



Annual Information Form

For the year ended December 31, 2022

March 16, 2023

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GLOSSARY OF TERMS USED IN THIS ANNUAL INFORMATION FORM

As used in this Annual Information Form, the following acronyms and terms have the respective meanings set out below:

“Advance Notice Provision” has the meaning given to that term under “Declaration of Trust and Description of REIT Units — Advance Notice Provision”.

“affiliate” has the meaning given to that term in National Instrument 45-106 — Prospectus Exemptions, subject to the term “issuer” in such instrument being ascribed the same meaning as the term “person” in such instrument.

“AFFO” is defined as FFO adjusted for items such as maintenance capital expenditures, and certain non-cash items such as amortization of intangible assets, and premiums and discounts on debt and investments. AFFO should not be construed as an alternative to consolidated net income (loss) or consolidated cash flows provided by (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 per lot per year and \$1,000 per rental home per year 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.

“AFFO per Unit” is defined as AFFO for the applicable period divided by the weighted average Unit count during the period.

“AIF” means this Annual Information Form.

“ATM Program” means the distributions of Units made in accordance with the terms of an equity distribution agreement dated May 17, 2022 (the “Equity Distribution Agreement”) among the REIT, Canaccord Genuity Corp. and BMO Capital Markets.

“Board” means the board of trustees of the REIT.

“CBCA” means the Canada Business Corporation Act, as amended.

“CDS” means CDS Clearing and Depository Services Inc.

“Class A Units” means the class A units of Flagship Operating, LLC.

“Class B Units” means the class B units of Flagship Operating, LLC.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Communities” means the Initial Communities and any MHCs and RV resort communities acquired by the REIT subsequent to October 7, 2020 and **“Community”** means any one of the Communities.

“control” means the possession by any person, of the ownership, control or direction, directly or indirectly, of 50% or more of the outstanding voting securities of a person, or in the case of a limited partnership, the possession by any person of the ownership, control or direction, directly or indirectly, of 50% or more of the outstanding voting securities of the general partner; and each of “controlled by” or “controlling” has a corresponding meaning.

“CRA” means the Canada Revenue Agency.

“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).

“Declaration of Trust” means the amended and restated declaration of trust of the REIT dated as of September 28, 2020, as it may be further amended or amended and restated from time to time, as more particularly described under “Declaration of Trust and Description of REIT Units”.

“Distribution Date” means, in respect of a calendar month, on or about the 15th day of the following calendar month or such other date as the Trustees so determine in their discretion.

“Empower” means Empower Park, LLC.

“Empower ROFO” has the meaning given to that term under “Arrangements with Empower — ROFO Agreement”.

“Equity Distribution Agreement” means the agreement among the REIT, Canaccord Genuity Corp. and BMO Capital Markets dated May 17, 2022 in which a US\$50 million at-the-market equity program (**“ATM Program”**) was established.

“Exempt Plans” means trusts governed by a registered retirement savings plans, registered education savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans or a tax-free savings accounts.

“Fannie Mae Loan” has the meaning given to that term under “Debt Strategy and Indebtedness — Fannie Mae Loan”.

“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), 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 consolidated net income (loss) or consolidated 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.

“Flagship Manageco” or **“Flagship”** means Management FC, LLC, a limited liability company that is (a) a wholly-owned subsidiary of Flagship Operating, LLC, (b) the direct owner of four of the Initial Communities, and (c) the employer for all direct and indirect employees of the REIT.

“Flagship TRS” means Flagship TRS, LLC, a limited liability company that is (a) a wholly-owned subsidiary of Flagship Manageco, and (b) a TRS providing the Management Services to Empower under the Management Agreement.

“Freddie Mac Loan” has the meaning given to that term under “Debt Strategy and Indebtedness — Freddie Mac Loan”.

“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 statement of financial position 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.

“IFRS” means International Financial Reporting Standards as issued by the International Accounting Standards Board.

“Indebtedness” means (without duplication) on a consolidated basis:

- (a) any obligation of the REIT for borrowed money (excluding any fair value adjustments);
- (b) any obligation of the REIT incurred in connection with the acquisition of property, assets or business other than the amount of future income tax liability arising out of indirect acquisitions;
- (c) any obligation of the REIT issued or assumed as the deferred purchase price of property;
- (d) any capital lease obligation of the REIT; and
- (e) any obligation of the type referred to in clauses (a) through (d) of another person, the payment of which the REIT has guaranteed or for which the REIT is responsible for or liable,

provided that: (i) for the purposes of (a) through (e), an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the REIT in accordance with IFRS; (ii) obligations referred to in clauses (a) through (c) exclude trade accounts payable, security deposits, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business; (iii) exchangeable or redeemable units or other equity interests issued by subsidiaries of the REIT (including for greater certainty, Class B Units) will not constitute indebtedness notwithstanding the classification of such securities as debt under IFRS; and (iv) convertible debentures will constitute indebtedness to the extent of the principal amount thereof outstanding.

“Indemnity Agreement” means the indemnity agreement dated October 7, 2020, among the REIT, Flagship Operating, LLC, the Promoter, Legacy Holdings and, among others, each of the REIT’s Chief Executive Officer and Chief Investment Officer, as more particularly described under “Retained Interest Holders — Indemnity Agreement”.

“Initial Communities” means the 45 MHCs that the REIT acquired indirectly on October 7, 2020.

“Initial Portfolio” means, collectively, the Initial Communities, the Rental Homes Fleet and certain ancillary assets, including the REIT’s head office property.

“Investment Criteria” means any MHC (a) with a stable or growing occupancy level for at least one of the three most recent fiscal quarters; (b) with positive and stable or growing NOI for at least one of the three most recent fiscal quarters; (c) which has satisfactory environmental and property condition reports based on the REIT’s normal practice; and (d) which, in management’s assessment, is in a condition which is at least commensurate with its age and in comparable standing to other similar MHCs in similar areas.

“Investor Rights Agreement” means the investor rights agreement dated October 7, 2020, among the REIT, Flagship Operating, LLC and the Retained Interest Holders, as more particularly described under “Retained Interest Holders — Investor Rights Agreement”.

“IPO” means the offering of Units pursuant to the REIT’s long form prospectus dated September 28, 2020 in respect of the REIT’s initial public offering of Units.

“Legacy Holdings” means Legacy Portfolio Holdings, LLC, a limited liability.

“Liquidity” is defined as (a) cash and cash equivalents, plus (b) borrowing capacity available under any existing credit facilities.

“Line of Credit” means the working capital line of credit established on May 12, 2021.

“lots” means parcels of land located within an MHC with utility access for placement of manufactured homes.

“Management Agreement” means the management agreement between Flagship TRS and Empower, as more particularly described under “Arrangements with Empower — Management Agreement”.

“Management Services” has the meaning given to that term under “Arrangements with Empower — Management Agreement”.

“MHC” means manufactured housing community.

“NOI” is a non-IFRS financial measure and is calculated as total revenue from properties (i.e., rental revenue and other property income) less direct property operating expenses in accordance with IFRS.

“Non-Competition and Non-Solicitation Agreement” means the non-competition and non-solicitation agreement dated October 7, 2020 between the REIT and Empower, as more particularly described under “Arrangements with Empower — Non-Competition and Non-Solicitation Agreement”.

“Non-Residents” means (a) non-residents of Canada, (b) partnerships that are not Canadian partnerships, or (c) a combination of non-residents and such partnerships (all within the meaning of the Tax Act).

“occupancy” means, in respect of an MHC or group of MHCs, the ratio obtained by dividing (a) the number of lots occupied by residents by (b) the total number of lots that are available for rental, in each case within the MHC or MHCs.

“Operating Agreement” means the amended and restated limited liability company operating agreement of Flagship Operating, LLC dated October 7, 2020, as it may be further amended or amended and restated from time to time, as more particularly described under “Flagship Operating, LLC”.

“Portfolio” means the portfolio of Communities, the Rental Homes Fleet and certain ancillary assets, including the REIT’s head office property acquired on or after October 7, 2020.

“Promoter” means MHC Management, LLC, d/b/a SSK Communities.

“REIT” means Flagship Communities Real Estate Investment Trust and references in this AIF to the “REIT” refer to the REIT and its subsidiaries, including Flagship Operating, LLC and its subsidiaries, on a consolidated basis.

“REIT ROFO” has the meaning given to that term under “Arrangements with Empower — ROFO Agreement”.

“related party” means, with respect to any person, a person who is a “related party” as that term is defined in Multilateral Instrument 61-101 — Protection of Minority Security Holders in Special Transactions, as amended from time to time.

“Rental Homes Fleet” means the approximately 1,200 manufactured homes for lease to residents of the Communities and “Rental Home” means any such manufactured home.

“Retained Interest Holders” means, collectively (a) Legacy Holdings, (b) certain members of Legacy Holdings (including the REIT’s President and Chief Executive Officer and Chief Investment Officer), and (c) certain persons (including the REIT’s President and Chief Executive Officer, Chief Investment Officer and Chief Financial Officer and Secretary), in each case as listed in Schedule A to the Investor Rights Agreement.

“ROFO Agreement” means the right of first opportunity agreement, dated October 7, 2020, between Flagship Operating, LLC and Empower, as more particularly described under “Arrangements with Empower — ROFO Agreement”.

“RV” means recreational vehicle.

“Securities Act” means the *Securities Act* (Ontario), as amended from time to time.

“SEDAR” means the System for Electronic Documents Analysis and Retrieval at www.sedar.com.

“Services Agreement” means the services agreement, dated October 7, 2020, between Flagship Operating, LLC and Empower, as more particularly described under “Arrangements with Empower — Services Agreement”.

“SIFT Rules” means the rules applicable to SIFT trusts and SIFT partnerships in the Tax Act.

“subsidiary” has the meaning given to that term in National Instrument 45-106 — Prospectus Exemptions, subject to the term “issuer” in such instrument being ascribed the same meaning as the term “person” in such instrument.

“Tax Act” means the Income Tax Act (Canada) and the regulations thereunder, as amended.

“TRS” means taxable REIT subsidiary.

“Trustees” means the trustees from time to time of the REIT.

“TSX” means the Toronto Stock Exchange.

“United States” and **“U.S.”** means the United States of America.

“Unitholders” means holders of Units.

“Units” means trust units in the capital of the REIT.

“US Holdco” means Flagship HC, Inc., a corporation that has been incorporated under the laws of the State of Delaware by the REIT which owns all of the Class A Units of Flagship Operating, LLC.

“Weighted average interest rate” is calculated by multiplying the applicable interest rate for each of the REIT’s mortgages by the outstanding principal amount of each such mortgage and dividing this product by the aggregate outstanding principal amount of all the REIT’s mortgages.

“Weighted average term to maturity” is calculated by multiplying the remaining term to maturity for each of the REIT's mortgages by the outstanding principal amount of each such mortgage and dividing this product by the aggregate outstanding principal amount of all the REIT's mortgages.

CERTAIN REFERENCES AND FORWARD-LOOKING INFORMATION

Unless otherwise indicated, information provided in this AIF is effective as of December 31, 2022.

For an explanation of the capitalized terms and expressions provided in this AIF, please refer to the “Glossary of Terms”. References to dollars or “\$” are to U.S. currency.

This AIF 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; expected sources of funding for future acquisitions; 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 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 AIF, 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 AIF 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; further MHC acquisitions by the REIT; the applicability of any government regulation concerning MHCs and other residential accommodations; the availability of debt financing and future interest rates, which continue to be volatile and have trended upward since the REIT’S formation in 2020; increasing expenditures and fees, in connection with the ownership of MHCs, driven by inflation; 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 other factors discussed under the heading “Risks and Uncertainties” herein, also discussed in this AIF. 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. Further, certain forward-looking statements included in this AIF may be considered as “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 AIF. Forward-looking statements are made as of the date of this AIF 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.

NON-IFRS FINANCIAL MEASURES

In this AIF, the REIT uses certain financial measures that are not defined under IFRS including certain non-IFRS ratios, 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

FFO and AFFO are calculated in accordance with the definition provided by the Real Property Association of Canada (“REALPAC”).

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. These measures include FFO and AFFO which are defined in the “Glossary of Terms used in this AIF”.

Other Real Estate Industry Metrics

This AIF also contains several other real estate industry financial metrics such as Debt-to-Gross Book Value Ratio, Gross Book Value and Liquidity which are defined in the “Glossary of Terms used in this AIF”.

All values are given in U.S. dollars unless otherwise indicated.

CORPORATE STRUCTURE

Business Overview

The REIT is an unincorporated, open ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario. The REIT was founded and sponsored by the Retained Interest Holders which includes the President and Chief Executive Officer of the REIT. The REIT's Units have been listed on the Toronto Stock Exchange under the trading symbol MHC.UN since October 7, 2020 and MHC.UN since June 13, 2022. The head office of the REIT is located at 467 Erlanger Road, Erlanger, Kentucky, 41018, U.S.A. and the registered office of the REIT is located at 199 Bay Street, Suite 4000, Toronto, Ontario, M5L 1A9, Canada.

The REIT has been formed to own and operate a portfolio of MHCs and related assets in the United States.

Objectives of the REIT

The primary objectives of the REIT are to:

- Provide 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.

The REIT has been formed to provide investors with the opportunity to invest in the MHC industry in the United States, while benefiting from the investment and operational expertise of Flagship's vertically integrated management platform. Management believes that investing in MHCs is a prudent investment strategy that will create long-term value, as a result of the following attributes:

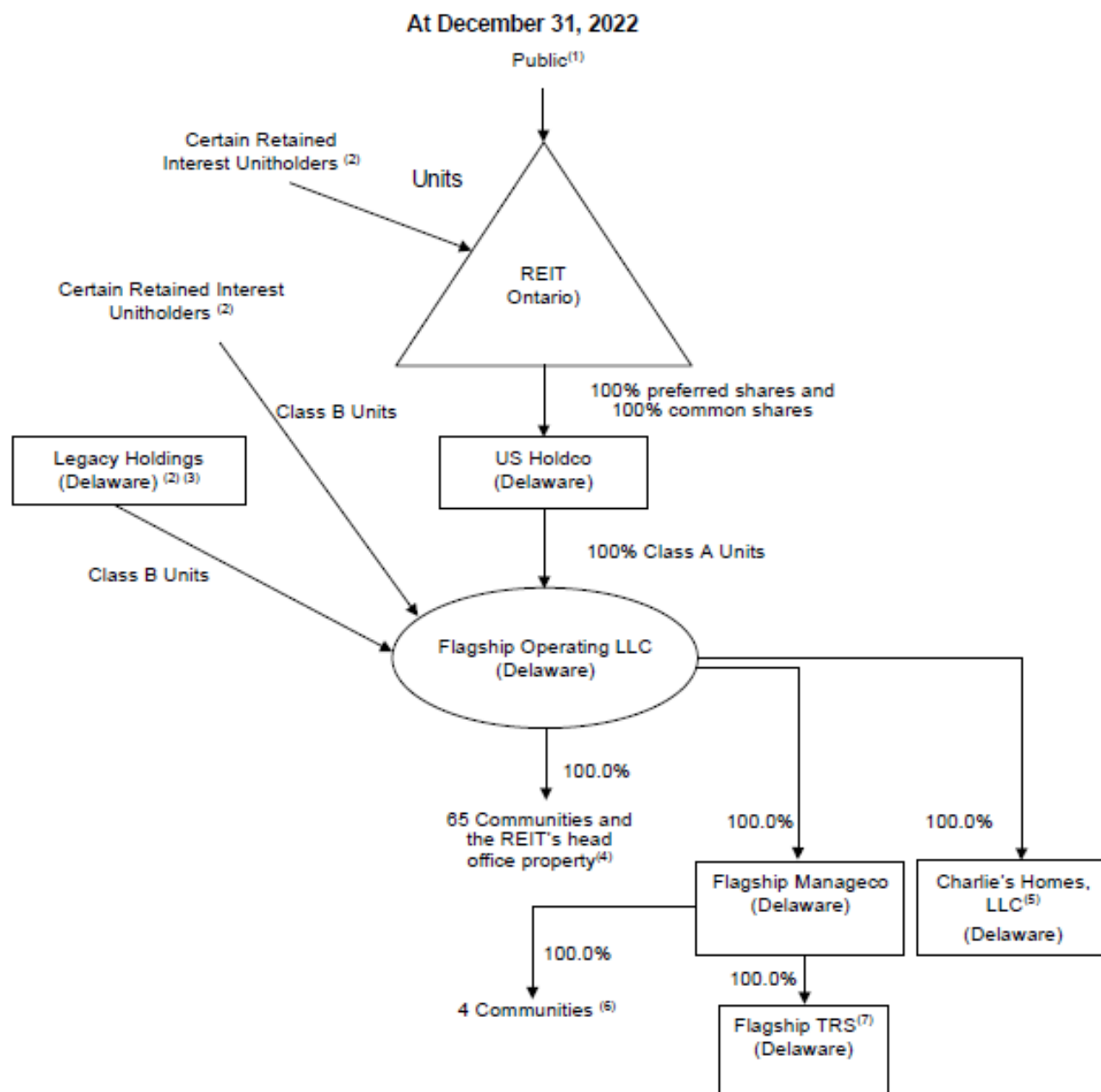
- (1) defensive investment characteristics relative to other real estate asset classes;
- (2) consistent track record of outperformance irrespective of economic cycle;
- (3) high barriers to entry for any competitors and new supply;
- (4) stable occupancy and growing rents; and
- (5) lower capital expenditure requirements than many other real estate asset classes.

Management believes that macro characteristics and trends in the United States real estate and housing industry, as well as the MHC industry specifically, offer investors an attractive investment opportunity. These characteristics and trends include:

- (1) increasing household formations;
- (2) lower housing affordability;
- (3) declining single family residential home ownership rates; and
- (4) lack of new MHC supply.

Management believes that the REIT's Portfolio is well positioned to benefit from these dynamics in the residential real estate and housing industry.

ORGANIZATIONAL STRUCTURE



(1) Public Unitholders own an approximate 57.4% ownership interest in the REIT (determined as if all Class B Units are redeemed for Units).

(2) The Retained Interest Holders own or have control or direction over an aggregate of 5,470,388 Class B Units representing an approximate 28% effective interest in the REIT. See "Retained Interest Holders".

(3) Legacy Holdings is one of the Retained Interest Holders.

(4) Ownership of 65 Manufactured Housing Communities and the REIT's head office property is held through special purpose entities, including limited liability companies and limited partnerships.

(5) Ownership of the Rental Homes Fleet is held by Charlie's Homes, LLC.

(6) Four of the Initial Communities are owned directly by Management FC, LLC.

(7) Flagship TRS, LLC will provide the Management Services to Empower pursuant to the Management Agreement. See "Arrangements with Empower — Management Agreement".

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

On October 7, 2020, the REIT was formed to own and operate income-producing MHCs in the United States. The REIT was established 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 Units trade on the TSX stock exchange in US dollars under the symbol “MHC.U” and in Canadian dollars under the symbol “MHC.UN”.

Equity Offerings

The operations of the REIT commenced on October 7, 2020 when it completed its IPO of 6,250,000 Units for gross proceeds of \$93.8 million to acquire the Initial Portfolio, repay approximately \$13.6 million 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 \$14.0 million. Total costs for underwriters’ fees were \$0.9 million, resulting in net proceeds of \$13.1 million. The net proceeds from the exercise of the over-allotment option were used by the REIT to fund further acquisitions and for general business purposes.

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 that closed on June 14, 2021. Pursuant to the offering, the REIT raised gross proceeds of \$81.0 million (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 offering were used by the REIT to fund the acquisition of the Anderson Pointe property, as well being intended for future acquisitions and for general business purposes.

On November 11, 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 that closed on November 18, 2021. Pursuant to the offering, the REIT raised gross proceeds of \$46.5 million (including from the exercise, in part, of an over-allotment option by the underwriters of the offering) through the issuance of 2,415,000 Units at a price of \$19.25 per Unit. The net proceeds from the exercise of the offering were used by the REIT to fund a portion of the acquisition of three communities.

Summary of public offerings

Date of public offering	Units	Price per Unit (US\$)	Gross proceeds (US\$ million)
October 7, 2020 IPO	6,250,000	\$15.00	\$93.8
October 22, 2020 IPO over-allotment	937,500	\$15.00	\$14.1
June 14, 2021 public offering and over-allotment	4,500,000	\$18.00	\$81.0
November 18, 2021 public offering and over-allotment	2,415,000	\$19.25	\$46.5

The REIT has established a US\$50 million at-the-market equity program (the “**ATM Program**”). The ATM Program allows the REIT to issue from treasury, at its discretion, up to US\$50 million of Units to the public from time to time. Distributions of Units pursuant to the ATM Program, if any, will be made in accordance with the terms of an equity distribution agreement dated May 17, 2022 (the “**Equity Distribution Agreement**”) among the REIT, Canaccord Genuity Corp. and BMO Capital Markets. Units sold under the ATM Program will be sold directly on the Toronto Stock Exchange, or such other recognized marketplaces

to the extent permitted, at prevailing market prices at the time of sale, all in accordance with the terms of the Equity Distribution Agreement. The ATM Program will be effective until June 7, 2023, unless terminated earlier in accordance with the terms of the Equity Distribution Agreement. The REIT intends to use the net proceeds from REIT Units sold under the ATM Program, if any, to fund acquisitions, for repayment of indebtedness and for general working capital purposes.

Property Acquisitions

Summarized below are the acquisitions in the three years subsequent to the IPO:

2020

October 7, 2020	The REIT was formed to own and operate the Initial Communities, being a portfolio of 45 income-producing MHCs comprising 8,255 lots located in the following four contiguous states: Kentucky, Indiana, Ohio and Tennessee, and a fleet of approximately 600 manufactured homes for lease to residents of the Initial Communities held indirectly by Flagship Operating, LLC. In connection with the closing of the IPO, the REIT acquired the Initial Portfolio other than two Initial Communities comprising 622 lots located in Louisville, being Barrington Pointe and Copperstone Pointe.
November 2, 2020	The Barrington Pointe and Copperstone Pointe Communities were acquired.
December 17, 2020	The REIT acquired seven MHCs consisting of 379 lots for approximately \$12.9 million. The acquisitions were all within the REIT's geographic footprint at that time with three MHCs (197 lots) in Evansville, Indiana, two MHCs (101 lots) in Northern Kentucky, and two MHCs (81 lots) in Paducah, Kentucky.

2021

February 9, 2021	The REIT acquired two 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 \$6.1 million. One new community was within the REIT's existing geographic footprint with 77 lots in the Louisville, Kentucky market. The second new community, was the REIT's first entry into the Bowling Green, Kentucky market.
May 12, 2021	The REIT acquired a MHC consisting of the Anderson Pointe community with 167 lots and a fleet of manufactured homes for a purchase price of approximately \$5.3 million. This community was the first strategic acquisition outside of the REIT's main geographic footprint, by expanding into Little Rock, Arkansas.
July 2, 2021	The REIT acquired two MHCs comprising 677 lots in Missouri and Indiana for an aggregate purchase price of approximately \$65.1 million and representing entry into two new regions for the REIT.
August 23, 2021	The REIT acquired a 231 lot MHC located in Springfield, Illinois for a purchase price of approximately \$16.3 million. This MHC was the REIT's first property in the state of Illinois.
October 25, 2021	The REIT acquired two RV resort communities for an aggregate purchase price of approximately \$8.4 million. The RV resorts are located in Wapakoneta, Ohio and Walton, Kentucky and include 75+ acres and 467 sites.

November 11, 2021 The REIT acquired three MHCs from two separate vendor groups comprising 957 lots for an aggregate purchase price of approximately \$56.8 million. Two of the acquisitions are located in Arkansas, with the third located in Lexington, Kentucky.

2022

February 15, 2022 The REIT acquired from Empower, a 13-acre, high-quality resort-style MHC located in Northern Ohio, for a purchase price of approximately US\$8.2 million in cash and the issuance of 37,448 Units of the REIT to Empower. The MHC includes 100 MHC homesites and a 141-boat slip marina.

April 27, 2022 The REIT acquired a Riverton Illinois MHC, located in suburban Springfield Illinois for a purchase price of approximately US\$6.25 million. The MHC has 103 lots.

May 18, 2022 The REIT acquired two adjacent MHCs in Florence, Kentucky for a purchase price of approximately US\$22.5 million. The MHCs have 345 lots on 70 acres.

September 22, 2022 The REIT acquired two MHCs in Louisville, Kentucky and Bloomington, Illinois for a purchase price of approximately US\$32.3 million. The MHCs have 584 lots.

November 30, 2022 The REIT acquired a 20-acre, resort-style MHC in Marblehead Ohio for approximately US\$7.8 million. The Marblehead community is fully occupied, comprising 100 lots with each home including a boat slip as well as access to a community swimming pool.

As of December 31, 2022 the REIT owned a 100% interest in a portfolio of 67 MHCs with 12,131 lots, and two RV resort communities with 470 sites, located in seven contiguous states: (i) Arkansas; (ii) Illinois; (iii) Indiana; (iv) Kentucky; (v) Missouri; (vi) Ohio; and (vii) Tennessee. These MHCs and RV resort communities are strategically concentrated in key markets where management has comprehensive knowledge and experience, including the REIT's largest markets of Louisville, Cincinnati and Evansville.

As of December 31, 2022, the REIT also owned a fleet of approximately 1,200 manufactured homes for lease to residents.

Subsequent to December 31, 2022, on February 28, 2022, the REIT acquired a 20 acre MHC in Austin, Indiana that includes 120 MHC homesites, with 94 developed lots and 26 lots for additional expansion.

Summary of Acquisitions at December 31, 2022

Date of acquisition	Location	
October 2020	Kentucky, Indiana, Ohio and Tennessee	
November 2020	Indiana and Kentucky	
December 2020	Indiana and Kentucky	7 states
February 2021	Kentucky and Tennessee	67 MHCs
May 2021	Arkansas	12,131 lots
July 2021	Missouri and Arkansas	2 RV resort communities
August 2021	Illinois	470 sites
October 2021	Ohio and Kentucky	
November 2021	Arkansas and Kentucky	

Date of acquisition	Location
February 2022	Ohio
April 2022	Illinois
May 2022	Kentucky
September 2022	Kentucky and Illinois
November 2022	Ohio
February 2023 ⁽¹⁾	Indiana

(1) This acquisition occurred subsequent to December 31, 2022

Credit Facility

On May 12, 2021, the REIT closed on a \$5.0 million working capital line of credit (the “**Line of Credit**”).

On August 10, 2021, the REIT borrowed \$29.7 million for which the two MHCs in Missouri and Indiana acquired by the REIT in July 2021 are collateral. The interest rate on the note is 3.08% fixed for 20 years with the first 84 payments being interest only. These funds are to fund acquisitions and for general business purposes.

On June 30, 2022, the REIT borrowed \$14.4 million as a supplemental borrowing on its Fannie Mae credit facility for which ten communities are the collateral. The interest rate on this note is 5.79% for 12 years with all payments being interest only for the full term. These funds were used to fund acquisitions and for general business purposes.

On December 22, 2022, the REIT borrowed \$7.1 million as an additional borrowing on its Fannie Mae credit facility for which three communities are the collateral. The interest rate on this note is 5.46% for 10 years with all payments being interest only for the full term. These funds will be used to fund future acquisitions and for general business purposes.

On December 22, 2022 the REIT renewed the Line of Credit, increasing it by \$5.0 million, and adding two additional resort communities as collateral, taking the total available capacity to \$10.0 million.

The Line of Credit is for three years with a floating interest rate at 0.5% above the Wall Street Journal prime rate. Payments will be interest only for the full term. As at December 31, 2022, the REIT had \$10.0 million outstanding on this line of credit.

Distributions

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 Unit or \$0.5355 per Unit on an annual basis, effective with the November 2021 distribution, paid in December 2021. On November 14, 2022, the REIT announced that the Board of Trustees approved a further 5% increase to its monthly cash distribution to Unitholders to \$0.0468 per Unit or \$0.562 per Unit on an annual basis, effective with the November 2022 distribution, paid in December 2022.

Issued and outstanding Units

At December 31, 2022, the REIT had 14,141,185 issued and outstanding Units and 5,470,388 Class B Units.

DESCRIPTION OF THE BUSINESS

General

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. The REIT, indirectly through Flagship Manageco, has approximately 140 employees who carry on its business and operations.

The REIT was formed to provide investors with the opportunity to invest in the MHC industry in the United States, while benefiting from the investment and operational expertise of Flagship's vertically integrated management platform. Management believes that investing in MHCs is a prudent investment strategy that will create long-term value, as a result of the following attributes: (i) defensive investment characteristics relative to other real estate asset classes; (ii) consistent track record of outperformance irrespective of economic cycle; (iii) high barriers to entry for any competitors and new supply; (iv) stable occupancy and growing rents; and (v) lower capital expenditure requirements than many other real estate asset classes.

The MHC industry is characterized by stable and growing financial performance with attractive investment returns and low operational volatility. Manufactured housing is predominately a land lease business model whereby MHC residents are owner-occupiers of their manufactured homes and rent a lot on which to place their home in a MHC. As a result, maintenance capital expenditures borne by MHC owners are generally minor, predictable and are limited to community infrastructure, including common areas and amenities. Manufactured housing investments are characterized by stable and recurring rental income streams, as MHCs typically have a large, diverse and entrenched resident base with long-tenure, low turnover, and minimal delinquency, particularly in comparison to multi-family residential apartments. Residents are generally attracted to MHCs because they are a lower cost housing option when compared to both multi-family residential apartments and single-family residential housing, and provide the ability to build home equity and a lifestyle and community similar to single-family residential communities.

The MHC industry is highly fragmented and primarily composed of local owner operators, public real estate investment trusts and institutional investors. Additionally, imbalanced supply and demand dynamics resulting from various layers of regulatory restrictions, competing land uses and scarcity of land zoned for manufactured housing development has limited new supply, creating high barriers to entry for new market participants.

The REIT has identified several strategic avenues for growth including: (i) organic cash flow growth through improving occupancy, increasing lot rents, and continued implementation of expense optimization initiatives; (ii) targeted value-enhancing investments and community improvements; (iii) sourcing third party acquisitions; and (iv) expansion of MHCs through the development of excess land.

REAL ESTATE PORTFOLIO

The following table details the metropolitan statistical areas, states, number of lots per community, average in place monthly lot rent per month and occupancy.

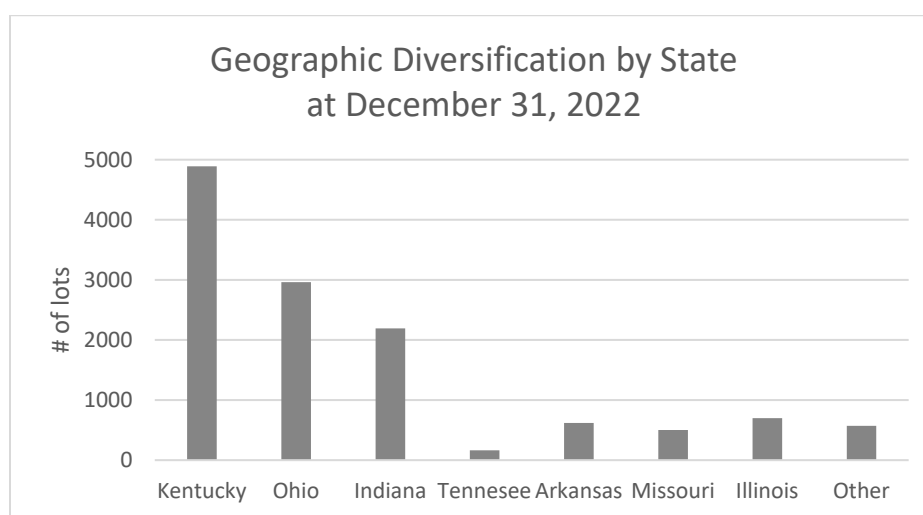
Portfolio Diversification

The following table highlights certain information about communities as of December 31, 2022, organized by Metropolitan Statistical Area:

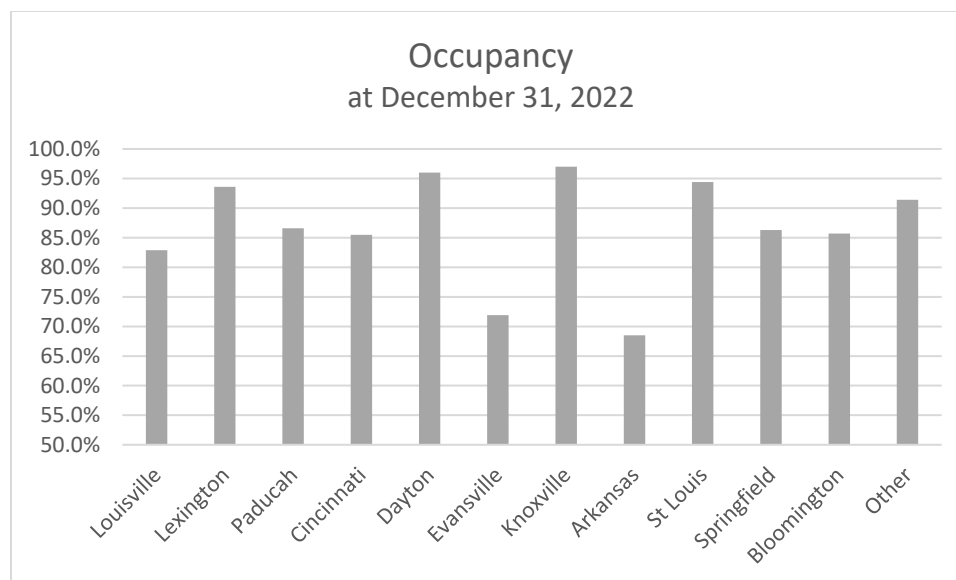
Metropolitan Statistical Area	State	Number of lots	Average Lot Rent (\$)	Occupancy
Louisville	KY	3,647	407	82.9%
Lexington	KY	879	367	93.6%
Paducah	KY	365	253	86.6%
Cincinnati	OH	2,838	404	85.5%
Dayton	OH	125	468	96.0%
Evansville	IN	2,192	341	71.9%
Knoxville	TN	164	310	97.0%
Arkansas	AR	619	346	68.5%
St Louis	MO	502	510	94.4%
Springfield	IL	336	398	86.3%
Bloomington	IL	364	416	85.7%
Other		570	357	91.4%
Total Portfolio		12,601 ⁽¹⁾	369	83.1%

(1) The 12,601 lots include 12,131 MHC lots, and two RV resort communities with 470 sites.

The chart below exhibits the geographic diversification of the REIT's lots by region as of December 31, 2022.



The chart below exhibits the occupancy of the REIT's properties diversified by MSA as of December 31, 2022.



Standard Lot Lease Terms

The terms of the standard residential lot lease begin with a 12-month lease term and then convert to a month-to-month lease upon maturity. Typically, a resident on a month-to-month lease may terminate the lease agreement by giving 30 days' prior written notice, and, similarly, the MHC owner may terminate the lease by giving the resident 30 days' written notice, or such other notice as may be required by any applicable law. In certain jurisdictions, the REIT has leases that are for terms as long as 24 months depending on the local legal requirement.

Each resident is required to maintain a renter's liability insurance policy and residents are not allowed to assign, transfer, lease, sublease or rent their lot without written consent from the MHC owner. Residents do not pay additional fees in respect of costs of maintaining and servicing the amenities in the MHC, as such costs are included in the lot rent. Residents pay for their own utilities directly to the applicable service provider or to the MHC owner in respect of properties subject to utility sub-metering.

Rental Homes Fleet

The Rental Homes comprising the Rental Homes Fleet are leased to residents who separately pay rent on both the Rental Home and the lot on which it sits. As at December 31, 2022 there were 1,200 Rental Homes, approximately 90.8% of which were occupied.

Competitive Conditions

The REIT competes with other investors, managers and owners of properties for the purchase of desirable MHC communities to acquire, lease or develop, and for stable, credit-worthy tenants. Competition for real estate assets is primarily based on financial and other resources as well as operating flexibility. While certain competitors may have greater financial and other resources and/or greater operating flexibility than the REIT, the MHC industry is highly fragmented and primarily composed of local owner-operators, public real estate investment trusts and institutional investors. Additionally, imbalanced supply and demand dynamics resulting from various layers of regulatory restrictions, competing land uses and scarcity of land zoned for manufactured housing development has limited new supply, creating high barriers to entry for new market participants. There are over 5,300 MHCs in the seven states in which the REIT operates, providing the REIT with a significant opportunity for consolidation and growth. Management believes these industry attributes

represent an attractive market opportunity for a sophisticated manufactured housing operator such as the REIT.

Environmental Social and Governance

The Board and management recognize that environmental, social and governance (“ESG”) programs are integral to the REIT’s growth and corporate achievements. A commitment to ESG makes the REIT better operators, supports transparency and strong governance, contributes to improved safety and environmental performance, and strengthens our connection with local communities.

Environmental

The REIT’s mission includes providing family-oriented, sustainable manufactured housing communities. Protecting the environment means preserving natural resources and utilizing land areas for the natural human interaction and supporting more time in nature for our residents. Today’s manufactured homes are energy saving and low environmental impact.

Social

As owners and operators of residential manufactured housing communities, our communities are diverse, and many are leased to low- and moderate-income working families.

The REIT’s commitment includes addressing the needs of the residents with a holistic approach as well as promoting community well-being.

Governance

The most important thing to the Board and management in operating the REIT is meeting the highest level of ethical standards in all aspects of the business. The Board, employees and staff are empowered to operate under a standard of best practices that safeguard against improper conduct. The REIT’s governance policies and practices are described in the most recently published management information circular. In May 2022, the REIT issued its second ESG report. Both of these documents are available on the REIT’s website at www.flagshipcommunities.com and under the REIT’s profile on SEDAR at www.sedar.com.

DEBT STRATEGY AND INDEBTEDNESS

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, commercial mortgage-backed securities 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 Debt to Gross Book Value 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.

As of December 31, 2022, the REIT’s Debt to Gross Book Value ratio was 42.9% (37.3% as of December 31, 2021). This decrease, as compared to December 31, 2021, is due to \$38.0 million in debt for which MHCs were provided as collateral and \$14.4 million as a supplemental borrowing on its Fannie Mae Credit Facility for which ten communities are the collateral. 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.

As of December 31, 2022 the REIT had a Weighted Average Interest Rate of 3.78% (100% fixed rate) (3.43% at December 31, 2021) and a Weighted Average Term to Maturity of 11.7 years (10.7 years at December 31, 2021). Mortgages as of December 31, 2022 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 December 31, 2022, 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.

Mortgages

The REIT currently has 14 unencumbered investment properties with an aggregate fair value of \$21.4 million as of December 31, 2022.

The following table sets out the Indebtedness of secured mortgage loans and credit facilities outstanding at December 31, 2022 and thereafter (assuming such Indebtedness is not prepaid or renewed at maturity).

Year	Mortgage principal payments due during the period (000s)	% of total principal
2023	\$792	.2%
2024	\$772	.2%
2025	\$820	.2%
2026	\$867	.3%
2027	\$1,226	.4%
Thereafter	\$325,219	98.6%
TOTAL	\$329,696	

Fannie Mae Loan

Certain subsidiaries of the REIT have, jointly and severally, entered into a master credit facility agreement (the “**Fannie Mae Loan**”, as amended from time to time) with a Delegated Underwriting and Servicing lender of Fannie Mae pursuant to which the lender provided the borrower entities on May 15, 2020 with a fixed rate loan of approximately \$63.6 million (including any advance made thereafter, each an “**Advance**”) for a 12-year term at a fixed rate of 2.97% per annum, payable interest only until July 2028.

On July 15, 2020, a second Advance in the form of a fixed rate loan was drawn under the Fannie Mae Loan in the amount of approximately \$6.4 million for a 12-year term at a fixed rate of 2.93% per annum, payable interest only until August 2032.

On June 30, 2022, the REIT borrowed \$14.4 million as a supplemental borrowing on its Fannie Mae Loan for which ten communities are the collateral. The interest rate on this note is 5.79% for 12 years with all payments being interest only for the full term. These funds were used to fund acquisitions and for general business purposes.

Freddie Mac Loan

Certain subsidiaries of FCLLC, as individual borrowers, have entered into Multifamily Loan and Security Agreements (collectively, the “**Freddie Mac Loan**”) with a Delegated Underwriting and Servicing lender of Freddie Mac pursuant to which, on July 31, 2020, the lender provided to the borrower entities a fixed rate loan in the aggregate amount of approximately \$99 million for a term of ten years at a fixed rate of 3.21% per annum, payable interest only until August 1, 2030. Recourse of the lender under the Freddie Mac Loan

is limited to the collateral secured thereby, subject to certain customary exceptions, with all of the borrowers' indebtedness under the Freddie Mac Loan being cross-collateralized.

RISKS 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 business, prospects, financial condition, results of 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. Current Unitholders and prospective purchasers of Units should carefully consider these risks before making an investment decision concerning Units.

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 inflation and the availability, terms and cost of mortgage financing and other types of credit); (ii) local economic conditions (such as recessions, 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, to changes in governmental rules and regulations relating to MHCs or to increases in interest rates and inflationary pressures, 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 favourable 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 increased interest rates, 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. Climate

change continues to attract the focus of governments and the general public. While the REIT's MHC partners utilize green building construction and technologies, 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 or increased capital expenditures to improve energy efficiency. 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

Although COVID 19 and actions by governments and others have not to date had a material impact on Flagship, 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 strains of COVID 19, 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 development and fluidity of this situation impedes the REIT's ability to predict the ultimate adverse impact of the COVID 19 pandemic and 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.

Other risks, including those described elsewhere in this AIF 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.

Current Economic Environment

The REIT is subject to risks involving the economy in general, including recessions, inflation, deflation or stagflation, unemployment and geopolitical events such as the conflict between Russia and Ukraine. Global financial markets have experienced a sharp increase in volatility recently as a result of the COVID 19 pandemic and more recently, increasing interest rates and inflationary pressures. 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 inflation, 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.

Inflation

Inflation has been at the highest levels seen in a generation in the U.S. and Canada, which impacts on the REIT, as well as the general economic and business environment in which the REIT operates. Global and domestic inflationary pressures, external supply constraints, competitive labour markets, together with the imposition by central banks of higher interest rates, may put pressure on the REIT's financing and labour costs as well as tenants' ability to pay rent in full or on a timely basis or lease individual lots or homes. If inflation at elevated levels persists and interest rates continue to climb, an economic contraction could be possible. Higher inflation and the prospect of moderated growth also negatively impacts the markets in which the REIT seeks capital, and in turn might impact the REIT's ability to obtain capital in the future on favourable terms, or at all. There can be no assurances regarding the impact of a significant economic contraction on the business, operations, and financial performance of the REIT and its tenants.

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, Tennessee, Arkansas, Missouri and Illinois. 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 such states 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 Unitholders. 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 a 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 or other environmental impacts, 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.

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, 2022, the REIT has outstanding indebtedness of approximately \$421 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 increasing interest rates and inflationary pressures. 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 favourable 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

Management believes that the use of Fannie Mae or Freddie Mac 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 favourable terms as the REIT's existing debt.

Financial and real estate market disruptions 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 at times due to credit related expenses, securities impairments and fair value losses. If new U.S. government regulations at any time (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.

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 is subject to interest rate risks in renewing maturing debt and also 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 has debt with variable interest rates, and may incur further such debt in the future including pursuant to any advances under the Fannie Mae Loan. An increase in interest rates may lead prospective investors to expect higher distributions, while simultaneously resulting 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.

If the REIT chooses to hedge any interest rate risk, it cannot assure than any such hedge will be effective or that its hedging counterparty will meet its obligations. As a result, any increase in future interest rates could adversely affect the REIT.

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 favourable 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 endeavour 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 favourable 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 Protecting Persons with Disabilities

Laws that protect the rights of persons with disabilities 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 persons with disabilities. The Fair Housing Amendments Act of 1988 (the "FHAA") requires apartment properties first occupied after March 31, 1991 to comply with accessible design and construction requirements. For those projects receiving federal funds, the Rehabilitation Act of 1973 (the "RA") also has requirements regarding accessibility. 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 vendors of properties prior to the REIT's acquisition thereof, 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, the addition of public company costs of the REIT, 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 put in place by the REIT, or third-party vendors 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 detect, 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.

Technological 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 endeavour 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 favourable 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 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, labour conditions or material shortages); (i) contractor and subcontractor disputes, strikes, labour 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 favourable 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 is 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 beneficially own, or have control or direction over, an aggregate of 5,097,283 Class B Units and 22,150 Units, together representing an approximate 28% 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 (if sufficient Class B Units were redeemed for Units) 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 favourable 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 favourable 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 favour 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, distribution yields 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) sales or perceived sales of additional Units; (vi) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; and (vii) 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, particularly if Units are issued for subscription proceeds that do not exceed an existing Unitholder's cost of acquisition. 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 or other investees, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries and investees 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 and investees. The REIT's subsidiaries and investees 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

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, a tax-free savings account or a First Home Savings Account (applicable as of April 1, 2023,, 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 Units are not “regularly traded on an established securities market” as discussed below under “U.S. Tax Risks – Foreign Investment In Real Property Tax Act (“FIRPTA”)”. 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 most recently in connection with the offering of its Units on May 17, 2022. Investors should be aware, however, that opinions of counsel are not binding on the IRS or any court. Accordingly, there can be no assurance that contrary positions may not successfully be asserted by the IRS. 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 has not had and will not have any 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, reporting 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 (including changes in law that have retroactive effect).

If the REIT fails to qualify as a real estate investment trust in any taxable year in a manner that could not be cured (whether by showing reasonable cause or payment of an excise tax), 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 (a) U.S. federal income tax (and any applicable state and local tax) on its taxable income at regular corporate rates, (b) dividends paid to the Unitholders would not be deductible by the REIT in computing its taxable income, and (c) 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.

(ii) **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 (such tests described below in more detail). 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.

(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. If the REIT acquired property from a corporation which is or has been a subchapter C corporation in a transaction in which the REIT's basis in the asset is determined by reference to the basis of the assets in the hands of the C corporation seller, generally, within the five-year

period following the REIT's acquisition of such asset, the REIT would be required to distribute at least 90% of the after-tax built in gain, if any, the REIT recognized on the disposition of the asset (and such sale would be subject to taxable income at corporate rates). 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: (a) sell assets in adverse market conditions, (b) borrow on unfavourable terms, (c) distribute amounts that otherwise would be used to make future acquisitions or capital expenditures or (d) 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) **Asset Tests** - The REIT must ensure that at the end of each calendar quarter, at least (a) 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, (b) not more than 25% of the value of its total assets is represented by securities (other than those described in (a) above), and (c) 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. Additionally, the remainder of the REIT's investment in securities not set forth in (a) in the previous sentence (other than securities of a taxable REIT subsidiary) must satisfy the following criteria: (x) the REIT does not hold more than 10% of the outstanding voting securities or total value of any one issuer, and (y) no more than 5% of the value of the REIT's 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. 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.

(v) **Gross Income Tests** – The REIT must satisfy two gross income requirements each taxable year to maintain its qualification as a REIT. First, at least 75% of the REIT's gross income must be "qualifying income", which includes as a general matter: (a) "rents from real property" (except as modified below), (b) interest on obligations collateralized by mortgages on, or interest in, real property and real estate mortgages, other than gain from property held primarily for sale to customers in the ordinary course of the REIT's business, (c) dividends or other distributions on shares in other REITs, as well as gain from the sale of those shares, (d) abatements and refunds of real property taxes, (e) income from the operation, and gain from the sale of property acquired at or in lieu of a foreclosure of the mortgage collateralized by such property, (f) commitment fees received for agreeing to make loans collateralized by mortgages on real property or to purchase or lease real property, (g) "qualified temporary investment income", and (h) gain from the sale or other disposition of a real estate asset which is not a "prohibited transaction." Second, at least 95% of the REIT's gross income (excluding gross income from "prohibited transactions") must be derived directly or indirectly from income from the real property investments described above and/or dividends, interest and gain from the sale or disposition of stock or securities. If the REIT fails to satisfy one or both of the foregoing gross income tests for any taxable year, the REIT may nevertheless qualify as a REIT for such year if it is entitled to relief under the Code, which generally applies if: (x) the REIT's failure to meet the aforementioned requirement(s) was due to reasonable cause and not due to willful neglect, (y) certain reporting requirements are satisfied, and (z) any incorrect information reported was not due to fraud with intent to evade tax. If relief is granted, the REIT would remain subject to tax equal to the greater of the amount by which it failed the applicable test(s), multiplied by a fraction intended to reflect the REIT's profitability.

(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 contractual 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, complies with certain reporting requirements (such as the issuance of “demand letters”) designed to monitor ownership of Units for this purpose, 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 and U.S. federal excise taxes. For example, the REIT may not be able to make sufficient distributions to avoid excise taxes applicable to real estate investment trusts (see “Annual Distribution Requirement” above). 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 be subject to certain excise taxes, including a 100% “prohibited transactions” tax in the event the REIT sold a level of properties such that it no longer satisfied certain safe harbor provisions and was otherwise considered a dealer in real estate rather than a passive investor (see “Prohibited Transactions Tax” below for more detail). 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 holds 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 (including use of pricing that meets or exceeds 150% of the direct cost of performance of such services where such pricing is warranted), 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 (a) conducting activities that may otherwise be considered prohibited transactions through a taxable REIT subsidiary, (b) conducting operations in such a manner so that no sale or other disposition of an asset is treated as a prohibited transaction or (c) 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 or retroactive application, 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.

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 (or in certain instances, potentially the immediately preceding 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.

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.

(xii) 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. 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.

(xxii) 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.

MANAGEMENT OF THE REIT

Trustees and Officers

The Board of Trustees consists of seven Trustees, five of whom are independent within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. The Trustees, except Ms. Rooney, were all appointed as trustees of the REIT in 2022 and are elected by Unitholders at each annual meeting of Unitholders, to hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed and are eligible for re-election or re-appointment. [Two of the Trustees, being Messrs. Keeney and Bynoe], were nominated by the Retained Interest Holders. See “*Retained Holders – Investor Rights Agreement*”.

Pursuant to the Declaration of Trust, the Board of Trustees has established two committees: the Audit Committee and the Compensation, Governance and Nominating Committee. Each Committee is to be composed of at least three Trustees, all of whom must be independent and a majority of whom must be residents of Canada. The nominees for election as Trustees are determined by the Compensation, Governance and Nominating Committee in accordance with the provisions of the Declaration of Trust and the Charter of the Compensation, Governance and Nominating Committee.

The following table sets forth the name, province or state and country of residence and positions held with the REIT (or functions performed on behalf of the REIT) of each Trustee and executive officer of the REIT.

Trustees

Name, Municipality of Residence	Independent	Committees/Position	Principal Occupation
Peter C.B. Bynoe ⁽¹⁾ <i>Chicago, Illinois, United States of America</i>	Yes	Chair of the Board; Compensation, Governance and Nominating Committee	Senior Advisor to DLA Piper LLP (US)
Louis Forbes <i>Toronto, Ontario, Canada</i>	Yes	Audit Committee (Chair)	Corporate director
Kurtis P. Keeney ⁽¹⁾ <i>Covington, Kentucky, United States of America</i>	No	None	President and Chief Executive Officer of the REIT
J. Susan Monteith <i>Toronto, Ontario, Canada</i>	Yes	Audit Committee; Compensation, Governance and Nominating Committee (Chair)	Corporate director
Andrew Oppenheim <i>Calgary, Alberta, Canada</i>	Yes	Compensation, Governance and Nominating Committee	Corporate director
Nathaniel Smith ⁽¹⁾ <i>Fort Mitchell, Kentucky, United States of America</i>	No	None	Chief Investment Officer of the REIT
Ann Rooney <i>Calgary, Alberta, Canada</i>	Yes	Audit Committee	Corporate director

(1) Retained Interest Holder nominee elected at the May 10, 2022 Annual General Meeting

Officers

Name and Office with the REIT	Principal Occupation - last 5 years	State and Country of Residence
Kurtis Keeney Chief Executive Officer	President and Chief Executive Officer Flagship Communities REIT (Oct, 2020 – present) President and Chief Executive Officer Flagship Communities LLC (2018 – present) President and Chief Executive Officer SSK Communities (1995 – present)	Kentucky, United States of America
Eddie Carlisle Chief Financial Officer and Secretary	Chief Financial Officer Flagship Communities REIT (Oct, 2020 – present) Chief Financial Officer Flagship Communities LLC (2018 – present) Director of Finance Avure Technologies Inc. (2014 – 2018)	Kentucky, United States of America
Nathan Smith Chief Investment Officer	Chief Investment Officer Flagship Communities REIT Oct, (2020 – present) Chief Investment Officer Flagship Communities LLC (2018 – present) Chief Investment Officer SSK Communities (1995 – present)	Kentucky, United States of America

As a group, the REIT's Trustees and executive officers beneficially own, or control or direct, directly or indirectly, 56,783 Units, 48,479 Restricted Units, 34,647 Deferred Units and 5,434,135 Class B Units, representing approximately 28% of the effective interest in the REIT (determined as if all Restricted Units, Deferred Units and Class B Units are redeemed for Units) as at March 16, 2023, and 0.4% of the 14,141,185 Units of the REIT (on a non-diluted basis).

Cease Trade Orders, Bankruptcies, Penalties or SanctionsPenalties or Sanctions

None of the REIT's Trustees or executive officers, and to the best of the REIT's knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Individual Bankruptcies

None of the REIT's Trustees or executive officers, and to the best of the REIT's knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT, has, within the 10 years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Corporate Cease Trade Orders and Bankruptcies

Except as described below, none of the REIT's Trustees or executive officers, and to the best of the REIT's knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while

the existing or proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the existing or proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Mr. Bynoe served as a director of Frontier Communications Corporation (“Frontier”) from 2007-21. On April 14, 2020, Frontier and each of its direct and indirect subsidiaries (collectively, the “Debtors”) filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. The Debtors emerged from bankruptcy on April 30, 2021—and on that date, the terms of Frontier’s directors (including Mr. Bynoe) concluded and a new board was appointed. On September 29, 2021, all of Frontier’s chapter 11 cases were closed, with the exception of two cases which remain open for purposes of administering any final remaining claims and adversarial disputes asserted against the Debtors. Frontier otherwise continues as an operating enterprise.

Mr. Bynoe served as a director of Real Industry Inc. (“Real Industry”) from 2013 to 2018. Real Industry filed a voluntary petition for protection under Chapter 11 of Title 11 of the United States Bankruptcy Code on November 17, 2017. On May 9, 2018, Real Industry’s Plan of Reorganization, which was previously filed with and approved by the Delaware Bankruptcy Court, became effective.

Mr. Forbes served as a director of CHC Student Housing Corp. (“CHC”) from 2014 to 2017. On May 8, 2017, the Ontario Securities Commission issued a management cease trade order restricting all trading in securities of CHC by management and insiders of CHC due to a failure to file its annual financial statements, management’s discussion and analysis and related certifications within the time period prescribed by securities legislation. The management cease trade order expired on July 4, 2017 following the filing of the annual financial statements, management’s discussion and analysis and related certifications.

Mr. Oppenheim is a director of Psinaptic Inc. (“Psinaptic”), a company that was listed on the NEX board of the TSX Venture Exchange (the “NEX”). On February 3, 2010, while Mr. Oppenheim was a director of Psinaptic, the Alberta Securities Commission issued a cease trade order against Psinaptic for failure to file financial statements. Effective at the close of business on October 28, 2010, Psinaptic’s securities were delisted from the NEX for failure to pay outstanding fees. The cease trade order was revoked on July 28, 2021.

AUDIT COMMITTEE

National Instrument 52-110 – Audit Committees (“NI 52-110”) and the Declaration of Trust require the Board of Trustees to have an Audit Committee consisting of at least three Trustees, all of whom must be independent within the meaning of NI 52-110, to enhance the independence of the REIT’s external auditors and oversee the financial reporting and risk management of the REIT. A copy of the written charter for the Audit Committee is attached to this AIF as Schedule A.

The Trustees have appointed an Audit Committee of three members consisting of, namely, Mr. Forbes, Ms. Monteith and Ms. Rooney. All of the members of the Committee are financially literate. The education and professional experience of each member of the Audit Committee relevant to the performance of his responsibilities on the Audit Committee is as follows:

Mr. Forbes, Chair of the Audit Committee, has thirty years of corporate finance experience and was a Chief Financial Officer for three public companies, CT REIT, Primaris Retail REIT and Revenue Properties Company Ltd. He currently serves as Chair of the Audit Committee for Primaris REIT and Flagship Communities REIT and was formerly Chair of the Automotive Properties REIT Audit Committee and a member of the CHC Student Housing Corp. Audit Committee. Mr. Forbes holds a Bachelor of Science degree from McMaster University and a Master of Business Administration degree from Queen's University. Mr. Forbes holds the Chartered Professional Accountant (CPA, CA) designation and completed the Chartered Director Program at the Directors College, McMaster University.

Ms. Monteith has over 30 years of corporate finance experience having held executive level roles National Bank Financial Inc., Genuity Capital Markets and CIBC World Markets Inc. She has extensive experience in advising companies on capital raising and M&A financing. She currently serves as Chair of the Resources Committee of Women's College Hospital which is the committee responsible for overseeing the auditors and audited financial statements of the hospital. Ms. Monteith holds a Master of Science degree in Business from London Business School.

Ms. Rooney brings over 35 years of finance and accounting experience with public, private and not-for-profit organizations to the Audit Committee. Ms. Rooney is currently a board member and audit committee member for CIFAR (Canadian Institute for Advanced Research), Horizon North Logistics Inc. and chair of Marine Megafauna Foundation Canada. She was formerly a board member, vice-chair of the board, and chair of the audit committee for Parkbridge Lifestyle Communities Inc, Canada's largest owner and operator of land lease communities. Ms. Rooney was also a board commissioner for the Alberta Securities Commission served three years as lead independent commissioner between 2011 and 2019. She holds a C.A./CPA, is a Fellow of the Chartered Accountants (1996) and holds the ICD.D designation for corporate directors. Ms. Rooney also holds a Bachelor of Arts in Music and a Master of Science in environmental science and limnology.

The Audit Committee pre-approves the nature and fees of any non-audit services to be provided to the REIT by the external auditors and considers whether the nature and extent of such services could detract from the independence of the external auditors in carrying out the audit function. At no time since the commencement of the REIT's most recently completed financial year has the REIT relied on exemptions in relation to "De Minimis Non-Audit Services" or any exemption provided by Part 8 of National Instrument 52-110 – Audit Committees.

Audit Fees

The following table sets forth all services rendered by MNP LLP (and its network), the REIT's external auditor, for fees related to the REIT for each category of service for the years ended December 31, 2022 and December 31, 2021.

Category of fees	December 31, 2022 ⁽¹⁾	December 31, 2021 ⁽¹⁾
Audit Services	\$354,150	\$300,000
Audit Related Services ⁽²⁾	110,040	95,230
Tax Services	163,585	219,861
All Other Services ⁽³⁾	0	65,815
Total	\$627,775	\$680,906

(1) In U.S. dollars

(2) In 2022 and 2021, Audit Related Fees were incurred for the Q1-Q3 quarterly review of unaudited financial statements.

(3) In 2021, All Other Services fees were incurred for work related to filing two prospectuses.

INVESTMENT GUIDELINES AND OPERATING POLICIES

The Declaration of Trust provides for certain guidelines on investments that may be made by the REIT. The REIT's investment and operating activities are limited because the REIT's operating business is carried out by the REIT's subsidiaries. The Investment Guidelines governing the REIT's investments in real estate and other assets and the Operating Policies governing the REIT's investments are set out below.

Investment Guidelines

The Declaration of Trust provides certain guidelines on investments that may be made directly or indirectly by the REIT. Such guidelines are in addition to any covenants to which the REIT may be a party, including pursuant to the ROFO Agreement. The assets of the REIT may be invested only in accordance with the following restrictions:

- (a) the REIT may only invest, directly or indirectly, in acquiring, holding, developing, maintaining, improving, leasing, managing or otherwise dealing with interests (including fee ownership and leasehold interests) primarily in (i) income-producing real property which is being utilized or intended to be utilized primarily for the purpose of MHCs, and (ii) properties and assets ancillary thereto necessary for the operation of such real property, and such other activities as are consistent with the other investment guidelines of the REIT;
- (b) notwithstanding anything else contained in the Declaration of Trust, the REIT shall not make any investment, take any action or omit to take any action that would result in the Trust not being a "mutual fund trust" within the meaning of the Tax Act or that would result in the Units not being qualified investments for Exempt Plans;
- (c) the business of the REIT shall be limited to and conducted in such a manner as to permit the REIT at all times to be classified as a real estate investment trust under the Code, including through a taxable REIT subsidiary, unless the independent Trustees have determined, at their full discretion, that the REIT cease qualifying as a real estate investment trust under the Code;
- (d) the REIT shall not invest in any interest in a single real property (which, for certainty, shall not include a portfolio of real properties) if, after giving effect to the proposed investment, the cost to the REIT of such investment (net of the amount of debt incurred or assumed in connection with such investment) will exceed 20% of Gross Book Value at the time the investment is made;
- (e) the REIT may, directly or indirectly, invest in a joint venture arrangement for the purposes of owning interests or investments otherwise permitted to be held by the REIT; provided that such joint venture arrangement contains terms and conditions which, in the opinion of the independent Trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT's and any joint venturer's interest in the joint venture arrangement, provisions to provide Liquidity to the REIT, provisions to limit the liability of the REIT and its Unitholders to third parties, and provisions to provide for the participation of the REIT in the management of the joint venture arrangement. For purposes hereof, a "joint venture arrangement" is an arrangement between the REIT and one or more other persons pursuant to which the REIT, directly or indirectly, conducts an undertaking for one or more of the purposes set out in the investment guidelines of the REIT and in respect of which the REIT may hold its interest jointly or in common or in another manner with others either directly or through the ownership of securities of a corporation or other entity;

- (f) except for the REIT's direct and indirect investments resulting from the transactions contemplated by the indirect acquisition by the REIT of the Initial Portfolio, temporary investments held in cash, deposits with a Canadian chartered bank, credit union or trust company registered under the laws of a province of Canada, deposits with a savings institution, trust company, credit union or similar financial institution that is organized or chartered under the laws of a state or of the United States, short-term government debt securities or money market instruments maturing prior to one year from the date of issue and except as permitted pursuant to the investment guidelines and operating policies of the REIT, the REIT may not hold securities of a person other than to the extent such securities would constitute an investment in real property (as determined by the Trustees) and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary, but in all events subject to paragraph (b) above, the REIT may hold securities of a person: (i) acquired in connection with the carrying on, directly or indirectly, of the REIT's activities or the holding of its assets; or (ii) which focuses its activities primarily on the activities described in paragraph (a) above, provided in the case of any proposed investment or acquisition which would result in the beneficial ownership of more than 10% of the outstanding securities of an issuer (the "**Acquired Issuer**"), the investment is made for the purpose of subsequently effecting the merger or combination of the business and assets of the REIT and the Acquired Issuer or for otherwise ensuring that the REIT will control the business and operations of the Acquired Issuer;
- (g) the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (h) except for the REIT's direct and indirect investments resulting from the transactions contemplated by the indirect acquisition by the REIT of the Initial Portfolio, the REIT shall not invest, directly or indirectly, in operating businesses unless such investment is an indirect investment and is incidental to a transaction:
- (i) where revenue will be derived, directly or indirectly, principally from the ownership of MHCs; or
 - (ii) which principally involves the ownership, maintenance, development, improvement, leasing or management, directly or indirectly, of MHCs (in each case as determined by the Trustees);
- (i) the REIT shall not invest in raw land for development, except (i) for existing properties with additional development or properties adjacent to existing properties of the REIT for the purpose of the renovation or expansion of existing properties, or (ii) the development of new properties which will be capital property of the REIT, provided that the aggregate value of the investments of the REIT in raw land, excluding raw land under development, after giving effect to the proposed investment, will not exceed 5% of Gross Book Value;
- (j) the REIT may invest in and originate mortgages and mortgage bonds (including participating or convertible mortgages) and similar instruments where:
- (i) it intends to use the acquisition of the mortgages as a method of acquiring, directly or indirectly, an income-producing MHC that would otherwise meet the investment guidelines of the REIT;
 - (ii) the real property that is security therefor is an income-producing MHC that otherwise meets the investment guidelines of the REIT; or

- (iii) the (A) mortgage is a vendor take-back mortgage granted to the REIT in connection with the sale by the REIT of an existing real property and as a means of financing the purchaser's acquisition of such real property from the REIT, (B) mortgage is interest bearing, (C) mortgage is registered on title to the real property which is security therefor, (D) mortgage has a maturity not exceeding five years, and (E) amount of the mortgage loan is not in excess of 85% of the selling price of the real property securing the mortgage,

provided the aggregate book value of the investments of the REIT in mortgages described in (i), (ii) and (iii), above, after giving effect to the proposed investment, will not exceed 15% of Gross Book Value; and

- (k) the REIT may invest an aggregate amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any debt incurred or assumed in connection with such investment) up to 15% of Gross Book Value in investments which do not comply with one or more of paragraphs (a), (e), (f), (h) and (i), provided that such investment complies with paragraphs (b) and (c) above.

Operating Policies

The Declaration of Trust provides that operations and affairs of the REIT are to be conducted in accordance with the following policies:

- (a) the REIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term "hedging" has the meaning ascribed thereto by National Instrument 81-102 — *Investment Funds* adopted by the Canadian Securities Administrators, as replaced or amended from time to time;

- (b) (i) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage; and

(ii) to the extent the Trustees determine to be practicable and consistent with their fiduciary duties to act in the best interests of the REIT, any written instrument which, in the opinion of the Trustees, is a material obligation,

shall contain a provision, or be subject to an acknowledgement to the effect, that the obligation being created is not personally binding upon, and that resort must not be had to, nor will recourse or satisfaction be sought from, by lawsuit or otherwise, the private property of any of the Trustees, Unitholders, annuitants or beneficiaries under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof is bound; the REIT, however, is not required, but must use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of real property;

- (c) the REIT may engage in construction or development of real property: (i) to maintain its real properties in good repair or to improve the income-producing potential of properties in which the REIT has an interest; and (ii) to develop new properties that will be capital properties of the REIT on completion, provided that the aggregate value of the investments of the REIT in properties under development after giving effect to the proposed investment in the construction or development, will not exceed 10% of Gross Book Value;

- (d) title to each real property shall be held by and registered in the name of the REIT, the Trustees or a corporation or other entity owned in whole or in part, directly or indirectly, by the REIT or jointly owned, directly or indirectly, by the REIT, with joint venturers; provided, that where land tenure will not provide fee simple title, the REIT, the Trustees or a corporation or other entity wholly owned, directly or indirectly, by the REIT or jointly owned, directly or indirectly, by the REIT with joint venturers shall hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;
- (e) 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;
- (f) the REIT shall not, directly or indirectly, guarantee any Indebtedness or liabilities of any kind of a third party, except Indebtedness or liabilities assumed or incurred by an entity in which the REIT holds an interest, directly or indirectly, or by an entity jointly owned by the REIT with joint venturers and operated solely for the purpose of holding a particular property or properties, where such Indebtedness, if granted by the REIT directly, would not cause the REIT to contravene its investment guidelines or operating policies. The REIT is not required, but shall use its reasonable best efforts, to comply with this requirement (i) in respect of obligations assumed by the REIT pursuant to the acquisition of real property; or (ii) if doing so is necessary or desirable in order to further the initiatives of the REIT permitted under the Declaration of Trust;
- (g) the REIT shall, directly or indirectly, obtain and maintain at all times property insurance coverage in respect of potential liabilities of the REIT and the accidental loss of value of the assets of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practice of owners of comparable properties;
- (h) the REIT shall have obtained an appraisal of each real property that it intends to acquire and an engineering survey with respect to the physical condition thereof, in each case, by an independent and experienced consultant, unless the requirement for such an appraisal or engineering survey is waived by the independent Trustees;
- (i) the REIT shall obtain a Phase I environmental site assessment of each real property to be acquired by it and, if the Phase I environmental site assessment report recommends that a further environmental site assessment be conducted, the REIT shall have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant; as a condition to any acquisition such assessments shall be satisfactory to the Trustees; and
- (j) the REIT shall not acquire, invest in or hold any loan to a resident secured by a manufactured home, unless and until the earlier of (i) such time as the REIT shall have acquired all of the assets of Empower, if at all, pursuant to the exercise of its rights in this regard under the ROFO Agreement and (ii) such time as the REIT shall have a Gross Book Value of \$1.5 billion or more.

For the purpose of the foregoing investment guidelines and operating policies, the assets, liabilities and transactions of a corporation or other entity wholly or partially owned by the REIT are deemed to be those of the REIT on a proportionate consolidated basis. In addition, any references in the foregoing investment guidelines and operating policies to investment in real property are deemed to include an investment in a joint venture arrangement that invests in real property.

Amendments to Investment Guidelines and Operating Policies

Pursuant to the Declaration of Trust, all of the investment guidelines set out under the heading “Investment Guidelines” and the operating policies contained in paragraphs (a), (e), (f), (g), (h) and (i), set out under the heading “Operating Policies” may be amended only with the approval of at least two-thirds of the votes cast by Unitholders at a meeting of Unitholders called for such purpose. The remaining operating policies may be amended with the approval of a majority of the votes cast by Unitholders at a meeting called for such purpose.

If at any time a regulatory authority having jurisdiction over the REIT or any property of the REIT shall enact any law, regulation or requirement which is in conflict with any investment guideline or operating policy of the REIT then in force (other than paragraph (b) under the heading “Investment Guidelines”), the investment guideline or operating policy in conflict shall, if the Trustees on the advice of legal counsel to the REIT so resolve, be deemed to have been amended to the extent necessary to resolve the conflict, and, notwithstanding anything to the contrary, the resolution of the Trustees shall not require the prior approval of Unitholders.

DECLARATION OF TRUST AND DESCRIPTION OF REIT UNITS**General**

The REIT is an unincorporated open-ended real estate investment trust established pursuant to the Declaration of Trust under, and governed by, the laws of the Province of Ontario. Although the REIT qualifies as a “mutual fund trust” as defined in the Tax Act, the REIT is not a “mutual fund” as defined by applicable securities legislation.

The Units are not “deposits” within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of such Act or any other legislation. The Units are not shares in the REIT and, although the protections, rights and remedies set out in the Declaration of Trust are similar to those provided under the CBCA, Unitholders do not have statutory rights of shareholders of a corporation including, for example, “dissent rights” in respect of certain corporate transactions and fundamental changes, the right to apply to a court to order the liquidation or dissolution of the REIT, or the right to bring “oppression” or “derivative” actions. Furthermore, the REIT is not a trust company and accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

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 plan that may be introduced), and the interests of Unitholders may be diluted thereby. The issuance of additional Units may have a dilutive effect on the interests of Unitholders.

The Declaration of Trust and the Operating Agreement provide that, in the event of a non-exempt take-over bid, in certain circumstances the terms and conditions of the Class B Units held by persons other than the offeror (or any affiliate or associate thereof) may be automatically amended so that they are redeemable at a rate equal to 110% of the redemption rate then in effect. This may result in further dilution to the interests of Unitholders, and such dilution may be significant and could result in a change of control of the REIT.

Operations and Assets of the REIT

All operations and assets of the REIT are held through Flagship Operating, LLC unless (i) the Board determines that an alternative ownership structure would be in the best interests of the REIT, and (ii) such alternative structure provides the Retained Interest Holders with legal rights and economic benefits derived therefrom that are equivalent to the rights and benefits that the Retained Interest Holders would have had if the operations and assets were held through Flagship Operating, LLC. This requirement may not be

amended, modified or removed without the prior written consent of Legacy Holdings as designee of the Retained Interest Holders.

Units

The REIT is authorized to issue an unlimited number of Units. Issued and outstanding Units may be subdivided or consolidated from time to time by the Trustees without notice to or the approval of the Unitholders.

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. The Units are redeemable by the holder thereof, as described below under "Redemption Right" and, except as set out in "Retained Interest Holders", "— Issuance of Units" and "Flagship Operating, LLC — Operation", the Units have no other conversion, retraction, redemption or pre-emptive rights. Fractional Units may be issued as a result of an act of the Trustees, but fractional Units do not entitle the holders thereof to vote, except to the extent that such fractional Units may represent in the aggregate one or more whole Units.

The Declaration of Trust provides that, in exercising its discretion to declare a cash distribution on the Units, the Board is required to confirm that Flagship Operating, LLC has or will have sufficient funds to make a corresponding cash distribution on the Class B Units in accordance with their terms.

Restrictions on Ownership and Transfer

REIT Qualification

In order for the REIT to qualify as a real estate investment trust for U.S. federal income tax purposes, the Units must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding Units (treating certain options and, under certain circumstances, securities convertible into Units as Units) may be owned, directly or through certain constructive ownership rules, 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) at any time during the last half of a taxable year. The REIT does not intend to treat the Class B Units as options or securities convertible into Units for purposes of this ownership limit.

The Declaration of Trust contains restrictions on the ownership and transfer of the Units that are intended to assist the REIT in complying with these requirements to qualify as a real estate investment trust. The relevant sections of the Declaration of Trust provide that, subject to the exceptions described below, no individual or entity may actually or beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% of the Units, excluding any Units that are not treated as outstanding for U.S. federal income tax purposes. Each of these restrictions, as well as the restrictions described below under "Declaration of Trust and Description of REIT Units — FIRPTA", is referred to as an "ownership limit" and collectively as the "ownership limits." An individual or entity that would have acquired actual, beneficial or constructive ownership of Units but for the application of the ownership limits or any of the other restrictions on ownership and transfer of Units is a "prohibited owner."

The applicable constructive ownership rules under the Code are complex and may cause Units owned actually or constructively by a group of related individuals or entities to be owned constructively by one

individual or entity. As a result, the acquisition of less than 9.8% of the Units (or the acquisition of an interest in an entity that owns, actually or constructively, the Units) by an individual or entity could, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% of the Units and thereby violate the applicable ownership limit.

The Declaration of Trust provides that the Board, subject to certain limits including any applicable fiduciary duties, may prospectively exempt a person from the ownership limits and, if necessary, establish a different limit on ownership for such person if the Board determines that such exemption could not cause or permit:

- A. 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) to own, actually or beneficially, more than 49% in value of the outstanding Units (treating certain options and, under certain circumstances, securities convertible into Units as Units); or
- B. the REIT to own, actually or constructively, an interest in a tenant of the REIT (or a tenant of any entity owned in whole or in part by the REIT).

As a condition of the exception, the Board may require an opinion of counsel or an IRS ruling, in either case in form and substance satisfactory to the Board, in its sole and absolute discretion, in order to determine or ensure the REIT's status as a real estate investment trust for U.S. federal income tax purposes, and such representations, covenants and undertakings as are necessary or prudent to make the determinations above. Notwithstanding the receipt of any ruling or opinion, the Board may impose such conditions or restrictions as the Board deems appropriate in connection with such an exception. The REIT does not intend to treat the Class B Units as options or securities convertible into Units for purposes of this ownership limit.

In connection with a waiver of an ownership limit or at any other time, the Board may, in its sole and absolute discretion, increase or decrease Unit ownership limits for one or more persons, except that a decreased ownership limit will not be effective for any person whose actual, beneficial or constructive ownership of the Units exceeds the decreased ownership limit at the time of the decrease until the person's actual, beneficial or constructive ownership of the Units equals or falls below the decreased ownership limit, although any further acquisition of the Units will violate the decreased ownership limit. The Board may not increase or decrease any ownership limit if the new ownership limit would allow 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) to own, actually or beneficially, more than 49% of the Units (treating certain options and, under certain circumstances, securities convertible into Units as Units). The REIT does not intend to treat the Class B Units as options or securities convertible into Units for purposes of this ownership limit.

In connection with closing of the IPO, the REIT entered into an excepted holder agreement with Legacy Holdings permitting it to receive and own Units acquired through the redemption of Class B Units, including Class B Units received through the exercise of the pre-emptive rights of Legacy Holdings, and establishing a special ownership limitation applicable to Legacy Holdings (such limitation determined in a manner to ensure that its ownership of Units does not jeopardize the qualification of the REIT as a real estate investment trust). Legacy Holdings is subject to the excess units provisions (as described below under "— Excess Units") with respect to any Units acquired in excess of this special ownership limitation.

The Declaration of Trust further prohibits:

- A. any person from actually, beneficially or constructively owning Units that could result in the REIT being "closely held" under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise cause the REIT to fail to qualify

as a real estate investment trust (including, but not limited to, actual, beneficial or constructive ownership of Units that could result in the REIT owning (actually or constructively) an interest in a tenant that is described in Section 856(d)(2)(b) of the Code if the income the REIT derives from such tenant, taking into account other income received by the REIT that is treated as non-qualifying income for purposes of the gross income tests of Section 856(c) of the Code, might cause the REIT to fail to satisfy any of the gross income requirements imposed on real estate investment trusts); and

- B. any person from transferring Units if such transfer would result in the Units being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires or attempts or intends to acquire actual, beneficial or constructive ownership of Units that will or may violate the ownership limits or any of the other restrictions on ownership and transfer of the Units described above must give written notice immediately to the REIT or, in the case of a proposed or attempted transaction, provide the REIT at least 15 days prior written notice, and provide the REIT with such other information as the REIT may request in order to determine the effect of such transfer on its status as a real estate investment trust for U.S. federal income tax purposes.

The ownership limits and other restrictions on ownership and transfer of the Units described above will not apply if the Board determines that the best interests of the REIT are no longer served by continuing to qualify as a real estate investment trust for U.S. federal income tax purposes or that the REIT is no longer required to comply with any such limits or restrictions in order for the REIT to qualify as a real estate investment trust for U.S. federal income tax purposes.

The REIT is required to demand, within 30 days after the end of each taxable year, a written statement from every Unitholder of record owning 5% or more (or such lower percentage as required by the Code or the Treasury Regulations promulgated thereunder) of the outstanding Units, stating the name and address of the actual owner of the Units, the number of Units that each such owner actually or beneficially owns and a description of the manner in which the Units are held. Each Unitholder of record also must provide the REIT with any additional information that the REIT requests in order to determine the effect, if any, of the actual or beneficial ownership of the Units owned by the Unitholder of record on the REIT's status as a real estate investment trust for U.S. federal income tax purposes and to ensure compliance with the ownership limits and the other restrictions on ownership and transfer of the Units set forth in the Declaration of Trust. In addition, any person who is an actual, beneficial or constructive owner of Units and any person (including the Unitholder of record) who is holding Units for an actual, beneficial or constructive owner must, on request, disclose to the REIT in writing such information as the REIT may request in good faith in order to determine the its status as a real estate investment trust for U.S. federal income tax purposes and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

FIRPTA

Under the *Foreign Investment in Real Property Tax Act* of 1980, as amended ("FIRPTA"), if any non-U.S. person holds, actually or constructively, more than 10% of the outstanding Units, the REIT is required to withhold 15% on distributions in excess of the REIT's current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), and to withhold 21% (or less to the extent provided in applicable Treasury Regulations) of any distribution to such non-U.S. person that is, or if greater, could be designated by the REIT as a capital gain dividend. Any such withheld amount is creditable against such non-U.S. person's FIRPTA tax liability.

In order for the REIT to comply with its withholding obligations under FIRPTA (and certain other regulatory requirements), 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 is treated as having acquired sufficient Units to be treated as owning more than 5% of the Units is required to notify the REIT by the close of the business day prior to the date of the transfer that causes the non-U.S. person to own more than 5% of the Units.

The applicable constructive ownership rules under the Code are complex and may cause Units owned actually or constructively by a group of related individuals or entities to be owned constructively by one individual or entity. As a result, the acquisition of 5% or less of the Units (or the acquisition of an interest in an entity that owns, actually or constructively, Units) by an individual or entity might, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of 5% of the Units and thereby become subject to the notice requirements. Under these rules of constructive ownership, Units can be attributed (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 is treated as having acquired sufficient Units to be treated as owning more than 5% of the Units fails to comply with the FIRPTA notice provisions described above, the excess Units (i.e., the excess of the number of Units that the non-U.S. person is treated as owning over an amount equal to 5% of the outstanding Units) are required to be sold, through the mechanism described below under “Declaration of Trust — Excess Units,” with such non-U.S. person receiving the lesser of (i) the original purchase price for the excess Units and (ii) the sale price of the excess Units (net of commissions and other expenses of sale). Non-U.S. persons holding Units are strongly advised to monitor their actual and constructive ownership of Units.

Excess Units

Pursuant to the Declaration of Trust, if any purported transfer of the Units or any other event results in any person violating the ownership limits described above under “Declaration of Trust — REIT Qualification” or such other limit established by the Board or otherwise failing to qualify as a real estate investment trust, or if a non-U.S. person is treated as owning more than 5% of the Units and has not complied with the notice provisions described under “Declaration of Trust — FIRPTA,” then the number of Units that exceeds the applicable ownership limit (rounded up to the nearest whole Unit) is automatically transferred to, and held by, a charitable trust for the exclusive benefit of one or more charitable beneficiaries selected by the REIT. The prohibited owner has no rights in Units held by the charitable trustee. The automatic transfer is effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in the transfer to the charitable trust. Any dividend or other distribution paid to the prohibited owner, prior to the REIT’s discovery that the Units had been automatically transferred to a charitable trust, must be repaid to the charitable trustee upon demand. If the transfer to the charitable trust as described above is not automatically effective, for any reason, to prevent violation of the applicable restriction on ownership and transfer of the Units, then the transfer of the number of Units that causes any person to violate the above restrictions are void and of no force or effect and the intended transferee acquires no rights in the Units. If any transfer of Units results in Units being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution), then any such purported transfer is void and of no force or effect and the intended transferee acquires no rights in the Units.

Units transferred to the charitable trustee are deemed offered for sale to the REIT, or the REIT’s designee (subject to the approval of such designee by the TSX), at a price per Unit equal to the lesser of (i) the price per Unit in the transaction that results in the transfer of the Units to the charitable trust (or, in the event of a gift, devise or other such transaction, the last sale price reported on the TSX on the day of the transfer

or other event that results in the transfer of such Units to the charitable trust) and (ii) the last sale price reported on the TSX on the date the REIT accepts, or the REIT's designee accepts, such offer. The REIT must reduce the amount payable to the prohibited owner by the amount of dividends and distributions paid to the prohibited owner and owed by the prohibited owner to the charitable trustee and pay the amount of such reduction to the charitable trustee for the benefit of the charitable beneficiary. The REIT has the right to accept such offer until the charitable trustee has sold the Units held in the charitable trust. Upon a sale to the REIT, the interest of the charitable beneficiary in the Units sold terminates and the charitable trustee must distribute the net proceeds of the sale to the prohibited owner and any dividends or other distributions held by the charitable trustee with respect to such Units are required to be paid to the charitable beneficiary.

If the REIT does not buy the Units subject to the deemed offer, the charitable trustee must, within 20 days of receiving notice from the REIT of the transfer of Units to the charitable trust, sell the Units to a person or persons designated by the charitable trustee whose ownership of the Units does not violate the ownership limits or other restrictions on ownership and transfer of Units. Upon such sale, the charitable trustee must distribute to the prohibited owner an amount equal to the lesser of (i) the price paid by the prohibited owner for the Units (or, if the prohibited owner has not given value in connection with the transfer or other event that resulted in the transfer to the charitable trust (e.g., a gift, devise or other such transaction), the last sale price reported on the TSX on the day of the transfer or other event that results in the transfer of such Units to the charitable trust) and (ii) the sales proceeds (net of commissions and other expenses of sale) that the charitable trustee receives for the Units. The charitable trustee must reduce the amount payable to the prohibited owner by the amount of dividends and other distributions paid to the prohibited owner and owed by the prohibited owner to the charitable trustee. Any net sales proceeds in excess of the amount payable to the prohibited owner is required to be paid immediately to the charitable beneficiary, together with any dividends or other distributions thereon. In addition, if prior to discovery by the REIT that Units have been transferred to the charitable trustee, the applicable prohibited owner sells such Units, then such Units shall be deemed to have been sold on behalf of the charitable trust and, to the extent that the prohibited owner receives an amount for or in respect of such Units that exceeds the amount that such prohibited owner is entitled to receive, such excess amount is required to be paid to the charitable trustee upon demand.

The REIT intends to designate a charitable trustee who is unaffiliated with the REIT and with any prohibited owner. Prior to the sale of any Units by the charitable trust, the charitable trustee is entitled to receive, in trust for the beneficiary, all dividends and other distributions paid by the REIT with respect to such Units, and may exercise all voting rights with respect to such Units for the exclusive benefit of the charitable beneficiary.

Subject to Ontario law, effective as of the date that the Units have been transferred to the charitable trust, the charitable trustee may, at the charitable trustee's sole discretion:

- i. rescind as void any vote cast by a prohibited owner prior to the REIT's discovery that the Units have been transferred to the charitable trust; and
- ii. recast the vote in accordance with the desires of the charitable trustee acting for the benefit of the beneficiary of the charitable trust.

If the REIT has already taken irreversible corporate action, however, then the charitable trustee may not rescind and recast the vote.

If the Board determines in good faith that a proposed transfer or other event has taken place that violates the restrictions on ownership and transfer of the Units set forth in the Declaration of Trust, the Board may

take such action as the Board deems advisable in its sole discretion to refuse to give effect to or to prevent such transfer, including, but not limited to, causing the REIT to redeem Units, refusing to give effect to the transfer on the REIT's books or instituting proceedings to enjoin the transfer.

The Units are subject to the restrictions on ownership and transfer of the Units described herein under "Declaration of Trust — Restrictions on Ownership and Transfer." These restrictions on ownership and transfer might delay, defer or prevent a transaction or a change of control of the REIT that might involve a premium price for the Units that the Unitholders believe to be in their best interest.

Meetings of Unitholders

The Declaration of Trust provides that meetings of Unitholders will be required to be called and held in various circumstances, including (i) for the election or removal of Trustees, (ii) the appointment or removal of the auditors of the REIT, (iii) the approval of amendments to the Declaration of Trust (except as described below under "— Amendments to the Declaration of Trust"), (iv) the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees), (v) the termination of the REIT and (vi) for the transaction of any other business as the Trustees may determine or as may be properly brought before the meeting. Meetings of Unitholders are called and held annually for the election of the Trustees and the appointment of the auditors of the REIT. All meetings of Unitholders must be held in Canada.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned in writing by the holders of not less than 5% of the Units then outstanding. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Unitholders have the right to obtain a list of Unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the CBCA.

Unitholders may attend and vote at all meetings of Unitholders either in person or by proxy. Two persons present in person or represented by proxy, and such persons holding or representing by proxy not less in aggregate than 25% of the total number of outstanding Units, will constitute a quorum for the transaction of business at all such meetings. Any meeting at which a quorum is not present within one-half hour after the time fixed for the holding of such meeting, if convened upon the request of the Unitholders, will be terminated, but in any other case, the meeting will stand adjourned to a day not less than 14 days later and to a place and time as chosen by the chair of the meeting, and if at such adjourned meeting a quorum is not present, the Unitholders present either in person or by proxy will be deemed to constitute a quorum. Holders of Class B Units do not have voting rights in respect of their Class B Units at meetings of Unitholders.

Pursuant to the Declaration of Trust, a resolution in writing executed by Unitholders holding a proportion of the outstanding Units equal to the proportion required to vote in favour thereof at a meeting of Unitholders to approve that resolution is valid as if it had been passed at a meeting of Unitholders.

Advance Notice Provision

The Declaration of Trust includes certain advance notice provisions (the "**Advance Notice Provision**"), which will: (i) facilitate orderly and efficient annual general or, where the need arises, special, meetings; (ii) ensure that all Unitholders receive adequate notice of the Trustee nominations and sufficient information with respect to all nominees; and (iii) allow Unitholders to register an informed vote.

Except as otherwise provided in the Declaration of Trust, only persons who are nominated by Unitholders in accordance with the Advance Notice Provision or in accordance with the Investor Rights Agreement shall

be eligible for election as Trustees. Nominations of persons for election to the Board may be made for any annual meeting of Unitholders, or for any special meeting of Unitholders if one of the purposes for which the special meeting was called was the election of Trustees: (i) by or at the direction of the Board, including pursuant to a notice of meeting; (ii) by or at the direction or request of one or more Unitholders pursuant to a requisition of the Unitholders made in accordance with the Declaration of Trust; or (iii) by any person (a **"Nominating Unitholder"**): (a) who, at the close of business on the date of the giving of the notice provided for below and on the record date for notice of such meeting, is entered in the REIT's register as a holder of one or more Units carrying the right to vote at such meeting or who beneficially owns Units that are entitled to be voted at such meeting; and (b) who complies with the notice procedures set forth in the Advance Notice Provision.

In addition to any other applicable requirements, for a nomination to be made by a Nominating Unitholder, the Nominating Unitholder must have given timely notice thereof in proper written form to the Trustees.

To be timely, a Nominating Unitholder's notice to the Trustees must be made: (i) in the case of an annual meeting of Unitholders, not less than 30 days prior to the date of the annual meeting of Unitholders; provided, however, that in the event that the annual meeting of Unitholders is to be held on a date that is less than 50 days after the date that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Unitholder may be made not later than the close of business on the tenth day following the date on which the first public announcement of the date of the annual meeting of Unitholders was made; and (ii) in the case of a special meeting (which is not also an annual meeting) of Unitholders called for the purpose of electing Trustees (whether or not called for other purposes), not later than the close of business on the 15th day following the date on which the first public announcement of the date of the special meeting of Unitholders was made.

To be in proper written form, a Nominating Unitholder's notice to the Trustees must set forth: (i) as to each person whom the Nominating Unitholder proposes to nominate for election as a Trustee: (a) the name, age, business address and residential address of the person; (b) the principal occupation or employment of the person; (c) the number of Units which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of Unitholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (d) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable securities laws; and (ii) as to the Nominating Unitholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Unitholder has a right to vote any Units and any other information relating to such Nominating Unitholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable Securities Laws.

The chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in the Advance Notice Provision.

Redemption Right

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

- (i) 90% of the "Market Price" of a Unit calculated as of the date on which the Units were tendered for redemption (the "**Redemption Date**"); and
- (ii) 100% of the "Closing Market Price" on the Redemption Date.

For purposes of this calculation, the "**Market Price**" of a Unit as at a specified date will be:

- (i) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date;
- (ii) an amount equal to the weighted average of the closing market prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or
- (iii) if there was trading on the applicable exchange or market for fewer than five of the ten trading days, an amount equal to the simple average of the following prices established for each of the ten consecutive trading days ending on such date: the simple average of the last bid and last asking price of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

The "**Closing Market Price**" of a Unit for the purpose of the foregoing calculations, as at any date will be:

- (i) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date if the principal exchange or market provides information necessary to compute a weighted average trading price of the Units on the specified date;
- (ii) an amount equal to the closing price of a Unit on the principal market or exchange if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date;
- (iii) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal

exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or

- (iv) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date.

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

The aggregate Redemption Price payable by the REIT in respect of any Units surrendered for redemption during any calendar month will be paid in U.S. dollars within 30 days after the end of the calendar month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (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.

Cash payable on redemptions will be paid pro rata to all Unitholders tendering Units for redemption in any month. To the extent a Unitholder is not entitled to receive cash upon the redemption of Units as a result of any of the foregoing limitations, then the balance of the Redemption Price for such Units will, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution in specie to such Unitholder of Redemption Notes. In the event of distributions of Redemption Notes, each Redemption Note so distributed to the redeeming holder of Units shall be in the principal amount of \$100 or such other amount as may be determined by the Trustees. No fractional Redemption Notes shall be distributed and where the number of Redemption Notes to be received upon redemption by a holder of Units would otherwise include a fraction, that number shall be rounded down to the next lowest whole number. The Trustees may deduct or withhold from all payments or other distributions payable to any Unitholder pursuant to the Declaration of Trust all amounts required by law to be so withheld. Where the REIT redeems Units of a Unitholder, pursuant to the Declaration of Trust, the REIT may allocate to that Unitholder any income or capital gain realized by the REIT for purposes of the Tax Act on or in connection with such redemption. However, certain Proposed Amendments to the Tax Act would generally prohibit the REIT from deducting, in the computation of the REIT's income, the portion of an amount paid to a redeeming Unitholder of the REIT that is considered to be paid out of the income of the REIT, and limit the ability of the REIT to deduct capital gains so allocated to redeeming Unitholders. If such Proposed Amendments are enacted in their current form, any such income (including any taxable capital gains) may be made payable to non-redeeming Unitholders so that the REIT will not be liable for non-refundable income tax thereon, in which case the amounts and taxable component of distributions to non-redeeming Unitholders may be greater than would have been the case in the absence of such amendments. Where the REIT redeems Units of a Unitholder, the REIT currently intends to allocate to that Unitholder capital gains and income only to the extent such allocation would be deductible to the REIT for purposes of the Tax Act.

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units. Redemption Notes which may be distributed to holders of Units in

connection with a redemption will not be listed on any exchange, no market is expected to develop in Redemption Notes and such securities may be subject to an indefinite “hold period” or other resale restrictions under applicable securities laws. Redemption Notes so distributed may not be qualified investments for Exempt Plans, depending upon the circumstances at the time.

Purchases of Units by the REIT

The REIT may from time to time purchase Units in accordance with applicable securities laws and the rules prescribed under applicable stock exchange and regulatory policies. Any such purchase will constitute an “issuer bid” under Canadian securities legislation and must be conducted in accordance with the applicable requirements thereof.

Take-Over Bids

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

The Declaration of Trust and the Operating Agreement provide that in the event that a non-exempt take-over bid from a person acting at arm’s length to holders of Class B Units (or any affiliate or associate thereof) is made for Units, unless the take-over bid is structured (i) to permit holders of Class B Units to both redeem for Units and tender conditional on take-up, or (ii) such that the offer is made for all Class B Units on identical terms, then from and after the first take-up of Units under the said take-over bid (provided that not less than 25% of the Units other than Units held at the date of the take-over bid by the offeror or associates or affiliates of the offeror or those acting jointly or in concert with them are so taken up) the terms and conditions of the Class B Units held by persons other than the offeror (or any affiliate or associate thereof) will automatically (without further action) be amended such that the redemption rate shall be varied to equal 110% of the redemption rate then in effect (such that on conversion, exercise, redemption or exchange the holder shall receive 1.1 Units for each Unit that the holder would otherwise have received). Notwithstanding any adjustment on completion of an exclusionary offer as described above, the distribution rights attaching to the Class B Units will also not be adjusted until the redemption right is actually exercised.

Non-Certificated Inventory System

Other than pursuant to certain exceptions, registration of interests in and transfers of Units held through CDS, or its nominee, will be made electronically through the NCI system of CDS. On closing of the IPO, the REIT, via its transfer agent, electronically delivered Units registered to CDS or its nominee. Units held in CDS must be purchased, transferred and surrendered for redemption through a CDS participant, which includes securities brokers and dealers, banks and trust companies. All rights of Unitholders who hold Units in CDS must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS participant through which the Unitholder holds such Units. A holder of a Unit participating in the NCI system will not be entitled to a certificate or other instrument from the REIT or the REIT’s transfer agent evidencing that person’s interest in or ownership of Units, nor, to the extent applicable, will such Unitholder be shown on the records maintained by CDS, except through an agent who is a CDS participant.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS participant) may be limited due to the lack of a physical certificate.

Issuance of Units

The REIT may issue new Units from time to time, in such manner, for such consideration and to such person or persons as the Trustees shall determine. Unitholders do not have any pre-emptive rights whereby additional Units proposed to be issued would be first offered to existing Unitholders, except that, subject to certain exceptions, for so long as the Retained Interest Holders and their associates continue to beneficially own, in the aggregate, directly or indirectly, at least 10% of the 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), the Retained Interest Holders shall have the pre-emptive right to purchase additional Units issued by the REIT to maintain their pro rata interest in the REIT. If the Trustees determine that the REIT does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution, which Units may be immediately consolidated as described below.

The REIT may also issue new Units (or securities exchangeable into Units) (i) as consideration for the acquisition of new properties or assets by it, at a price or for the consideration determined by the Trustees, (ii) pursuant to any incentive or option plan established by the REIT from time to time, or (iii) pursuant to a Unitholder rights plan of the REIT.

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

Information and Reports

The REIT will furnish to Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by the Declaration of Trust and by applicable law. Prior to each meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) information as required by applicable tax and securities laws.

Amendments to the Declaration of Trust

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

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

- (a) an exchange, reclassification or cancellation of all or part of the Units;
- (b) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units;
- (c) any constraint on the issue, transfer or ownership of the Units or the change or removal of such constraint;
- (d) any sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees and not prejudicial to Unitholders);
- (e) the termination of the REIT or its subsidiaries (other than as part of an internal reorganization of the assets of the REIT or its subsidiaries as approved by the Trustees and not prejudicial to Unitholders);
- (f) the combination, amalgamation or arrangement of any of the REIT or its subsidiaries with any other entity (other than as part of an internal reorganization of the assets of the REIT or its subsidiaries as approved by the Trustees and not prejudicial to Unitholders); and
- (g) except as described herein, the amendment of the investment guidelines and operating policies of the REIT. See *“Investment Guidelines and Operating Policies — Amendments to Investment Guidelines and Operating Policies”*.

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

- (a) aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over: (a) the Trustees or the REIT; (b) the continuing status of the REIT as a “mutual fund trust” under the Tax Act; (c) the continuing status of the REIT as a “real estate investment trust” for U.S. federal income tax purposes; or (d) the distribution of Units;
- (b) which, in the opinion of the Trustees, provide additional protection for the Unitholders;
- (c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders;
- (d) which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in this prospectus and the Declaration of Trust;
- (e) of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders;
- (f) which, in the opinion of the Trustees, are necessary or desirable: (a) to ensure continuing compliance with IFRS; or (b) to ensure the Units are classified as equity for purposes of IFRS;
- (g) which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to implement a Unit option or purchase plan or issue Units for which the purchase price is payable in instalments;
- (h) which, in the opinion of the Trustees, are necessary or desirable for the REIT to qualify for a particular status under, or as a result of changes in, taxation or other laws, or the interpretation of such laws, including to qualify for the definition of “real estate investment trust” in the Code or to otherwise prevent the REIT or any of its subsidiaries from becoming subject to tax under the SIFT Rules;

- (i) to create one or more additional classes of units solely to provide voting rights to holders of shares, units or other securities that are exchangeable, redeemable, exercisable or convertible for Units entitling the holder thereof to a number of votes not exceeding the number of Units into which the exchangeable shares, units or other securities are exchangeable, redeemable, exercisable or convertible but that do not otherwise entitle the holder thereof to any rights with respect to the REIT's property or income other than a return of capital; and
- (j) for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required) which, in the opinion of the Trustees, is not prejudicial to Unitholders and is necessary or desirable.

No amendment that would adversely affect (i) the legal rights of the Retained Interest Holders under the Declaration of Trust or the economic benefits derived therefrom, or (ii) the legal rights of the Retained Interest Holders differently than those of the public holders of Units or the economic benefits derived therefrom, may be made without the prior written consent of Legacy Holdings as designee of the Retained Interest Holders. In particular, any amendment, modification or removal of provisions relating to (i) operations and assets of the REIT, as described under “— Operations and Assets of the REIT”; (ii) cash distributions by the Partnership, as described under “— Units”; and (iii) amendments to the Declaration of Trust, as described in this section, may not be made without the prior written consent of Legacy Holdings as designee of the Retained Interest Holders.

Rights of Unitholders

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

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

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

conduct has occurred. The Declaration of Trust does not include a comparable right. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of a corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right. Also, unlike shareholders of a corporation incorporated under the CBCA, Unitholders do not have the right to make proposals in advance of a Unitholder meeting about matters to be voted on at the Unitholder meeting.

US HOLDCO

US Holdco is a corporation incorporated under the laws of the State of Delaware. US Holdco owns all of the Class A Units of Flagship Operating, LLC. The composition of the board of directors of US Holdco is determined (and directors may be removed without cause) by the REIT; provided that the board of directors of US Holdco shall always be comprised of a majority of U.S. residents.

The operations of US Holdco are subject to the terms of its organizational documents, which provide, among other things, (i) that US Holdco operates in a manner consistent with the governance and other terms of the Declaration of Trust, including the investment guidelines and operating policies set out therein, and (ii) certain fundamental actions to be taken by US Holdco (including items such as acquisitions, dispositions and refinancings of real property) require the approval of all of the US Holdco directors, subject to situations where individuals must abstain from voting due to a conflict of interest or under applicable law.

FLAGSHIP OPERATING, LLC

General

Flagship Operating, LLC is a Delaware limited liability company governed by the Operating Agreement and the laws of the State of Delaware. The registered office of Flagship Operating, LLC is located at Corporation Trust Center, 1209 Orange St., Wilmington, New Castle, Delaware, 19801, United States. The principal place of business of Flagship Operating, LLC is located at 467 Erlanger Road, Erlanger, Kentucky, 41018, United States. Flagship Operating, LLC is the sole holder of the Class A Units will be US Holdco. The composition of the board of managers of Flagship Operating, LLC is determined (and managers may be removed without cause) by US Holdco; provided that the board of managers of Flagship Operating, LLC shall always be comprised of a majority of U.S. residents. Flagship Operating, LLC is treated as a partnership for U.S. federal income tax purposes. The organizational structure of the REIT, operating through Flagship Operating, LLC and its subsidiaries, is commonly referred to as an umbrella partnership real estate investment trust (an “**UPREIT**”) for U.S. federal income tax purposes. An UPREIT is a structure that real estate investment trusts often use to acquire real property from transferors on a tax deferred basis for U.S. federal income tax purposes because the transferors generally are permitted to receive equity interests in an entity treated as a partnership for U.S. federal income tax purposes and defer taxable gain otherwise required to be recognized by the transferors upon the disposition of their properties. Such transferors also may desire to achieve diversity in their investment and other benefits afforded to equity owners in a real estate investment trust. For purposes of satisfying the asset and income tests for qualification as a real estate investment trust for U.S. federal income tax purposes (described below), the REIT’s proportionate share of the assets and income of Flagship Operating, LLC are deemed to be assets and income of the REIT, so long as Flagship Operating, LLC continues to be treated as a partnership for U.S. federal income tax purposes.

Flagship Operating, LLC Class A Units and Class B Units

Flagship Operating, LLC has outstanding (i) Class A Units, all of which are held by US Holdco, and (ii) Class B Units, all of which are held by Legacy Holdings and certain other Retained Interest Holders. The Class B

Units are, in all material respects, economically equivalent to the Units on a per unit basis, subject to certain customary anti-dilution adjustments. The holders of Class B Units are entitled to receive distributions from Flagship Operating, LLC on the same per unit basis as holders of Units. Class B Units do not carry a voting right with respect to matters put before Unitholders of the REIT for a vote. The REIT anticipates that additional Class B Units may be issued subsequently to U.S. persons in connection with the acquisition of additional properties by the REIT in the United States. Transfers of Class A Units and Class B Units generally are not permitted, subject to limited exceptions, including (i) pursuant to the redemption of the Class B Units, (ii) transfers from a legal entity to an affiliate, subsidiary or successor in interest of such entity, and (iii) with regards to Class B Units only, transfers to other holders of Class B Units.

Redemption Rights

After holding Class B Units for at least 12 months (subject to acceleration in certain circumstances), the holders of Class B Units, acting individually, have the right to cause Flagship Operating, LLC to redeem all or a portion of such Class B Units for a cash payment of equivalent value or Units, as determined by Flagship Operating, LLC and as directed by the REIT in its sole discretion. Any exercise of the redemption right by a holder of Class B Units may be made on a conditional basis and subject to retraction (in whole or in part) by such holder in his, her or its sole discretion following Flagship Operating, LLC's determination of whether the redemption will be paid in cash or Units (such determination to be provided by Flagship Operating, LLC in writing to the redeeming holder of Class B Units). If Flagship Operating, LLC elects to redeem Class B Units for Units, the REIT will generally deliver (indirectly through Flagship Operating, LLC) one Unit for each Class B Unit redeemed (subject to customary anti-dilution adjustments). In connection with the exercise of these redemption rights, a holder of Class B Units is required to make certain representations, including that the delivery of Units upon redemption does not result in such holder owning Units in excess of the ownership limits in the Declaration of Trust.

Compulsory Acquisition

The Operating Agreement provides that if an acquisition of not less than 90% of the Units (including Units issuable upon the redemption of Class B Units) by a person (including persons acting jointly or in concert with such person) occurs, Flagship Operating, LLC has the right, subject to applicable laws, to acquire outstanding Class B Units in exchange for an equal number of Units, subject to adjustments for splits, consolidations and reorganizations in accordance with the Declaration of Trust.

Operation

The Operating Agreement requires Flagship Operating, LLC to be operated in a manner that enables the REIT (i) to satisfy the requirements for being classified as a real estate investment trust for U.S. federal income tax purposes, unless the Board elects for the REIT to cease to qualify as a real estate investment trust, (ii) not to be subject to any U.S. federal income or excise tax liability (other than with respect to any income or gain that the REIT elects to retain and pay any applicable U.S. federal corporate income tax), unless the Board elects for the REIT to cease to qualify as a real estate investment trust, and (iii) ensure that Flagship Operating, LLC is not classified as a "publicly traded partnership" for purposes of Section 7704 of the Code, which classification might result in Flagship Operating, LLC being taxed as a corporation for U.S. federal income tax purposes, rather than as a partnership. The authority of US Holdco with respect to Flagship Operating, LLC is limited to certain matters delegated to US Holdco by the REIT and its Board. The authority of US Holdco also is limited in certain other respects. In particular, pursuant to the Investor Rights Agreement, certain material transactions taken by the REIT or Flagship Operating, LLC require the approval of the REIT (through its control of US Holdco) and Legacy Holdings as designee of the Retained Interest Holders (for so long as the Retained Interest Holders and their associates own, in the aggregate, 33¹/₃% 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) or, in the event the Retained Interest Holders and their associates own less than such percentage interest, the percentage interest owned by the Retained Interest Holders and their associates constitutes at least that number of 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) equal to $33\frac{1}{3}\%$ of the votes cast at a meeting of Unitholders). See *“Retained Interest Holders — Investor Rights Agreement”*. The operations of Flagship Operating, LLC are subject to the terms of the Operating Agreement, which provides, among other things, that (i) Flagship Operating, LLC operate in a manner consistent with the governance and other terms of the Declaration of Trust, including the investment guidelines and operating policies set out therein, and (ii) certain fundamental actions taken by Flagship Operating, LLC (including items such as acquisitions, dispositions and refinancings of real property) require the approval of all of the Flagship Operating, LLC managers, subject to situations where individuals must abstain from voting due to a conflict of interest or under applicable law.

Distributions and Allocations of Profit and Losses

The Operating Agreement generally provides that Flagship Operating, LLC distributes cash flow from operations and, except as provided below, net sales proceeds from the disposition of assets, to all of the members of Flagship Operating, LLC pro rata in accordance with their ownership interests (based on relative number of units owned, regardless of class). Upon the liquidation of Flagship Operating, LLC, after payment of (or adequate provision for) debts and obligations, any remaining assets of Flagship Operating, LLC will be distributed in accordance with the distribution provisions contained in the Operating Agreement. 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 Operating Agreement provides that generally, net income, net loss and, to the extent necessary, individual items of income, gain, loss or deduction of Flagship Operating, LLC are allocated among the members pro rata in accordance with their ownership interests. See *“Retained Interest Holders — General”*. If the REIT elects to cause Flagship Operating, LLC to admit additional members to Flagship Operating, LLC, the distributions and allocations of profits and losses to the members generally will be pro rata in accordance with their ownership interests. In addition to the administrative and operating costs and expenses incurred by Flagship Operating, LLC and its subsidiaries in acquiring, operating and servicing their assets, Flagship Operating, LLC is required either to pay the administrative costs and expenses of US Holdco directly or to make cash distributions to reimburse for expenses incurred by US Holdco. For U.S. federal income tax purposes, such expenses are treated as expenses of Flagship Operating, LLC. Such expenses include, but are not limited to:

- administrative and operating costs and expenses and other expenses, including any accounting and legal expenses;
- costs and expenses relating to the formation and continuity of existence of the REIT and US Holdco, including taxes, fees and assessments associated therewith;
- costs and expenses associated with the preparation and filing of any periodic reports by the REIT under Canadian federal, provincial or territorial laws or regulations and U.S. federal, state or local laws or regulations;
- costs and expenses associated with compliance by the REIT with laws, rules and regulations promulgated by any regulatory body; and
- costs and expenses relating to any issuance, redemption or repurchase of Units or other securities by the REIT.

Indemnification

To the fullest extent permitted by law, the Operating Agreement provides for indemnification of any person for any loss incurred by such a person by reason of such person's status as the REIT or US Holdco or as a trustee, director, manager, officer, employee, agent or affiliate of the REIT or Flagship Operating, LLC.

Tax Matters

Pursuant to the Operating Agreement, US Holdco is designated as the "partnership representative" of Flagship Operating, LLC for U.S. federal income tax purposes pursuant to Section 6223 of the Code, and as such, has authority to make tax decisions under the Code on behalf of Flagship Operating, LLC in connection with any audit of Flagship Operating, LLC by the U.S. Internal Revenue Service. Flagship Operating, LLC is required to file a U.S. federal income tax return annually on IRS Form 1065 (or such other successor form) or on any other IRS form as may be required.

RETAINED INTEREST HOLDERS

General

As of the date hereof, the Retained Interest Holders beneficially own, or have control or direction over, an aggregate of 5,434,135 Class B Units (5,097,283 of which are held by Legacy Holdings and 37,448 of which are held by Empower Park, LLC) and 17,408 Units which are held by the REIT's President and Chief Executive Officer and Chief Investment Officer, together representing an approximate 28% effective interest in the REIT (determined as if all Class B Units are redeemed for Units). The Retained Interest Holders include the REIT's executive officers, who collectively beneficially own 2,814,114 Class B Units and 17,408 Units (including indirectly on a proportionate basis through direct and indirect ownership interests in Legacy Holdings and Empower Park LLC), and control (through effective control of Legacy Holdings by the REIT's President and Chief Executive Officer and Chief Investment Officer and control of Empower Park, LLC by the REIT's President and Chief Executive Officer) an additional 2,607,538 Class B Units owned by Legacy Holdings and 12,483 Class B Units owned by Empower Park, LLC, representing, in the aggregate, an approximate 28% effective interest in the REIT (determined as if all Class B Units are redeemed for Units). The Class B Units are, in all material respects, economically equivalent to Units and are redeemable under certain circumstances 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. See "*Flagship Operating, LLC — Flagship Operating, LLC Units*". The Retained Interest Holders intend to collectively maintain a significant ownership position in the REIT (through ownership of Units and Class B Units) over the long-term.

Investor Rights Agreement

The following is a summary of certain provisions of the Investor Rights Agreement, which is a material contract for the REIT and is qualified in its entirety by reference to all of the provisions of such agreement. The Investor Rights Agreement is available on SEDAR at www.sedar.com.

The REIT and the Retained Interest Holders have entered into the Investor Rights Agreement which governs certain of the rights of the Retained Interest Holders as Unitholders and holders of Class B Units, as applicable. The Investor Rights Agreement shall be in effect 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). The following is a summary of certain provisions of the Investor Rights Agreement, which is not intended to be complete.

Pursuant to the Investor Rights Agreement and as set forth in the Declaration of Trust, the Retained Interest Holders have been granted the right to nominate a number of Trustees (such nominees will be subject to election together with the remaining Trustees at annual meetings of Unitholders) based on: (i) the proportion of the aggregate number of outstanding Units held by the Retained Interest Holders and their associates (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), whether held directly or indirectly, at the time of nomination; and (ii) the size of the Board of Trustees, as shown in the following table:

Ownership of Retained Interest Holders and their associates ⁽¹⁾	Size of Board	Nomination Right (# of individuals)
≥33%	≥10	4
	7 to 9	3
	≤ 6	2
≥20% and <33%	≥10	3
	7 to 9	2
	≤ 6	1
≥10% and <20%	Any	1
<10%	Any	0

(1) Percentage of the REIT's equity (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).

For so long as the Chief Executive Officer of the REIT is one of the Retained Interest Holders or an affiliate, associate, director or officer, as applicable, of a Retained Interest Holder, the Chief Executive Officer of the REIT shall comprise one of the Retained Interest Holders' nominees. If the Chief Executive Officer of the REIT is not one of the Retained Interest Holders' nominees, but is still nominated as a Trustee, and all other nominees nominated by the REIT are persons who would be independent if elected as Trustees, then the Retained Interest Holders must nominate (as part of their total number of nomination rights) such number of Trustees who would be independent if elected, if any, as may be necessary for the Board to be majority independent. In all cases, the Compensation, Governance and Nominating Committee shall be responsible for ensuring that the Board and each committee of the Board is composed of a majority of Canadian residents.

As at March 16, 2022, the Retained Interest Holders had an approximate 28% effective interest in the REIT (determined as if all Class B Units are redeemed for Units), and are therefore be entitled to nominate two of the seven Trustees of the REIT for election at the May 2023 annual meeting of Unitholders.

Consent Rights

Pursuant to the Investor Rights Agreement, transactions not in the ordinary course of business that would generally constitute a fundamental change under corporate law that may be taken by Flagship Operating, LLC will require the approval of Legacy Holdings, as designee of the Retained Interest Holders, provided that the Retained Interest Holders and their associates own, in the aggregate, 33¹/₃% 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) or, in the

event the Retained Interest Holders and their associates own less than such percentage interest, the percentage interest owned by the Retained Interest Holders and their associates constitutes at least that number of 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) equal to 33¹/₃% of the votes cast at a meeting of Unitholders. The same approvals will also be required for the following:

- the REIT and/or Flagship Operating, LLC entering into a merger, consolidation or business combination, not in the ordinary course of business;
- selling, assigning, conveying or otherwise disposing of all or substantially all of the REIT's or Flagship Operating, LLC's assets;
- adopting any plan or proposal for a complete or partial liquidation or dissolution, or any reorganization or recapitalization or commencement of any case, proceeding or action seeking relief under any existing or future laws relating to bankruptcy, insolvency, conservatorship or relief of debtors of the REIT and/or Flagship Operating, LLC;
- adding, changing or removing any restriction on the business or businesses that Flagship Operating, LLC may carry on;
- effecting any subdivision, re-division, consolidation, exchange, reclassification, reorganization, recapitalization, split, combination or similar change in any units or other securities of the REIT or Flagship Operating, LLC;
- changing the size of the Board of Trustees of the REIT; and
- agreeing or committing to any of the preceding actions.

Registration Rights

The Investor Rights Agreement provide the Retained Interest Holders with the right (the “**Piggy-Back Registration Right**”), among others, to require the REIT to include Units (including Units issuable upon the redemption of Class B Units) held by Retained Interest Holders in any future offering undertaken by the REIT by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a “**Piggy-Back Distribution**”). The REIT is required to use reasonable commercial efforts to cause to be included in the Piggy-Back Distribution all of the Units the Retained Interest Holders request to be sold, provided that if the Piggy-Back Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Piggy-Back Distribution should be limited for certain prescribed reasons, the Units to be included in the Piggy-Back Distribution will be first allocated to the REIT.

In addition, the Investor Rights Agreement provides the Retained Interest Holders with the right (the “**Demand Registration Right**”) to require the REIT to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities, qualifying Units held (or issuable upon the redemption of Class B Units) by the Retained Interest Holders for distribution (a “**Demand Distribution**”), provided that such Demand Registration Right may only be exercised by Legacy Holdings as designee on behalf of the Retained Interest Holders. Legacy Holdings as designee for the Retained Interest Holders is entitled to request not more than one Demand Distribution per calendar year and each request for a Demand Distribution must relate to such number of Units that would reasonably be expected to result in gross proceeds of at least \$15 million. The REIT may also distribute Units in connection with a Demand Distribution provided that if the Demand Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Demand Distribution should be limited for certain prescribed reasons, the Units to be included in the Demand Distribution will be first allocated to the Retained Interest Holders.

Each of the Piggy-Back Registration Right and the Demand Registration Right are exercisable at any time, provided that the Retained Interest Holders and their associates own, in the aggregate, directly or indirectly, at least 10% of the 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) at the time of exercise. The Piggy-Back Registration Right and the Demand Registration Right are subject to various conditions and limitations, and the REIT is entitled to defer any Demand Distribution in certain typical circumstances for a period not exceeding 90 days. The expenses in respect of a Piggy-Back Distribution, subject to certain exceptions, will be borne by the REIT, except that any underwriting fee on the sale of Units by the Retained Interest Holders and the fees of the Retained Interest Holders' external legal counsel will be borne by the Retained Interest Holders. The expenses in respect of a Demand Distribution, subject to certain exceptions, will be borne by the REIT and the Retained Interest Holders on a proportionate basis according to the number of Units distributed by each.

Pursuant to the Investor Rights Agreement, the REIT will indemnify the Retained Interest Holders for any misrepresentation in a prospectus under which the Retained Interest Holders' Units are distributed (other than in respect of any prospectus disclosure provided by the Retained Interest Holders in respect of the Retained Interest Holders). The Retained Interest Holders will indemnify the REIT for any prospectus disclosure provided by the Retained Interest Holders in respect of the Retained Interest Holders.

The REIT has not and will not, pursuant to the Investor Rights Agreement or otherwise, have any obligation to register, nor will it register, Units under the *United States Securities Act of 1933*, as amended.

Pre-Emptive Rights

In the event the REIT, Flagship Operating, LLC or one of their subsidiaries decides to issue equity securities of the REIT or Flagship Operating, LLC or securities convertible into or exchangeable or redeemable for equity securities of the REIT or Flagship Operating, LLC or an option or other right to acquire such securities other than to an affiliate thereof, the Investor Rights Agreement provides that the Retained Interest Holders and their associates, for so long as they continue to own, in the aggregate, directly or indirectly, at least 10% of the 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), shall have pre-emptive rights to purchase Units, Class B Units or such other securities as are being contemplated for issuance by the REIT, Flagship Operating, LLC or one of their subsidiaries to maintain their pro rata ownership interests in the REIT, provided that such pre-emptive rights may only be exercised by Legacy Holdings as designee on behalf of the Retained Interest Holders. Notice of exercise of such rights is to be provided in advance of the commencement of any offering of securities of the REIT or Flagship Operating, LLC or such other securities as are being contemplated for issuance and otherwise in accordance with the terms and conditions to be set out in the Investor Rights Agreement.

Pursuant to the Investor Rights Agreement, the pre-emptive rights will not apply to issuances in the following circumstances:

- to participants in a distribution reinvestment plan or similar plan, including any "bonus" distribution;
- in respect of the exercise or issuance of options, warrants, rights or other securities issued under security-based compensation arrangements of the REIT or Flagship Operating, LLC;
- in respect of the exercise of the Class B Unit redemption right for Units;
- as full or partial consideration for the purchase of real property by the REIT or its subsidiaries from Empower;
- to Unitholders or holders of Class B Units in lieu of cash distributions;

- in respect of the exercise by a holder of a conversion, exchange or other similar right pursuant to the terms of a security in respect of which the Retained Interest Holders were granted the right to exercise their pre-emptive rights or in respect of which the pre-emptive rights did not apply;
- pursuant to a unitholders' rights plan of the REIT; and
- to the REIT, Flagship Operating, LLC or any subsidiary or affiliate.

Drag-Along Rights

If the REIT enters into a transaction that will involve: (i) the transfer, directly or indirectly, of all or substantially all of its assets to a third party; and (ii) the winding up, dissolution or termination of the REIT, or exchange of Units for securities of a third party issuer or successor issuer, then the Investor Rights Agreement provides that the Retained Interest Holders (if at such time, the Retained Interest Holders and their associates own, in the aggregate, directly or indirectly, 10% or less of the 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)) will be obligated to, upon the written request of the REIT, exercise their redemption rights in respect of the Class B Units then held by the Retained Interest Holders. In addition, in the event of an acquisition of not less than 90% of the Units (including Units issuable on redemption of Class B Units) by a person (including persons acting jointly or in concert with such person), the REIT shall have the right, subject to applicable law, to acquire the outstanding Class B Units on the same terms and subject to the same conditions as are applicable to the acquisition of Units. See *"Flagship Operating, LLC — Compulsory Acquisition"*.

Tag-Along Rights

For so long as the Retained Interest Holders and their associates own, in the aggregate, directly or indirectly, at least 10% of the 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) the Retained Interest Holders will have tag-along rights that will apply in respect of any sale by the REIT of its interest in Flagship Operating, LLC.

Indemnity Agreement

Pursuant to the Indemnity Agreement dated October 7, 2020, the Promoter and Legacy Holdings, on a joint and several basis, have indemnified the REIT and Flagship Operating, LLC for breaches of their and FCLLC's covenants, representations and warranties in the Indemnity Agreement, the Contribution Agreement and the Merger Agreement, as applicable; however, no claim under the indemnity may be made until the aggregate losses exceed \$1.5 million, subject to customary exceptions for fraud and fundamental representations.

The aggregate maximum liability of Legacy Holdings and the Promoter pursuant to the Indemnity Agreement is the larger amount equal to the market value from time to time of the beneficial holdings of the Promoter and Legacy Holdings which at the closing of the IPO was approximately US \$59.2 million.

ARRANGEMENTS WITH EMPOWER

The REIT and Empower, an entity majority-owned by the REIT's President and Chief Executive Officer and Chief Investment Officer, have entered into certain agreements governing the relationships between such parties and their affiliates.

Whereas the REIT is focused on evaluating and acquiring MHCs that meet its Investment Criteria, Empower is focused on 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.

As further described below, Flagship Operating, LLC has entered into the ROFO Agreement with Empower pursuant to which, among other things, Empower will present Flagship Operating, LLC with opportunities to purchase MHCs, including those owned by Empower. Flagship Operating, LLC has a right of first opportunity to purchase such properties and, in the case of any such property that is already owned by Empower, such opportunity will be presented to Flagship Operating, LLC at a discount to appraised value. Conversely, Flagship Operating, LLC will present Empower with opportunities to purchase MHCs that the REIT does not wish to pursue and Empower has a right of first opportunity to purchase such properties.

Additionally, pursuant to the Management Agreement, Empower is managed by Flagship TRS in exchange for certain fees to be paid by Empower to Flagship TRS. Also, Empower provides home sales services to the REIT pursuant to the Services Agreement.

ROFO Agreement

The following is a summary of certain provisions of the ROFO Agreement, which is a material contract for the REIT and is qualified in its entirety by reference to all of the provisions of such agreement. The ROFO Agreement is available on SEDAR at www.sedar.com.

Pursuant to the ROFO Agreement, Flagship Operating, LLC has a right of first opportunity (the “**REIT ROFO**”) on all opportunities identified by Empower to acquire or invest, directly or indirectly, in one or more MHCs, including properties already directly or indirectly owned by Empower (each, a “**REIT Opportunity**”). Prior to entering into a purchase and sale (or similar) agreement relating to any REIT Opportunity, Empower shall present such REIT Opportunity to Flagship Operating, LLC, along with all material terms and conditions thereof and all relevant financial and property information relating thereto in Empower’s possession. The REIT ROFO is exercisable within ten business days of receiving such information. If Flagship Operating, LLC elects to exercise the REIT ROFO, Flagship Operating, LLC shall be entitled to pursue such REIT Opportunity without restriction and at its sole discretion. If Flagship Operating, LLC does not exercise the REIT ROFO for any reason, Empower may acquire the MHC for its own account, provided such purchase must be completed within 180 days following Flagship Operating, LLC having not exercised the REIT ROFO and at a purchase price no less than that, and on terms and conditions not more favourable to Empower than those, presented to Flagship Operating, LLC.

In the case of an MHC comprising a REIT Opportunity that is owned directly or indirectly by Empower, Empower shall supplement the information to be provided to Flagship Operating, LLC with a current third party independent appraisal provided by the REIT’s usual appraiser (or other appraiser approved by the independent Trustees), a current environmental report and a current property condition report, and shall present such opportunity to Flagship Operating, LLC at a price not greater than 95% of the value set out in the appraisal, with the purchase price therefor being satisfied in cash, Units, Class B Units or a combination thereof as may be agreed with Empower. Any Units (or Class B Units) will be issued based on the 10-day volume weighted average trading price of the Units on the TSX ending on the day immediately preceding the date on which Flagship Operating, LLC and Empower enter into a definitive agreement in respect of the applicable REIT Opportunity. If Flagship Operating, LLC does not exercise the REIT ROFO for such REIT Opportunity, Empower may continue to own the MHC comprising the REIT Opportunity or sell such MHC at a purchase price no less than that, and on terms and conditions not more favourable to the purchaser than those, offered to Flagship Operating, LLC, provided such sale must be completed within 180 days following Flagship Operating, LLC having not exercised the REIT ROFO.

Empower may continue to own and operate any MHC in which it owns an interest, directly or indirectly subject to the REIT ROFO described above, such that once such MHC satisfies the REIT’s Investment Criteria, Empower shall promptly notify Flagship Operating, LLC of such REIT Opportunity.

Pursuant to the ROFO Agreement, Empower has a right to pursue all opportunities (the “**Empower ROFO**”) identified by the REIT to acquire or invest in, directly or indirectly, one or more MHCs that the independent Trustees determine not to pursue, including an investment in land for the development of one or more MHCs and an investment in one or more properties that are not currently MHCs for the purpose of converting them to MHCs (each, an “**Empower Opportunity**”). Flagship Operating, LLC shall present the Empower Opportunity to Empower, along with all material terms and conditions thereof, and all relevant financial and property information relating thereto, including whether Flagship Operating, LLC desires to providing mezzanine financing for such Empower Opportunity and the proposed terms thereof. Empower will have a right to pursue each Empower Opportunity on such terms presented by Flagship Operating, LLC, which right is exercisable within ten business days of receiving all applicable information. If Empower does not exercise this right, Flagship Operating, LLC may deal with the Empower Opportunity without restriction and at its sole discretion.

Although the REIT focuses its investment activities on MHCs that satisfy the REIT’s Investment Criteria, it is not limited to pursue only such opportunities. Conversely, Empower focuses its investment activities, if any, on MHCs that do not meet the REIT’s Investment Criteria and is precluded pursuant to the Non-Competition Agreement from owning MHCs, subject to the exceptions set out in the Non-Competition Agreement, without first complying with the ROFO Agreement. The REIT’s Investment Criteria may be amended or altered upon approval of a majority of the independent Trustees and, in any event, will not apply once the REIT has a Gross Book Value of \$1.5 billion or more.

The ROFO Agreement shall terminate on the later of: (i) the date on which the termination of the Management Agreement occurs; and (ii) the date on which the Retained Interest Holders own, in the aggregate, directly or indirectly, less than 10% of the Units (determined as if all Class B Units are redeemed for Units). Notwithstanding the foregoing, Flagship Operating, LLC shall have the right to terminate the ROFO Agreement upon not less than 180 days’ prior written notice to Empower and without payment of any termination or other fees once the REIT has a Gross Book Value of \$1.5 billion or more. Should Flagship Operating, LLC elect to terminate the ROFO Agreement at any time pursuant to this right or any other right, then Flagship Operating, LLC will have a one-time right to acquire all but not less than all assets then-owned by Empower at the prevailing market value determined by an accredited independent third party appraiser appointed by the independent Trustees. If Flagship Operating, LLC acquires the assets then-owned by Empower as described above, the Management Agreement and Services Agreement will also terminate on the closing of such acquisition.

If a change of control or management (as defined in the ROFO Agreement) of the REIT or Flagship Operating, LLC occurs, Empower will have the right to terminate the ROFO Agreement upon written notice.

MANAGEMENT AGREEMENT

Under the Management Agreement, Flagship TRS provides certain asset and property management services to Empower (“**Management Services**”). In consideration of the provision of Management Services, Flagship TRS is entitled to: (i) a base asset management fee calculated and payable on a monthly basis, equal to 0.25% of the gross book value of Empower’s assets; and (ii) a property management fee, calculated and payable on a monthly basis, equal to 3.0% of the gross property revenue of Empower (together, the “**Management Services Fees**”). The 2022 asset management fee was \$1.6 million.

Flagship TRS will be reimbursed for all reasonable out-of-pocket costs and expenses incurred in connection with providing Management Services and carrying out related duties and obligations under the Management Agreement. However, Flagship TRS is responsible for its own overhead costs and certain other costs and expenses, including (i) its office rent, and (ii) costs relating to employees of Flagship Manageco providing Management Services to Empower. The personnel employed or otherwise engaged

on behalf of Flagship TRS to carry out its duties and obligations under the Management Agreement are not employees of Empower, and Flagship TRS is responsible for all employment matters with respect to such personnel.

The Management Agreement has an initial term of five years. Thereafter, the Management Agreement may be renewed by Empower for one additional term of five years upon written notice to Flagship TRS given not less than 180 days prior to the expiry of the initial term. If renewed, Flagship TRS shall have the right to terminate the Management Agreement at any time during the renewal term upon 180 days' prior written notice to Empower, without the payment of any termination or other fees. If requested by Empower, Flagship TRS will continue to provide Management Services under the Management Agreement to Empower for up to an additional 12 months, if reasonably required by Empower to facilitate the transition of such services to Empower or other service provider retained by Empower. If Flagship Operating, LLC acquires the assets then-owned by Empower as described above pursuant to the ROFO Agreement, the Management Agreement will terminate on the closing of such acquisition.

In addition to the above, Flagship TRS shall have the right to terminate the Management Agreement upon written notice to Empower and without the payment of any termination or other fees upon the occurrence of any: (i) material breach by Empower or its affiliates or associates, as applicable, under the terms of the Management Agreement, Services Agreement or the Non-Competition and Non-Solicitation Agreement, beyond the expiry of applicable cure periods; (ii) event of insolvency of Empower; (iii) fraud or wilful misconduct of Empower; or (iv) change of control of Empower.

Empower shall have the right to terminate the Management Agreement upon not less than 180 days' prior written notice to Flagship TRS in the event of a material breach or material default of Flagship TRS' obligations under the Management Agreement beyond the expiry of applicable cure periods or in the event of the insolvency of Flagship TRS, in all cases without payment of any termination or other fees. In such event, if requested by Empower and reasonably required by Empower to facilitate the transition of Management Services to Empower or other service provider retained by Empower, Flagship TRS shall continue to provide such services to Empower for up to an additional 12 months.

If a change of control or management (as defined in the Management Agreement) of the REIT or Flagship Operating, LLC occurs, Empower will have the right to terminate the Management Agreement upon written notice.

Pursuant to the Management Agreement, Flagship TRS has indemnified Empower for claims as a consequence of any bad faith, gross negligence or wilful misconduct or any breach of the Management Agreement by Flagship TRS.

SERVICES AGREEMENT

Pursuant to the Services Agreement, all sales of manufactured homes, including Rental Homes, will be carried out by Empower. Unless the independent Trustees otherwise agree, in the case of a sale of a rental manufactured home on a REIT-owned MHC, Flagship Operating, LLC will transfer the applicable manufactured home to Empower at the REIT's net book value and Empower will then sell such manufactured home to the applicable purchaser. Unless the independent Trustees otherwise agree, all sales of manufactured homes on a REIT-owned MHC shall be to a purchaser that enters into a lot lease with the applicable owner of the MHC on terms to be agreed between the REIT and such purchaser at the time of sale.

In the event of a repossession or foreclosure of a manufactured home on a REIT-owned MHC (which shall be undertaken by Empower from time to time as requested by Flagship Operating, LLC), losses incurred by

Empower from the repossession, refurbishing and subsequent sale of that manufactured home on a REIT-owned MHC will be borne by Flagship Operating, LLC. Such losses shall generally be determined as the out-of-pocket costs incurred by Empower in such repossession, refurbishment and sale, less the proceeds from the sale.

To the extent Flagship Operating, LLC desires to have inventory of manufactured homes on one or more of its MHCs, Empower shall arrange for such inventory, including any necessary floorplan loans to finance such inventory. Flagship Operating, LLC will reimburse Empower for the interest expense on such floorplan financing.

The losses described above and reimbursable interest costs may be set-off by Empower against the Management Services Fees otherwise payable under the Management Agreement. For the avoidance of doubt, the foregoing losses and interest costs in respect of manufactured homes on an Empower-owned MHC will be borne by Empower.

The REIT and Empower have equal opportunity to access new potential tenants and home sales sourced by Empower; provided, however, should a potential tenant or purchaser not have an appreciable preference as between a REIT-owned MHC and an Empower-owned MHC, Empower shall use its commercially reasonable efforts to direct such tenant or purchaser to a REIT-owned MHC.

Flagship Operating, LLC will be reimbursed for all reasonable out-of-pocket costs and expenses incurred in connection with providing the services under the Services Agreement and carrying out related duties and obligations under the Services Agreement, including costs relating to employees of Flagship Operating, LLC and its subsidiaries (including Flagship Manageco) providing home sales activities (including at the REIT's properties) based on the time spent on housing sales activities. Flagship Operating, LLC and its subsidiaries, however, will be responsible for their own overhead costs and certain other costs and expenses, including (i) their respective office rent, and (ii) costs relating to employees providing other services to Empower (such as pursuant to the Management Agreement). The personnel employed or otherwise engaged by Flagship Operating, LLC and its subsidiaries to carry out its duties and obligations under the Services Agreement will not be employees of Empower and Flagship Operating, LLC and its subsidiaries will be responsible for all employment matters with respect to such personnel.

The Services Agreement shall automatically terminate upon the termination of the Management Agreement. Pursuant to the Services Agreement, Empower will indemnify the REIT and its subsidiaries for claims as a consequence of any bad faith, gross negligence or wilful misconduct or any breach of the Services Agreement by Empower.

NON-COMPETITION AND NON-SOLICITATION AGREEMENT

The following is a summary of certain provisions of the Non-Competition and Non-Solicitation Agreement, which is a material contract for the REIT and is qualified in its entirety by reference to all of the provisions of such agreement. The Non-Competition and Non-Solicitation Agreement is available on SEDAR at www.sedar.com.

Pursuant to the Non-Competition and Non-Solicitation Agreement, unless otherwise consented to by the independent Trustees, during any period in which the ROFO Agreement remains effective, Empower and its affiliates and associates (including the Retained Interest Holders and the Promoter) agree not to (i) directly solicit any existing employee or tenant of the REIT to, respectively, become employed with respect to or become a tenant of a non-REIT property in which Empower or any of its affiliates or associates has an ownership interest or that it manages for another client; (ii) acquire, invest in or have an ownership interest in, directly or indirectly, any MHCs located in Canada, the United States or elsewhere where the

REIT operates, or any business or activity related thereto, other than in accordance with the terms of the ROFO Agreement, Management Agreement or the Services Agreement; (iii) create another real estate investment trust or another publicly traded or held real estate business which primarily invests in MHCs in Canada, the United States or elsewhere where the REIT operates; or (iv) act as asset or property manager or promoter to, or perform any similar role for, another real estate investment trust or business which primarily invests in MHCs in Canada, the United States or elsewhere where the REIT operates; provided, however, that if the Management Agreement or Services Agreement is terminated by the REIT due to an event of default by Empower or any of its affiliates or associates, the Non-Competition and Non-Solicitation Agreement shall remain in effect for a period of 12 months following the date of such termination; provided, further, that if the ROFO Agreement is terminated due to the termination of the Management Agreement, but the REIT continues to provide Management Services for any period of 12 months following such termination, then the Non-Competition and Non-Solicitation Agreement shall remain in effect for a period of 12 months following the date of such subsequent termination.

Notwithstanding the foregoing, 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.

The foregoing restrictions shall not apply to investments (in up to five percent of the total equity of each individual investee) in securities of companies that are listed and posted for trading on a recognized stock exchange in Canada or the United States or traded in an over-the-counter market in Canada or the United States that are engaged in a real estate business which primarily invests in MHCs in Canada, the United States or elsewhere where the REIT operates.

TRADING PRICE AND TRADING VOLUME OF THE UNITS

The Units of the REIT were listed on the TSX on October 7, 2020 and are quoted under the symbol “MHC.U” in U.S. dollars and since June 23, 2022 have been quoted in Canadian dollars under the symbol “MHC.UN”. The following table sets forth, for the periods indicated, the price ranges and trading volumes of the Units on the TSX in 2022.

	MHC.U US\$		
2022	High	Low	Volume
January	\$20.25	\$18.10	137,397
February	\$19.00	\$18.16	111,975
March	\$19.90	\$17.90	476,703
April	\$20.26	\$19.05	163,333
May	\$19.00	\$17.68	338,558
June	\$18.04	\$15.01	291,251
July	\$16.48	\$14.99	129,258
August	\$16.96	\$15.36	100,389
September	\$16.76	\$14.76	140,039
October	\$14.99	\$13.07	141,071
November	\$16.43	\$14.21	81,757
December	\$16.55	\$15.35	65,481

MHC.UN CAD\$		
High	Low	Volume
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
\$21.97	\$18.23	1,600
\$20.82	\$19.57	1,655
\$21.26	\$19.86	4,050
\$21.93	\$20.01	10,513
\$20.50	\$17.70	18,970
\$21.99	\$18.71	14,603
\$22.25	\$20.90	12,581

DISTRIBUTIONS AND DISTRIBUTION POLICY

The REIT has adopted a distribution policy, as permitted under the Declaration of Trust, pursuant to which it makes monthly cash distributions to Unitholders and, through Flagship Operating, LLC, holders of Class B Units, equal to, on an annual basis, approximately 65% of the REIT's estimated AFFO. Management of the REIT believes that the 65% payout ratio set by the REIT should allow the REIT to meet its internal funding needs, while being able to support stable growth in cash distributions. However, subject to compliance with the Declaration of Trust, the actual payout ratio will be determined by the Trustees in their sole discretion. Pursuant to the Declaration of Trust, the Trustees have full discretion respecting the timing, amounts and compositions of distributions, including the adoption, amendment or revocation of any distribution policy. It is the REIT's current intention to make distributions to Unitholders at least equal to the amount of net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for ordinary income taxes on such income.

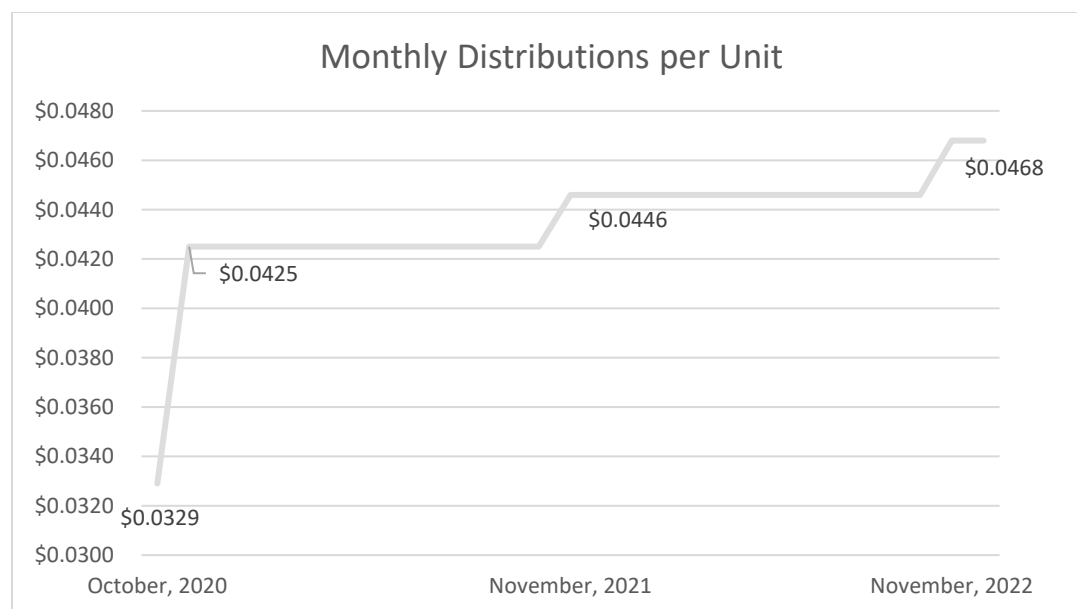
The Declaration of Trust will provide that, in exercising its discretion to declare a cash distribution on the Units, the Board will be required to confirm that Flagship Operating, LLC has or will have sufficient funds to make a corresponding cash distribution on the Class B Units in accordance with their terms.

Because the REIT will be treated as a real estate investment trust for U.S. federal income tax purposes, distributions paid by the REIT to Canadian investors that are made out of the REIT's current or accumulated earnings and profits (as determined under U.S. federal income tax principles), generally will be subject to U.S. withholding tax at a rate of 30%, which may be reduced to 15% for investors that qualify for benefits under the Treaty provided that the required form evidencing eligibility for such benefits is filed with the REIT or the appropriate withholding agent. To the extent a Canadian investor is subject to U.S. withholding tax in respect of distributions paid by the REIT on the Units out of the REIT's current or accumulated earnings and profits, the amount of such tax generally will be eligible for foreign tax credit or deduction treatment, subject to the detailed rules and limitations under the Tax Act. So long as the Units continue to be regularly traded on an established securities market, distributions with respect to Units in excess of the REIT's current and accumulated earnings and profits as determined for U.S. tax purposes that are distributed to Canadian investors that have not owned (or been deemed to own) more than 10% of the outstanding Units may not be subject to U.S. withholding tax, although there can be no assurances that withholding on such amounts will not be required. The REIT estimates that approximately 45% to 55% of the monthly cash distributions to be paid to Unitholders in 2020 will be made out of the REIT's current or accumulated earnings and profits as determined for U.S. tax purposes and, accordingly, will be subject to U.S. withholding tax. The composition of distributions for U.S. federal income tax purposes may change over time and may be different from the composition for Canadian federal income tax purposes, which may affect the after-tax return to Unitholders. Qualified residents of Canada that are tax-exempt entities established to provide pension, retirement or other employee benefits (including trusts governed by a registered retirement savings plan, registered retirement income fund or deferred profit-sharing plan, but excluding trusts governed by a tax free savings account, registered education savings account or registered disability savings plan) may be eligible for an exemption from U.S. withholding tax. See *"Risks and Uncertainties — Tax-Related Risks"*.

Unitholders of record as at the close of business on the last business day of the month preceding a Distribution Date will have an entitlement on and after that day to receive distributions in respect of that month on such Distribution Date. Under the Declaration of Trust and pursuant to the distribution policy of the REIT, where the REIT's cash is insufficient to make payment of the full amount of a distribution, such payment may, to the extent necessary, be distributed partially in the form of additional Units, which Units may be immediately consolidated as described above.

The first distribution occurred for the period from October 7, 2020 to October 31, 2020 and was made on November 16, 2020 in the amount of \$0.0329 per Unit. 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, effective with the November 2021 distribution, payable in December 2021. On November 14, 2022, the REIT announced that the Board of Trustees approved a further 5% increase to its monthly cash distribution to Unitholders to \$0.0468 per Unit or \$0.562 per Unit on an annual basis, effective with the November 2022 distribution, paid in December 2022.



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 applicable credit facilities and restrictions on payment of distributions thereunder on the occurrence of an event of default, fluctuations in working capital, the sustainability of income derived from the tenants of the REIT's properties and any capital expenditure requirements. See *"Risks and Uncertainties"*.

PROMOTERS

MHC Management, LLC, doing business as SSK Communities, which manages Flagship Communities, was considered a promoter of the REIT for the purposes of applicable securities legislation in connection with the initial public offering. The Promoter is not the manager of, or otherwise involved with, the REIT and its business.

Additionally, the Ontario Securities Commission, as principal regulator, is of the view that Kurtis Keeney and Nathaniel Smith are Promoters of the REIT within the meaning of applicable securities laws. As Retained Interest Holders, Messrs. Keeney and Smith own or control an aggregate of 5,434,135 Class B Units (5,097,283 of which are held by Legacy Holdings) and 17,408 Units together representing an approximate 28% effective interest in the REIT (determined as if all Class B Units are redeemed for Units). See *"Retained Interest Holders"*.

LEGAL PROCEEDING AND REGULATORY ACTIONS

Neither the REIT nor any of the REIT's subsidiaries is currently involved in any outstanding, threatened or pending litigation that would have a material adverse effect on the REIT.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Under the service agreement between the REIT and Empower, Empower was paid \$5,726,000 for the provision of home sales and other services to the REIT in 2022. On February 15, 2022, the REIT acquired a

13-acre resort manufactured housing community from Empower for approximately US \$8,200,000 in cash and the issuance of 37,448 Units of the REIT to Empower. This community consists of 100 lots, with a 99% occupancy rate (as of the date of acquisition), and a 141-boat slip marina. The transaction was approved by the independent members of the Board and is the result of the REIT's exercise of its right of first refusal pursuant to an agreement dated October 7, 2020 with Empower.

Other than as disclosed in this AIF (see *"General Development of the Business - Three Year History"* and *"Retained Interest Holders"*), there are no material interests, direct or indirect, of the Trustees or officers of the REIT, any Unitholder that beneficially owns more than 10% of the Units of the REIT or any associate or affiliate of any of the foregoing persons in any transaction since establishment of the REIT or any proposed transaction that has materially affected or would materially affect the REIT or any of its subsidiaries.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The REIT's auditors are MNP LLP, located in Toronto, Ontario, Canada. The auditors have confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

The transfer agent and registrar for the Units is TSX Trust Company at its principal office located in Toronto, Ontario.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, entered into by the REIT or any of its subsidiaries within the most recently completed financial year of the REIT:

- (1) Declaration of Trust, as more particularly described under "Declaration of Trust and Description of REIT Units";
- (2) Operating Agreement (Amended and Restated Limited Liability Company Agreement of Flagship Operating Inc.), as more particularly described under "Flagship Operating, LLC";
- (3) Indemnity Agreement, as more particularly described under "Retained Interest Holders — Indemnity Agreement";
- (4) Investor Rights Agreement, as more particularly described under "Retained Interest Holders — Investor Rights Agreement";
- (5) Non-competition and Non-solicitation Agreement, as more particularly described under "Arrangements with Empower — Non-Competition and Non-Solicitation Agreement"; and
- (6) ROFO Agreement, as more particularly described under "Arrangements with Empower — ROFO Agreement".
- (7) Equity Distribution Agreement dated May 17, 2022 as more particularly described under "General Development of the Business — Three Year History — Summary of public offerings".

ADDITIONAL INFORMATION

Additional information, including Trustees and officers' remuneration, principal holders of the REIT's Units and Units authorized for issuance under the Omnibus Equity Incentive, where applicable, is contained in the REIT's Management Information Circular for its most recent annual meeting of Unitholders that involves the election of Trustees. Additional financial information is also provided in the REIT's audited consolidated financial statements and management's discussion and analysis of financial condition and results of operations for the period ended December 31, 2022.

Copies of the audited consolidated financial statements, management's discussion and analysis of financial condition and results of operations for the period ended December 31, 2022, the material

contracts and this Annual Information Form may be obtained by contacting Mr. Eddie Carlisle at Flagship Communities REIT, 199 Bay Street, Suite 4000, Toronto, ON, Canada, by email at ecarlisle@flagshipcommunities.com, or on SEDAR at www.sedar.com.

SCHEDULE A

FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

CHARTER OF THE AUDIT COMMITTEE

Effective Date: December, 2021

1. Introduction

The Audit Committee (the “**Committee**”) of Flagship Communities Real Estate Investment Trust (the “**Trust**”) is a committee of the board of trustees of the Trust (the “**Board**”). As delegated by the Board, the Committee shall attend to the responsibilities set out in this Charter.

2. Membership

Number of Members

The Committee shall be composed of three or more members of the Board (the “**Trustees**”), the majority of whom shall be resident in Canada for purposes of the *Income Tax Act* (Canada) and the regulations thereunder (a “**Canadian Resident**”).

Independence of Members

Each member of the Committee shall be independent within the meaning of the provisions of National Instrument 52-110 – *Audit Committees*, as may be amended or replaced from time to time.

Term of Members

The members of the Committee shall be appointed annually by the Board. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a Trustee.

Committee Chair

At the time of the annual appointment of the members of the Committee, the Board may appoint a Chair of the Committee. If a Committee Chair is not appointed by the Board, the members of the Committee shall designate a Committee Chair by majority vote of the full Committee membership. The Committee Chair must be a member of the Committee.

In the absence of the Committee Chair at a meeting of the Committee, the members of the Committee present may appoint a chair from their number for such meeting.

Financial Literacy of Members

At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Trust’s financial statements.

3. Meetings

Location of Meetings

Meetings of the Committee may be held at any place in Canada and may not be held outside Canada, including by way of telephone or other electronic communication facility originating in Canada (e.g., a conference call hosted by a person in Canada).

Frequency of Meetings

The Committee shall meet as often as the Committee considers appropriate to fulfill its responsibilities, but in any event at least once per fiscal quarter of the Trust.

Quorum

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum, provided that a majority of the members comprising such quorum are (a) Canadian Residents and (b) present in- person in Canada or participating from a location in Canada.

Calling of Meetings

The Committee Chair, any member of the Committee, the external auditors, the Chair of the Board, the Lead Trustee (if any), the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Committee on not less than 48 hours' notice to the members of the Committee.

Minutes; Reporting to the Board

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. However, the Committee Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board.

Attendance of Non-Members

The external auditors are entitled to receive notice of, to attend and be heard at each Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Trust, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities.

At least once per year, the Committee shall meet with management to discuss any matters that the Committee or such individuals consider appropriate.

Meetings Without Management

As part of each meeting of the Committee, the Committee shall hold an in camera session, at which management and non-independent Trustees are not present, and the agenda for each Committee meeting will afford an opportunity for such a session.

Access to Management and Books and Records

The Committee shall have unrestricted access to the Trust's management and employees and the books and records of the Trust.

4. Responsibilities

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by the declaration of trust governing the Trust (the “**Declaration of Trust**”) and applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the functions and responsibilities required of an audit committee by the Declaration of Trust, any exchange upon which securities of the Trust are traded, or any governmental or regulatory body exercising authority over the Trust, as are in effect from time to time (collectively, the “**Applicable Requirements**”) or as the Board otherwise deems necessary or appropriate.

Financial Reports

(a) General

The Committee is responsible for overseeing the Trust’s financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Trust’s financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Trust. The external auditors are responsible for auditing the Trust’s annual consolidated financial statements and for reviewing the Trust’s unaudited interim financial statements.

(b) Review of Annual Financial Reports

The Committee shall review the annual consolidated audited financial statements of the Trust, the auditors’ report thereon and the related management’s discussion and analysis of the Trust’s financial condition and financial performance (“MD&A”). After completing its review, if advisable, the Committee shall approve and recommend the annual financial statements and the related MD&A for Board approval.

(c) Review of Interim Financial Reports

The Committee shall review the interim consolidated financial statements of the Trust, the auditors’ review report thereon and the related MD&A. After completing its review, if advisable, the Committee shall approve and recommend the interim financial statements and the related MD&A for Board approval.

(d) Review Considerations

In conducting its review of the annual financial statements or the interim financial statements, the Committee shall:

- (i) meet with management and the auditors to discuss the financial statements and MD&A;
- (ii) review the disclosures in the financial statements;
- (iii) review the audit report or review report prepared by the external auditors;
- (iv) discuss with management, the auditors and internal legal counsel (if any), as requested, any litigation claim or other contingency that could have a material effect on the financial statements;
- (v) review the accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;

- (vi) review any material effects of regulatory accounting initiatives or off- balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under IFRS;
- (vii) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;
- (viii) review management’s report on the effectiveness of internal controls over financial reporting;
- (ix) review the factors identified by management as factors that may affect future financial results;
- (x) review results of the Trust’s audit committee whistleblower reporting program; and
- (xi) review any other matters, related to the financial statements, that are brought forward by the auditors, management or which are required to be communicated to the Committee under accounting policies, auditing standards or Applicable Requirements.

(e) Other Financial Disclosures

The Committee is responsible for reviewing financial disclosure in a prospectus or other securities offering document of the Trust, as well as press releases disclosing, or based upon, financial results of the Trust and any other publicly disseminated material financial disclosure, including, in accordance with the Trust’s Disclosure Policy, material financial outlook (e.g., earnings guidance) and forward-oriented financial information (e.g., forecasted financial statements) provided to analysts, rating agencies or otherwise publicly disseminated, and material non-IFRS financial measures.

The Committee is responsible for ensuring that satisfactory procedures are in place for the review of the Trust’s public disclosure of financial information extracted or derived from the Trust’s financial statements and periodically assessing those procedures.

The Committee will contribute to the Board of Trustee’s oversight of environmental, social and governance matters (“ESG”) by reviewing the ESG strategy, plans and policies and measurements related to financial reporting, risk and disclosures and providing recommendations to the Board of Trustees.

External Auditors

(f) General

The Committee shall be directly responsible for oversight and review of the effectiveness of the work of the auditors, including the auditors’ work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work.

(g) Nomination and Compensation

The Committee shall review and, if advisable, recommend for Board approval the external auditors to be nominated and shall approve the compensation of such external auditor. The Committee shall have ultimate authority to approve all audit engagement terms and fees, including the auditors’ audit plan.

(h) Resolution of Disagreements

The Committee shall assess the effectiveness of the working relationship of the auditors with management and resolve any disagreements between management and the auditors as to financial reporting matters brought to its attention.

(i) Discussions with Auditors

At least annually, the Committee shall discuss with the auditors such matters as are required by applicable auditing standards to be discussed by the auditors with the Committee.

(j) Audit Plan

At least annually, the Committee shall review a summary of the auditors' annual audit plan. The Committee shall consider, review with the auditors any material changes to the scope of the plan.

(k) Quarterly Review Report

The Committee shall review a report prepared by the auditors in respect of each of the interim financial statements of the Trust.

(l) Independence of Auditors

At least annually, and before the auditors issue their report on the annual financial statements, the Committee shall obtain from the auditors a formal written statement describing all relationships between the auditors and the Trust; discuss with the auditors any disclosed relationships or services that may affect the objectivity and independence of the auditors; and obtain written confirmation from the auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which the auditors belong and other Applicable Requirements. The Committee shall take appropriate action to oversee the independence of the auditors.

(m) Requirement for Pre-Approval of Non-Audit Services

The Committee shall approve in advance any retainer of the auditors to perform any non-audit service for the Trust or its subsidiary entities that it deems advisable in accordance with Applicable Requirements and Board-approved policies and procedures. The Audit Committee shall consider the impact of such service and fees on the independence of the auditor. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any member of the Committee to whom this authority has been delegated must be presented to the full Committee at its next scheduled Committee meeting.

(n) Approval of Hiring Policies

The Committee shall review and approve the Trust's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Trust.

(o) Financial Executives

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Board, as appropriate.

Internal Controls

(p) General

The Committee shall review the Trust's system of internal controls.

(q) Establishment, Review and Approval

The Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Committee shall consider and review with management and the auditors:

- (i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Trust's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;
- (ii) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Trust's periodic regulatory filings;
- (iii) any material issues raised by any inquiry or investigation by the Trust's regulators;
- (iv) the Trust's cybersecurity framework and insurance coverage
- (v) the Trust's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Trust to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and
- (vi) any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

Risk Management

The Committee shall be responsible for overseeing management's identification and assessment of the principal risks to the operations of the Trust and the establishment and management of appropriate systems to manage such risks with a view to achieving a proper balance between risks incurred and potential return to holders of securities of the Trust and to the long-term viability of the Trust. In this regard, the Committee shall require management to report periodically to the Committee, and the Committee shall report periodically to the Board, on the principal risks faced by the Trust and the steps implemented by management to manage these risks.

Compliance with Legal and Regulatory Requirements

The Committee shall review reports from the Trust's Corporate Secretary and other management members on: (a) legal or compliance matters that may have a material impact on the Trust; (b) the effectiveness of the Trust's compliance policies; and (c) any material communications received from regulators. The Committee shall review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.

Whistleblower Procedures

The Committee shall establish procedures for (a) the receipt, retention, and treatment of complaints received by the Trust regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Trust of concerns regarding questionable accounting or auditing matters.

Any such complaints or concerns that are received shall be reviewed by the Committee and, if the Committee determines that the matter requires further investigation, it will direct the Chair of the Committee to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management to reach a satisfactory conclusion.

Audit Committee Disclosure

The Committee shall prepare, review and approve any audit committee disclosures required by Applicable Requirements in the Trust's disclosure documents.

Delegation

The Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee to review any matter within this mandate as the Committee deems appropriate.

5. Outside Advisors

The Committee shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective compensation for these advisors. The Trust shall provide appropriate funding, as determined by the Committee, for the services of these advisors.

6. No Rights Created

This Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the committees of the Board assist the Board in directing the affairs of the Trust. While it should be interpreted in the context of all Applicable Requirements, it is not intended to establish any legally binding obligations.

7. Charter Review

The Committee shall review and update this Charter annually and, in conjunction with the review and recommendations of the Compensation, Governance and Nominating Committee regarding same, present the updated Charter to the Board for approval.