



Management's Discussion and Analysis

For the year ended December 31, 2023

March 14, 2024

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

Table of Contents

Presentation.....	3
Forward Looking Statements.....	3
Use of Estimates.....	4
Non-IFRS Financial Measures.....	5
Other Real Estate Industry Metrics.....	6
Highlights	7
Business Performance Measures.....	13
Selected Quarterly Financial Information.....	17
Review of Selected Operating Information – Q4 2023.....	18
Reconciliation of FFO, FFO per Unit, AFFO and AFFO per Unit.....	28
Calculation of Other Real Estate Industry Metrics.....	30
Liquidity and Capital Resources	31
Investment Property Portfolio	40
Cash Flows.....	41
Transactions with Related Parties.....	42
Critical Accounting Estimates and Assumptions.....	44
Disclosure Controls and Internal Controls Over Financial Reporting	48
Risks and Uncertainties.....	49

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

Presentation

This Management’s Discussion and Analysis (“MD&A”) is prepared as at March 14, 2024 and outlines Flagship Communities Real Estate Investment Trust’s (the “REIT” or “Flagship”) operating strategies, risk profile considerations, business outlook and analysis of its financial performance and financial condition for the years and three-months ended December 31, 2023 and 2022.

This MD&A should be read in conjunction with the REIT’s consolidated financial statements and accompanying notes for the years ended December 31, 2023 and 2022. Such document, as well as additional information relating to the REIT (including the REIT’s most recently filed annual information form (the “Annual Information Form”)) can be accessed under the REIT’s SEDAR+ profile at www.sedarplus.com or on the REIT’s website at www.flagshipcommunities.com.

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

The trust units (“Units”) of the REIT trade on the Toronto Stock Exchange in U.S. dollars under the symbol “MHC.U” and in Canadian dollars under the symbol “MHC.UN”.

Forward Looking Statements

This MD&A contains statements that include forward-looking information (within the meaning of applicable Canadian securities laws). Forward-looking statements are identified by words such as “believe”, “anticipate”, “project”, “expect”, “intend”, “plan”, “will”, “may”, “can”, “could”, “would”, “must”, “estimate”, “target”, “objective”, and other similar expressions, or negative versions thereof, and include statements herein concerning: the REIT’s investment strategy, objectives and creation of long-term value; the REIT’s intention to continue to expand in its existing operational footprint, increasing its presence in core markets to enhance efficiencies and achieve economies of scale, and target growth markets, the REIT’s intention to convert rental homes to tenant owned homes as opportunities allow; expected sources of funding for future acquisitions and the expected performance of acquisitions; macro characteristics and trends in the United States real estate and housing industry, as well as the manufactured housing community (“MHC”) industry specifically; the REIT’s distribution policy and intended sources of cash therefor; expectations regarding the tax treatment of the REIT and of the REIT’s distributions to Unitholders; and the REIT’s target indebtedness as a percentage of Gross Book Value. These statements are based on the REIT’s expectations, estimates, forecasts, and projections, as well as assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies that could cause actual results to differ materially from those that are disclosed in such forward-looking statements. While considered reasonable by management of the REIT as at the date of this MD&A, any of these expectations, estimates, forecasts, projections, or assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those expectations, estimates, forecasts, projections, or assumptions could be incorrect. Material factors and assumptions used by management of the REIT to develop the forward-looking information in this MD&A include, but are not limited to, the REIT’s current expectations

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

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" herein or discussed in the Annual Information Form. There can be no assurance that forward-looking statements will prove to be accurate as actual outcomes and results may differ materially from those expressed in these forward-looking statements. Further, certain forward-looking statements included in this MD&A may be considered as "financial outlook" for purposes of applicable Canadian securities laws, and as such, the financial outlook may not be appropriate for purposes other than to understand management's current expectations and plans relating to the future, as disclosed in this MD&A. Forward-looking statements are made as of the date of this MD&A and, except as expressly required by applicable law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Use of Estimates

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant estimates, judgements and assumptions include the fair values assigned to investment properties, Class B Units ("Class B Units") of Flagship Operating, LLC ("Flagship Operating"), Restricted Units ("RUs"), and Deferred Trust Units ("DTUs"). Actual results may differ from these estimates.

Non-IFRS Financial Measures

In this MD&A, the REIT uses certain financial measures that are not defined under IFRS including certain non-IFRS ratios, to measure, compare and explain the operating results, financial performance and cash flows of the REIT. These measures are commonly used by entities in the real estate industry as useful metrics for measuring performance. However, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other publicly traded entities. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

Funds from Operations and Adjusted Funds from Operations

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

FFO 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. Refer to section “Reconciliation of FFO, FFO per Unit, AFFO and AFFO per Unit” for a reconciliation of FFO to AFFO to consolidated net income (loss).

“FFO per Unit (diluted)” is defined as FFO for the applicable period divided by the diluted weighted average Unit count (including Class B Units, vested RUs and vested DTUs) during the period.

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

“AFFO Payout Ratio” is defined as total cash distributions of the REIT (including distributions on Class B Units) divided by AFFO.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

“AFFO per Unit (diluted)” is defined as AFFO for the applicable period divided by the diluted weighted average Unit count (including Class B Units, vested RUs and vested DTUs) during the period.

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

Other Real Estate Industry Metrics

Additionally, this MD&A contains several other real estate industry financial metrics:

- “Acquisitions” means the REIT’s properties, excluding Same Communities (as defined below) (i.e., Acquisitions Revenue, as well as Acquisitions net operating income (“NOI”), and Acquisitions NOI Margin (as defined below)), and such measure is used by management to evaluate period-over-period performance of such investment properties throughout both respective periods. These results reflect the impact of acquisitions of investment properties.
- “Debt to Gross Book Value” is calculated by dividing indebtedness, which consists of the total principal amounts outstanding under mortgages payable and credit facilities, by Gross Book Value (as defined below). Refer to section “Calculation of Other Real Estate Industry Metrics – Debt to Gross Book Value”.
- “Gross Book Value” means, at any time, the greater of: (a) the value of the assets of the REIT and its consolidated subsidiaries, as shown on its then most recent consolidated 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.
- “Liquidity” is defined as (a) cash and cash equivalents, plus (b) borrowing capacity available under any existing credit facilities.
- “NOI Margin” is defined as NOI divided by total revenue. Refer to section “Calculation of Other Real Estate Industry Metrics – NOI and NOI Margin”.
- “Rent Collections” is defined as the total cash collected in a period divided by total revenue charged in that same period.
- “Same Community” means all properties which have been owned and operated continuously since January 1, 2022 by the REIT and such measures (i.e., Same Community Revenue, as well as Same Community NOI, Same Community NOI Margin, and Same Community Occupancy) are used by management to evaluate period-over-period performance.
- “Weighted Average Lot Rent” means the lot rent for each individual community multiplied by the total lots in that community summed for all communities divided by the total number of lots for all communities.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

- “Weighted Average Mortgage Interest Rate” is calculated by multiplying each mortgage's interest rate by the mortgage balance and dividing the sum by the total mortgage balance.
- “Weighted Average Mortgage Term” is calculated by multiplying each mortgage’s remaining term by the mortgage balance and dividing by the sum by the total mortgage balance.

Highlights

Three months ended December 31, 2023

- Rental revenue for the three months ended December 31, 2023 was \$18,761 compared to \$15,700 for the three months ended December 31, 2022, an increase of \$3,061 or 19.5%.
- Same Community Revenue¹ for the three months ended December 31, 2023 was \$15,677, compared to \$14,019 for the three months ended December 31, 2022, an increase of \$1,658 or 11.8%.
- Net (loss) and comprehensive (loss) for the three months ended December 31, 2023 was \$(1,488) compared to \$(684) for the three months ended December 31, 2022, an increase of \$804 or 117.5%.
- Net (loss) and comprehensive (loss) per Unit (diluted) for the three months ended December 31, 2023 was \$(0.07) versus \$(0.03) for the three months ended December 31, 2022.
- FFO per unit (diluted)² for the three months ended December 31, 2023 was \$0.294 compared to \$0.248 for the three months ended December 31, 2022 which was an increase of \$0.046 per Unit, or 18.5%
- AFFO per unit (diluted)² for the three months ended December 31, 2023 was \$0.258 compared to \$0.209 for the three months ended December 31, 2022 which was an increase of \$0.049 per Unit, or 23.4%.
- NOI for the three months ended December 31, 2023 was \$12,439 compared to \$10,367 for the three months ended December 31, 2022, an increase of \$2,072 or 20.0%.
- Same Community NOI¹ for the three months ended December 31, 2023 was \$10,691 compared to \$9,247 for the three months ended December 31, 2022, an increase of \$1,444 or 15.6%.
- NOI Margin¹ for the three months ended December 31, 2023 was 66.3% compared to 66.0% for the three months ended December 31, 2022.
- Same Community NOI Margin¹ for the three months ended December 31, 2023 was 68.2% compared to 66.0% for the three months ended December 31, 2022.
- Rent Collections¹ for the three months ended December 31, 2023 was 99.62%, which is up from 99.53% for the three months ended December 31, 2022.

¹ Refer to section “Other Real Estate Industry Metrics”.

² Refer to section “Non-IFRS Financial Measures”.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

Year ended December 31, 2023

- Rental revenue for the year ended December 31, 2023 was \$71,052 compared to \$58,798 for the year ended December 31, 2022, an increase of \$12,254 or 20.8%.
- Same Community Revenue¹ for the year ended December 31, 2023 was \$61,439, compared to \$55,595 for the year ended December 31, 2022, an increase of \$5,844 or 10.5%.
- Net income and comprehensive income for the year ended December 31, 2023 was \$65,098 compared to \$42,682 for the year ended December 31, 2022, an increase of \$22,416 or 52.5%.
- Net income and comprehensive income per Unit (diluted) for the year ended December 31, 2023 was \$3.13 versus \$2.17 for the year ended December 31, 2022.
- FFO per unit (diluted)² for the year ended December 31, 2023 was \$1.185 compared to \$1.080 for the year ended December 31, 2022 which was an increase of \$0.105 per Unit, or 9.7%.
- AFFO per unit (diluted)² for the year ended December 31, 2023 was \$1.038 compared to \$0.932 for the year ended December 31, 2022 which was an increase of \$0.106 per Unit, or 11.4%.
- NOI for the year ended December 31, 2023 was \$46,917 compared to \$38,933 for the year ended December 31, 2022, an increase of \$7,984 or 20.5%.
- Same Community NOI¹ for the year ended December 31, 2023 was \$40,861 compared to \$36,933 for the year ended December 31, 2022, an increase of \$3,928 or 10.6%.
- NOI Margin¹ for the year ended December 31, 2023 was 66.0% compared to 66.2% for the year ended December 31, 2022.
- Same Community NOI Margin¹ for the year ended December 31, 2023 was 66.5% compared to 66.4% for the year ended December 31, 2022.
- Rent Collections¹ for the year ended December 31, 2023 was 99.36%, which is up from 98.73% for the year ended December 31, 2022.

As at December 31, 2023

- Debt to Gross Book Value¹ as at December 31, 2023 was 40.3% compared to 42.9% as at December 31, 2022.
- Total portfolio occupancy was 83.6% as at December 31, 2023, an increase of 0.5% compared to December 31, 2022
- Same Community¹ Occupancy increased to 84.8% as at December 31, 2023 compared to 83.3% as at December 31, 2022, an increase of 1.5%, demonstrating the REITs ability to drive occupancy growth utilizing the home ownership model.

Business Overview

Objectives

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

As at December 31, 2023, the REIT owned a 100% interest in a portfolio of 73 MHCs with 13,310 lots as well as two recreational vehicle (“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 at December 31, 2023, the REIT also owned a fleet of approximately 1,200 manufactured homes for lease to residents. The REIT plans to continue its strategy of converting rental homes to tenant owned homes however, from time to time, the rental home fleet may grow as a result of property acquisitions and targeted additions based on community needs.

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 primary objectives of the REIT are to:

- Provide Unitholders an opportunity to invest in a portfolio of MHCs and RV resort communities 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 and RV resort communities that are expected to be accretive to the REIT’s AFFO per Unit.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

Year ended December 31, 2023

On February 28, 2023, the REIT acquired a 20 acre MHC in Austin, Indiana for approximately \$2,000 from a related party, Empower Park, LLC (“Empower”)(see section “Transactions with Related Parties”). The acquisition includes 120 MHC homesites, which include 94 developed lots and 26 lots for additional expansion. The purchase price for the acquisition was satisfied by \$25 cash and the issuance of 120,598 Class B Units by Flagship Operating.

On March 22, 2023, pursuant to the ATM Offering (as defined below), the REIT raised gross proceeds of \$20,000 through the issuance of 1,176,471 Units at a price of \$17.00 per Unit (“March ATM Offering”). The net proceeds from the March ATM Offering were used by the REIT to fund subsequent acquisitions and for general business purposes.

On May 4, 2023, the REIT acquired three MHCs comprising 660 lots for approximately \$21,000. The MHCs had an average occupancy of 67% at the time of acquisition and are located in the REITs existing markets in Arkansas, Indiana and Tennessee. These acquisitions align with the REITs strategy to increase presence in core markets to enhance efficiencies and achieve economies of scale.

On May 23, 2023, pursuant to the ATM Offering, the REIT raised gross proceeds of \$2,965 through the issuance of 174,400 Units at a price of \$17.00 per Unit (“May ATM Offering”). The net proceeds from the May ATM Offering were used by the REIT to fund a subsequent acquisition and for general business purposes.

On June 7, 2023, following the lapsing of the REIT’s previous short form base shelf prospectus dated May 7, 2021, the REIT filed a new base shelf prospectus. Subsequently, the REIT re-established the ATM Offering pursuant to a new prospectus supplement dated June 28, 2023. Pursuant to the ATM Offering, the REIT may issue Units, from time to time, up to an aggregate amount of \$50,000.

On September 18, 2023, the REIT borrowed \$7,995 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 (“SOFR”) and is adjusted each month until the 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 “Business Overview – Subsequent to the year ended December 31, 2023” and “Debt Financing – Proforma after Debt Refinancing” for more information). These borrowed funds were used to fund subsequent acquisitions and for general business purposes.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

On September 19, 2023, the REIT acquired a MHC comprising 309 lots for approximately \$23,000. The MHC had an average occupancy of 95% at the time of acquisition and is located in the REITs existing markets in Indiana. At closing, the REIT borrowed \$12,693 from a life insurance lender, for which the MHC was the collateral (“September 19th Bridge Note”). The interest rate on the September 19th Bridge Note is variable at 3.75% over the SOFR 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 “Business Overview – Subsequent to the year ended December 31, 2023” and “Debt Financing – Proforma after Debt Refinancing” for more information). This acquisition aligns with the REITs strategy to increase presence in core markets to enhance efficiencies and achieve economies of scale.

On October 16, 2023, the REIT acquired a 62 site manufactured housing resort community in Lakeview, Ohio for approximately \$3,000. At the time of acquisition, the MHC had an average occupancy of 95%. The community also includes 62 boat slips, three wave runner docks and a clubhouse. At closing, the REIT paid \$1,000 and borrowed \$2,000 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.

Year ended December 31, 2022

On February 15, 2022, the REIT acquired a 13-acre resort MHC from a related party, Empower, for approximately \$8,200 (see section “Transactions with Related Parties”). This community consists of 100 lots, with a 99% occupancy rate (as of the date of acquisition), and a 141-boat slip marina. The purchase price for the acquisition was satisfied by \$7,533 in cash and the issuance of 37,448 Class B Units by Flagship Operating.

On March 24, 2022, the REIT borrowed \$9,049 from an agency lender, for which one MHC was the collateral. The interest rate on the note is 4.37% fixed for 30 years with the first 180 monthly payments being interest only. These funds were used to fund acquisitions and for general business purposes.

On April 13, 2022, the REIT borrowed \$18,000 from a life insurance lender, for which one MHC was the collateral. The interest rate on the note is 3.80% fixed for 20 years with the first 60 monthly payments being interest only. These funds were used to fund acquisitions and for general business purposes.

On April 29, 2022, the REIT acquired an MHC in Riverton Illinois which included 103 lots and 74 rental homes for \$6,250. The community was 89% occupied as of time of the acquisition and is the REIT’s second community in Illinois.

On May 17, 2022, the REIT filed a supplement to its base shelf prospectus, dated May 7, 2021, and entered into an equity distribution agreement for the purpose of completing at-the-market offering(s) (the “ATM Offering”). Pursuant to the ATM Offering, the REIT may issue Units, from time to time, up to an aggregate amount of \$50,000.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

On May 18, 2022, the REIT acquired two MHCs in Florence Kentucky which included 345 lots for \$22,500. The combined occupancy was 70% as of time of the acquisition and further increases the REIT concentration in core states which enhances efficiencies and achieves economies of scale.

On December 31, 2022, the REIT borrowed \$14,421 as a supplemental borrowing on its Fannie Mae credit facility for which ten communities are the collateral. The interest rate on this note is 5.79% for 12 years with all payments being interest only for the full term. These funds were used to fund acquisitions and for general business purposes.

On July 7, 2022, the REIT borrowed \$10,700 from a life insurance lender, for which one MHC was the collateral. The interest rate on the note is 4.98% for 20 years with the first 60 monthly payments being interest only. These funds were used to fund acquisitions and for general business purposes.

On September 22, 2022, the REIT acquired two MHCs in Louisville, Kentucky and Bloomington, Illinois which included 584 lots and 97 rental homes for \$32,300. Combined occupancy of these two MHCs was 79% as of time of the acquisition. At closing, the REIT borrowed \$8,600 from a life insurance lender, for which one MHC was the collateral. The interest rate on the note is 4.86% for 20 years with the first 72 monthly payments being interest only.

On November 14, 2022, the REIT announced that the Board of Trustees of the REIT (the "Board") approved a 5% increase to its cash distribution to holders of Units ("Unitholders") to \$0.0468 per Unit per month or \$0.562 per Unit per year. The new monthly cash distribution commenced with the November 2022 distribution, paid in December 2022.

On November 30, 2022, the REIT acquired a 20-acre resort MHC, in Marblehead, Ohio where the REIT has an existing market presence, for approximately \$7,800. This community was fully occupied as of time of the acquisition and consists of 100 lots with each lot including a boat slip.

On November 30, 2022, the REIT borrowed \$8,500 from a life insurance lender, for which the two resort MHCs, were the collateral. The interest rate on these notes is 6.15% for 20 years with the first 60 monthly payments being interest only. These funds were used to partially fund the November 30, 2022, acquisition.

On December 22, 2022, the REIT borrowed \$7,099 as an additional borrowing on its Fannie Mae credit facility for which three communities are the collateral. The interest rate on this note is 5.46% for 10 years with all payments being interest only for the full term. These funds will be used to fund future acquisitions and for general business purposes.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

Subsequent to the year ended December 31, 2023

On January 31, 2024, the REIT refinanced four mortgages payable with six mortgages payable, for which collectively, six communities are collateral (“January 31 Refinance”). Total gross proceeds from the refinance were \$54,521 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 Financing - 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 gross proceeds from the refinance were \$4,709 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 Financing - 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 gross proceeds from the refinance were \$14,664 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 Financing - Proforma after Debt Refinancing” for more information).

Business Performance Measures

The following tables present an overview of certain performance measures of the REIT as at December 31, 2023 and December 31, 2022 or for the three months and years ended December 31, 2023 and 2022.

	As at December 31, 2023	As at December 31, 2022
Total communities	75	69
Total lots	13,780	12,601
Weighted Average Lot Rent*	\$414	\$388
Total portfolio occupancy	83.6%	83.1%
Debt to Gross Book Value*	40.3%	42.9%
Weighted Average Mortgage Interest Rate*	4.08%	3.78%
Weighted Average Mortgage Term*	10.3 Years	11.7 Years

* Refer to section “Other Real Estate Industry Metrics”.

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

	For the three months ended December 31, 2023		For the three months ended December 31, 2022	
Rental revenue and related income	\$	18,761	\$	15,700
Net (loss) and comprehensive (loss)	\$	(1,488)	\$	(684)
Net (loss) and comprehensive (loss) per unit (basic)	\$	(0.10)	\$	(0.05)
Net (loss) and comprehensive (loss) per unit (diluted)	\$	(0.07)	\$	(0.03)
Distributions Declared per unit (Units)	\$	0.140	\$	0.138
Distributions Declared per unit (Class B Units)	\$	0.140	\$	0.138
NOI	\$	12,439	\$	10,367
NOI Margin**		66.3%		66.0%
FFO*	\$	6,224	\$	4,865
FFO Per Unit* (diluted)	\$	0.294	\$	0.248
AFFO*	\$	5,450	\$	4,114
AFFO Per Unit* (diluted)	\$	0.258	\$	0.209
AFFO Payout Ratio*		55.2%		64.8%
Weighted average units (basic)		15,492,056		14,141,185
Weighted average units (diluted)		21,144,151		19,643,642

	For the year ended December 31, 2023		For the year ended December 31, 2022		For the year ended December 31, 2021	
Rental revenue and related income	\$	71,052	\$	58,798	\$	43,075
Net income and comprehensive income	\$	65,098	\$	42,682	\$	60,008
Net income and comprehensive income per unit (basic)	\$	4.29	\$	3.02	\$	6.53
Net income and comprehensive income per unit (diluted)	\$	3.13	\$	2.17	\$	3.91
Total Assets	\$	902,601	\$	799,268	\$	695,125
Total Non-current Liabilities	\$	421,220	\$	420,671	\$	363,330
Distributions Declared per unit (Units)	\$	0.566	\$	0.540	\$	0.514
Distributions Declared per unit (Class B Units)	\$	0.566	\$	0.540	\$	0.514
NOI	\$	46,917	\$	38,933	\$	28,661
NOI Margin**		66.0%		66.2%		66.5%
FFO*	\$	24,627	\$	21,201	\$	15,869
FFO Per Unit* (diluted)	\$	1.185	\$	1.080	\$	1.034
AFFO*	\$	21,561	\$	18,302	\$	13,457
AFFO Per Unit* (diluted)	\$	1.038	\$	0.932	\$	0.877
AFFO Payout Ratio*		54.1%		57.6%		57.6%
Weighted average units (basic)		15,162,650		14,141,185		9,195,502
Weighted average units (diluted)		20,779,060		19,630,160		15,336,933

* Refer to section "Non-IFRS Financial Measures".

** Refer to section "Other Real Estate Industry Metrics".

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

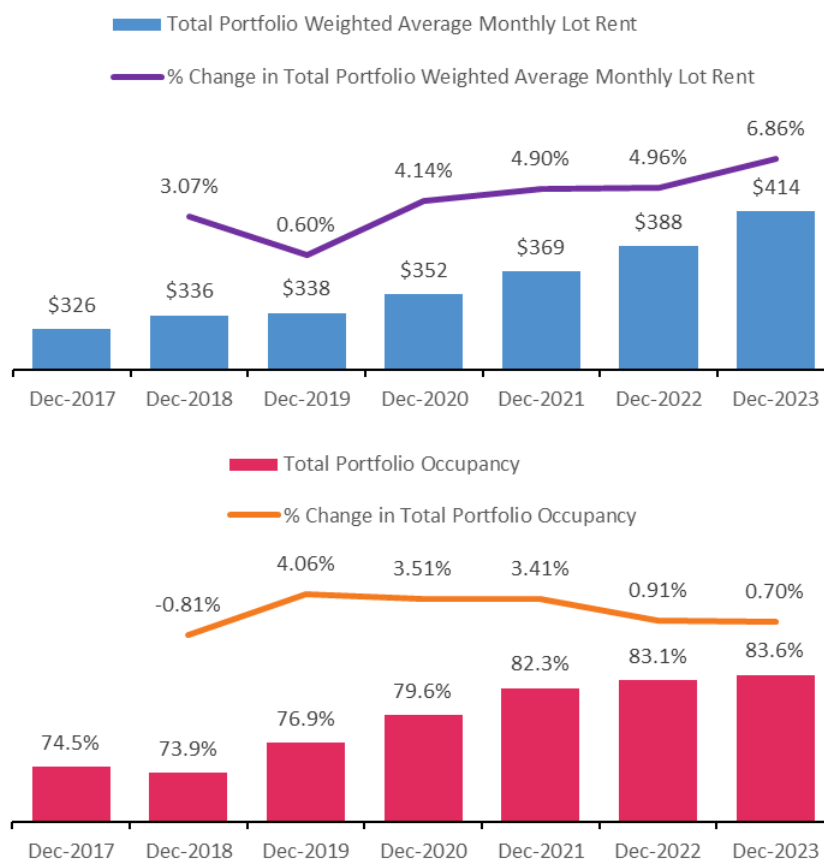
For the year ended December 31, 2023

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

The following table highlights certain information about communities as at December 31, 2023, organized by Metropolitan Statistical Area (“MSA”):

MSA	State	Number of lots	\$ Average Lot Rent	Occupancy
Louisville	KY	4108	\$ 434	80.0%
Lexington	KY	899	\$ 395	94.1%
Paducah	KY	491	\$ 296	84.9%
Cincinnati	OH	2839	\$ 452	88.4%
Dayton	OH	125	\$ 546	96.0%
Evansville	IN	2502	\$ 371	77.3%
Knoxville	TN	164	\$ 350	97.6%
Little Rock	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	\$ 414	83.6%

The charts below show the total portfolio Weighted Average Lot Rent (see section “Other Real Estate Industry Metrics”) and occupancy growth since 2017 for communities owned by the REIT, or the preceding entities prior to the reorganization and related transactions that created the REITs initial portfolio, in that year:



Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

The following tables highlight certain financial performance measures of the REIT for the three months and year ended December 31, 2023, versus the three months and year ended December 31, 2022.

	For the three months ended December 31, 2023		For the three months ended December 31, 2022		Variance
Rental revenue and related income	\$	18,761	\$	15,700	\$ 3,061
Same Community Revenue ¹	\$	15,677	\$	14,019	\$ 1,658
Acquisitions Revenue ¹	\$	3,084	\$	1,681	\$ 1,403
Net (loss) and comprehensive (loss)	\$	(1,488)	\$	(684)	\$ (804)
NOI, total portfolio	\$	12,439	\$	10,367	\$ 2,072
Same Community NOI ¹	\$	10,691	\$	9,247	\$ 1,444
Acquisitions NOI ¹	\$	1,748	\$	1,120	\$ 628
NOI Margin ¹ , total portfolio		66.3%		66.0%	0.3%
Same Community NOI Margin ¹		68.2%		66.0%	2.2%
Acquisitions NOI Margin ¹		56.7%		66.6%	-9.9%

	For the year ended December 31, 2023		For the year ended December 31, 2022		Variance
Rental revenue and related income	\$	71,052	\$	58,798	\$ 12,254
Same Community Revenue ¹	\$	61,439	\$	55,595	\$ 5,844
Acquisitions Revenue ¹	\$	9,613	\$	3,203	\$ 6,410
Net income and comprehensive income	\$	65,098	\$	42,682	\$ 22,416
NOI, total portfolio	\$	46,917	\$	38,933	\$ 7,984
Same Community NOI ¹	\$	40,861	\$	36,933	\$ 3,928
Acquisitions NOI ¹	\$	6,056	\$	2,000	\$ 4,056
NOI Margin ¹ , total portfolio		66.0%		66.2%	-0.2%
Same Community NOI Margin ¹		66.5%		66.4%	0.1%
Acquisitions NOI Margin ¹		63.0%		62.4%	0.6%

¹ Refer to section "Other Real Estate Industry Metrics".

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

Selected Quarterly Financial Information

Performance measures	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Total communities	75	74	73	70	69	68	66	64
Total lots	13,780	13,716	13,407	12,743	12,601	12,500	11,913	11,454
Weighted Average Lot Rent**	\$ 414	\$ 415	\$ 415	\$ 418	\$ 388	\$ 385	\$ 384	\$ 385
Occupancy	83.6%	83.5%	83.3%	83.4%	83.1%	83.1%	83.3%	83.1%
Rental revenue and related income	\$ 18,761	\$ 18,154	\$ 17,379	\$ 16,758	\$ 15,700	\$ 15,042	\$ 14,363	\$ 13,693
Net (loss) income and comprehensive (loss) income	\$ (1,488)	\$ 28,980	\$ 21,391	\$ 16,215	\$ 684	\$ 14,910	\$ 26,024	\$ 2,433
Net (loss) income and comprehensive (loss) income per unit (basic)	\$ (0.10)	\$ 1.87	\$ 1.39	\$ 1.14	\$ (0.05)	\$ 1.05	\$ 1.84	\$ 0.17
Net (loss) income and comprehensive (loss) income per unit (diluted)	\$ (0.07)	\$ 1.37	\$ 1.02	\$ 0.82	\$ (0.03)	\$ 0.76	\$ 1.33	\$ 0.12
NOI	\$ 12,439	\$ 11,830	\$ 11,578	\$ 11,118	\$ 10,367	\$ 9,848	\$ 9,460	\$ 9,258
NOI Margin**	66.3%	65.2%	66.6%	66.3%	66.0%	65.5%	65.9%	67.6%
FFO*	\$ 6,224	\$ 6,267	\$ 6,233	\$ 5,903	\$ 4,865	\$ 5,337	\$ 5,434	\$ 5,563
FFO Per Unit* (diluted)	\$ 0.294	\$ 0.297	\$ 0.297	\$ 0.298	\$ 0.248	\$ 0.272	\$ 0.277	\$ 0.284
AFFO*	\$ 5,450	\$ 5,489	\$ 5,468	\$ 5,153	\$ 4,114	\$ 4,616	\$ 4,716	\$ 4,854
AFFO Per Unit* (diluted)	\$ 0.258	\$ 0.260	\$ 0.260	\$ 0.260	\$ 0.209	\$ 0.235	\$ 0.240	\$ 0.248
AFFO Payout Ratio*	55.2%	53.9%	53.7%	53.4%	64.8%	56.8%	55.7%	54.0%

* Refer to section "Non-IFRS Financial Measures".

** Refer to section "Other Real Estate Industry Metrics".

Quarterly variation in Total communities is directly related to Acquisitions which are also the largest driver for increases in Total lots. Weighted Average Lot Rent will vary based on Acquisitions, changes in Total lots as well as annual lot rent increases.

Rental revenue and related income will vary based on Acquisitions, occupancy growth and annual lot rent increases. Net (loss) income and comprehensive (loss) income is largely influenced by non-cash fair value adjustments related to the investment property portfolio and Class B Units. The per unit performance measures, including Net (loss) income and comprehensive (loss) income per unit (basic) and Net (loss) income and comprehensive (loss) income per unit (diluted), are affected by these same factors but also changes in the basic and diluted weighted average units.

Variations in rental revenue and related income will impact NOI, and consequently NOI margins, as will variations in operating expenses resulting from Acquisitions, inflationary pressures on the expenses of the REIT and other factors mentioned throughout this MD&A.

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

FFO, AFFO and the AFFO Payout ratio are largely affected by the same forces as NOI with additional impacts from general and administrative expenses and finance costs from operations, which are influenced by factors discussed throughout this MD&A. The related per unit performance measures, including FFO Per Unit (diluted) and AFFO Per Unit (diluted), are affected by these same factors but also changes in the diluted weighted average units.

Review of Selected Operating Information – Q4 2023

The following tables highlight selected financial information of the REIT. This information has been compiled from the consolidated financial statements, and notes thereto, and should be read in conjunction with the consolidated financial statements and notes.

The following tables highlight certain operating information of the REIT for the three months and year ended December 31, 2023, versus the three months and year ended December 31, 2022.

	For the three months ended		For the three months ended		
	December 31, 2023		December 31, 2022		Variance
Revenue					
Rental revenue and related income	\$	18,761	\$	15,700	\$ 3,061
Expenses (Income)					
Property operating expenses	\$	6,322	\$	5,333	\$ 989
General and administrative	\$	2,476	\$	2,438	\$ 38
Finance costs from operations	\$	4,090	\$	3,403	\$ 687
Accretion of mark-to-market adjustment on mortgages payable	\$	(257)	\$	(257)	\$ -
Depreciation	\$	111	\$	81	\$ 30
Other (income)	\$	(144)	\$	(82)	\$ (62)
Fair value adjustment - Class B Units	\$	5,309	\$	6,838	\$ (1,529)
Distributions on Class B Units	\$	811	\$	756	\$ 55
Fair value adjustment - investment properties	\$	1,450	\$	(2,156)	\$ 3,606
Fair value adjustment - unit-based compensation	\$	81	\$	30	\$ 51
	\$	20,249	\$	16,384	\$ 3,865
Net (loss) and comprehensive (loss)	\$	(1,488)	\$	(684)	\$ (804)

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

	For the year ended December 31, 2023	For the year ended December 31, 2022	Variance
Revenue			
Rental revenue and related income	\$ 71,052	\$ 58,798	\$ 12,254
Expenses (Income)			
Property operating expenses	\$ 24,135	\$ 19,865	\$ 4,270
General and administrative	\$ 9,121	\$ 7,819	\$ 1,302
Finance costs from operations	\$ 14,528	\$ 11,161	\$ 3,367
Accretion of mark-to-market adjustment on mortgages payable	\$ (1,029)	\$ (1,029)	\$ -
Depreciation	\$ 399	\$ 290	\$ 109
Other (income)	\$ (380)	\$ (219)	\$ (161)
Fair value adjustment - Class B Units	\$ (1,917)	\$ (16,714)	\$ 14,797
Distributions on Class B Units	\$ 3,148	\$ 2,950	\$ 198
Fair value adjustment - investment properties	\$ (42,045)	\$ (7,952)	\$ (34,093)
Fair value adjustment - unit-based compensation	\$ (6)	\$ (55)	\$ 49
	\$ 5,954	\$ 16,116	\$ (10,162)
Net income and comprehensive income	\$ 65,098	\$ 42,682	\$ 22,416

Revenue

	For the three months ended December 31, 2023	For the three months ended December 31, 2022	Variance	Variance %
Rental revenue and related income	\$ 18,761	\$ 15,700	\$ 3,061	19.5%

Rental revenue consists of lot rent, home rent, utility reimbursements, and other miscellaneous income collected at the communities. For the three months ended December 31, 2023, the higher revenue as compared to the prior period was primarily driven by lot rent increases and occupancy increases across the portfolio as well as Acquisitions. Acquisitions accounted for \$1,403 of the increase versus the prior period. Same Community Revenue was approximately \$1,658 higher than the prior period. The increase in Same Community Revenue was a result of increasing monthly lot rent year over year, growth in Same Community Occupancy, and increased utility revenues.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

	For the year ended December 31, 2023	For the year ended December 31, 2022	Variance	Variance %
Rental revenue and related income	\$ 71,052	\$ 58,798	\$ 12,254	20.8%

For the year ended December 31, 2023, the higher revenue as compared to the prior period was primarily driven by Acquisitions as well as lot rent increases and occupancy increases across the portfolio. Acquisitions accounted for \$6,410 of the increase versus the prior period. Same Community Revenue was approximately \$5,844 higher than the prior period. The increase in Same Community Revenue was a result of increasing monthly lot rent year over year, growth in Same Community Occupancy, and increased utility revenues.

Property Operating Expenses

The following tables highlight property operating expenses of the REIT.

	For the three months ended December 31, 2023	For the three months ended December 31, 2022	Variance	Variance %
Operating expenses	\$ 6,322	\$ 5,333	\$ 989	18.5%

Operating expenses are comprised mainly of utilities, common area and maintenance expenses, payroll, insurance, property taxes and other costs associated with the management and maintenance of the investment properties. Operating expenses increased by \$989 for the three months ended December 31, 2023, versus the three months ended December 31, 2022. The drivers for the increase were Acquisitions as well as inflationary pressures on wages, utilities, and property taxes. Acquisitions accounted for \$774 of the increase in operating incurred during the three months ended December 31, 2023.

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

Operating Expenses	For the three months ended December 31, 2023	For the three months ended December 31, 2022
Utilities	\$ 2,130	\$ 1,875
Payroll and benefits	\$ 1,392	\$ 1,142
Taxes and insurance	\$ 1,623	\$ 1,394
Repairs and maintenance	\$ 399	\$ 249
Other	\$ 778	\$ 673
Total Operating Expenses	\$ 6,322	\$ 5,333

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

	For the year ended December 31, 2023	For the year ended December 31, 2022	Variance	Variance %
Operating expenses	\$ 24,135	\$ 19,865	\$ 4,270	21.5%

Operating expenses increased by \$4,270 for the year ended December 31, 2023 versus the year ended December 31, 2022. The drivers for the increase were Acquisitions as well as inflationary pressures on wages, utilities, and property taxes. Acquisitions accounted for \$2,354 of the increase in operating expenses incurred during the year ended December 31, 2023.

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

Operating Expenses	For the year ended December 31, 2023	For the year ended December 31, 2022
Utilities	\$ 8,356	\$ 6,912
Payroll and benefits	\$ 5,384	\$ 4,234
Taxes and insurance	\$ 5,926	\$ 5,051
Repairs and maintenance	\$ 1,763	\$ 1,440
Other	\$ 2,706	\$ 2,228
Total Operating Expenses	\$ 24,135	\$ 19,865

General and Administrative

The following tables highlight general and administrative expenses of the REIT.

	For the three months ended December 31, 2023	For the three months ended December 31, 2022	Variance	Variance %
General and administrative	\$ 2,476	\$ 2,438	\$ 38	1.6%

General and administrative expenses include payroll and benefits for certain REIT employees, legal / consulting fees, audit and tax fees, taxes and insurance, trustee fees, travel, and other administrative costs. For the three months ended December 31, 2023, the \$38 higher spend compared to the prior period is primarily the result of higher professional service fees, such as audit, tax and legal / consulting fees, as well as inflationary pressures on salaries and benefits for certain REIT employees, and increased spending in outsourced services such as marketing and information technology services. These increases were partially offset by a reduction of due diligence expenses from non-completed acquisitions that failed to meet the REIT's investment criteria.

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

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

General and administrative	For the three months ended December 31, 2023	For the three months ended December 31, 2022
Payroll and benefits	\$ 1,329	\$ 1,083
Legal / Consulting	\$ 234	\$ 114
Audit and tax fees	\$ 384	\$ 341
Taxes and insurance	\$ 28	\$ 199
Trustee fees	\$ 125	\$ 123
Travel	\$ 156	\$ 86
Due diligence	\$ -	\$ 291
Other	\$ 220	\$ 201
Total General and administrative	\$ 2,476	\$ 2,438

	For the year ended December 31, 2023	For the year ended December 31, 2022	Variance	Variance %
General and administrative	\$ 9,121	\$ 7,819	\$ 1,302	16.7%

For the year ended December 31, 2023, the \$1,302 higher spend compared to the prior period is primarily the result of higher professional service fees, such as audit, tax and legal / consulting fees, as well as inflationary pressures on salaries and benefits for certain REIT employees, and increased spending in outsourced services such as marketing and information technology services. These increases were partially offset by a reduction of due diligence expenses from non-completed acquisitions that failed to meet the REIT's investment criteria.

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

General and administrative	For the year ended December 31, 2023	For the year ended December 31, 2022
Payroll and benefits	\$ 4,842	\$ 4,182
Legal / Consulting	\$ 778	\$ 510
Audit and tax fees	\$ 878	\$ 628
Taxes and insurance	\$ 551	\$ 578
Trustee fees	\$ 486	\$ 459
Travel	\$ 612	\$ 464
Due diligence	\$ -	\$ 291
Other	\$ 974	\$ 707
Total General and administrative	\$ 9,121	\$ 7,819

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

Finance Cost from Operations

	For the three months ended December 31, 2023	For the three months ended December 31, 2022	Variance	Variance %
Finance costs from operations	\$ 4,090	\$ 3,403	\$ 687	20.2%

Finance costs from operations consist of interest expense on loans and borrowings, amortization of deferred financing costs, floorplan interest and other miscellaneous interest expense. For this period, interest expense on loans and borrowings accounted for \$3,738 and floorplan interest and other miscellaneous interest expense was \$252. Amortized deferred financing cost was \$100. Of the \$687 increase in finance costs from operations compared to the three months ended December 31, 2022, \$624 was the result of the REIT's new debt placed during 2022 and 2023, approximately 45% of which originated in September 2022 or later. Amortization of deferred financing costs accounted for the remainder of the increase as costs associated with September 18th Bridge Notes and September 19th Bridge Note are being amortized over the term of the note which is 12 months.

	For the year ended December 31, 2023	For the year ended December 31, 2022	Variance	Variance %
Finance costs from operations	\$ 14,528	\$ 11,161	\$ 3,367	30.2%

For this period, interest expense on loans and borrowings accounted for \$13,310 and floorplan interest and other miscellaneous interest expense was \$1,022. Amortized deferred financing cost was \$196. Of the \$3,367 increase in finance costs from operations compared to the year ended December 31, 2022, \$2,956 was the result of the REIT's new debt placed during 2022 and 2023, approximately 45% of which originated in September 2022 or later. Floor plan interest on homes located on the REIT's investment properties, included in miscellaneous interest expense, accounted for an additional \$275 of the increase and was due to increases in floor plan interest rates as well as the value of manufactured homes on which floor plan interest was incurred. Amortization of deferred financing costs accounted for the remainder of the increase as costs associated with September 18th Bridge Notes and September 19th Bridge Note are being amortized over the term of the note which is 12 months.

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

Other (Income)

	For the three months ended December 31, 2023	For the three months ended December 31, 2022	Variance	Variance %
Other (income)	\$ (144)	\$ (82)	(62)	75.6%

Other (income) is made up of property management fees, asset management fees and note receivable interest that the REIT charges to Empower (see “Transactions with Related Parties”). For the three months ended December 31, 2023, other (income) was higher than the prior period due to note receivable interest and management fees charged to Empower in the period. Additionally, the REIT recognized a \$50 gain from the sale of an easement.

	For the year ended December 31, 2023	For the year ended December 31, 2022	Variance	Variance %
Other (income)	\$ (380)	\$ (219)	(161)	73.5%

For the year ended December 31, 2023, other (income) was higher than the prior period due to note receivable interest and management fees charged to Empower in the period.

Fair Value Adjustment - Class B Units

For the three months and year ended December 31, 2023, the REIT recognized a fair value loss (gain) on Class B Units of \$5,309 and \$(1,917), respectively (\$6,838 and \$(16,714) for the three months and year ended December 31, 2022, respectively). Class B Units are measured at fair value with any changes in fair value recorded in “fair value adjustment – Class B Units” on the consolidated statement of net income and comprehensive income. The fair value as at December 31, 2023 and December 31, 2022 was calculated using the Unit closing price as at the end of the respective reporting period.

Distributions on Class B Units

The Class B Units are redeemable for cash or Units, at the option of the REIT, and, therefore, the Class B Units meet the definition of a financial liability under IAS 32. The distributions paid to the holders of Class B Units are treated as interest expense and reflected on the consolidated statement of net income and comprehensive income within the REIT’s financial statements. For the three months and year ended December 31, 2023, the REIT paid distributions on Class B Units of \$798 and \$3,129, respectively (\$744 and \$2,936 for the three months and year ended December 31, 2022, respectively).

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

Fair Value Adjustment – Investment Properties

In accordance with IFRS, management has elected to use the fair value model to account for investment properties. Overall, the fair value of investment properties (decreased) increased by \$(1,450) and \$42,045 for the three months and year ended December 31, 2023, respectively (increased by \$2,156 and \$7,952 for the three months and year ended December 31, 2022, respectively). Fair value adjustments were determined based on the movement of various parameters, including changes in NOI and capitalization rates. The decrease in fair value for the three months ended December 31, 2023 was the result of a change in the valuation metrics largely offset by increases in the trailing twelve months NOI while the major driver of the increase in fair value for the year ended December 31, 2023 was an increase in the trailing twelve months NOI.

Net (Loss) Income and Comprehensive (Loss) Income

	For the three months ended December 31, 2023	For the three months ended December 31, 2022	Variance	Variance %
Net (loss) and comprehensive (loss)	\$ (1,488)	\$ (684)	\$ (804)	117.5%

Net (loss) and comprehensive (loss) for the three months ended December 31, 2023 was \$802 more than the prior period as a result of the fair value loss on investment properties and Class B Units being \$2,077 more than in the same period in 2022, as well as other variances previously described.

	For the year ended December 31, 2023	For the year ended December 31, 2022	Variance	Variance %
Net income and comprehensive income	\$ 65,098	\$ 42,682	\$ 22,416	52.5%

Net income and comprehensive income for the year ended December 31, 2023 was \$22,416 more than the prior period as a result of the fair value gain on investment properties and Class B Units being \$19,296 more than in the same period in 2022, as well as other variances previously described.

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

NOI, FFO, AFFO

Below is a summary of the NOI, FFO and AFFO for the three months and years ended December 31, 2023 and 2022. The diluted weighted average Unit count for the three months and year ended December 31, 2023 was 21,144,151 and 20,779,060, respectively (19,643,642 and 19,630,160 for the three months and year ended December 31, 2022, respectively).

As at December 31, 2023, there were 21,140,557 Units outstanding (including the combined number of Units, Class B Units, vested RUs and vested DTUs).

AFFO per Unit for the three months ended December 31, 2023 and 2022 was \$0.258 and \$0.209, respectively, reflecting an increase of 23.4%.

AFFO per Unit for the years ended December 31, 2023 and 2022 was \$1.038 and \$0.932, respectively, reflecting an increase of 11.4%.

FFO per Unit for the three months ended December 31, 2023 and 2022 was \$0.294 and \$0.248, respectively, reflecting an increase of 18.5%.

FFO per Unit for the years ended December 31, 2023 and 2022 was \$1.185 and \$1.080, respectively, reflecting an increase of 9.7%.

For the three months and year ended December 31, 2023, the increase was the result of the REIT's ability to grow Same Community Revenue and NOI. Same Community Revenues for the three months and year ended December 31, 2023 exceeded the three months and year ended December 31, 2022 by \$1,658 and \$5,844, respectively. These increases are driven by lot rent increases implemented during the year, occupancy growth throughout the year, increases in utility revenues, and economies of scale from operating in existing markets.

NOI Margins and Same Community NOI Margins for the three months ended December 31, 2023 were 66.3% and 68.2%, an increase of 0.3% and 2.2% compared to the three months ended December 31, 2022, respectively.

NOI Margins and Same Community NOI Margins for the year ended December 31, 2023, were 66.0% and 66.5%, a (decrease) increase of (0.2%) and 0.1% compared to the year ended December 31, 2022, respectively. The decrease in margins was the result of an increase in payroll and benefits as the REIT returned to regular staffing levels from below average levels in 2022.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

The following tables highlight a summary of the NOI, FFO and AFFO of the REIT.

	For the three months ended		For the three months ended		Variance	Variance %
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022		
NOI	\$	12,439	\$	10,367	\$ 2,072	20.0%
NOI Margin**		66.3%		66.0%	0.3%	0.5%
FFO*	\$	6,224	\$	4,865	\$ 1,359	27.9%
FFO Per Unit*	\$	0.294	\$	0.248	\$ 0.046	18.5%
AFFO*	\$	5,450	\$	4,114	\$ 1,336	32.5%
AFFO per Unit*	\$	0.258	\$	0.209	\$ 0.049	23.4%
AFFO Payout Ratio*		55.2%		64.8%	-9.6%	-14.8%

* Refer to section "Non-IFRS Financial Measures".

** Refer to section "Other Real Estate Industry Metrics".

	For the year ended		For the year ended		Variance	Variance %
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022		
NOI	\$	46,917	\$	38,933	\$ 7,984	20.5%
NOI Margin**		66.0%		66.2%	-0.2%	-0.3%
FFO*	\$	24,627	\$	21,201	\$ 3,426	16.2%
FFO Per Unit*	\$	1.185	\$	1.080	\$ 0.105	9.7%
AFFO*	\$	21,561	\$	18,302	\$ 3,259	17.8%
AFFO per Unit*	\$	1.038	\$	0.932	\$ 0.106	11.4%
AFFO Payout Ratio*		54.1%		57.6%	-3.5%	-6.1%

* Refer to section "Non-IFRS Financial Measures".

** Refer to section "Other Real Estate Industry Metrics".

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

Reconciliation of FFO, FFO per Unit, AFFO and AFFO per Unit

The REIT uses the following non-IFRS key performance indicators: FFO, FFO Per Unit, AFFO, AFFO per Unit.

The calculations of these measures and the reconciliation to net income and comprehensive income, are set out in the following tables:

	For the three months ended December 31, 2023		For the three months ended December 31, 2022	
Net (loss) and comprehensive (loss)	\$	(1,488)	\$	(684)
<i>Adjustments to arrive at FFO</i>				
Depreciation	\$	111	\$	81
(Gain) on sale of investment properties	\$	(50)	\$	-
Fair value adjustment - Class B Units	\$	5,309	\$	6,838
Distributions on Class B Units	\$	811	\$	756
Fair value adjustment - investment properties	\$	1,450	\$	(2,156)
Fair value adjustment - unit based compensation	\$	81	\$	30
Funds from Operations ("FFO")	\$	6,224	\$	4,865
FFO per Unit (diluted)	\$	0.294	\$	0.248
<i>Adjustments to arrive at AFFO</i>				
Accretion of mark-to-market adjustment on mortgage payable	\$	(257)	\$	(257)
Capital Expenditure Reserves	\$	(517)	\$	(494)
Adjusted Funds from Operations ("AFFO")	\$	5,450	\$	4,114
AFFO per Unit (diluted)	\$	0.258	\$	0.209

In the calculation of AFFO, the REIT uses a capital expenditure reserve of \$60 per lot per year and \$1,000 per rental home per year. This reserve is based on management's best estimate of the cost that the REIT may incur, related to maintaining the investment properties. The REIT believes this approach is more relevant as a reserve normalizes seasonal impacts of such costs. For the three months ended December 31, 2023, the capital expenditure reserve was \$517 as compared to actual spending of \$365 (for the three months ended December 31, 2022 the capital expenditure reserve was \$494 as compared to actual spending of \$588).

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

	For the year ended December 31, 2023	For the year ended December 31, 2022
Net income and comprehensive income	\$ 65,098	\$ 42,682
<i>Adjustments to arrive at FFO</i>		
Depreciation	\$ 399	\$ 290
Gain on sale of investment properties	\$ (50)	\$ -
Fair value adjustment - Class B Units	\$ (1,917)	\$ (16,714)
Distributions on Class B Units	\$ 3,148	\$ 2,950
Fair value adjustment - investment properties	\$ (42,045)	\$ (7,952)
Fair value adjustment - unit based compensation	\$ (6)	\$ (55)
Funds from Operations ("FFO")	\$ 24,627	\$ 21,201
FFO per Unit (diluted)	\$ 1.185	\$ 1.080
<i>Adjustments to arrive at AFFO</i>		
Accretion of mark-to-market adjustment on mortgage payable	\$ (1,029)	\$ (1,029)
Capital Expenditure Reserves	\$ (2,037)	\$ (1,870)
Adjusted Funds from Operations ("AFFO")	\$ 21,561	\$ 18,302
AFFO per Unit (diluted)	\$ 1.038	\$ 0.932

For the year ended December 31, 2023, the capital expenditure reserve was \$2,037 as compared to actual spending of \$2,164 (for the year ended December 31, 2022 the capital expenditure reserve was \$1,870 as compared to actual spending of \$2,121).

For the three months and year ended December 31, 2023, the REIT has spent \$7,298 and \$31,146 in total capital expenditures (excluding Acquisitions). Much of the spending is related to non "maintenance" capital expenditures. The REIT considers capitalized spending during the first 18-24 months after acquisition of a new community to be "growth" capital expenditures as work is done to bring the community and rental homes up to the REITs standards including adding community amenities. The other significant category for "growth" capital expenditure would be related to the purchase of the rental homes that the REIT has added during the three months and year ended December 31, 2023. This spending is done to enhance revenues and is not considered "maintenance" capital expenditure for the purposes of calculating AFFO and AFFO Per Unit.

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

Calculation of Other Real Estate Industry Metrics

NOI and NOI Margin

The REIT uses the following non-IFRS key performance indicators: NOI and NOI Margin.

The tables below lay out the calculation of the REIT's NOI for the three months and years ended December 31, 2023 and 2022:

NOI

	For the three months ended December 31, 2023		For the three months ended December 31, 2022	
Net (loss) and comprehensive (loss)	\$	(1,488)	\$	(684)
<i>Adjustments to arrive at NOI</i>				
General and administrative	\$	2,476	\$	2,438
Finance costs from operations	\$	4,090	\$	3,403
Accretion of mark-to-market adjustment on mortgage payable	\$	(257)	\$	(257)
Depreciation	\$	111	\$	81
Other (income)	\$	(144)	\$	(82)
Fair value adjustment - Class B units	\$	5,309	\$	6,838
Distributions on Class B units	\$	811	\$	756
Fair value adjustment - investment properties	\$	1,450	\$	(2,156)
Fair value adjustment - unit based compensation	\$	81	\$	30
NOI	\$	12,439	\$	10,367

	For the year ended December 31, 2023		For the year ended December 31, 2022	
Net income and comprehensive income	\$	65,098	\$	42,682
<i>Adjustments to arrive at NOI</i>				
General and administrative	\$	9,121	\$	7,819
Finance costs from operations	\$	14,528	\$	11,161
Accretion of mark-to-market adjustment on mortgage payable	\$	(1,029)	\$	(1,029)
Depreciation	\$	399	\$	290
Other (income)	\$	(380)	\$	(219)
Fair value adjustment - Class B units	\$	(1,917)	\$	(16,714)
Distributions on Class B units	\$	3,148	\$	2,950
Fair value adjustment - investment properties	\$	(42,045)	\$	(7,952)
Fair value adjustment - unit based compensation	\$	(6)	\$	(55)
NOI	\$	46,917	\$	38,933

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

NOI Margin

	For the three months ended December 31, 2023		For the three months ended December 31, 2022	
Rental revenue and related income	\$	18,761	\$	15,700
Property operating expenses	\$	6,322	\$	5,333
Net Operating Income ("NOI")	\$	12,439	\$	10,367
NOI Margin		66.3%		66.0%

	For the year ended December 31, 2023		For the year ended December 31, 2022	
Rental revenue and related income	\$	71,052	\$	58,798
Property operating expenses	\$	24,135	\$	19,865
Net Operating Income ("NOI")	\$	46,917	\$	38,933
NOI Margin		66.0%		66.2%

Debt to Gross Book Value

The following table lays out the REIT's Debt to Gross Book Value (see section "Other Real Estate Industry Metrics").

	As at December 31, 2023		As at December 31, 2022	
Mortgages payable, net (current portion)	\$	21,521	\$	732
Mortgages payable, net (non-current portion)	\$	331,848	\$	331,830
Line of Credit	\$	10,000	\$	10,000
Total Debt	\$	363,369	\$	342,562
Gross Book Value	\$	902,601	\$	799,268
Debt to Gross Book Value		40.3%		42.9%

Since December 31, 2022, Debt to Gross Book Value has decreased by (2.6%) due to the fair value gain in investment property as well as investment property acquisitions paid for with capital from the March ATM Offering and the May ATM Offering.

Liquidity and Capital Resources

As at December 31, 2023 and December 31, 2022, the capital structure of the REIT was as follows:

	As at December 31, 2023		As at December 31, 2022	
Indebtedness				
Mortgages payable (current portion)	\$	21,521	\$	732
Mortgages payable (non-current portion)	\$	331,848	\$	331,830
Class B Units	\$	89,042	\$	88,785
	\$	442,411	\$	421,347
Unitholders equity				
Unitholders equity	\$	436,074	\$	357,745
Total capitalization	\$	878,485	\$	779,092

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

Liquidity and capital resources are used to fund capital investments in the investment properties, acquisition activities, servicing of debt obligations and distributions to Unitholders. The principal source of Liquidity is cash flow generated from property operations. For the three months and year ended December 31, 2023, net cash from operating activities was \$11,055 and \$39,552, respectively. Business operations are also financed using property-specific mortgages, and equity financing.

On May 12, 2021, the REIT entered into a revolving line of credit (“Line of Credit”), secured by the investment property of two MHCs, for \$5,000.

On December 22, 2022, the REIT renewed the Line of Credit, increasing the Line of Credit by \$5,000, and adding two additional resort communities as collateral, taking the total available capacity to \$10,000.

The line is for three years with a floating interest rate at 0.5% above the Wall Street Journal Prime rate. Payments will be interest only for the full term. As at December 31, 2023, the REIT had \$10,000 outstanding on the Line of Credit (as at December 31, 2022 - \$10,000).

As at December 31, 2023, Liquidity¹ was \$7,814 (as at December 31, 2022, Liquidity was \$16,926) consisting of cash, cash equivalents, and available capacity on lines of credit.

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

- cash flow generated from property operations;
- property-specific mortgages; and
- existing cash and cash equivalents on hand

In addition, subject to market conditions, the REIT may raise funding through equity financing.

On May 17, 2022, the REIT filed a supplement to the (final) short form base shelf prospectus, pursuant to which, for a period of 12 months thereafter, the REIT (and Unitholders) may sell up to an aggregate of \$50,000 of Units pursuant to the ATM Offering.

On March 22, 2023, pursuant to the March ATM Offering, the REIT raised gross proceeds of \$20,000 through the issuance of 1,176,471 Units at a price of \$17.00 per Unit.

On May 23, 2023, pursuant to the March ATM Offering, the REIT raised gross proceeds of \$2,965 through the issuance of 174,400 Units at a price of \$17.00 per Unit.

¹ Refer to section “Other Real Estate Industry Metrics”.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

On June 7, 2023, the REIT filed a (final) short form base shelf prospectus, pursuant to which, for a period of 25 months thereafter, the REIT (and Unitholders) may sell up to an aggregate of \$350,000 of (i) Units; (ii) senior or subordinated unsecured debt securities of the REIT; (iii) subscription receipts; (iv) warrants; and (v) securities comprised of more than one of the foregoing, or any combination thereof.

On June 28, 2023, the REIT filed a supplement to the (final) short form base shelf prospectus, pursuant to which, for a period of 12 months thereafter, the REIT may sell up to an aggregate of \$50,000 of Units pursuant to the ATM Offering.

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

The REIT currently has 16 unencumbered investment properties with a total fair value of \$27,059 as at December 31, 2023.

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

Year	Principal payments due during period	% 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	

Debt Financing

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

The REIT's overall borrowing philosophy is to obtain secured debt, principally on a fixed rate or effectively fixed rate basis, which will allow the REIT to: (i) achieve and maintain staggered maturities to lessen exposure to re-financing risk in any particular period; (ii) achieve and maintain fixed rates to lessen exposure to interest rate fluctuations; and (iii) extend loan terms and fixed rate periods as long as possible when borrowing conditions are favorable. Subject to market conditions and the growth of the REIT, management currently intends to target Debt to Gross Book Value 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 at December 31, 2023 the REIT's Weighted Average Mortgage Interest Rate (see section "Other Real Estate Industry Metrics") as at December 31, 2023 was 4.08% (as at December 31, 2022 – 3.78%) and a Weighted

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

Average Mortgage Term (see section “Other Real Estate Industry Metrics”) to maturity of 10.1 years (as at December 31, 2022 – 11.7 years). The REIT’s mortgages mature at various dates beginning in 2024.

With the addition of the September 18th Bridge Notes and September 19th Bridge Note (see section “Business Overview”), the REIT introduced \$20,688 in variable rate notes to its debt profile. The interest rate on these notes is variable at 3.75% over the SOFR and is adjusted each month until the note is paid in full. As at December 31, 2023, the notes are accruing interest at 9.13%.

The introduction of variable rate notes increased the Weighted Average Mortgage Interest Rate to 4.08% as at December 31, 2023, compared to 3.78% as at December 31, 2022.

With a term of 12 months, these notes also had an impact on the Weighted Average Mortgage Term to maturity, decreasing to 10.1 years as at December 31, 2022 compared to 11.7 years as at December 31, 2023.

Variable rate Bridge Notes such as these are a tool the REIT can use to quickly raise capital while working to secure permanent long term fixed rate financing.

As at December 31, 2023, the REIT’s Debt to Gross Book Value ratio was 40.3% (as at December 31, 2022 – 42.9%).

As at 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 total indebtedness of the REIT (including convertible debentures) would be more than 65% of Gross Book Value.

Proforma after Debt Refinancing

As at February 20, 2024, after completing the January 31 Refinance, the February 14 Refinance and February 20 Refinance, the September 18th Bridge Notes and September 19th Bridge Note have been refinanced or paid in full (“Refinance and Repayment”). Variable rate Bridge Notes are a tool the REIT can use to quickly raise capital while working to secure permanent long term fixed rate financing. Various metrics presented in this MD&A reflect the impacts of these variable rate Bridge Notes despite the REIT intending to only use variable rate notes on a short-term basis, when a need to quickly raise capital arises. Since fixed rate financing has been secured, the following metrics have been updated to show the impact of the Refinance and Repayment on a pro forma basis as at December 31, 2023.

The Refinance and Repayment resulted in additional proceeds of \$28,604 from refinancing and repayment of \$3,485, 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 and will be recorded in finance costs from operations on the consolidated statement of net income and comprehensive income.

The Weighted Average Mortgage 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 31 Refinance.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

The Weighted Average Mortgage Term to maturity increased from 10.1 years to 11.0 years on a pro forma basis as at December 31, 2023.

The January 31 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 01, 2024 to March 1, 2034.

Using Gross Book Value from the consolidated statement of financial position, as at December 31, 2023, and Total Debt 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%.

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	

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

Class B Units

As partial consideration for the Initial Communities, Flagship Operating issued Class B Units to certain retained interest holders. 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 Class B Units are redeemable by the holder thereof for cash or Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by Flagship Operating and as directed by the REIT in its sole discretion, subject to certain limitations and restrictions, and therefore are considered a puttable instrument. As a result, the Class B Units have been classified as financial liabilities and are measured at FVTPL (fair value through profit or loss). The fair value of the Class B Units is measured every period, with changes in measurement recorded in Fair value adjustment – Class B Units in the consolidated statement of net income and comprehensive income.

As at March 14, 2024, the total number of Class B Units outstanding was 5,582,594 (as at December 31, 2022 - 5,467,031).

Unit-Based Compensation

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

Under the Equity Incentive Plan, RUs can be issued to better align the interests of the recipient with the interests of Unitholders and to facilitate the retention of key employees through long term ownership of Units. The number of RUs to be awarded to a recipient is equal to (i) the monetary value of the award, (ii) divided by the volume-weighted average closing price of a Unit on the Toronto Stock Exchange (the “TSX”) for the five trading days immediately preceding the date of grant. RUs are granted at the discretion of the executive team, with approval from the Board of Trustees, and vest over six years in equal installments.

RUs are recognized at their grant date fair value in payroll and benefits, included in general and administrative expenses on the consolidated statement of net income and comprehensive income, with a corresponding increase in the liability, as the respective RUs vest. Grant date fair value is the value of the award. The liability is measured every period, and upon settlement, with changes in measurement recorded in Fair value adjustment - unit based compensation on the consolidated statement of net income and comprehensive income.

As at March 14, 2024, the total number of RUs outstanding was 186,760, of which 10,251 are vested (as at December 31, 2022 – 62,458 and Nil, respectively)

No PUs have been granted under the Equity Incentive Plan.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

Under the Equity Incentive Plan, non-employee trustees have the option to elect to receive up to 100% of trustee fees, that are otherwise payable in cash, in the form of DTUs. Accordingly, the number of DTUs to be awarded to a non-employee trustee is equal to (i) the value of the trustee fees that the non-employee trustee elects to receive in the form of DTUs, (ii) divided by the volume-weighted average closing price of a Unit on the TSX for the five trading days immediately preceding the date of grant. Once made, elections are irrevocable for the year in respect of which they are made and are effective for subsequent calendar years until terminated by the non-employee trustee. DTUs granted to non-employee trustees vest immediately upon grant.

DTUs are recorded at their grant date fair value in trustee fees, included in general and administrative expenses on the consolidated statement of net income and comprehensive income, with a corresponding increase in the liability. Grant date fair value is the value of the trustee fees that the non-employee trustee elects to receive in the form of DTUs. The liability is measured every period, and upon settlement, with changes in measurement recorded in Fair value adjustment – unit based compensation on the consolidated statement of net income and comprehensive income.

As at March 14, 2024, the total number of DTUs outstanding was 62,547 (as at December 31, 2022 – 28,565).

Units

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

As at March 14, 2024, the total number of Units outstanding was 15,492,056 (as at December 31, 2022 – 14,141,185).

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis
For the year ended December 31, 2023

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

Distributions

The REIT has adopted a distribution policy pursuant to which the REIT and Flagship Operating make cash distributions to Unitholders and holders of Class B Units, respectively, on a monthly basis. Pursuant to this distribution policy, distributions are paid to Unitholders and holders of Class B Units of record at the close of business on the last business day of a month on or about the 15th day of the following month. Distributions must be approved by the Board and are subject to change depending on the general economic outlook and financial performance of the REIT. The REIT does not use net income in accordance with IFRS as the basis to establish the level of distributions as net income includes, among other items, non-cash fair value adjustments related to its property portfolio. In lieu of cash distributions, holders of RUs and holders of DTUs receive additional RUs and DTUs, respectively, with a grant date fair value equal to the corresponding distributions that would have been payable on the applicable quantity of underlying Units.

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

	For the three months ended December 31, 2023	For the three months ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2022
Cash Provided by operating activities	\$ 11,055	\$ 7,807	\$ 39,552	\$ 31,033
Less finance cost from operations	\$ 4,090	\$ 3,403	\$ 14,528	\$ 11,161
	\$ 6,965	\$ 4,404	\$ 25,024	\$ 19,872
Less distributions paid to unitholders	\$ 2,213	\$ 1,923	\$ 8,532	\$ 7,599
Less distributions paid to Class B unitholders	\$ 798	\$ 744	\$ 3,129	\$ 2,936
Excess cash provided by operating activities over distributions paid	\$ 3,954	\$ 1,737	\$ 13,363	\$ 9,337
Net (loss) income and comprehensive (loss) income	\$ (1,488)	\$ (684)	\$ 65,098	\$ 42,682
Less distributions paid to unitholders	\$ 2,213	\$ 1,923	\$ 8,532	\$ 7,599
(Lack of) Excess net income and comprehensive income over distributions paid	\$ (3,701)	\$ (2,607)	\$ 56,566	\$ 35,083

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

The net (loss) and comprehensive (loss) for the three months ended December 31, 2023 and 2022 was the result of a non-cash transaction, the fair value losses on Class B Units, of the REIT. The resulting (lack of) net income and comprehensive income over distributions paid is not representative of the REITs ability to continue funding distributions. For the foreseeable future, the REIT intends to continue to fund distributions with cash flow provided by operating activities.

Total distributions declared to Unitholders and holders of Class B Units was \$3,061 and \$11,780 for the three months and year ended December 31, 2023 (\$2,679 and \$10,581 for the three months and year ended December 31, 2022).

On November 15, 2023, the REIT announced that the Board approved a 5% increase to its monthly cash distribution to Unitholders to \$0.0492 per Unit per month or \$0.5904 per Unit per year. The new monthly cash distribution commenced with the November 2023 distribution, paid in December 2023.

On November 14, 2022, the REIT announced that the Board approved a 5% increase to its monthly cash distribution to Unitholders to \$0.0468 per Unit per month or \$0.562 per Unit per year. The new monthly cash distribution commenced with the November 2022 distribution, paid in December 2022.

The AFFO Payout Ratio¹ for the three months and year ended December 31, 2023 was 55.2% and 54.1% compared to 64.8% and 57.6% in the comparable period in 2022, respectively.

Contractual Commitments

The following table provides information on the carrying balance and the non-discounted contractual maturities of financial liabilities of the REIT as at December 31, 2023. Contractual Interest for variable rate notes and borrowings is calculated using the respective actual contractual interest rates as at December 31, 2023:

	Carrying amount	Contractual cash flows	1 Year	1 to 2 Years	2 to 5 years	5+ years
Trade and other payables	\$ 2,177	\$ 2,177	\$ 2,177	\$ -	\$ -	\$ -
Other liabilities	11,609	11,609	11,609	-	-	-
Mortgages payable	353,369	481,864	36,763	26,709	80,243	338,149
	\$ 367,155	\$ 495,650	\$ 50,549	\$ 26,709	\$ 80,243	\$ 338,149

¹ Refer to section "Non-IFRS Financial Measures".

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

Investment Property Portfolio

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

The investment property portfolio had 75 communities as at December 31, 2023 (as at December 31, 2022 – 69). A reconciliation of the carrying amount for investment properties at the beginning and end of the period is set out below:

	As at December 31, 2023		As at December 31, 2022	
Investment properties, opening balance	\$	770,043	\$	670,523
Capital expenditures	\$	21,776	\$	16,095
Acquisitions of investment properties	\$	49,471	\$	77,300
Disposal of investment properties	\$	(3,025)	\$	(1,827)
Fair value adjustment - investment properties	\$	42,045	\$	7,952
Total investment properties, end of period	\$	880,310	\$	770,043

Investment Property Valuation

A significant increase (decrease) in estimated rents or occupancy rates, per annum in isolation would result in a significantly higher (lower) fair value. A significant increase (decrease) in capitalization rate estimates in isolation would result in significantly lower (higher) fair value. The REIT used a combination of internal valuation methodologies and external appraisals to value the investment properties as at December 31, 2023 and December 31, 2022. The REIT intends to have a minimum of 1/3 of the portfolio appraised annually, by an independent third-party appraiser, such that the entire portfolio is appraised every 3 years. The REIT uses these appraisals along with, other market data, as part of the internal valuation methodology when determining fair value.

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

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

	As at December 31, 2023	As at December 31, 2022
Capitalization Rates of Investment Properties		
High	9.00 %	7.00 %
Low	4.50 %	4.50 %
Weighted Average	4.92 %	4.80 %
% Change		
+0.025	4.95 %	4.99 %
-0.025	(5.37) %	(5.54) %
\$ Change		
+0.025	\$41,224	\$36,499
-0.025	(\$44,663)	(\$40,569)

Cash Flows

The REIT held cash and cash equivalents of \$7,814 as at December 31, 2023. The changes in cash flows are as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Cash provided by operating activities	\$ 39,552	\$ 31,033
Cash provided by financing activities	\$ 2,940	\$ 45,891
Cash (used in) investing activities	\$ (51,604)	\$ (75,449)
Change in cash and cash equivalents during the period	\$ (9,112)	\$ 1,475

Operating activities for the year ended December 31, 2023

Operating activities for the period generated a net cash inflow of \$39,552 (\$31,033 inflow for the year ended December 31, 2022). This cash flow from operating activities was largely driven by cash inflows from normal business operations (net income adjusted for non-cash items and financing or investing activities).

Financing activities for the year ended December 31, 2023

Financing activities for the period generated a net cash inflow of \$2,940 (\$45,891 inflow for the year ended December 31, 2022). This was largely driven by proceeds from the March ATM Offering and May ATM Offering. These inflows were offset by paying \$4,000 on the Line of Credit, as well as interest paid of \$9,892.

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

Investing activities for the year ended December 31, 2023

Investing activities for the period resulted in a net cash outflow of \$51,604 (\$75,449 outflow for the year ended December 31, 2022). This was largely driven by acquisitions of and capital expenditures on investment properties during the year ended December 31, 2023.

Transactions with Related Parties

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

Transactions between the REIT and Empower are governed by the Services Agreement (see "Services Agreement" in the Annual Information Form) or agreements relating directly to the specific transaction.

The consolidated financial statements include the following related party transactions:

- On July 2, 2021 the REIT entered into a promissory note ("Note Receivable-Related Party") in the amount of \$2,460 with Empower. The Note Receivable-Related Party includes monthly interest only payments and matures on July 2, 2031 at which time the entire principal balance and any unpaid interest is due. The Note Receivable-Related Party incurs interest at the Prime rate. For the year ended December 31, 2023, interest revenue, included in other (income) on the consolidated statements of net income and comprehensive income, was \$203 (\$124 for the year ended December 31, 2022).
- On February 15, 2022 the REIT acquired a 13-acre manufactured housing resort community from a related party, Empower, for \$7,533 and 37,448 Class B Units. The number of Class B Units issued was calculated by reference to the volume-weighted average closing price of a Unit for the 10 trading days prior to the date of closing which was \$16.70. Total consideration paid was \$8,230.
- On February 28, 2023 the REIT acquired a 20-acre manufactured housing resort community from a related party, Empower, for \$25 and 120,598 Class B Units. The number of Class B Units issued was calculated by reference to the volume-weighted average closing price of a Unit for the 10 trading days prior to the date of closing which was \$18.60. Total consideration paid was \$2,280.
- Payroll and benefits include \$2,003 incurred to key management personnel during the year ended December 31, 2023, which includes short-term employee payroll and benefits, and RUs (\$1,576 for the year ended December 31, 2022).

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis
For the year ended December 31, 2023

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

- For the year ended December 31, 2023, the REIT billed Empower a total of \$2,004, of which \$1,838 was payroll and benefits, \$132 was management fees, and \$34 was other miscellaneous items, respectively (\$1,556; \$1,413; \$103; \$40, respectively, for the year ended December 31, 2022). These amounts are recorded as an offset to the expense in which they relate, or in the case of management fees, in other (income), on the consolidated statements of net income and comprehensive income. As at December 31, 2023 and 2022, the REIT had a receivable, included in tenant and other receivables, net, from Empower of \$279 and \$224, respectively.
- For the year ended December 31, 2023 and 2022, the REIT was billed for services provided by related parties that included HVAC, paving/concrete repair and landscape services. As at December 31, 2023 and 2022, the REIT had total accounts payable and accrued liabilities due to related parties of \$793 and \$148, respectively.

Company Name	Ownership & Control	Description of Services	For the three months ended December 31, 2023	For the three months ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2022
Call Now HVAC	50% owned by the REIT's Chief Executive Officer ("CEO") and Chief Investment Officer ("CIO"). Managing member of the entity is a non-related party	Provides HVAC services to various properties including installing new air conditioning units as well as servicing existing units.	\$89	\$105	\$464	\$421
BG3	100% owned by the brother of the REIT's CEO.	Provides landscaping services to properties.	\$126	\$132	\$671	\$444
Empower Park	Wholly owned by the REIT's CEO and CIO.	Acquires and develops MHCs that do not meet the REIT's investment criteria, conducts sales of manufactured homes located on the REIT's investment properties and conducts sales of manufactured homes to the REIT for use in the REIT's rental fleet. The REIT has agreed to pay floor plan interest on homes located on the REIT's investment properties and reimburse Empower for any losses on home sales within the REIT's investment properties.	\$2,140	\$3,131	\$9,036	\$5,726
Total			\$2,355	\$3,368	\$10,171	\$6,591

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the year ended December 31, 2023
Amounts in Thousands of US Dollars (except for per unit amounts)

The increase in spending versus the comparable period with Empower is the result of the REIT buying homes from Empower to add to the rental fleet within various communities and from a large increase in floor plan interest rates as well as the value of manufactured homes on which floor plan interest is incurred.

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

Critical Accounting Estimates and Assumptions

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

Investment properties

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

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

Standards issued but not yet effective for the year ended December 31, 2023

Classification of liabilities as current or non-current (Amendments to IAS 1)

On January 23, 2020, and subsequently through the most recent amendment on October 31, 2022, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1"), providing a more general approach to the classification of liabilities based on the contractual agreements in place at the reporting date.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

The amendments affect only the presentation of liabilities on the balance sheet and seek to clarify that the classification of liabilities as current or non-current should be based on the rights that are in existence at the end of the reporting period and not by expectations about whether an entity will exercise its right to defer settlement of a liability.

The amendments apply to annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted. Starting January 1, 2024 upon adoption of the Amendments to IAS 1, the Class B units will be reclassified from non-current liabilities to current liabilities on the consolidated statement of financial position and will be applied retrospectively to the comparative period.

Financial instruments

Classification

On initial recognition, in accordance with IFRS 9 - Financial Instruments ("IFRS 9"), the REIT determines the measurement of financial instruments based on the following categories:

- Measured at amortized cost
- Measured at fair value through profit or loss ("FVTPL")
- Measured at fair value through other comprehensive income

Financial assets are measured at amortized cost if both of the following criteria are met and the asset is not designated as at FVTPL:

- Held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are measured at FVTPL or at amortized cost. A financial liability is measured at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities that are not measured at FVTPL are measured at amortized cost using the effective interest method.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

The REIT has assessed the measurement of its financial instruments under IFRS 9 as follows:

<i>Financial Instrument</i>	<i>Measurement under IFRS 9</i>
Cash and cash equivalents	Amortized cost
Tenant and other receivables, net	Amortized cost
Prepays and other assets	Amortized cost
Lender Escrow Deposits	Amortized cost
Other non-current assets	Amortized cost
Note receivable – related party	Amortized cost
Trade and other payables	Amortized cost
Line of credit	Amortized cost
Other liabilities	Amortized cost
Mortgages payable, net	Amortized cost
Class B Units	FVTPL
RUs	FVTPL
DTUs	FVTPL

Measurement

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a (gain) loss at the time of initial recognition.

Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

Fair value through profit or loss – Changes in fair value after initial recognition, whether realized or not, are recognized through the consolidated statements of net income and comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of net income and comprehensive income when the right to receive payment is established, the economic benefits will flow to the REIT, and the amount can be measured reliably.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

Fair value through other comprehensive income – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of net income and comprehensive income when the right to receive payment is established, the economic benefits will flow to the REIT, and the amount can be measured reliably.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss (“ECL”) model in evaluating the credit loss for financial assets measured at amortized cost. The ECL on tenant and other receivables, net was computed using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The ECL models applied to other financial assets also required judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset.

Impairment losses, if incurred, would be recorded in general and administrative expenses in the consolidated statements of net income and comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statements of net income and comprehensive income. The impairment reversal would be limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

Derecognition

Financial assets – The REIT derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred. (Gains) losses from the derecognition are recognized in the consolidated statements of net income and comprehensive income.

Financial liabilities – The REIT derecognizes a financial liability when the obligation specified in the contract is discharged, canceled or expires. The difference between the carrying amount of the derecognized financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of net income and comprehensive income.

Disclosure Controls and Internal Controls Over Financial Reporting

The REIT's Chief Executive Officer and Chief Financial Officer have, as at December 31, 2023, evaluated, or caused to be evaluated under their supervision, the effectiveness of the REIT's disclosure controls and procedures (as defined in National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, as adopted by the Canadian Securities Administrators ("NI 52-109")) and have each concluded that the REIT's disclosure controls and procedures were effective as at December 31, 2023.

The REIT's Chief Executive Officer and Chief Financial Officer have, as at December 31, 2023, also evaluated, or caused to be evaluated under their supervision, the effectiveness of the REIT's internal control over financial reporting (as defined in NI 52-109) and have each concluded that the REIT's internal control over financial reporting was effective as at December 31, 2023.

There have been no changes in the internal control over financial reporting of the REIT during the three months ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, the REIT's internal control over financial reporting.

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

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

Risks and Uncertainties

The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT and are beyond the control of the REIT. Described below are certain risks that could materially adversely affect the REIT and its business, prospects, financial condition, results of operations, cash flows and ability to make cash distributions. Other risks and uncertainties that the REIT does not presently consider to be material, or of which the REIT is not presently aware, may become important factors that affect the REIT. Current Unitholders and prospective purchasers of Units should carefully consider these risks before making an investment decision concerning Units.

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

Real Property Ownership

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

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

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

The success of the REIT depends on the availability of, and the degree of competition for, attractive investments. The REIT's operating results depend on the availability of, as well as the ability of management to identify,

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

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

Asset Class and Tenant Risks

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

The REIT leases individual lots at its MHCs to residents for the placement of manufactured homes, and, in some cases, rental homes located on a REIT MHC to residents. The REIT's results of operations could be adversely affected if the residents of its Communities are unable to pay rent or if the REIT's lots are not rented, or if the REIT is unable to rent rental homes on favourable terms. The market for the sale and lease of manufactured homes may be adversely affected by a variety of factors, including the difficulty facing potential purchasers in obtaining affordable financing as a result of increased interest rates, heightened lending criteria or economic conditions. If the REIT is unable to promptly re-lease its lots and rental homes or renew leases for a significant number of its lots or rental homes, or if the rental rates upon such renewal or re-leasing are significantly lower than expected rates, then the REIT's business and results of operations would be adversely affected. In addition, the resale value of the REIT's MHCs could be diminished because the market value of a particular property will depend principally upon the value of the leases underlying such property.

Catastrophic Events, Natural Disasters, Severe Weather and Disease

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

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

ability to conduct its business and increase its costs. In addition, Liquidity and volatility, credit and insurance availability and market and financial conditions generally could change at any time as a result. While the REIT will seek to maintain insurance for loss of revenue resulting from the occurrence of certain natural disasters, insurance for certain natural disasters may not be available, and any of these events in isolation or in combination, could have a material negative impact on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

The REIT may be exposed to the impact of events caused by climate change, including an increase in the frequency and severity of the natural disasters and serious weather conditions outlined above. Climate change continues to attract the focus of governments and the general public. While the REIT's MHC partners utilize green building construction and technologies, as a real estate property owner and manager, the REIT faces the risk that its properties will be subject to government initiatives and reforms aimed at countering climate change, such as reduction in greenhouse gas emissions or increased capital expenditures to improve energy efficiency. The REIT may require operational changes and/or incur financial costs to comply with any such reforms. Any failure to adhere and adapt to such government initiatives and reforms could result in fines or adversely affect the REIT's reputation, operations or financial performance.

Interest Rate Risk

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

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

Competition

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

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

affordable and therefore more attractive than the REIT's MHCs. This may also decrease occupancy and rental, sale or renewal rates, any or all of which could negatively affect the REIT's operating results and financial condition.

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

COVID 19 Pandemic

Although COVID 19 and actions by governments and others have not to date had a material impact on the REIT, the extent to which the COVID 19 pandemic impacts the REIT's operations, financial condition and financial results will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Such future developments include the severity and duration of strains of COVID 19, any intensification of the pandemic, the actions by governments and others taken to contain the pandemic or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of the pandemic and containment measures, among others. The development and fluidity of this situation impedes the REIT's ability to predict the ultimate adverse impact of the COVID 19 pandemic and may negatively impact the market price for the Units and may, in the short or long term, materially adversely impact the REIT's tenants and/or the debt and equity markets, both of which could materially adversely affect the REIT's operations and financial performance and ability to pay distributions.

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

Current Economic Environment

The REIT is subject to risks involving the economy in general, including recessions, inflation, deflation or stagflation, unemployment and geopolitical events such as the conflict between Russia and Ukraine, and the conflict in Israel and Palestine. Global financial markets have experienced a sharp increase in volatility recently as a result of increasing interest rates and inflationary pressures. Some economies around the world may experience or are already experiencing significantly diminished growth or a recession. These market conditions and further volatility or illiquidity in financial markets, or economic conditions generally, could adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. In weak economic environments, the REIT's ability to maintain occupancy rates could be reduced, and the REIT's residents may be unable to make their rental payments and meet their other obligations to the REIT, which could have a material and adverse effect on the REIT. In addition, fluctuation in interest rates or other financial market volatility may

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

restrict the availability of financing for future prospective purchasers of the REIT's investments and could potentially reduce the value of such investments.

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

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

Fluctuations in Capitalization Rates

As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gain or loss at the time of disposition of a property may occur due to the impact on the value of the underlying real estate from any increase or decrease of these capitalization rates.

Inflation

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

Regulation and Changes in Applicable Laws

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

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

Lower revenue growth or significant unanticipated expenditures may result from the REIT's need to comply with changes in applicable laws or regulations, including: (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; (ii) rent control or rent stabilization laws or other residential landlord/tenant laws; or (iii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of the REIT's properties, including changes to building codes and fire and life safety codes. Further, residential landlord/tenant laws in certain states may provide residents with the right to bring certain claims to the respective judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the REIT may, in the future, incur capital expenditures which may not be fully recoverable from residents.

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

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

Geographic Concentration

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

Capital Expenditures and Fixed Costs

The failure to maintain stable or increasing average monthly rental rates combined with acceptable occupancy levels would likely have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders. Certain significant expenditures, including property taxes, maintenance costs, debt service payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. In order to attract residents and to generate adequate revenue over the long term, the REIT must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining an MHC in accordance with market standards can entail significant costs, which the REIT may not be able to recover from its tenants. In addition, property tax reassessments based on updated appraised values may occur, which the REIT may not be able to fully recover from its tenants. As a result, the REIT bears the economic cost of such maintenance and/or taxes not recoverable from tenants, which may adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. Numerous factors could result in substantial unbudgeted costs for refurbishment or modernization. In addition, the timing and amount of capital expenditures may indirectly affect the amount of cash available for distribution

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

to Unitholders. Cash distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

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

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

Property Taxes

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

Liquidity

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

Environmental Matters

Environmental laws and regulations have become increasingly important in recent years. As a current or previous owner of interests in real property in the United States, the REIT is subject to various U.S. federal, state and municipal laws relating to environmental matters. Such laws provide that the REIT could be liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons or other environmental impacts, and the removal or

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties or at third-party sites, at which waste was sent for disposal by the REIT, including lead-based paints, mould, asbestos, polychlorinated biphenyls, petroleum-based fuels, mercury, volatile organic compounds, underground storage tanks, pesticides and other miscellaneous materials. Further, liability may be incurred by the REIT with respect to the release of such substances from or to the REIT's properties, including due to the migration of contamination to the REIT's property from another property. These laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. Those laws also govern the maintenance and removal of asbestos-containing materials in certain circumstances, including in the event of damage, demolition or renovation of a property and also govern emissions of and exposure to asbestos fibers in the air. Certain of the REIT's MHCs may contain asbestos containing materials. The costs of investigation, removal and remediation of such substances or properties, if any, may be substantial and could adversely affect the REIT's financial condition and results of operations but are not estimable. There may be contamination on the REIT's MHCs of which management is not aware. The presence of contamination or the failure to remediate contamination may adversely affect the REIT's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against the REIT by public or private parties, as well as regulatory decrees and orders requiring the REIT to pay for the remediation of contamination.

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

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

Furthermore, environmental laws and regulations can change, and the REIT may become subject to even more stringent environmental laws and regulations in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws and regulations, which may be more rigorously

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Accidental Death or Severe Injuries

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

Financing Risks

As of December 31, 2023, the REIT has outstanding indebtedness of approximately \$442 million. Although a portion of the cash flow generated by the REIT's MHCs is devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest payments and principal repayments upon an applicable maturity date. The REIT's Liquidity is subject to macroeconomic, financial, competitive and other factors that are beyond the REIT's control, including increasing interest rates and inflationary pressures. If the REIT is unable to meet interest or principal repayments, it could be required to attempt a renegotiation of such payments with its lenders or obtain additional equity, debt or other financing. The failure of the REIT to make or successfully renegotiate interest or principal repayments or obtain additional equity, debt or other financing could materially adversely affect the REIT's financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders.

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

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

Management believes that the use of Fannie Mae or Freddie Mac assists the REIT in managing its renewal risk. Given the increased credit quality of such debt, the probability of the REIT being unable to renew the maturing debt or transfer this debt to another accredited lending institution is reduced. However, there can be no assurance that the renewal of debt will be on as favourable terms as the REIT's existing debt.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

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

Degree of Leverage

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

Acquisitions and Associated Undisclosed Defects and Obligations

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

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

The REIT may be required to expend funds to correct defects or to make improvements before a property can be sold. No assurance can be given that the REIT will have funds available to correct such defects or to make such improvements. In acquiring a property, the REIT may agree to lock-out provisions that materially restrict it from

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

selling that property for a period of time or impose other restrictions, such as a limitation on the debt that can be placed or repaid on that property or debt or other contracts that are not prepayable or terminable and must be assumed by a buyer. These provisions would restrict the REIT's ability to sell a property. These factors and any others that would impede the REIT's ability to respond to adverse changes in the performance of its properties could significantly affect the REIT's financial condition and operating results and decrease the cash available for distribution to Unitholders.

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

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

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

Investments in Debt Instruments

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

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

payments from such mortgagor and therefore cause a reduction in the REIT's ability to make distributions to Unitholders and the value of that investment.

No Assurance of Recovery

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

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

Zoning Compliance

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

Difficulty of Locating Suitable Investments

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

Laws Protecting Persons with Disabilities

Laws that protect the rights of persons with disabilities may result in unanticipated expenses being incurred by the REIT. Under the Americans with Disabilities Act of 1990 (the "ADA"), all places intended to be used by the public are required to meet certain federal requirements related to access and use by persons with disabilities. The Fair Housing Amendments Act of 1988 (the "FHAA") requires apartment properties first occupied after March 31, 1991 to comply with accessible design and construction requirements. For those projects receiving federal funds, the Rehabilitation Act of 1973 (the "RA") also has requirements regarding accessibility. These and other federal, state and local laws may require modifications to the REIT's properties, or affect renovations of the properties. Non-compliance with these laws could result in the imposition of fines or an award of damages to

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

private litigants and an order to correct any non-complying feature, which could result in substantial capital expenditures. Although the REIT believes that its MHCs are substantially in compliance with the present requirements, the REIT may incur unanticipated expenses to comply with the ADA, the FHAA and the RA in connection with the ongoing operation or redevelopment of the REIT's MHCs.

Past Performance is not a Predictor of Future Results

The performance of the REIT's MHCs and the performance of the REIT are dependent on future events and are, therefore, inherently uncertain. The track records of vendors of properties prior to the REIT's acquisition thereof, cannot be relied upon to predict future events due to a variety of factors, including, without limitation, varying business strategies, different local and national economic circumstances, different supply and demand characteristics, the addition of public company costs of the REIT, varying degrees of competition and varying circumstances pertaining to the real estate markets.

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

Breach of Privacy or Information Security Systems

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

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

Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies, such as ransomware, and the increased sophistication and activities of perpetrators of cyber-

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

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

Expanding Social Media Vehicles

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

Employee Theft or Fraud

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

Technological Operational Risk

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

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, refinance its debt as well as to fund its growth strategy and certain capital expenditures from time to time. Although the REIT expects to have access to subsequent advances under the Fannie Mae Loan, there can be no

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

assurance that the REIT will otherwise have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, refinancing its debt, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, the REIT may not be able to borrow funds due to limitations set forth in the Declaration of Trust. Failure by the REIT to access required capital could have a material adverse effect on the REIT's financial condition or results of operations and its ability to make cash distributions to Unitholders.

Potential Conflicts of Interest

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

Insurance Coverage May be Inadequate

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

Risk Related to Insurance Renewals

Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When the REIT's current insurance policies, including insurance for loss of revenue resulting from the occurrence of natural disasters, expire, it may encounter difficulty in obtaining or renewing property or casualty insurance at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (e.g., earthquake, tornado, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. If the REIT is unable to obtain adequate insurance for certain risks, it could cause the REIT to be in default under specific covenants on certain of its debt or other contractual

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

commitments that it has that require the REIT to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur, or if the REIT were unable to obtain adequate insurance, and its properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make cash distributions to Unitholders.

Reliance on Key Personnel

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

New Markets

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

Property Development, Redevelopment and Renovation Risks

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

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

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

Legislative Requirements that Limit Affordable Financing for Potential Manufactured Home Buyers

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

Litigation Risks

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

International Financial Reporting Standards

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

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

Significant Ownership by the Retained Interest Holders

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 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 on a one-for-one basis).

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

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

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

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

Potential Conflicts of Interest with Empower

Pursuant to the non-Competition and non-Solicitation agreement dated October 7, 2020 between the REIT and Empower (the "Non-Competition and Non-Solicitation Agreement"), unless otherwise consented to by the independent Trustees, during any period in which the Non-Competition and Non-Solicitation Agreement remains effective, Empower and its affiliates and associates are restricted from certain activities that would be competitive with the REIT. However, following the termination of the Non-Competition and Non-Solicitation Agreement, Empower, which is controlled by the REIT's President and Chief Executive Officer and Chief Investment Officer, will not be limited or restricted in any way from owning, acquiring, constructing, developing or redeveloping properties, and may itself compete with the REIT in seeking tenants and for the purchase, development and operation of desirable properties to be used as MHCs. Such continuing business of Empower may lead to conflicts of interest between Empower and the REIT. Additionally, if a change of control or change of management (each 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.

In addition, the asset and property management services provided by employees of the REIT to Empower under a management agreement between Flagship TRS, LLC and Empower may lead to conflicts of interest between such persons and the REIT. Pursuant to a right of first offer agreement dated October 7, 2020 between Flagship Operating and Empower (the "ROFO Agreement"), Empower will have a right to pursue acquisition or investment opportunities that the REIT does not wish to pursue, and Empower will grant to Flagship Operating a right of first opportunity to pursue acquisition or investment opportunities identified by Empower. As a result, in some cases, the interests of Empower and its owners may not be the same as those of the REIT and the other Unitholders in such transactions.

The REIT may not be able to resolve any such conflicts and, even if it does, the resolution may be less favourable to the REIT than if it were dealing with a party that was not owned by holders of a significant interest in the REIT. The ROFO Agreement, the Management Agreement, the Services Agreement and the Non-Competition and Non-Solicitation Agreement may be amended upon agreement between the parties, subject to applicable law and approval of the independent Trustees. Because of the retained interest holders' significant effective interest in the REIT, the REIT may not have the leverage to negotiate any required amendments to these agreements on terms as favourable to the REIT as those the REIT could secure with a party that was not controlled by a significant

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

effective Unitholder of the REIT. There can be no assurance that actual or potential conflicts of interest will be resolved in favour of the REIT.

Risk Factors Related to the Structure of the REIT

Reliance on Flagship Operating

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

Return on Investment and Cash Distributions are Not Guaranteed

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

Potential Volatility of Unit Prices

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

Financial markets have sometimes experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that maybe unrelated to the operating

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

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

Restrictions on Redemptions

It is anticipated that the redemption right attached to the Units will not be the primary mechanism by which Unitholders liquidate their investment. The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed \$50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) on the date such Units are tendered for redemption, the outstanding Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, in any market where the Units are quoted for trading) on the redemption date or for more than five trading days during the ten-day trading period commencing immediately before the redemption date; and (iv) the redemption of the Units must not result in the delisting of the Units from the principal stock exchange on which the Units are listed.

Nature of Investment

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

Management has Limited Experience Managing a Publicly Traded Entity

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

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

Availability of Cash Flow

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

Dilution

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, particularly if Units are issued for subscription proceeds that do not exceed an existing Unitholder’s cost of acquisition. The issuance of additional Units may have a dilutive effect on the interests of Unitholders.

Structural Subordination of Units

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

Limited Control

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

Unitholder Liability

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

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

Enforceability of Judgments Against Foreign Subsidiaries

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

Financial Reporting and Other Public Company Requirements

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

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

Tax Related Risks

Canadian Tax Risks

(i) Residency of the REIT for Canadian and U.S. Tax Purposes — The REIT is resident in Canada for purposes of the Income Tax Act (Canada) (the "Tax Act") and is treated as a domestic corporation in the U.S. under the United States Internal Revenue Code of 1986, as amended (the "Code"). As a result, the REIT is generally taxable on its worldwide income in both Canada and the U.S. However, in both jurisdictions, the REIT generally will not be subject to tax on the portion of its income that it distributes to Unitholders (subject to certain limitations and exceptions). Management of the REIT is of the view that the status of the REIT as taxable in both Canada and the U.S. is not likely to give rise to any material adverse consequences in the future as it is not anticipated that the

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

REIT will be subject to material federal income tax in either Canada or the U.S. Nevertheless, the REIT's status as taxable on its worldwide income in both Canada and the U.S. could, in certain circumstances, have a material adverse effect on the REIT and the Unitholders. As a result of the REIT being resident in both Canada and the U.S., withholding taxes of both Canada and the U.S. will be relevant to distributions by the REIT and could result in double taxation to certain investors and other consequences.

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

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

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

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

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

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

(vi) Foreign Tax Credits and Deductions (FIRPTA) – As discussed below under “U.S. Tax Risks”, a Unitholder may be subject to additional U.S. tax on a disposition of the Units and on certain distributions by the REIT, if (i) the Unitholder holds, or has held, actually or constructively, more than 10% of the outstanding Units, as determined for U.S. federal income tax purposes, or (ii) the Units are not “regularly traded on an established securities market” as discussed below under “U.S. Tax Risks – FIRPTA”. The proceeds receivable on a disposition of a Unit may not qualify as U.S. source income for purposes of the Tax Act (including for Canadian foreign tax credit and foreign tax deduction purposes), and beneficiaries of certain Unitholders that are trusts may not be considered to have paid such tax for purposes of the Tax Act. Accordingly, Unitholders may not be entitled to a foreign tax credit or foreign tax deduction in respect of such U.S. tax for Canadian tax purposes.

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

(viii) Non-Residents of Canada — The Tax Act may impose Canadian withholding or other taxes on distributions made by the REIT to Unitholders that are Non-Residents. Further, because the REIT is both resident in Canada for purposes of the Tax Act and treated as a domestic corporation in the U.S. under the Code, withholding taxes of both Canada and the U.S. will be relevant to Unitholders who are both Non-Residents and non-U.S. holders and could, in certain circumstances, result in both Canadian and U.S. withholding tax applying to certain distributions to certain investors and other consequences. Unitholders who are Non-Residents should consult their own tax advisors.

(ix) Foreign Currency — For purposes of the Tax Act, the REIT generally is required to compute its Canadian tax results, including any FAPI earned, using Canadian currency. Where an amount that is relevant in computing the REIT’s Canadian tax results is expressed in a currency other than Canadian currency, such amount must be

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

converted to Canadian currency using the exchange rate quoted by the Bank of Canada on the day such amount first arose, or using such other rate of exchange as is acceptable to the CRA. As a result, the REIT may realize gains and losses for tax purposes and FAPI by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.

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

U.S. Tax Risks

(i) Qualification as a Real Estate Investment Trust — The REIT intends to operate in a manner to qualify as a real estate investment trust for U.S. federal income tax purposes. Although the REIT does not intend to request a ruling from the IRS, as to its real estate investment trust qualification, the REIT received an opinion of Taft Stettinius & Hollister LLP with respect to its qualification as a real estate investment trust most recently in connection with the offering of its Units on December 19, 2023. Investors should be aware, however, that opinions of counsel are not binding on the U.S. Internal Revenue Service (the “IRS”) or any court. Accordingly, there can be no assurance that contrary positions may not successfully be asserted by the IRS. The opinion of Taft Stettinius & Hollister LLP was based on Taft Stettinius & Hollister LLP’s review and analysis of existing law and on certain representations as to factual matters made by the REIT, including representations relating to its assets and the sources of its income and its proposed method of operation. The opinion was expressed as of the date issued and does not cover subsequent periods. Taft Stettinius & Hollister LLP has not had and will not have any obligation to advise the REIT or the Unitholders of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in applicable law. Furthermore, both the validity of the opinion of Taft Stettinius & Hollister LLP, and the REIT’s qualification as a real estate investment trust, depends on the REIT’s satisfaction of certain asset, income, organizational, distribution, Unitholder ownership, reporting and other requirements on a continuing basis, the results of which will not be monitored by Taft Stettinius & Hollister LLP. Accordingly, given the complex nature of the rules governing real estate investment trusts, the ongoing importance of factual determinations, including the potential tax treatment of investments the REIT makes, and the possibility of future changes in the REIT’s circumstances, no assurance can be given that the REIT’s actual results of operations for any particular taxable year will satisfy such requirements. Moreover, no assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not change the tax laws with respect to qualification as a real estate investment trust or the U.S. federal income tax consequences of that qualification (including changes in law that have retroactive effect).

If the REIT fails to qualify as a real estate investment trust in any taxable year in a manner that could not be cured (whether by showing reasonable cause or payment of an excise tax), the REIT would be required to pay U.S. federal income tax (and any applicable state and local tax), including any applicable alternative minimum tax, on its taxable income at regular corporate rates, and dividends paid to the Unitholders would not be deductible by the REIT in computing its taxable income and would be taxable to the Unitholders under the rules generally applicable to corporate distributions. If the REIT is deemed to be a foreign corporation for U.S. federal income tax purposes, the REIT would fail to qualify as a real estate investment trust, and the REIT would be subject to (a)

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

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

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

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

(iv) Asset Tests - The REIT must ensure that at the end of each calendar quarter, at least (a) 75% of the value of its assets consists of cash, cash items, government securities and real estate assets (as defined in the Code),

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

including certain mortgage loans and certain kinds of mortgage-backed securities, (b) not more than 25% of the value of its total assets is represented by securities (other than those described in (a) above), and (c) not more than 25% of the value of a REIT's total assets may be represented by debt instruments issued by publicly offered REITs to the extent not secured by real property or interests in real property. Additionally, the remainder of the REIT's investment in securities not set forth in (a) in the previous sentence (other than securities of a taxable REIT subsidiary) must satisfy the following criteria: (x) the REIT does not hold more than 10% of the outstanding voting securities or total value of any one issuer, and (y) no more than 5% of the value of the REIT's assets may consist of the securities of any one issuer (other than a taxable REIT subsidiary), and no more than 20% of the value of its total assets can be represented by securities of one or more taxable REIT subsidiaries. If the REIT fails to comply with these requirements at the end of any calendar quarter, the REIT must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing its real estate investment trust qualification and suffering adverse tax consequences.

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

(vi) **Ownership Limitations** — In order for the REIT to qualify as a real estate investment trust for each taxable year under the Code (after the initial 2020 taxable year), no more than 50% in value of its outstanding Units (treating certain options and, under certain circumstances, securities convertible into Units as Units) may be owned, directly or indirectly, by five or fewer individuals (as defined for this purpose in the Code to include certain tax exempt entities, such as charitable trusts and private foundations but to exclude certain qualified trusts described in Section 401(a) of the Code) during the last half of any calendar year. In order to assist the REIT in qualifying as a real estate investment trust, ownership and transfer of Units by any person generally is subject to contractual limitations to prevent concentration of ownership. These ownership limitations might have the effect of discouraging a takeover or other transaction in which Unitholders might receive a premium for their Units over the then prevailing market price or which Unitholders might believe to be otherwise in their best interests. The REIT has monitored the ownership of Units, complies with certain reporting requirements (such as the issuance

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

of demand letters) designed to monitor ownership of Units for this purpose, and believes that the current ownership of Units (if maintained to the last half of the calendar year) would not result in a violation of the ownership limitations under the Code.

(vii) Other Taxes — Even if the REIT qualifies and maintains its status as a real estate investment trust, the REIT may be subject to U.S. federal and state income taxes and U.S. federal excise taxes. For example, the REIT may not be able to make sufficient distributions to avoid excise taxes applicable to real estate investment trusts (see “Annual Distribution Requirement” above). The REIT may also decide to retain income the REIT earns from the sale or other disposition of its real estate assets and pay income tax directly on such income. In that event, the Unitholders would be treated as if they earned that income and paid the tax on the REIT directly. The REIT may be subject to certain excise taxes, including a 100% “prohibited transactions” tax in the event the REIT sold a level of properties such that it no longer satisfied certain safe harbor provisions and was otherwise considered a dealer in real estate rather than a passive investor (see “Prohibited Transactions Tax” below for more detail). The REIT may also be subject to state and local taxes on its income or property, either directly or at the level of the entities through which the REIT indirectly owns its assets. Any U.S. federal or state taxes the REIT pays reduces its cash available for distribution to the Unitholders.

(viii) Taxable REIT Subsidiaries — To meet the real estate investment trust qualification requirements or to avert the imposition of the prohibited transactions tax discussed below, the REIT holds some of its assets or conduct activities through one or more subsidiary corporations jointly electing with the REIT to be taxable REIT subsidiaries, which subsidiaries are subject to corporate level income tax at U.S. federal corporate income tax rates. If the REIT lends money to a taxable REIT subsidiary, the taxable REIT subsidiary may be unable to deduct all or a portion of the interest paid to the REIT, which could result in an even higher corporate level tax liability. Furthermore, the Code imposes a 100% tax on certain transactions between a taxable REIT subsidiary and its parent real estate investment trust that are not conducted on an arm’s length basis. The REIT intends to structure transactions with any taxable REIT subsidiary on terms that the REIT believes are arm’s length to avoid incurring the 100% excise tax described above (including use of pricing that meets or exceeds 150% of the direct cost of performance of such services where such pricing is warranted), but no assurances can be given that the REIT will be able to avoid application of the 100% tax.

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

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

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

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

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

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

applicable Treasury Regulations) of any distribution to a non-U.S. person that is designated as a capital gain dividend, or, if greater, 21% of a distribution that could be designated by the REIT as a capital gain dividend. Even if the Units are considered regularly traded on an established securities market in the United States, however, under FIRPTA, if any non-U.S. person holds, actually or constructively, more than 10% of the outstanding Units at any time during the one-year period ending on the date of a distribution, the REIT generally would be required to withhold 21% (or less to the extent provided in applicable Treasury Regulations) of such distribution to such Unitholder that is designated as a capital gain dividend, or, if greater, 21% of such distribution that could be designated by the REIT as a capital gain dividend. Any such withheld amount is creditable against such Unitholder's FIRPTA tax liability.

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

(xii) Recent Legislation — In recent years, numerous legislative, judicial and administrative changes have been made to the U.S. federal income tax laws applicable to investments in real estate and real estate investment trusts. In addition, no assurance can be given that future changes to the U.S. federal income tax laws or regulatory changes will not be proposed or enacted that could impact the REIT's business and financial results. The real estate investment trust rules are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department, which may result in revisions to regulations and interpretations in addition to statutory changes. If enacted, certain of such changes could have an adverse impact on the business and financial results of the REIT.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the year ended December 31, 2023

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

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