



Annual Information Form

For the year ended December 31, 2023

March 14, 2024

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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:

“2023 Equity Distribution Agreement” has the meaning given to that term under “General Development of the Business — Three Year History”.

“Advance Notice Provision” has the meaning given to that term under “Declaration of Trust and Description of 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 a non-IFRS financial measure and 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 a non-IFRS financial ratio and is defined as AFFO for the applicable period divided by the weighted average Unit count during the period.

“AIF” means this Annual Information Form.

“Annual MD&A” has the meaning given to that term under “Additional Information”.

“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.

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

“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 in accordance with the terms of the Declaration of Trust by dividing indebtedness, which consists of the total principal amounts outstanding under mortgages payable and credit facilities, by Gross Book Value.

“**Declaration of Trust**” means the declaration of trust of the REIT dated August 12, 2020, as amended and restated as of September 28, 2020 governed by the laws of the Province of Ontario, pursuant to which the REIT was created, as further amended, supplemented or amended and restated from time to time, as more particularly described under “Declaration of Trust and Description of 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”.

“**ESA**” means environmental site assessment.

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

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

“**February 15 Refinance**” has the meaning given to that term under “General Development of the Business – Three Year History – Indebtedness”.

“**February 20 Refinance**” has the meaning given to that term under “General Development of the Business – Three Year History – Indebtedness”.

“**FFO**” is a non-IFRS financial measure and is defined as IFRS consolidated net income (loss) adjusted for items such as distributions on redeemable or exchangeable units (including distributions on the Class B Units), unrealized fair value adjustments to Class B Units, unrealized fair value adjustments to investment properties, unrealized fair value adjustments to unit based compensation, 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 (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.

“**FIRPTA**” means the Foreign Investment in Real Property Tax Act of 1980, as amended.

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

“**Flagship Operating**” means Flagship Operating, LLC, a Delaware limited liability company that is a subsidiary of the REIT, as more particularly described under “Flagship Operating”.

“**Flagship TRS**” means Flagship TRS, LLC, a Delaware 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, 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.

“**Investment Guidelines**” has the meaning given to that term under “Investment Guidelines and Operating Policies”.

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

“**IRS**” means the U.S. Internal Revenue Service.

“**January Refinance**” has the meaning given to that term under “General Development of the Business – Three Year History – Indebtedness”.

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

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

“**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 the foregoing (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 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”.

“**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.

“**REALPAC**” has the meaning given to that term under “Non-IFRS Financial Measures — Funds from Operations and Adjusted Funds from Operations”.

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

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

“**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 offer agreement, dated October 7, 2020, between Flagship Operating and Empower, as more particularly described under “Arrangements with Empower — ROFO Agreement”.

“**RV**” means recreational vehicle.

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

“**September 18th Bridge Notes**” has the meaning given to that term under “General Development of the Business – Three Year History – Indebtedness”.

“**September 19th Bridge Note**” has the meaning given to that term under “General Development of the Business – Three Year History – Indebtedness”.

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

“**SIFT Rules**” means the rules in the Tax Act applicable to “SIFT trusts” and “SIFT partnerships” (each as defined 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.

“**Treasury Regulations**” means the Treasury regulations promulgated under the Code.

“**Treaty**” means the United States-Canada Income Tax Convention (1980), as amended.

“**TRS**” means taxable REIT subsidiary.

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

“**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 Delaware 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.

“**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, 2023.

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

This AIF, including the Annual MD&A disclosure incorporated by reference herein, 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”, “seek”, “will”, “may”, “might”, “can”, “could”, “would”, “should”, “continue”, “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 within the REIT’s existing operational footprint and newly-entered geographies; the intention of the REIT to pay distributions to Unitholders; expectations regarding the tax treatment of the REIT and of the REIT’s distributions to Unitholders; expected sources of funding for future acquisitions; the use of proceeds from the January Refinance and the February Refinance; macro characteristics and trends in the United States real estate and housing industry, as well as the MHC industry specifically; the ability of the REIT to manage inflation and rising interest rates; 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 factors discussed under the heading “Risks and Uncertainties” in the Annual MD&A, 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 “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

The REIT's financial statements are prepared in accordance with IFRS. However, the REIT uses certain non-IFRS financial measures, non-IFRS ratios and supplementary financial measures, to measure, compare and explain the operating results, financial performance and cash flows of the REIT and provides these additional measures so that investors may do the same. 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 (FFO), Adjusted Funds from Operations (AFFO) and AFFO per Unit

In January 2022, the Real Property Association of Canada ("REALPAC") published a white paper titled "White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS". The purpose of the white paper is to provide reporting issuers and investors with guidance on the definition of FFO and AFFO and to help promote more consistent disclosure from reporting issuers. The REIT's method of calculating FFO and AFFO is substantially in accordance with REALPAC's recommendations, but may differ from other issuers' methods and, accordingly, may not be comparable to FFO and AFFO, respectively, reported by other issuers. See the section entitled "Glossary of Terms used in this Annual Information Form" for more information regarding the composition of FFO, AFFO and AFFO per Unit.

The REIT believes these non-IFRS financial measures and ratio 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.

NOI

See the section entitled "Glossary of Terms used in this Annual Information Form" for more information regarding the composition of NOI. The REIT regards NOI as an important measure of the income generated from the income producing properties and is used by the REIT in evaluating the performance of the REIT's properties. It is also a key input in determining the value of the REIT's properties.

Gross Book Value and Debt to Gross Book Value Ratio

See the section entitled "Glossary of Terms used in this Annual Information Form" for more information regarding the composition of Gross Book Value and Debt to Gross Book Value Ratio.

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 by the Retained Interest Holders, which include members of management of the REIT. The Units have been listed on the Toronto Stock Exchange under the trading symbol MHC.U 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 Manageco'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.

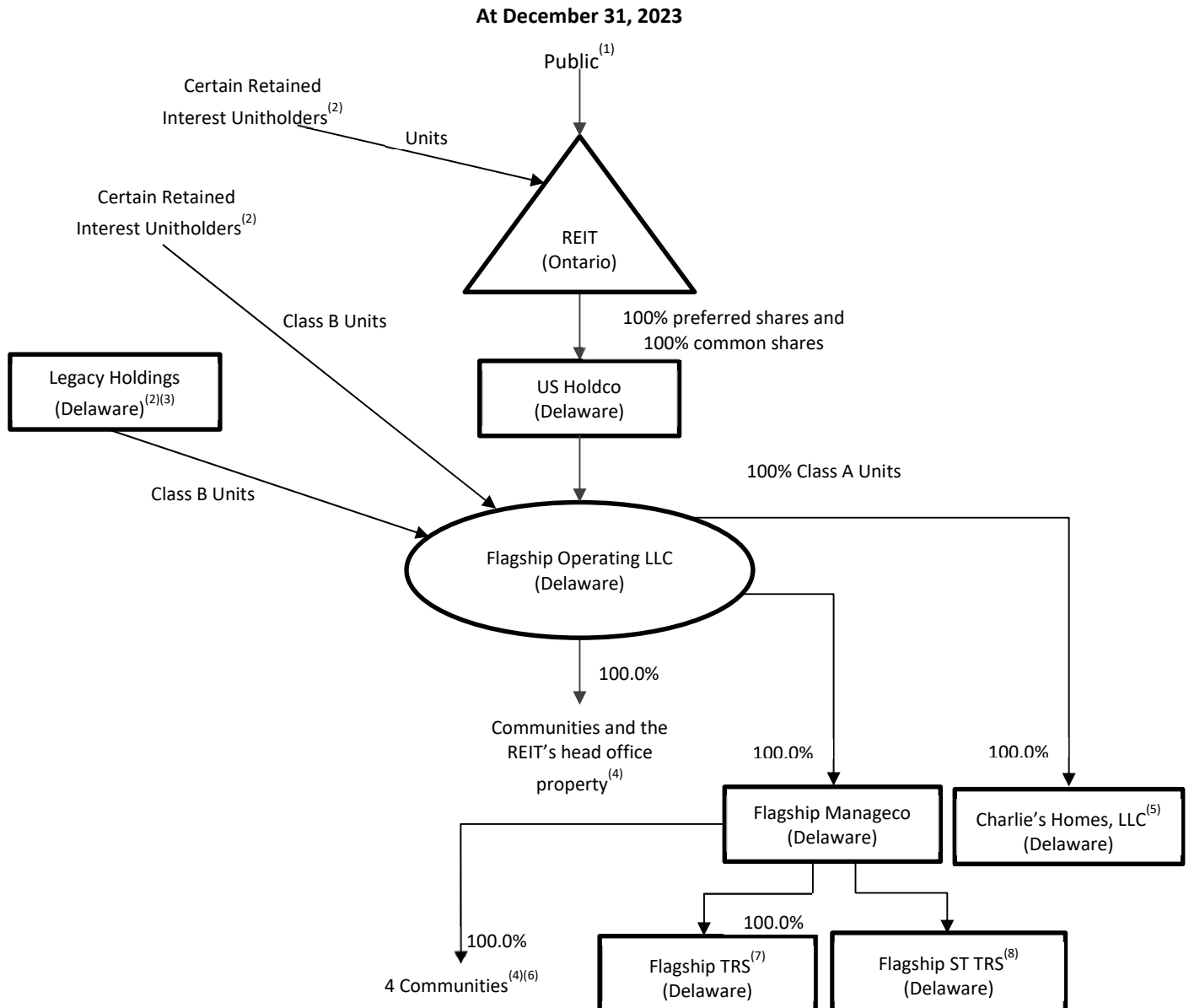
Management believes that macro characteristics and trends in the United States real estate and housing industry, as well as the MHC industry specifically, offer investors an attractive investment opportunity. These characteristics and trends include:

- (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

The following chart summarizes the structure of the REIT as of the date hereof, including material and certain other subsidiaries:



- (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 5,554,733 Class B Units representing an approximate 26.4% effective interest in the REIT. See “Retained Interest Holders”.
- (3) Legacy Holdings is one of the Retained Interest Holders.
- (4) Ownership of 73 MHCs, two RV resort 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”.
- (8) Flagship ST TRS, LLC will manage short term rental units of the REIT.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Equity Offerings

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, to fund 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.

On May 17, 2022, the REIT established an at-the-market equity program (the “**2022 ATM Program**”) pursuant to a prospectus supplement dated May 17, 2022 to the REIT’s short form base shelf prospectus dated May 7, 2021. The 2022 ATM Program allowed the REIT to issue from treasury and sell on the TSX (or such other recognized marketplaces to the extent permitted), at its discretion, up to \$50 million of Units to the public from time to time at prevailing market prices at the time of sale. The REIT issued and sold an aggregate of 1,350,871 Units pursuant to the 2022 ATM Program in accordance with the terms of an equity distribution agreement dated May 17, 2022. The 2022 ATM Program was automatically terminated on June 7, 2023.

On June 29, 2023, the REIT re-established an at-the-market equity program (the “**2023 ATM Program**”) pursuant to a prospectus supplement dated June 28, 2023 to the REIT’s short form base shelf prospectus dated June 7, 2023. The 2023 ATM Program allows the REIT to issue from treasury and sell on the TSX (or such other recognized marketplaces to the extent permitted), at its discretion, up to \$50 million of Units to the public from time to time at prevailing market prices at the time of sale. Any distributions of Units pursuant to the 2023 ATM Program will be made in accordance with the terms of an equity distribution agreement dated June 28, 2023 (the “**2023 Equity Distribution Agreement**”). As of the date of this AIF, the REIT has not issued or sold any Units pursuant to the 2023 ATM Program. The 2023 ATM Program will be effective until July 8, 2025, unless terminated earlier in accordance with the terms of the 2023 Equity Distribution Agreement. The REIT intends to use the net proceeds from Units sold under the 2023 ATM Program, if any, to fund acquisitions, for repayment of indebtedness and for general working capital purposes.

Property Acquisitions

Summarized below are acquisitions of the REIT in its three most-recently completed financial years:

2021

- February 9, 2021 The REIT acquired two MHCs consisting of an aggregate of 151 lots and the 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, which marked the REIT's expansion into Little Rock, Arkansas, was the first strategic acquisition outside of the REIT's main geographic footprint.
- July 2, 2021 The REIT acquired two MHCs comprised of 677 lots in Missouri and Indiana for an aggregate purchase price of approximately \$65.1 million, representing the REIT's entry into two new regions.
- 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 lots.
- November 11, 2021 The REIT acquired three MHCs from two separate vendor groups comprised of 957 lots for an aggregate purchase price of approximately \$56.8 million. Two of the MHCs are located in Arkansas, with the third MHC 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 \$8.2 million in cash and the issuance of 37,448 Units 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 just outside of suburban Springfield, Illinois for a purchase price of approximately \$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 \$22.5 million. The MHCs are comprised of 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 \$32.3 million. The MHCs are comprised of 584 lots.
- November 30, 2022 The REIT acquired a 20-acre, resort-style MHC in Marblehead, Ohio for approximately \$7.8 million. The Marblehead Community, which is comprised of 100 lots with each home including a boat slip as well as access to a community swimming pool, is fully occupied.

2023

- February 28, 2023 The REIT acquired from Empower, a 20-acre MHC in Austin, Indiana, for a purchase price of approximately \$25 thousand in cash and the issuance of 120,598 Class B Units of Flagship Operating to Empower. The MHC includes 120 MHC homesites, which include 94 developed lots and 26 lots for additional expansion.
- May 4, 2023 The REIT acquired three MHCs in Arkansas, Indiana and Tennessee for a purchase price of approximately \$21 million. The MHCs are comprised of 660 lots.
- September 19, 2023 The REIT acquired one MHC in Indiana for a purchase price of approximately \$23 million. The MHC is comprised of 309 lots.
- October 16, 2023 The REIT acquired one MHC in Lakeview, Ohio for a purchase price of approximately \$3 million. The MHC is comprised of 62 lots and includes 62 boat slips, three wave runner docks and a clubhouse.

As of December 31, 2023, the REIT owned a 100% interest in a portfolio of 73 MHCs with 13,310 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, 2023, the REIT also owned a fleet of approximately 1,200 manufactured homes for lease to residents.

Summary of Acquisitions at December 31, 2023

Date of acquisition	Location
February 2021	Kentucky and Tennessee
May 2021	Arkansas

Date of acquisition	Location	
July 2021	Missouri and Arkansas	
August 2021	Illinois	7 states
October 2021	Ohio and Kentucky	73 MHCs
November 2021	Arkansas and Kentucky	13,310 lots
February 2022	Ohio	2 RV resort communities
April 2022	Illinois	470 sites
May 2022	Kentucky	
September 2022	Kentucky and Illinois	
November 2022	Ohio	
February 2023	Indiana	
May 2023	Arkansas, Indiana and Tennessee	
September 2023	Indiana	
October 2023	Ohio	

Indebtedness

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 were used 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 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 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 were 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, raising the total available capacity to \$10.0 million. The Line of Credit is for three years from December 22, 2022 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, 2023, the REIT had \$10.0 million outstanding on the Line of Credit.

On September 18, 2023, the REIT borrowed \$7.995 million from a life insurance lender, for which two MHCs were the collateral ("**September 18th Bridge Notes**"). The interest rates on the September 18th Bridge Notes are variable at 3.75% over the secured overnight financing rate and are adjusted each month until the September 18th Bridge Notes are paid in full. As at December 31, 2023, the September 18th Bridge Notes are accruing interest at 9.13%. The September 18th Bridge Notes mature 12 months after their issuance, with monthly payments being interest only until maturity, at which time any accrued and unpaid interest and the principal balances are due in full (see "Debt Strategy and Indebtedness – Proforma after Debt Refinancing" for more information).

On September 19, 2023, the REIT borrowed \$12.693 million from a life insurance lender, for which a MHC was the collateral (the "**September 19th Bridge Note**"). The interest rate on the September 19th Bridge Note is variable at 3.75% over the secured overnight financing rate and is adjusted each month until the note is paid in full. As at December 31, 2023, the September 19th Bridge Note is accruing interest at 9.13%. The September 19th Bridge Note matures 12 months after its issuance with monthly payments being interest only until maturity, at which time any accrued and unpaid interest and the principal balance are due in full (see "Debt Strategy and Indebtedness – Proforma after Debt Refinancing" for more information).

On October 16, 2023, the REIT acquired a 62 site manufactured housing resort community in Lakeview, Ohio for approximately \$3 million. At closing, the REIT paid \$1 million and borrowed \$2 million from the seller. The interest rate on the note is fixed at 3.00% for 72 months. Monthly payments are interest only until maturity, at which time any accrued and unpaid interest and the principal balance are due in full.

On January 31 2024, the REIT refinanced four mortgages payable with six mortgages payable, for which, collectively, six communities are collateral ("**January Refinance**"). Total proceeds from the refinance were \$54.521 million and the interest rate on these notes is fixed at 5.95% for 10 years with monthly payments being interest only until maturity, at which time any accrued and unpaid interest and the principal balances are due in full. A portion of funds were used to repay one of the two September 18th Bridge Notes and the remainder of the funds will be used to fund future acquisitions and for general business purposes (see "Debt Strategy and Indebtedness — Proforma after Debt Refinancing" for more information).

On February 15, 2024, the REIT refinanced the remaining September 18th Bridge Note for which one community is collateral ("**February 15 Refinance**"). Total proceeds from the refinance were \$4.709 million and the interest rate on this note is fixed at 5.60% for 10 years with the first 60 monthly payments being interest only (see "Debt Strategy and Indebtedness - Proforma after Debt Refinancing" for more information).

On February 20, 2024, the REIT refinanced the September 19th Bridge Note for which one community is collateral ("**February 20 Refinance**"). Total proceeds from the refinance were \$14.664 million and the interest rate on this note is fixed at 5.60% for 10 years with the first 60 monthly payments being interest only (see "Debt Strategy and Indebtedness - Proforma after Debt Refinancing" for more information).

Distributions

On October 22, 2021, the REIT announced that the Board 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 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. On November 15, 2023, the REIT announced that the Board approved a further 5% increase to its monthly cash distribution to Unitholders to \$0.049 per Unit or \$0.59 per Unit on an annual basis, effective with the November 2023 distribution, paid in December 2023.

Issued and Outstanding Units

At December 31, 2023, the REIT had 15,492,056 issued and outstanding Units and 5,582,594 Class B Units (see “Flagship Operating – Flagship Operating Class A Units and Class B Units”).

DESCRIPTION OF THE BUSINESS

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 200 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 Manageco’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 area (“MSA”), states, number of lots per Community, average in place monthly lot rent per month and occupancy.

Portfolio Diversification

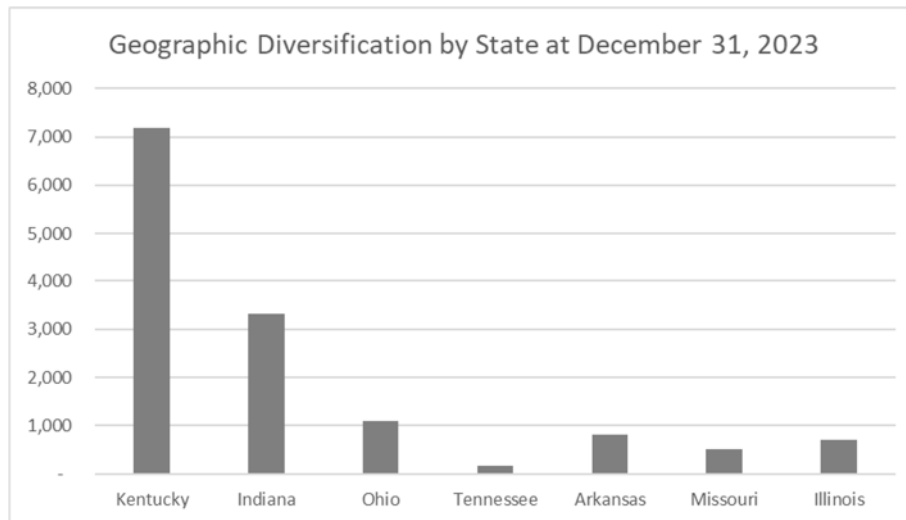
The following table highlights certain information about the Communities as of December 31, 2023, organized by MSA:

Metropolitan Statistical Area	State	Number of lots	Average Lot Rent (\$)	Occupancy
Louisville	KY	4,108	434	80.0%
Lexington	KY	899	395	94.1%
Paducah	KY	491	296	84.9%
Cincinnati	OH	2,839 ⁽¹⁾	452	88.4%
Dayton	OH	125	546	96.0%
Evansville	IN	2,502	371	77.3%
Knoxville	TN	164	350	97.6%
Arkansas	AR	819	351	71.6%
St Louis	MO	502	540	93.2%
Springfield	IL	336	427	88.4%
Bloomington	IL	364	416	82.7%
Other		631	343	95.4%
Total Portfolio		13,780⁽²⁾	414	83.6%

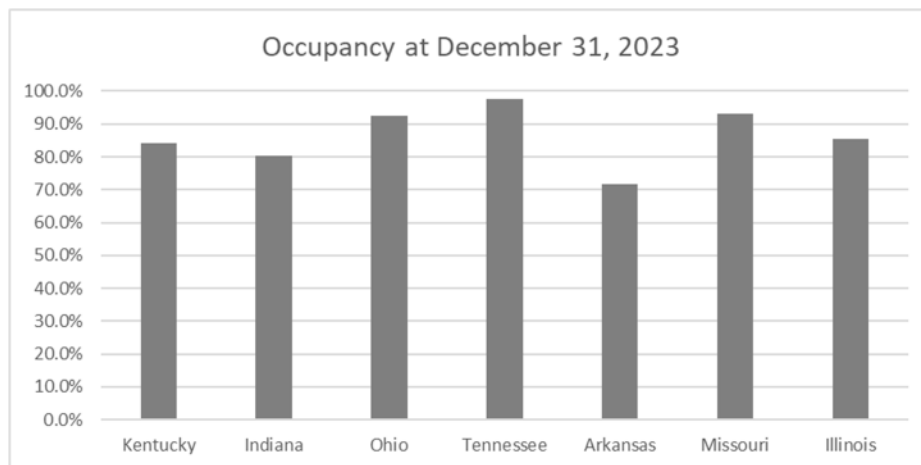
(1) Certain of these lots are located in Kentucky.

(2) The 13,780 lots include 13,310 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, 2023.



The chart below exhibits the occupancy of the REIT’s properties diversified by MSA as of December 31, 2023.



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, 2023 there were 1,250 Rental Homes, approximately 91.4% of which were occupied.

Competitive Conditions

The REIT competes with other investors, managers and owners of properties for the purchase of desirable MHCs 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. In April 2023, the REIT issued its third ESG report, which is available on the REIT’s website at www.flagshipcommunities.com.

Environmental

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

Social

As owners and operators of residential MHCs, the REIT’s Communities are diverse, and many are leased to low- and moderate-income working families.

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

Governance

It is important to the Board and management that the REIT follows the principles of good governance and meets the highest level of ethical standards in all aspects of the business. The REIT’s governance policies and practices are described in the most recently published management information circular, which is

available on the REIT's website at www.flagshipcommunities.com and under the REIT's profile on SEDAR+ at www.sedarplus.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 favourable. Subject to market conditions and the growth of the REIT, management currently intends to target a Debt to Gross Book Value Ratio of approximately 45%-55%. Interest rates and loan maturities will be reviewed on a regular basis to ensure appropriate debt management strategies are implemented.

As of December 31, 2023, the REIT's Debt to Gross Book Value Ratio was 40.3% (42.9% as of December 31, 2022). This decrease, as compared to December 31, 2022, is due to the increasing IFRS fair value of the underlying assets. Management expects that the Debt to Gross Book Value Ratio may increase, at least temporarily, following an acquisition by the REIT of one or more additional properties.

As of December 31, 2023 the REIT had a Weighted Average Interest Rate of 4.08% (3.78% at December 31, 2022) and a Weighted Average Term to Maturity of 10.1 years (11.7 years at December 31, 2022). Mortgages as of December 31, 2023 mature at various dates beginning in 2024.

As of December 31, 2023, 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 REIT's Debt to Gross Book Value Ratio would be more than 65%.

Proforma after Debt Refinancing

As at February 20, 2024, after completing the January Refinance, the February 15 Refinance and February 20 Refinance, the September 18th Bridge Notes and September 19th Bridge Note have been refinanced or paid in full (the "**Refinance and Repayment**").

The Refinance and Repayment resulted in additional proceeds of \$28.604 million from refinancing and repayment of \$3.485 million, the full principle balance of one of the September 18th Bridge Notes. Total costs of the Refinance and Repayment, including fees associated with early termination of the mortgages payable, were \$1.680 million.

The REIT's Weighted Average Interest Rate decreased from 4.08% as at December 31, 2023, to 4.04%, on a pro forma basis, as the refinanced mortgages payable incurred a fixed rate of 5.95% and 5.60%. These rates are significantly lower than the variable rate under the September 18th Bridge Notes and September

19th Bridge Note while being only slightly higher than the mortgages payable refinanced under the January Refinance.

The REIT's Weighted Average Term to Maturity, increased from 10.1 years to 11.0 years on a pro forma basis as at December 31, 2023.

The January Refinance resulted in an increase in the Weighted Average Interest Rate of 0.35% and an extension of the maturity date from June 01, 2028 or May 01, 2029 to February 1, 2034.

The February 14 Refinance and February 20 Refinance resulted in a decrease in the interest rate, which is now fixed at 5.60%, and an extension of the maturity date from October 1, 2024 to March 1, 2034.

Using Gross Book Value from the consolidated statement of financial position as at December 31, 2023 and Indebtedness after the Refinance and Repayment, on a pro forma basis, the REIT's Debt to Gross Book Value Ratio increased from 40.3% to 43.1%. In addition, after completion of the Refinance and the Repayment, the REIT had approximately \$20 million of cash on its balance sheet and no amount drawn on its line of credit.

After the Refinance and Repayment the table below sets out the upcoming principal payments due by year as at December 31, 2023, on a pro forma basis.

Year	Principal payments due during period	% of Total Principal
2024	\$ 281	0.1%
2025	\$ 274	0.1%
2026	\$ 288	0.1%
2027	\$ 613	0.2%
2028	\$ 2,012	0.5%
Thereafter	\$ 373,300	99.0%
TOTAL	\$ 376,768	

Mortgages

The REIT currently has 16 unencumbered investment properties with an aggregate fair value of \$27.059 million as of December 31, 2023.

The following table sets out the Indebtedness of secured mortgage loans and credit facilities outstanding at December 31, 2023 and thereafter (assuming such Indebtedness is not prepaid or renewed at maturity).

Year	Mortgage principal payments due during the period (000s)	% of total principal
2024	\$21,521	6.1%
2025	\$820	0.2%
2026	\$867	0.2%

2027	\$1,204	0.3%
2028	\$26,091	7.4%
Thereafter	\$301,151	85.8%
TOTAL	\$351,654	

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 September 30, 2022, the REIT borrowed \$14.4 million as a supplemental borrowing on its Fannie Mae Loan for which 10 communities are 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 a supplemental borrowing on its Fannie Mae Loan for which three communities are 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 were used to fund acquisitions and for general business purposes.

Freddie Mac Loan

Certain subsidiaries of Flagship Communities, LLC, 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

A description of the risks affecting the REIT and its activities can be found in the section of the REIT’s Annual MD&A entitled “Risks and Uncertainties”, which section is incorporated by reference herein. The REIT’s Annual MD&A is available on SEDAR+ at www.sedarplus.com.

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 were all appointed as trustees of the REIT in 2023 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 Interest Holders – Investor Rights Agreement”.

Pursuant to the Declaration of Trust, the Board 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 tables set 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. The tables also set forth the years of service of each Trustee, and the principal occupation of each executive officer of the REIT during the five preceding years.

Trustees

Name, Municipality of Residence	Independent	Committees/Position	Principal Occupation	Year first became a REIT Trustee
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)	2020
Louis Forbes <i>Toronto, Ontario, Canada</i>	Yes	Audit Committee (Chair)	Corporate director	2020
Kurtis P. Keeney ⁽¹⁾ <i>Covington, Kentucky, United States of America</i>	No	None	President and Chief Executive Officer of the REIT	2020

Name, Municipality of Residence	Independent	Committees/Position	Principal Occupation	Year first became a REIT Trustee
J. Susan Monteith <i>Toronto, Ontario, Canada</i>	Yes	Audit Committee; Compensation, Governance and Nominating Committee (Chair)	Corporate director	2020
Andrew Oppenheim <i>Calgary, Alberta, Canada</i>	Yes	Compensation, Governance and Nominating Committee	Corporate director	2020
Nathaniel Smith <i>Fort Mitchell, Kentucky, United States of America</i>	No	None	Chief Investment Officer of the REIT	2020
Ann Rooney <i>Calgary, Alberta, Canada</i>	Yes	Audit Committee	Corporate director	2022

(1) Retained Interest Holder nominee elected at the May 10, 2023 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

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

As a group, the REIT’s Trustees and executive officers beneficially own, or control or direct, directly or indirectly, 73,084 Units, 129,571 Restricted Units, 62,547 Deferred Units and 5,554,733 Class B Units, representing approximately 27.3% 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 14, 2024, and 0.47% of the 15,492,056 Units of the REIT on a non-diluted basis.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Penalties 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 is, as at the date of this AIF, or has been within the preceding ten years, a director, chief executive officer or chief financial officer of any company or trust (including a personal holding company of any such persons) that: (a) 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. Except as described below, none of the REIT's Trustees or executive officers are, and to the best of the REIT's knowledge, no unitholder holding a sufficient number of the REIT's securities to affect materially the control of the REIT is, or have been within the preceding ten years, 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 to 2021. 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 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 (Chair), 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 or her responsibilities on the Audit Committee is as follows:

Mr. Forbes, Chair of the Audit Committee, has forty 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 at 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 a member 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 also serves on the Boards of Nasdaq CXC Limited and Ensoleillement Inc., which are both wholly-owned subsidiaries of Nasdaq Inc. 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). She was formerly a board member and audit committee member for Horizon North Logistics Inc. and chair of Marine Megafauna Foundation Canada and 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 and 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.

External Auditor Service 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, 2023 and December 31, 2022.

Fee Category	December 31, 2023 ⁽¹⁾	December 31, 2022 ⁽¹⁾
Audit fees ⁽²⁾	\$407,100	\$354,150
Audit-related fees ⁽³⁾	\$123,050	\$110,040
Tax fees ⁽⁴⁾	\$259,581	\$163,585
All other fees ⁽⁵⁾	\$43,160	0
Total	\$832,891	\$627,775

(1) In U.S. dollars.

(2) "Audit fees" include the aggregate professional fees paid to the external auditors for the audit of the annual consolidated financial statements and other regulatory audits and filings.

(3) "Audit-related fees" include the aggregate fees paid to the external auditors for services related to the audit services, including namely review of quarterly financial statements and management's discussion and analysis thereon, consultations regarding financial reporting and accounting standards and French translations, including namely assistance with management information circulars and prospectuses and service related to underwriter's due diligence.

(4) "Tax fees" include the aggregate fees paid and accrued to the external auditors for the provision of tax compliance, tax advice, tax planning and other tax-related services relating to acquisitions of properties or otherwise.

(5) "All other fees" include the aggregate fees paid to the external auditors for all other services other than those presented in the categories of audit fees, audit-related fees and tax fees.

INVESTMENT GUIDELINES AND OPERATING POLICIES

The Declaration of Trust provides for certain guidelines on investments ("Investment Guidelines") 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 wholly-owned, 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 ESA of each real property to be acquired by it and, if the Phase I ESA report recommends that a further ESA be conducted, the REIT shall have conducted such further ESAs, 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 and Operating Policies – 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 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. Subject only to the terms of the terms and conditions contained in the Declaration of Trust, the Trustees may, in their sole discretion, increase the capital of the REIT at any time by the issuance of additional Units (including pursuant to any Trustee or employee incentive compensation plan that may be introduced) for such consideration as they deem appropriate, and the interests of Unitholders may be diluted thereby.

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 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. 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 Rights" and, except as set out in "Retained Interest Holders", "— Issuance of Units" and "Flagship Operating — 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 at meetings of Unitholders, 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 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 Units — Restrictions on Ownership and Transfer – 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 any tenant of the REIT or any 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 its initial public offering of Units, 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 would 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 the REIT’s 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 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 "— 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 and Description of Units — Restrictions on Ownership and Transfer — 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 and Description of Units — Restrictions on Ownership and Transfer — 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 resulted in the transfer of the Units to the charitable trust (or, in the event of a gift, devise or other transaction, the last sale price reported on the TSX on the day of the transfer or other event that resulted 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, 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 will 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 Units being held by 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 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 and Description of Units — 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 and its subsidiaries as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT and its subsidiaries 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, provided that if the REIT has only one Unitholder, the Unitholder present in person or by proxy constitutes a quorum for such meeting. 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 individual whom the Nominating Unitholder proposes to nominate for election as a Trustee: (a) the name, age, business address and residential address of the individual; (b) the principal occupation or employment of the individual; (c) the number of Units which are controlled or which are owned beneficially or of record by the individual 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 individual 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 above and, if any proposed nomination is not in compliance with the above, 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 tendered 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, the REIT is generally prohibited 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 the ability of the REIT to deduct capital gains so allocated to redeeming Unitholders is limited. As a result, 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 limitations. 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 for cancellation 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* (Ontario) 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 redemption 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 not be adjusted until the Class B Units are redeemed for Units.

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. 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, pursuant to the Investor Rights Agreement and subject to certain exceptions set out therein, 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 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 Retained Interest Holders shall have the pre-emptive right to participate in an issuance, distribution or offering by the REIT, Flagship Operating LLC or any of their respective subsidiaries, but only to the extent necessary to maintain their pro rata interest in the REIT, Flagship Operating LLC or any of their respective subsidiaries, as the case may be. 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 or consist entirely of 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 unit option plan established by the REIT from time to time, or (iii) pursuant to a unitholders' rights plan established by 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:

- (1) an exchange, reclassification or cancellation of all or part of the Units;
- (2) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units;
- (3) any constraint on the issue, transfer or ownership of the Units or the change or removal of such constraint;
- (4) 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);
- (5) the termination of any entity forming the REIT (other than as part of an internal reorganization of the assets of the REIT as approved by the Trustees and not prejudicial to Unitholders);
- (6) the combination, amalgamation or arrangement of any entity forming the REIT with any other entity (other than as part of an internal reorganization of the assets of the REIT as approved by the Trustees and not prejudicial to Unitholders); and

- (7) 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:

- (1) 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;
- (2) which, in the opinion of the Trustees, provide additional protection for the Unitholders;
- (3) 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;
- (4) 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;
- (5) 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;
- (6) 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;
- (7) which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to implement a Unit option, Unit purchase or other compensation plan or issue Units for which the purchase price is payable in instalments;
- (8) 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;
- (9) 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
- (10) 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. 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

General

Flagship Operating 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 is located at Corporation Trust Center, 1209 Orange St., Wilmington, New Castle, Delaware, 19801, United States. The principal place of business of Flagship Operating is located at 467 Erlanger Road, Erlanger, Kentucky, 41018, United States. US Holdco is the sole holder of the Class A Units of Flagship Operating. The composition of the board of managers of Flagship Operating is determined (and managers may be removed without cause) by US Holdco; provided that the board of managers of Flagship Operating shall always be comprised of a majority of U.S. residents. Flagship Operating is treated as a partnership for U.S. federal income tax purposes. The organizational structure of the REIT, operating through Flagship Operating 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 are deemed to be assets and income of the REIT, so long as Flagship Operating continues to be treated as a partnership for U.S. federal income tax purposes.

Flagship Operating Class A Units and Class B Units

Flagship Operating 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 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 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 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's determination of whether the redemption will be paid in cash or Units (such determination to be provided by Flagship Operating in writing to the redeeming holder of Class B Units). If Flagship Operating elects to redeem Class B Units for Units, the REIT will generally deliver (indirectly through Flagship Operating) 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 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 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 is not classified as a "publicly traded partnership" for purposes of Section 7704 of the Code, which classification might result in Flagship Operating 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 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 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 are subject to the terms of the Operating Agreement, which provides, among other things, that (i) Flagship Operating 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 (including items such as acquisitions, dispositions and refinancings of real property) require the approval of all of the Flagship Operating 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 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 pro rata in accordance with their ownership interests (based on relative number of units owned, regardless of class). Upon the liquidation of Flagship Operating, after payment of (or adequate provision for) debts and obligations, any remaining assets of Flagship Operating 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 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 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 to admit additional members to Flagship Operating, 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 and its subsidiaries in acquiring, operating and servicing their assets, Flagship Operating 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. 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.

Tax Matters

Pursuant to the Operating Agreement, US Holdco is designated as the "partnership representative" of Flagship Operating 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 in connection with any audit of Flagship Operating by the U.S. Internal Revenue Service. Flagship Operating 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 5,554,733 Class B Units (5,097,283 of which are held by Legacy Holdings and 158,046 of which are held by Empower Park, LLC) and 54,328 Units, together representing an approximate 26.6% 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 2,813,273 Class B Units and 33,051 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 2,583,414 Class B Units owned by Legacy Holdings and 158,046 Class B Units owned by Empower Park, LLC, representing, in the aggregate, an approximate 26.5% 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 and as directed by the REIT in its sole discretion. See "Flagship Operating — Flagship Operating Class A Units and Class B 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.sedarplus.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, control or direct, directly or indirectly, in the aggregate, 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, 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 14, 2024, the Retained Interest Holders had an approximate 26.6% 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 for election at the May 2024 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 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 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'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;
- adding, changing or removing any restriction on the business or businesses that Flagship Operating may carry on (directly or through a subsidiary);
- 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;
- changing the size of the Board; 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 is an underwritten offering 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 is an underwritten offering 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 or one of their subsidiaries decides to issue equity securities of the REIT or Flagship Operating or securities convertible into or exchangeable or redeemable for equity securities of the REIT or Flagship Operating 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 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 closing of any offering of securities of the REIT or Flagship Operating or such other securities as are being contemplated for issuance and otherwise in accordance with the terms and conditions 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, if any;
- 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;
- 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 or any subsidiary or affiliate.

Drag-Along Rights

In the event the REIT proposes to enter into a transaction or series of related transactions 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, upon the written request of the REIT, to 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 Retained Interest Holders and their respective affiliates will be obligated, upon the written request of the REIT, to exercise their redemption rights in respect of the Class B Units held by them prior to the acquisition; the converted Units will be acquired on the same terms and subject to the same conditions as are applicable to the acquisition of Units. See “Flagship Operating — 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.

Indemnity Agreement

Pursuant to the Indemnity Agreement dated October 7, 2020, the Promoter and Legacy Holdings, on a joint and several basis, have agreed to indemnify the REIT and Flagship Operating for breaches of their and Flagship Communities, LLC'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 amount equal to the market value from time to time of the beneficial holdings of the Promoter and Legacy Holdings.

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 has entered into the ROFO Agreement with Empower pursuant to which, among other things, Empower will present Flagship Operating with opportunities to purchase MHCs, including those owned by Empower. Flagship Operating 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 at a discount to appraised value. Conversely, Flagship Operating 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.sedarplus.com.

Pursuant to the ROFO Agreement, Flagship Operating 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 in writing such REIT Opportunity to Flagship Operating, 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 elects to exercise the REIT ROFO, Flagship Operating shall be entitled to pursue such REIT Opportunity without restriction and at its sole discretion. If Flagship Operating does not exercise the REIT ROFO within the prescribed period, Empower may acquire the MHC for its own account, provided such purchase must be completed within 180 days following Flagship Operating 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.

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 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 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 and Empower enter into a definitive agreement in respect of the applicable REIT Opportunity. If Flagship Operating 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, provided such sale must be completed within 180 days following Flagship Operating 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 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, in each case, that are not then owned by the REIT (each, an “**Empower Opportunity**”). Flagship Operating 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 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, which right is exercisable within ten business days of receiving all applicable information. If Empower does not exercise this right, Flagship Operating 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 and Non-Solicitation Agreement from owning MHCs, subject to the exceptions set out in the Non-Competition and Non-Solicitation 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.

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 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 elect to terminate the ROFO Agreement at any time pursuant to this right or any other right, then Flagship Operating will have a one-time right to acquire all or, with Empower's express agreement, part of the 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 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 change of management (each as defined in the ROFO Agreement) of the REIT or Flagship Operating 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 2023 asset management fee was \$0.1 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 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 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 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), 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. 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 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 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 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 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 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 and its subsidiaries to carry out its duties and obligations under the Services Agreement will not be employees of Empower and Flagship Operating 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.sedarplus.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 the REIT operates, or any business or activity related thereto, other than in accordance with the terms of the ROFO Agreement, the 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 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 the REIT operates; provided, however, that if the Management Agreement or Services Agreement is terminated by the REIT due to an event of default (as contemplated therein) 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 “change of management” (as defined in the Non-Competition and Non-Solicitation Agreement) of the REIT or Flagship Operating 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 any investment by Empower in up to 5% of the issued and outstanding equity securities of any individual investee company that is 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 is engaged in a real estate business which primarily invests in MHCs in Canada, the United States or elsewhere 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 2023.

2023	MHC.U US\$		
	High	Low	Volume
January	16.450	15.000	59,471
February	18.700	15.800	474,400
March	20.970	16.730	94,794
April	17.890	16.110	35,666
May	17.350	15.060	68,782
June	16.450	15.000	34,727
July	16.410	15.500	123,412
August	16.480	15.600	35,169
September	16.195	15.000	55,744
October	15.470	14.160	103,491
November	15.960	14.600	156,662
December	17.020	15.180	149,805

MHC.UN CAD\$		
High	Low	Volume
21.880	20.360	10,130
25.140	21.250	27,015
26.820	22.600	17,832
23.525	22.000	17,757
23.120	21.000	10,956
21.540	20.010	5,930
21.890	20.510	10,778
22.000	21.260	7,635
22.490	20.350	17,873
21.600	19.760	69,587
21.750	20.000	41,582
23.040	20.480	51,537

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, 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.

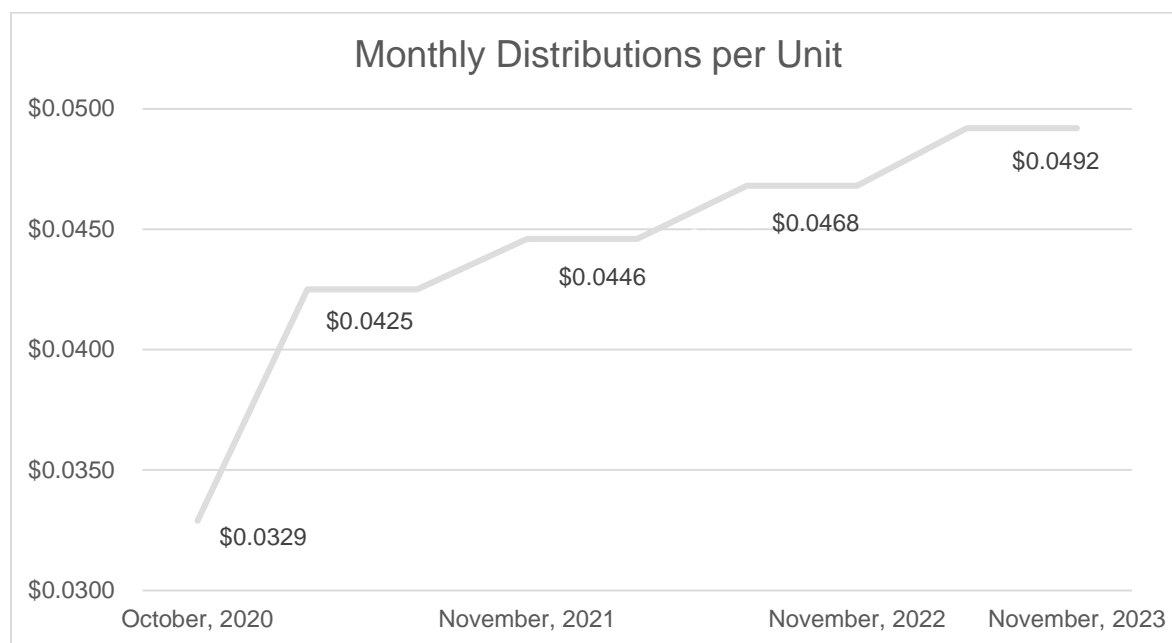
The Declaration of Trust provides that, in exercising its discretion to declare a cash distribution on the Units, the Board will be required to confirm that Flagship Operating has or will have sufficient funds to make a corresponding cash distribution on the Class B Units in accordance with their terms.

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, but only to the extent of such withholding tax not refunded or refundable to the Canadian investor in the event that the U.S. tax withheld does not represent the final U.S. income tax liability in respect of the amounts paid. So long as the Units are considered regularly traded on an established securities market for U.S. tax purposes, 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 2024 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, registered disability savings plan or first home savings account) may be eligible for an exemption from U.S. withholding tax. See "Risks and Uncertainties" in the Annual MD&A.

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 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, payable in December 2021. On November 14, 2022, the REIT announced that the Board 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. On November 15, 2023, the REIT announced that the Board approved a further 5% increase to its monthly cash distribution to Unitholders to \$0.0492 per Unit or \$0.59 per Unit on an annual basis, effective with the November 2023 distribution, paid in December 2023.



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

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 5,529,559 Class B Units (5,097,283 of which are held by Legacy Holdings) and 33,051 Units together representing an approximate 26.4% effective interest in the REIT (determined as if all Class B Units are redeemed for Units). See “Retained Interest Holders”.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The REIT and its subsidiaries are not, and have not been in the last fiscal year, involved in any legal proceedings or regulatory actions which would have a material effect on the REIT and insofar as the REIT is aware, no such proceedings or actions are contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Under the service agreement between the REIT and Empower, Empower was paid \$9,036,000 for the provision of home sales and other services to the REIT in 2023. On February 28, 2023, the REIT acquired from Empower, a 20-acre MHC in Austin, Indiana, for a purchase price of approximately \$16,000 in cash and the issuance of 120,598 Class B Units of Flagship Operating to Empower. The MHC includes 120 MHC homesites, which include 94 developed lots and 26 lots for additional expansion. 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

MNP LLP are the external auditors of the REIT and have confirmed 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 and the register of transfers of the Units is located in Toronto.

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 Units"*;
- (2) Operating Agreement (Amended and Restated Limited Liability Company Agreement of Flagship Operating Inc.), as more particularly described under *"Flagship Operating"*;
- (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”;
- (6) ROFO Agreement, as more particularly described under “Arrangements with Empower — ROFO Agreement”; and
- (7) 2023 Equity Distribution Agreement dated June 28, 2023 as more particularly described under “General Development of the Business — Three Year History”.

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, 2023 (“**Annual MD&A**”).

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, 2023, 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.sedarplus.com.

SCHEDULE A

FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

CHARTER OF THE AUDIT COMMITTEE

Effective Date: February 15, 2024

1. Introduction

The Audit Committee (the “**Committee**”) of Flagship Communities Real Estate Investment Trust (the “**REIT**”) is a committee of the board of trustees of the REIT (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 by the Board promptly following the completion of each meeting of unitholders of the REIT at which Trustees are elected, provided that if the composition of the Committee is not so determined, each Trustee who was then serving as a member of the Committee shall continue as a member of the Committee until their successor is appointed. 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 appointment of the members of the Committee, the Board may appoint a Chair of the Committee (“**Committee Chair**”). 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, provided that if the designation of the Committee Chair is not made, then the Trustee who was then serving as Committee Chair shall continue as Committee Chair until their successor is appointed. 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 REIT's financial statements.

Further, at least one member of the Committee shall have experience as a certified public accountant, chief financial officer or corporate controller of similar experience, or demonstrably meaningful experience overseeing such functions as a senior executive officer.

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 REIT.

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 REIT's 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 REIT's 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 REIT, 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 and Executive Sessions

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.

The Committee shall also periodically meet separately, at unscheduled or regularly scheduled meetings or portions of meetings, in executive session or otherwise with each of the REIT's external auditor and management, as the Committee deems appropriate.

Access to Management and Books and Records

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

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 REIT (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 REIT are traded, or any governmental or regulatory body exercising authority over the REIT, 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 REIT's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the REIT's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the REIT. The external auditors are responsible for auditing the REIT's annual consolidated financial statements and for reviewing the REIT's unaudited interim financial statements.

(b) Review of Annual Financial Reports

The Committee shall review the annual consolidated audited financial statements of the REIT, the auditors' report thereon and the related management's discussion and analysis of the REIT'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 REIT, the auditors' review report thereon, if any, 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, if any, 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 REIT's financial statements;
- (v) regularly review the REIT's critical accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;
- (vi) consider the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
- (vii) review management's process for formulating sensitive accounting estimates and the reasonableness of these estimates;
- (viii) review significant recorded and unrecorded audit adjustments;
- (ix) 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 International Financial Reporting Standards ("IFRS");
- (x) 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;
- (xi) inquire at least annually of both the REIT's management and the REIT's auditors as to whether either has any concerns relative to the quality or aggressiveness of management's accounting policies;
- (xii) review with the auditors alternative accounting treatments that have been discussed with management;

- (xiii) review with management any significant changes in IFRS, as well as emerging accounting and auditing issues, and their potential effects;
- (xiv) review with management matters that may have a material effect on the financial statements;
- (xv) review management's report on the effectiveness of internal controls over financial reporting;
- (xvi) review the factors identified by management as factors that may affect future financial results;
- (xvii) review results of the REIT's audit committee whistleblower reporting program; and
- (xviii) 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 REIT, as well as press releases disclosing, or based upon, financial results of the REIT and any other publicly disseminated material financial disclosure, including, in accordance with the REIT's Disclosure Policy, material financial outlook (e.g., earnings guidance) and forward-oriented financial information (e.g., forecasted financial statements) provided to rating agencies or otherwise publicly disseminated, and material non-IFRS financial measures, non-GAAP ratios, total of segments measures, capital management measures, and supplementary financial measures (each as defined in National Instrument 52-112 – *Non-GAAP and Other Financial Measures Disclosure*).

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

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. When a change of auditors is proposed, the Committee shall review all issues related to the change, including the information required to be disclosed by applicable legal requirements and the planned steps for an orderly transition.

(g) Nomination and Compensation

The Committee shall review and, if advisable, recommend for Board approval the REIT's 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 REIT's external auditors with management and resolve any disagreements between management and the auditors as to financial reporting matters brought to its attention.

The Committee shall review all reportable events, including disagreements, unresolved issues and consultations with the REIT's auditors, whether or not there is to be a change of auditors, and receive and review all reports prepared by the auditors.

(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 any report prepared by the auditors in respect of each of the interim financial statements of the REIT.

(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 REIT; 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 REIT 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 REIT's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the REIT.

(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 REIT'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 periodically consider and review with management and the auditors:

- (i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the REIT'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 REIT's periodic regulatory filings;
- (iii) any material issues raised by any inquiry or investigation by the REIT's regulators;
- (iv) the REIT's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the REIT 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
- (v) 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 REIT 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 REIT and to the long-term viability of the REIT. In this regard, the Committee

shall require management to report periodically to the Committee, and the Committee shall review such reports provided by management, on the risks inherent in the business of the REIT (including appropriate crisis preparedness, business continuity, information system controls, cybersecurity and information security and disaster recovery plans), the appropriate degree of risk mitigation and risk control, overall compliance with and the effectiveness of the REIT's risk management policies, and residual risks remaining after implementation of risk controls. The Committee shall report periodically to the Board with respect to the principal risks faced by the REIT and the steps implemented by management to manage these risks.

Compliance with Legal and Regulatory Requirements

The Committee shall review reports from the REIT's Secretary and other management members on: (a) legal or compliance matters that may have a material impact on the REIT; (b) the effectiveness of the REIT'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 REIT regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the REIT 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 Committee Chair 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 REIT'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. Conflicts of Interest

The Committee shall review the REIT's policies, procedures and requirements relating to the review and approval or avoidance of conflicts of interest. The Committee shall consider the results of any review of these policies, procedures and requirements by the REIT's external auditors.

6. Outside Advisors

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and duties as described above, and may seek, retain and terminate accounting, legal, consulting or other expert advice from a source independent of management, at the expense of the REIT, with notice to either the Chair of the Board, the Lead Trustee (if appointed) or the Chief Executive

Officer of the REIT, as deemed appropriate by the Committee. In furtherance of the foregoing, the Committee shall have the sole authority to retain and terminate, from a source independent of management, any such consultant or advisor to be used to assist in the evaluation of such matters and shall have the sole authority to approve the consultant or advisor's fees and other retention terms.

7. 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 REIT. While it should be interpreted in the context of all Applicable Requirements, it is not intended to establish any legally binding obligations.

8. Charter Review

The Committee shall review and update this Charter on a periodic basis (and no less frequently than every three years) 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.