



# Management's Discussion and Analysis

For the three and nine months ended  
September 30, 2021

November 10, 2021

**Flagship Communities Real Estate Investment Trust**  
Management Discussion and Analysis  
For the three and nine months ended September 30, 2021 (unaudited)  
Amounts in Thousands of US Dollars (except for per unit amounts)

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## Flagship Communities Real Estate Investment Trust

### Management Discussion and Analysis

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## Presentation

This Management's Discussion and Analysis ("MD&A") is prepared as of November 10, 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 and nine months ended September 30, 2021. The analysis provides a comparison to the REIT's financial forecast for the same period (the "Forecast") provided in the REIT's final prospectus dated September 28, 2020 (the "Prospectus").

This MD&A should be read in conjunction with the REIT's unaudited interim condensed consolidated financial statements and accompanying notes for three and nine months ended September 30, 2021, and the REIT's audited consolidated financial statements and accompanying notes for the period from August 12, 2020 (date of formation) to December 31, 2020. These documents, as well as additional information relating to the REIT (including the REIT's most recently filed annual information form (the "Annual Information Form")) can be accessed under the REIT's SEDAR profile at [www.sedar.com](http://www.sedar.com) or on the REIT's website at [www.flagshipcommunities.com](http://www.flagshipcommunities.com).

This MD&A is based on financial statements prepared by management in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board. All amounts are stated in thousands of U.S. dollars, unless otherwise noted.

The trust units of the REIT ("Units") trade on the Toronto Stock Exchange 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; the REIT's intention to continue to expand, including on a clustered basis and newly-entered geographies, and to shrink its rental fleet; macro characteristics and trends in the United States real estate and housing industry, as well as the manufactured housing communities ("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 Gross Book Value. 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,

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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 and in the Annual MD&A, as well as risk factors discussed in the Annual Information Form. 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, judgments and assumptions include the fair values assigned to investment properties. Actual results may differ from these estimates.



## Non-IFRS Financial Measures

In this MD&A, the REIT uses certain financial measures that are not defined under International Financial Reporting Standards (“IFRS”), including certain real estate industry metrics, to measure, compare and explain the operating results, financial performance and cash flows 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 (loss) 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 Financial Measures” for a reconciliation of FFO to AFFO to net income (loss).

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 Financial Measures” for a reconciliation of AFFO to net income (loss).

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The REIT believes these non-IFRS financial 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 Financial 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 indebtedness, which consists of the total principal amounts outstanding under mortgages payable and credit facilities, by Gross Book Value (as defined below).
- “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” means 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.

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## Business Overview

Flagship Communities Real Estate Investment Trust is an 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.

The operations of the REIT commenced on October 7, 2020 when it completed its initial public offering (“IPO” of 6,250,000 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 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 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 were \$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 acquisition (and pending acquisition) 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.

On February 9, 2021, the REIT announced the acquisition of two new MHCs consisting of an aggregate of 151 lots and the acquisition of 8 additional lots adjacent to an already-owned community, for an aggregate purchase price of approximately \$6,050. One new community is within the REIT’s existing geographic footprint with 77 lots in the Louisville, Kentucky market. The second new community, however, is Flagship’s first entry into the Bowling Green, Kentucky market. This community has 74 lots and is located approximately 60 miles north of Nashville, Tennessee.

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On May 12, 2021, the REIT announced the acquisition of a new MHC consisting of 167 lots and a fleet of manufactured homes for a purchase price of approximately \$5,300 ("Anderson Pointe"). This community was the first acquisition outside of the REIT's main geographic footprint. The acquisition of Anderson Pointe, which is 76.6% occupied, is a strategic move by the REIT and represents an expansion into Little Rock, Arkansas.

On June 9, 2021, the REIT filed a supplement to its base shelf prospectus dated May 7, 2021, and entered into an underwriting agreement for the purpose of completing an equity offering (the "June 2021 Offering") that closed on June 14, 2021. Pursuant to the June 2021 Offering, the REIT raised gross proceeds of \$81,000 (including from the exercise, in part, of an over-allotment option by the underwriters of the offering) through the issuance of 4,500,000 Units at a price of \$18.00 per Unit. The net proceeds from the exercise of the June 2021 Offering were used by the REIT to fund the acquisition of Anderson Pointe, as well as future acquisitions and for general business purposes.

On July 2, 2021, the REIT acquired two MHCs comprising 677 lots for an aggregate purchase price of approximately \$65,100 (the "July 2021 Acquisitions"). The July 2021 Acquisitions, along with the acquisition of Anderson Pointe and other previously completed acquisitions, represent the REIT's strategic entry into Missouri and Arkansas while further consolidating its operating footprint in existing markets.

On August 10, 2021 the REIT signed a loan commitment, for which the July 2021 Acquisitions are collateral, for \$29,700. The interest rate on the note is 3.08% fixed for 20 years with the first 84 payments being interest only. These funds were used to fund future acquisitions and for general business purposes.

On August 23, 2021 the REIT acquired a 231 lot MHC located in Springfield, Illinois for a purchase price of approximately \$16,300. This MHC was 94% occupied at time of acquisition and is the REIT's first property in the state of Illinois. Consistent with the REIT's clustering strategy, which is designed to maximize operating efficiencies and provide opportunities for rent growth, the REIT intends to continue sourcing acquisitions in Missouri, Arkansas, and Illinois as well as other adjacent markets with a focus on expanding the REIT's contiguous portfolio.

As of September 30, 2021, the REIT owned a 100% interest in a portfolio of 58 MHCs with 9,904 lots located in seven contiguous states: (i) Arkansas; (ii) Illinois; (iii) Indiana; (iv) Kentucky; (v) Missouri; (vi) Ohio; and (vii) 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 1,120 manufactured homes for lease to residents. The growth in the rental home fleet is a direct result of recently acquired properties and the REIT plans to continue its strategy of shrinking the rental fleet as the market allows.

On October 22, 2021 the REIT announced that the Board of Trustees approved a 5% increase to its monthly cash distribution to unitholders to \$0.0446 per REIT unit or \$0.5355 per REIT unit on an annual basis. The new monthly cash distribution will commence with the November 2021 distribution when declared, to be payable in December 2021.



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On October 25, 2021 the REIT announced the acquisition of two RV Resort communities for an aggregate purchase price of approximately \$8,350. The RV resorts are located in Wapakoneta, Ohio and Walton, Kentucky and include 75+ acres and 467 sites.

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 of Units (“Unitholders”) 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.

### **COVID-19 Update**

A sizable number of Flagship REIT residents have been able to maintain their employment through the COVID-19 pandemic or are on fixed incomes from retirement, pensions, or disability. The majority of Flagship REIT’s residents received a minimum of \$1,400 per person, including children, from the US government in the form of stimulus checks. These stimulus checks are in addition to jobless benefits, child tax credits, health insurance subsidies and rent relief.

Flagship REIT believes COVID-19 has amplified the benefits of MHCs versus multi-family apartments. Multi-family apartments typically have smaller living spaces, fewer bedrooms and bathrooms, shared indoor walls, shared laundry facilities, common areas, and shared HVAC systems. Given the current landscape, these conditions, especially the shared facilities and common areas, are sub-optimal when everyone is mindful of social distancing requirements.

Flagship REIT will continue to closely monitor COVID-19 developments and will update health and safety policies as required to ensure the highest level of safety for the REIT’s residents and employees.

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## Financial Highlights

### Three months ended September 30, 2021

- Revenue for the three months September 30, 2021 was \$11,399, which is \$2,331 higher than the Forecast.
- Same Community Revenue for the three months ended September 30, 2021 was \$9,218, which is \$150 higher than the Forecast.
- Net Income and Comprehensive Income for the three months ended September 30, 2021 was \$1,870 which was \$192 less than Forecast
- NOI for the three months ended September 30, 2021 was \$7,592 which is \$1,740 higher than the Forecast.
- Same Community NOI for the three months ended September 30, 2021 was \$6,105, which is \$253 higher than the Forecast.
- NOI Margin for the three months ended September 30, 2021 was 66.6%, which exceeded the Forecast of 64.5%
- Same Community NOI Margin for the three months ended September 30, 2021 was 66.2%, which exceeded the Forecast of 64.5%
- AFFO per unit (diluted) for the three months ended September 30, 2021 of \$.218 exceeded the Forecast by 19.0%
- Same Community occupancy increased to 80.8% as of September 30, 2021 compared to 79.2% on December 31, 2020.
- Rent collections for the three months ended September 30, 2021 was 99.2%, which is slightly up from 98.8% for the three months ending June 30, 2020 and consistent with historical periods.

### Nine months ended September 30, 2021

- Total portfolio and Same Community revenues exceeded the Forecast by \$3,798 and \$338 respectively, for the nine months ended September 30, 2021.
- Net income and comprehensive income for the nine months ended September 30, 2021 was \$6,556 which was \$352 more than forecast.
- Total portfolio and Same Community NOI exceeded the Forecast by \$2,957 and \$881, respectively, for the nine months ended September 30, 2021. This represents an increase over the Forecast of 16.9% for total portfolio and 5.0% for Same Community.
- NOI Margin for the nine months ended September 30, 2021 was 66.3% which exceeded the Forecast by 1.7% and Same Community NOI margin was 67.0% which exceeded the Forecast by 2.4%
- AFFO per unit (diluted) for the nine months ended September 30, 2021 of \$.659 exceeded the Forecast by 18.1%.

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## Business Performance Measures

The following table presents an overview of certain performance measures of the REIT as of September 30, 2021 and for the three months ended September 30, 2021.

Performance measures		
Total communities as of September 30, 2021		58
Total lots as of September 30, 2021		9,904
Weighted average lot rent as of September 30, 2021	\$	365
Occupancy as of September 30, 2021		81.9%
<b>For the three months ended September 30, 2021</b>		
Total revenues	\$	11,399
Net income and comprehensive income	\$	1,870
Net income and comprehensive income per unit (basic)	\$	0.16
Net income and comprehensive income per unit (diluted)	\$	0.11
Distributions Declared per unit (Units)	\$	0.128
Distributions Declared per unit (B Units)	\$	0.128
NOI*	\$	7,592
NOI Margin*		66.6%
FFO*	\$	4,403
FFO Per Unit* (diluted)	\$	0.257
AFFO*	\$	3,742
AFFO Per Unit* (diluted)	\$	0.218
AFFO Payout Ratio*		58.5%
Weighted average units (basic)		11,726,185
Weighted average units (diluted)		17,165,547
Debt to Gross Book Value as of September 30, 2021		42.0%
Weighted average mortgage Interest Rate as of September 30, 2021		3.44%
Weighted average mortgage term as of September 30, 2021		10.6

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

Net income and comprehensive income per unit (basic) as well as net income and comprehensive income per unit (diluted) are calculated by using Net income divided by the weighted average unit count (Units only) and the diluted weighted average unit count (including Class B Units and Deferred Trust Units ("DTUs")), respectively for the three months ended September 30, 2021. FFO per unit and AFFO per unit are calculated by using FFO and AFFO, divided by the diluted weighted average unit count (including Class B Units and DTUs) for the three months ended September 30, 2021.

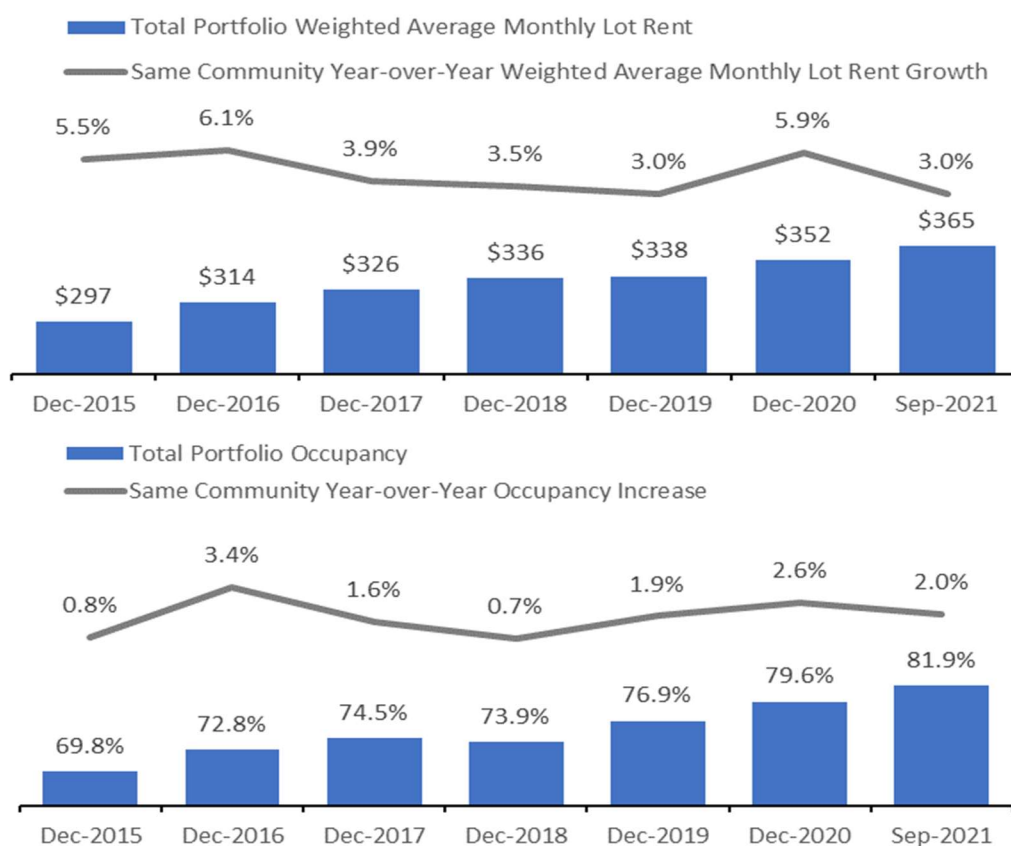
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The following table highlights certain information about communities as of September 30, 2021, organized by Metropolitan Statistical Area ("MSA"):

MSA	State	Number of lots	\$ Average Lot Rent	Occupancy
Louisville	Kentucky	3,427	\$ 373	82.3%
Lexington	Kentucky	326	\$ 344	85.6%
Paducah	Kentucky	365	\$ 234	81.9%
Cincinnati	Ohio	2,381	\$ 387	87.0%
Evansville	Indiana	2,191	\$ 320	71.1%
St Louis	Missouri	502	\$ 493	97.0%
Springfield	Illinois	232	\$ 395	94.4%
Other		480	\$ 309	79.0%
		9,904	\$ 365	81.9%

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 growth since 2015:



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The following table highlights certain financial performance measures of the REIT for the three months ended September 30, 2021.

	For the three months ended September 30, 2021			
	Actual results		Forecast	Variance
Revenue, total portfolio	\$	11,399	\$ 9,068	\$ 2,331
Revenue, Same Community* properties	\$	9,218	\$ 9,068	\$ 150
Revenue, acquisitions	\$	2,181	-	\$ 2,181
Net income and comprehensive income	\$	1,870	2,062	\$ (192)
NOI*, Total Portfolio	\$	7,592	\$ 5,852	\$ 1,740
NOI *, Same Community* properties	\$	6,105	\$ 5,852	\$ 253
NOI *, acquisitions	\$	1,487	-	\$ 1,487
NOI Margin*, total portfolio		66.6%	64.5%	2.1%
NOI margin*, Same Community* properties		66.2%	64.5%	1.7%
NOI Margin*, acquisitions		68.2%	-	68.2%
FFO*	\$	4,403	\$ 2,789	\$ 1,614
FFO Per Unit* (excluding over allotment - IPO)		N/A	\$ 0.238	N/A
FFO Per Unit* (including over allotment - IPO)	\$	0.257	\$ 0.220	\$ 0.037
AFFO*	\$	3,742	\$ 2,319	\$ 1,423
AFFO per Unit* (excluding over allotment - IPO)		N/A	\$ 0.198	N/A
AFFO per Unit* (including over allotment - IPO)	\$	0.218	\$ 0.183	\$ 0.035
AFFO Payout Ratio* (excluding over allotment - IPO)		N/A	64.4%	N/A
AFFO Payout Ratio* (including over allotment - IPO)		58.5%	69.6%	-11.1%
Weighted average units (excluding over allotment - IPO)		15,725,374	11,721,625	4,003,749
Weighted average units (Including over allotment - IPO)		17,165,547	12,659,125	4,506,422

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



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The following table highlights certain financial performance measures of the REIT for the nine months ended September 30, 2021.

For the nine months ended September 30, 2021				
	Actual results		Forecast	Variance
Revenue, total portfolio	\$	30,883	\$ 27,085	\$ 3,798
Revenue, Same Community* properties	\$	27,423	\$ 27,085	\$ 338
Revenue, acquisitions	\$	3,460	-	\$ 3,460
Net income and comprehensive income	\$	6,556	6,204	\$ 352
NOI*, Total Portfolio	\$	20,462	\$ 17,505	\$ 2,957
NOI *, Same Community* properties	\$	18,386	\$ 17,505	\$ 881
NOI *, acquisitions	\$	2,076	-	\$ 2,076
NOI Margin*, total portfolio		66.3%	64.6%	1.7%
NOI margin*, Same Community* properties		67.0%	64.6%	2.4%
NOI Margin*, acquisitions		60.0%	-	60.0%
FFO*	\$	11,241	\$ 8,379	\$ 2,862
FFO Per Unit* (excluding over allotment - IPO)		N/A	\$ 0.715	N/A
FFO Per Unit* (including over allotment - IPO)	\$	0.778	\$ 0.662	\$ 0.116
AFFO*	\$	9,523	\$ 7,068	\$ 2,455
AFFO per Unit* (excluding over allotment - IPO)		N/A	\$ 0.603	N/A
AFFO per Unit* (including over allotment - IPO)	\$	0.659	\$ 0.558	\$ 0.101
AFFO Payout Ratio* (excluding over allotment - IPO)		N/A	63.4%	N/A
AFFO Payout Ratio* (including over allotment - IPO)		58.1%	68.5%	-10.4%
Weighted average units (excluding over allotment - IPO)		13,317,949	11,721,625	1,596,324
Weighted average units (Including over allotment - IPO)		14,454,621	12,659,125	1,795,496

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

On October 22, 2020, pursuant to the IPO underwriters' exercise of an over-allotment option, the REIT issued an additional 937,500 Units. The tables above lay out FFO per unit, AFFO per unit, and AFFO payout ratio with and without the effects of the exercise of the IPO over-allotment option. The "Forecast" for AFFO and FFO per unit (excluding the exercise of the IPO over-allotment option) is calculated by dividing forecasted AFFO/FFO by the weighted average number of units for the three and nine months ended September 30, 2021 excluding the 937,500 Units issued pursuant to the exercise of the IPO over-allotment option. The "Forecast" for AFFO and FFO per unit (including the exercise of the IPO over-allotment option) is calculated by dividing AFFO/FFO by the weighted average number of units for the for the three and nine months ended September 30, 2021 including the 937,500 Units issued pursuant to the exercise of the IPO over-allotment option. All per unit measures included in the tables above are diluted (including Class B Units and DTUs.)

## Flagship Communities Real Estate Investment Trust

### Management Discussion and Analysis

For the three and nine months ended September 30, 2021 (unaudited)

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

## Selected Quarterly Financial Information

Performance measures	For the three months ended September 30, 2021	For the three months ended June 30, 2021	For the three months ended March 31, 2021
Total communities	58	55	54
Total lots	9,904	8,960	8,793
Weighted average lot rent	\$ 365	\$ 359	\$ 361
Occupancy	81.9%	80.7%	80.2%
Total revenues	\$ 11,399	\$ 9,835	\$ 9,649
Net income (loss) and comprehensive income (loss)	\$ 1,870	\$ (1,945)	\$ 6,631
Net income (loss) and comprehensive income (loss) per unit (basic)	\$ 0.16	\$ (0.25)	\$ 0.92
Net income (loss) and comprehensive income (loss) per unit (diluted)	\$ 0.11	\$ (0.15)	\$ 0.52
NOI*	\$ 7,592	\$ 6,430	\$ 6,440
NOI Margin*	66.6%	65.4%	66.7%
FFO*	\$ 4,403	\$ 3,342	\$ 3,498
FFO Per Unit* (diluted)	\$ 0.257	\$ 0.255	\$ 0.276
AFFO*	\$ 3,742	\$ 2,754	\$ 3,028
AFFO Per Unit* (diluted)	\$ 0.218	\$ 0.210	\$ 0.239
AFFO Payout Ratio*	58.5%	60.7%	53.3%

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

The AFFO/FFO per Unit amounts in the table above are calculated by dividing AFFO/FFO by the weighted average number of Units (diluted to include the Class B Units and DTUs) for the applicable period.

## Flagship Communities Real Estate Investment Trust

### Management Discussion and Analysis

For the three and nine months ended September 30, 2021 (unaudited)

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

## Review of Selected Operating Information – Q3 2021

The following tables highlight selected financial information of the REIT for the three and nine months ended September 30, 2021 compared to the REIT's Forecast provided in the REIT's final prospectus dated September 28, 2020. This information has been compiled from the interim condensed consolidated financial statements and notes thereto and should be read in conjunction with the interim condensed consolidated financial statements and notes.

The following table highlights certain operating information of the REIT for the three months ended September 30, 2021.

	For the three months ended September 30, 2021		
	Actual results	Forecast	Variance
<b>Revenue</b>			
Rental Revenue	\$ 11,399	\$ 9,068	\$ 2,331
<b>Expenses (Income)</b>			
Property operating expenses	\$ 3,807	\$ 3,216	\$ 591
General and administrative	\$ 1,432	\$ 1,252	\$ 180
Finance costs from operations	\$ 2,037	\$ 2,068	\$ (31)
Accretion of mark-to-market adjustment on mortgage payable	\$ (257)	\$ (257)	\$ -
Depreciation and amortization	\$ 53	\$ 34	\$ 19
Other (income)	\$ (32)	\$ -	\$ (32)
Fair value adjustment - Class B units	\$ 10,200	\$ -	\$ 10,200
Distributions on Class B units	\$ 692	\$ 693	\$ (1)
Fair value gain on investment properties	\$ (8,412)	\$ -	\$ (8,412)
Fair value adjustment - Unit Based Comp	\$ 9	\$ -	\$ 9
Transaction Costs	\$ -	\$ -	\$ -
	\$ 9,529	\$ 7,006	\$ 2,523
<b>Net income and comprehensive income</b>	<b>\$ 1,870</b>	<b>\$ 2,062</b>	<b>\$ (192)</b>

## Flagship Communities Real Estate Investment Trust

### Management Discussion and Analysis

For the three and nine months ended September 30, 2021 (unaudited)

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

The following table highlights certain operating information of the REIT for the nine months ended September 30, 2021.

For the nine months ended September 30, 2021					
	Actual results		Forecast		Variance
<b>Revenue</b>					
Rental Revenue	\$	30,883	\$	27,085	\$ 3,798
<b>Expenses (Income)</b>					
Property operating expenses	\$	10,421	\$	9,580	\$ 841
General and administrative	\$	4,120	\$	3,759	\$ 361
Finance costs from operations	\$	5,916	\$	6,142	\$ (226)
Accretion of mark-to-market adjustment on mortgage payable	\$	(771)	\$	(771)	\$ -
Depreciation and amortization	\$	125	\$	94	\$ 31
Other (income)	\$	(53)	\$	-	\$ (53)
Fair value adjustment - Class B units	\$	24,937	\$	-	\$ 24,937
Distributions on Class B units	\$	2,077	\$	2,077	\$ -
Fair value gain on investment properties	\$	(22,690)	\$	-	\$ (22,690)
Fair value adjustment - Unit Based Comp	\$	9	\$	-	\$ 9
Transaction Costs	\$	236	\$	-	\$ 236
	\$	24,327	\$	20,881	\$ 3,446
<b>Net income and comprehensive income</b>	\$	<b>6,556</b>	\$	<b>6,204</b>	\$ <b>352</b>

## Revenue

For the three months ended September 30, 2021					
	Actual results		Forecast		Variance %
Rental Revenue	\$	11,399	\$	9,068	25.7%

Rental revenue consists of lot rent, home rent, utility reimbursements, and other miscellaneous income collected at the communities. For the three months ended September 30, 2021, the higher revenue as compared to the Forecast of \$2,331 was primarily driven by acquisitions not included in the Forecast. New acquisitions accounted for \$2,181 of the increase versus the Forecast. Same Community revenues were approximately \$150 higher than the Forecast, driven by higher than forecasted utility reimbursements and quarterly revenue sharing payments from cable contracts.

For the nine months ended September 30, 2021					
	Actual results		Forecast		Variance %
Rental Revenue	\$	30,883	\$	27,085	14.0%

For the nine months ended September 30, 2021, the higher revenue as compared to the Forecast of \$3,798 was primarily driven by acquisitions not included in the Forecast. New acquisitions accounted for \$3,460 of the increase versus the Forecast. Same Community revenues were approximately \$338 higher than the Forecast, driven by higher than forecasted utility reimbursements and quarterly revenue sharing payments from cable contracts.

## Flagship Communities Real Estate Investment Trust

### Management Discussion and Analysis

For the three and nine months ended September 30, 2021 (unaudited)

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

## Property Operating Expenses

The following tables highlights property operating expenses of the REIT for the three months ended September 30, 2021.

	For the three months ended September 30, 2021		Forecast		Variance	Variance %
Operating expenses	\$	3,807	\$	3,216	\$ (591)	-18.4%

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. Operating expenses for communities acquired after the IPO were \$694. These costs were not included in the Forecast. Same Community operating expenses offset much of this increase primarily driven by payroll and benefits which were \$124 less than Forecast. Repairs and maintenance along with other operating expenses accounted for a slight overspend. In total, Same Community operating expenses finished \$253 better than the Forecast.

The table below provides a breakdown of operating expenses for the period:

Operating Expenses	For the three months ended September 30, 2021	
Utilities	\$	1,241
Payroll and benefits	\$	974
Taxes and insurance	\$	853
Repairs and maintenance	\$	378
Other	\$	361
<b>Total Operating Expenses</b>	<b>\$</b>	<b>3,807</b>

The following tables highlights property operating expenses of the REIT for the nine months ended September 30, 2021.

	For the nine months ended September 30, 2021		Forecast		Variance	Variance %
Operating expenses	\$	10,421	\$	9,580	\$ (841)	-8.8%

Operating expenses for communities acquired after the IPO were \$1,368. These costs were not included in the Forecast. Same Community operating expenses offset much of this increase primarily driven by payroll and benefits and utilities which were \$471 and \$143 better than Forecast respectively. Repairs and maintenance along with other operating expenses accounted for a slight overspend. In total, Same Community operating expenses finished \$543 better than forecast.



## Flagship Communities Real Estate Investment Trust

### Management Discussion and Analysis

For the three and nine months ended September 30, 2021 (unaudited)

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

The table below provides a breakdown of operating expenses for the period:

Operating Expenses	For the nine months ended September 30, 2021	
Utilities	\$	3,586
Payroll and benefits	\$	2,541
Taxes and insurance	\$	2,345
Repairs and maintenance	\$	902
Other	\$	1,047
<b>Total Operating Expenses</b>	<b>\$</b>	<b>10,421</b>

## General and Administrative

The following tables highlights general and administrative expenses of the REIT for the three months ended September 30, 2021.

	For the three months ended September 30, 2021		Forecast	Variance	Variance %
General and administrative	\$	1,432	\$ 1,252	\$ (180)	-14.4%

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. For the three months ended September 30, 2021, the \$180 higher spend compared to the Forecast is primarily the result of higher than forecasted payroll and benefits and Legal / Consulting Fees.

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

General and administrative	For the three months ended September 30, 2021	
Payroll and benefits	\$	847
Legal / Consulting	\$	119
Audit and tax fees	\$	73
Taxes and insurance	\$	133
Trustee fees	\$	68
Travel	\$	71
Other	\$	121
<b>Total General and administrative</b>	<b>\$</b>	<b>1,432</b>

## Flagship Communities Real Estate Investment Trust

### Management Discussion and Analysis

For the three and nine months ended September 30, 2021 (unaudited)

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

The following tables highlights general and administrative expenses of the REIT for the nine months ended September 30, 2021.

	For the nine months ended September 30, 2021		Forecast		Variance	Variance %
General and administrative	\$	4,120	\$	3,759	\$ (361)	-9.6%

For the nine months ended September 30, 2021, the \$361 higher spend compared to the Forecast is primarily the result of higher spend on consulting fees and insurance expense in the period which were partially offset by savings in audit and tax fees as well as travel.

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

General and administrative	For the nine months ended September 30, 2021	
Payroll and benefits	\$	2,329
Legal / Consulting	\$	447
Audit and tax fees	\$	290
Taxes and insurance	\$	336
Trustee fees	\$	196
Travel	\$	174
Other	\$	348
<b>Total General and administrative</b>	<b>\$</b>	<b>4,120</b>

## Finance Cost from Operations

	For the three months ended September 30, 2021		Forecast		Variance	Variance %
Finance costs from operations	\$	2,037	\$	2,068	\$ 31	1.5%

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 accounted for \$1,973 and miscellaneous interest expense was \$60. Amortized deferred financing cost was \$3 for the period versus \$107 in the Forecast. This was offset by \$72 of unforecasted mortgage interest expense primarily related to communities acquired post IPO.

## Flagship Communities Real Estate Investment Trust

### Management Discussion and Analysis

For the three and nine months ended September 30, 2021 (unaudited)

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

	For the nine months ended September 30, 2021		Forecast		Variance	Variance %
Finance costs from operations	\$	5,916	\$	6,142	\$ 226	3.7%

For this period, interest expense on loans and borrowings accounted for \$5,731 and miscellaneous interest expense was \$180. Amortized deferred financing cost was \$6 for the period versus \$316 in the Forecast, accounting for the majority of the variance. This was offset by \$86 of unforecasted mortgage interest expense primarily related to communities acquired post IPO.

## Other (Income)

	For the three months ended September 30, 2021		Forecast		Variance	Variance %
Other (income)	\$	(32)	\$	-	\$ 32	-

Other (income) is made up of property management fees, asset management fees and note receivable interest that the REIT charges to Empower Park, LLC ("Empower") – See "Transactions with Related Parties". For the three months ended September 30, 2021, other income was higher than the Forecast due to unforecasted note receivable interest and management fees charged to Empower in the period.

	For the nine months ended September 30, 2021		Forecast		Variance	Variance %
Other (income)	\$	(53)	\$	-	\$ 53	-

For the nine months ended September 30, 2021, other income was higher than the Forecast due to unforecasted note receivable interest and management fees charged to Empower in the period.

## Fair Value Adjustment - Class B Units

For the three and nine months ended September 30, 2021, the REIT recognized a fair value loss on Class B Units of \$10,200 and \$24,937, respectively. Class B Units are measured at fair value with any changes in fair value recorded in fair value adjustment – Class B Units on the statement of net income and comprehensive income. 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 September 30, 2021 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 an average volatility of comparable issuers. The hold period expired as of October 7, 2021.

## Flagship Communities Real Estate Investment Trust

### Management Discussion and Analysis

For the three and nine months ended September 30, 2021 (unaudited)

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

## 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. There was no variance in the actual distributions paid to the holders of Class B Units as compared to the Forecast for the three and nine months ended September 30, 2021.

## 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 \$8,412 and \$22,690 for the three and nine months ended September 30, 2021, respectively, as compared to no change in the Forecast. 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 periods was an increase in revenue across the portfolio related to the rent increases that went into place during the three months ended March 31, 2021 driving growth in the annual NOI.

## Transaction Costs

Transaction costs are cost that relate to a stock market listing, or are otherwise not incremental and directly attributable to issuing new securities and are therefore recorded as an expense in the statement of comprehensive income. For the three months ending September 30, 2021 the REIT incurred no transaction cost and for the nine months ending September 30, 2021 the REIT incurred \$236 related to the drafting and translating of the shelf prospectus which is included in transactions costs.

	For the nine months ended September 30, 2021		Forecast	Variance	Variance %
Transaction costs	\$	236	\$ -	\$ (236)	-

## Flagship Communities Real Estate Investment Trust

### Management Discussion and Analysis

For the three and nine months ended September 30, 2021 (unaudited)

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

## Net Income and Comprehensive Income

	For the three months ended September 30, 2021		Forecast	Variance	Variance %
Net income and comprehensive Income	\$	1,870	\$ 2,062	\$ (192)	-9.3%

Net income and comprehensive income for the three months ended September 30, 2021 was \$192 less than the Forecast as a result of the fair value loss on B units which was slightly offset by the fair value gain on investment properties as well as the other variances discussed above.

	For the nine months ended September 30, 2021		Forecast	Variance	Variance %
Net income and comprehensive Income	\$	6,556	\$ 6,204	\$ 352	5.7%

Net income and comprehensive income for the nine months ended September 30, 2021 was \$352 more than the Forecast as a result of the fair value loss on B units which was slightly offset by the fair value gain on investment properties as well as the other variances discussed above. The fair value loss on B Units as well as the fair value gain on investment properties were not considered in the Forecast.



## Flagship Communities Real Estate Investment Trust

### Management Discussion and Analysis

For the three and nine months ended September 30, 2021 (unaudited)

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

## NOI, FFO, AFFO

Below is a summary of the NOI, FFO and AFFO for the three and nine months ended September 30, 2021. The weighted average unit count (diluted) for the three and nine months ended September 30, 2021 was 17,165,547 and 14,454,621, respectively. As of September 30, 2021, there were 17,165,547 Units outstanding (including the combined number of Units, Class B Units and DTUs).

In total AFFO and AFFO per unit exceeded the Forecast by 61.4% and 19.0% respectively for the three months ended September 30, 2021. The outperformance continues to be driven by the accretive acquisition strategy as well as Same Community margin efficiencies. Same Community revenues exceeded the Forecast by \$150 for the three months ended September 30, 2021 and \$338 for the nine months ended September 30, 2021. Much of this has been driven by continued focus on the water and sewer submetering program as well as cable revenue sharing.

Cost containment efforts also helped contribute to the positive results. Continued focus on labor efficiencies throughout the communities as well as water and sewer savings had a positive impact in property operating expenses.

The following table highlights a summary of the NOI, FFO and AFFO of the REIT for the three months ended September 30, 2021.

	For the three months ended September 30, 2021					
	Actual results		Forecast		Variance	Variance %
NOI*	\$	7,592	\$	5,852	\$ 1,740	29.7%
NOI Margin*		66.6%		64.5%	2.1%	3.3%
FFO*	\$	4,403	\$	2,789	\$ 1,614	57.9%
FFO Per Unit* (excluding over allotment - IPO)		N/A		0.238	N/A	N/A
FFO Per Unit* (including over allotment - IPO)	\$	0.257	\$	0.220	\$ 0.037	16.8%
AFFO*	\$	3,742	\$	2,319	\$ 1,423	61.4%
AFFO per Unit* (excluding over allotment - IPO)		N/A		0.198	N/A	N/A
AFFO per Unit* (including over allotment - IPO)	\$	0.218	\$	0.183	\$ 0.035	19.1%
AFFO Payout Ratio* (excluding over allotment- IPO)		N/A		64.4%	N/A	N/A
AFFO Payout Ratio* (including over allotment- IPO)		58.5%		69.6%	-11.1%	-15.9%

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

## Flagship Communities Real Estate Investment Trust

### Management Discussion and Analysis

For the three and nine months ended September 30, 2021 (unaudited)

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

The following table highlights a summary of the NOI, FFO and AFFO of the REIT for the nine months ended September 30, 2021.

For the nine months ended September 30, 2021					
	Actual results		Forecast		Variance %
NOI*	\$	20,462	\$	17,505	16.9%
NOI Margin*		66.3%		64.6%	2.6%
FFO*	\$	11,241	\$	8,379	34.2%
FFO Per Unit* (excluding over allotment - IPO)		N/A		0.715	N/A
FFO Per Unit* (including over allotment - IPO)	\$	0.778	\$	0.662	17.5%
AFFO*	\$	9,523	\$	7,068	34.7%
AFFO per Unit* (excluding over allotment - IPO)		N/A		0.603	N/A
AFFO per Unit* (including over allotment - IPO)	\$	0.659	\$	0.558	18.1%
AFFO Payout Ratio* (excluding over allotment- IPO)		N/A		63.4%	N/A
AFFO Payout Ratio* (including over allotment- IPO)		58.1%		68.5%	-15.2%

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

As previously noted, on October 22, 2020, pursuant to the IPO underwriters' exercise of an over-allotment option, the REIT issued an additional 937,500 Units. The tables above lay out FFO per unit, AFFO per unit, and AFFO payout ratio with and without the effects of the exercise of the IPO over-allotment option. The "Forecast" for AFFO and FFO per unit (excluding the exercise of the IPO over-allotment option) is calculated by dividing forecasted AFFO/FFO by the weighted average number of units for the for the three and nine months ended September 30, 2021 excluding the 937,500 Units issued pursuant to the exercise of the IPO over-allotment option. The "Forecast" for AFFO and FFO per unit (including the exercise of the IPO over-allotment option) is calculated by dividing AFFO/FFO by the weighted average number of units for the for the three and nine months ended September 30, 2021 including the 937,500 Units issued pursuant to the exercise of the IPO over-allotment option. All per unit measures included in the tables above are diluted (including Class B Units and DTUs.)

**Flagship Communities Real Estate Investment Trust**  
Management Discussion and Analysis  
For the three and nine months ended September 30, 2021 (unaudited)  
Amounts in Thousands of US Dollars (except for per unit amounts)

## Reconciliation of Non-IFRS Financial 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 and comprehensive income, for the three months ended September 30, 2021 are set out in the following table:

	For the three months ended September 30, 2021	
<b>Net income and comprehensive income</b>	<b>\$</b>	<b>1,870</b>
<i>Adjustments to arrive at FFO</i>		
Depreciation	\$	53
Fair value Adjustment Class B Units	\$	10,200
Distributions on Class B units	\$	692
Fair value adjustment investment properties	\$	(8,412)
Transaction costs	\$	-
<b>Funds from Operations ("FFO")</b>	<b>\$</b>	<b>4,403</b>
<b>FFO Per Unit* (diluted)</b>	<b>\$</b>	<b>0.257</b>
<i>Adjustments to arrive at AFFO</i>		
Accretion of mark-to-market adjustment on mortgage payable	\$	(257)
Capital Expenditure Reserves	\$	(404)
<b>Adjusted Funds from Operations ("AFFO")</b>	<b>\$</b>	<b>3,742</b>
<b>AFFO Per Unit* (diluted)</b>	<b>\$</b>	<b>0.218</b>

*\*FFO per unit and AFFO per unit are calculated by using FFO and AFFO, divided by the diluted weighted average unit count (including Class B Units and DTUs) for the three and nine months ended September 30, 2021.*

## Flagship Communities Real Estate Investment Trust

### Management Discussion and Analysis

For the three and nine months ended September 30, 2021 (unaudited)

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

For the nine months ended September 30, 2021

	For the nine months ended September 30, 2021	
<b>Net income and comprehensive income</b>	<b>\$</b>	<b>6,556</b>
<i>Adjustments to arrive at FFO</i>		
Depreciation	\$	125
Fair value Adjustment Class B Units	\$	24,937
Distributions on Class B units	\$	2,077
Fair value adjustment investment properties	\$	(22,690)
Transaction costs	\$	236
<b>Funds from Operations ("FFO")</b>	<b>\$</b>	<b>11,241</b>
<b>FFO Per Unit* (diluted)</b>	<b>\$</b>	<b>0.778</b>
<i>Adjustments to arrive at AFFO</i>		
Accretion of mark-to-market adjustment on mortgage payable	\$	(771)
Capital Expenditure Reserves	\$	(947)
<b>Adjusted Funds from Operations ("AFFO")</b>	<b>\$</b>	<b>9,523</b>
<b>AFFO Per Unit* (diluted)</b>	<b>\$</b>	<b>0.659</b>

*\*FFO per unit and AFFO per unit are calculated by using FFO and AFFO, divided by the diluted weighted average unit count (including Class B Units and DTUs) for the three and nine months ended September 30, 2021.*

In the 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 three and nine months ended September 30, 2021, the capital expenditure reserve was \$404 and \$947 respectively as compared to actual spending of \$739 and \$1,151, respectively.

Capital expenditures for the three months ended September 30, 2021 was higher than the reserve as a result of rental home refurbishment as well as asphalt and concrete repair within the communities. Spending related to asphalt and concrete must be done during summer and fall months due to weather patterns in the REIT's operational footprint. This results in higher capital expenditures during these months.

## Flagship Communities Real Estate Investment Trust

### Management Discussion and Analysis

For the three and nine months ended September 30, 2021 (unaudited)

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

## 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 and comprehensive income for the three months ended September 30, 2021 are set out in the following table:

	For the three months ended September 30, 2021	
<b>Net income and comprehensive income</b>	<b>\$</b>	<b>1,870</b>
<i>Adjustments to arrive at NOI</i>		
General and administrative	\$	1,432
Finance costs from operations	\$	2,037
Accretion of mark-to-market adjustment on mortgage payable	\$	(257)
Depreciation and amortization	\$	53
Other (income)	\$	(32)
Fair value adjustment - Class B units	\$	10,200
Distributions on Class B units	\$	692
Fair value gain on investment properties	\$	(8,412)
Fair value adjustment - Unit Based Comp	\$	9
Transaction Costs	\$	-
<b>NOI</b>	<b>\$</b>	<b>7,592</b>

The table below lays out the reconciliation of the REIT's NOI and NOI Margin for the three months ended September 30, 2021.

	For the three months ended September 30, 2021	
Total revenue	\$	11,399
Property operating expenses	\$	3,807
<b>Net Operating Income ("NOI")</b>	<b>\$</b>	<b>7,592</b>
<b>NOI Margin</b>		<b>66.6%</b>

## Flagship Communities Real Estate Investment Trust

### Management Discussion and Analysis

For the three and nine months ended September 30, 2021 (unaudited)

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

The calculations of these measures and the reconciliation to net income and comprehensive income for the nine months ended September 30, 2021 are set out in the following table:

	For the nine months ended September 30, 2021	
<b>Net income and comprehensive income</b>	<b>\$</b>	<b>6,556</b>
<i>Adjustments to arrive at NOI</i>		
General and administrative	\$	4,120
Finance costs from operations	\$	5,916
Accretion of mark-to-market adjustment on mortgage payable	\$	(771)
Depreciation and amortization	\$	125
Other (income)	\$	(53)
Fair value adjustment - Class B units	\$	24,937
Distributions on Class B units	\$	2,077
Fair value gain on investment properties	\$	(22,690)
Fair value adjustment - Unit Based Comp	\$	9
Transaction Costs	\$	236
<b>NOI</b>	<b>\$</b>	<b>20,462</b>

The table below lays out the reconciliation of the REIT's NOI and NOI Margin for the nine months ended September 30, 2021.

	For the nine months ended September 30, 2021	
Total revenue	\$	30,883
Property operating expenses	\$	10,421
<b>Net Operating Income ("NOI")</b>	<b>\$</b>	<b>20,462</b>
<b>NOI Margin</b>		<b>66.3%</b>

## Debt to Gross Book Value

The following table lays out the REIT's Debt to Gross Book Value as of September 30, 2021.

	As of September 30, 2021	
Mortgages payable (current portion)	\$	589
Mortgages payable (non-current portion)	\$	244,758
Total mortgages payable ("Debt")	\$	245,347
Gross Book Value	\$	583,785
<b>Debt to Gross Book Value</b>		<b>42.0%</b>

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## Liquidity and Capital Resources

As of September 30, 2021, the capital structure of the REIT was as follows:

	As of September 30, 2021	
<b>Indebtedness</b>		
Mortgages payable (current portion)	\$	589
Mortgages payable (non-current portion)	\$	244,758
Class B Units	\$	98,336
	\$	343,683
<b>Unitholders equity</b>		
Unitholders equity	\$	226,714
<b>Total capitalization</b>	<b>\$</b>	<b>570,397</b>

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 three months ended September 30, 2021, net cash from operating activities was \$7,146. Business operations are also financed using property-specific mortgages, and equity financing.

On May 12, 2021 the REIT closed on a \$5,000 working capital line of credit. The line is for three years with a floating interest rate at .5% above the Wall Street Journal Prime rate. Payments will be interest only for the full term. At September 30, 2021 the REIT had \$0 outstanding on this line of credit.

As of September 30, 2021, liquidity was \$32,733 consisting of cash, cash equivalents, and available capacity on lines of credit.

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
- existing cash and cash equivalents on hand

In addition, subject to market conditions, the REIT may raise funding through equity financing. On May 7, 2021, the REIT filed a (final) short form base shelf prospectus, pursuant to which, for a period of 25 months thereafter, the REIT (and Unitholders) may sell up to an aggregate of \$300,000 of (i) Units; (ii) senior or subordinated unsecured debt securities of the REIT; (iii) subscription receipts; (iv) warrants; and (v) securities comprised of more than one of the foregoing, or any combination thereof. Subsequently, the REIT filed a supplement to that prospectus, and entered into an underwriting agreement for the purpose of completing the June 2021 Offering. The REIT raised gross proceeds of \$81,000 pursuant to the June 2021 Offering through the issuance of 4,500,000 Units at a price of \$18.00 per Unit.

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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 seventeen unencumbered investment properties with fair values of \$46,240 as of September 30, 2021.

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

Year	Principal payments due	
	during period	% of Total Principal
2021	\$ 161	0.1%
2022	\$ 602	0.2%
2023	\$ 735	0.3%
2024	\$ 772	0.3%
2025	\$ 820	0.3%
2026	\$ 866	0.4%
Thereafter	\$ 241,391	98.5%
<b>TOTAL</b>	<b>\$ 245,347</b>	

## 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 Gross Book Value. Interest rates and loan maturities will be reviewed on a regular basis to ensure appropriate debt management strategies are implemented.

On August 10, 2021 the REIT signed a loan commitment, for which the July 2021 Acquisitions were collateral, for \$29,700. The interest rate on the note is 3.08% fixed for 20 years with the first 84 payments being interest only.

As of September 30, 2021, the REIT's Debt to Gross Book Value ratio was 42.0% (47.8% at December 31, 2020.) This decrease, as compared to December 31, 2020, is due to the June 2021 Offering, which raised \$81,000 of equity capital. Management expects that the ratio of Debt to Gross Book Value may increase, at least temporarily, following an acquisition by the REIT of one or more additional properties.



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As of September 30, 2021 the REIT had a weighted average interest rate of 3.44% (100% fixed rate) and a weighted average term to maturity of 10.6 years. Mortgages as of September 30, 2021 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.

As of September 30, 2021, 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 Fair value adjustment – Class B Units in the statement of net income and comprehensive income. Distributions on Class B Units are recorded as finance cost in the consolidated financial statements in the period in which they become payable.

As of November 10, 2021, the total number of Class B Units outstanding was 5,432,940.

## **Unit-Based Compensation**

The REIT adopted the Omnibus Equity Incentive Plan on December 1, 2020. On May 10, 2021 Unitholders passed an ordinary resolution at the REIT's unitholder meeting to approve the Omnibus Equity Incentive Plan, including any previous grants of award and all unallocated awards issuable thereunder. The Equity Incentive Plan provides for awards of Restricted Units ("RUs"), Performance Units ("PUs"), DTUs and Options, each as defined therein. Awards under the Equity Incentive Plan may be settled by Units issued from treasury or, if so elected by the participant and subject to the approval of the Board of Trustees, cash measured by the value of the Units on the settlement date. Awards earn additional Units for distributions that would otherwise have been payable in cash. These additional Units vest on the same basis as the initial units to which they relate.

Under the Equity Incentive Plan, non-employee trustees have the option to elect to receive up to 100% of trustee fees, that are otherwise payable in cash, in the form of DTUs. Accordingly, the number of DTUs to be awarded to a non-employee trustee is equal to (i) the value of the retainer that the non-employee trustee elects to receive in the form of DTUs, (ii) divided by the volume-weighted average closing price of a Unit on the

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TSX for the five trading days immediately preceding the date of grant. Once made, elections are irrevocable for the year in respect of which they are made and are effective for subsequent calendar years until terminated by the non-employee trustee. DTUs granted to non-employee trustees vest immediately upon grant.

DTUs are recorded in trustee fees, included in general and administrative expenses on the statement of net income and comprehensive income, at the volume-weighted average closing price of a Unit on the TSX for the five trading days immediately preceding the date of grant. The liability is measured every period, and upon settlement, with changes in measurement recorded in Fair value adjustment – DTUs on the statement of net income and comprehensive income.

As of September 30, 2021, the total number of DTUs outstanding was 7,529, while no RUs or PUs have been granted.

## **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 November 10, 2021, the total number of Units outstanding was 11,726,185.

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## Distributions

The REIT has adopted a distribution policy pursuant to which the REIT and Flagship Operating, LLC make cash distributions to Unitholders, holders of Class B Units, and holders of DTUs respectively, on a monthly basis. Pursuant to this distribution policy, distributions are paid to Unitholders, holders of Class B Units, and holder of DTUs 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.

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

	For the three months ended September 30, 2021		For the nine months ended September 30, 2021	
<b>Cash Provided by operating activities</b>	\$	7,146	\$	17,428
Less interest paid	\$	2,037	\$	5,916
	\$	5,109	\$	11,512
Less distributions paid to unitholders	\$	1,495	\$	3,338
Less distributions paid to Class B unitholders	\$	692	\$	2,077
<b>Excess cash provided by operating activities over distributions paid</b>	\$	2,922	\$	6,097
<b>Net income and comprehensive income</b>	\$	1,870	\$	6,556
Less distributions paid to unitholders	\$	1,495	\$	3,338
<b>Excess of net income over cash used to pay distributions</b>	\$	375	\$	3,218

Total distributions declared to Unitholders and holders of Class B Units were \$2,187 and \$5,606, respectively, for the three and nine months ended September 30, 2021.

On October 22, 2021 the REIT announced that the Board of Trustees approved a 5% increase to its monthly cash distribution to unitholders to \$0.0446 per REIT unit or \$0.5355 per REIT unit on an annual basis. The new monthly cash distribution will commence with the November 2021 distribution when declared, to be payable in December 2021.

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## 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 as at September 30, 2021:

	Carrying amount	Contractual cash flows	1 Year	1 to 2 Years	2 to 5 years	5+ years
Trade and Other Payables	\$ 275	\$ 275	\$ 275	\$ -	\$ -	\$ -
Other Liabilities	\$ 7,526	\$ 7,526	\$ 7,526	\$ -	\$ -	\$ -
Mortgages Payable	\$ 250,934	\$ 330,100	\$ 9,601	\$ 18,552	\$ 27,835	\$ 274,112
	\$ 258,735	\$ 337,901	\$ 17,402	\$ 18,552	\$ 27,835	\$ 274,112

## 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's investment properties consist of MHCs and a fleet of rental homes for lease to residents of the MHCs. The REIT used a combination of internal valuation methodologies and external appraisals to value the investment properties. The estimated fair value of the MHC's was determined using the direct capitalization income method. The direct capitalization method analyzes the relationship of one year's net operating income to total property value. 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 58 communities as of September 30, 2021. A reconciliation of the carrying amount for investment properties at the beginning and end of the period is set out below:

	As at September 30, 2021	As at December 31, 2020
<b>Investment properties, opening balance</b>	\$ 428,391	\$ -
Acquisitions - Oct 7, 2020	\$ -	\$ 411,599
Capital expenditures	\$ 4,004	\$ 889
Acquisitions of investment properties	\$ 92,472	\$ 12,945
Disposal of investment properties	\$ (929)	\$ -
Change in fair value of investment properties	\$ 22,690	\$ 2,958
<b>Total investment properties, end of period</b>	<b>\$ 546,628</b>	<b>\$ 428,391</b>

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## 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. The REIT used an internal valuation process to value the investment properties as of September 30, 2021. The REIT engages third party appraisers to prepare valuations of the communities such that the entire portfolio is appraised at least once every year.

The high, low, and overall weighted average of the capitalization rates applicable to the Community 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 at September 30, 2021	As at December 31, 2020
<b>Capitalization Rates of Investment Properties</b>		
High	7.00%	6.25%
Low	4.50%	5.35%
<b>Weighted Average</b>	5.33%	5.52%
<b>% Change</b>		
+ 0.025	4.56%	4.45%
-0.025	-4.84%	-4.88%
<b>\$ Change</b>		
+ 0.025	\$23,686	(\$19,079)
-0.025	(\$25,148)	\$20,920

## Cash Flows

The REIT held cash and cash equivalents of \$27,733 as of September 30, 2021. The changes in cash flows for the nine months ended September 30, 2021 are as follows:

	For the nine months ended September 30, 2021	
Cash provided by operating activities	\$	17,428
Cash provided by financing activities	\$	97,583
Cash used in investing activities	\$	(98,777)
<b>Change in cash and cash equivalents during the period</b>	<b>\$</b>	<b>16,234</b>

## Operating activities for the nine months ended September 30, 2021

Operating activities for the period generated a net cash inflow of \$17,428. 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.)

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## Financing activities for the nine months ended September 30, 2021

Financing activities for the period generated a net cash inflow of \$97,583. This was largely driven by net proceeds from the issuance of Units of \$77,303 along with proceeds from mortgages payable of \$32,700. These inflows were offset by distributions paid to Unit holders and Class B Unit holders of \$3,338 and \$2,077 respectively as well as interest paid of \$5,910.

## Investing activities for the nine months ended September 30, 2021

Investing activities for the period generated a net cash outflow of \$98,777. This was largely driven by the acquisitions of communities completed as well as capital expenditures on investment properties during the nine months ended September 30, 2021.

## 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 the REIT's 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 of the IPO, the REIT and Empower, an entity majority-owned by the REIT's 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.

The interim condensed consolidated financial statements include the following related party transactions:

- Compensation expenses include \$155 and \$844 incurred to key management personnel during the three and Nine months ended September 30, 2021, respectively, which includes short-term employee compensation and benefits.
- For the three and nine months ended September 30, 2021, the REIT billed Empower a total of \$346 and \$960, of which \$303 and \$854 was payroll and benefits, \$12 and \$34 was management fees, and \$31 and \$72 in other miscellaneous items, respectively. As of September 30, 2021, the REIT had a receivable from Empower of \$97 (December 31, 2020 - \$203).
- On July 2, 2021 the REIT entered into a promissory note ("Note Receivable") in the amount of \$2,460 with Empower Park. The Note Receivable includes monthly interest only payments, which began on August 2, 2021, through maturity on July 2, 2031 at which time the entire principal balance and any remaining interest is due. The Note Receivable incurs interest at Wall Street Journal Prime. For both the three and Nine months ended September 30, 2021, interest revenue was \$20.

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- For the three and nine months ended September 30, 2021, the REIT incurred expenses for services provided by related parties that included HVAC, paving/concrete repair, legal, IT and landscape services. As at September 30, 2021, the REIT had accounts payable and accrued liabilities due to related parties of \$24 (December 31, 2020 - \$7). The following table breaks out spending for each related party.

The table below breaks out spending for each related party:

Company Name	Ownership & Control	Description of Services	Three months ended September 30, 2021	Nine months ended September 30, 2021
Call Now HVAC	50% owned by the REIT's Chief Executive Officer ("CEO"), Chief Investment Officer ("CIO") and another holder of Class B Units. 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.	\$207	\$414
KOI	50% owned by the REIT's 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.	\$13	\$78
BG3	100% owned by the brother of the REIT's CEO.	Provides landscaping services for various investment properties.	\$30	\$119
Adams Stepner Wolterman and Dusing (ASWD)	A holder of Class B Units 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.	\$0	\$14
JDK	100% owned by the brother of the REIT's CEO.	IT and desktop support	\$14	\$34
Empower Park	50% owned by the REIT's CEO, CIO and another holder of Class B Units.	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, the 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	\$85	\$184
Total			\$349	\$843

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 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.

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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 September 30, 2021 and have not been applied in preparing these interim condensed consolidated financial statements:

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 this standard.

## Disclosure Controls and Internal Controls Over Financial Reporting

There have been no changes in the internal controls over financial reporting of the REIT during the three months ended September 30, 2021, that have materially affected, or are reasonably likely to materially affect, the REIT’s internal controls over financial reporting.

Management, including the Chief Executive Officer and Chief Financial Officer, does not expect that control systems 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.



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#### **Risk and Uncertainties**

The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT. The Annual Information Form contains a detailed summary of risk factors pertaining to the REIT and its business. The disclosures in this MD&A are subject to the risk factors outlined in the Annual Information Form. 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 in the Annual Information Form could materially and adversely affect the business, prospects, financial condition, results of operations, cash flow or the ability of the REIT to make cash distributions to Unitholders or value of the Units of the REIT.