate will be converted, a unit certificate for the remainder of the Class B Units represented by the said unit certificate will be delivered to the holder converting without charge.

In addition, each Class B Unit is convertible at any time into Trust Units at the option of the Trust on the basis of one Trust Unit for each Class B Unit so converted. Subject to applicable law and required

regulatory approval, the Trust may, by giving notice to the holder of Class B Units convert such Class B Units into Trust Units on a one-for-one basis. If less than all of the then outstanding Class B Units are at any time to be converted at the option of the Trust, the particular Class B Units to be converted will be selected on a pro rata basis (disregarding fractions). Notice of conversion of Class B Units will be given to 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. Any notice of conversion of Class B Units by the Trust will be validly and effectively given on the date it is sent to each holder of Class B Units. Such notice will set out: (i) the date (the "**Trust Conversion Date**") on which the conversion is to take place; (ii) unless all the Class B Units held by the holder to whom it is addressed are to be converted, the number of Class B Units so held which are to be converted; and (iii) the advice that such Trust Units will be registered in the name of the registered holder of the Class B Units to be converted unless the transfer agent receives from such holder, on or before the tenth day prior to the Trust Conversion Date, written notice in a form and executed in a manner satisfactory to the transfer agent directing the Trust to register such Trust Units in some other name or names, accompanied by payment to the transfer agent of any transfer tax (if applicable) and a written declaration of such matters as may be required by law in order to determine the entitlement of such transferee to hold such Trust Units.

On and after the Trust Conversion Date, the Trust will deliver to each holder of Class B Units so called for conversion a unit certificate representing the number of Trust Units such holder is entitled to on presentation and delivery by the holder to the transfer agent of the unit certificate(s) representing the Class B Units so called for conversion. Such unit certificates representing such Trust Units will be registered in the names of the holders of Class B Units to be converted, or as such holders have directed. Class B Units so converted will be converted effective on the Trust Conversion Date. From and after the Trust Conversion Date, the holders of Class B Units so converted will cease to be entitled to distributions on such Class B Units or to exercise any of the rights of holders of Class B Units in respect of such Class B Units except the right to receive therefor a unit certificate representing the number of Trust Units such holder is entitled to, and the holder thereof will become a holder of Trust Units of record, effective on the Trust Conversion Date. There will be no payment or adjustment on account of any unpaid distributions on the Class B Units converted or on account of any distributions on the Trust Units resulting from such conversion. If less than all the Class B Units represented by any unit certificate are converted, a new unit certificate for the balance will be issued without cost to the holder.

Upon exercise by the Trust of its right to convert Class B Units into Trust Units, the Trust is not required to (but may at its option) issue Trust Units to any person whose address is, or whom the Trust or the transfer agent has reason to believe is a resident of any jurisdiction outside of Canada to the extent that such issue would require compliance by the Trust with the securities or other laws of such jurisdiction. In the event that the Trust elects to not issue Trust Units to any holder of Class B Units pursuant to the preceding sentence, the Trust may elect to pay to such holder, in lieu of the Trust Units which the holder would otherwise be entitled to receive upon conversion of such holder's Class B Units, an amount in cash equal to the Closing Market Price calculated at the Trust Conversion Date of the Trust Units which the holder would otherwise be entitled to receive upon conversion of such holder's Class B Units (less any tax required to be deducted or withheld by the Trust). In the event that the Trust makes any such payment in respect of the holder's Class B Units, such Class B Units will be considered to have been redeemed, rather than converted, for purposes hereof and such payment will be a full and complete discharge of the Trust's obligation to pay all amounts owing to such holder on such redemption. and such payment will be a full and complete discharge of the Trust's obligation to pay all amounts owing to such holder on such redemption.

Special Voting Units

Each Special Voting Unit shall have no economic entitlement nor beneficial interest in the Trust or in the distributions or assets of the Trust, but shall entitle the holder of record thereof to a number of votes at any meeting of the Unitholders equal to the number of Trust Units that may be obtained upon the exchange of the exchangeable security to which such Special Voting Unit is attached. Special Voting Units may only be issued in connection with or in relation to securities exchangeable into Trust Units for the purpose of providing voting rights with respect to the Trust to the holders of such exchangeable securities.

Special Voting Units shall not be transferable separately from the exchangeable securities to which they are attached and will automatically be transferred upon the transfer of any such exchangeable securities.

Upon the exchange or surrender of an exchangeable security for a Trust Unit, the Special Voting Unit attached to such exchangeable security will automatically be redeemed and cancelled for no consideration without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto.

Concurrently with the issuance of Special Voting Units attached to exchangeable securities issued from time to time, the Trust shall enter into such agreements (including an exchange agreement and limited partnership agreement) as may be necessary or desirable to properly provide for the terms of the exchangeable securities, including to provide for the voting of such Special Voting Units.

Redemption Right at Option of Holder of Common Units

Common Units are redeemable at any time on demand by the holders thereof upon delivery to the transfer agent and the Trust of a duly completed and properly executed notice requiring the Trust to redeem the Common Units in a form reasonably acceptable to the Trustees, together with written instructions as to the number of Common Units to be redeemed. A Unitholder not otherwise holding a registered unit certificate who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer or other intermediary who will be required to deliver the completed redemption notice form to the Trust and to CDS. Upon receipt of the redemption notice by the transfer agent and the Trust, all rights to and under the Common Units tendered for redemption shall be surrendered and the holder thereof will be entitled to receive a price per Common Unit (the "**Redemption Price**") equal to:

- (a) 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
- (b) in respect of the Class B Units, the Designated Percentage (as such term is hereinafter defined) of the Net Asset Value per Common 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:

- (a) 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;
- (b) 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

- (c) 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:

- (a) 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;
- (b) 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;
- (c) an amount equal to the simple average of the highest and lowest prices of the Trust Units on 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
- (d) 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.

Provided that, if the Trust Units are not listed or quoted for trading in a public market, the Redemption Price of the Trust Units will be the fair market value of the Trust Units, which will be determined by the Trustees in their sole discretion.

For the purposes of the foregoing, "**Designated Percentage**" means: (i) in respect of Class B Units acquired by the holder thereof within the period of twelve months prior to the Class B Redemption Date for such Class B Units, 95%; (ii) in respect of Class B Units acquired by the beneficial holder thereof within the period of twenty-four months prior to the Class B Redemption Date for such Class B Units (and where paragraph (i) hereof does not apply), 98%; and (iii) in respect of Class B Units acquired by the beneficial holder thereof more than twenty-four months prior to the Class B Redemption Date for such Class B Units, 100%.

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 Common 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 Common Units on such date. The Net Asset Value of the Trust and Net Asset Value per Common 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 Common Units surrendered for redemption during any calendar month will be paid by cheque, drawn on a Canadian chartered bank or trust company in Canadian dollars within 30 days after the end of the calendar month in which the Common Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Common Units is subject to the limitations that: (i) the total amount payable by the Trust in respect of such Common Units and all other Common 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 Common Units are tendered for redemption, the outstanding Trust Units must be listed for trading on the TSXV or traded or quoted on any other 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.

To the extent a Unitholder is not entitled to receive cash upon the redemption of Common Units as a result of any of the foregoing limitations, then the balance of the Redemption Price for such Common Units will, subject to any applicable regulatory approvals, be paid and satisfied by way of the issuance to such Unitholder of "Redemption Notes". In the event of the issuance of Redemption Notes, each Redemption Note so issued to the redeeming holder of Common Units shall be in the principal amount of \$100 or such other amount as may be determined by the Trustees. No fractional Redemption Notes shall be issued and where the number of Redemption Notes to be received upon redemption by a holder of Common Units would otherwise include a fraction, that number shall be rounded down to the next lowest whole number. The Trustees may deduct or withhold from all payments or other distributions payable to any Unitholder pursuant to the Declaration of Trust all amounts required by law to be so deducted or withheld.

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 Common Unit calculated at the Valuation Time immediately preceding the Trust Redemption Date. If less than all of the then outstanding Class B Units are at any time to be redeemed at the option of the Trust, the particular Class B Units to be redeemed will be selected on a pro rata basis (disregarding fractions). 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. Any notice of redemption of Class B Units by the Trust shall be validly and effectively given on the date on which it is sent to each holder of Class B Units to be redeemed. Such notice will set out: (i) the date (the "**Trust Redemption Date**") on which the redemption is to take place; (ii) unless all the Class B Units held by the holder to whom it is addressed are to be redeemed, the number of Class B Units so held which are to be redeemed; and (iii) the Trust Redemption Price.

The Trust Redemption Price payable in respect of the Class B Units called for redemption will be paid by cheque, drawn on a Canadian chartered bank or a trust company in lawful money of Canada, payable at par to, or to the order of, the holder of Class B Units whose Class B Units have been called for redemption within 30 days after the Trust Redemption Date. Payments made by the Trust of the Trust Redemption Price are conclusively deemed to have been made upon the mailing of a cheque in a postage prepaid envelope addressed to the former holder of Class B Units unless such cheque is dishonoured upon presentment. Upon such payment, the Trust will be discharged from all liability to the former holder of Class B Units in respect of the Class B Units so redeemed.

Some or all of the Trust income and the net realized capital gains of the Trust may, for purposes of computing the Trust income and the net realized capital gains of the Trust under the Tax Act or other tax legislation be treated as having been paid in the year by the Trust to the holders of Class B Units whose Class B Units have been called for redemption in such year and, to the extent that the amount thereof so treated has been designated as taxable capital gains or income to such holders of Class B Units, each holder's redemption proceeds shall be reduced accordingly. Any such amounts shall be determined at the discretion of the Trustees; however, in all cases, a redeemed holder of Class B Units will be treated as having been paid an amount to which the holder of the Class B Units redeemed would be entitled to receive. All Class B Units redeemed pursuant to this section will be cancelled and such Class B Units will no longer be outstanding and will not be reissued. The Trustees will be entitled to make all applicable deductions and withholdings on payments made pursuant to this section as are required by applicable laws (including tax laws).

Purchases of Units by the Trust

The Trust may from time to time purchase for cancellation the whole or any part of the outstanding Units in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or market, and regulatory policies.

Take-Over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid or issuer bid is made for Units and not less than 90% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who do not accept the offer either, at the election of each Unitholder, on the terms offered by the offeror or at the fair value of such Unitholder's Units determined in accordance with the procedures set out in the Declaration of Trust.

Issuance of Units

The Trust may issue new Units from time to time, in such manner, for such consideration and to such person or persons as the Trustees shall determine. Subject to any binding agreement entered into by the Trust, Unitholders will not have any pre-emptive rights whereby additional Units proposed to be issued would be first offered to existing Unitholders. If the Trustees determine that the Trust does not have cash in an amount sufficient to make payment of the full amount of any distribution payable to holders of Trust Units, the payment may include the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution.

The Trust may also issue new Units: (i) as consideration for the acquisition of new properties or assets by it, at a price or for the consideration determined by the Trustees; or (ii) pursuant to any incentive or reinvestment plan established by the Trust from time to time, including the DRIP and Purchase Plan.

The Declaration of Trust also provides that immediately after any pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution. In this case, each Unit certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Non-Resident holders may be subject to withholding tax and if so then the consolidation will not result in such Non-Resident Unitholders holding the same number of Units. Such Non-Resident Unitholders will be required to surrender the certificates (if any) representing their original Units in exchange for a certificate representing post-consolidation Units.

Limitation on Non-Resident Ownership

In order for the Trust to maintain its status as a “mutual fund trust” under the Tax Act, the Trust must not be established or maintained primarily for the benefit of Non-Residents. Accordingly, at no time may Non-Residents be the beneficial owners of more than 49% of the aggregate of the Common Units (determined on a basic or fully diluted basis) then outstanding and the Trustees will inform the transfer agent and registrar of this restriction and will take such actions as may reasonably be undertaken on behalf of the Trust to cause the Trust to maintain its status as a “mutual fund trust” for purposes of the Tax Act. The Trustees will monitor the level of beneficial ownership of Common Units (determined on a basic or fully diluted basis) by Non-Residents using available information (including reports showing geographic beneficial ownership of Common Units and securities convertible into Common Units) at intervals which are reasonable in the circumstances. The Trustees may also require declarations as to the jurisdictions in which beneficial owners of Common Units and/or securities convertible into Common Units are resident for the purposes of the Tax Act. If the Trustees become aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 49% of the Common Units (determined on a basic or fully diluted basis) then outstanding are, or may be, Non-Residents or that such a situation is imminent, the Trustees may make a public announcement thereof and the Transfer Agent will not accept a subscription for Common Units and/or securities exchangeable or convertible into Common Units from, or issue Common Units and/or securities exchangeable or convertible into Common Units to, a person unless the person provides a declaration that the person is not a Non-Resident.

If, notwithstanding the foregoing, the Trustees determine that more than 49% of the Common Units (determined on a basic or fully diluted basis) then outstanding are held by Non-Residents, the Trustees may send a notice to Non-Resident holders of Common Units, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell their Common Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Common Units or provided the Trustees with satisfactory evidence that they are not Non-Residents within such period, the Trustees may, on behalf of such Unitholders, sell such Common Units without further notice and, in the interim, must suspend the voting and distribution rights attached to such Common Units. Upon such sale the affected holders will cease to be holders of Common Units and their rights will be limited to receiving the net proceeds of sale, subject to the right to receive payment of any distribution declared by the Trustees which is unpaid and owing to such Unitholders. The Trustees will have no liability for the amount received provided that they act in good faith.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended or altered from time to time. Certain amendments require approval by at least two-thirds of the votes cast at a meeting of Unitholders called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast at a meeting of Unitholders called for such purpose.

Except as described below, the following amendments, among others, require the approval of two-thirds of the votes cast by all Unitholders at a meeting:

- (a) an amendment to the amendment provisions;
- (b) an exchange, reclassification or cancellation of all or part of the Units;
- (c) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units;
- (d) any constraint on the issue, transfer or ownership of the Units or the change or removal of such constraint;
- (e) the sale or transfer of the assets of the Trust as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the Trust approved by the Trustees and not prejudicial to Unitholders);

- (f) the termination of the Trust (other than as part of an internal reorganization of the assets of the Trust approved by the Trustees and not prejudicial to Unitholders);
- (g) the combination, amalgamation or arrangement of the Trust with any other entity (other than as part of an internal reorganization of the assets of the Trust approved by the Trustees and not prejudicial to Unitholders); and
- (h) subject to certain exceptions set forth in the Declaration of Trust, the amendment of the investment guidelines and operating policies of the Trust.

Notwithstanding the foregoing, the Trustees may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust.

Rights of Unitholders

The rights of the Unitholders and the attributes of the Units are established and governed by the Declaration of Trust. Although the Declaration of Trust confers upon a Unitholder many of the same protections, rights and remedies as an investor would have as a shareholder of a corporation governed by the OBCA, significant differences exist, some of which are described below.

Many of the provisions of the OBCA respecting the governance and management of a corporation are incorporated in the Declaration of Trust. For example, Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to shareholders of an OBCA corporation and to elect Trustees and appoint the auditors of the Trust. The Declaration of Trust also includes provisions modeled after comparable provisions of the OBCA dealing with the calling and holding of meetings of Unitholders and Trustees, the procedures at such meetings and the right of the Unitholders to participate in the decision making process where certain fundamental actions are proposed to be undertaken. The matters in respect of which approval by the Unitholders is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of an OBCA corporation, but effectively extend to certain fundamental actions that may be undertaken by the subsidiaries of the Trust. These approval rights are supplemented by provisions of applicable securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are “reporting issuers” or the equivalent or are listed on the TSXV.

Unitholders do not have recourse to a dissent right under which shareholders of an OBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting: (a) the business or businesses that the corporation can carry on; or (b) the issue, transfer or ownership of shares). Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of an OBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or which disregard the interests of security holders and certain other parties. Shareholders of an OBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The Declaration of Trust does not include a comparable right. The OBCA also permits shareholders to bring or intervene in derivative actions in the name of a corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right.

Warrants

As at December 31, 2020, there were a total of 3,124,812 Trust Unit purchase warrants outstanding. The weighted average exercise price of such warrants is \$10.01 per Trust Unit. Specifically:

- 1,534,812 August 2019 Warrants expire on August 7, 2021 and have an exercise price of CAD \$12.60 per Trust Unit.

- 1,590,000 March 2020 Warrant expire on March 13, 2022 and have an exercise price of \$10.75 per Trust Unit.

Options

As at December 31, 2020, Options to acquire an aggregate of 617,138 Trust Units were issued and outstanding. The weighted average exercise price of the Options is \$7.82 per Trust Unit. Specifically:

- 368,738 Options expire on August 17, 2027 and have an exercise price of \$7.50 per Trust Unit; and
- 248,400 Options expire on November 19, 2028 and have an exercise price of \$8.30 per Trust Unit.

Convertible Debentures

The Trust has \$13.7 million (CAD \$18.1 million based on the Bank of Canada daily noon rate of exchange \$1.3257) of Convertible Debentures outstanding. See “*General Development of the Business-Three Year History- Common Share, Option and Warrant Activity-Convertible Debenture*”.

Deferred Trust Units

In connection with the completion of the Arrangement, the Trust adopted a Deferred Trust Unit Plan (the “**DTU Plan**”) in place of the Company's DSU Plan. The Board administers the DTU Plan and determines which members of the Board are eligible to participate (the “**DTU Participants**”, each director being a “**DTU Participant**”) and to whom awards of deferred share units (“**DTUs**”, each a “**DTU**”) will be made.

Distribution equivalents are awarded in respect of DTUs in a DTU Participant's account on the same basis as if the DTU Participant was a Unitholder on the relevant record date, and the distribution equivalents are credited to the DTU Participant's account as additional DTUs (or fractions thereof).

The maximum number of DTUs which may be awarded under the DTU Plan is 102,006 or such greater number as may be approved from time to time by an ordinary resolution of the Shareholders, and the aggregate value of DTUs awarded to DTU Participants within any one-year period under the DTU Plan together with all other security based compensation arrangements of the Trust, if any, shall not exceed \$150,000 in value of equity per DTU Participant.

Upon a DTU Participant ceasing to be a member of the Board, he or she may within one (1) Business Day immediately following the date on which the DTU Participant ceases to hold any position as a Trustee of the Trust and its subsidiaries (the “**Termination Date**”) and ending on the 90th day following the Termination Date elect to receive net of any applicable withholding taxes: (i) a cash payment equal to the number of DTUs credited to the DTU Participant's account as of the Termination Date, multiplied by the closing price of a Common Share on the TSXV averaged over the five (5) consecutive trading days immediately preceding the Termination Date; (ii) Trust Units purchased on the DTU Participant's behalf on the open market by a broker; or (iii) a combination thereof. Notwithstanding the foregoing, the Trust has the absolute discretion, subject to any necessary Unitholder and regulatory approvals, to issue to the DTU Participant such number of Trust Units from treasury as equal the number of DTUs, net of the number of DTUs that would equal the applicable withholding taxes recorded in the DTU Participant's account on the Termination Date. In the absence of the giving of a notice of redemption, the DTU Participant will be deemed to have elected a cash payment. In the event of death of a DTU Participant, no notice of redemption shall be required and the Trust shall within 90 days of death, in the case of a U.S. DTU Participant, or one (1) calendar year in the case of a non-U.S. DTU Participant, make a lump sum cash payment for the benefit of the trustee, administrator or other legal representative of the individual. The lump sum cash payment would be equivalent to the cash payment on the Termination Date.

7. MARKET FOR SECURITIES

Trading Price and Volume

The Trust Units are listed and posted for trading on the TSXV in United States dollars under the symbol “FCA.U”. The following table sets forth the monthly price ranges and volumes of trading of the Common Shares on the TSXV for the periods indicated.

Date	High (US\$)	Low (US\$)	Volume (#)
January 2020	8.60	6.66	69,748
February 2020	8.25	8.00	13,500
March 2020	7.52	4.50	33,410
April 2020	6.00	4.00	36,000
May 2020	6.50	5.00	47,534
June 2020	5.51	5.50	4,700
July 2020	6.21	4.00	11,600
August 2020	5.25	4.80	3,017
September 2020	4.51	4.48	1,300
October 2020	5.29	4.47	16,667
November 2020	5.99	4.60	44,059
December 2020	5.37	4.51	32,320

The Trust Units are also listed and posted for trading on the TSXV in Canadian dollars under the symbol “FCA.UN”. The following table sets forth the monthly price ranges and volumes of trading of the Common Shares on the TSXV for the periods indicated. Prior to completion of the Arrangement the Common Shares traded on the TSXV in Canadian dollars under the symbol “FCA”.

Date	High (Cdn\$)	Low (Cdn\$)	Volume (#)
January 2020	11.19	9.23	22,987
February 2020	10.75	10.15	11,494
March 2020	10.19	7.00	13,626
April 2020	7.50	5.50	91,810
May 2020	9.60	7.00	73,430
June 2020	7.40	6.50	28,256
July 2020	6.50	5.40	56,955
August 2020	7.00	6.00	41,768
September 2020	6.75	5.42	68,497
October 2020	6.49	5.67	32,733
November 2020	7.85	5.81	54,735
December 2020	6.45	5.56	134,817

March 2020 Warrants

The March 2020 Warrants began trading on the TSXV in United States dollars on May 21, 2020 under the trading symbol “FCA.WT.V”. The following chart describes the monthly trading range and volume of the March 2020 Warrants on a monthly basis for the periods indicated:

Date	High (US\$)	Low (US\$)	Volume (#)
May 2020	0.25	0.22	8,500
June 2020	0.55	0.30	24,500
July 2020	0.01	0.01	10,000
August 2020	-	-	-
September 2020	0.01	0.01	13,500
October 2020	0.01	0.01	1,500
November 2020	-	-	-
December 2020	0.01	0.01	23,500

Notes:

- (1) The Convertible Debentures began trading on the TSX-V commencing May 21, 2020.

Convertible Debentures

The Convertible Debentures began trading on the TSXV in Canadian dollars on August 19, 2019 under the trading symbol “FCA.DB”. The following chart describes the monthly trading range and volume of Convertible Debentures on a monthly basis for the periods indicated:

Date	High (Cdn\$)	Low (Cdn\$)	Volume (Principal Amount)
January 2020	97.00	89.52	861,000
February 2020	93.75	88.00	240,000
March 2020	88.00	85.00	170,000
April 2020	66.00	65.00	45,000
May 2020	81.00	70.05	101,000
June 2020	80.01	76.00	61,000
July 2020	75.25	75.00	50,000
August 2020	85.00	75.25	50,000
September 2020	80.00	80.00	75,000
October 2020	92.00	88.00	382,000
November 2020	91.00	81.00	208,000
December 2020	89.00	75.00	593,000

8. MANAGEMENT OF FCA

8.1 Trustees and Executive Officers

The name, province or state of residence, office held with FCA, principal occupations held and the period during which each Trustee or executive officer has served are as follows:

Name and Municipality of Residence	Position with FCA	Director/ Trustee or Officer of FCA Since	Principal Occupation	Number of Trust Units Beneficially Owned, Controlled or Directed, Directly or Indirectly as of April 1, 2021	Number of Options Beneficially Owned, Controlled or Directed, Directly or Indirectly as of April 1, 2021	Number of Warrants Beneficially Owned, Controlled or Directed, Directly or Indirectly as of April 1, 2021
GEOFFREY BLEDIN Antigua, W.I.	Trustee and Chairman	July 20, 2016	Corporate Director, Trustee of FCPT (a publicly traded REIT) and a director of FCMIC	124,000 ⁽¹⁾ (1.6%)	30,000	12,000
ELI DADOUCH Toronto, Ontario, Canada	Trustee and Vice Chairman	July 20, 2016	President of Firm Capital Corporation, President and CEO of FCMIC and Vice Chair & Co-Chief Investment Officer of FCPT (a publicly traded REIT)	327,835 ⁽²⁾ (4.2%)	195,321	NIL
PAT DICAPO Toronto, Ontario, Canada	Trustee	July 20, 2016	Founder and Chief Executive Officer of PowerOne Capital Markets Limited	791,014 ⁽³⁾ (10.3%)	75,247	50,000
SANDY POKLAR Toronto, Ontario, Canada	Trustee, President and Chief Executive Officer	July 20, 2016	COO and Managing Director, Capital Markets & Strategic Developments for Firm	10,224 ⁽⁴⁾ (0.1%)	99,617	NIL

			Capital Corporation. CFO & Trustee, FCPT			
KEITH L. RAY Toronto, Ontario, Canada	Trustee	December 30, 2013	Chief Executive Officer, Realvest Management, formerly Partner of KPMG LLP	70,373 ⁽⁵⁾ (0.9%)	430,000	45,573
VALENTINA KALYK Toronto, Ontario, Canada	Trustee	February 12, 2020	Independent Trustee	5,200 (0.1%)	30,000	NIL
HOWARD SMUSCHKOWITZ Toronto, Ontario, Canada	Trustee	July 20, 2016	Independent Trustee of FCPT and President of Total Body Care Inc.	185,802 ⁽⁶⁾ (2.4%)	69,371	29,228
JONATHAN MAIR Toronto, Ontario, Canada	Trustee	September 15, 2020	COO firm Firm Capital Mortgage Investment Corp and Trustee, FCPT	2,100 ⁽⁷⁾ (0.0%)	30,000	NIL
ROBERT PARKER Toronto, Ontario, Canada	Trustee	September 15, 2020	Independent Trustee	NIL	30,000	NIL
MARK GOLDREICH Toronto, Ontario, Canada	Chief Financial Officer	October 22, 2020	Chief Financial Officer, FCA	313 (0.0%)	10,000	NIL

Notes:

- (1) Mr. Bledin holds 124,000 Trust Units through Nuvola Holdings Ltd., an entity Mr. Bledin controls.
- (2) Mr. Dadouch controls these Trust Units through entities he either indirectly controls or manages on behalf of other entities.
- (3) Mr. DiCapo owns 616,346 of the Trust Units through PowerOne Capital Corp. and 174,668 of the Trust Units through CapitalOne Asset Management Limited.
- (4) Mr. Poklar owns 4,284 of the Trust Units through 2332384 Ontario Inc., an entity Mr. Poklar controls.
- (5) Mr. Ray holds 60,373 of the Trust Units through Raykay Corporation, an entity Mr. Ray controls.
- (6) Mr. Smuschkowitz holds 166,902 of the Trust Units through Fieldglen Investment Inc., an entity Mr. Smuschkowitz controls.
- (7) Mr. Mair holds 2,100 Trust Units through Zincorp Inc, an entity Mr. Mair controls.

Based on information provided by such persons, as of April 1, 2021, the Trustees and executive officers of FCA, as a group, beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 1,516,861 Trust Units representing approximately 19.7% of FCA's issued and outstanding Trust Units.

The following is a summary biography of each of the Trustees and executive officers of FCA, including their respective principal occupations during the preceding five years.

Geoffrey Bledin, Trustee and Chairman

Geoffrey Bledin, a retired chartered accountant, was the past President and Chief Executive Officer of The Equitable Trust Company from 1990 to 2007 (a deposit taking institution that specializes in residential and commercial real estate lending). Prior to 1990 Mr. Bledin was a partner at Price Waterhouse. Mr. Bledin is also a Director of Firm Capital Mortgage Investment Corporation (a publicly traded mortgage investment corporation) and a Trustee of Firm Capital Property Trust (a publicly traded REIT).

Eli Dadouch, Trustee and Vice Chairman

Eli Dadouch is President, CEO and a Director of Firm Capital Mortgage Investment Corporation (a publicly traded mortgage investment corporation), a Vice Chair & Co-Chief Investment Officer and Trustee of Firm Capital Property Trust (a publicly traded REIT) and President of the Manager.

Pat DiCapo, Trustee

Pat DiCapo is the Founder and Chief Executive Officer of PowerOne Capital Markets Limited ("PowerOne"). Since founding PowerOne, Mr. DiCapo has been involved in over 400 transactions involving emerging private and public companies with a total value in excess of \$3 billion. Prior to founding PowerOne, Pat worked at Smith Lyons LLP (now Gowling WLG) in Toronto and with Goodwin Procter LLP in Boston, MA. Pat is a graduate of Osgoode Hall Law School and a member of the Ontario Bar Association and the Law Society of Upper Canada.

Sandy Poklar, Trustee, President and Chief Executive Officer

Sandy Poklar, CPA, CA is also currently the Chief Operating Officer and Managing Director, Capital Markets & Strategic Developments for Firm Capital Corporation, Executive Vice President & Managing Director, Finance for Firm Capital Mortgage Investment Corporation (a publicly traded mortgage investment corporation) and the Chief Financial Officer and Trustee for Firm Capital Property Trust (a publicly traded REIT). Sandy is currently a Trustee for True North Commercial REIT (a publicly traded REIT) and was a Director of Genesis Land Development Corporation (a publicly traded real estate company). Prior to joining Firm Capital, Sandy was employed at Macquarie Capital and TD Securities where he was a Vice President and an Associate in their Real Estate Investment Banking Groups, respectively. Sandy is a Chartered Professional Accountant (CPA, CA) and has his ICD.D designation.

Keith L. Ray, Trustee

Keith L. Ray served for 27 years as a partner at KPMG, where, among other duties, he carried the role of audit partner and relationship partner for H&R REIT from its inception in 1996 until his retirement in 2007. In addition, Mr. Ray was audit partner for Firm Capital Mortgage Investment Trust (now Firm Capital Mortgage Investment Corporation (TSX: FC)), an income trust, which operated as a mortgage lender primarily in Ontario. Mr. Ray is currently a member of the Board of Directors of Firm Capital Mortgage Investment Corporation, a TSX listed mortgage company, and Cliffside Capital Ltd., a company listed on the TSXV. Mr. Ray's community involvement includes sitting on the Board of the Jewish Foundation of Greater Toronto, where he is currently Vice-Chair. Previously, Mr. Ray sat on the Board of the UJA Federation of Greater Toronto where he was the past Treasurer and past Audit Committee Chair and also served on the Audit Committee of Sinai Health System (formerly Mount Sinai Hospital). Mr. Ray holds a B. Comm from the University of Toronto and a Chartered Professional Accountant, Chartered Accountant (CPA, CA) designation.

Valentina Kalyk, Trustee

Valentina brings over 20 years of Capital Markets experience. Until her recent retirement, she spent 15 years with Canaccord Genuity where she was a Managing Director and senior member of the institutional equity sales team, with a dedicated focus to REITs and real estate.

Howard Smuschkowitz, Trustee

Howard Smuschkowitz is currently an Independent Trustee of Firm Capital Property Trust (a publicly traded REIT) and President of Total Body Care Inc. ("**Total Body Care**"), a manufacturer of private label health and beauty aid products, since 2011. Prior to joining Total Body Care, he was President of Homeland Self Storage from 2005 until its sale in 2011 and President of Concord Confections Inc. (Dubble Bubble) from 1986 to 2004, when the company was sold to Tootsie Roll Industries, Inc.

Jonathan Mair, Trustee

Jonathan first joined Firm Capital Corporation in 1997 and is COO and head of all credit strategies and lending. Since 1999, Jonathan has been on the Board of Directors of Firm Capital Mortgage Investment Corporation (TSX : FC), as well as previously the CFO and currently COO. Since 2013, Jonathan has been a member of the board of trustees of Firm Capital Property Trust (TSXV: FCD.UN). Prior to joining Firm Capital, Jonathan was with KPMG LLP. Jonathan holds a CPA (CA) designation and was with the insolvency group as a Trustee in Bankruptcy, specializing in real estate.

Robert Parker, Trustee

Robert is currently the Vice, President, Investments & Asset Management for the Muzzo Group and Pemberton Developments. Robert is a graduate of the Faculty of Law at Queens University and has his J.D. designation.

Mark Goldreich, Chief Financial Officer

Mark Goldreich has been the VP Finance and Controller of the Trust since 2019 and has been with the Trust since 2016. Mark Goldreich is a CPA.

8.2 Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

As at the date of this AIF and within the ten years before the date of this AIF, no Trustee or executive officer of the Trust is or has been a director, trustee, chief executive officer or chief financial officer of any entity (including the Trust), that:

- (a) was subject to an order that was issued while the director, trustee or executive officer was acting in the capacity as director, trustee, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the director, trustee or executive officer ceased to be a director, trustee, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, trustee, chief executive officer or chief financial officer.

No Trustee or executive officer of the Trust or Unitholder holding a sufficient number of securities of the Trust to affect materially the control of the Trust:

- (a) is, as at the date of this AIF, or has been within the ten years before the date of this AIF, a director, trustee or executive officer of any entity (including the Trust) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise

with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
or

- (b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No Trustee or executive officer of the Trust or Unitholder holding a sufficient number of securities of the Trust to affect materially the control of the Trust, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

8.3 Conflicts of Interests

There are potential conflicts of interest to which some of the Trustees and officers of FCA will be subject in connection with the operations of FCA. All of the Trustees and officers are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the business of FCA. Accordingly, situations may arise where some or all of the Trustees and officers will be in direct competition with FCA. Conflicts, if any, will be subject to the procedures and remedies as provided under the OBCA.

8.4 Audit Committee

Composition

The Audit Committee consists of Keith Ray (Chair), Geoffrey Bledin and Pat DiCapo. Each member of the Audit Committee is “independent” and “financially literate” within the meaning of National Instrument 52-110 — *Audit Committees*. Each of the Audit Committee members has an understanding of the accounting principles used to prepare FCA’s financial statements, experience preparing, auditing, analyzing or evaluating comparable financial statements and experience as to the general application of relevant accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

Relevant Education and Experience

The qualifications and experience of the members of the Audit Committee are set out above under “*Trustees and Executive Officers*”.

Charter

The Board has adopted a written charter for the Audit Committee which sets out the Audit Committee’s responsibility in reviewing the financial statements of FCA and public disclosure documents containing financial information and reporting on such review to the Board, ensuring that adequate procedures are in place for the review of FCA’s public disclosure documents that contain financial information, overseeing the work and reviewing the independence of the external auditors and reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. The Audit Committee is responsible for recommending the adoption of an enterprise risk management program and an environmental management program for FCA and for supervising FCA’s compliance with and implementation of the risk and environmental programs. The full text of the charter of the Audit Committee is attached hereto as Schedule “A”.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

External Audit Fees

Prior to November 12, 2019, the Company's auditors were PricewaterhouseCoopers LLP, Chartered Professional Accountants and the Company's tax advisors were KPMG LLP. However, KPMG LLP was appointed auditor on November 12, 2019 and completed the audit for the financial statements for the year ended December 31, 2020. The following chart summarizes the aggregate fees billed by the current external auditors of the Company for professional services rendered to FCA from both firms as at the dates indicated.

Category of Fees	2020 Fees (\$)	2019 Fees (\$)	2018 Fees (\$)
Audit and Other Fees ⁽¹⁾	\$147,269	\$270,485	\$152,090
Tax Fees ⁽²⁾	\$81,636	\$57,600	\$102,902
Total	\$157,384	\$328,085	\$255,010

Notes:

- (1) "Audit and Other Fees" include fees billed for audit and review services in respect of the annual and quarterly consolidated financial statements along with other audit engagements and other regulatory filings.
- (2) "Tax Fees" include fees billed for tax compliance and tax advisory services, including the review of tax returns and other structuring matters.

8.5 Material Contracts with Management

Other than as disclosed herein, there are no other material contracts with management.

9. PROMOTERS

No person or company has been during the two most recently completed financial years or during the current financial year, a promoter of the Company or the Trust.

10. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as disclosed herein, management of FCA is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against it or relating to its business which would be material to FCA's financial condition or results of operations.

During the year ended December 31, 2020, no penalties or sanctions were imposed against FCA by a court relating to securities legislation or by a securities regulatory authority, no other penalties or sanctions were imposed by a court or regulatory body against FCA that would likely be considered important to a reasonable investor in making an investment decision, and FCA entered into no settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

11. INTEREST OF TRUSTEES AND OTHERS IN MATERIAL TRANSACTIONS

A description of the material transactions entered into by FCA during the most recently completed financial year with any director, Trustee or executive officer of FCA or other person that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding voting securities of FCA, or any associate or affiliate of any such person, can be found under the heading "Related Party Transactions"

in the Company's Audited Financial Statements and MD&A for the year ended December 31, 2020 located on SEDAR (www.sedar.com).

12. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Trust Units, Warrants and Convertible Debenture is TSX Trust Company at its principal offices in Toronto, Ontario.

13. MATERIAL CONTRACTS

The material contracts of the Trust are as follows:

- (i) the Asset Management, Property Management and Mortgage Banking Agreement;
- (ii) the Dalland Partnership Agreement;
- (iii) the Master LP Agreement;
- (iv) the Convertible Debenture Indenture;
- (v) the May 2017 Warrant Indenture;
- (vi) the November 2017 Warrant Indenture;
- (vii) the August 2019 Warrant Indenture; and
- (viii) the March 2020 Warrant Indenture.

14. INTEREST OF EXPERTS

KPMG LLP, the Trust's auditor, has been named as having prepared a certified statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 – Continuous Disclosure Obligations by the Trust during, or relating to the Trust's fiscal year ended December 31, 2020. KPMG LLP is independent of the Trust in accordance with the auditor's rules of professional conduct in a jurisdiction of Canada.

15. ESCROWED SECURITIES

To the knowledge of the Trustees, no securities of the Trust are currently held in escrow or subject to a contractual restriction on transfer.

16. ADDITIONAL INFORMATION

Additional information, including Trustees' and officers' remuneration and indebtedness, the executive compensation for named executive officers of the Trust, the principal holders of the Trust's securities, and securities of the Trust authorized under equity compensation plans, as applicable, is contained in the Trust's management information circular for its most recent annual meeting of Unitholders. Additional financial information is provided in the annual financial statements and management's discussion and analysis of the Trust for the year ended December 31, 2020. A copy of the management information circular, annual financial statements and management's discussion and analysis may be obtained upon request from the Trust, and those documents and other information in respect of the Trust are also available on SEDAR at www.sedar.com.

SCHEDULE “A”

CHARTER OF THE AUDIT COMMITTEE

This charter (the “**Charter**”) sets forth the purpose, composition, responsibilities and authority of the Audit Committee (the “**Committee**”) of the Board of Trustees (the “**Board**”) of Firm Capital Apartment Real Estate Investment Trust. (“**FCA**”).

1.0 Purpose

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

- financial reporting and disclosure requirements;
- ensuring that an effective risk management and financial control framework has been implemented and tested by management of FCA; and
- external and internal audit processes.

2.0 Composition and Membership

- (a) The Board will appoint the members (“**Members**”) of the Committee. The Members will be appointed to hold office until the next annual general meeting of unitholders of FCA or until their successors are appointed. The Board may remove a Member at any time and may fill any vacancy occurring on the Committee. A Member may resign at any time and a Member will automatically cease to be a Member upon ceasing to be a trustee.
- (b) The Committee will consist of at least three trustees. Each Member will meet the criteria for independence and financial literacy established by applicable laws and the rules of any stock exchanges upon which FCA’s securities are listed, including National Instrument 52-110 — Audit Committees. In addition, each trustee will be free of any relationship which could, in the view of the Board, reasonably interfere with the exercise of a Member’s independent judgment.
- (c) The Board will appoint one of the Members to act as the chairman of the Committee (the “**Chairman**”). The secretary of FCA (the “**Secretary**”) will be the secretary of all meetings and will maintain minutes of all meetings and deliberations of the Committee. If the Secretary is not in attendance at any meeting, the Committee will appoint another person who may, but need not, be a Member to act as the secretary of that meeting.

3.0 Meetings

- (a) Meetings of the Committee will be held at such times and places as the Chairman may determine, but in any event not less than four (4) times per year. Twenty-four (24) hours advance notice of each meeting will be given to each Member orally, by telephone, by facsimile or email, unless all Members are present and waive notice, or if those absent waive notice before or after a meeting. Members may attend all meetings either in person or by telephone.
- (b) At the request of the external auditors of FCA, the Chief Executive Officer or the Chief Financial Officer of FCA or any Member, the Chairman will convene a meeting of the Committee. Any such request will set out in reasonable detail the business proposed to be conducted at the meeting so requested.

- (c) The Chairman, if present, will act as the chairman of meetings of the Committee. If the Chairman is not present at a meeting of the Committee the Members in attendance may select one of the members to act as chairman of the meeting.
- (d) A majority of Members will constitute a quorum for a meeting of the Committee. Each Member will have one vote and decisions of the Committee will be made by an affirmative vote of the majority. The Chairman will not have a deciding or casting vote in the case of an equality of votes. Powers of the Committee may also be exercised by written resolutions signed by all Members.
- (e) The Committee may invite from time to time such persons as it sees fit to attend its meetings and to take part in the discussion and consideration of the affairs of the Committee. The Committee will meet in camera without members of management in attendance for a portion of each meeting of the Committee.
- (f) In advance of every regular meeting of the Committee, the Chairman, with the assistance of the Secretary, will prepare and distribute to the Members and others as deemed appropriate by the Chairman, an agenda of matters to be addressed at the meeting together with appropriate briefing materials. The Committee may require officers and employees of FCA to produce such information and reports as the Committee may deem appropriate in order for it to fulfill its duties.

4.0 Duties and Responsibilities

The duties and responsibilities of the Committee as they relate to the following matters, are as follows:

Financial Reporting and Disclosure

- (a) review and recommend to the Board for approval, the audited annual financial statements, including the auditors' report thereon, the quarterly financial statements, management discussion and analysis, financial reports, and any guidance with respect to earnings per share to be given, prior to the public disclosure of such information, with such documents to indicate whether such information has been reviewed by the Board or the Committee;
- (b) review and recommend to the Board for approval, where appropriate, financial information contained in any prospectuses, annual information forms, annual report to unitholders, management proxy circular, material change disclosures of a financial nature and similar disclosure documents prior to the public disclosure of such information;
- (c) review with management of FCA, and with external auditors, significant accounting principles and disclosure issues and alternative treatments under International Financial Reporting Standards ("**IFRS**"), with a view to gaining reasonable assurance that financial statements are accurate, complete and present fairly FCA's financial position and the results of its operations in accordance with IFRS, as applicable;
- (d) seek to ensure that adequate procedures are in place for the review of FCA's public disclosure of financial information extracted or derived from FCA's financial statements, periodically assess the adequacy of those procedures and recommend any proposed changes to the Board for consideration;
- (e) review the minutes from each meeting of the Responsible Parties, established pursuant to FCA's corporate disclosure policy, since the last meeting of the Committee;

Internal Controls and Audit

- (a) review the adequacy and effectiveness of FCA's system of internal control and management information systems through discussions with management and the external auditor to ensure that FCA maintains: (i) the necessary books, records and accounts in sufficient detail to accurately and fairly reflect FCA's transactions; (ii) effective internal control systems; and (iii) adequate processes for assessing the risk of material misstatement of the financial statement and for detecting control weaknesses or fraud. From time to time the Committee shall assess whether it is necessary or desirable to establish a formal internal audit department having regard to the size and stage of development of FCA at any particular time;
- (b) satisfy itself that management has established adequate procedures for the review of FCA's disclosure of financial information extracted or derived directly from FCA's financial statements;
- (c) satisfy itself, through discussions with management, that the adequacy of internal controls, systems and procedures has been periodically assessed in order to ensure compliance with regulatory requirements and recommendations;
- (d) review and discuss FCA's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities;
- (e) review, and in the Committee's discretion make recommendations to the Board regarding, the adequacy of FCA's risk management policies and procedures with regard to identification of FCA's principal risks and implementation of appropriate systems to manage such risks including an assessment of the adequacy of insurance coverage maintained by FCA;
- (f) recommend the appointment, or if necessary, the dismissal of the head of FCA's internal audit process;

External Audit

- (a) recommend to the Board a firm of external auditors to be nominated for appointment as the external auditor of FCA;
- (b) ensure the external auditors report directly to the Committee on a regular basis;
- (c) review the independence of the external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;
- (d) review and recommend to the Board the fee, scope and timing of the audit and other related services rendered by the external auditors;
- (e) review the audit plan of the external auditors prior to the commencement of the audit;
- (f) establish and maintain a direct line of communication with FCA's external and internal auditors;
- (g) meet in camera with only the auditors, with only management, and with only the members of the Committee at every Committee meeting where, and to the extent that, such parties are present;

- (h) oversee the performance of the external auditors who are accountable to the Committee and the Board as representatives of the shareholders, including the lead partner of the independent auditors team;
- (i) oversee the work of the external auditors appointed by the unitholders of FCA with respect to preparing and issuing an audit report or performing other audit, review or attest services for FCA, including the resolution of issues between management of FCA and the external auditors regarding financial disclosure;
- (j) review the results of the external audit and the report thereon including, without limitation, a discussion with the external auditors as to the quality of accounting principles used, any alternative treatments of financial information that have been discussed with management of FCA, the ramifications of their use as well as any other material changes. Review a report describing all material written communication between management and the auditors such as management letters and schedule of unadjusted differences;
- (k) discuss with the external auditors their perception of FCA's financial and accounting personnel, records and systems, the cooperation which the external auditors received during their course of their review and availability of records, data and other requested information and any recommendations with respect thereto;
- (l) discuss with the external auditors their perception of FCA's identification and management of risks, including the adequacy or effectiveness of policies and procedures implemented to mitigate such risks;
- (m) review the reasons for any proposed change in the external auditors which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendations to the Board;
- (n) review annually a report from the external auditors in respect of their internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues.

Associated Responsibilities

- (a) review and approve FCA's hiring policies regarding employees and partners, and former employees and partners, of the present and former external auditors of FCA; and

Non-Audit Services

- (a) pre-approve all non-audit services to be provided to FCA or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Committee may delegate to one or more of its members the authority to pre-approve non-audit services but pre-approval by such member or members so delegated shall be presented to the full Committee at its first scheduled meeting following such pre-approval.

5.0 Oversight Function

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that FCA's financial statements are complete and accurate or comply with IFRS and other applicable requirements. These are the responsibilities of Management and the external auditors. The Committee, the Chairman and any Members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to

provide broad oversight of the financial, risk and control related activities of FCA, and are specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of FCA's financial information or public disclosure.

6.0 Reporting

The Chairman will report to the Board at each Board meeting on the Committee's activities since the last Board meeting. The Committee will annually review and approve the Committee's report for inclusion in the Annual Information Form. The Secretary will circulate the minutes of each meeting of the Committee to the members of the Board.

7.0 Access to Information and Authority

The Committee will be granted unrestricted access to all information regarding FCA that is necessary or desirable to fulfill its duties and all directors, officers and employees will be directed to cooperate as requested by Members. The Committee has the authority to retain, at FCA's expense, independent legal, financial and other advisors, consultants and experts, to assist the Committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve any such firm's fees and other retention terms without prior approval of the Board. The Committee also has the authority to communicate directly with internal and external auditors.

8.0 Review of Charter

The Committee will annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.