Flagship Communities REIT

Management's Discussion and Analysis

For the period August 12, 2020 (date of formation) to December 31, 2020

March 19, 2021

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Presentation

This Management's Discussion and Analysis ("MD&A") is prepared as of March 19, 2021 and outlines Flagship Communities Real Estate Investment Trust's (the "REIT" or "Flagship") operating strategies, risk profile considerations, business outlook and analysis of its financial performance and financial condition for the three months ended December 31, 2020 and the period from August 12, 2020 to December 31, 2020. The REIT was established on August 12, 2020 and had no material operations prior to October 7, 2020 when the REIT acquired the initial portfolio. Because the REIT had no operations prior to the completion of its initial public offering ("IPO") on October 7, 2020, the discussion in this MD&A has been limited to the period from October 7, 2020 to December 31, 2020. The analysis provides a comparison to the REIT's financial forecast (the "Forecast") provided in the REIT's final prospectus dated September 28, 2020 (the "Prospectus"), prorated to correspond with the 25-day period from October 7, 2020 to October 31, 2020 plus the period November 1, 2020 to December 31, 2020 (the "Pro-rated Forecast").

The operations of the REIT commenced on October 7, 2020 when it completed its IPO of 6,250,000 trust units ("Units") for gross proceeds of $93,750. Following certain reorganization transactions, upon closing of the IPO, the vendor of certain of the REIT's initial manufactured housing communities ("MHCs") merged with and into Flagship Operating, LLC, a limited liability company subsidiary of the REIT, and the vendor of certain further of the REIT's initial MHCs was contributed to Flagship Operating, LLC. As a result, upon completion of the merger and contribution, and certain related transactions, some of which took place on November 2, 2020, all of the REIT's initial MHCs and the remaining assets comprising the REIT's initial "portfolio" are now indirectly held by the REIT through its indirect ownership of Flagship Operating, LLC. The initial portfolio was comprised of 45 MHCs with 8,255 lots located in the following four contiguous states in the U.S.: (i) Kentucky; (ii) Indiana; (iii) Ohio; and (iv) Tennessee (the "Initial Communities"). The Initial Communities are strategically concentrated in key markets where REIT management has comprehensive knowledge and experience, including the REIT's largest markets of Louisville, Cincinnati and Evansville. Proceeds from the IPO were also used to repay approximately $13,600 of indebtedness and to fund transaction costs associated with the offering.

On October 22, 2020, pursuant to the exercise of the over-allotment option granted to the underwriters in connection with the IPO, the REIT issued an additional 937,500 Units at $15.00 per Unit, resulting in gross proceeds of $14,063. Total costs for underwriters' fees was $894, resulting in net proceeds of $13,169. The net proceeds from the exercise of the over-allotment option have been used by the REIT to fund further acquisitions and for general business purposes.

On December 17, 2020, the REIT announced the acquisitions of seven MHCs consisting of 379 lots for approximately $12,900. The acquisitions were all within the REIT's existing geographic footprint with three MHCs (197 lots) in Evansville, Indiana, two MHCs (101 lots) in Northern Kentucky, and two MHCs (81 lots) in Paducah, Kentucky.

This MD&A should be read in conjunction with the REIT's consolidated financial statements and accompanying notes for the period August 12, 2020 to December 31, 2020 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("the "IASB").

All amounts are stated in thousands of U.S. dollars, unless otherwise noted. Financial data has been prepared in accordance with IFRS and its interpretations adopted by the IASB. This MD&A has been prepared based on information available to management as of March 19, 2021. Additional information about the REIT can be found on SEDAR at www.sedar.com or on the REIT's website at www.flagshipcommunities.com.

The Units trade on the Toronto Stock Exchange (the "TSX") in U.S. dollars under the symbol "MHC.U".

Forward Looking Statements

This MD&A contains statements that include forward-looking information (within the meaning of applicable Canadian securities laws). Forward-looking statements are identified by words such as "believe", "anticipate", "project", "expect", "intend", "plan", "will", "may", "can", "could", "would", "must", "estimate", "target", "objective" and other similar expressions, or negative versions thereof, and include statements herein concerning: the REIT's investment strategy and creation of long-term value; macro characteristics and trends in the United States real estate and housing industry, as well as the MHC industry specifically; the continued ability of the REIT's MHCs to be stable or strengthen in the foreseeable future and over the longer term and the REIT's target Indebtedness as a percentage of GBV. These statements are based on the REIT's expectations, estimates, forecasts and projections, as well as assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies that could cause actual results to differ materially from those that are disclosed in such forward-looking statements. While considered reasonable by management of the REIT as at the date of this MD&A, any of these expectations, estimates, forecasts, projections or assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those expectations, estimates, forecasts, projections or assumptions could be incorrect. Material factors and assumptions used by management of the REIT to develop the forward-looking information in this MD&A include, but are not limited to, the REIT's current expectations about: vacancy and rental growth rates in MHCs and the continued receipt of rental payments in line with historical collections; demographic trends in areas where the MHCs are located; the impact of COVID-19 on the MHCs; further MHC acquisitions by the REIT; the applicability of any government regulation concerning MHCs and other residential accommodations, including as a result of COVID-19; the availability of debt financing and future interest rates; expenditures and fees in connection with the ownership of MHCs; and tax laws. When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as they are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under the heading ""Risks and Uncertainties" herein"'. There can be no assurance that forward-looking statements will prove to be accurate as actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, certain forward-looking statements included in this MD&A may be considered a "financial outlook" for purposes of applicable Canadian securities laws, and as such, the financial outlook may not be appropriate for purposes other than to understand management's current expectations and plans relating to the future, as disclosed in this MD&A. Forward-looking statements are made as of the date of this MD&A and, except as expressly required by applicable law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Use of Estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant estimates and assumptions include the fair values assigned to investment properties. Actual results may differ from these estimates.

NON-IFRS MEASURES

In this MD&A, the REIT uses certain non-IFRS measures, including certain real estate industry metrics, to measure, compare and explain the operating results and financial performance of the REIT. These measures are commonly used by entities in the real estate industry 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 publicly traded entities. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

Funds from Operations and Adjusted Funds from Operations

In February 2019, the Real Property Association of Canada ("REALPAC") published a white paper titled "White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS". The purpose of the white paper is to provide reporting issuers and investors with guidance on the definition of funds from operations ("FFO") and adjusted funds from operations ("AFFO") and to help promote more consistent disclosure from reporting issuers. FFO is defined as IFRS consolidated net income adjusted for items such as distributions on redeemable or exchangeable units recorded as finance cost under IFRS (including distributions on the class B units of Flagship Operating, LLC ("Class B Units"), unrealized fair value adjustments to investment properties, loss on extinguishment of acquired mortgages payable, gain on disposition of investment properties and depreciation. FFO should not be construed as an alternative to net income (loss) or cash flows provided by or used in operating activities determined in accordance with IFRS. The REIT's method of calculating FFO is substantially in accordance with REALPAC's recommendations but may differ from other issuers' methods and, accordingly, may not be comparable to FFO reported by other issuers. Refer to section "Reconciliation of Non-IFRS Measures" for a reconciliation of FFO to AFFO to net income.

AFFO is defined as FFO adjusted for items such as maintenance capital expenditures, and certain non-cash items such as amortization of intangible assets, premiums and discounts on debt and investments. AFFO should not be construed as an alternative to net income (loss) or cash flows provided by or used in operating activities determined in accordance with IFRS. The REIT's method of calculating AFFO is substantially in accordance with REALPAC's recommendations. The REIT uses a capital expenditure reserve of $60 (dollars/annual) per lot and $1,000 (dollars/annual) per rental home in the AFFO calculation. This reserve is based on management's best estimate of the cost that the REIT may incur, related to maintaining the investment properties. This may differ from other issuers' methods and, accordingly, may not be comparable to AFFO reported by other issuers. Refer to section "Reconciliation of Non-IFRS Measures" for a reconciliation of AFFO to net income.

The REIT believes these non-IFRS measures and ratios provide useful supplemental information to both management and investors in measuring the operating performance, financial performance and financial condition of the REIT. The REIT also uses AFFO in assessing its distribution paying capacity.

Net Operating Income

Net operating income ("NOI") is defined as total revenue from properties (i.e., rental revenue and other property income) less direct property operating expenses in accordance with IFRS. NOI should not be construed as an alternative to net income determined in accordance with IFRS. The REIT's method of calculating NOI may differ from other issuers' methods and, accordingly, may not be comparable to NOI reported by other issuers. The REIT regards NOI as an important measure of the income generated from the income producing properties and uses NOI in evaluating the performance of the REIT's properties. It is also a key input in determining the value of the REIT's properties. Refer to section "Reconciliation of Non-IFRS Measures" for a reconciliation of NOI to net income.

Other Real Estate Industry Metrics

Additionally, this MD&A contains several other real estate industry metrics that could be considered non-IFRS financial measures:

- "AFFO payout ratio" is defined as total cash distributions of the REIT (including distributions on Class B Units) divided by AFFO.
- "Debt to Gross Book Value Ratio" is calculated by dividing Debt, which consists of the total principal amounts outstanding under mortgages payable and credit facilities, by Gross Book Value.
- "Gross Book Value" means, at any time, the greater of: (a) the value of the assets of the REIT and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet prepared in accordance with IFRS, less the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT; and (b) the historical cost of the investment properties, plus (i) the carrying value

of cash and cash equivalents, (ii) the carrying value of mortgages receivable; and (iii) the historical cost of other assets and investments used in operations.

- "NOI margin" is defined as NOI divided by total revenue.
- "Same Community" results are, initially, the results of the Initial Communities (as defined below) and such measure is used by management to evaluate period-over-period performance of investment properties throughout both respective periods. These results remove the impact of dispositions or acquisitions of investment properties.
- "Liquidity" is defined as (a) cash and cash equivalents (unrestricted), plus (b) borrowing capacity available under any existing credit facilities.

Business Overview

Flagship Communities Real Estate Investment Trust is a newly created, unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust dated as of August 12, 2020 (as subsequently amended and restated, the "Declaration of Trust") under the laws of the Province of Ontario. The registered office of the REIT is located at 199 Bay Street, Suite 4000, Toronto, Ontario, M5L 1A9, Canada. The head office of the REIT is located at 467 Erlanger Road, Erlanger, Kentucky, 41018, United States. The REIT has been formed for the purpose of owning and operating a portfolio of income-producing MHCs and related assets, all of which are located in the United States.

As of December 31, 2020, the REIT owned a 100% interest in a portfolio of 52 MHCs with 8,634 lots located in the following four contiguous states: (i) Kentucky; (ii) Indiana; (iii) Ohio; and (iv) Tennessee. These MHCs are strategically concentrated in key markets where management has comprehensive knowledge and experience, including the REIT's largest markets of Louisville, Cincinnati and Evansville. The REIT also owns a fleet of approximately 700 manufactured homes for lease to residents.

The REIT is internally managed by a vertically integrated team of seasoned MHC professionals with expertise across the spectrum of real estate investment management, including: acquisitions, underwriting, financing, asset management, property management, operations, development and redevelopment, accounting, regulatory affairs, marketing and human resources. Management of the REIT has extensive experience with the Initial Communities, having operated all of the Initial Communities since the date of their respective acquisition and, in the case of one Initial Community, development.

The primary objectives of the REIT are to:

- Provide holders ("Unitholders") of trust units of the REIT ("Units") an opportunity to invest in a portfolio of MHCs located in attractive U.S. markets;
- Provide Unitholders with predictable, sustainable and growing cash distributions;
- Enhance the value of the REIT's portfolio and maximize the long-term value of the Units through proactive asset and property management, disciplined capital management and value-add investment opportunities; and

- Expand the asset base of the REIT in its existing operational footprint and target growth markets by leveraging management's extensive industry experience and relationships to acquire MHCs that are expected to be accretive to the REIT's net asset value and AFFO per Unit.

Financial Highlights

Period October 7, 2020 through December 31, 2020 Highlights

- Revenue for the period October 7, 2020 through December 31, 2020 was $8,304 which is $172 higher than the Pro-rated Forecast.
- Same Community Revenue for the period October 7, 2020 through December 31, 2020 was $8,262 which is $130 higher than the Pro-rated Forecast.
- Net income and comprehensive income for the period October 7, 2020 through December 31, 2020 was $47,338 which is $45,554 higher than the Pro-rated Forecast.
- NOI for the period October 7, 2020 through December 31, 2020 was $5,497 which is $196 higher than the Pro-rated Forecast.
- Same Community NOI for the period October 7, 2020 through December 31, 2020 was $5,472 which is $171 higher than the Pro-rated Forecast.
- NOI Margin for the period October 7, 2020 through December 31, 2020 was 66.2% which exceeded the Pro-rated Forecast of 65.2%
- Same Community NOI Margin for the period October 7, 2020 through December 31, 2020 was 66.2% which exceeded the Pro-rated Forecast of 65.2%
- AFFO for the period October 7, 2020 through December 31, 2020 of $2,227 exceeded the Pro-rated Forecast by 6.0%
- Same Community occupancy increased by 2.6% as of December 31, 2020 as compared to the same period in 2019
- Rent collections for the period October 7, 2020 through December 31, 2020 was 98.5% which is consistent with prior periods
- On December 17, 2020, the REIT announced the acquisitions of seven MHCs consisting of 379 lots for approximately $12,900. The acquisitions were all within the REITs current footprint with three MHCs (197 lots) in Evansville, Indiana, two MHCs (101 lots) in Northern Kentucky, and two MHCs (81 lots) in Paducah, Kentucky.

Subsequent to December 31, 2020

- On January 5, 2021, the REIT acquired an MHC with 77 lots in the Louisville, Kentucky market for approximately $3,000 .
- On February 9, 2021, the REIT acquired an MHC with 74 lots in Bowling Green, Kentucky market for approximately $3,000 .

Amounts in Thousands of US Dollars (except for per unit amounts)

Business Performance Measures

The following table presents an overview of certain performance measures of the REIT as of December 31, 2020 and for the period October 7, 2020 through December 31, 2020.

Performance measures		
Total communities as of December 31, 2020		52
Total lots as of December 31, 2020		8,634
Weighted average lot rent as of December 31, 2020	$	352
Occupancy as of December 31, 2020		79.6%
Total revenues	$	8,304
Net income and comprehensive income	$	47,338
Net income and comprehensive income per unit (basic)	$	6.71
Net income and comprehensive income per unit (diluted)	$	3.86
Distribtutions Declared per Share (Units)	$	0.118
Distribtutions Declared per Share (B Units)	$	0.118
NOI*	$	5,497
NOI Margin*		66.2%
FFO*	$	2,697
FFO Per Unit* (diluted)	$	0.220
AFFO*	$	2,227
AFFO Per Unit* (diluted)	$	0.182
AFFO Payout Ratio*		67.0%
Weighted average units (basic)		7,051,766
Weighted average units (diluted)		12,253,269
Debt to Gross Book Value as of December 31, 2020		47.8%
Weighted average mortgage Interest Rate		3.57%
Weighted average mortage term		9.9 Years

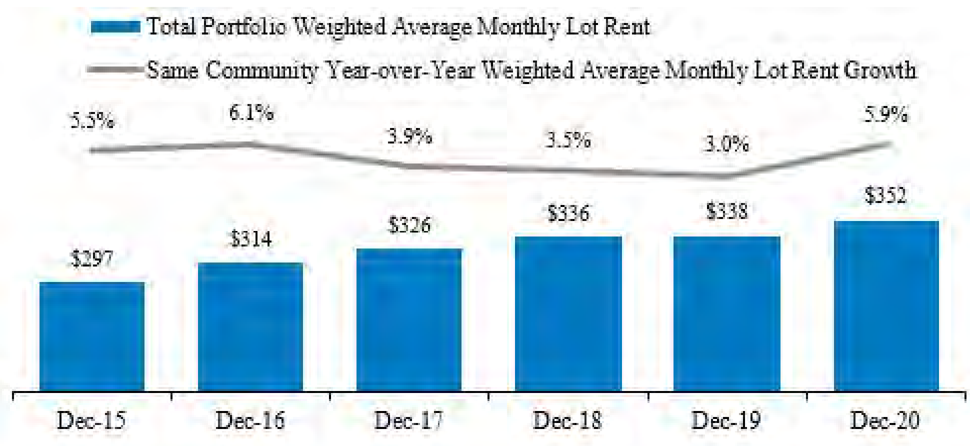
**These measures are not recognized under IFRS and do not have standardized meanings prescribed by IFRS. Refer to section "Non-IFRS Measures". FFO per unit and AFFO per unit are calculated by using FFO and AFFO, divided by the diluted weighted average unit count (Including B Units) for the period October 7, 2020 through December 31, 2020.*

Amounts in Thousands of US Dollars (except for per unit amounts)

The following table highlights certain information about communities as of December 31, 2020, organized by Metropolitan Statistical Area ("MSA"):

MSA	State	Number of Lots	Average Monthly Lot Rent	Occupancy
Louisville	Kentucky	3,173	$375	80.3%
Cincinnati	Ohio	2,364	$376	86.2%
Evansville	Indiana	2,191	$306	69.5%
Other		906	$301	84.5%
		8,634	$352	79.6%

The charts below show the total portfolio weighted average lot rent and occupancy as well as the Same Community weighted average lot rent and occupancy since 2015:



Amounts in Thousands of US Dollars (except for per unit amounts)

The following table highlights certain financial performance measures of the REIT for the period October 7, 2020 through December 31, 2020.

	For the period October 7, 2020 through December 31, 2020		
	Actual results	Pro-rated Forecast	Variance
Revenue, total portfolio	$ 8,304	$ 8,132	$ 172
Revenue, Same Community* properties	$ 8,262	$ 8,132	$ 130
Revenue, acquisitions	$ 42	-	$ 42
Net income (loss) and comprehensive income (loss)	$ 47,338	1,784	$ 45,554
NOI*, Total Portfolio	$ 5,497	$ 5,301	$ 196
NOI * , Same Community* properties	$ 5,472	$ 5,301	$ 171
NOI * , acquisitions	$ 25	-	$ 25
NOI Margin*, total portfolio	66.2%	65.2%	1.0%
NOI margin*, Same Community* properties	66.2%	65.2%	1.0%
NOI Margin*, Acqusitions	58.5%	-	58.5%
FFO*	$ 2,697	$ 2,456	$ 241
FFO Per Unit* (excluding over allotment)	N/A	$ 0.214	N/A
FFO Per Unit* (including over allotment)	$ 0.220	$ 0.200	$ 0.020
AFFO*	$ 2,227	$ 2,101	$ 126
AFFO per Unit* (excluding over allotment)	N/A	$ 0.183	N/A
AFFO per Unit* (including over allotment)	$ 0.182	$ 0.171	$ 0.011
AFFO Payout Ratio* (exluding over allotment)	N/A	65.8%	N/A
AFFO Payout Ratio* (including over allotment)	67.0%	71.0%	-4%

**These measures are not recognized under IFRS and do not have standardized meanings prescribed by IFRS. Refer to section "Non-IFRS Measures".*

As previously noted, on October 22, 2020, pursuant to the IPO underwriters' exercise of the over-allotment option, the REIT issued an additional 937,500 Units. The table above lays out FFO per unit, AFFO per unit, and AFFO payout ratio with and without the effects of the exercise of the over-allotment option. The Pro-rated "Forecast" for AFFO and FFO per unit (excluding the exercise of the over-allotment option) is calculated by dividing forecasted AFFO/FFO by the weighted average number of shares for the period October 7, 2020 through December 31, 2020 excluding the 937,500 units issued pursuant to the exercise of the over-allotment option. The Pro-rated "Forecast" for AFFO and FFO per unit (including the exercise of the over-allotment option) is calculated by dividing AFFO/FFO by the weighted average number of shares for the period October 7, 2020 through December 31, 2020 including the 937,500 units issued pursuant to the exercise of the over-allotment option. All per unit measures included in the table above are diluted (including Class B Units.)

Amounts in Thousands of US Dollars (except for per unit amounts)

Review of Selected Financial Information

The following tables highlight selected financial information of the REIT for the period October 7, 2020 through December 31, 2020 compared to the Pro-rated "Forecast", which has been calculated by dividing the October Forecast by 31 days and multiplying by 25 and then adding the full months of November and December. Results for the period are not directly comparable to the three-month forecast included in the Forecast, as the REIT commenced operations on October 7, 2020. This information has been compiled from the consolidated financial statements and notes thereto and should be read in conjunction with the IFRS consolidated financial statements and notes. Since formation of the REIT occurred on August 12, 2020, and there were no operations of the REIT until the closing of the IPO on October 7, 2020, the activity from August 12, 2020 to December 31, 2020 is equal to the activity during the period October 7, 2020 through December 31, 2020.

	October 7, 2020 through December 31, 2020	Pro-rated Forecast	Variance
Revenue			
Rental Revenue	$ 8,304	$ 8,132	$ 172
Expenses (Income)			
Property operating expenses	$ 2,807	$ 2,831	$ (24)
General and administrative	$ 1,258	$ 1,149	$ 109
Depreciation and amortization	$ 24	$ 25	$ (1)
Fair value gain on investment properties	$ (2,958)	$ -	$ (2,958)
Other expense (income)	$ (13)	$ -	$ (13)
Finance costs from operations	$ 1,812	$ 1,936	$ (124)
Distributions on Class B units	$ 641	$ 648	$ (7)
Fair value adjustment - Class B units	$ (1,195)	$ -	$ (1,195)
Accretion of mark-to-market adjustment on mortgage payable	$ (257)	$ (241)	$ (16)
Bargain purchase gain	$ (46,459)	$ -	$ (46,459)
Transaction Costs	$ 5,306	$ -	$ 5,306
	$ (39,034)	$ 6,348	$ (45,382)
Net income (loss) and comprehensive income (loss)	$ 47,338	$ 1,784	$ 45,554

Amounts in Thousands of US Dollars (except for per unit amounts)

Revenue

	For the period October 7, 2020 through December 31, 2020	Pro-rated Forecast	Variance	Variance %
Rental Revenue	$ 8,304	$ 8,132	$ 172	2.1%

Rental revenue consists of lot rent, home rent, utility reimbursements, and other miscellaneous income collected at the communities. The higher revenue as compared to the Pro-rated Forecast of $172 was primarily the result of higher than forecasted utility reimbursements ($128) as well as ancillary revenue from acquired properties ($42.) Same Community Revenues were approximately $129 higher than forecast driven by utility reimbursements.

Operating Expenses

	For the period October 7, 2020 through December 31, 2020	Pro-rated Forecast	Variance	Variance %
Operating expenses	$ 2,807	$ 2,831	$ 24	0.8%

Operating expenses are comprised mainly of common area and maintenance expenses, payroll, insurance, property taxes and other costs associated with the management and maintenance of the investment properties. The lower expenses compared to the Pro-rated Forecast was the result of lower than forecasted payroll ($24) as well as lower than forecasted bad debt ($17). These underspends were partially offset by unforecasted operating expenses in the newly acquired properties of $17.

The table below provides a breakdown of operating expenses:

Operating Expenses	For the period October 7, 2020 through December 31, 2020
Utilities	$ 1,066
Payroll and benefits	$ 699
Taxes and insurance	$ 595
Repairs and maintenance	$ 130
Other	$ 317
Total Operating Expenses	**$ 2,807**

Amounts in Thousands of US Dollars (except for per unit amounts)

General and Administrative

	For the period October 7, 2020 through December 31, 2020	Pro-rated Forecast	Variance	Variance %
General and administrative	$ 1,258	$ 1,149	$ (109)	-9.5%

General and administrative expenses include legal fees, audit fees, salaries and benefits for certain REIT employees, trustee fees, transfer agent fees, insurance and other administrative costs. The $109 higher spend compared to budget is the result of higher than forecasted audit fees in the quarter. The Forecast had the cost ($235) of the audit being allocated evenly across the entire 12-month period. Due to the requirements of IFRS, the full audit fees were expensed in the period October 7, 2020 through December 31, 2020. This resulted in accounting fees in the period being $176 over budget. Savings in legal fees, travel, and payroll helped to partially offset the overspend.

The table below provides a breakdown of general and administrative expenses:

General and administrative	For the period October 7, 2020 through December 31, 2020
Payroll and benefits	$ 684
Audit and tax fees	$ 235
Taxes and insurance	$ 70
Trustee fees	$ 66
Other	$ 203
Total General and administrative	$ 1,258

Fair Value Gain on Investment Properties

In accordance with IFRS, management has elected to use the fair value model to account for investment properties. Overall, the fair value of investment properties increased by $2,958 for the period October 7, 2020 through December 31, 2020. Fair value adjustments were determined based on the movement of various parameters, including changes in NOI and capitalization rates. The major driver of this increased fair value for the period was an increase in revenue across the portfolio related to cable contracts.

Amounts in Thousands of US Dollars (except for per unit amounts)

Other Expense (Income)

	For the period October 7, 2020 through December 31, 2020	Pro-rated Forecast	Variance	Variance %
Other expense (income)	$ (13)	$ -	$ 13	-

Other expense (income) is made up of property management fees and asset management fees that the REIT charges to Empower Park, LLC ("Empower"). Other income was higher than budget due to unforecasted management fees charged to Empower in the period.

Finance Cost from Operations

	For the period October 7, 2020 through December 31, 2020	Pro-rated Forecast	Variance	Variance %
Finance costs from operations	$ 1,812	$ 1,936	$ 124	6.4%

Finance costs from operations consist of interest expense on loans and borrowings, amortization of deferred financing costs and other miscellaneous interest expense. For this period, interest expense on loans and borrowings accounts for the entire $1,812. Cash interest expense was $25 lower than forecast while there was $0 amortization of deferred financing cost versus a forecast of $99.

Distributions on Class B Units

The Class B Units are redeemable for cash or Units, at the option of the REIT, and, therefore, the Class B Units meet the definition of a financial liability under IAS 32. The distributions paid to the holders of Class B Units are treated as interest expense and reflected on the Statement of Net Income and Comprehensive Income within the REIT's financial statements. For the period October 7, 2020 through December 31, 2020 this amount was $7 less than forecasted.

Fair Value Adjustment - Class B Units

For the period October 7, 2020 through December 31, 2020, the REIT recognized a fair value gain on Class B Units of $1,195. Class B Units are measured at fair value with any changes in fair value recorded in profit or loss. These Class B Units carried a 12-month selling restriction from issue date which was deemed to be an attribute of the units. This attribute required that the unit value be discounted at the end of the period. The fair value at December 31, 2020 was calculated using the Unit closing price as of the end of the reporting period and applying a discount rate that took into consideration the remaining hold period along with the volatility of comparable the Units.

Amounts in Thousands of US Dollars (except for per unit amounts)

Bargain Purchase Gain

Upon the acquisition of the Initial Communities, the REIT recognized a bargain purchase gain due to the excess of the fair value of the Initial Communities over the consideration paid for the Initial Communities. The net assets acquired were valued at $188,415 which exceeded the value of the consideration paid of $141,956, resulting in a bargain purchase gain of $46,459. The Forecast did not include consideration for this bargain purchase gain.

Transaction Costs

Transaction costs are costs that are expensed as a result of the purchase of a property (or group of properties) being accounted for as a business combination. These costs would include various legal, accounting, insurance and other fees. All of the transaction costs incurred for the period October 7 through December 31, 2020 were related to the acquisition of the Initial Communities. The total transaction costs for the period were $5,306.

Net Income and Comprehensive Income

	For the period October 7, 2020 through December 31, 2020	Pro-rated Forecast	Variance	Variance %
Net income and comprehensive Income	$ 47,338	$ 1,784	$ 45,554	2553.2%

Net income and comprehensive income for the period October 7, 2020 through December 31, 2020 was $45,554 more than forecasted primarily as result of the bargain purchase gain, fair value gain on investment properties, and fair value gain on Class B Units which were not considered in the Forecast.

NOI, FFO, AFFO

Below is a summary of the NOI, FFO and AFFO for the period October 7, 2020 through December 31, 2020. Based on the issuance dates, the weighted average unit count (diluted) for the period October 7, 2020 through December 31, 2020 was 12,253,269. As of December 31, 2020, there were 12,659,125 units outstanding. The unit count includes the combined number of Units and Class B Units.

Amounts in Thousands of US Dollars (except for per unit amounts)

	For the period October 7, 2020 through December 31, 2020	Pro-rated Forecast	Variance	Variance %
NOI*	$ 5,497	$ 5,301	$ 196	3.7%
NOI Margin*	66.2%	65.2%	1.0%	1.5%
FFO*	$ 2,697	$ 2,456	$ 241	9.8%
FFO Per Unit* (excluding over allotment)	N/A	$ 0.214	N/A	N/A
FFO Per Unit* (including over allotment)	$ 0.220	$ 0.200	$ 0.020	9.8%
AFFO*	$ 2,227	$ 2,101	$ 126	6.0%
AFFO per Unit* (excluding over allotment)	N/A	$ 0.183	N/A	N/A
AFFO per Unit* (including over allotment)	$ 0.182	$ 0.171	$ 0.011	6.1%
AFFO Payout Ratio* (exluding over allotment)	N/A	65.8%	N/A	N/A
AFFO Payout Ratio* (including over allotment)	67.0%	71.0%	-4.0%	-5.6%

**These measures are not recognized under IFRS and do not have standardized meanings prescribed by IFRS. Refer to section "Non-IFRS Measures".*

As previously noted, on October 22, 2020, pursuant to the exercise of the over-allotment option, the REIT issued an additional 937,500 Units. The table above lays out FFO per unit, AFFO per unit, and AFFO payout ratio with and without the effects of the exercise of the over-allotment option. The Pro-rated "Forecast" for AFFO and FFO per unit (excluding the exercise of over-allotment option) is calculated by dividing AFFO by the weighted average number of for the period October 7, 2020 through December 31, 2020 excluding the 937,500 units issued pursuant to the exercise of the over-allotment option. The Pro-rated "Forecast" for AFFO and FFO per unit (including the exercise of over-allotment option) is calculated by dividing AFFO by the weighted average number of for the period October 7, 2020 through December 31, 2020 including the 937,500 units issued pursuant to the exercise of the over-allotment option. All per unit measures included in the table above are diluted (including Class B Units.)

Reconciliation of Non-IFRS Measures

FFO, FFO per Unit, AFFO and AFFO per Unit

The REIT uses the following non-IFRS key performance indicators: FFO, FFO Per Unit, AFFO, AFFO per Unit. The calculations of these measures and the reconciliation to net income (loss) and comprehensive income (loss) are set out in the following table:

Amounts in Thousands of US Dollars (except for per unit amounts)

		For the period October 7, 2020 through December 31, 2020
Net income and comprehensive income	$	47,338
Adjustments to arrive at FFO		
Fair value adjustment investment properties	$	(2,958)
Fair value Adjustment Class B Units	$	(1,195)
Distributions on Class B units	$	641
Depreciation	$	24
Bargain purchase gain	$	(46,459)
Transaction costs	$	5,306
Funds from Operations ("FFO")	$	2,697
FFO Per Unit* (diluted)	$	0.220
Adjustments to arrive at FFO		
Amortization of mark to market adjustment	$	(257)
Accretion of mark-to-market adjustment on mortgage payable	$	(213)
Adjusted Funds from Operations ("AFFO")	$	2,227
AFFO Per Unit* (diluted)	$	0.182

**FFO per unit and AFFO per unit are calculated by using FFO and AFFO, divided by the diluted weighted average unit count (Including B Units) for the period October 7, 2020 through December 31, 2020.*

In calculation of AFFO, the REIT uses a capital expenditure reserve of $60 (dollars/annual) per lot and $1,000 (dollars/annual) per rental home. This reserve is based on management's best estimate of the cost that the REIT may incur, related to maintaining the investment properties. For the period October 7, 2020 through December 31, 2020 the capital expenditure reserve was $213 vs actual spend of $320. This overspend was related to the rental fleet where the spend tends to be seasonal skewed toward the fourth quarter.

NOI and NOI Margin

The REIT uses the following non-IFRS key performance indicators: NOI and NOI Margin. The calculations of these measures and the reconciliation to net income (loss) and comprehensive income (loss) are set out in the following table:

		For the period October 7, 2020 through December 31, 2020
Net income and comprehensive income	$	47,338
Adjustments to arrive at NOI		
General and administrative	$	1,258
Depreciation and amortization	$	24
Fair value gain on investment properties	$	(2,958)
Other expense (income)	$	(13)
Finance costs from operations	$	1,812
Distributions on Class B units	$	641
Fair value adjustment - Class B units	$	(1,195)
Accretion of mark-to-market adjustment on mortgage payable	$	(257)
Bargain purchase gain	$	(46,459)
Transaction Costs	$	5,306
NOI	$	5,497

Amounts in Thousands of US Dollars (except for per unit amounts)

The table below lays out the reconciliation of the REIT's NOI and NOI Margin for the period October 7, 2020 through December 31, 2020.

		For the period October 7, 2020 through December 31, 2020
Total revenue	$	8,304
Property operating expenses	$	2,807
Net Operating Income ("NOI")	$	5,497
NOI Margin		66.2%

Debt to Gross Book Value

The following tables lays out the REIT's Debt to Gross Book Value as of December 31, 2020.

		December 31, 2020
Mortgages payable (current portion)	$	514
Mortgages payable (non-current portion)	$	212,486
Total mortages payable ("Debt")	$	213,000
Gross Book Value	$	445,379
Debt to Gross Book Value		47.8%

Liquidity and Capital Resources

As of December 31, 2020, the capital structure of the REIT was as follows:

		December 31, 2020
Indebtedness		
Mortgages payable (current portion)	$	514
Mortgages payable (non-current portion)	$	212,486
Class B Units	$	73,399
	$	286,399
Unitholders equity		
Unitholders equity	$	146,384
Total capitalization	$	432,783

Liquidity and capital resources are used to fund capital investments in the investment properties, acquisition activities, servicing of debt obligations and distributions to Unitholders. The principal source of liquidity is cash flow generated from property operations. For the year ended December 31, 2020, net cash from operating activities was $3,843. Business operations are also financed using property-specific mortgages, and equity financing.

As of December 31, 2020, liquidity was $11,499 consisting of cash and Cash equivalents.

The REIT expects to be able to meet all obligations as they become due using some or all of the following sources of liquidity:

- cash flow generated from property operations;
- property-specific mortgages; and

Amounts in Thousands of US Dollars (except for per unit amounts)

• existing cash and cash equivalents on hand

In addition, subject to market conditions, the REIT may raise funding through equity financing. The REIT believes that its capital structure will provide it with financial flexibility to pursue future growth strategies. However, the REIT's ability to fund operating expenses, capital expenditures and future debt service requirements will depend on, among other things, future operating performance, which will be affected by general economic, industry, financial and other factors, including factors beyond the REIT's control.

The REIT currently has thirteen unencumbered investment properties with fair values of $29,755 as of December 31, 2020. Mortgages as of December 31, 2020 mature at various dates beginning in 2027. Outside of the regular principal amortization of existing loans and borrowings; there are no balloon payments due in the next twelve months.

The table below sets out the upcoming principal payments due by year.

Year	Principal payments due during period	% of Total Principal
2021	$ 514	0.2%
2022	$ 602	0.3%
2023	$ 735	0.3%
2024	$ 772	0.4%
2025	$ 820	0.4%
2026	$ 866	0.4%
Thereafter	$ 208,691	98.0%
TOTAL	$ 213,000	

Debt Financing

The REIT seeks to maintain a debt profile consisting of borrowings from various sources of low-cost capital, which may include debt from regional and national banks, government-sponsored entities such as Fannie Mae and Freddie Mac, insurance companies, CMBS lenders and publicly issued bonds.

The REIT's overall borrowing philosophy is to obtain secured debt, principally on a fixed rate or effectively fixed rate basis, which will allow the REIT to: (i) achieve and maintain staggered maturities to lessen exposure to re-financing risk in any particular period; (ii) achieve and maintain fixed rates to lessen exposure to interest rate fluctuations; and (iii) extend loan terms and fixed rate periods as long as possible when borrowing conditions are favorable. Subject to market conditions and the growth of the REIT, management currently intends to target Indebtedness of approximately 45%-55% of GBV.

As of December 31, 2020, the REIT's Debt to Gross Book Value ratio was 47.8% (49.6% at October 7, 2020.) This decrease as compared to October 7, 2020 is primarily attributable to total acquisitions of investment properties during the period October 7, 2020 through December 31, 2020 of $12,900 paid for with cash from the balance sheet as well as the fair value adjustment of $2,958 on investment properties. Management expects that the ratio of Debt to GBV may increase, at least temporarily, following an acquisition by the REIT of one or more additional properties. Interest rates and loan maturities will be reviewed on a regular basis to ensure appropriate debt management strategies are implemented.

As of December 31, 2020, the REIT was in compliance with all debt covenants with various lenders.

Pursuant to the Declaration of Trust, the REIT shall not incur or assume any Indebtedness if, after giving effect to the incurrence or assumption of such Indebtedness, the total Indebtedness of the REIT (including convertible debentures) would be more than 65% of Gross Book Value.

Class B Units

In conjunction with the IPO, and as partial consideration for the Initial Communities, Flagship Operating, LLC issued Class B Units to certain retained interest holders. The holders of Class B Units are entitled to receive distributions from Flagship Operating, LLC proportionately to the distributions made by the REIT to holders of Units. The Class B Units are redeemable by the holder thereof for cash or Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by Flagship Operating, LLC and as directed by the REIT in its sole discretion, subject to certain limitations and restrictions, and therefore are considered a puttable instrument. As a result, the Class B Units have been classified as financial liabilities and are measured at FVTPL (fair value through profit or loss). The fair value of the Class B Units is measured every period, with changes in measurement recorded in the statement of income and comprehensive income. Distributions on Class B Units are recorded as finance cost in the consolidated financial forecast in the period in which they become payable.

As of December 31, 2020 and as of March 19, 2021, the total number of Class B Units outstanding was 5,432,940.

Units

The REIT is authorized to issue an unlimited number of Units. No Unit has any preference or priority over another. Each Unit represents a Unitholder's proportionate undivided beneficial ownership interest in the REIT and confers the right to one vote at any meeting of Unitholders and to participate pro rata in any distributions by the REIT, whether of net income, net capital gain or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. Units are fully paid and non-assessable when issued and are transferable.

As of December 31, 2020 and as of March 19, 2021, the total number of Units outstanding was 7,226,185.

Unit-Based Compensation

The REIT adopted the Omnibus Equity Incentive Plan on December 1, 2020, although no awards were outstanding thereunder as of December 31, 2020. The Omnibus Equity Incentive Plan provides for awards of Restricted Units, Performance Units, Deferred Units and Options, each as defined therein. Unitholders will be asked to consider, and if thought advisable, pass an ordinary resolution at the REIT's unitholder meeting being held in 2021 to approve the Omnibus Equity Incentive Plan, including any previous grants of award and all unallocated awards issuable thereunder. If approval of the Omnibus Equity Incentive Plan resolution is not obtained at the meeting, all outstanding awards under the Omnibus Equity Incentive Plan will be cancelled and the REIT will not have the ability to grant further awards under the Omnibus Equity Incentive Plan until such time as the required Unitholder approval may be obtained in the future.

Amounts in Thousands of US Dollars (except for per unit amounts)

Contractual Commitments

The following table provides information on the carrying balance and the non-discounted contractual maturities of financial liabilities of the REIT with fixed repayment terms:

	Carrying amount	Contractual cash flows	1 Year	1 to 2 Years	2 to 5 years	5+ years
Trade and Other Payables	$ 598	$ 598	$ 598			
Other Liabilities	$ 5,140	$ 5,140	$ 5,140			
Mortgages Payable	$ 219,858	$ 284,579	$ 8,508	$ 16,328	$ 24,649	$ 235,094
	$ 225,596	$ 290,317	$ 14,246	$ 16,328	$ 24,649	$ 235,094

Distributions

The REIT has adopted a distribution policy pursuant to which the REIT and Flagship Operating, LLC make cash distributions to Unitholders and holders of Class B Units, respectively, on a monthly basis. Pursuant to this distribution policy, distributions are paid to Unitholders and holders of Class B Units of record at the close of business on the last business day of a month on or about the 15th day of the following month. Distributions must be approved by the board of trustees of the REIT and are subject to change depending on the general economic outlook and financial performance of the REIT. The REIT does not use net income in accordance with IFRS as the basis to establish the level of distributions as net income includes, among other items, non-cash fair value adjustments related to its property portfolio.

Amounts in Thousands of US Dollars (except for per unit amounts)

In accordance with National Policy 41-201 - Income Trusts and Other Indirect Offerings, the REIT provides the following additional disclosure relating to cash distributions:

		December 31, 2020
Cash Provided by operating activities	$	3,843
Less interest paid	$	1,165
	$	2,678
Less distributions paid to unitholders	$	545
Less distributions paid to Class B unitholders	$	410
Excess cash provided by operating activities over distributions paid	$	1,723
Net income and comprehensive income	$	47,338
Less interest paid	$	1,165
	$	46,173
Less distributions paid to unitholders	$	545
Less distributions paid to Class B unitholders	$	410
Excess cash provided by net income and comprehensive income over distributions paid	$	45,218

Total distributions declared to Unitholders and holders of Class B Units were $1,492 for the year ended December 31, 2020.

Investment Property Portfolio

A property is determined to be an investment property when it is held either to earn rental income, capital appreciation or for both. Investment properties include land, buildings, land improvements, and building improvements. The REIT used a combination of internal valuation methodologies and external appraisals to value the investment properties. The estimated fair value of the investment properties was determined using the direct capitalization income method. The direct capitalization income method analyzes the relationship of one year's net operating income to total property value. The net operating income is divided by an overall capitalization rate. The net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over an investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

The investment property portfolio had 52 communities as of December 31, 2020. A reconciliation of the carrying amount for investment properties at the beginning and end of the period is set out below:

		For the Period October 7, 2020 through Decemer 31, 2020
Investment properties, beginning of period	$	-
Acquisition of initial communities - October 7, 2020	$	411,599
Community acquisitions in period	$	889
Additions to investment properties	$	12,945
Change in fair value of investment properties	$	2,958
Total investment properties, end of period	$	428,391

Amounts in Thousands of US Dollars (except for per unit amounts)

Investment Property Valuation

A significant increase (decrease) in estimated rents or occupancy rates, per annum in isolation would result in a significantly higher (lower) fair value. A significant increase (decrease) in capitalization rate estimates in isolation would result in significantly lower (higher) fair value. External appraisals were obtained in support of managements valuations on 97% of the recorded fair values of investment properties.

The high, low, and overall weighted average of the capitalization rates applicable to the Portfolio are set out below along with the impact of a 25 basis-point increase or decrease in the weighted average capitalization rate on the carrying value of investment properties in a dollar and percentage terms:

	As of December 31, 2020
Capitalization Rates of Investment Properties	
High	6.25%
Low	5.35%
Weigthed Average	5.52%
% Change	
+0.025	4.45%
-0.025	(4.88%)
$ Change	
+0.025	($19,079)
-0.025	$20,920

Cash Flows

The REIT held cash and cash equivalents of $11,499 as of December 31, 2020. The changes in cash flows for the period October 7, 2020 through December 31, 2020 are as follows:

		For the Period October 7, 2020 through Decemer 31, 2020
Cash provided by operating activities	$	3,843
Cash provided by investing activities	$	(70,616)
Cash provided by financing activities	$	78,272
Change in cash and cash equivalents during the period	$	11,499

Operating activities for the period October 7, 2020 through December 31, 2020

Operating activities for the period generated a net cash inflow of $3,843. This cash flow from operating activities was largely driven by cash Inflows from normal business operations (net income adjusted for non-cash items and financing activities.)

Investing activities for the period October 7, 2020 through December 31, 2020

Investing activities for the period generated a net cash outflow of $70,616. This was largely driven by the acquisition of the initial portfolio for $57,694 as well as subsequent acquisitions of investment property of $12,945.

Financing activities for the period October 7, 2020 through December 31, 2020

Financing activities for the period generated a net cash inflow of $78,272. This was largely driven by proceeds from issuance of units in the amount of $99,317 and was partially offset of repayment of mortgages and notes payable in the amount of $13,418, transaction costs of $5,306, and interest paid of $1,165.

Transactions with Related Parties

In connection with the IPO, the REIT indirectly acquired the Initial Communities from entities owned and managed by certain executive officers of the REIT, as a result of which Chief Executive Officer and Chief Investment Officer acquired beneficial ownership, or control or direction over, directly or indirectly, 17,408 Units and 5,396,687 Class B Units.

On Closing, the REIT and Empower, an entity majority-owned by the REIT's President and Chief Executive Officer and Chief Investment Officer, entered into certain agreements that govern the relationships between such parties and their affiliates. Empower will acquire and develop MHCs that do not meet the REIT's investment criteria and conduct home sales, including sales of manufactured homes located on the Initial Communities, under the ''You Got it Homes'' brand.

In addition to this agreement, the consolidated financial statements include the following related party transactions:

- Compensation expenses include $301 incurred to key management personnel during the period from October 7, 2020 to December 31, 2020, which includes short-term employee compensation and benefits.
- For the period from October 7, 2020 to December 31, 2020, the Company billed Empower Park a total of $216, of which $192 was payroll and benefits, $13 was management fees, and $11 in other miscellaneous items. As of December 31, 2020, the Company had a receivable from Empower Park of $203.
- For the period from October 7, 2020 to December 31, 2020, the REIT incurred expenses from affiliates totaling $430. The services provided by these affiliates include HVAC, paving/concrete repair, legal, IT and landscape services.

Amounts in Thousands of US Dollars (except for per unit amounts)

The table below breaks out spending for each related party:

Company Name	Ownership & Control	Description of Services	Spend For the Period October 7, 2020 through December 31, 2020
Call Now HVAC	50% owned CEO, CIO and another Retained interest Holder. Managing member of the entity is a non-related party	Provides HVAC services for the communities including installing new air conditioner units as well as services existing units	$89
KOI	50% owned the CEO and 50 % by an immediate family member. Employees include other immediate family members of the CEO.	Provides black top and concrete services for the communities as well as a number of other maintenance services.	$146
BG3	100% owned by brother of the CEO	Provides Landscaping services for various investment properties.	$18
Adams Stepner Wolterman and Dusing	Retained interest holder with significant ownership of the REIT is a former partner and is currently compensated for any work that he completes on behalf of Adam Stepner Wolterman and Dusing.	Law firm that helps the Portfolio with various legal matters such as loan closings, acquisition diligence, contract reviews, etc.	$119
JDK	100% owned by the brother of the CEO	IT and Desktop Support	$12
Empower Park	50% owned CEO, CIO and another Retained interest Holder.	Empower acquires and develop MHCs that do not meet the REIT's Investment Criteria and conducts home sales, including sales of manufactured homes located on the Initial Communities. Per agreement with Empower park REIT will pay Floor Plan interest on homes within the initial communities as well as reimburse Empower for any gross profit losses on homes sales within the initial communities	$46
		Total	**$430**

Management believes these related party transactions were done on commercial terms normally attainable from third parties.

Critical Accounting Estimates and Assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial period are outlined below.

Investment properties

A property is determined to be an investment property when it is held either to earn rental income, capital appreciation or for both. Investment properties include land, buildings, land improvements, and building improvements. The REIT used a combination of internal valuation methodologies and external appraisals to value the investment properties. The estimated fair value of the investment properties was determined using the direct capitalization income method. The direct capitalization income method analyzes the relationship of one year's net operating income to total property value. The net operating income is divided by an overall capitalization rate. The net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over an investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

A significant increase (decrease) in estimated rents or occupancy rates, per annum in isolation would result in a significantly higher (lower) fair value. A significant increase (decrease) in capitalization rate estimates in isolation would result in significantly lower (higher) fair value.

Future accounting changes

The following standards are not yet effective for the period ended December 31, 2020 and have not been applied in preparing these consolidated financial statements:

The following standards are not yet effective for the period ended December 31, 2020 and have not been applied in preparing these consolidated financial statements:

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

IFRS 3 – Business Combinations ("IFRS 3") was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

The REIT is currently assessing the impact of these standards.

Disclosure Controls and Internal Controls Over Financial Reporting

The REIT's management maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, accurate, reliable and timely. The disclosure controls and procedures are designed to provide reasonable assurance that (i) material information relating to the REIT is made known to management by others, particularly during the period in which the filings are being prepared, and (ii) information required to be disclosed in its various reports are recorded, processed, summarized and reported within the time frames specified in securities legislation. As of the end of the period covered by this MD&A, the Chief Executive Officer and the Chief Financial Officer of the REIT have reviewed and evaluated the REIT's disclosure controls and procedures (as that term is defined in National Instrument 52-109 – Certification of Disclosures in Issuers' Annual and Interim Filings ("NI 52-109")) and, based upon that review and evaluation, concluded that those disclosure controls and procedures were effective as of December 31, 2020. Nevertheless, management recognizes that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives.

NI 52-109 requires the Chief Executive Officer and Chief Financial Officer to certify that they are responsible for establishing and maintaining internal control over financial reporting for the REIT and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and Chief Financial Officer are also responsible for disclosing any changes to the internal controls for the REIT that have materially affected, or are reasonably likely to materially affect, the REIT's internal control over financial reporting.

Management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the disclosure controls or internal controls over financial reporting of the REIT will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met.

Further, the design of a control system must reflect that there are resource constraints, and the benefits of controls must be considered relative to their costs. Inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Chief Executive Officer and Chief Financial Officer have evaluated the design and operating effectiveness of the internal controls over financial reporting of the REIT and concluded that the internal controls over financial reporting were effective as of December 31, 2020.

There have been no changes in the internal controls over financial reporting of the REIT during the period of this MD&A that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

Risk and Uncertainties

The REIT faces a variety of significant and diverse risks, many of which are inherent in the business to be conducted by the REIT and the tenants of its properties, many of which are beyond the control of the REIT. Described below are certain risks that could materially adversely affect the REIT and its operations, cash flows and ability to make cash distributions. Other risks and uncertainties that the REIT does not presently consider to be material, or of which the REIT is not presently aware, may become important factors that affect the REIT's future financial condition and results of operations. The occurrence of any of the risks discussed below could materially and adversely affect the business, prospects, financial condition, results of operations or cash flow of the REIT. Prospective purchasers of Units should carefully consider these risks before investing in the Units. Capitalized terms used but not otherwise defined in this "Risk and Uncertainties" section shall have the meanings ascribed to them in the Prospectus.

Risk Factors Related to the Real Estate Industry and the Business of the REIT

Real Property Ownership

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions (such as the availability, terms and cost of mortgage financing and other types of credit), local economic conditions (such as an oversupply of properties or a reduction in demand for real estate in the area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

There is no assurance that the operations of the REIT will be profitable or that cash from operations will be available to make distributions to Unitholders. Real estate, like many other types of long term investments, experiences significant fluctuation in value and, as a result, specific market conditions may result in occasional or permanent reductions in the value of the REIT's portfolio, including its MHCs. The marketability and value of the REIT's portfolio will depend on many factors, some of which may impact manufactured homes to a greater degree than traditional residential homes, including, without limitation: (i) changes in general economic conditions (such as the availability, terms and cost of mortgage financing and other types of credit); (ii) local economic conditions (such as business layoffs, industry slowdowns, changing demographics and other factors); (iii) local real estate conditions (such as an oversupply of properties or a reduction in demand for real estate in the area); (iv) changes in occupancy rates; (v) the attractiveness of properties to potential tenants or purchasers; (vi) changes in the public's perception of MHCs and manufactured homes; (vii) competition with other landlords with similar available space; (viii) the ability of the REIT to provide adequate maintenance at competitive costs; (ix) the promulgation and/or enforcement of governmental regulations or other requirements relating to land use and zoning restrictions, environmental protection and occupational safety; (x) the financial condition of borrowers and of tenants, buyers and sellers of real estate assets; (xi) changes in real estate tax rates and other operating expenses; (xii) natural disasters, epidemics or pandemics; (xiii) the imposition or tightening of rent controls; (xiv) energy and supply shortages; and (xv) various uninsured or uninsurable risks.

There can be no assurance of profitable operations because the costs of operating the portfolio, including debt service, may exceed gross rental income therefrom, particularly since certain expenses related to real estate, such as property taxes, utility costs, maintenance costs and insurance, tend to increase even if there is a decrease in the REIT's income from such investments.

The success of the REIT depends on the availability of, and the degree of competition for, attractive investments. The REIT's operating results depend on the availability of, as well as the ability of management to identify, consummate, manage and realize, attractive real estate investment opportunities. It may take considerable time for the REIT to identify and consummate appropriate investments. No assurance can be given that the REIT will be successful in identifying and consummating future investments which satisfy the REIT's rate of return objective or that such investments, once consummated, will perform as expected. The REIT is engaged in a competitive business and competes for attractive investments with existing real estate investment funds and other funds formed in the future with similar investment objectives. These factors may affect the REIT's ability to make investments in the future.

Asset Class and Tenant Risks

The REIT's investments are concentrated in the U.S. MHC industry. As a result, the REIT is subject to risks inherent in investments in a single type of property in a single country. A lack of asset class diversification increases risk because residential real estate, including MHCs, is subject to its own set of risks, such as adverse housing pattern changes, increased real estate taxes, vacancies, rent controls, rising operating costs and changes in mortgage rates. A downturn or slowdown in the demand for manufactured housing, including pursuant to changes in the public's perception of MHCs and manufactured homes or to changes in governmental rules and regulations relating to MHCs, may have more pronounced effects on the cash available for distribution or on the value of the REIT's assets than if the REIT more fully diversified its investments.

The REIT leases individual lots at its MHCs to residents for the placement of manufactured homes, and, in some cases, rental homes located on a REIT MHC to residents. The REIT's results of operations could be adversely affected if the residents of its communities are unable to pay rent or if the REIT's lots are not rented, or if the

REIT is unable to rent rental homes, on favorable terms. The market for the sale and lease of manufactured homes may be adversely affected by a variety of factors, including the difficulty facing potential purchasers in obtaining affordable financing as a result of heightened lending criteria or economic conditions. If the REIT is unable to promptly re-lease its lots and rental homes or renew leases for a significant number of its lots or rental homes, or if the rental rates upon such renewal or re leasing are significantly lower than expected rates, then the REIT's business and results of operations would be adversely affected. In addition, the resale value of the REIT's MHCs could be diminished because the market value of a particular property will depend principally upon the value of the leases underlying such property.

Catastrophic Events, Natural Disasters, Severe Weather and Disease

The REIT's business may be negatively impacted to varying degrees by a number of events which are beyond its control, including tornadoes, floods, ice storms, cyber attacks, unauthorized access, energy blackouts, pandemics, outbreaks of infectious disease, such as the COVID 19 pandemic, other public health crises affecting the markets where the REIT operates, terrorist attacks, acts of war, or other natural or manmade catastrophes. Certain of the REIT's MHCs are located in areas that may be especially at risk of certain natural disasters, including the MHCs in areas that may be adversely affected by tornadoes or flooding. While the REIT engages in emergency preparedness, including business continuity planning, to mitigate risks, such events can evolve very rapidly and their impacts can be difficult to predict. As such, there can be no assurance that in the event of such a catastrophe that the REIT's operations and ability to carry on business will not be disrupted. The occurrence of such events may not release the REIT from performing its obligations to third parties. A catastrophic event, or fear associated therewith, could increase investment costs to repair or replace damaged properties, increase future property insurance costs and negatively impact tenant demand for lots, which could have a negative impact on the REIT's ability to conduct its business and increase its costs. In addition, liquidity and volatility, credit and insurance availability and market and financial conditions generally could change at any time as a result. While the REIT will seek to maintain insurance for loss of revenue resulting from the occurrence of certain natural disasters, insurance for certain natural disasters may not be available, and any of these events in isolation or in combination, could have a material negative impact on the REIT's financial condition and results of operations, decrease the amount of cash available for distribution to Unitholders.

The REIT may be exposed to the impact of events caused by climate change, including an increase in the frequency and severity of the natural disasters and serious weather conditions outlined above. Furthermore, as a real estate property owner and manager, the REIT faces the risk that its properties will be subject to government initiatives and reforms aimed at countering climate change, such as reduction in greenhouse gas emissions. The REIT may require operational changes and/or incur financial costs to comply with any such reforms. Any failure to adhere and adapt to climate change could result in fines or adversely affect the REIT's reputation, operations or financial performance.

Competition

The MHC industry is highly competitive. This competition could reduce occupancy levels and revenues at the REIT's communities, which would adversely affect the REIT's operations and revenue. The REIT faces competition for residents from many sources, including from rental apartment owners, home owners and home builders as well as from other MHCs, in both the immediate vicinity and the geographic market where the REIT's communities are and will be located. Overbuilding of residential units may occur as a result of this competition. If so, this would increase the number of units available and may decrease occupancy and rental, sale or renewal rates, any or all of which could negatively affect the REIT's operating results and financial condition. Additionally, some competing housing options may qualify for governmental subsidies that may make such options more affordable and therefore more attractive than the REIT's MHCs. This may also decrease occupancy and rental, sale or renewal rates, any or all of which could negatively affect the REIT's operating results and financial condition.

While the process of obtaining zoning permits and other regulatory approvals required to develop a new MHC is generally prohibitive, and competing land uses and scarcity of land zoned for development of MHCs form barriers to new manufactured housing supply in the U.S., any changes to zoning or other regulations that remove or reduce barriers to entry and provide opportunities for new manufactured housing supply in the geographical areas in which the REIT operates or in the U.S. generally could negatively affect the REIT's operating results and financial condition.

COVID 19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of COVID 19 a global pandemic, which has resulted in the federal, state and local governments in the U.S. enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, "shelter in place" rules, self imposed quarantine periods and social distancing, have caused material disruptions to businesses globally resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility and weakness. Governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The duration and impact of the COVID 19 pandemic on the REIT is unknown at this time, as is the efficacy of the various government interventions. However, disruptions caused by COVID 19 may negatively impact the market price for the equity securities of the REIT and may, in the short or long term, materially adversely impact the REIT's tenants and/or the debt and equity markets, both of which could materially adversely affect the REIT's operations and financial performance and ability to pay distributions.

In particular, many U.S. cities and states, including cities and states where the REIT's offices and MHCs are located, implemented measures to combat COVID 19, including quarantines, "shelter in place" rules, and restrictions on travel and the types of business that may continue to operate, some of which measures remain in place. Additionally, certain states in which the REIT's MHCs are located implemented measures to halt evictions; although such measures have now been lifted, they may be reinstated in the future, including pursuant to the extension of The Coronavirus Aid, Relief, and Economic Security Act. Flagship has pro-actively taken actions in response to or in furtherance of these measures and currently has in place, in response to such measures and local conditions, where applicable, measures such as: protocols for social distancing, hand sanitization and the wearing of facemasks; and closure of certain non-essential indoor common areas; conducting tours of the REIT's MHCs for prospective tenants on an appointment only basis, which actions the REIT may continue to take. Additionally, in the period following the declaration of the COVID 19 pandemic, Flagship implemented procedures for payment of rent and other fees electronically, such that all such payments are now paid online rather than in person.

Notwithstanding the COVID 19 pandemic, such measures have not had a material impact on Flagship, and management believes that the operational metrics within the REIT's MHCs will continue to be stable or strengthen in the foreseeable future and over the longer term. Nonetheless, given the unpredictable nature of the COVID 19 pandemic, any continuation or intensification of such pandemic or related government measures, and any changes in levels of government financial support to individuals affected by the COVID 19 pandemic and economic downturn, could in the future have an adverse effect (which effect could be material) on the REIT's financial condition, results of operations and cash flows due to the following factors, or others:

- Weaknesses in national, regional or local economies may prevent residents and customers from paying rent in full or on a timely basis. Federal, state, local, and industry efforts, including eviction moratoriums and requirements to reduce or waive late fees, may affect Flagship's or the REIT's ability to collect rent or enforce remedies for the failure to pay rent, which could lead to an increase in its recognition of credit losses related to Flagship's or the REIT's rent receivables. In addition, a reduction in the ability or willingness of prospective customers to visit the REIT's MHCs could impact Flagship's or the REIT's ability to lease lots and may result in lower rental revenue and ancillary operating revenue produced by its MHCs.

- A reduction in tenant demand for lots due to a general decline in business activity and discretionary spending could adversely affect the value of the REIT's MHCs and fleet of manufactured homes This could lead to an impairment of the REIT's real estate investments. In addition, the REIT may be unable to complete planned development of land for expansion or other capital improvement projects on a timely basis or at all due to government mandated shutdowns or an inability by third party contractors to continue to work on construction projects.

- A general decline in business activity or demand for real estate transactions could adversely affect the REIT's ability or desire to acquire additional MHCs.

- The financial impact of the COVID 19 pandemic could negatively impact the REIT's ability to comply with financial covenants in its credit arrangements and result in a default and potentially an acceleration of indebtedness. Such non-compliance could negatively impact the REIT's financial position and its ability to make additional borrowings under its credit facilities.

- A severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect the REIT's ability to access capital necessary to fund business operations, including the acquisition or expansion of MHCs, or replace or renew maturing liabilities on a timely basis, on attractive terms, or at all, and may adversely affect the valuation of financial assets and liabilities.

• An outbreak of COVID 19 or other contagious illness in a community or the market in which a community operates could negatively impact its occupancy, reputation or attractiveness.

• The COVID 19 pandemic could negatively affect the health, availability and productivity of the REIT's personnel. It could also affect the REIT's ability to recruit and attract new employees or retain current employees. An outbreak that directly affects, or threatens to directly affect, any of the Communities could also deter or prevent the REIT's on-site personnel from reporting to work. The effects of shelter in place orders could strain the REIT's business continuity plans, introduce operational risk, including but not limited to cybersecurity risks, and impair the REIT's ability to manage its business.

• Governmental agencies that permit and approve the REIT's projects, suppliers, homebuilders, and other business partners and third parties may be prevented from conducting business activities in the ordinary course for an indefinite period of time, which could in turn negatively affect the REIT's business.

Other risks, including those described elsewhere in this MD&A related to changes to applicable laws and regulations, economic downturn in markets with a large concentration of the REIT's MHCs, debt financing, financing renewal, access to capital and the REIT's reliance on information technology infrastructure, and the effects of these risks on the REIT's financial condition, results of operations, cash flows, ability to make cash distributions, operations and the market price of its securities, could be exacerbated by the effects of the COVID 19 pandemic and government measures to control it, any intensification of such pandemic or measures, or any other outbreak of contagious disease.

The extent to which the COVID 19 pandemic impacts the REIT's operations, financial condition and financial results will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Such future developments include the severity and duration of the pandemic, any intensification 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, among others. The rapid development and fluidity of this situation impedes the REIT's ability to predict the ultimate adverse impact of the COVID 19 pandemic. Nevertheless, the COVID 19 pandemic and the current financial, economic and capital markets environment, and future developments in these and other areas, present material uncertainty and risk with respect to the REIT's performance, financial condition, results of operations and cash flows.

Current Economic Environment

The REIT is subject to risks involving the economy in general, including inflation, deflation or stagflation, unemployment and geopolitical issues. Global financial markets have experienced a sharp increase in volatility recently as a result of the COVID 19 pandemic. As the pandemic evolves, some economies around the world, including the United States, may experience or are already experiencing significantly diminished growth or a recession. These market conditions and further volatility or illiquidity in financial markets, or economic conditions generally, could adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. In weak economic environments, the REIT's ability to maintain occupancy rates could be reduced, and the REIT's residents may be unable to make their rental payments and meet their other obligations to the REIT, which could have a material and adverse effect on the REIT. In addition, fluctuation in interest rates or other financial market volatility may restrict the availability of financing for future prospective purchasers of the REIT's investments and could potentially reduce the value of such investments.

In particular, the REIT is subject to risks involving the regional and local economies in the markets in which its MHCs are located, including economic downturns of a regional or local nature and a rise in regional or local unemployment, which could adversely affect the REIT's occupancy rates and the ability of the REIT's tenants to make their rental payments and meet their other obligations to the REIT. Such conditions could have a material and adverse effect on the REIT.

A significant component of the REIT's ability to successfully operate relates to certain external factors that are beyond the REIT's control, particularly interest rates and capital markets conditions. It is possible that capitalization rates within the U.S. MHC industry could increase in the future due to external market factors, which tend to put downward pressure on the market values of publicly traded real estate entities.

Fluctuations in Capitalization Rates

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 gain or loss at the time of disposition of a property may occur due to the impact on the value of the underlying real estate from any increase or decrease of these capitalization rates.

Regulation and Changes in Applicable Laws

The REIT is subject to laws and regulations governing the ownership and leasing of real property, zoning, building standards, landlord tenant relationships, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the REIT (including with retroactive effect). Any changes in the laws or regulations to which the REIT is subject could materially adversely affect the REIT's rights and title to its assets. It is not possible to predict whether there will be any changes in the regulatory regimes to which the REIT is subject or the effect of any such changes on its investments.

Lower revenue growth or significant unanticipated expenditures may result from the REIT's need to comply with changes in applicable laws or regulations, 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 REIT's properties, including changes to building codes and fire and life safety codes. Further, residential landlord/ tenant laws in certain states may provide residents with the right to bring certain claims to the respective judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the REIT may, in the future, incur capital expenditures which may not be fully recoverable from residents.

Laws and regulations also govern the provision of utility services. Such laws regulate, for example, how and to what extent owners or operators of real property can charge renters for provision of utilities. Such laws can also regulate the operations and performance of utility systems and may impose fines and penalties on real property owners or operators who fail to comply with these requirements. The laws and regulations may also require capital investment to maintain compliance.

Changes in rules and regulations, including the U.S. Department of Housing and Urban Development's manufactured housing rules, that result in access to affordable housing being made increasingly burdensome or excessively costly would negatively impact the tenant demand for lots, which may adversely affect the REIT's financial condition and results of operations.

Geographic Concentration

The REIT's properties are located in the United States, in Kentucky, Ohio, Indiana and Tennessee. As a result, the REIT's performance is particularly sensitive to economic and regulatory changes in these states. Adverse changes in the economic condition or regulatory environment of Kentucky, Ohio, Indiana and Tennessee may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and its ability to make cash distributions to Unitholders.

Capital Expenditures and Fixed Costs

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 REIT's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Certain significant expenditures, including property taxes, maintenance costs, debt service payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. In order to attract residents and to generate adequate revenue over the long term, the REIT must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining an MHC in accordance with market standards can entail significant costs, which the REIT may not be able to recover from its tenants. In addition, property tax reassessments based on updated appraised values may occur, which the REIT may not be able to fully recover from its tenants. As a result, the REIT bears the economic cost of such maintenance and/or taxes not recoverable from tenants, which may adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. Numerous factors could result in substantial unbudgeted costs for refurbishment or modernization. In addition, the timing and amount of capital expenditures may indirectly affect the amount of cash available for distribution to Unitholders. Cash distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

In addition, the REIT may require substantial funds to renovate an MHC in order to sell it, upgrade it or reposition it in the market.

If the actual costs of maintaining or upgrading a property exceed the REIT's estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, or if the REIT is not permitted to increase rents due to legal or other constraints, the REIT will incur additional and unexpected costs. If competing MHCs or other residential properties are built in the area where one of the REIT's properties is located, or any such communities or residential properties located in the vicinity of one of the REIT's properties is substantially refurbished, the net operating income derived from, and the value of, the REIT's property could be reduced. Any failure by the REIT to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that the REIT earns from such properties. Any such event could have a material adverse effect on the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to Unitholders.

Property Taxes

The REIT is subject to property tax risk as a result of its exposure to the potential for significant increases in property taxes. The assessed values of the REIT's properties for local and state property tax purposes may increase, perhaps materially, resulting in an increase, perhaps materially, to property tax expense and a corresponding decrease to NOI. In some instances, improvements to properties may result in significant increases in property assessments following are valuation and a corresponding increase in property tax expense.

Liquidity

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. In recessionary times, it may be particularly difficult to dispose of certain types of real estate. If the REIT were to be required to quickly liquidate its real property investments, the proceeds to the REIT might be significantly less than the aggregate carrying or net asset value of its properties or less than what would be expected to be received under normal circumstances which could have an adverse effect on the REIT's financial condition and results of operations and decrease the cash available for distribution. Illiquidity may result from the absence of an established market for real property investments, as well as from legal or contractual restrictions on their resale. In addition, in recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the

REIT to dispose of properties at reduced sale prices in order to generate sufficient cash for operations and for making cash distributions to Unitholders.

Environmental Matters

Environmental laws and regulations have become increasingly important in recent years. As a current or previous owner of interests in real property in the United States, the REIT is subject to various U.S. federal, state and municipal laws relating to environmental matters. Such laws provide that the REIT could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties or at third party sites, at which wastes were sent for disposal by the REIT, including lead based paints, mold, asbestos, polychlorinated biphenyls, petroleum based fuels, mercury, volatile organic compounds, underground storage tanks, pesticides and other miscellaneous materials. Further, liability may be incurred by the REIT with respect to the release of such substances from or to the REIT's properties, including due to the migration of contamination to the REIT's property from another property. These laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. Those laws also govern the maintenance and removal of asbestos containing materials in certain circumstances, including in the event of damage, demolition or renovation of a property and also govern emissions of and exposure to asbestos fibers in the air. Certain of the REIT's MHCs may contain asbestos containing materials. The costs of investigation removal and remediation of such substances or properties, if any, may be substantial and could adversely affect the REIT's financial condition and results of operations but are not estimable. There may be contamination on the REIT's MHCs of which management is not aware. The presence of contamination or the failure to remediate contamination may adversely affect the REIT's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against the REIT by public or private parties, as well as regulatory decrees and orders requiring the REIT to pay for the remediation of contamination.

The REIT's MHCs may now or in the future contain soil or groundwater contamination, hazardous substances and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos, mold or other hazardous substances above the allowable or recommended thresholds, or other environmental risks could be associated with the buildings. The REIT bears the risk of cost intensive assessment, remediation or removal of such soil or groundwater contamination, hazardous substances or other residual pollution. The discovery of any such contamination or residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against the REIT. The remediation of any contamination and the related additional measures the REIT would have to undertake could have a materially adverse effect on the REIT and could involve considerable additional costs. The REIT will also be exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible. Moreover, the existence or even the mere suspicion of the existence of soil or groundwater contamination, hazardous materials or other residual pollution can materially adversely affect the value of a property and the REIT's ability to lease or sell such a property.

The REIT's operating policy is to obtain a Phase I ESA Report conducted by an independent and experienced environmental consultant prior to acquiring a property. If the Phase I ESA Report recommends a Phase II environmental assessment be conducted, the REIT conducts a Phase II environmental assessment by an independent and experienced environmental consultant. Although such environmental site assessments would provide the REIT with some level of assurance about the condition of the property, the REIT may become subject to liability for undetected contamination or other environmental conditions at its properties, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

The REIT intends to make the necessary capital and operating expenditures to comply with environmental laws and regulations, as well as to address any material environmental issues and such costs relating to environmental matters that may have a material adverse effect on the REIT's business, financial condition or results of operation and decrease the amount of cash available for distribution. Furthermore, environmental laws and regulations can change, and the REIT may become subject to even more stringent environmental laws and regulations in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws and regulations, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Accidental Death or Severe Injuries

While the REIT maintains and promotes safety at its MHCs, there are inherent risks associated with certain features, assets and activities at its communities. The accidental death or severe injuries of persons living in or working on the REIT's communities due to fire, natural disasters or other hazards, including hazards that may be related to natural gas lines located on the communities, may be associated with claims against the REIT involving high assertions of damages and/or high public visibility. The occurrence of an accident or an injury at any of the REIT's communities could also cause damage to the REIT's brand or reputation and lead to loss of consumer confidence in the REIT or its communities. The REIT's insurance coverage may not cover all losses associated with such events, and the REIT may experience difficulty marketing communities where any such events have occurred, which could reduce occupancy at the REIT's communities and have a material adverse effect on the REIT's business and results of operations.

Financing Risks

As of December 31, 2020, the REIT has outstanding indebtedness of approximately $213 million. Although a portion of the cash flow generated by the REIT's MHCs is devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest payments and principal repayments upon an applicable maturity date. The REIT's liquidity is subject to macroeconomic, financial, competitive and other factors that are beyond the REIT's control, including the COVID 19 pandemic. If the REIT is unable to meet interest or principal repayments, it could be required to attempt a renegotiation of such payments with its lenders or obtain additional equity, debt or other financing. The failure of the REIT to make or successfully renegotiate interest or principal repayments or obtain additional equity, debt or other financing could materially adversely affect the REIT's financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders.

The REIT is subject to the risks associated with debt financing, including the risk that any outstanding indebtedness will not be able to be refinanced or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness, which may reduce AFFO. The Fannie Mae Loan and Freddie Mac Loan contain covenants that require the borrower entities to maintain certain financial ratios. If such ratios are not maintained, cash flow from such borrower entities to the REIT may be restricted, and the REIT's ability to make cash distributions to Unitholders may be limited or suspended. In particular, the borrower entities may not be able to make payments to the REIT in the event of a default on such loans, or if a bankruptcy event has occurred with respect to the applicable borrower entity or any person having a direct ownership interest therein.

United States Financing Renewal Risk — Condition of Fannie Mae or Freddie Mac

In the future, the REIT will seek to manage its financing risk by maintaining a balanced maturity profile with long term maturities on its debt. Management believes that the use of Fannie Mae or Freddie Mac will assist the REIT in managing its renewal risk. Given the increased credit quality of such debt, the probability of the REIT being unable to renew the maturing debt or transfer this debt to another accredited lending institution is reduced. However, there can be no assurance that the renewal of debt will be on as favorable terms as the REIT's existing debt.

The ongoing financial and real estate market disruptions that began in 2007 could adversely affect the MHC sector's ability to obtain financing from Freddie Mac or Fannie Mae, which could materially adversely affect the REIT's operations. Fannie Mae and Freddie Mac are major sources of financing for the U.S. MHC sector, and Freddie Mac and Fannie Mae have experienced significant losses during recent years due to credit related expenses, securities impairments and fair value losses. If new U.S. government regulations (i) heighten the underwriting standards of Freddie Mac or Fannie Mae, (ii) adversely affect interest rates, or (iii) reduce the amount of capital that Freddie Mac or Fannie Mae can make available to the MHC sector, such regulations could reduce or remove entirely a vital resource of MHC financing. Any potential reduction in loans, guarantees and credit enhancement arrangements from Freddie Mac or Fannie Mae could limit the availability of financing, increase the cost of financing or otherwise decrease the amount of liquidity and credit available to the MHC sector generally and the REIT specifically.

On September 7, 2008, the Federal Housing Finance Agency, or the FHFA, placed Fannie Mae and Freddie Mac into conservatorship and, together with the U.S. Treasury, established a program designed to boost investor confidence. in Fannie Mae's and Freddie Mac's debt and mortgage related securities. Although the U.S.

Treasury has committed capital to Fannie Mae and Freddie Mac, there can be no assurance that these actions will be adequate for their needs. If these actions are inadequate, Fannie Mae and Freddie Mac could continue to suffer losses and could fail to honor their guarantees and other obligations. The future roles of Fannie Mae and Freddie Mac could be significantly reduced and the nature of their guarantees could be considerably limited relative to historical measurements. Any changes to the nature of the guarantees provided by Fannie Mae and Freddie Mac could redefine what constitutes a U.S. government agency mortgage-backed security and could have broad adverse market implications. Such market implications could negatively affect the performance and market value of the REIT's portfolio.

Degree of Leverage

The REIT's degree of leverage as measured by its Debt to Gross Book Value Ratio could have important consequences to Unitholders, including: (i) the REIT's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general business purposes, making the REIT more vulnerable to a downturn in business or the economy in general; and (ii) a portion of the REIT's cash flow is be dedicated to the payment of the principal of and interest on its Indebtedness, thereby reducing the amount of funds available for distributions to Unitholders. Under the Declaration of Trust, the maximum amount of total Indebtedness cannot exceed 65% of Gross Book Value.

Interest Rate Risk

The REIT may require extensive financial resources to implement its future growth strategy. When concluding financing agreements or extending such agreements, the REIT will depend on its ability to agree on terms, including in respect of interest payments and, if applicable, amortization that will not impair the REIT's desired AFFO and that do not restrict its ability to make distributions to Unitholders. The REIT may in the future incur debt with variable interest rates, including pursuant to any subsequent advances under the Fannie Mae Loan, if the current historical low level of interest rates continues. Given the historically low interest rates, there is a risk that interest rates will increase. An increase in interest rates could result in a significant increase in the amount paid by the REIT to service any such variable interest rate debt, potentially resulting in a decrease in or the elimination of distributions to Unitholders, which could materially adversely affect the trading price of the Units. In addition, increasing interest rates may put competitive pressure on the levels of distributable income made by the REIT to Unitholders, increasing the level of competition for capital faced by the REIT, which could have a material adverse effect on the trading price of the Units.

Acquisitions and Associated Undisclosed Defects and Obligations

The REIT's business plan contemplates, among other things, growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and leasing the properties. The REIT intends to make acquisitions and dispositions of MHCs in accordance with its external growth strategy. If the REIT is unable to manage its growth effectively, it could materially adversely impact the REIT's financial position and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis and, as such, there can be no assurance that distributions to Unitholders will be maintained or increase in the future.

Acquired properties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of the REIT. For example, the REIT could acquire a property that contains undisclosed defects in design or construction. Representations and warranties given by third parties to the REIT may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Furthermore, it is not always possible to obtain from the seller the records and documents that are required in order to fully verify that the MHCs to be acquired are constructed in accordance, and that their use complies, with planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks might not be or might not have been recognized or correctly evaluated. These circumstances could lead to additional costs and could have a material adverse effect on rental income of the relevant MHCs or the sale prices of such MHCs upon a disposition thereof.

The REIT may be required to expend funds to correct defects or to make improvements before a property can be sold. No assurance can be given that the REIT will have funds available to correct such defects or to make such improvements. In acquiring a property, the REIT may agree to lock-out provisions that materially restrict it from selling that property for a period of time or impose other restrictions, such as a limitation on the debt that can be placed or repaid on that property or debt or other contracts that are not prepayable or terminable and must be assumed by a buyer. These provisions would restrict the REIT's ability to sell a property. These factors and any others that would impede the REIT's ability to respond to adverse changes in the performance of its properties could significantly affect the REIT's financial condition and operating results and decrease the cash available for distribution to Unitholders.

The REIT's ability to acquire properties on satisfactory terms and successfully integrate and operate them is subject to the following additional risks: (a) the REIT may be unable to acquire desired properties because of competition from other real estate investors with more capital, including other real estate operating companies, real estate investment trusts and investment funds; (b) the REIT may acquire properties that are not accretive to results upon acquisition, and the REIT may not successfully manage and lease those properties to meet its expectations; (c) competition from other potential acquirers may significantly increase the purchase price of a desired property; (d) the REIT may be unable to generate sufficient cash from operations, or obtain the necessary debt or equity financing to consummate an acquisition or, if obtainable, financing may not be on satisfactory terms; (e) the REIT may need to spend more than budgeted amounts to make necessary improvements or renovations to acquired properties; (f) agreements for the acquisition of properties are typically subject to customary conditions to closing, including satisfactory completion of due diligence investigations, and the REIT may spend significant time and money on potential acquisitions that the REIT does not consummate; (g) the process of acquiring or pursuing the acquisition of a new property may divert the attention of the REIT's management team from existing business operations; (h) the REIT may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into existing operations; (i) market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and (j) the REIT may acquire properties without any recourse, or with only limited recourse, for liabilities, whether known or unknown, such as clean-up of environmental contamination, claims by tenants, vendors or other persons against the former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

In addition, after the acquisition of a property, the market in which the acquired property is located may experience unexpected changes that materially adversely affect the property's value. The occupancy of properties that are acquired may decline during the REIT's ownership, and rents that are in effect at the time a property is acquired may decline thereafter.

If the REIT cannot complete property acquisitions on favorable terms, or operate acquired properties to meet the REIT's goals or expectations, the REIT's business, financial condition, results of operations and cash flow, the per Unit trading price and the REIT's ability to satisfy debt service obligations and to make cash distributions to Unitholders could be materially and adversely affected.

Investments in Debt Instruments

While the REIT does not currently hold investments in debt instruments, the REIT may in the future hold direct or indirect investments in mortgages and mortgage bonds (including participating or convertible mortgages). Among other things, adverse changes to the financial condition of a mortgagor with respect to a mortgage held directly or indirectly by the REIT could have an adverse impact on the REIT's ability to collect principal and interest payments from such mortgagor and therefore, cause a reduction in the REIT's ability to make distributions to Unitholders and in the value of that investment.

No Assurance of Recovery

When acquiring assets, the REIT will endeavor to obtain certain representations and warranties with respect to the assets being acquired. Such representations and warranties, to the extent obtained, are subject to limitations, and generally represent unsecured contractual rights.

There can be no assurance of recovery by the REIT for any breach of the representations and warranties provided under any of the purchase and sale agreements pursuant to which it will acquire properties, as there can be no assurance that the assets of the sellers of the properties will be sufficient to satisfy such obligations. The REIT may not be able to successfully enforce applicable indemnities contained in the purchase and sale agreements pursuant to which it will acquire properties and such indemnities may not be sufficient to fully indemnify the REIT from third party claims. Only the REIT (or its subsidiaries) are entitled to bring a claim or action for misrepresentation or breach of contract under the purchase and sale agreements pursuant to which it will acquire properties and Unitholders will not have any contractual rights or remedies under such agreements.

Zoning Compliance

Many of the REIT's MHCs do not comply fully with current zoning requirements, such as permitted use and setback and parking requirements, although all of those that do not so comply qualify as permitted non-conforming uses under special exception permits and applicable grandfather rules. Although applicable zoning laws and regulations permit the REIT to continue to use each such applicable non-conforming community as an MHC, the REIT would be forced to seek variances from current zoning requirements if the community is damaged in excess of certain stated thresholds (typically 50-60% (or more) of assessed or market value or replacement cost) and/or if the REIT fails to commence reconstruction or re-establish use within a stated period of time (typically six to twelve months). The process of obtaining zoning variances can be difficult and time consuming and there can be no assurance that the required variances would be granted in each case or, if granted, that they will be granted on terms favorable to the REIT. The failure to obtain the required variances could result in the loss of use of each such applicable community as an MHC, which could have a material negative impact on the REIT's financial condition and results of operations, and decrease the amount of cash available for distribution to Unitholders.

Difficulty of Locating Suitable Investments

Although Flagship has been successful in locating suitable investments in the past, the REIT may be unable to find a sufficient number of attractive, REIT suitable opportunities to meet its investment objectives.

Laws Benefitting Disabled Persons

Laws benefiting disabled persons may result in unanticipated expenses being incurred by the REIT. 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 31, 1991 to comply with design and construction requirements for disabled access. For those projects receiving federal funds, the Rehabilitation Act of 1973 (the "RA") also has requirements regarding disabled access. These and other federal, state and local laws may require modifications to the REIT'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 also could result in an order to correct any non-complying feature, which could result in substantial capital expenditures. Although the REIT believes that its MHCs are substantially in compliance with the present requirements, the REIT may incur unanticipated expenses to comply with the ADA, the FHAA and the RA in connection with the ongoing operation or redevelopment of the REIT's MHCs.

Past Performance is not a Predictor of Future Results

The performance of the REIT's MHCs and the performance of the REIT are dependent on future events and are, therefore, inherently uncertain. The track records of Flagship Communities, LLC, which the REIT acquired the initial portfolio of MHCs and manufactured homes from, and MHC Management, LLC, d/b/a SSK Communities, which managed such initial portfolio prior to the REIT's acquisition thereof, and their affiliates prior to the IPO cannot be relied upon to predict future events due to a variety of factors, including, without limitation, varying business strategies, different local and national economic circumstances, different supply and demand characteristics, varying degrees of competition and varying circumstances pertaining to the real estate markets.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the properties or revenues to be derived therefrom. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be equal to or higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the REIT due to internal and external limitations on its ability to charge these new market-based rents in the short term.

Breach of Privacy or Information Security Systems

The protection of tenant, employee, and company data is critically important to the REIT. The REIT's business will require it to use and store personally identifiable and other sensitive information of its tenants and employees. The collection and use of personally identifiable information is governed by U.S. federal and state laws and regulations and Canadian federal, provincial and territorial laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. Compliance with all such laws and regulations may increase the REIT's operating costs and adversely impact the REIT's ability to market the REIT's properties and services.

The security measures to be put in place by the REIT, or third-party vendors to be used by the REIT for the operation of its business, cannot provide absolute security, and the REIT's information technology infrastructure may be vulnerable to criminal cyber-attacks or data security incidents due to employee error, malfeasance, or other vulnerabilities. Any such incident could compromise the REIT's or its vendors' networks, and the information stored by the REIT or such vendors, including tenant and employee information, could be accessed, misused, publicly disclosed, corrupted, lost, or stolen, resulting in fraud, including wire fraud related to REIT assets, or other harm. Moreover, if a data security incident or breach affects the REIT's systems or such vendors' systems or results in the unauthorized release of personally identifiable information, the REIT's reputation and brand could be materially damaged and the REIT may be exposed to a risk of loss or litigation and possible liability, including, without limitation, loss related to the fact that agreements with such vendors, or such vendors' financial condition, may not allow the REIT to recover all costs related to a cyber breach for which they alone or they and the REIT should be jointly responsible.

Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies, such as ransomware, and the increased sophistication and activities of perpetrators of cyber-attacks. In the future, the REIT may expend additional resources to continue to enhance the REIT's information security measures and/or to investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that the REIT will not suffer a data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on the REIT's systems, or that any such incident will be discovered in a timely manner. Further, the techniques used by criminals to obtain unauthorized access to sensitive data, such as phishing and other forms of human engineering, are increasing in sophistication and are often novel or change frequently; accordingly, the REIT may be unable to anticipate these techniques or implement adequate preventative measures. If the REIT does not allocate and effectively manage the resources necessary to build and sustain reliable information technology infrastructure, or fails to timely identify or appropriately respond to cybersecurity incidents, or the REIT's or its third party vendors' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the REIT's business could be disrupted and the REIT could, among other things, be subject to: the loss of or failure to attract new residents; the loss of revenue; the loss or unauthorized access to confidential information or other assets; the loss of or damage to trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

Expanding Social Media Vehicles

The use of social media could cause the REIT to suffer brand damage or information leakage. Negative posts or comments about the REIT or its MHCs on any social networking platform could damage the REIT's reputation. In addition, employees or others might disclose non-public sensitive information relating to the REIT's business through external media channels. The continuing evolution of social media will present the REIT with new challenges and risks.

Employee Theft or Fraud

Certain of the REIT's employees have access to, or signature authority with respect to, bank accounts or other REIT assets, which exposes the REIT to the risk of fraud or theft. In addition, certain employees have access to key information technology infrastructure and to resident and other information that is commercially valuable. Should any employee compromise any of the REIT's information technology systems, or misappropriate resident or other information, the REIT could incur losses, including significant financial or reputational harm, from which full recovery cannot be assured. The REIT may also not have insurance that covers any losses in full or that covers losses from particular criminal acts. Potential liabilities for theft or fraud are not quantifiable and an estimate of possible loss cannot be made.

Operational Risk

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

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, refinance its debt as well as to fund its growth strategy and certain capital expenditures from time to time. Although the REIT expects to have access to subsequent advances under the Fannie Mae Loan, there can be no assurance that the REIT will otherwise have access to sufficient capital or access to capital on terms favorable to the REIT for future property acquisitions, refinancing its debt, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, the REIT may not be able to borrow funds due to limitations set forth in the Declaration of Trust. Failure by the REIT to access required capital could have a material adverse effect on the REIT's financial condition or results of operations and its ability to make cash distributions to Unitholders.

Potential Conflicts of Interest

The trustees of the REIT will, from time to time, in their individual capacities, deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The interests of these persons could conflict with those of the REIT. Pursuant to the Declaration of Trust, all decisions to be made by the board of trustees of the REIT which involve the REIT are required to be made in accordance with the trustee's' duties and obligations to act honestly and in good faith with a view to the best interests of the REIT. In addition, the Declaration of Trust contains provisions requiring the trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. Conflicts may also exist as two trustees are affiliated with the Retained Interest Holders (as defined in the Prospectus) and will be nominated by the Retained Interest Holders for so long as the Retained Interest Holders and their associates own, in the aggregate, directly or indirectly, 10% or more of the then outstanding Units (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT). There can be no assurance that the provisions of the Declaration of Trust will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in favor of the REIT.

Insurance Coverage May be Inadequate

The REIT has obtained adequate insurance of the type and coverage customarily obtained for properties similar to those owned by the REIT to cover significant areas of risk to it as an entity and to its properties. However, there are types of losses at the property level, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, tornadoes, hurricanes, pollution or environmental matters, which are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. While the REIT will seek to maintain insurance for loss of revenue resulting from the occurrence of natural disasters, the REIT may not have adequate coverage for all such losses. If any of the REIT's properties incurs a casualty loss that is not fully insured or the insurer is unable to pay due to insolvency, the value of the REIT's assets will be reduced by any such uninsured loss. In addition, other than any working capital reserve or other reserves the REIT may establish, it has no source of funding to repair or reconstruct any uninsured damaged property. Further, to the extent the REIT must pay unexpectedly large amounts for insurance, it could suffer reduced earnings that may result in reduced or no distributions to Unitholders.

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 REIT's current insurance policies, including insurance for loss of revenue resulting from the occurrence of natural disasters, expire, it may encounter difficulty in obtaining or renewing property or casualty insurance at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (e.g., earthquake, tornado, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. If the REIT is unable to obtain adequate insurance for certain risks, it could cause the REIT to be in default under specific covenants on certain of its debt or other contractual commitments that it has that require the REIT to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur, or if the REIT were unable to obtain adequate insurance, and its properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make cash distributions to Unitholders.

Reliance on Key Personnel

The management and governance of the REIT depends on the services of certain key personnel, including certain executive officers and the trustees. The loss of the services of any key personnel and the inability of the REIT to attract and retain qualified and experienced personnel could have an adverse effect on the REIT and adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

New Markets

If the opportunity arises, the REIT may explore acquisitions of properties in new markets. Each of the risks applicable to the REIT's ability to acquire and successfully integrate and operate properties in its current markets is also applicable to its ability to acquire and successfully integrate and operate properties in new markets. In addition to these risks, the REIT may not possess the same level of familiarity with the dynamics and market conditions of any new markets, which could materially adversely affect its ability to expand into or operate in those markets. The REIT may be unable to achieve a desired return on its investments in new markets. If the REIT is unsuccessful in expanding into new markets, it could materially adversely affect its business, financial condition, results of operations and cash flow, the per Unit trading price and its ability to satisfy debt service obligations and to make cash distributions to Unitholders.

Property Development, Redevelopment and Renovation Risks

Although the REIT may engage in development, redevelopment or major renovation activities with respect to its properties, it does not expect to do so in the near term. However, if it does so, it will be subject to certain risks, including: (a) the availability and pricing of financing on satisfactory terms or at all; (b) the availability and timely receipt of zoning and other regulatory approvals; (c) the ability to achieve an acceptable level of occupancy upon completion; (d) the potential that the REIT may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (e) the potential that the REIT may expend funds on and devote management time to projects which it does not complete; (f) construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (g) the time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting the REIT's cash flow and liquidity; (h) the cost and timely completion of construction (including risks beyond the REIT's control, such as weather, labor conditions or material shortages); (i) contractor and subcontractor disputes, strikes, labor disputes or supply disruptions; (j) delays with respect to obtaining, or the inability to obtain, necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws; (k) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (l) the REIT's ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing; and (m) the availability and pricing of financing to fund the REIT's development activities on favorable terms or at all.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of redevelopment activities or the completion of redevelopment activities once undertaken. In addition, redevelopment projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners and others. Any of these risks could have an adverse effect on the REIT's financial condition, results of operations, cash flow, the trading price of the Units, cash distributions to Unitholders and ability to satisfy the REIT's principal and interest obligations.

Legislative Requirements that Limit Affordable Financing for Potential Manufactured Home Buyers

Legislation impacting third party loan originators, consumer protection laws and lender requirements to investigate a borrower's creditworthiness may restrict access to affordable financing to potential manufactured home buyers. Restricted access to affordable financing to potential manufactured home buyers may result in a slowdown in the demand for manufactured housing, which may adversely affect the REIT's financial condition and results of operations.

Litigation Risks

In the normal course of the REIT'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 REIT and, as a result, could have a material adverse effect on the REIT's assets, liabilities, business, financial condition and results of operations.

Even if the REIT 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 REIT's business operations, which could have a material adverse effect on the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to Unitholders.

International Financial Reporting Standards

The Accounting Standards Board of Canada requires all publicly accountable enterprises to report under IFRS for interim and annual financial statements. The REIT is required to report under IFRS. There are ongoing projects conducted by the IASB, and joint projects with the Financial Accounting Standards Board in the United States that are expected to result in new pronouncements that continue to evolve, which could adversely impact the manner in which the REIT reports its financial position and operating results.

Risk Factors Related to the REIT's Relationship with the Retained Interest Holders

Significant Ownership by the Retained Interest Holders

The Retained Interest Holders own an aggregate of 5,396,687 Class B Units and 17,408 Units, together representing an approximate 42.8% effective interest in the (determined as if all Class B Units are redeemed for Units on a one-for-one basis).

For so long as the Retained Interest Holders and their associates maintain a significant effective interest in the REIT, the Retained Interest Holders will have the ability to exercise significant influence with respect to the affairs of the REIT and may have the ability to prevent certain fundamental transactions. “”

Accordingly, the Units may be less liquid and trade at a relative discount compared to such Units in circumstances where the Retained Interest Holders do not have the ability to influence or determine matters affecting the REIT. Additionally, the Retained Interest Holders' significant effective interest in the REIT may discourage transactions involving a change of control of the REIT, including transactions in which an investor, as a holder of the Units, might otherwise receive a premium for its Units over the then current market price. Further, the Retained Interest Holders' significant effective interest in the REIT may discourage competing bids if the Retained Interest Holders bid for the REIT.

Moreover, despite the Retained Interest Holders having advised the REIT that they currently intend to retain a significant interest in the REIT (through direct or indirect ownership of Units or Class B Units) for the foreseeable future, a perception in the public market that these sales will occur might also produce such an effect.

Potential Conflicts of Interest with Empower

Pursuant to the Non-Competition and Non-Solicitation Agreement, unless otherwise consented to by the independent trustees of the REIT, during any period in which the Non-Competition and Non-Solicitation Agreement remains effective, Empower and its affiliates and associates are restricted from certain activities that would be competitive with the REIT. However, following the termination of the Non-Competition and Non-Solicitation Agreement, Empower, which is controlled by the REIT's President and Chief Executive Officer and Chief Investment Officer, will not be limited or restricted in any way from owning, acquiring, constructing, developing or redeveloping properties, and may itself compete with the REIT in seeking tenants and for the purchase, development and operation of desirable properties to be used as MHCs. Such continuing business of Empower may lead to conflicts of interest between Empower and the REIT. Additionally, if a change of control or management (as defined in the Non-Competition and Non-Solicitation Agreement) of the REIT or Flagship Operating, LLC occurs, Empower will have the right to terminate the Non-Competition and Non-Solicitation Agreement upon written notice.

In addition, the Management Services provided by employees of the REIT to Empower under the Management Agreement may lead to conflicts of interest between such persons and the REIT. Pursuant to the ROFO Agreement, Empower will have the Empower ROFO on acquisition or investment opportunities that the REIT does not wish to pursue, and Empower will grant to Flagship Operating, LLC the REIT ROFO on acquisition or investment opportunities identified by Empower. As a result, in some cases, the interests of Empower and its owners may not be the same as those of the REIT and the other Unitholders in such transactions.

The REIT may not be able to resolve any such conflicts and, even if it does, the resolution may be less favorable to the REIT than if it were dealing with a party that was not owned by holders of a significant interest in the REIT. The ROFO Agreement, the Management Agreement, the Services Agreement and the Non-Competition and Non-Solicitation Agreement may be amended upon agreement between the parties, subject to applicable law and approval of the independent Trustees. Because of the Retained Interest Holders' significant effective interest in the REIT, the REIT may not have the leverage to negotiate any required amendments to these agreements on terms as favorable to the REIT as those the REIT could secure with a party that was not controlled by a significant effective Unitholder of the REIT. There can be no assurance that actual or potential conflicts of interest will be resolved in favor of the REIT.

Risk Factors Related to the Structure of the REIT

Reliance on Flagship Operating, LLC

The REIT's NOI is almost wholly dependent on the business of Flagship Operating, LLC. The cash distributions to Unitholders are dependent on the ability of Flagship Operating, LLC to pay distributions in respect of Flagship Operating, LLC's securities. The ability of Flagship Operating, LLC to pay distributions or make other payments or advances to the REIT may be subject to contractual restrictions contained in any instruments governing the indebtedness of Flagship Operating, LLC. The ability of Flagship Operating, LLC to pay distributions or make other payments or advances is also dependent on the ability of its subsidiaries to pay distributions or make other payments or advances to Flagship Operating, LLC.

Return on Investment and Cash Distributions are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by the REIT's properties. The ability of the REIT to make cash distributions, and the actual amount distributed, is entirely dependent on the operations and assets of the REIT, and is subject to various factors, including financial performance, obligations under the REIT's credit facilities, fluctuations in working capital, the sustainability of income derived from the tenants of the REIT's properties and any capital expenditure requirements. The Units are equity securities of the REIT and are not traditional fixed income securities. Unlike fixed income securities, there is no obligation of the REIT to distribute to Unitholders any fixed amount and there is no promise to return the initial purchase price of a Unit on a certain date in the future, and reductions in, or suspensions of, cash distributions may occur at any time. The market value of the Units will deteriorate if the REIT is unable to meet its distribution and AFFO targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors. Therefore, the rate of return over a defined period for a Unitholder may not be comparable to the rate of return on a fixed income security that provides a "return on capital" over the same period.

Potential Volatility of Unit Prices

The market price for Units may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the REIT's control, including the following: (i) actual or anticipated fluctuations in the REIT's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT; (iv) addition or departure of the REIT's executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on outstanding Units; (vi) sales or perceived sales of additional Units; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; and (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the REIT's industry or target markets. Another factor that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could materially adversely affect the market price of the Units.

Financial markets have sometimes experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that maybe unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Units may decline even if the REIT's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the REIT's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the Units by those institutions, which could materially adversely affect the trading price of the Units. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, the REIT's operations could be materially adversely impacted and the trading price of the Units may be materially adversely affected.

Restrictions on Redemptions

It is anticipated that the redemption right attached to the Units will not be the primary mechanism by which Unitholders liquidate their investment. The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such Units and all other 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) on the date such Units are tendered for redemption, the outstanding Units must be listed for trading on the TSX 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) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, in any market where the Units are quoted for trading) on the redemption date or for more than five trading days during the ten-day trading period commencing immediately before the redemption date; and (iv) the redemption of the Units must not result in the delisting of the Units from the principal stock exchange on which the Units are listed.

Nature of Investment

The Units represent a fractional interest in the REIT and do not represent a direct investment in the REIT's assets and should not be viewed by investors as direct securities of the REIT's assets. A holder of a Unit does not hold a share of a body corporate. As holders of Units, the Unitholders do not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of Unitholders are based primarily on the Declaration of Trust. There is no statute governing the affairs of the REIT equivalent to the *Business Corporations Act* (Ontario) or the *Canada Business Corporations Act* that sets out the rights and entitlements of shareholders of corporations in various circumstances. As well, the REIT may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada), and thus the treatment of Unitholders upon an insolvency of the REIT is uncertain.

Management has Limited Experience Managing a Publicly Traded Entity

The individuals who constitute the executive officers of the REIT have relatively limited experience managing a publicly traded entity. The REIT's executive officers may not successfully or efficiently manage the REIT, which is subject to significant regulatory oversight and reporting obligations under Canadian securities laws. In particular, these new obligations will require substantial attention from management and could divert their attention away from the day-to-day management of the REIT and its business.

Availability of Cash Flow

AFFO may exceed actual cash available to the REIT from time to time because of items such as principal repayments, leasing costs and capital expenditures in excess of stipulated reserves identified by the REIT in its calculation of AFFO. The REIT may be required to use part of its debt capacity or to reduce distributions to Unitholders in order to accommodate such items. The terms of certain debt of the REIT from time to time may prohibit payments or cash distributions from the REIT in certain circumstances. See “Non-IFRS Measures”.

Dilution

The number of Units that the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Units from time to time (including pursuant to any trustee or employee incentive compensation), and the interests of Unitholders may be diluted thereby. The issuance of additional Units may have a dilutive effect on the interests of Unitholders.

Structural Subordination of Units

In the event of bankruptcy, liquidation or reorganization of the REIT’s subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the REIT or Unitholders. The Units are effectively subordinated to the debt and other obligations of the REIT’s subsidiaries. The REIT’s subsidiaries generate all of the REIT’s cash available for distribution and hold substantially all of the REIT’s assets.

Limited Control

Unitholders have limited control over changes in the REIT’s policies and operations, which increases the uncertainty and risks of an investment in the REIT. The board of trustees of the REIT will determine major policies, including policies regarding financing, growth, debt capitalization, qualification as a “real estate investment trust” and distributions to Unitholders. The board of trustees of the REIT may amend or revise these and other policies without a vote of Unitholders. Pursuant to the Declaration of Trust, Unitholders have a right to vote only on limited matters. The trustees’ broad discretion in setting policies and Unitholders’ inability to exert control over those policies increases the uncertainty and risks of an investment in the REIT.

Unitholder Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with the holding of a Unit. In addition, legislation has been enacted in the Province of Ontario and certain other provinces that is intended to provide Unitholders in those provinces with limited liability. However, there remains a risk, which is considered by the REIT to be remote in the circumstances, that a Unitholder could be held personally liable for the obligations of the REIT to the extent that claims are not satisfied out of the assets of the REIT. It is intended that the affairs of the REIT are conducted to seek to minimize such risk wherever possible.

Enforceability of Judgments Against Foreign Subsidiaries

US Holdco and Flagship Operating, LLC are organized under the laws of the State of Delaware. All of the assets of US Holdco and Flagship Operating, LLC are located outside of Canada and the executive officers (two of whom are also Trustees) and one independent Trustee of the REIT, as well as certain of the experts retained by the REIT or its affiliates, are residents of countries other than Canada. As a result, it may be difficult or impossible for investors to effect service within Canada upon such persons, or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian securities laws. There is some doubt as to the enforceability in the United States by a court in original actions, or in actions to enforce judgments of Canadian courts, of civil liabilities predicated upon such applicable Canadian securities laws.

Financial Reporting and Other Public Company Requirements

The REIT is subject to reporting and other obligations under applicable Canadian securities laws and rules of the stock exchange on which the Units are listed, including National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations place significant demands on the REIT's management, administrative, operational and accounting resources. To meet such requirements, the REIT has established systems, implemented financial and management controls, reporting systems and procedures and hired accounting and finance staff. Any failure to maintain effective internal controls could cause the REIT to fail to meet its reporting obligations or result in material misstatements in its financial statements. If the REIT cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed which could also cause investors to lose confidence in the REIT's reported financial information, which could result in a reduction in the trading price of the Units.

Management does not expect that the REIT's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

Tax Related Risks

Investors should carefully review both the "Certain Canadian Federal Income Tax Considerations" and the "Certain U.S. Federal Income Tax Consequences" sections of the IPO Prospectus which is available on SEDAR at www.sedar.com.

Canadian Tax Risks

(i) Residency of the REIT for Canadian and U.S. Tax Purposes — The REIT is resident in Canada for purposes of the *Income Tax Act* (Canada) (the "Tax Act") and is treated as a domestic corporation in the U.S. under the United States Internal Revenue Code of 1986 , as amended (the "Code"). As a result, the REIT is generally taxable on its worldwide income in both Canada and the U.S. However, in both jurisdictions, the REIT generally will not be subject to tax on the portion of its income that it distributes to Unitholders (subject to certain limitations and exceptions). Management of the REIT is of the view that the status of the REIT as taxable in both Canada and the U.S. is not likely to give rise to any material adverse consequences in the future as it is not anticipated that the REIT will be subject to material federal income tax in either Canada or the U.S. Nevertheless, the REIT's status as taxable on its worldwide income in both Canada and the U.S. could, in certain circumstances, have a material adverse effect on the REIT and the Unitholders. As a result of the REIT being resident in both Canada and the U.S., withholding taxes of both Canada and the U.S. will be relevant to distributions by the REIT and could result in double taxation to certain investors and other consequences.

(ii) Mutual Fund Trust Status — The REIT intends to qualify at all relevant times as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws or the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, the Canadian income tax considerations associated with an investment in Units could be materially and adversely affected.

(iii) Application of the SIFT Rules — The "SIFT Rules" in the Tax Act will apply to a trust that is a SIFT trust for purposes of the Tax Act. The REIT will not be considered to be a SIFT trust in respect of a particular taxation year and, accordingly, will not be subject to the SIFT Rules in that year, if it does not own any "non portfolio property" (as defined in the Tax Act) and does not carry on business in Canada in that year. The REIT has not owned and does not currently intend to own any non-portfolio property, nor has it carried on or does it currently intend to carry on a business in Canada.

In the event that the SIFT Rules were to apply to the REIT, the impact to a particular Unitholder will depend on the status of such Unitholder and, in part, on the amount of income distributed which would not be deductible by the REIT in computing its income in a particular year and what portions of the REIT's distributions constitute "non portfolio earnings", other income and returns of capital. The likely effect of the SIFT Rules on the market for Units and on the REIT's ability to finance future acquisitions through the issue of Units or other securities is uncertain. If the SIFT Rules were to apply to the REIT, they could adversely affect the marketability of the Units, the amount of cash available for distribution and the after-tax return to investors.

(iv) Foreign Tax Credits and Deductions — The after-tax return from an investment in Units to a Unitholder resident in Canada for the purposes of the Tax Act will depend in part on the Unitholder's ability to effectively utilize U.S. taxes paid by the Unitholder through foreign tax credits or foreign tax deductions under the Tax Act. A Unitholder's ability to effectively utilize U.S. taxes through foreign tax credits or foreign tax deductions may be affected where the Unitholder does not have sufficient taxes otherwise payable under Part I of the Tax Act or sufficient U.S. source income in the taxation year the U.S. taxes are paid (including having regard to differences between the composition of distributions made by the REIT for Canadian and U.S. tax purposes) or where the Unitholder has other U.S. sources of income or losses, has paid other U.S. taxes or, in certain circumstances, has not filed a U.S. federal income tax return. Furthermore, the ability to effectively utilize foreign tax credits or foreign tax deductions will be dependent upon the Canadian federal and provincial tax rates and U.S. tax rates that will apply in future years to applicable sources of income. Unitholders are therefore advised to consult their own tax advisors in regards to foreign tax credits and foreign tax deductions, including having regard to the differences between the composition of distributions made by the REIT for Canadian and U.S. tax purposes and to their own circumstances.

(v) A Unitholder that is a registered retirement savings plan, a registered retirement income fund, a registered disability savings plan, a registered education savings plan, a deferred profit sharing plan or a tax-free savings account, each as defined in the Tax Act (an "Exempt Plan") will not be entitled to a foreign tax credit or deduction under the Tax Act in respect of any U.S. tax paid by the Exempt Plan (including any U.S. withholding tax imposed on distributions paid to an Exempt Plan). Accordingly, any such U.S. tax will reduce such a Unitholder's after-tax return. Such Unitholders should consult with their own tax advisors in regards to U.S. tax payable in respect of an investment in Units and, in particular, whether an exemption from U.S. withholding tax on distributions may be available under Article XXI of the United States -Canada Income Tax Convention (1980), as amended (the "Treaty").

(vi) As discussed below under "U.S. Tax Risks", a Unitholder may be subject to additional U.S. tax on a disposition of the Units and on certain distributions by the REIT, if (i) the Unitholder holds, or has held, actually or constructively, more than 10% of the outstanding Units, as determined for U.S. federal income tax purposes, or (ii) the TSX Publicly Traded Exception (as defined below) or the U.S. Publicly Traded Exception (as defined below) are not satisfied. The proceeds receivable on a disposition of a Unit may not qualify as U.S. source income for purposes of the Tax Act (including for Canadian foreign tax credit purposes), and beneficiaries of certain Unitholders that are trusts may not be considered to have paid such tax for purposes of the Tax Act. Accordingly, Unitholders may not be entitled to a foreign tax credit in respect of such U.S. tax for Canadian tax purposes.

(vii) FAPI – In the event that Flagship HC, Inc. ("US Holdco") or Flagship Operating, LLC or any other controlled foreign affiliate ("CFA") of the REIT for purposes of the Tax Act earns income in a particular taxation year of the CFA that is characterized as "foreign accrual property income" ("FAPI") for purposes of the Tax Act, the amount of such FAPI allocable to the REIT must be included in computing the income of the REIT for the taxation year of the REIT in which the taxation year of US Holdco or such other CFA ends, whether or not the REIT actually receives a distribution of that FAPI. The FAPI relating to the shares of US Holdco, Flagship Operating, LCC, or such other CFA will include FAPI earned directly or indirectly by US Holdco or such other CFA (including income earned by one or more subsidiary partnerships). The REIT currently expects that it will not be required to include any material amount of FAPI in computing its income for purposes of the Tax Act. If, notwithstanding such expectation, the REIT is required to include a material amount of FAPI in its income, it may result in additional income being allocated to Unitholders for purposes of the Tax Act.

(viii) Non-Residents of Canada — The Tax Act may impose Canadian withholding or other taxes on distributions made by the REIT to a Unitholder that is a "non-resident" of Canada within the meaning of the Tax Act or a partnership that is not a "Canadian Partnership" within the meaning of the Tax Act ("Non-Residents") . Further, because the REIT is both resident in Canada for purposes of the Tax Act and treated as a domestic corporation in the U.S. under the Code, withholding taxes of both Canada and the U.S. will be relevant to Unitholders who are both Non-Residents and non-U.S. holders and could, in certain circumstances, result in both Canadian and U.S. withholding tax applying to certain distributions to certain investors and other consequences. Unitholders who are Non-Residents should consult their own tax advisors.

(ix) Foreign Currency — For purposes of the Tax Act, the REIT generally is required to compute its Canadian tax results, including any foreign accrual property income earned, using Canadian currency. Where an amount that is relevant in computing the REIT's Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the daily exchange rate quoted by the Bank of Canada on the day such amount first arose, or using such other rate of exchange as is acceptable to the Canada Revenue Agency (the "CRA"). As a result, the REIT may realize gains and losses for tax purposes and foreign accrual property income by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.

(x) Changes in Law — There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, the terms of the Treaty, or the administrative policies and assessing practices of the CRA will not be changed in a manner that adversely affects the REIT or Unitholders. Any such change could increase the amount of tax payable by the REIT or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of such distributions.

U.S. Tax Risks

(i) Qualification as a Real Estate Investment Trust — The REIT intends to operate in a manner to qualify as a real estate investment trust for U.S. federal income tax purposes. Although the REIT does not intend to request a ruling from the IRS, as to its real estate investment trust qualification, the REIT received an opinion of Taft Stettinius & Hollister LLP with respect to its qualification as a real estate investment trust in connection with the offering of its Units on October 7, 2020. Investors should be aware, however, that opinions of counsel are not binding on the IRS or any court. The opinion of Taft Stettinius & Hollister LLP was based on Taft Stettinius & Hollister LLP's review and analysis of existing law and on certain representations as to factual matters made by the REIT, including representations relating to its assets and the sources of its income and its proposed method of operation. The opinion was expressed as of the date issued and does not cover subsequent periods. Taft Stettinius & Hollister LLP will have no obligation to advise the REIT or the Unitholders of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in applicable law. Furthermore, both the validity of the opinion of Taft Stettinius & Hollister LLP, and the REIT's qualification as a real estate investment trust, depends on the REIT's satisfaction of certain asset, income, organizational, distribution, Unitholder ownership and other requirements on a continuing basis, the results of which will not be monitored by Taft Stettinius & Hollister LLP. Accordingly, given the complex nature of the rules governing real estate investment trusts, the ongoing importance of factual determinations, including the potential tax treatment of investments the REIT makes, and the possibility of future changes in the REIT's circumstances, no assurance can be given that the REIT's actual results of operations for any particular taxable year will satisfy such requirements. Moreover, no assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not change the tax laws with respect to qualification as a real estate investment trust or the U.S. federal income tax consequences of that qualification.

(ii) If the REIT fails to qualify as a real estate investment trust in any calendar year, the REIT would be required to pay U.S. federal income tax (and any applicable state and local tax), including any applicable alternative minimum tax, on its taxable income at regular corporate rates, and dividends paid to the Unitholders would not be deductible by the REIT in computing its taxable income and would be taxable to the Unitholders under the rules generally applicable to corporate distributions. If the REIT is deemed to be a foreign corporation for U.S. federal income tax purposes, the REIT would fail to qualify as a real estate investment trust, and the REIT would be subject to (i) U.S. federal income tax (and any applicable state and local tax) on its taxable income at regular corporate rates, (ii) dividends paid to the Unitholders would not be deductible by the REIT in computing its taxable income, and (iii) the REIT would be subject to the branch profits tax. A loss of real estate investment trust status would reduce the net earnings available for investment or distribution to Unitholders because of the additional tax liability which in turn could have an adverse impact on the value of the REIT's Units. Unless a failure to qualify as a real estate investment trust is subject to relief under U.S. federal tax laws, the REIT could not re-elect to qualify as a real estate investment trust until the fifth calendar year following the year in which the REIT fails to qualify.

(iii) Annual Distribution Requirement — To qualify as a real estate investment trust for U.S. federal income tax purposes, the REIT generally must distribute annually to its Unitholders a minimum of 90% of its net taxable income, determined without regard to the dividends paid deduction and excluding net capital gains. The REIT is subject to regular corporate income taxes on any undistributed real estate investment trust taxable income each year. Additionally, the REIT is subject to a 4% non-deductible excise tax on any amount by which distributions paid by the REIT in any calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income (except to the extent the REIT elects to retain and subject all or any portion of such amount to U.S. federal corporate income tax) and 100% of its undistributed income from previous years. Payments the REIT makes to its Unitholders that are treated as a redemption of Units for U.S. federal income tax purposes are not taken into account for purposes of these distribution requirements. Compliance with the real estate investment trust distribution requirements may hinder the REIT's ability to grow, which could adversely affect the value of its Units. Furthermore, the REIT might have difficulty meeting, or might be unable to meet, these distribution requirements in certain circumstances. The requirement to distribute most of its taxable income might cause the REIT to: (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms, (iii) distribute amounts that otherwise would be used to make future acquisitions or capital expenditures or (iv) make a taxable distribution of its Units as part of a distribution in which Unitholders may elect to receive Units or cash, in order to comply with real estate investment trust requirements. These alternatives could adversely affect the REIT's economic performance.

(iv) Impact of Real Estate Investment Trust Compliance on Performance — To qualify as a real estate investment trust for U.S. federal income tax purposes, the REIT must continually satisfy tests concerning, among other things, the sources of its income, the nature and diversification of its assets, the amounts that the REIT distributes to the Unitholders and the ownership of the Units. The REIT may be required to make distributions to Unitholders at disadvantageous times or when the REIT does not have funds readily available for distribution, and may be unable to pursue investments that would be otherwise advantageous to the REIT in order to satisfy the source of income or asset diversification requirements for qualifying as a real estate investment trust. Thus, compliance with the real estate investment trust requirements may hinder the REIT's ability to operate solely on the basis of maximizing profits.

(v) Additionally, the REIT must ensure that at the end of each calendar quarter, at least 75% of the value of its assets consists of cash, cash items, government securities and real estate assets (as defined in the Code), including certain mortgage loans and certain kinds of mortgage-backed securities. The remainder of the REIT's investment in securities (other than government securities and qualified real estate assets) generally may not include more than 10% of the outstanding voting securities or total value of any one issuer. In addition, in general, no more than 5% of the value of the REIT's assets (other than government securities and qualified real estate assets) may consist of the securities of any one issuer (other than a taxable REIT subsidiary), and no more than 20% of the value of its total assets can be represented by securities of one or more taxable REIT subsidiaries. Finally, not more than 25% of the value of a REIT's total assets may be represented by debt instruments issued by publicly offered REITs to the extent not secured by real property or interests in real property. If the REIT fails to comply with these requirements at the end of any calendar quarter, the REIT must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing its real estate investment trust qualification and suffering adverse tax consequences.

(vi) Ownership Limitations — In order for the REIT to qualify as a real estate investment trust for each taxable year under the Code (after the initial 2020 taxable year), no more than 50% in value of its outstanding Units (treating certain options and, under certain circumstances, securities convertible into Units as Units) may be owned, directly or indirectly, by five or fewer individuals (as defined for this purpose in the Code to include certain tax exempt entities, such as charitable trusts and private foundations but to exclude certain qualified trusts described in Section 401(a) of the Code) during the last half of any calendar year. In order to assist the REIT in qualifying as a real estate investment trust, ownership and transfer of Units by any person generally is subject to limitations to prevent concentration of ownership. These ownership limitations are described above in "Declaration of Trust and Description of REIT Units — Restrictions on Ownership and Transfer." These ownership limitations might have the effect of discouraging a takeover or other transaction in which Unitholders might receive a premium for their Units over the then prevailing market price or which Unitholders might believe to be otherwise in their best interests. The REIT has monitored the ownership of Units and believes that the current ownership of Units (if maintained to the last half of the calendar year) would not result in a violation of the ownership limitations under the Code.

(vii) Other Taxes — Even if the REIT qualifies and maintains its status as a real estate investment trust, the REIT may be subject to U.S. federal and state income taxes. The REIT may not be able to make sufficient distributions to avoid excise taxes applicable to real estate investment trusts. The REIT may also decide to retain income the REIT earns from the sale or other disposition of its real estate assets and pay income tax directly on such income. In that event, the Unitholders would be treated as if they earned that income and paid the tax on the REIT directly. The REIT may also be subject to state and local taxes on its income or property, either directly or at the level of the entities through which the REIT indirectly owns its assets. Any U.S. federal or state taxes the REIT pays reduces its cash available for distribution to the Unitholders.

(viii) Taxable REIT Subsidiaries — To meet the real estate investment trust qualification requirements or to avert the imposition of the prohibited transactions tax discussed below, the REIT may hold some of its assets or conduct activities through one or more subsidiary corporations jointly electing with the REIT to be taxable REIT subsidiaries, which subsidiaries are subject to corporate level income tax at U.S. federal corporate income tax rates. If the REIT lends money to a taxable REIT subsidiary, the taxable REIT subsidiary may be unable to deduct all or a portion of the interest paid to the REIT, which could result in an even higher corporate level tax liability. Furthermore, the Code imposes a 100% tax on certain transactions between a taxable REIT subsidiary and its parent real estate investment trust that are not conducted on an arm's length basis. The REIT intends to structure transactions with any taxable REIT subsidiary on terms that the REIT believes are arm's length to avoid incurring the 100% excise tax described above, but no assurances can be given that the REIT will be able to avoid application of the 100% tax.

(ix) Prohibited Transactions Tax — The REIT's ability to dispose of property is restricted to a substantial extent as a result of its real estate investment trust status. Under applicable provisions of the Code regarding prohibited transactions by real estate investment trusts, the REIT is subject to a 100% tax on any gain realized on the sale or other disposition of any property (other than foreclosure property) that the REIT owns, directly or through any subsidiary entity, including Flagship Operating, LLC, but excluding any taxable REIT subsidiary, that is deemed to be property held primarily for sale to customers in the ordinary course of a trade or business (or otherwise treated as inventory). The REIT intends to avoid the 100% prohibited transaction tax by (i) conducting activities that may otherwise be considered prohibited transactions through a taxable REIT subsidiary, (ii) conducting operations in such a manner so that no sale or other disposition of an asset is treated as a prohibited transaction or (iii) structuring certain dispositions of its properties to comply with certain safe harbors available under the Code for properties held at least two years. No assurance can be given, however, that any particular property that the REIT sells or disposes of will not be treated as property held primarily for sale to customers in the ordinary course of a trade or business (or otherwise treated as inventory).

(x) Changes in Law — The present U.S. federal income tax treatment of real estate investment trusts may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in the REIT. The U.S. federal income tax rules relating to real estate investment trusts constantly are under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in frequent statutory changes and revisions to regulations and interpretations. Revisions in U.S. federal tax laws and interpretations thereof could adversely affect the REIT or cause the REIT to change its investments and commitments and affect the tax considerations of an investment in the REIT.

(xi) Foreign Investment in Real Property Tax Act ("FIRPTA") — A non-U.S. person disposing of an interest in U.S. real property (a "USRPI"), including shares of a U.S. domestic corporation whose assets consist principally of USRPIs, is generally subject to a tax under FIRPTA on the gain recognized on the disposition and required to file a U.S. federal income tax return reporting this disposition. FIRPTA does not apply, however, to the disposition of stock in a real estate investment trust if the shares are considered "regularly traded on an established securities market" and the non-U.S. person does not hold, actually or constructively, more than 10% of the outstanding shares of the real estate investment trust at any time during the five-year period ending on the date of disposition or such shorter period that the shares were held. For purposes of this exception, the TSX is considered an "established securities market" and, as long as 100 or fewer persons do not own 50% or more of the Units, the Units should be treated as regularly traded on the TSX if all of the requirements of the applicable FIRPTA regularly traded exception otherwise are met. No assurance can be given, however, that these requirements will be satisfied.

(xii) In addition, the Units would be considered "regularly traded on an established securities market" for a calendar quarter if the established securities market is located in the United States and the Units are regularly quoted by more than one broker or dealer making a market in the Units through an interdealer quotation system in the United States. The REIT intends for its Units to be traded through an interdealer quotation system in the United States in a manner that would be considered "regularly traded on an established securities market" for purposes of this exception. Investors are cautioned that no assurances can be given that at least two brokers or dealers will be regularly quoting the Units on the OTC Link ATS in any particular calendar quarter. In addition, neither the Code, the applicable Treasury Regulations, administrative pronouncements nor judicial decisions provide guidance as to the frequency or duration with which the Units must be quoted during a calendar quarter to be "regularly quoted." So long as the brokers or dealers regularly quote the Units at any time during a calendar quarter, this exception should apply and any gain from a sale at any time during the quarter would not be subject to U.S. federal income tax for Non-U.S. Holders that own 10% or less of the outstanding Units during the applicable testing period. Due to the lack of guidance from the IRS, however, investors are cautioned that no assurance can be given whether the IRS would concur in this interpretation. If neither of these exceptions is satisfied, however, the sale of Units by a non-U.S. person would generally be subject to U.S. federal income tax at normal graduated rates with respect to gain recognized and the REIT would be required to withhold at a rate of 15% on distributions in excess of the REIT's current and accumulated earnings and profits that are not otherwise attributable to the return of the Non U.S. Holder's adjusted tax basis in the Units. In addition, a purchaser of Units would be required to withhold tax at the rate of 15% of the amount realized from the sale and to report and to remit such tax to the IRS. Furthermore, under FIRPTA, if the Units are not treated as regularly traded on an established securities market in the United States (even if treated as regularly traded on the TSX), the REIT would be required to withhold 21% (or less to the extent providing in applicable Treasury Regulations) of any distribution to a non U.S. person that is designated as a capital gain dividend, or, if greater, 21% of a distribution that could be designated by the REIT as a capital gain dividend. Even if the Units are deemed to be regularly traded on an established securities market in the United States, however, under FIRPTA, if any non U.S. person holds, actually or constructively, more than 10% of the outstanding Units at any time during the one year period ending on the date of a distribution, the REIT generally would be required to withhold 21% (or less to the extent provided in applicable Treasury Regulations) of such distribution to such Unitholder that is designated as a capital gain dividend, or, if greater, 21% of such distribution that could be designated by the REIT as a capital gain dividend. Any such withheld amount is creditable against such Unitholder's FIRPTA tax liability.

(xiii) In order for the REIT to comply with its withholding obligations under FIRPTA, the Units are subject to notice requirements and transfer restrictions. Non-U.S. persons holding Units are required to provide the REIT with such information as the REIT may request. Furthermore, any non-U.S. person that would be treated as having acquired sufficient Units to be treated as owning more than 10% of the Units is required to notify the REIT by the close of the business day prior to the date of the transfer that would cause the non U.S. person to own more than 10% of the Units. For the purpose of determining whether a non-U.S. person has acquired more than 10% of the Units, rules of constructive ownership apply which can attribute ownership of Units (i) among family members, (ii) to non U.S. persons from entities that own Units, to the extent that such non U.S. persons own interests in such entities and (iii) to entities from non U.S. persons that own interests in such entities. Under these attribution rules, Units of related entities (including related investment funds) may be aggregated to the extent of overlapping ownership. If any non U.S. person that otherwise would be treated as having acquired sufficient Units to be treated as owning more than 10% of the Units fails to comply with the notice provisions described above, the excess Units (i.e., the excess of the number of Units such non U.S. person is treated as owning over an amount equal to 10% of the outstanding Units) are required to be sold, with such non U.S. persons receiving the lesser of (i) the original purchase price for the excess Units and (ii) the sale price of the excess Units (net of selling expenses). Any such non-U.S. person would also not have any economic entitlement to any distribution by the REIT on an excess Unit, and, if any such distributions are received by the non U.S. person and are not repaid, the REIT is permitted to withhold from subsequent payments to the non U.S. person up to the amount of such forfeited distributions. Non-U.S. persons holding Units are strongly advised to monitor their actual and constructive ownership of Units. See "Declaration of Trust and Description of REIT Units — Restrictions on Ownership and Transfer — FIRPTA" for a more detailed discussion of these rules. Notwithstanding that a non-U.S. person may comply with the notice requirements and transfer restrictions described above, the REIT is entitled to withhold on distributions as otherwise required by law, and, to the extent that the REIT has not sufficiently withheld on prior distributions, is entitled to withhold on subsequent distributions.

(xiv) Recent Legislation — In recent years, numerous legislative, judicial and administrative changes have been made to the U.S. federal income tax laws applicable to investments in real estate and real estate investment trusts, including the passage of the Tax Cuts and Jobs Act of 2017. Additionally, federal legislation intended to ameliorate the economic impact of the COVID 19 pandemic, the Coronavirus Aid, Relief and Economic Security Act, or the CARES Act, has been enacted in 2020 and makes technical corrections to, or modifies on a temporary basis, certain of the provisions of the Tax Cut and Jobs Act of 2017, and additional such legislation may be enacted in the future. The full impact of the Tax Cuts and Jobs Act of 2017 and the CARES Act may not become evident for some period of time. In addition, no assurance can be given that future changes to the U.S. federal income tax laws or regulatory changes will not be proposed or enacted that could impact the REIT's business and financial results. The real estate investment trust rules are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department, which may result in revisions to regulations and interpretations in addition to statutory changes. If enacted, certain of such changes could have an adverse impact on the business and financial results of the REIT.

(xv) Whether, when or to what extent any new U.S. federal tax laws, regulations, interpretations or rulings will impact the real estate investment industry or real estate investment trusts. Prospective investors are urged to consult their tax advisors regarding the effect of potential future changes to the U.S. federal tax laws on an investment in the Units.