*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any state of the United States and may not be offered, sold or delivered directly or indirectly, in the United States (as such term is defined in Regulation S under the U.S. Securities Act) (the "**United States**") except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any of these securities in the United States. See "Plan of Distribution".*

PROSPECTUS

Initial Public Offering September 28, 2020

FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

$93,750,000
6,250,000 Units

The price per Unit is stated in U.S. dollars.

This prospectus qualifies the distribution to the public (the "**Offering**") of 6,250,000 trust units (the "**Units**") of Flagship Communities Real Estate Investment Trust (the "**REIT**"), a newly-created, internally-managed, unincorporated, open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario at an offering price per Unit (the "**Offering Price**") of $15.00 per Unit. References in this prospectus to dollars or "$" are to U.S. currency.

The REIT has been formed to own and operate a portfolio of manufactured housing communities ("**MHCs**") and related assets in the United States. The REIT will indirectly own an initial portfolio of 45 MHCs (the "**Initial Communities**"), comprising 8,255 lots located in the following four contiguous states: Kentucky, Indiana, Ohio and Tennessee, and a fleet of approximately 600 manufactured homes for lease to residents of the Initial Communities (the "**Rental Homes Fleet**" and, together with the Initial Communities and certain ancillary and head office assets, the "**Initial Portfolio**"). See "The Initial Portfolio".

The primary objectives of the REIT are to: (i) provide holders of Units ("**Unitholders**") an opportunity to invest in a portfolio of MHCs located in attractive U.S. markets; (ii) provide Unitholders with predictable, sustainable and growing cash distributions; (iii) 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 (iv) expand the asset base of the REIT in its existing operational footprint and target growth markets by leveraging management's extensive industry experience and relationships to acquire MHCs that are expected to be accretive to the REIT's net asset value and adjusted funds from operations ("**AFFO**", a non-IFRS financial measure — see "Non-IFRS Measures") per Unit. See "The REIT".

The REIT initially intends to make monthly cash distributions of $0.0425 per Unit to Unitholders, which will provide Unitholders with an approximate annual cash distribution yield of 3.4% based on a payout ratio of approximately 65% of the REIT's estimated AFFO, on an annual basis, during the period from October 1, 2020 to September 30, 2021 (the "**Forecast Period**"). See "Non-IFRS Measures", "Forecast Non-IFRS Reconciliation" and "Distribution Policy". The REIT's portfolio will generate cash flow in U.S. dollars and the distributions made on the Units following the closing of the Offering ("**Closing**") will be denominated in U.S. dollars.

The Initial Portfolio is currently owned, directly or indirectly, by Flagship Communities, LLC ("**FCLLC**") and by 15 entities (the "**SSK Entities**" and, together with FCLLC, "**Flagship**"), all of which are managed by MHC Management, LLC, d/b/a SSK Communities (the "**Promoter**"). Twenty-eight of the Initial Communities are currently owned by FCLLC, while the remaining 17 Initial Communities are owned by the SSK Entities. The executive officers of the REIT, through the Promoter, currently manage all of the Initial Communities and the Rental Homes Fleet.

Upon and following (if applicable) Closing, and following certain pre-Closing reorganization transactions involving Flagship, the REIT will indirectly acquire the Initial Portfolio (the "**Acquisition**"). In connection with the Acquisition, all of the issued and outstanding securities of FCLLC and the SSK Entities will be exchanged for cash, new Units and new class B units of the REIT's subsidiary, Flagship Operating, LLC ("**Class B Units**"). The Class B Units are, in all material respects, economically equivalent to Units and are redeemable under certain circumstances by the holder thereof for cash or Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by Flagship Operating, LLC and as directed by the REIT in its sole discretion. See "The Acquisition" and "Flagship Operating, LLC — Flagship Operating, LLC Class A Units and Class B Units".

At Closing, the REIT will use the net proceeds of the Offering to fund the cash component of the Acquisition, to repay certain secured indebtedness, for capital expenditure reserves, to fund transaction costs associated with the Closing and for general business purposes. See "Use of Proceeds".

(continued on next page)

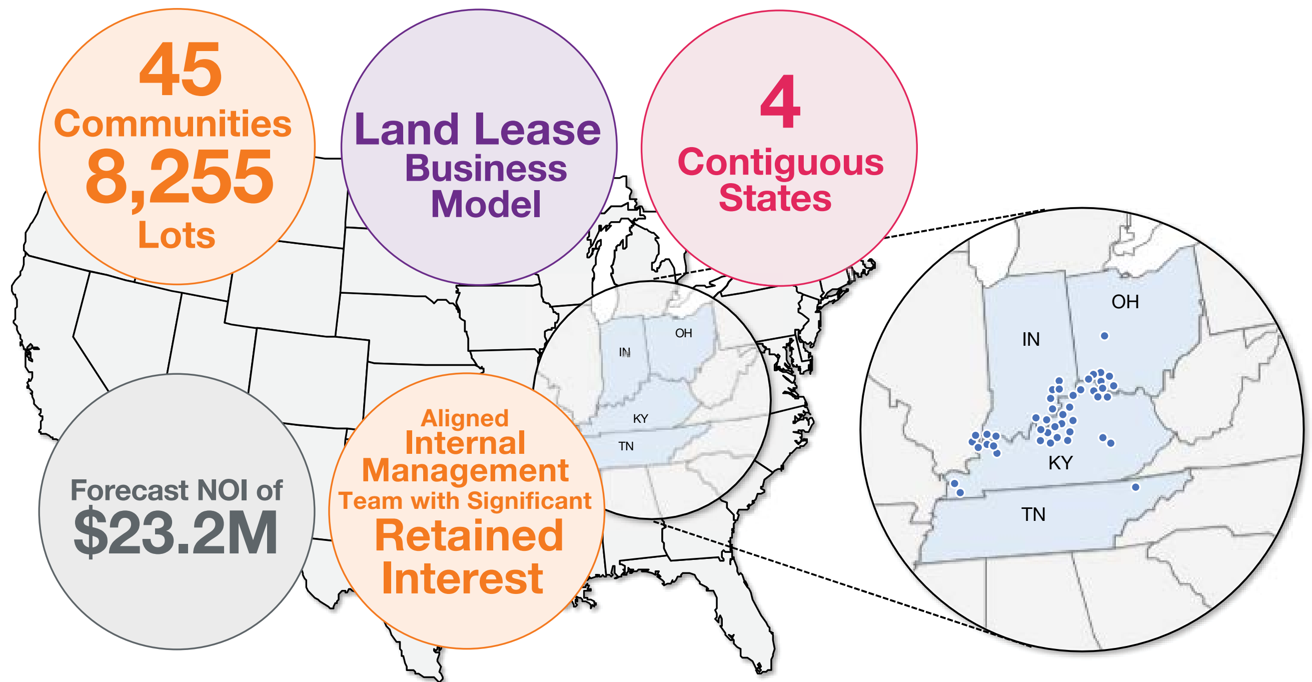
Flagship COMMUNITIES

REAL ESTATE INVESTMENT TRUST

High-Quality Portfolio of 45 Manufactured Housing Communities (MHCs) Comprising 8,255 Lots

REIT Overview

Flagship COMMUNITIES REAL ESTATE INVESTMENT TRUST



Organic Growth Opportunities

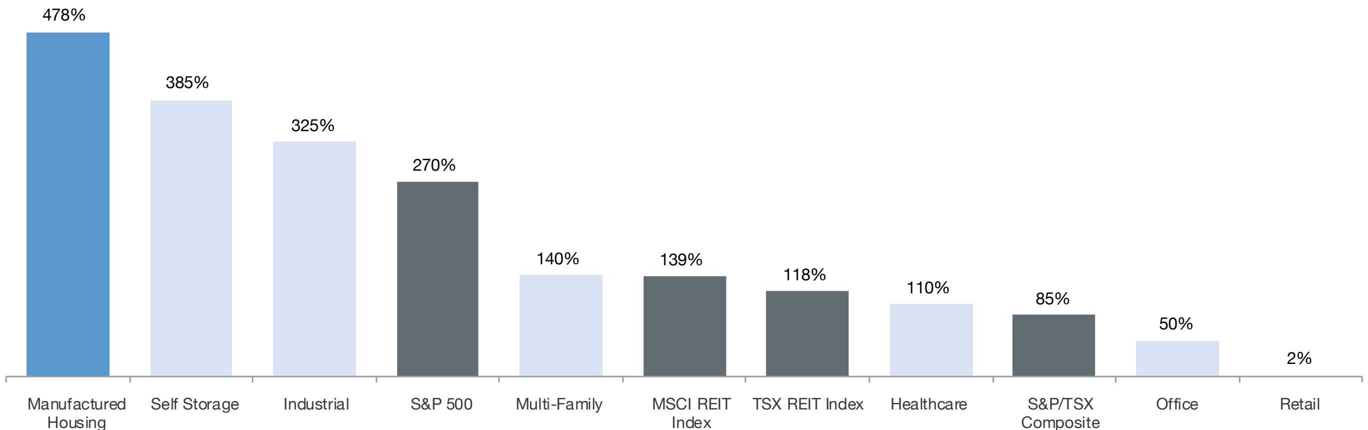
- ✓ Increase Lot Rental Rates
- ✓ Lease Vacant Lots
- ✓ Convert Renter-Occupied Lots to Owner-Occupied Lots
- ✓ Revenue and Expense Optimization
- ✓ Value-Enhancing Capital Investments
- ✓ Expansion via Development of Excess Land

Consolidation Opportunity Drives External Growth

- ✓ Extensive Industry Relationships and Network
- ✓ Source Off-Market Acquisitions
- ✓ Expansion into New Markets
- ✓ Continued Consolidation in Existing Footprint
- ✓ Proprietary Acquisition Pipeline through Empower
- ✓ Access to Public Capital Markets Provides a Competitive Advantage

Defensive Asset Class with History of Outperformance Across the Economic Cycle

10-Year Total Return by Real Estate Sector (June 30, 2010 to June 30, 2020)



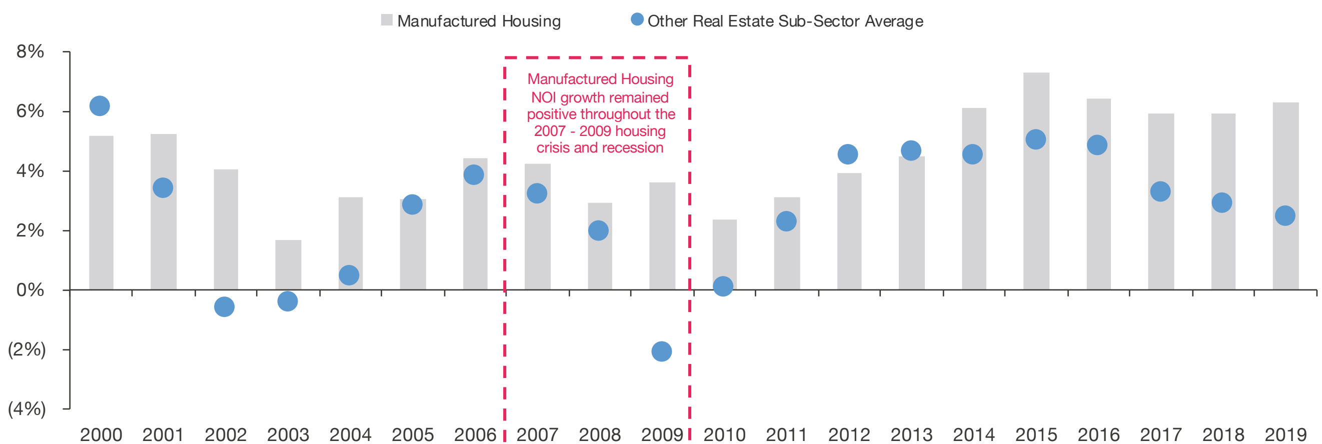
Source: Bloomberg

Unique Land Lease Business Model

Industry Leading Total Returns

No Pure Play MHC REITs Listed on the TSX

Same-Property NOI Growth: Manufactured Housing vs. Other Real Estate Sectors



Source: Public company filings

Consistent Track Record of Stable Occupancy and Growing Rents

Average Annual NOI Growth of 4% over 20+ years

(continued from cover)

Following completion of the Acquisition, the Retained Interest Holders (as defined herein) are expected to own an aggregate of 5,432,940 Class B Units and 38,685 Units, together representing an approximate 46.7% effective interest in the REIT, or an approximate 43.2% effective interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). The Retained Interest Holders include the REIT's executive officers, who will collectively beneficially own 2,789,149 Class B Units and 17,408 Units (including indirectly on a proportionate basis through direct and indirect ownership interests in Legacy Holdings (as defined herein)), together representing an approximate effective interest in the REIT of 23.9%, or an approximate effective interest in the REIT of 22.2% if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). The REIT's executive officers control (through effective control of Legacy Holdings by the REIT's President and Chief Executive Officer and Chief Investment Officer) an additional 2,607,538 Class B Units owned by Legacy Holdings, representing, in the aggregate together with their beneficial interest, an approximate 46.2% effective interest in the REIT, or an approximate 42.8% effective interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). See "Retained Interest Holders" and "Plan of Distribution". On Closing, the REIT and the Retained Interest Holders will enter into an investor rights agreement (the "**Investor Rights Agreement**") to provide certain customary investor rights. See "Retained Interest Holders — Investor Rights Agreement".

The REIT, indirectly through Management FC, LLC, will employ an experienced executive team of manufactured housing real estate professionals composed of the same team that currently manages all of the Initial Communities and the Rental Homes Fleet.

On Closing, the REIT, through Flagship Operating, LLC, will enter into an agreement with Empower Park, LLC ("**Empower**"), an entity majority-owned by the REIT's President and Chief Executive Officer and Chief Investment Officer, pursuant to which Empower will provide the REIT with opportunities to purchase MHCs owned or proposed to be acquired by Empower. The REIT, through Flagship TRS, LLC, will act as manager to Empower, for which Flagship TRS, LLC will be paid certain fees. See "Growth Strategies of the REIT" and "Arrangements with Empower".

Offering Price: $15.00 per Unit

	Price to the Public[1]	Underwriters' Fee	Net Proceeds to the REIT[2]
Per Unit	$15.00	$0.90	$14.10
Total Offering[3]	$93,750,000	$5,625,000	$88,125,000

Notes:

(1) The Offering Price was established by negotiation among the REIT, the Promoter and the Underwriters (as defined below) and has been determined, in part, based on the forecasted net earnings and the resulting calculation of AFFO for the Forecast Period. See "Financial Forecast".

(2) Before deducting the REIT's expenses of the Offering, estimated to be approximately $7,000,000, which, together with the Underwriters' fee, will be paid from the proceeds of the Offering.

(3) The REIT has granted the Underwriters an option (the "**Over-Allotment Option"**), exercisable in whole or in part at any time up to 30 days after Closing, to purchase up to an additional 937,500 Units at the Offering Price, solely to cover the Underwriters' over-allocation position, if any, and for consequent market stabilization purposes. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the REIT", before deducting the expenses of the Offering, will be $107,812,500, $6,468,750 and $101,343,750, respectively. This prospectus also qualifies the grant of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires those Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

The following table sets out the number of Units that may be issued to the Underwriters pursuant to the Over-Allotment Option.

Underwriters' Position	Maximum Size or Number of Units Available	Exercise Period	Exercise Price
Over-Allotment Option	Option to acquire up to 937,500 Units	Exercisable at any time up to 30 days after Closing	Offering Price

Canaccord Genuity Corp. ("**CG**"), BMO Nesbitt Burns Inc. ("**BMONB**" and, together with CG, the "**Lead Underwriters**"), CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., Echelon Wealth Partners Inc. and Industrial Alliance Securities Inc. (together with the Lead Underwriters, the "**Underwriters**"), as principals, conditionally offer the Units qualified under this prospectus, subject to prior sale, if, as and when issued by the REIT and accepted by the Underwriters in accordance with the conditions contained in the underwriting agreement between the REIT, the Promoter and the Underwriters referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the REIT by Blake, Cassels & Graydon LLP (with respect to Canadian matters), Adams, Stepner, Woltermann & Dusing, PLLC (with respect to U.S. corporate matters) and Taft Stettinius & Hollister LLP (with respect to U.S. tax matters) and on behalf of the Underwriters by Torys LLP.

In connection with this distribution, the Underwriters have been granted the Over-Allotment Option and may, subject to applicable law, over-allocate or effect transactions which stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **After the Underwriters have made reasonable efforts to sell all of the Units at the Offering Price, the Underwriters may subsequently reduce the selling price to investors from**

time to time in order to sell any of the Units remaining unsold. Any such reduction will not affect the proceeds received by the REIT. See "Plan of Distribution".

Subscriptions will be received subject to rejection or allocation in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. Closing is expected to occur on October 7, 2020 or such other date as the REIT and the Lead Underwriters may agree, but in any event no later than October 14, 2020. Registrations and transfers of Units will be effected electronically through the non-certificated inventory system administered by CDS Clearing and Depository Services Inc. Beneficial owners of Units will not, except in certain limited circumstances, be entitled to receive physical certificates evidencing their ownership of Units. See "Declaration of Trust and Description of REIT Units — Non-Certificated Inventory System" and "Plan of Distribution".

There is no market through which the Units may be sold and purchasers may not be able to resell Units purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Units and the extent of issuer regulation. The REIT has received conditional approval from the Toronto Stock Exchange (the "**TSX**") to list the Units distributed under the Offering on the TSX under the symbol "MHC.U". Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before November 2, 2020. See "Risk Factors".

A return on a purchaser's investment in Units is not comparable to the return on an investment in a fixed income security. The recovery of the initial investment in Units by an investor is at risk, and the anticipated return on an investment is based on many performance assumptions. Although the REIT intends to make distributions of available cash to Unitholders in accordance with its distribution policy, these cash distributions are not guaranteed and may be reduced or suspended at the discretion of the trustees of the REIT (the "**Trustees**"). The ability of the REIT to make distributions and the actual amount distributed on Units will depend on numerous factors, including the financial performance of the REIT's properties, debt covenants and other contractual obligations, working capital requirements and future capital requirements, all of which are subject to a number of risks. In addition, the market value of the Units may decline if the REIT is unable to meet its cash distribution and AFFO targets in the future, and that decline may be significant. It is important for a person making an investment in Units to consider the particular risk factors that may affect the REIT, its business and the real estate industry, and therefore the stability of distributions to Unitholders. A prospective purchaser should review this document in its entirety and carefully consider the risk factors described under "Risk Factors" before purchasing Units.

Because the REIT will be treated as a real estate investment trust for U.S. federal income tax purposes, distributions paid by the REIT to Canadian investors that are made out of the REIT's current or accumulated earnings and profits (as determined under U.S. federal income tax principles) and not designated by the REIT as a capital gain dividend, generally will be subject to U.S. withholding tax at a rate of 30%, which may be reduced to 15% for investors that qualify for benefits under the United States-Canada Income Tax Convention (1980, as amended) (the "**Treaty**") and certain requirements under the Treaty, provided that the required form evidencing eligibility for such benefits is filed with the REIT or the appropriate withholding agent. To the extent a Canadian investor is subject to U.S. withholding tax in respect of distributions paid by the REIT on the Units out of the REIT's current or accumulated earnings and profits, the amount of such tax may be eligible for foreign tax credit or deduction treatment, subject to the detailed rules and limitations under the Tax Act (as defined herein). So long as the Units continue to be regularly traded on an established securities market, distributions with respect to Units in excess of the REIT's current and accumulated earnings and profits that are distributed to Canadian investors that have not owned (or been deemed to own) more than 10% of the outstanding Units generally will not be subject to U.S. withholding tax, although there can be no assurances that withholding on such amounts will not be required. The REIT estimates that approximately 45% to 55% of the monthly cash distributions to be paid to Unitholders in 2020 will be made out of the REIT's current or accumulated earnings and profits as determined for U.S. tax purposes and, accordingly, will be subject to U.S. withholding tax. The composition of distributions for U.S. federal income tax purposes may change over time and may be different from the composition for Canadian federal income tax purposes, which may affect the after-tax return to Unitholders. Qualified residents of Canada that are tax-exempt entities established to provide pension, retirement or other employee benefits (including trusts governed by an RRSP, RRIF or DPSP (each as defined herein), but excluding trusts governed by a TFSA, RESP or RDSP (each as defined herein)) may be eligible for an exemption from U.S. withholding tax. The foregoing is qualified by the more detailed summary in this prospectus. See "Certain Canadian Federal Income Tax Considerations" and "Certain U.S. Federal Income Tax Considerations". See also "Distribution Policy" and "Risk Factors — Tax-Related Risks".

The after-tax return from an investment in Units to Unitholders subject to Canadian federal income tax (including with regard to the ability of Unitholders to effectively utilize foreign tax credits or deductions in respect of U.S. withholding taxes) will depend, in part, on the composition for Canadian federal income tax purposes of distributions paid by the REIT, portions of which may be fully or partially taxable or may constitute tax deferred returns of capital (i.e., returns that initially are non-taxable but which reduce the adjusted cost base of the Unitholders' Units). In particular, Unitholders may not be eligible to claim a foreign tax credit or deduction in respect of U.S. withholding tax applicable to distributions that are treated as returns of capital for Canadian federal income tax purposes. The REIT estimates that approximately 80% or more of the monthly cash distributions to be made by the REIT to Unitholders will be tax deferred for Canadian federal income tax purposes in 2020. The composition of distributions for Canadian federal income tax purposes may change over time and may be different from the composition for U.S. tax purposes, thus affecting the after-tax return to Unitholders. See "Distribution Policy" and "Risk Factors — Tax-Related Risks".

The Promoter, which has acted as a promoter within the meaning of applicable Canadian securities laws, is organized under the laws of a foreign jurisdiction. Flagship Operating, LLC, which is a subsidiary of the REIT, is organized under the laws of a foreign jurisdiction. Colliers International Valuation & Advisory Services, LLC, which has prepared the Appraisal (as defined herein), is organized under the laws of a foreign jurisdiction. Kurtis Keeney, Nathaniel Smith, Eddie Carlisle and Peter Bynoe are Trustees and/or executive officers of the REIT and reside outside Canada. Each of the Promoter, Flagship Operating, LLC, Kurtis Keeney, Nathaniel Smith, Eddie Carlisle and Peter Bynoe have appointed Blakes Extra-Provincial Services Inc., 199 Bay Street, Suite 4000, Toronto, Ontario, M5L 1A9, Canada, as their respective agent for service of process in Ontario. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or who resides outside of Canada, even if the party has appointed an agent for service of process in Canada. See "Enforcement of Judgments against Foreign Persons" and "Risk Factors".

The REIT is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that statute or any other legislation.

All capitalized terms referred to above are defined elsewhere in this prospectus including under "Glossary".

TABLE OF CONTENTS

	Page
GLOSSARY	1
ABOUT THIS PROSPECTUS	7
MEANING OF CERTAIN REFERENCES	7
MARKET AND INDUSTRY DATA	8
FORWARD-LOOKING STATEMENTS	8
NON-IFRS MEASURES	10
MARKETING MATERIALS	11
ELIGIBILITY FOR INVESTMENT	12
EXCHANGE RATE INFORMATION	12
PROSPECTUS SUMMARY	13
THE REIT	38
INVESTMENT HIGHLIGHTS	39
GROWTH STRATEGIES OF THE REIT	41
OVERVIEW OF THE UNITED STATES MANUFACTURED HOUSING COMMUNITY INDUSTRY	45
INITIAL COMMUNITY MARKETS	53
THE INITIAL PORTFOLIO	56
ASSESSMENTS AND VALUATIONS OF THE INITIAL PORTFOLIO	61
DEBT STRATEGY AND INDEBTEDNESS	66
THE ACQUISITION	70
RETAINED INTEREST HOLDERS	76
ARRANGEMENTS WITH EMPOWER	80
CAPITALIZATION OF THE REIT	85
FINANCIAL FORECAST	85
FORECAST NON-IFRS RECONCILIATION	98
POST-CLOSING STRUCTURE	100
TRUSTEES AND MANAGEMENT OF THE REIT	101
EXECUTIVE COMPENSATION	114
INVESTMENT GUIDELINES AND OPERATING POLICIES	118
DECLARATION OF TRUST AND DESCRIPTION OF REIT UNITS	122
US HOLDCO	134
FLAGSHIP OPERATING, LLC	134
DISTRIBUTION POLICY	137
CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS	138
CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS	144
PLAN OF DISTRIBUTION	163
PRIOR ISSUANCES	166
USE OF PROCEEDS	166
RISK FACTORS	166
ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS	194
MATERIAL CONTRACTS	194
INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	195
PROMOTER	195
PRINCIPAL UNITHOLDERS	195
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	196
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	248
LEGAL MATTERS AND INTERESTS OF EXPERTS	248
AUDITORS AND TRANSFER AGENT AND REGISTRAR	248
PURCHASERS' STATUTORY RIGHTS	248
EXEMPTIONS FROM CERTAIN PROVISIONS OF NATIONAL INSTRUMENT 41-101	248
INDEX TO FINANCIAL STATEMENTS	F-1
CHARTER OF THE AUDIT COMMITTEE	A-1
CERTIFICATE OF THE REIT AND THE PROMOTER	C-1
CERTIFICATE OF OPERATING ENTITY	C-2
CERTIFICATE OF THE UNDERWRITERS	C-3

GLOSSARY

"**Acquired Issuer**" has the meaning given to that term under "Investment Guidelines and Operating Policies — Investment Guidelines".

"**Acquisition**" means the indirect acquisition by the REIT of the Initial Portfolio, as more particularly described under "The Acquisition".

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

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

"**AFFO**" has the meaning given to that term under "Non-IFRS Measures".

"**AFFO payout ratio**" has the meaning given to that term under "Non-IFRS Measures".

"**Appraisal**" means the independent estimate of the aggregate market value of the Initial Communities and the REIT's head office property on a portfolio basis provided by the Appraiser, as more particularly described under "Assessments and Valuations of the Initial Portfolio — Independent Appraisal".

"**Appraiser**" means Colliers International Valuation & Advisory Services, LLC.

"**BMONB**" means BMO Nesbitt Burns Inc.

"**Board**" means the board of trustees of the REIT.

"**CBCA**" means the *Canada Business Corporation Act,* as amended.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**CG**" means Canaccord Genuity Corp.

"**Class A Units**" means the class A units of Flagship Operating, LLC.

"**Class B Units**" means the class B units of Flagship Operating, LLC.

"**Closing**" means the Closing of the Offering and the Acquisition and other related transactions, the material terms of which are described in this prospectus.

"**Closing Date**" means October 7, 2020, or such other date as the REIT and the Lead Underwriters may agree, but in any event no later than October 14, 2020.

"**Closing Market Price**" has the meaning given to that term under "Declaration of Trust and Description of REIT Units — Redemption Right".

"**CMBS**" means commercial mortgage-backed securities.

"**CMBS-Secured Initial Communities**" has the meaning given to that term under "Debt Strategy and Indebtedness — Summary of Indebtedness".

"**Code**" means the *United States Internal Revenue Code of 1986*, as amended.

"**Code of Conduct**" has the meaning given to that term under "Trustees and Management of the REIT — Governance and Board of Trustees".

"**Contribution Agreement**" has the meaning given to that term under "The Acquisition — Contribution Agreement".

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

"**CRA**" means the Canada Revenue Agency.

"**Debt to Gross Book Value Ratio**" has the meaning given to that term under "Non-IFRS Measures".

"**Declaration of Trust**" means the declaration of trust of the REIT dated as of August 12, 2020, as it will be amended and restated on or prior to Closing, as more particularly described under "Declaration of Trust and Description of REIT Units".

"**Demand Distribution**" has the meaning given to that term under "Retained Interest Holders — Investor Rights Agreement — Registration Rights".

"**Demand Registration Right**" has the meaning given to that term under "Retained Interest Holders — Investor Rights Agreement — Registration Rights".

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

"**DPSP**" has the meaning given to that term under "Eligibility for Investment".

"**Empower**" means Empower Park, LLC.

"**Empower Opportunity**" has the meaning given to that term under "Arrangements with Empower — ROFO Agreement".

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

"**Exempt Plans**" has the meaning given to that term under "Eligibility for Investment".

"**FFO**" has the meaning given to that term under "Non-IFRS Measures".

"**Financial Forecast**" means the financial forecast of the REIT contained under "Financial Forecast".

"**Flagship Manageco**" means Management FC, LLC, a limited liability company that, on Closing, will be (i) a wholly-owned subsidiary of Flagship Operating, LLC, (ii) the direct owner of four of the Initial Communities, and (iii) the employer for all direct and indirect employees of the REIT.

"**Flagship Operating, LLC**" means Flagship Operating, LLC, which, on Closing, will be a subsidiary of the REIT and will indirectly own the Initial Portfolio following the Acquisition, as more particularly described under "The Acquisition" and "Flagship Operating, LLC".

"**Flagship TRS**" means Flagship TRS, LLC, a limited liability company that, on Closing, will be (i) a wholly-owned subsidiary of Flagship Manageco, and (ii) a TRS (as more particularly described under "Certain U.S. Federal Income Tax Considerations — Taxation of the REIT — Taxable REIT Subsidiaries") providing the Management Services to Empower under the Management Agreement.

"**Forecast Period**" means the forecast period contemplated under "Financial Forecast", being the period from and including October 1, 2020 to and including September 30, 2021.

"**Gross Book Value**" has the meaning given to that term under "Non-IFRS Measures".

"**Head Office LLC**" has the meaning given to that term under "The Acquisition — Principal Transaction Steps — Pre-Closing Events".

"**Holder**" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations".

"**Indebtedness**" means (without duplication) on a consolidated basis:

(a) any obligation of the REIT for borrowed money (excluding any fair value adjustments);

(b) any obligation of the REIT incurred in connection with the acquisition of property, assets or business other than the amount of future income tax liability arising out of indirect acquisitions;

(c) any obligation of the REIT issued or assumed as the deferred purchase price of property;

(d) any capital lease obligation of the REIT; and

(e) any obligation of the type referred to in clauses (a) through (d) of another person, the payment of which the REIT has guaranteed or for which the REIT is responsible for or liable,

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

"**Indemnity Agreement**" has the meaning given to that term under "The Acquisition — Indemnity Agreement".

"**Initial Communities**" means the 45 MHCs that the REIT will, through the Acquisition and other related transactions, indirectly acquire on and following (if applicable) Closing, as more particularly described under "The Initial Portfolio".

"**Initial Portfolio**" means, collectively, the Initial Communities, the Rental Homes Fleet and certain ancillary assets, including the REIT's head office property.

"**International Financial Reporting Standards**" or "**IFRS**" means the International Financial Reporting Standards as issued by the International Accounting Standards Board, which incorporate the principal accounting policies used to prepare the REIT's financial statements and the carve-out financial statements of the Legacy SSK Portfolio (see "Meaning of Certain References") and FCLLC, as amended from time to time.

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

"**Lead Underwriters**" means, collectively, CG and BMONB.

"**Legacy Holdings**" means Legacy Portfolio Holdings, LLC, a limited liability company to be formed by the Promoter, as more particularly described under "The Acquisition — Principal Transaction Steps — Pre-Closing Events".

"**Lock-up Period**" has the meaning given to that term under "Retained Interest Holders — Lock-up Period".

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

"**Management Agreement**" means the management agreement between Flagship TRS and Empower to be entered into at Closing, as more particularly described under "Arrangements with Empower — Management Agreement".

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

"**Market Price**" has the meaning given to that term under "Declaration of Trust and Description of REIT Units — Redemption Right".

"**MD&A**" has the meaning given to that term under "Management's Discussion and Analysis of Financial Condition and Results of Operations".

"**Merger Agreement**" has the meaning given to that term under "The Acquisition — Merger Agreement".

"**Merger LLC**" has the meaning given to that term under "The Acquisition — Principal Transaction Steps — Indirect Acquisition of the Initial Portfolio". As described under such heading, in connection with the Acquisition, Merger LLC will merge with and into FCLLC, with FCLLC continuing as the surviving entity.

"**MHC**" means manufactured housing community.

"**MSA**" means a metropolitan statistical area and, for purposes of this prospectus, the city of Paducah will be treated as a MSA.

"**named executive officers**" means the REIT's named executive officers for the purposes of National Instrument 51-102 — *Continuous Disclosure Obligations*, as more particularly described under "Executive Compensation".

"**NCI**" means the non-certificated inventory system administered by CDS.

"**NI 52-110**" has the meaning given to that term under "Trustees and Management of the REIT — Governance and Board of Trustees".

"**NOI**" has the meaning given to that term under "Non-IFRS Measures".

"**NOI margin**" has the meaning given to that term under "Non-IFRS Measures".

"**Nominating Unitholder**" has the meaning given to that term under "Declaration of Trust and Description of REIT Units — Advance Notice Provision".

"**Non-Competition and Non-Solicitation Agreement**" means the non-competition and non-solicitation agreement between the REIT and Empower to be entered into at Closing, as more particularly described under "Arrangements with Empower — Non-Competition and Non-Solicitation Agreement".

"**Non-Residents**" means (i) non-residents of Canada, (ii) partnerships that are not Canadian partnerships, or (iii) a combination of non-residents and such partnerships (all within the meaning of the Tax Act).

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

"**Offering**" means the offering of Units pursuant to this prospectus.

"**Offering Price**" means the price per Unit sold to the Underwriters pursuant to the Offering.

"**Officer's Certificate**" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations".

"**Operating Agreement**" means the limited liability company operating agreement of Flagship Operating, LLC.

"**Over-Allotment Option**" means the option granted to the Underwriters by the REIT, exercisable in whole or in part and at any time up to 30 days after Closing, to purchase up to an additional 937,500 Units at the Offering Price, solely to cover the Underwriters' over-allocation position, if any, and for consequent market stabilization purposes, as more particularly described under "Plan of Distribution — General".

"**PCA Reports**" means the property condition assessment reports prepared for all of the Initial Communities, as more particularly described under "Assessments and Valuations of the Initial Portfolio — Property Condition Assessments".

"**Phase I ESA Report**" has the meaning given to that term under "Assessments and Valuations of the Initial Portfolio — Environmental Site Assessments".

"**Piggy-Back Distribution**" has the meaning given to that term under "Retained Interest Holders — Investor Rights Agreement — Registration Rights".

"**Piggy-Back Registration Right**" has the meaning given to that term under "Retained Interest Holders — Investor Rights Agreement — Registration Rights".

"**Promoter**" means MHC Management, LLC, d/b/a SSK Communities, which manages FCLLC and the SSK Entities.

"**REALPAC**" has the meaning given to that term under "Non-IFRS Measures".

"**Redemption Date**" has the meaning given to that term under "Declaration of Trust and Description of REIT Units — Redemption Right".

"**Redemption Notes**" means unsecured subordinated promissory notes of the REIT or a subsidiary of the REIT having a maturity date and interest rate to be determined at the time of issuance by the Trustees, such promissory notes to provide that the REIT or such subsidiary, as the case may be, shall at any time be allowed to prepay all or any part of the outstanding principal without notice or bonus.

"**Redemption Price**" has the meaning given to that term under "Declaration of Trust and Description of REIT Units — Redemption Right".

"**REIT**" means Flagship Communities Real Estate Investment Trust and references in this prospectus to the "REIT" should be interpreted as more particularly described under "Meaning of Certain References".

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

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

"**REIT Securities**" means, collectively, Units, financial instruments or securities of any entity that are convertible into, exchangeable for, or otherwise exercisable to acquire Units or other equity securities of the REIT (including Class B Units).

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

"**Rental Homes Fleet**" means the approximately 600 manufactured homes for lease to residents of the Initial Communities that the REIT will, through the Acquisition and other related transactions, indirectly acquire on Closing, and "**Rental Home**" means any such manufactured home.

"**Rental Home Estimated Values**" has the meaning given to that term under "Assessments and Valuations of the Initial Portfolio — Rental Home Estimated Values"

"**RESP**" has the meaning given to that term under "Eligibility for Investment".

"**Retained Interest Holders**" means, collectively (i) Legacy Holdings, which, following the Acquisition, will own 5,097,283 Class B Units, (ii) certain members of Legacy Holdings (including the REIT's President and Chief Executive Officer and Chief Investment Officer), which members, following the Acquisition, will own an aggregate of 38,685 Units, and (iii) certain persons who currently hold Series B units in FCLLC (including the REIT's President and Chief Executive Officer, Chief Investment Officer and Chief Financial Officer and Secretary), which holders, following the Acquisition, will own an aggregate of 335,657 Class B Units.

"**ROFO Agreement**" means the right of first opportunity agreement between Flagship Operating, LLC and Empower to be entered into at Closing, as more particularly described under "Arrangements with Empower — ROFO Agreement".

"**Rosewood LLC**" has the meaning given to that term under "The Acquisition — Principal Transaction Steps — Pre-Closing Events".

"**Rosewood LP**" has the meaning given to that term under "The Acquisition — Principal Transaction Steps — Pre-Closing Events".

"**RRIF**" has the meaning given to that term under "Eligibility for Investment".

"**RRSP**" has the meaning given to that term under "Eligibility for Investment".

"**Same Community**" has the meaning given to that term under "Non-IFRS Measures".

"**SEDAR**" means the System for Electronic Documents Analysis and Retrieval at www.sedar.com.

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

"**Services Agreement**" means the services agreement between Flagship Operating, LLC and Empower to be entered into at Closing, as more particularly described under "Arrangements with Empower — Services Agreement".

"**SIFT Rules**" means the rules applicable to SIFT trusts and SIFT partnerships in the Tax Act, as more particularly described under "Certain Canadian Federal Income Tax Considerations — Status of the REIT".

"**Specified Non-Management Investor**" means a specific non-management investor in Flagship.

"**SSK Entities**" means entities managed by the Promoter that collectively own 17 of the Initial Communities.

"**SSK RH LLC**" has the meaning given to that term under "The Acquisition — Principal Transaction Steps — Pre-Closing Events". As described under such heading, in connection with the Acquisition, SSK RH LLC will merge with and into Charlie's Homes, LLC, with Charlie's Homes, LLC continuing as the surviving entity.

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

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, as amended.

"**Tax Proposals**" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations".

"**TFSA**" has the meaning given to that term under "Eligibility for Investment".

"**Trustees**" means the trustees from time to time of the REIT.

"**TRS**" has the meaning given to that term under "Certain U.S. Federal Income Tax Considerations — Taxation of the REIT — Taxable REIT Subsidiaries".

"**TSX**" means the Toronto Stock Exchange.

"**Underwriters**" means, collectively, CG, BMONB, CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., Echelon Wealth Partners Inc. and Industrial Alliance Securities Inc.

"**Underwriting Agreement**" means the underwriting agreement to be entered into among the REIT, the Promoter and the Underwriters, pursuant to which the Underwriters and the REIT will agree to effect the Offering, as more particularly described under "Plan of Distribution".

"**United States**" and "**U.S.**" means the United States as such term is defined in Regulation S under the U.S. Securities Act.

"**Unitholders**" means holders of Units.

"**Units**" means trust units in the capital of the REIT.

"**US Holdco**" means Flagship HC, Inc., a corporation to be incorporated under the laws of the State of Delaware by the REIT, as more particularly described under "The Acquisition" and "US Holdco".

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

ABOUT THIS PROSPECTUS

An investor should rely only on the information contained in this prospectus and is not entitled to rely on parts of the information contained in this prospectus to the exclusion of others. The REIT has not, and the Underwriters and the Promoter have not, authorized anyone to provide investors with additional or different information. The REIT is not, and the Underwriters are not, offering to sell the Units in any jurisdictions where the offer or sale of such Units is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the Units. The REIT's business, financial condition, results of operations and prospects may have changed since the date of this prospectus.

For investors outside Canada, none of the REIT, the Promoter or any of the Underwriters has done anything that would permit the Offering or the possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about, and to observe any restrictions relating to, the Offering and the possession or distribution of this prospectus.

This prospectus includes a summary description of certain material agreements of the REIT. See "Material Contracts". The summary description discloses all attributes material to an investor in Units but is not complete and is qualified by reference to the terms of the material agreements, which will be filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. Investors are encouraged to read the full text of such material agreements.

Any graphs and tables demonstrating the historical performance of the Initial Communities contained in this prospectus are intended only to illustrate past performance and are not necessarily indicative of future performance.

MEANING OF CERTAIN REFERENCES

Unless otherwise indicated, the disclosure in this prospectus assumes that: (i) the transactions described under "The Acquisition" have been completed; (ii) the Over-Allotment Option is not exercised; and (iii) the entire Initial Portfolio will be acquired by the REIT on Closing. Except as otherwise stated in this prospectus, all dollar amounts in this prospectus, including the price per Unit, are stated in U.S. dollars and references to dollars or "$" are to U.S. currency.

The financial results for 17 Initial Communities and their associated rental manufactured homes then owned by the SSK Entities for the three-year period ended December 31, 2019 and the six-month period ended June 30, 2020 are presented in the financial statements of the Legacy SSK Portfolio contained elsewhere in this prospectus. The financial results for 14 Initial Communities and their associated rental manufactured homes then owned by entities managed by the Promoter are presented (i) in the financial statements of the Legacy SSK Portfolio for the period from January 1, 2018 to May 24, 2018, and (ii) in the financial statements of FCLLC contained elsewhere in this prospectus for the periods May 24, 2018 to December 31, 2019 and the six-month period ended June 30, 2020, as such assets were indirectly transferred on May 24, 2018 from entities managed by the Promoter to FCLLC. The financial results for the 14 Recently Acquired Properties (see "Exemptions from Certain Provisions of National Instrument 41-101") for the period from the date financial statements are available to the REIT following their respective acquisition dates to December 31, 2019 and for the six-month period ended June 30, 2020 are also presented in the financial statements of FCLLC. See "Index to Financial Statements" and "Exemptions from Certain Provisions of National Instrument 41-101".

Unless the context otherwise requires or as otherwise provided herein, all references to the "REIT" in this prospectus refer to the REIT and its subsidiaries, including Flagship Operating, LLC and its subsidiaries, on a consolidated basis.

Any statements in this prospectus made by or on behalf of management are made in such persons' capacities as officers of the REIT and not in their personal capacities.

Numerous terms used in this prospectus are defined under "Glossary".

MARKET AND INDUSTRY DATA

This prospectus includes market and industry data and forecasts that were obtained from third party sources, including industry publications and publicly available information, as well as industry data prepared by management on the basis of its knowledge of the U.S. MHC industry in which the REIT will operate (including management's estimates and assumptions relating to that industry based on that knowledge). Management's knowledge of the U.S. MHC industry has been developed through its experience and participation in the industry. Management believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although management believes it to be reliable, none of the REIT, the Promoter or the Underwriters has independently verified any of the data from third party sources referred to in this prospectus, ascertained the underlying economic assumptions relied upon by such sources, or analyzed or verified the underlying studies or surveys relied upon or referred to by third party sources.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to the REIT's future outlook and anticipated events or results and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives of or involving the REIT. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for the REIT or the real estate or U.S. MHC industries are forward-looking statements. In some cases, forward-looking information can be identified by such terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue", "likely", "schedule", "forecast", "target", "objectives", or the negative thereof or other similar expressions concerning matters that are not historical facts. Some of the specific forward-looking statements in this prospectus include, but are not limited to, statements with respect to the following:

- the Offering Price, completion, size, expenses and intended use of net proceeds of the Offering and the Over-Allotment Option and the timing of Closing;
- the REIT's objectives;
- the completion of the transactions as contemplated under "The Acquisition";
- the REIT's intention with respect to, and ability to execute, its internal and external growth strategies;
- the forecasted financial results of the REIT, including the assumptions contained in such forecast, for the periods set out in the "Financial Forecast" section of this prospectus;
- the listing of the Units on the TSX;
- the REIT's capital expenditure requirements and capital expenditures to be made by the REIT;
- the REIT's distribution policy, the expected distributions to be paid to Unitholders, and the REIT's expected AFFO payout ratio, a non-IFRS financial measure (see "Non-IFRS Measures");
- the expected distributions to be paid to holders of Class B Units;
- the REIT's debt strategy;
- the REIT's access to available sources of debt and/or equity financing;
- the REIT's expectations with respect to the impact of the COVID-19 pandemic and related public health protection measures on its business, operations and financial results;
- future compensation and governance practices by the REIT;
- the expected tax treatment of the REIT and the distributions by the REIT to Unitholders;

- the REIT's ability to meet its stated objectives;
- the REIT's competitive position within its industry;
- the REIT's relationship with Empower;
- the REIT's ability to expand its asset base and make accretive acquisitions; and
- the REIT's liquidity and capital resources and future working capital levels.

The REIT has based these forward-looking statements on assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs, including that:

- inflation will remain relatively low;
- interest rates will remain relatively stable;
- tax laws remain unchanged;
- conditions within the U.S. MHC industry, including competition for acquisitions, will be consistent with the current climate;
- the Canadian and U.S. capital and financial markets will provide the REIT with access to equity and/or debt at reasonable rates when required, notwithstanding the ongoing economic downturn; and
- the current members of management, the Retained Interest Holders and Empower will continue their involvement with the REIT.

The REIT cautions that this list of assumptions is not exhaustive. Although the forward-looking statements contained in this prospectus are based upon assumptions that management believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties. Forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not, or the times at or by which, such performance or results will be achieved. A number of factors could cause actual results to differ, possibly materially, from the results discussed in the forward-looking statements, including, but not limited to:

- the REIT's ability to execute its growth strategies;
- the impact of changing conditions in the U.S. MHC industry;
- a delay in the timing of the completion of the acquisition of the CMBS-Secured Initial Communities;
- the marketability and value of the REIT's portfolio;
- changes in the attitudes, financial condition and demand in the REIT's demographic markets;
- fluctuation in interest rates and volatility in financial markets;
- the duration and ultimate impact of the COVID-19 pandemic and related government interventions on the REIT's business, operations and financial results;
- general economic conditions, including any continuation or intensification of the current economic downturn;
- developments and changes in applicable laws and regulations; and
- such other factors discussed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this prospectus.

If any risks or uncertainties with respect to the above materialize, or if the opinions, estimates or assumptions underlying the forward-looking statements prove incorrect, actual results or future events might

vary materially from those anticipated in the forward-looking statements. The opinions, estimates or assumptions referred to above and described in greater detail under "Risk Factors" should be considered carefully by readers. Although management has attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other risk factors not presently known or that management believes are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking statements.

Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Certain statements included in this prospectus may be considered a "financial outlook" for purposes of applicable Canadian securities laws, and as such, the financial outlook may not be appropriate for purposes other than this prospectus. All forward-looking statements are based only on information currently available to the REIT and are made as of the date of this prospectus. Except as expressly required by applicable Canadian securities law, the REIT and the Promoter assume no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements in this prospectus are qualified by these cautionary statements.

NON-IFRS MEASURES

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

Funds from Operations and Adjusted Funds from Operations

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

AFFO is defined as FFO adjusted for items such as maintenance capital expenditures, and certain non-cash items such as amortization of intangible assets, deferred financing costs that were incurred prior to the formation of the REIT, premiums and discounts on debt and investments. AFFO should not be construed as an alternative to net income (loss) or cash flows provided by or used in operating activities determined in accordance with IFRS. The REIT's method of calculating AFFO is substantially in accordance with REALPAC's recommendations, but may differ from other issuers' methods and, accordingly, may not be comparable to AFFO reported by other issuers. The REIT regards AFFO as a key measure of operating performance.

Net Operating Income

Net operating income ("**NOI**") is defined as total revenue from properties (i.e., rental revenue and other property income) less direct property operating expenses in accordance with IFRS. NOI should not be construed as an alternative to net income determined in accordance with IFRS. The REIT's method of calculating NOI

may differ from other issuers' methods and, accordingly, may not be comparable to NOI reported by other issuers. The REIT regards NOI as an important measure of the income generated from the income producing properties and uses NOI in evaluating the performance of the REIT's properties. It is also a key input in determining the value of the REIT's properties.

Other Real Estate Industry Metrics

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

- "**AFFO payout ratio**" is defined as total cash distributions of the REIT (including distributions on Class B Units) divided by AFFO.
- "**Debt to Gross Book Value Ratio**" is calculated by dividing Indebtedness by Gross Book Value.
- "**Gross Book Value**" means, at any time, the greater of: (a) the value of the assets of the REIT and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet prepared in accordance with IFRS, less the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT; and (b) the historical cost of the investment properties, plus (i) the carrying value of cash and cash equivalents, (ii) the carrying value of mortgages receivable; and (iii) the historical cost of other assets and investments used in operations.
- "**NOI margin**" is defined as NOI divided by total revenue.
- "**Same Community**" results are used by management to evaluate period-over-period performance of investment properties owned throughout both respective periods. These results remove the impact of dispositions or acquisitions of investment properties.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further disclosure concerning such metrics, including reconciliations to the most directly comparable IFRS financial measure, where applicable.

MARKETING MATERIALS

A "template version" of each of the following "marketing materials" (each such term as defined in National Instrument 41-101 — *General Prospectus Requirements*) for this Offering filed with the securities commission or similar regulatory authority in each of the provinces and territories of Canada is specifically incorporated by reference into this prospectus:

(a) the investor presentation filed on SEDAR on September 4, 2020, as revised on September 28, 2020; and

(b) the term sheet filed on SEDAR on September 4, 2020, as revised on September 28, 2020.

The investor presentation and term sheet referred to above are available on SEDAR at www.sedar.com.

Information in the initial template versions of the investor presentation and the term sheet have been modified in view of the following modifications contained in the prospectus:

- the Offering Price of $15.00 per Unit
- the size of the Offering of $93,750,000;
- the expected annual cash distribution yield in the amount of 3.4%;
- the expected first distribution in the amount of $0.0329 per Unit and subsequent monthly distributions in the amount of $0.0425 per Unit;
- the number of Class B Units held by the Retained Interest holders following completion of the Acquisition; and
- certain changes which consequently followed from the above items.

Pursuant to subsection 13.7(7) of National Instrument 41-101 — *General Prospectus Requirements*, the REIT has prepared revised template versions of the investor presentation and the term sheet, which have been blacklined to reflect the modified statements. The foregoing summary of modifications is not exhaustive and is qualified by the modifications contained in the revised template versions of the investor presentation and the term sheet and the blacklined versions of such documents which have been filed with the securities commission or similar authority in each of the provinces of Canada and can be viewed under the REIT's profile on SEDAR at www.sedar.com.

In addition, any template version of any other marketing materials filed with the securities commission or similar regulatory authority in each of the provinces and territories of Canada in connection with this Offering after the date hereof, but prior to the termination of the distribution of the Units under this prospectus (including any amendments to, or an amended version of, any template version of any marketing materials), is deemed to be incorporated by reference herein. Any template version of any marketing materials utilized in connection with this Offering is not part of this prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this prospectus.

ELIGIBILITY FOR INVESTMENT

In the opinion of Blake, Cassels & Graydon LLP, Canadian counsel to the REIT, and Torys LLP, Canadian counsel to the Underwriters, based on the current provisions of the Tax Act, and subject to the provisions of any particular plan, provided that the REIT qualifies at all times as a "mutual fund trust" (as defined in the Tax Act) or the Units are listed on a "designated stock exchange" (as defined in the Tax Act, which includes the TSX), the Units will be a qualified investment for trusts governed by a registered retirement savings plan ("**RRSP**"), registered education savings plan ("**RESP**"), registered retirement income fund ("**RRIF**"), deferred profit sharing plan ("**DPSP**"), registered disability savings plan ("**RDSP**") or a tax-free savings account ("**TFSA**") (collectively, "**Exempt Plans**").

Notwithstanding the foregoing, if the Units are a "prohibited investment" (as defined in the Tax Act) for a trust governed by a TFSA, RRSP, RRIF, RESP or RDSP, the holder, annuitant or subscriber thereof will be subject to a penalty tax as set out in the Tax Act. The Units will not be a prohibited investment for a TFSA, RRSP, RRIF, RESP or RDSP provided the holder, annuitant or subscriber (as the case may be) of such registered plan deals at arm's length with the REIT, for purposes of the Tax Act, and does not have a "significant interest" (as defined in the Tax Act) in the REIT. Generally, a holder, annuitant or subscriber will have a significant interest in the REIT if the holder, annuitant or subscriber and/or persons not dealing at arm's length with the holder, annuitant or subscriber, for the purposes of the Tax Act, own, directly or indirectly, 10% or more of the fair market value of the Units. In addition, the Units will not be a "prohibited investment" if the Units are "excluded property" as defined in the Tax Act for trusts governed by a TFSA, RRSP, RRIF, RESP or RDSP. Prospective purchasers who intend to hold their Units in their TFSAs, RRSPs, RRIFs, RESPs or RDSPs should consult their own tax advisors regarding their particular circumstances.

EXCHANGE RATE INFORMATION

The Initial Communities consist of properties located in the states of Kentucky, Indiana, Ohio and Tennessee. The REIT discloses all financial information contained in this prospectus in U.S. dollars. The following table sets forth, for the periods indicated, the high, low, average and period-end rates of exchange for $1.00, expressed in Canadian dollars ("**C$**"), published by the Bank of Canada.

	Six months ended June 30, 2020		Year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
	C$	C$	C$	C$	C$
Highest rate during the period	1.4496	1.3600	1.3600	1.3642	1.3743
Lowest rate during the period	1.2970	1.3087	1.2988	1.2288	1.2128
Average rate during the period	1.3651	1.3336	1.3269	1.2957	1.2986
Rate at the end of the period	1.3628	1.3087	1.2988	1.3642	1.2545

On September 25, 2020, the daily average rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was $1.00 equals C$1.3396.

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Numerous terms used in this prospectus are defined in the Glossary.

The REIT

Flagship Communities Real Estate Investment Trust is a newly created, unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario. 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. Upon and following (if applicable) Closing, the REIT will indirectly acquire a 100% interest in the Initial Communities, composed of a portfolio of 45 MHCs with 8,255 lots located in the following four contiguous states: (i) Kentucky; (ii) Indiana; (iii) Ohio; and (iv) Tennessee. The REIT will also indirectly acquire the Rental Homes Fleet and the REIT's head office property in Erlanger, Kentucky. See "The REIT — Overview". See "The Acquisition — Principal Transaction Steps — CMBS-Secured Initial Communities".

Objectives of the REIT

The primary objectives of the REIT are to: (i) provide Unitholders an opportunity to invest in a portfolio of MHCs located in attractive U.S. markets; (ii) provide Unitholders with predictable, sustainable and growing cash distributions; (iii) 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 (iv) expand the asset base of the REIT in its existing operational footprint and target growth markets by leveraging management's extensive industry experience and relationships to acquire MHCs that are expected to be accretive to the REIT's net asset value and AFFO per Unit. See "The REIT — Objectives of the REIT".

Investment Opportunity

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

The Initial Communities have generally exhibited stable and improving financial and operational performance since being acquired by FCLLC and entities managed by the Promoter, including during the economic disruption experienced during 2020. Management believes that the Initial Communities are generally insulated from negative macroeconomic fundamentals and have even benefited from recent economic dislocation and volatility. Management believes the operational outperformance of the Initial Communities is a result of several factors, including: (i) the Initial Communities' being one of the most affordable housing options available in the markets in which Flagship operates; (ii) the residents of the Initial Communities primarily owning their homes; (iii) the generally prohibitive cost and effort associated with moving a manufactured home; and (iv) the socio-demographic profile of the residents of the Initial Communities, who are generally employed by government, healthcare or post-secondary institutions or are on a fixed income. As a result, throughout the first six months of 2020, the Initial Communities experienced strong performance across several key operational metrics compared to the same period in 2019, including: (i) increasing occupancy; (ii) stable rent collections; and (iii) increasing NOI.

See "The REIT — Investment Opportunity".

Investment Highlights

The REIT believes that the following are the key strengths and investment highlights of the REIT and the Initial Communities:

Opportunity to Gain Exposure to a Niche Asset Class with a Track Record of Outperformance

Upon Closing, the REIT will be the only pure-play publicly traded manufactured housing investment vehicle in Canada, representing a unique opportunity to invest in the U.S. manufactured housing sector. The MHC industry has demonstrated a strong track record of outperformance throughout all economic cycles and has achieved 20 consecutive years of positive same community net operating income growth. Over this time period, the U.S. MHC industry's net operating income has experienced an average growth rate of approximately 4% per year, outperforming all other real estate sectors. Likewise, over the 10 years ended June 30, 2020, the publicly-listed U.S. manufactured housing real estate investment trusts, as a group, have outperformed all other real estate subsectors and the broader market, generating a total return of 478%, compared to 139% for the MSCI U.S. REIT Index and 270% for the S&P 500 Index (source: Bloomberg).

Defensive Asset Class with a Favourable Business Model that Outperforms Irrespective of Economic Cycle

The MHC industry is characterized by stable and growing financial performance with attractive investment returns and low operational volatility. Manufactured housing is predominately a land lease business model whereby MHC residents are owner-occupiers of their manufactured homes and rent a lot on which to place their home in a MHC. As a result, maintenance capital expenditures borne by MHC owners are generally minor, predictable and are limited to community infrastructure, including common areas and amenities. Manufactured housing investments are characterized by stable and recurring rental income streams, as MHCs typically have a large, diverse and entrenched resident base with long-tenure, low turnover, and minimal delinquency, particularly in comparison to multi-family residential apartments. Residents are generally attracted to MHCs because they are a lower cost housing option when compared to both multi-family residential apartments and single-family residential housing, and provide the ability to build home equity and a lifestyle and community similar to single-family residential communities. With the continued appreciation of single-family housing prices at a rate exceeding household income growth in the United States, the average cost of a single-family home remains more than five times the median household income. As a result, management believes both the MHC industry and the Initial Communities will continue to see strong demand from residents seeking affordable housing. The Initial Communities are located in markets with favourable regulatory environments, providing management with the flexibility to manage the Initial Communities solely based on market dynamics and incentivizing residents to make rental payments on time.

Fragmented Industry with High Barriers to Entry and Imbalanced Supply and Demand Dynamics

The MHC industry is highly fragmented and primarily composed of local owner-operators, public real estate investment trusts and institutional investors. The top 50 MHC investors are estimated to control approximately 17% of the 4.2 million manufactured housing lots estimated to be available for rent in the United States. Additionally, imbalanced supply and demand dynamics resulting from various layers of regulatory restrictions, competing land uses and scarcity of land zoned for manufactured housing development has limited new supply, creating high barriers to entry for new market participants. Consequently, management is unaware of any new MHCs having been built in Flagship's current operational footprint over the past 15 years. Moreover, there are nearly 5,300 MHCs in the four states in which Flagship operates, providing the REIT with a significant opportunity for consolidation and growth. Management believes these industry attributes represent an attractive market opportunity for a sophisticated manufactured housing operator such as the REIT.

Contiguous, High Quality Portfolio with Regional Footprint in Stable Markets

The Initial Communities are located in markets in the United States with stable population growth and employment trends. The Initial Communities are strategically concentrated within four contiguous states and are conveniently located near interstate highways, necessity-based retail centres, post-secondary institutions, healthcare facilities and major metropolitan employment centres. Each community also typically features a number of recreational amenities and common areas, including clubhouses, green spaces, playgrounds,

basketball courts, soccer fields, fishing lakes and after-school programming. Flagship's regional footprint has enabled management, over the past 25 years, to develop unparalleled market insight and intelligence, build enduring relationships with market participants and establish a market-leading position. Furthermore, the geographic proximity of the Initial Communities allows Flagship to efficiently manage the Initial Communities, generating significant economies of scale and expense savings while providing consistent maintenance standards and upholding tenant relations across all Initial Communities.

Well-Positioned to Capitalize on Strategic Growth Opportunities

The REIT will seek to continuously improve financial performance and related operational performance indicators to generate stable, recurring and growing cash flow while enhancing portfolio value through strategic investment programs and active asset and property management. The REIT has identified several strategic avenues for growth including: (i) organic cash flow growth through improving occupancy, increasing lot rents, and continued implementation of expense optimization initiatives; (ii) targeted value-enhancing investments and community improvements; (iii) sourcing third party acquisitions; and (iv) expansion of certain Initial Communities through the development of excess land. Management's extensive relationship network, deep knowledge of local markets and regular dialogue with local owner-operators seeking liquidity opportunities support the origination and execution of off-market acquisition opportunities and provide an opportunity to grow within both Flagship's existing operational footprint and target growth markets. Upon Closing, the REIT will have the ability to offer potential vendors tax deferred consideration in the form of Class B Units, which management believes is a unique form of consideration that will provide potential vendors with an additional incentive to transact, representing an enduring strategic advantage for the REIT over competitors. Furthermore, the REIT will have access to numerous sources of debt financing including government agency debt (e.g., Fannie Mae and Freddie Mac), CMBS and life insurance companies, providing the REIT with significant flexibility to execute on its external growth strategy. Lastly, the REIT will have a preferential right to access a proprietary pipeline of potential acquisitions (some of which are required to be offered to the REIT at a discount to appraised value) through its relationship with Empower. See "Arrangements with Empower".

Vertically Integrated Platform Led by an Experienced and Aligned Internal Management Team

The REIT's management platform will be composed of a fully integrated team of seasoned professionals with significant expertise and experience across the spectrum of manufactured housing. The REIT's vertical integration will enable it to actively control, manage and execute across all aspects of MHC investment management. Flagship's executive management team has been involved in the MHC industry for more than 50 combined years and has operated all of the Initial Communities since the date of their respective acquisition and, in the case of one Initial Community, development. Upon completion of the Acquisition, the REIT's executive officers are expected to collectively beneficially own 2,789,149 Class B Units (including indirectly on a proportionate basis through direct and indirect ownership interests in Legacy Holdings) and 17,408 Units, together representing an approximate effective interest in the REIT of 23.9%, or an approximate effective interest in the REIT of 22.2% if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units), providing a significant alignment of interests with all other Unitholders. Furthermore, none of the net proceeds of the Offering will be received by or otherwise distributed to any of the Retained Interest Holders (or members or associates thereof) or any member of the REIT's executive officers. The Retained Interest Holders, including the REIT's executive officers, will be rolling 100% of their ownership interests in the Initial Portfolio into Class B Units and Units, demonstrating their commitment to the REIT's ongoing success and alignment with all Unitholders. See "Retained Interest Holders".

Stable Cash Yield and Conservative Capital Structure

The REIT intends to pay predictable, sustainable and growing cash distributions to Unitholders. Initially, the distributions will be $0.51 per Unit per annum payable monthly, which will provide Unitholders with an approximate annual cash distribution yield of 3.4% based on an AFFO payout ratio of approximately 65% for the Forecast Period. See "Non-IFRS Measures" and "Forecast Non-IFRS Reconciliation". The REIT will maintain an attractive debt structure with new Fannie Mae and Freddie Mac mortgages secured against 30 of the Initial Communities, with 10 to 12-year terms, a weighted average interest rate of 3.11% per annum, and interest

only payments (non-amortizing) for the first eight to 10 years. Management believes that U.S. federal government mandates to enhance access to affordable housing will provide continued access to comparatively low-cost debt. Additionally, the REIT intends to focus on maintaining a conservative leverage profile with a Debt to Gross Book Value Ratio of approximately 45% to 55%, long-term debt maturities and a diversified capital structure to avoid reliance on any particular source of capital. See "Non-IFRS Measures".

See "Investment Highlights".

Growth Strategies of the REIT

Internal Growth

Management believes that the Initial Communities provide the potential for significant organic growth over time. Management intends to achieve this growth through: (i) increasing lot rental rates; (ii) leasing currently vacant lots; (iii) a focus on leasing lots to residents who own their own homes, and converting renter-occupied homes to owner-occupied homes; (iv) revenue and cost optimization initiatives; (v) value-enhancing capital investments; and (vi) expansion of certain Initial Communities through development of excess land.

Between December 31, 2015 and June 30, 2020, Flagship's weighted average monthly lot rental rate at the Initial Communities increased from $297 to $357, representing a compounded annual growth rate of 4.2%. Over the long term, management expects to continue to raise lot rental rates in line with historical increases, with a view towards balancing organic growth and tenant retention.

As at June 30, 2020, Flagship had 6,548 occupied lots across the Initial Communities, representing an occupancy rate of 79%. Initial Communities acquired prior to 2015 had an occupancy rate of 82% as at June 30, 2020, compared to an occupancy rate of 75% for Initial Communities acquired thereafter. Management anticipates increasing occupancy across the portfolio, specifically the Initial Communities acquired during and after 2015, through its active leasing strategy.

Management believes that its strategy of focusing on owner-occupied homes has led to long-term cash flow stability, as home-owners have a greater propensity to be stable long-tenured tenants and have a vested interest in the maintenance and upkeep of their lot, home, and MHC. As such, Flagship actively focuses on leasing vacant lots to residents who own or are financing their own homes and seeks to convert renter-occupied homes to owner-occupied homes as opportunities arise. Through its relationship with Empower, the REIT will benefit from management's well-established home sales strategy and consumer-facing marketing channels. See "Arrangements with Empower".

The REIT will continue to implement initiatives to optimize financial performance and increase organic cash flow growth. Due to the contiguous nature of the Initial Communities, Flagship is able to capitalize on certain economies of scale not otherwise possible in a geographically diffuse portfolio. In particular, Flagship employs regional managers, who oversee certain markets, as well as local property managers, who administer multiple local communities. Additionally, Flagship employs its own full-time repair and maintenance crews, which generate significant cost savings compared to hiring third party contractors. Of Flagship's approximately 110 employees, approximately 15 are located at its head office in Erlanger, Kentucky, and the remaining approximately 95 are employed at the Initial Communities. The REIT will also benefit from continuity in branded marketing outreach programs to attract residents from local and regional markets, which have historically proven to be effective sales channels to attract new residents. Furthermore, Flagship generally installs individual utility meters on each lot, allowing utility costs to be directly charged back to residents. Lastly, the REIT intends to pursue ancillary revenue opportunities including recreational vehicle lots, boat slips, and self-storage rentals to the extent consistent with the requirement to maintain the REIT's status as a real estate investment trust for U.S. federal income tax purposes. Management believes that the operational expertise to execute on these value-enhancing initiatives has led to increased cash flow, lower operating costs and improved operational efficiencies, thereby resulting in higher NOI margins which have improved Flagship's competitive positioning within its target markets.

Management typically manages adjacent communities located in the same market holistically rather than on an individual community basis. Management believes that this approach is the most effective value creation strategy to drive operational and financial performance. As such, management typically focuses on specific

communities to lease-up within a particular market at any one time, which provides the opportunity to coordinate marketing and new home sales channels while increasing the efficiency of repair and maintenance.

The REIT intends to continue to maintain and invest in value-enhancing community amenities, including clubhouses, green spaces, sports and recreational facilities, playgrounds, cable television services and after-school programming. Management believes these amenities foster a sense of community and offer an attractive environment for residents, which leads to lower tenant turnover and enhances the REIT's ability to attract new residents.

See "Growth Strategies of the REIT — Internal Growth".

External Growth

The U.S. MHC industry is highly fragmented, as the top 50 owners of MHCs in the United States represent approximately 17% of the currently available supply, presenting an opportunity for consolidation. Management believes that, due to the highly fragmented nature of the MHC industry in the United States, the REIT is well-positioned to continue to be a leading consolidator by leveraging its regional scale and internalized management platform to competitively source and execute new acquisition opportunities.

The REIT expects to benefit significantly from listing as a publicly traded real estate investment trust due to improved access to the capital markets and the ability to offer tax deferred Class B Unit consideration to vendors when completing acquisitions. Access to the capital markets will support the REIT's growth strategy and represents an additional source of financing that is not available to most of the REIT's competitors, which are predominantly private entities. Management believes the ability to offer tax deferred consideration will differentiate the REIT from its competitors.

Since the development of its initial MHC in 1995, Flagship has increased the size of its portfolio at a compounded annual growth rate of approximately 18%. There are nearly 5,300 MHCs in Kentucky, Indiana, Ohio and Tennessee, providing significant opportunity for continued consolidation and growth. Over the course of the past 25 years, Flagship's management team has built deep relationships with market participants including residents, lenders, product and service providers and competitors who are potential acquisition targets. This in-depth local market knowledge represents an enduring strategic advantage over new market entrants. Furthermore, management believes that Flagship's concentration in its target markets has generally discouraged competitors from entering and accumulating communities in these markets, allowing Flagship to establish and maintain its market-leading position.

Management believes there are significant expansion opportunities into adjacent U.S. states with similar regulatory frameworks as the states in which the Initial Communities are located. Management will continue to seek actionable acquisition targets that are synergistic to Flagship's existing portfolio and provide the REIT with the opportunity to establish a market-leading position. Management generally targets markets demonstrating favourable population and employment trends with diverse economic fundamentals supported by major employment drivers, including the presence of government employers. Targeted communities are typically near interstate highways, necessity-based retail centres, post-secondary institutions, healthcare facilities and major metropolitan employment centres.

The REIT's strategic relationship with Empower will provide proprietary access to potential acquisition opportunities. Whereas the REIT will be focused on evaluating and acquiring MHCs that meet its Investment Criteria, Empower will be focused on MHCs that do not meet the REIT's Investment Criteria. Pursuant to the ROFO Agreement, Flagship Operating, LLC will have the REIT ROFO, which will provide Flagship Operating, LLC with a right of first opportunity on all opportunities identified by Empower to acquire or invest, directly or indirectly, in one or more MHCs, including such MHCs that are owned directly or indirectly by Empower. For a REIT Opportunity subject to the REIT ROFO that is owned directly or indirectly by Empower, such REIT Opportunity shall be presented to Flagship Operating, LLC at a discount to appraised value.

See "Growth Strategies of the REIT — External Growth".

Overview of the United States Manufactured Housing Community Industry

Manufactured Homes and Manufactured Housing Communities

Manufactured homes are prefabricated housing, manufactured in single-purpose, climate-controlled facilities and delivered and installed on-site. Manufactured homes are generally purchased by residents and placed on a lot which is leased from an MHC owner. Manufactured home purchases are generally financed through chattel lending channels and MHC owners are not party to the financing arrangements. MHC owners typically own the land and infrastructure including utility connections, streets, street lighting, common areas and amenities. All utilities and other occupancy costs are generally metered and directly paid by or charged back to residents.

MHCs cater to homes that are prefabricated, single-family dwellings that are directly transported from a manufactured housing construction facility to an MHC. Manufactured homes require varying levels of assembly or joining upon delivery, depending on their section classification: (i) single-section (500 to 1,200 square feet); (ii) double-section (1,000 to 2,500 square feet); and (iii) triple or more sections (2,500+ square feet). Typical lease models require residents to own or rent their manufactured home, lease the lot it is placed on, and directly pay utility bills. Manufactured homes, although on a wheeled chassis, are generally immobile and cost-prohibitive to move once delivered and set up.

See "Overview of the United States Manufactured Housing Community Industry — Types of Housing in the United States".

Manufactured Housing Community Industry Overview

Attractive Rental Market Characteristics

Manufactured housing rental characteristics are similar to multi-family rental characteristics in several respects but also have several key fundamental advantages that provide increased occupancy stability and rental growth opportunities. Similar to multi-family housing, manufacturing housing is generally leased on a monthly or annual basis and has a large and diverse tenant base with no significant exposure to any one tenant. In contrast to multi-family housing, manufactured housing is predominately a land lease business model whereby MHC residents are owner-occupiers of their manufactured homes and rent a lot within a community on which to place their manufactured home. Manufactured housing residents generally rent the same lot for a much longer period due to the generally prohibitive cost and effort associated with moving a manufactured home. In 2019, Flagship's resident turnover rate was approximately 17%, which is well below the average tenant turnover rate for U.S. publicly-traded multi-family residential real estate investment trusts of approximately 46%. In the event a manufactured housing resident moves, the resident often sells the manufactured home to a new owner who continues paying lot rent rather than moving the manufactured home to a new MHC. Management estimates that Flagship's historical turnover rate of manufactured homes has been less than 1% per year.

High Barriers to New Supply

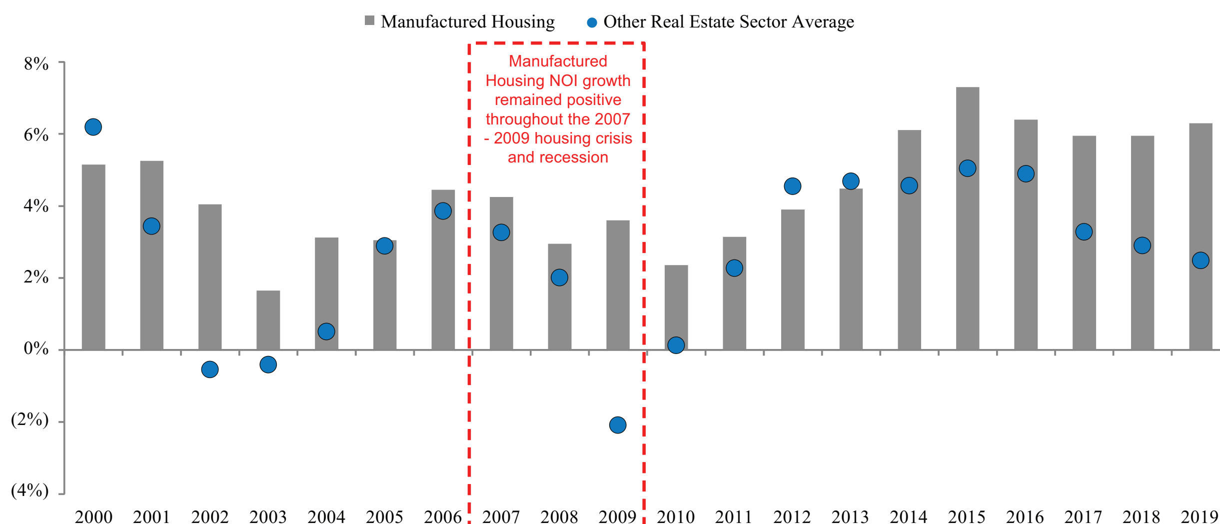
Competing land uses and scarcity of land zoned for the development of MHCs form meaningful barriers to new manufactured housing supply across the United States. The process of obtaining zoning permits and other regulatory approvals required to develop a new MHC is generally prohibitive, complicated and time consuming. Much of the opposition to new MHCs originates from various levels of municipal and state bureaucracy which favour multi-family and single-family residential development because they are subject to property tax, unlike manufactured housing which, in most states, is taxed as personal property similar to an automobile. Although MHC owners pay real estate tax on the land, annual taxes payable to a municipal government are much less than would otherwise be paid by a single-family or multi-family residential development of similar size. Consequently, management is unaware of any new MHCs that have been built in Flagship's current operating markets over the past 15 years.

Defensive Asset Class with Track Record of Outperformance

The manufactured housing sector has demonstrated a consistent track record of stable occupancy and growing rents regardless of the economic cycle. This dynamic is primarily a result of: (i) manufactured housing

being one of the most affordable housing options available; (ii) residents owning their own home; and (iii) the generally prohibitive cost and effort associated with moving a manufactured home. Accordingly, the American Housing Survey estimated in 2013 that at least 80% of the manufactured homes in the United States are still located on their original delivery lots. The manufactured housing sector has achieved more than 20 consecutive years of growth in same community net operating income, which has grown at an average of 4% per year, outperforming the average of all other real estate sectors.

Real Estate Sectors Same Property Net Operating Income Growth



Source: Public company filings

Lower Capital Expenditure Requirements and Higher Cash Flow Profitability and Stability

In contrast with other real estate sectors, the manufactured housing sector primarily invests in land as opposed to a physical building or structure. As a result, repair and maintenance costs and capital expenditure requirements are generally minor and limited to MHC infrastructure including utility connections, streets, lighting, common areas and amenities. Manufactured homes are generally owned by the residents thereof, and maintenance and upkeep are the responsibility of the owner and are subject to safety, environmental and maintenance standards enforced by MHC owners.

Highly Fragmented Industry

According to the Manufactured Housing Institute, the top 50 MHC owners control approximately 17% of the 4.2 million estimated manufactured housing lots available for rent in the United States. The vast majority of lots are privately owned by independent local operators lacking institutional sophistication, operational expertise and economies of scale. Management estimates that Flagship is currently the 26th largest owner of manufactured housing lots in the United States, with continued opportunity to gain market share.

See "Overview of the United States Manufactured Housing Community Industry — Manufactured Housing Community Industry Overview".

Manufactured Housing Community Industry Outperformance and Key Growth Drivers

In the United States, MHCs have been the strongest performing real estate asset class among all real estate sectors over the past 20 years. Manufactured housing real estate has generated industry-leading total returns throughout all economic cycles, outperforming all other U.S. real estate sectors including self storage, industrial, multi-family, healthcare, office and retail. Publicly-traded manufactured housing real estate investment trusts in the United States have achieved a total return of 478% from June 30, 2010 to June 30, 2020 (source: Bloomberg).

Favourable Demographic Tailwinds with Increasing Household Formations

The United States is currently in the midst of a favourable demographic shift that is expected to materially benefit the residential real estate sector. The "millennial" generation is on the cusp of surpassing the "baby boomer" generation as the largest adult-age demographic group, and the segment of the United States population currently aged 20 to 34 is the largest of this age segment in United States history. Projections from the National Multifamily Housing Council suggest that household formations will increase on average by approximately 1.5 million per year over the next five years, compared to the annual average of 1.1 million over the previous five years.

Lower Housing Affordability and Declining Home Ownership Rates

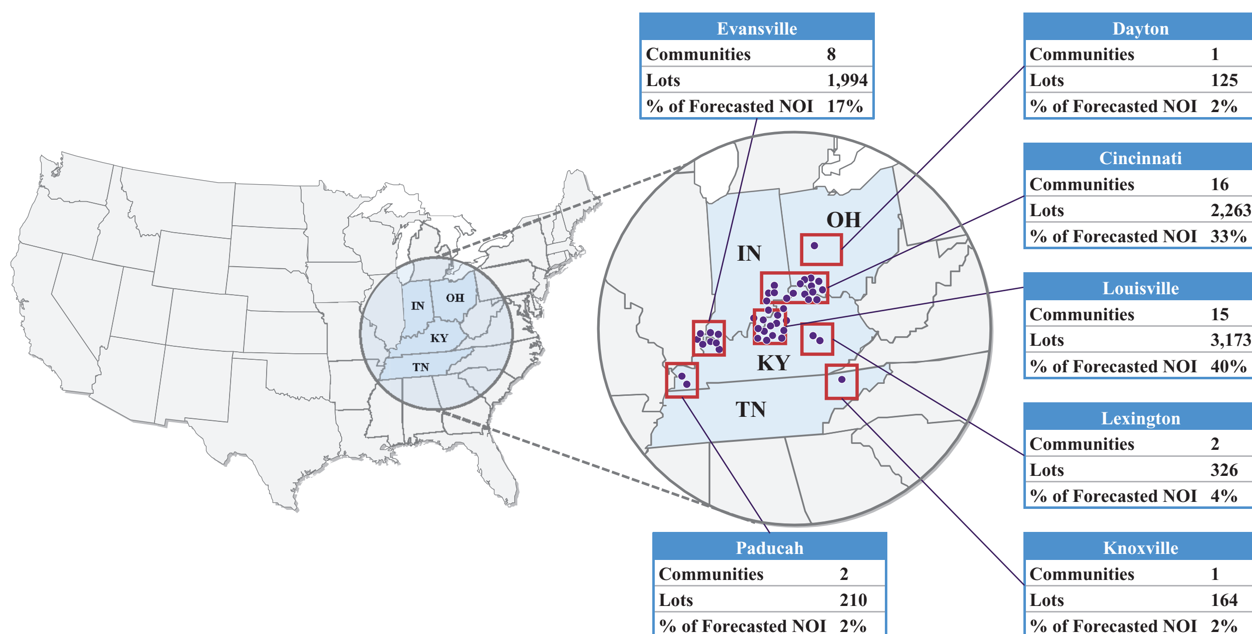
As millennials enter the prime age for household formation and home ownership, they are doing so in an economic environment in which housing price growth has outpaced wage growth over the past decade. Over the same period, mortgage lending standards have remained higher than prior to the United States sub-prime mortgage crisis in 2008. As a result, traditional single-family home ownership is out of reach for many Americans, in particular millennials, with the effect that United States homeownership rates have declined from a peak of 69.2% in 2004 to 64.8% in the third quarter of 2019.

See "Overview of the United States Manufactured Housing Community Industry — Manufactured Housing Community Industry Outperformance and Key Growth Drivers".

The Initial Portfolio

Flagship Portfolio

The REIT will acquire a portfolio of 45 MHCs owned and operated by Flagship located within the four contiguous states of Kentucky, Indiana, Ohio and Tennessee. On average, the Initial Communities have 183 lots per community and an occupancy rate of 79%, as at June 30, 2020. Following development by Flagship of its first MHC in 1995, the remaining Initial Communities were acquired between 1996 and 2019, with an average tenure under Flagship's management of 9 years. The Initial Communities' in-place monthly lot rent ranges from $245 to $470 with a weighted average of $357 per month. Flagship's MHCs are predominantly all-age MHCs and attract a diverse base of family-oriented residents seeking affordable housing. All of Flagship's MHCs offer attractive common areas and amenities, including clubhouses, green spaces, sports and recreational facilities, playgrounds, and after-school programming. All of the Initial Communities are located near interstate highways, necessity-based retail centres, post-secondary institutions, healthcare facilities and major metropolitan employment centres.



The following table describes the Initial Communities as at June 30, 2020.

	MSA / Initial Community	State	Address	Year Acquired	Total Acres	Total Lots	Occupancy (June 30, 2020)[1]	In Place Lot Rent (June 30, 2020)
Louisville								
1	Autumn Lake Pointe	KY	2801 Autumn Lake Drive	2012	110	565	70%	$385
2	Indian Oaks Pointe	IN	7236 Declaration Drive	2003	78	473	73%	$410
3	Barrington Pointe	KY	1321 Glengarry Drive	2001	75	464	83%	$415
4	Whispering Oaks Pointe	KY	315 Barricks Road	2008	60	374	90%	$400
5	Ashley Pointe	KY	1115 Penile Road	1997	57	330	82%	$400
6	Tannehill Pointe	IN	3871 Mill Place	2019	58	191	91%	$290
7	Copperstone Pointe	KY	160 Park Drive	2002	23	158	92%	$380
8	Amberly Pointe	IN	1231 Birchtree Lane	2000	18	124	78%	$275
9	Berkshire Pointe	IN	8000 Berkshire Pointe Dr. NE	1999	35	120	98%	$275
10	Logans Pointe North	KY	6801 Stardust Drive	2012	25	89	75%	$385
11	Seven Oaks Pointe	IN	1055 Old Forest Road NW	2019	13	84	98%	$265
12	Logans Pointe South	KY	13111 Lonestar Way	2012	15	61	51%	$385
13	Rosewood Pointe	IN	550 Rosewalk Drive	2009	10	55	80%	$282
14	Mills Pointe	KY	12000 East Orell Road	2012	25	54	89%	$385
15	Johnsontown Pointe	KY	5410 Johnsontown Road	2012	17	31	90%	$385
Subtotal / Weighted Average					**619**	**3,173**	**81%**	**$375**
Cincinnati								
16	Deer Trace Pointe	KY	146 Villa Drive	2015	35	320	81%	$450
17	Applewood Pointe	OH	1988 Hummingbird Circle	1998	38	253	79%	$430
18	Mosby's Pointe[2]	KY	10367 Garden Drive	2011	37	251	89%	$450
19	Indian Hill Pointe	KY	1 Indian Hill Drive	2007	65	220	83%	$325
20	Heartland Pointe	KY	113 Sioux Trail	1996	36	203	97%	$420
21	Derby Hills Pointe	KY	784 Whirlaway Lane	2014	40	170	99%	$380
22	Asbury Pointe[3]	KY	401 Asbury Pointe Drive	1995	24	152	77%	$296
23	Oakview Pointe	KY	88 Floyd Street	2014	30	141	79%	$265
24	Country Living Pointe	KY	3 Lisa Drive	2016	45	128	79%	$325
25	Cherry Hill Pointe	KY	1 Cherry Hill Drive	2007	27	75	91%	$325
26	Beechwood Ft. Mitchell	KY	2274 Galaxy Dr	2010	33	75	92%	$470
27	Hillcrest Pointe	KY	5600 Cody Road	2018	35	71	92%	$355
28	Aspen Pointe	KY	20 Chetalou Drive	2019	15	70	69%	$325
29	Campbell Pointe	KY	12635 Spruce Street	2014	15	57	91%	$380
30	Redwood Pointe	OH	3480 Lawrenceburg Road	2020	7	43	93%	$295
31	Candlelight Pointe	OH	8123 Dry Fork Rd	2020	19	34	100%	$325
Subtotal / Weighted Average					**501**	**2,263**	**86%**	**$383**
Evansville								
32	Grandin Pointe	IN	5901 N St Joseph Ave	2015	146	773	76%	$320
33	Riverbend Pointe	KY	501 Office Lane	2015	82	357	54%	$282
34	Waterford Pointe	IN	2448 Saw Grass Drive	2015	57	317	63%	$320
35	Carolina Pointe	IN	2850 Carolina Avenue	2019	23	167	81%	$245
36	Pinecrest Pointe	IN	831 Birkshire Avenue	2018	18	157	64%	$335
37	Summit View Pointe	IN	15 Wyandotte Drive	2018	26	96	45%	$335
38	Heritage Hills Pointe East	IN	4833 Salem Drive	2018	11	71	63%	$335
39	Heritage Hills Pointe West	IN	4855 Indiana 66	2018	8	56	82%	$335
Subtotal / Weighted Average					**370**	**1,994**	**68%**	**$310**
Lexington								
40	Adams Pointe	KY	1312 Boonesborough Road	2007	36	185	84%	$330
41	Bradbury Pointe	KY	111 Bradbury Pointe Drive	2006	30	141	77%	$330
Subtotal / Weighted Average					**66**	**326**	**81%**	**$330**

MSA / Initial Community	State	Address	Year Acquired	Total Acres	Total Lots	Occupancy (June 30, 2020)[1]	In Place Lot Rent (June 30, 2020)
Paducah							
42 Westridge Pointe	KY	7410 Lightfoot Road	2013	35	140	74%	$250
43 Southwood Pointe	KY	749 Bleich Rd	2019	13	70	70%	$250
Subtotal / Weighted Average				**48**	**210**	**73%**	**$250**
Knoxville							
44 Crestmore Pointe	TN	1905 Buffalo Trail	2019	27	164	94%	$275
Dayton							
45 Harmony Pointe	OH	68 West Alex Bell Road	2019	12	125	100%	$400
Total Portfolio / Weighted Average				**1,643**	**8,255**	**79%**	**$357**
Communities Acquired 2015 Onwards				**650**	**3,294**	**75%**	**$325**
Communities Acquired Prior to 2015				**993**	**4,961**	**82%**	**$377**

Notes:

(1) The occupancy figures give effect to 15 apartment units/rental homes, which are onsite dwellings or other permanent structures that are affixed to the Initial Communities.

(2) An adjacent MHC was acquired in 2015 and subsequently combined with Mosby's Pointe.

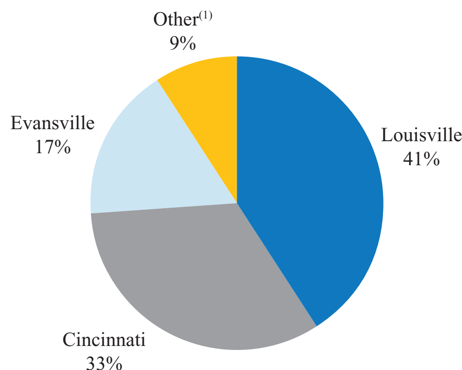
(3) Asbury Pointe was developed (not acquired) in 1995.

See "The Initial Portfolio — List of Initial Communities".

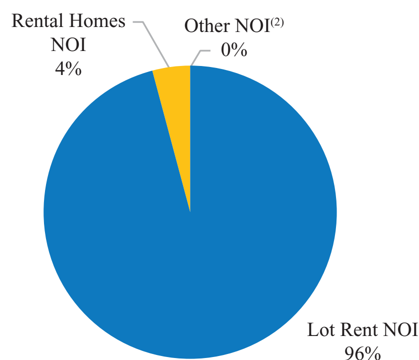
Net Operating Income Diversification

Flagship's NOI is diversified across seven MSAs and four states. During the Forecast Period, approximately 96% of the REIT's NOI is expected to be derived from lot rent. The following illustrates the breakdown of the REIT's forecasted NOI during the Forecast Period. See "Non-IFRS Measures" and "Forecast Non-IFRS Reconciliation".

NOI by MSA



NOI by Type



Notes:

(1) Includes Lexington, Paducah, Knoxville and Dayton.

(2) Other NOI includes fee income (net of bad debt expense), utilities reimbursement (net of utilities expense) and other ancillary income such as cable income, vending machine income, rental income from adjacent farmland, billboard rental income and parking income.

See "The Initial Portfolio — Net Operating Income Diversification".

Same Community Net Operating Income

Flagship has delivered stable and growing Same Community NOI from the Initial Communities, primarily driven by monthly lot rent growth, occupancy growth, utilities expense recapture, expense management and value-add capital investments. Same Community NOI grew 11.3% in 2018 and 14.7% in 2019 and 9.5% for the six months ended June 30, 2020. See "Non-IFRS Measures".

Initial Communities 2020 Year-To-Date Performance Comparison

Flagship achieved year-over-year Same Community NOI growth of approximately 14.6% for the three months ended June 30, 2020, which has been primarily driven by monthly lot rent growth, occupancy growth, utilities expense recapture, expense management and value-add capital investments. See "Non-IFRS Measures".

The table below is a 2020 year-to-date and second quarter comparison of key operational metrics of the Initial Communities for the periods indicated.

	6 Months ended June 30, 2019	6 Months ended June 30, 2020	3 Months ended June 30, 2019	3 Months ended June 30, 2020
Total Occupancy[(1)]	76.1%	79.3%	76.1%	79.3%
Same Community Occupancy[(1)(2)]	75.7%	78.1%	75.7%	78.1%
Total NOI ($ thousands)[(2)]	$9,326	$10,807	$4,632	$5,733
Same Community NOI ($ thousands)[(2)]	$9,119	$ 9,989	$4,602	$5,273

Notes:

(1) As at the end of the period.

(2) See "Non-IFRS Measures".

See "The Initial Portfolio — Initial Communities 2020 Year-To-Date Performance Comparison".

Rental Homes Fleet

The Rental Homes comprising the Rental Homes Fleet are located on the Initial Communities and are for lease to residents thereof. Residents of Rental Homes separately pay rent on both the Rental Home and the lot on which it sits. As at June 30, 2020, there were 593 Rental Homes, approximately 94% of which were occupied.

Independent Appraisal of the Initial Communities

Flagship retained the Appraiser to provide an independent estimate of the market value of the Initial Communities and the REIT's head office property on a portfolio basis as at July 30, 2020. The Appraiser was not given any limiting instructions. According to the Appraisal, the estimated market value of the Initial Communities and the REIT's head office property on a portfolio basis, as at July 30, 2020, was approximately $400 million.

For additional details regarding the Appraisal and other assessments and valuations of the Initial Portfolio, see "Assessments and Valuations of the Initial Portfolio".

Debt Strategy and Indebtedness

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

Immediately following Closing (assuming completion of the Acquisition upon Closing), management anticipates the REIT's Indebtedness to total approximately $213 million of secured mortgage loans and credit facilities, implying a Debt to Gross Book Value Ratio of approximately 49.6%. Management intends to target

and maintain a Debt to Gross Book Value Ratio of between 45% to 55% in order to maximize returns while minimizing leverage risk. See "Non-IFRS Measures".

Upon Closing (assuming completion of the Acquisition upon Closing), the REIT will have a long-term debt maturity profile, with a weighted average term to maturity of approximately 10.2 years. All of the REIT's Indebtedness at Closing will be composed of fixed rate debt, which mitigates the REIT's exposure to interest rate risk in a rising interest rate environment.

See "Debt Strategy and Indebtedness" and "The Acquisition — Principal Transaction Steps — CMBS-Secured Initial Communities".

Fannie Mae Loan

Certain SSK Entities have, jointly and severally, entered into the Fannie Mae Loan, as amended from time to time) with a Delegated Underwriting and Servicing lender of Fannie Mae pursuant to which the lender provided the borrower entities on May 15, 2020 (with a fixed rate loan of approximately $63.6 million for a 12-year term at a fixed rate of 2.97% per annum, payable interest only until July 2028. On July 15, 2020, a second Advance in the form of a fixed rate loan was drawn under the Fannie Mae Loan in the amount of approximately $6.4 million for a 12-year term at a fixed rate of 2.93% per annum, payable interest only until August 2032.

Any subsequent Advances under the Fannie Mae Loan are to be made in the minimum amount of $5 million to such borrowers, in each case priced based on Fannie Mae's market pricing in effect at the time the pricing for such Advance is determined. Initially, subsequent Advances can be made up to two times during the first five years of the term, but no more than once per year after the first five years of the term, subject to satisfaction of certain financial covenants contained in the Fannie Mae Loan. Subsequent Advances under the Fannie Mae Loan are subject to limits imposed based on pre-defined maximum loan-to-value ratios and minimum debt service coverage ratios for the properties secured by the Fannie Mae Loan, including properties which may be added as security for the Fannie Mae Loan in the future. All Advances are and all subsequent Advances will be secured and cross-collateralized by properties held by the borrower entities and the borrower entities have the right to the release, substitution and/or addition of one or more properties from or to the security pool from time to time subject to the terms and conditions of the Fannie Mae Loan. Recourse of the lender under the Fannie Mae Loan is limited to the collateral secured thereby, subject to certain customary exceptions.

See "Debt Strategy and Indebtedness — Composition of Indebtedness — Fannie Mae Loan".

Freddie Mac Loan

Certain subsidiaries of FCLLC, as individual borrowers, have entered into the Freddie Mac Loan with a Delegated Underwriting and Servicing lender of Freddie Mac pursuant to which, on July 31, 2020, the lender provided to the borrower entities a fixed rate loan in the aggregate amount of approximately $99 million for a term of ten years at a fixed rate of 3.21%, payable interest only until August 1, 2030. Recourse of the lender under the Freddie Mac Loan is limited to the collateral secured thereby, subject to certain customary exceptions, with all of the borrowers' indebtedness under the Freddie Mac Loan being cross-collateralized.

See "Debt Strategy and Indebtedness — Composition of Indebtedness — Freddie Mac Loan".

For details of all other indebtedness of the REIT as at Closing, see "Debt Strategy and Indebtedness — Summary of Indebtedness".

The Acquisition

Upon and following (if applicable) Closing, and following certain pre-Closing reorganization transactions involving Flagship, the REIT will indirectly acquire the Initial Portfolio. In connection with the Acquisition, all of the issued and outstanding securities of FCLLC and the SSK Entities will be exchanged for cash, new Units and new Class B Units.

See "The Acquisition".

Contribution Agreement

Flagship Operating, LLC will indirectly acquire 16 of the Initial Communities and a portion of the Rental Homes Fleet from Legacy Holdings pursuant to a Contribution Agreement among Legacy Holdings, Flagship Operating, LLC and the Promoter. The Contribution Agreement will contain representations and warranties typical of those contained in purchase agreements for similar real estate assets negotiated between sophisticated purchasers and sellers acting at arm's length. See "The Acquisition — Contribution Agreement" for a summary of certain additional provisions in the Contribution Agreement, which is a material contract for the REIT and is qualified in its entirety by reference to all of the provisions of such agreement. The Contribution Agreement will be available following Closing on SEDAR at www.sedar.com.

Merger Agreement

Flagship Operating, LLC will indirectly acquire 28 of the Initial Communities and a portion of the Rental Homes Fleet from FCLLC via the merger of a newly created subsidiary of Flagship Operating, LLC with and into FCLLC pursuant to a Merger Agreement among Flagship Operating, LLC, such subsidiary entity, FCLLC, its Series A-1 unitholder and the Promoter. The Merger Agreement will contain representations and warranties typical of those contained in merger agreements or purchase agreements for similar real estate assets negotiated between sophisticated purchasers and sellers acting at arm's length. See "The Acquisition — Merger Agreement" for a summary of certain additional provisions in the Merger Agreement, which is a material contract for the REIT and is qualified in its entirety by reference to all of the provisions of such agreement. The Merger Agreement will be available following Closing on SEDAR at www.sedar.com.

Indemnity Agreement

Pursuant to an Indemnity Agreement entered into among the REIT, Flagship Operating, LLC, the Promoter and Legacy Holdings, Legacy Holdings and the Promoter, jointly and severally, will provide a representation and warranty that this prospectus does not contain a misrepresentation (as defined in applicable Canadian securities legislation), subject to exceptions for portions of the prospectus containing extracts or summaries of expert reports and information provided by the Underwriters. Pursuant to the Indemnity Agreement, the Promoter and Legacy Holdings, on a joint and several basis, will indemnify the REIT and Flagship Operating, LLC for breaches of their and FCLLC's covenants, representations and warranties in the Indemnity Agreement, the Contribution Agreement and the Merger Agreement, as applicable; however, no claim under the indemnity may be made until the aggregate losses exceed $1.5 million, subject to customary exceptions for fraud and fundamental representations. The aggregate maximum liability of Legacy Holdings and the Promoter pursuant to the Indemnity Agreement will be limited to the value, based on the Offering Price, of the Class B Units held by Legacy Holdings attributable to the former Series A-2 unitholders of FCLLC based on their respective limited liability company interests in Legacy Holdings upon completion of the Acquisition and the Units and Class B Units received by such individuals pursuant to the Acquisition, estimated to be an aggregate of $59.2 million (based on the Offering Price), representing approximately 73% of the $81.1 million estimated net proceeds of the Offering, assuming the Over Allotment Option is not exercised and assuming closing of the Acquisition upon Closing. See "The Acquisition — Indemnity Agreement" for a summary of certain additional provisions in the Indemnity Agreement, which is a material contract for the REIT and is qualified in its entirety by reference to all of the provisions of such agreement. The Indemnity Agreement will be available following Closing on SEDAR at www.sedar.com.

The terms of the Contribution Agreement, the Merger Agreement and the Indemnity Agreement are subject to negotiations among the parties involved, including the REIT, the Promoter, the vendors, the Underwriters and their respective legal counsel.

Retained Interest Holders

Following completion of the Acquisition, the Retained Interest Holders are expected to own an aggregate of 5,432,940 Class B Units (5,097,283 of which will be held by Legacy Holdings) and 38,685 Units (17,408 of which will be held by the REIT's President and Chief Executive Officer and Chief Investment Officer), together

representing an approximate 46.7% effective interest in the REIT, or an approximate 43.2% effective interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). The Retained Interest Holders include the REIT's executive officers, who will collectively beneficially own 2,789,149 Class B Units and 17,408 Units (including indirectly on a proportionate basis through direct and indirect ownership interests in Legacy Holdings), and control (through effective control of Legacy Holdings by the REIT's President and Chief Executive Officer and Chief Investment Officer) an additional 2,607,538 Class B Units owned by Legacy Holdings, representing, in the aggregate, an approximate 46.2% effective interest in the REIT, or an approximate 42.8% effective interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). The Class B Units are, in all material respects, economically equivalent to Units and are redeemable under certain circumstances by the holder thereof for cash or Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by Flagship Operating, LLC and as directed by the REIT in its sole discretion. See "Flagship Operating, LLC — Flagship Operating, LLC Units". The Retained Interest Holders intend to collectively maintain a significant ownership position in the REIT (through ownership of Units and Class B Units) over the long-term.

Lock-up Period

Subject to the prior consent of the Lead Underwriters, which consent will not be unreasonably withheld, and the approval of the independent Trustees, each Retained Interest Holder has agreed that any Class B Units or Units owned by the Retained Interest Holder on completion of the Acquisition will be subject to a contractual lock-up for 24 months following Closing, subject to certain exceptions.

See "Retained Interest Holders — Lock-up Period".

Investor Rights Agreement

On Closing, the REIT and the Retained Interest Holders will enter into the Investor Rights Agreement which will govern certain of the rights of the Retained Interest Holders as Unitholders and holders of Class B Units, as applicable. The Investor Rights Agreement shall be in effect for so long as the Retained Interest Holders and their associates own, in the aggregate, directly or indirectly, 10% or more of the then outstanding Units (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT).

Pursuant to the Investor Rights Agreement and as set forth in the Declaration of Trust, the Retained Interest Holders will be granted the right to nominate a number of Trustees (such nominees will be subject to election together with the remaining Trustees at annual meetings of Unitholders) based on: (i) the proportion of the aggregate number of outstanding Units held by the Retained Interest Holders and their associates (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT), whether held directly or indirectly, at the time of nomination; and (ii) the size of the Board of Trustees. For so long as the Chief Executive Officer of the REIT is one of the Retained Interest Holders or an affiliate, associate, director or officer, as applicable, of a Retained Interest Holder, the Chief Executive Officer of the REIT shall comprise one of the Retained Interest Holders' nominees. On completion of the Acquisition, it is expected that the Retained Interest Holders will have an approximate 46.7% effective interest in the REIT, or an approximate 43.2% effective interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units), and will therefore be entitled to nominate three of the seven Trustees of the REIT.

Pursuant to the Investor Rights Agreement, transactions not in the ordinary course of business that would generally constitute a fundamental change under corporate law that may be taken by Flagship Operating, LLC will require the approval of Legacy Holdings, as designee of the Retained Interest Holders, provided that the Retained Interest Holders and their associates own, in the aggregate, 33⅓% or more of the then outstanding Units (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT) or, in the event the Retained Interest Holders and their associates own less than such percentage interest, the percentage interest owned by the

Retained Interest Holders and their associates constitutes at least that number of Units (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT) equal to 33⅓% of the votes cast at a meeting of Unitholders. The same approvals will also be required for certain other transactions.

The Investor Rights Agreement will provide the Retained Interest Holders with the Piggy-Back Registration Right, among others, to require the REIT to include Units (including Units issuable upon the redemption of Class B Units) held by Retained Interest Holders in any future offering undertaken by the REIT by way of prospectus that it may file with applicable Canadian securities regulatory authorities. In addition, the Investor Rights Agreement will provide the Retained Interest Holders with the Demand Registration Right to require the REIT to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities, qualifying Units held (or issuable upon the redemption of Class B Units) by the Retained Interest Holders for distribution, provided that such Demand Registration Right may only be exercised by Legacy Holdings as designee on behalf of the Retained Interest Holders.

In the event the REIT, Flagship Operating, LLC or one of their subsidiaries decides to issue equity securities of the REIT or Flagship Operating, LLC or securities convertible into or exchangeable or redeemable for equity securities of the REIT or Flagship Operating, LLC or an option or other right to acquire such securities other than to an affiliate thereof, the Investor Rights Agreement will provide that the Retained Interest Holders and their associates, for so long as they continue to own, in the aggregate, directly or indirectly, at least 10% of the outstanding Units (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT), shall have pre-emptive rights to purchase Units, Class B Units or such other securities as are being contemplated for issuance by the REIT, Flagship Operating, LLC or one of their subsidiaries to maintain their pro rata ownership interests in the REIT, provided that such pre-emptive rights may only be exercised by Legacy Holdings as designee on behalf of the Retained Interest Holders. The pre-emptive rights will not apply to certain excluded issuances.

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

For so long as the Retained Interest Holders and their associates own, in the aggregate, directly or indirectly, at least 10% of the outstanding Units (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT) the Retained Interest Holders will have tag-along rights that will apply in respect of any sale by the REIT of its interest in Flagship Operating, LLC.

See “Retained Interest Holders — Investor Rights Agreement”.

Arrangements with Empower

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

Flagship Operating, LLC will enter into the ROFO Agreement with Empower on Closing, pursuant to which, among other things, Empower will present Flagship Operating, LLC with opportunities to purchase MHCs, including those owned by Empower. Flagship Operating, LLC will have a right of first opportunity to purchase such properties and, in the case of any such property that is already owned by Empower, such opportunity will be presented to Flagship Operating, LLC at a discount to appraised value. Conversely, Flagship Operating, LLC will present Empower with opportunities to purchase MHCs that the REIT does not wish to pursue and Empower will have a right of first opportunity to purchase such properties. The REIT will have a one-time right to indirectly acquire all assets owned by Empower at their prevailing market value once the REIT has a Gross Book Value of $1.5 billion or more. See "Arrangements with Empower — ROFO Agreement".

Flagship TRS will enter into the Management Agreement with Empower on Closing, pursuant to which Flagship TRS will provide certain asset and property management services to Empower in exchange for: (i) a base asset management fee calculated and payable on a monthly basis, equal to 0.25% of the gross book value of Empower's assets; and (ii) a property management fee, calculated and payable on a monthly basis, equal to 3.0% of the gross property revenue of Empower. See "Arrangements with Empower — Management Agreement".

Flagship Operating, LLC will enter into the Services Agreement with Empower on Closing, pursuant to which all sales of manufactured homes, including Rental Homes, will be carried out by Empower. See "Arrangements with Empower — Services Agreement".

The REIT and Empower will enter into the Non-Competition and Non-Solicitation Agreement on Closing, pursuant to which, unless otherwise consented to by the independent Trustees, during any period in which the ROFO Agreement remains effective, Empower and its affiliates and associates (including the Retained Interest Holders and the Promoter) agree not to (i) directly solicit any existing employee or tenant of the REIT to, respectively, become employed with respect to or become a tenant of a non-REIT property in which Empower or any of its affiliates or associates has an ownership interest or that it manages for another client; (ii) acquire, invest in or have an ownership interest in, directly or indirectly, any MHCs located in Canada, the United States or elsewhere where the REIT operates, or any business or activity related thereto, other than in accordance with the terms of the ROFO Agreement, Management Agreement or the Services Agreement; (iii) create another real estate investment trust or another publicly traded or held real estate business which primarily invests in MHCs in Canada, the United States or elsewhere where the REIT operates; or (iv) act as asset or property manager or promoter to, or perform any similar role for, another real estate investment trust or business which primarily invests in MHCs in Canada, the United States or elsewhere where the REIT operates. See "Arrangements with Empower — Non-Competition and Non-Solicitation Agreement".

Trustees and Management of the REIT

The following table sets forth information regarding the Trustees of the REIT.

Name, Municipality of Residence	Independent	Committees/Position	Principal Occupation
Peter Bynoe *Chicago, Illinois, U.S.*	Yes	Chair of the Board; Compensation, Governance and Nominating Committee	Senior Advisor to DLA Piper LLP (US)
Louis Forbes *Toronto, Ontario, Canada*	Yes	Audit Committee (Chair)	Corporate director
Kurtis Keeney *Covington, Kentucky, U.S.*	No	None	President and Chief Executive Officer of the REIT
J. Susan Monteith *Toronto, Ontario, Canada*	Yes	Audit Committee; Compensation, Governance and Nominating Committee	Corporate director
Andrew Oppenheim *Calgary, Alberta, Canada*	Yes	Compensation, Governance and Nominating Committee (Chair)	Partner at Gowling WLG (Canada) LLP
Nathaniel Smith *Fort Mitchell, Kentucky, U.S.*	No	None	Chief Investment Officer of the REIT
Iain Stewart *Calgary, Alberta, Canada*	Yes	Audit Committee	President and Chief Executive Officer of Genesis Land Development Corp.

The following table sets forth information regarding the executive officers of the REIT at Closing.

Name, Municipality of Residence	Position/Title
Kurtis Keeney *Covington, Kentucky, U.S.*	President and Chief Executive Officer
Eddie Carlisle *Burlington, Kentucky, U.S.*	Chief Financial Officer and Secretary
Nathaniel Smith *Fort Mitchell, Kentucky, U.S.*	Chief Investment Officer

See "Trustees and Management of the REIT".

Restrictions on Ownership and Transfer of the Units

The Declaration of Trust contains restrictions on the ownership and transfer of the Units that are intended to assist the REIT in complying with the requirements to qualify as a real estate investment trust for U.S. federal income tax purposes. The relevant sections of the Declaration of Trust provide that no individual or entity may actually or beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% of the Units, excluding any Units that are not treated as outstanding for U.S. federal income tax purposes, and subject to exemptions granted by the Board in accordance with the Declaration of Trust.

The Board may not increase or decrease any ownership limit if the new ownership limit would allow five or fewer individuals (as defined for this purpose in the Code to include certain tax-exempt entities, such as charitable trusts and private foundations but to exclude certain qualified trusts described in Section 401(a) of the Code) to own, actually or beneficially, more than 49% of the Units (treating certain options and, under certain circumstances, securities convertible into Units as Units). The REIT does not intend to treat the Class B Units as options or securities convertible into Units for purposes of this ownership limit.

In order for the REIT to comply with its withholding obligations under FIRPTA (and certain other regulatory requirements), the Units are subject to notice requirements and transfer restrictions. Non-U.S. persons holding Units are required to provide the REIT with such information as the REIT may request. Furthermore, any non-U.S. person that is treated as having acquired sufficient Units to be treated as owning more than 5% of the Units is required to notify the REIT by the close of the business day prior to the date of the transfer that causes the non-U.S. person to own more than 5% of the Units.

See "Declaration of Trust and Description of REIT Units — Restrictions on Ownership and Transfer" and "Certain U.S. Federal Income Tax Considerations".

Financial Forecast

The following Financial Forecast was prepared by management, using assumptions with an effective date of September 25, 2020, and was approved by the Board on September 25, 2020. The forecast has been prepared in accordance with the measurement and presentation principles of IFRS and reflects the significant accounting policies expected to be applied by the REIT. The forecast has been prepared using assumptions that reflect management's intended courses of action for the REIT for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast has been prepared after giving effect to the Offering, the Acquisition and the other transactions contemplated in this prospectus to be completed before or concurrently with Closing (and assuming no exercise of the Over-Allotment Option).

The assumptions used in the preparation of a forecast, although considered reasonable by management at the time of preparation, may not materialize as forecasted and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that actual results achieved for the Forecast Period will vary from the forecasted results and that such variations may be material. There is no representation that actual results achieved during the Forecast Period will be the same in whole or in part as those forecasted. Important factors that could cause actual results to vary materially from the forecast include those disclosed under "Risk Factors". See "Forward-Looking Statements", "Financial Forecast" and "Risk Factors".

	Three-month periods ending				Twelve-month period ending
($ in thousands)[1]	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	September 30, 2021
Revenue from investment properties	**$8,691**	**$8,988**	**$9,029**	**$9,068**	**$35,777**
Expenses					
Property operating expenses	$3,026	$3,154	$3,210	$3,216	$12,607
General and administrative expenses	$1,253	$1,253	$1,253	$1,253	$ 5,010
Depreciation and amortization	$ 27	$ 29	$ 32	$ 34	$ 123
Finance costs					
Interest expense and other financing charges	$1,814	$1,769	$1,790	$1,811	$ 7,183
Distribution on Class B Units	$ 693	$ 693	$ 693	$ 693	$ 2,771
	$6,812	**$6,898**	**$6,977**	**$7,006**	**$27,693**
Net income and comprehensive income	**$1,879**	**$2,090**	**$2,052**	**$2,062**	**$ 8,084**

Note:

(1) Totals may not add up due to rounding.

Forecast Non-IFRS Reconciliation

The calculation of NOI and reconciliations of FFO and AFFO do not form part of the consolidated statements of forecasted net earnings and comprehensive income.

Set out below is a calculation of NOI and a reconciliation of the forecasted net income and comprehensive income to FFO and AFFO. NOI, FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. NOI, FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate issuers and accordingly, may not be comparable to NOI, FFO and AFFO as reported by other issuers. See "Non-IFRS Measures" and "Financial Forecast".

($ in thousands)[1]	Three-month periods ending				Twelve-month period ending
	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	September 30, 2021
Net income and comprehensive income	**$1,879**	**$2,090**	**$2,052**	**$2,062**	**$ 8,084**
Add/(Deduct):					
Distribution on Class B Units	$ 693	$ 693	$ 693	$ 693	$ 2,771
Depreciation and amortization	$ 27	$ 29	$ 32	$ 34	$ 123
Funds from operations (FFO)	**$2,598**	**$2,813**	**$2,777**	**$2,789**	**$10,977**
Add/(Deduct):					
Amortization of deferred financing costs	$ 106	$ 104	$ 105	$ 107	$ 422
Amortization of mark-to-market adjustment	$ (257)	$ (257)	$ (257)	$ (257)	$ (1,029)
Maintenance capital expenditures	$ (99)	$ (99)	$ (149)	$ (149)	$ (495)
Capital expenditure reserve — Rental Homes	$ (114)	$ (114)	$ (172)	$ (172)	$ (572)
Adjusted funds from operations (AFFO)	**$2,233**	**$2,445**	**$2,304**	**$2,319**	**$ 9,302**
Revenue from investment properties	**$8,691**	**$8,988**	**$9,029**	**$9,068**	**$35,777**
Deduct:					
Property operating expenses	$3,026	$3,154	$3,210	$3,216	$12,607
Net operating income (NOI)	**$5,665**	**$5,834**	**$5,819**	**$5,852**	**$23,170**

Note:

(1) Totals may not add up due to rounding.

NOI Forecast Reconciliation

Below is a reconciliation of the pro forma NOI for the twelve months ended June 30, 2020 to the forecast NOI for the twelve months ending September 30, 2021. This reconciliation is illustrative in nature and has been prepared by management as a supplement for the reader to the Financial Forecast. The assumptions used in respect of rent increases, net changes in occupancy and the other items that make up other adjustments in order to arrive at the figures below constitute forward-looking information. While these assumptions are considered reasonable by management as of the date of this prospectus, they are inherently subject to significant uncertainties and contingencies that may affect the outcome of the forward-looking information. Investors should use caution when considering such forward-looking information, and the REIT cautions readers not to place undue reliance on these statements. See "Forward-Looking Statements".

	($ in thousands)[1]
Pro forma REIT NOI for the twelve month period ended June 30, 2020[2]	$21,167
Add (Deduct):	
Adjustments for assets not owned throughout the twelve month period ended June 30, 2020[3]	$ 502
Rent increases and net changes in occupancy to June 30, 2020	$ 1,323
Increase in operating expenses to June 30, 2020	$ (141)
Pro forma in-place NOI as at June 30, 2020	**$22,852**
Add (Deduct):	
Rent increases, net changes in occupancy and changes in other revenue	$ 617
Increase in operating expenses	$ (299)
Forecast NOI	**$23,170**
Forecast NOI Growth from June 30, 2020 in-place NOI	**1.4%**

Notes:

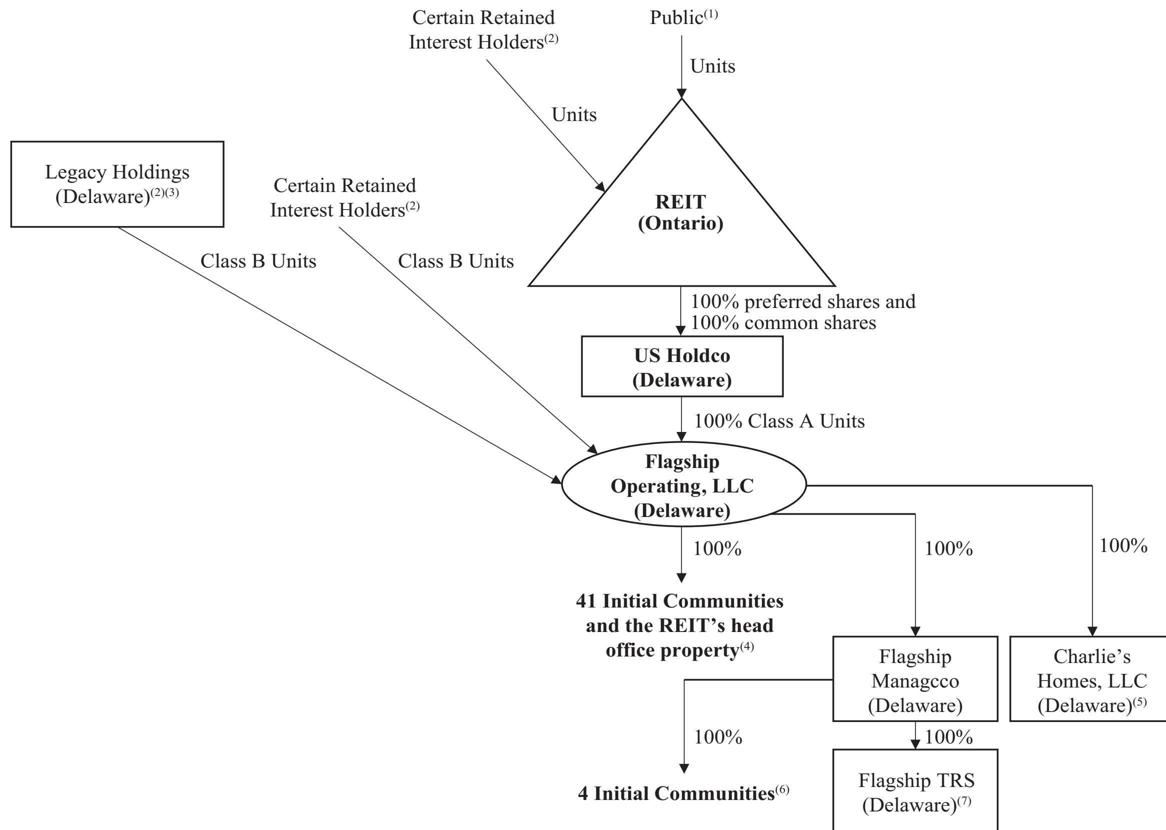
(1) Totals may not add up due to rounding.

(2) Represents an amount equal to the sum of: (i) pro forma NOI for the six months ended June 30, 2020, and (ii) aggregate NOI for the SSK Legacy Portfolio and FCLLC for the six months ended December 31, 2019. Item (ii) above is derived by subtracting (a) the sum of the NOI of the SSK Legacy Portfolio and the NOI of FCLLC for the six months ended June 30, 2019, from (b) the sum of the NOI for the SSK Legacy Portfolio and the NOI for FCLLC for the year ended December 31, 2019.

(3)
- Tannehill Pointe was acquired on October 1, 2019. An NOI adjustment of $114 is included to annualize Tannehill Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecast Period.
- Seven Oaks Pointe was acquired on August 22, 2019. An NOI adjustment of $11 is included to annualize Seven Oaks Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecast Period.
- Crestmore Pointe was acquired on November 22, 2019. An NOI adjustment of $168 is included to annualize Crestmore Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecast Period.
- Candlelight Pointe was acquired on January 8, 2020. An NOI adjustment of $41 is included to annualize Candlelight Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecast Period.
- Redwood Pointe was acquired on June 3, 2020. An NOI adjustment of $123 is included to annualize Redwood Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecast Period.
- Southwood Pointe was acquired on December 17, 2019. An NOI adjustment of $44 is included to annualize Southwood Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecast Period.

Post-Closing Structure

The following is a diagram of the simplified organizational structure of the REIT immediately following Closing[8]:



Notes:

(1) It is anticipated that on Closing, the public is expected to own an approximate 53.3% ownership interest in the REIT, and an approximate 56.8% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units) and assuming the entire Initial Portfolio is acquired on Closing.

(2) It is anticipated that on completion of the Acquisition, Retained Interest Holders are expected to own an aggregate of 5,432,940 Class B Units (5,097,283 of which will be held by Legacy Holdings) and 38,685 Units (17,408 of which will be held by the REIT's President and Chief Executive Officer and Chief Investment Officer), together representing an approximate 46.7% effective interest in the REIT, or an approximate 43.2% effective interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). The Retained Interest Holders include the REIT's executive officers, who will collectively beneficially own 2,789,149 Class B Units and 17,408 Units (including indirectly on a proportionate basis through direct and indirect ownership interests in Legacy Holdings), and will control (through effective control of Legacy Holdings by the REIT's President and Chief Executive Officer and Chief Investment Officer) an additional 2,607,538 Class B Units owned by Legacy Holdings, representing, in the aggregate, an approximate 46.2% effective interest in the REIT, or an approximate 42.8% effective interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units).

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

(4) Ownership of 41 of the Initial Communities and the REIT's head office property is held through special purpose entities, including limited liability companies and limited partnerships.

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

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

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

(8) See "The Acquisition — Principal Transaction Steps — CMBS-Secured Initial Communities" and "Post-Closing Structure".

The Offering

Offering: 6,250,000 Units.

Amount: $93,750,000

Offering Price: $15.00 per Unit.

Over-Allotment Option: The REIT has granted to the Underwriters an option exercisable in whole or in part and at any time up to 30 days after Closing to purchase up to an additional 937,500 Units at the Offering Price solely to cover the Underwriters' over-allocation position, if any, and for consequent market stabilization purposes. See "Plan of Distribution".

Use of Proceeds: The net proceeds of the Offering will be approximately $81.1 million, after deducting the REIT's estimated expenses of the Offering and the Underwriters' fee. The REIT will use the net proceeds of the Offering to fund the cash component of the Acquisition (in order to acquire the Series A-1 units in FCLLC held by an arm's length third party private equity investor), to repay certain secured indebtedness, for capital expenditure reserves, to fund transaction costs associated with the Closing and for general business purposes. The proceeds received by the REIT on the exercise of the Over-Allotment Option, to the extent exercised, will be used by the REIT to fund future acquisitions and for general business purposes.

See "The Acquisition" and "Use of Proceeds".

Unit Attributes: The REIT is authorized to issue an unlimited number of Units. Each Unit represents a proportionate undivided beneficial ownership interest in the REIT. Each Unit is transferable and entitles the holder thereof to: (i) an equal participation in distributions of the REIT; (ii) rights of redemption; and (iii) one vote at all meetings of Unitholders.

See "Declaration of Trust and Description of REIT Units".

Distribution Policy: The REIT intends to adopt a distribution policy pursuant to which the REIT will make monthly cash distributions to Unitholders and, through Flagship Operating, LLC, holders of Class B Units, on each Distribution Date initially equal to, on an annual basis, approximately 65% of estimated AFFO for the Forecast Period. See "Non-IFRS Measures" and "Forecast Non-IFRS Reconciliation". Pursuant to this distribution policy, distributions will be paid to Unitholders of record at the close of business on the last business day of the month preceding a Distribution Date.

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

The first distribution is expected to be for the period from Closing to October 31, 2020 and is expected to be paid on November 16, 2020, in the amount of $0.0329 per Unit (assuming that Closing occurs on October 7, 2020). The REIT intends to make subsequent monthly distributions in the estimated amount of $0.0425 per Unit thereafter. The REIT intends to pay such distributions in cash. Notwithstanding the distribution policy, the Trustees retain full discretion with respect to the timing, quantum and form of distributions. See "Distribution Policy".

Risk Factors:

An investment in Units is subject to a number of risks that should be carefully considered by a prospective purchaser. Cash distributions by the REIT are not guaranteed and will be based, in part, upon the financial performance of the REIT's properties, which is susceptible to a number of risks. These risks, and other risks associated with an investment in Units, include but are not limited to those related to the real estate industry and the business of the REIT, the U.S. MHC industry, the REIT's relationship with Empower, the Offering and the structure of the REIT and tax-related risks. See "Risk Factors" and the other information included in this prospectus for a discussion of the risks that an investor should carefully consider before deciding to invest in Units. Certain of the risks relating to the REIT's business and the Units are summarized as follows:

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

- Real Property Ownership;
- Asset Class and Tenant Risks;
- Catastrophic Events, Natural Disasters, Severe Weather and Disease;
- Competition;
- COVID 19 Pandemic;
- Current Economic Environment;
- Fluctuations in Capitalization Rates;
- Regulation and Changes in Applicable Laws;
- Geographic Concentration;
- Capital Expenditures and Fixed Costs;
- Property Taxes;
- Liquidity;
- Environmental Matters;
- Accidental Death or Severe Injuries;
- Financing Risks;
- United States Financing Renewal Risk — Condition of Fannie Mae or Freddie Mac;
- Degree of Leverage;
- Interest Rate Risk;
- Acquisitions and Associated Undisclosed Defects and Obligations;
- No Assurance of Recovery;
- Zoning Compliance;
- Difficulty of Locating Suitable Investments;
- Laws Benefitting Disabled Persons;

- Past Performance is not a Predictor of Future Results;
- Breach of Privacy or Information Security Systems;
- Expanding Social Media Vehicles;
- Employee Theft or Fraud;
- Operational Risk;
- Access to Capital;
- Potential Conflicts of Interest;
- Appraisal;
- Insurance Coverage May be Inadequate;
- Risk Related to Insurance Renewals;
- Financial Forecast;
- Reliance on Key Personnel;
- New Markets;
- Property Development, Redevelopment and Renovation Risks;
- Joint Venture Arrangements;
- Legislative Requirements that Limit Affordable Financing for Potential Manufactured Home Buyers;
- Litigation Risks;
- International Financial Reporting Standards; and
- Third Party Approvals.

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

- Significant Ownership by the Retained Interest Holders;
- Potential Conflicts of Interest with Empower;
- Assumption of Liabilities; and
- Limited Recourse Against the Retained Interest Holders or any other person providing Representations and Warranties under the Contribution Agreement or the Merger Agreement in Respect of the Initial Communities.

Risk Factors Related to the Offering and Structure of the REIT

- Reliance on Flagship Operating, LLC;
- Return on Investment and Cash Distributions are Not Guaranteed;
- Potential Volatility of Unit Prices;
- Restrictions on Redemptions;
- Nature of Investment;
- Management has Limited Experience Managing a Publicly Traded Entity;
- Availability of Cash Flow;

- Dilution;
- Absence of a Prior Public Market;
- Structural Subordination of Units;
- Limited Control;
- Unitholder Liability;
- Enforceability of Judgments Against Foreign Subsidiaries; and
- Financial Reporting and Other Public Company Requirements.

Tax-Related Risks

- Canadian Tax Risks
  - Residency of the REIT for Canadian and U.S. Tax Purposes;
  - Mutual Fund Trust Status;
  - Application of the SIFT Rules;
  - Foreign Tax Credits and Deductions;
  - Non-Residents of Canada;
  - Foreign Currency; and
  - Changes in Law.
- U.S. Tax Risks
  - Qualification as a Real Estate Investment Trust;
  - Annual Distribution Requirement;
  - Impact of Real Estate Investment Trust Compliance on Performance;
  - Ownership Limitations;
  - Other Taxes;
  - Taxable REIT Subsidiaries;
  - Prohibited Transactions Tax;
  - Changes in Law;
  - FIRPTA; and
  - Recent Legislation.

Overview

Flagship Communities Real Estate Investment Trust is a newly created, unincorporated, open-ended real estate investment trust established pursuant to 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 manufactured housing communities ("**MHCs**") and related assets, all of which are located in the United States.

Upon and following (if applicable) Closing, the REIT will indirectly acquire a 100% interest in a portfolio of 45 MHCs (the "**Initial Communities**") with 8,255 lots located in the following four contiguous states: (i) Kentucky; (ii) Indiana; (iii) Ohio; and (iv) Tennessee. The Initial 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. See "The Initial Portfolio". The REIT will also indirectly acquire a fleet of approximately 600 manufactured homes for lease to residents of the Initial Communities (the "**Rental Homes Fleet**") and the REIT's head office property in Erlanger, Kentucky, upon which is situated a two-storey office building. See "The Acquisition — Principal Transaction Steps — CMBS-Secured Initial Communities".

The REIT will be 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. At Closing, the REIT, indirectly through Flagship Manageco, will have approximately 110 employees to carry on its business and operations. Management of the REIT has extensive experience with the Initial Communities, having operated all of the Initial Communities since the date of their respective acquisition and, in the case of one Initial Community, development. The REIT will be internally managed by an executive management team with more than 50 years of combined MHC industry experience dedicated to the REIT's strategic objectives, while maintaining an efficient and scalable cost structure. Upon completion of the Acquisition, the REIT's executive officers are expected to collectively beneficially own 2,789,149 Class B Units (including indirectly on a proportionate basis through direct and indirect ownership interests in Legacy Holdings) and 17,408 Units, together representing an approximate 23.9% effective interest in the REIT, or an approximate 22.2% effective interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units), providing a significant alignment of interests with all other Unitholders.

Objectives of the REIT

The primary objectives of the REIT are to:

- Provide Unitholders an opportunity to invest in a portfolio of MHCs located in attractive U.S. markets;
- Provide Unitholders with predictable, sustainable and growing cash distributions;
- Enhance the value of the REIT's portfolio and maximize the long-term value of the Units through proactive asset and property management, disciplined capital management and value-add investment opportunities; and
- Expand the asset base of the REIT in its existing operational footprint and target growth markets by leveraging management's extensive industry experience and relationships to acquire MHCs that are expected to be accretive to the REIT's net asset value and AFFO per Unit.

Investment Opportunity

The REIT is being formed to provide investors with the opportunity to invest in the MHC industry in the United States, while benefiting from the investment and operational expertise of Flagship's vertically integrated management platform. Management believes that investing in MHCs is a prudent investment strategy that will

create long-term value, as a result of the following attributes: (i) defensive investment characteristics relative to other real estate asset classes; (ii) consistent track record of outperformance irrespective of economic cycle; (iii) high barriers to entry for any competitors and new supply; (iv) stable occupancy and growing rents; and (v) lower capital expenditure requirements than many other real estate asset classes.

Management believes that macro characteristics and trends in the United States real estate and housing industry, as well as the MHC industry specifically, offer investors an attractive investment opportunity. These characteristics and trends include (i) increasing household formations; (ii) lower housing affordability; (iii) declining single-family residential home ownership rates; and (iv) lack of new manufactured housing supply. Management believes that the Initial Communities are well-positioned to benefit from these dynamics in the residential real estate and housing industry. See "Overview of the United States Manufactured Housing Community Industry".

The Initial Communities have generally exhibited stable and improving financial and operational performance since being acquired by FCLLC and entities managed by the Promoter, including during the economic disruption experienced during 2020. Management believes that the Initial Communities are generally insulated from negative macroeconomic fundamentals and have even benefited from recent economic dislocation and volatility. Management believes the operational outperformance of the Initial Communities is a result of several factors, including: (i) the Initial Communities' being one of the most affordable housing options available in the markets in which Flagship operates; (ii) the residents of the Initial Communities primarily owning their homes; (iii) the generally prohibitive cost and effort associated with moving a manufactured home; and (iv) the socio-demographic profile of the residents of the Initial Communities, who are generally employed by government, healthcare or post-secondary institutions or are on a fixed income. As a result, throughout the first six months of 2020, the Initial Communities experienced strong performance across several key operational metrics compared to the same period in 2019, including: (i) increasing occupancy; (ii) stable rent collections; and (iii) increasing NOI.

Management believes that the operational metrics within the Initial Communities will continue to be stable or strengthen in the foreseeable future and over the longer term. These operating trends are driven not only by housing affordability and economic volatility, but also, in part, by the ongoing COVID-19 pandemic. Management has received increased rental inquiries during 2020 primarily from new prospective tenants currently renting traditional multi-family apartments. Recent interest from new tenants has centred on the differences in living space and shared common elements compared to multi-family apartments. Manufactured homes are detached structures that do not share walls, utilities, air conditioning or heating with any other homes and typically have a deck, yard, driveway and in-home laundry. In contrast, multi-family apartments typically have smaller living spaces and shared indoor walls, common areas and corridors, elevators, laundry facilities and HVAC systems. As a result of these and other developments, in the first six months of 2020, Same Community occupancy at the Initial Communities increased by 2.4% over the same time period in 2019.

INVESTMENT HIGHLIGHTS

The REIT believes that the following are the key strengths and investment highlights of the REIT and the Initial Communities:

Opportunity to Gain Exposure to a Niche Asset Class with a Track Record of Outperformance

Upon Closing, the REIT will be the only pure-play publicly traded manufactured housing investment vehicle in Canada, representing a unique opportunity to invest in the U.S. manufactured housing sector. The MHC industry has demonstrated a strong track record of outperformance throughout all economic cycles and has achieved 20 consecutive years of positive same community net operating income growth. Over this time period, the U.S. MHC industry's net operating income has experienced an average growth rate of approximately 4% per year, outperforming all other real estate sectors. Likewise, over the 10 years ended June 30, 2020, the publicly-listed U.S. manufactured housing real estate investment trusts, as a group, have outperformed all other real estate subsectors and the broader market, generating a total return of 478%, compared to 139% for the MSCI U.S. REIT Index and 270% for the S&P 500 Index (source: Bloomberg).

Defensive Asset Class with a Favourable Business Model that Outperforms Irrespective of Economic Cycle

The MHC industry is characterized by stable and growing financial performance with attractive investment returns and low operational volatility. Manufactured housing is predominately a land lease business model whereby MHC residents are owner-occupiers of their manufactured homes and rent a lot on which to place their home within a community. As a result, maintenance capital expenditures borne by MHC owners are generally minor, predictable and are limited to community infrastructure, including common areas and amenities. Manufactured housing investments are characterized by stable and recurring rental income streams, as MHCs typically have a large, diverse and entrenched resident base with long-tenure, low turnover, and minimal delinquency, particularly in comparison to multi-family residential apartments. Residents are generally attracted to MHCs because they are a lower cost housing option when compared to both multi-family residential apartments and single-family residential housing, and provide the ability to build home equity and a lifestyle and community similar to single-family residential communities. With the continued appreciation of single-family housing prices at a rate exceeding household income growth in the United States, the average cost of a single-family home remains more than five times the median household income. As a result, management believes both the MHC industry and the Initial Communities will continue to see strong demand from residents seeking affordable housing. The Initial Communities are located in markets with favourable regulatory environments, providing management with the flexibility to manage the Initial Communities solely based on market dynamics and incentivizing residents to make rental payments on time.

Fragmented Industry with High Barriers to Entry and Imbalanced Supply and Demand Dynamics

The MHC industry is highly fragmented and primarily composed of local owner-operators, public real estate investment trusts and institutional investors. The top 50 MHC investors are estimated to control approximately 17% of the 4.2 million manufactured housing lots estimated to be available for rent in the United States. Additionally, imbalanced supply and demand dynamics resulting from various layers of regulatory restrictions, competing land uses and scarcity of land zoned for manufactured housing development has limited new supply, creating high barriers to entry for new market participants. Consequently, management is unaware of any new MHCs having been built in Flagship's current operational footprint over the past 15 years. Moreover, there are nearly 5,300 MHCs in the four states in which Flagship operates, providing the REIT with a significant opportunity for consolidation and growth. Management believes these industry attributes represent an attractive market opportunity for a sophisticated manufactured housing operator such as the REIT.

Contiguous, High Quality Portfolio with Regional Footprint in Stable Markets

The Initial Communities are located in markets in the United States with stable population growth and employment trends. The Initial Communities are strategically concentrated within four contiguous states and are conveniently located near interstate highways, necessity-based retail centres, post-secondary institutions, healthcare facilities and major metropolitan employment centres. Each community also typically features a number of recreational amenities and common areas, including clubhouses, green spaces, playgrounds, basketball courts, soccer fields, fishing lakes and after-school programming. Flagship's regional footprint has enabled management, over the past 25 years, to develop unparalleled market insight and intelligence, build enduring relationships with market participants and establish a market-leading position. Furthermore, the geographic proximity of the Initial Communities allows Flagship to efficiently manage the Initial Communities, generating significant economies of scale and expense savings while providing consistent maintenance standards and upholding tenant relations across all Initial Communities.

Well-Positioned to Capitalize on Strategic Growth Opportunities

The REIT will seek to continuously improve financial performance and related operational performance indicators to generate stable, recurring and growing cash flow while enhancing portfolio value through strategic investment programs and active asset and property management. The REIT has identified several strategic avenues for growth including: (i) organic cash flow growth through improving occupancy, increasing lot rents, and continued implementation of expense optimization initiatives; (ii) targeted value-enhancing investments and community improvements; (iii) sourcing third party acquisitions; and (iv) expansion of certain Initial Communities through the development of excess land. Management's extensive relationship network, deep

knowledge of local markets and regular dialogue with local owner-operators seeking liquidity opportunities support the origination and execution of off-market acquisition opportunities and provide an opportunity to grow within both Flagship's existing operational footprint and target growth markets. Upon Closing, the REIT will have the ability to offer potential vendors tax deferred consideration in the form of Class B Units, which management believes is a unique form of consideration that will provide potential vendors with an additional incentive to transact, representing an enduring strategic advantage for the REIT over competitors. Furthermore, the REIT will have access to numerous sources of debt financing including government agency debt (e.g., Fannie Mae and Freddie Mac), CMBS and life insurance companies, providing the REIT with significant flexibility to execute on its external growth strategy. Lastly, the REIT will have a preferential right to access a proprietary pipeline of potential acquisitions (some of which are required to be offered to the REIT at a discount to appraised value) through its relationship with Empower. See "Arrangements with Empower".

Vertically Integrated Platform Led by an Experienced and Aligned Internal Management Team

The REIT's management platform will be composed of a fully integrated team of seasoned professionals with significant expertise and experience across the spectrum of manufactured housing. The REIT's vertical integration will enable it to actively control, manage and execute across all aspects of MHC investment management. Flagship's executive management team has been involved in the MHC industry for more than 50 combined years and has operated all of the Initial Communities since the date of their respective acquisition and, in the case of one Initial Community, development. Upon completion of the Acquisition, the REIT's executive officers are expected to collectively beneficially own 2,789,149 Class B Units (including indirectly on a proportionate basis through direct and indirect ownership interests in Legacy Holdings) and 17,408 Units, together representing an approximate 23.9% effective interest in the REIT, or an approximate 22.2% effective interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units), providing a significant alignment of interests with all other Unitholders. Furthermore, none of the net proceeds of the Offering will be received by or otherwise distributed to any of the Retained Interest Holders (or members or associates thereof) or any member of the REIT's executive officers. The Retained Interest Holders, including the REIT's executive officers, will be rolling 100% of their ownership interests in the Initial Portfolio into Class B Units and Units, demonstrating their commitment to the REIT's ongoing success and alignment with all Unitholders. See "Retained Interest Holders".

Stable Cash Yield and Conservative Capital Structure

The REIT intends to pay predictable, sustainable and growing cash distributions to Unitholders. Initially, the distributions will be $0.51 per Unit per annum payable monthly, which will provide Unitholders with an approximate annual cash distribution yield of 3.4% based on an AFFO payout ratio of approximately 65% for the Forecast Period. See "Non-IFRS Measures" and "Forecast Non-IFRS Reconciliation". The REIT will maintain an attractive debt structure with new Fannie Mae and Freddie Mac mortgages secured against 30 of the Initial Communities, with 10 to 12-year terms, a weighted average interest rate of 3.11% per annum, and interest only payments (non-amortizing) for the first eight to 10 years. Management believes that U.S. federal government mandates to enhance access to affordable housing will provide continued access to comparatively low-cost debt. Additionally, the REIT intends to focus on maintaining a conservative leverage profile with a Debt to Gross Book Value Ratio of approximately 45% to 55%, long-term debt maturities and a diversified capital structure to avoid reliance on any particular source of capital. See "Non-IFRS Measures".

GROWTH STRATEGIES OF THE REIT

The REIT believes it is well positioned to execute on the following internal and external growth strategies.

Internal Growth

Management believes that the Initial Communities provide the potential for significant organic growth over time. Management intends to achieve this growth through: (i) increasing lot rental rates; (ii) leasing currently vacant lots; (iii) a focus on leasing lots to residents who own their own homes, and converting renter-occupied homes to owner-occupied homes; (iv) revenue and cost optimization initiatives; (v) value-enhancing capital investments; and (vi) expansion of certain Initial Communities through development of excess land.

Between December 31, 2015 and June 30, 2020, Flagship's weighted average monthly lot rental rate at the Initial Communities increased from $297 to $357, representing a compounded annual growth rate of 4.2%. Over the long term, management expects to continue to raise lot rental rates in line with historical increases, with a view towards balancing organic growth and tenant retention.

As at June 30, 2020, Flagship had 6,548 occupied lots across the Initial Communities, representing an occupancy rate of 79%. Initial Communities acquired prior to 2015 had an occupancy rate of 82% as at June 30, 2020, compared to an occupancy rate of 75% for Initial Communities acquired thereafter. Management anticipates increasing occupancy across the portfolio, specifically the Initial Communities acquired during and after 2015, through its active leasing strategy.

Management believes that its strategy of focusing on owner-occupied homes has led to long-term cash flow stability, as home-owners have a greater propensity to be stable long-tenured tenants and have a vested interest in the maintenance and upkeep of their lot, home, and MHC. As such, Flagship actively focuses on leasing vacant lots to residents who own or are financing their own homes and seeks to convert renter-occupied homes to owner-occupied homes as opportunities arise. Flagship has typically assumed ownership of renter-occupied homes through the acquisition of third-party communities and seeks to transition these renter-occupied homes into owner-occupied homes over time. Through its relationship with Empower, the REIT will benefit from management's well-established home sales strategy and consumer-facing marketing channels. See "Arrangements with Empower".

The REIT will continue to implement initiatives to optimize financial performance and increase organic cash flow growth. Due to the contiguous nature of the Initial Communities, Flagship is able to capitalize on certain economies of scale not otherwise possible in a geographically diffuse portfolio. In particular, Flagship employs regional managers, who oversee certain markets, as well as local property managers, who administer multiple local communities. Additionally, Flagship employs its own full-time repair and maintenance crews, which generate significant cost savings compared to hiring third party contractors. Of Flagship's approximately 110 employees, approximately 15 are located at its head office in Erlanger, Kentucky, and the remaining approximately 95 are employed at the Initial Communities. The REIT will also benefit from continuity in branded marketing outreach programs to attract residents from local and regional markets, which have historically proven to be effective sales channels to attract new residents. Furthermore, Flagship generally installs individual utility meters on each lot, allowing utility costs to be directly charged back to residents. Lastly, the REIT intends to pursue ancillary revenue opportunities including recreational vehicle lots, boat slips, and self-storage rentals to the extent consistent with the requirement to maintain the REIT's status as a real estate investment trust for U.S. federal income tax purposes. Management believes that the operational expertise to execute on these value-enhancing initiatives has led to increased cash flow, lower operating costs and improved operational efficiencies, thereby resulting in higher NOI margins which have improved Flagship's competitive positioning within its target markets.

Management typically manages adjacent communities located in the same market holistically rather than on an individual community basis. Management believes that this approach is the most effective value creation strategy to drive operational and financial performance. As such, management typically focuses on specific communities to lease-up within a particular market at any one time, which provides the opportunity to coordinate marketing and new home sales channels while increasing the efficiency of repair and maintenance. For example, Initial Communities that Flagship manages together include: Logans Pointe South, Logans Pointe North, Johnsontown Pointe and Mills Pointe. Accordingly, management has focused lease-up efforts on Johnsontown Pointe, Mills Pointe and Logans Pointe North before focusing on Logans Pointe South.

The REIT intends to continue to maintain and invest in value-enhancing community amenities, including clubhouses, green spaces, sports and recreational facilities, playgrounds, cable television services and after-school programming. Management believes these amenities foster a sense of community and offer an attractive environment for residents, which leads to lower tenant turnover and enhances the REIT's ability to attract new residents.

Case Studies

Flagship has historically acquired underperforming MHCs that would benefit from institutional management and operational expertise. Management typically implements various initiatives to improve cash flow, including value-enhancing capital investments, new home sales channels, converting renter-occupied homes to owner-occupied homes, revenue and expense optimization and developing ancillary revenue opportunities to improve financial performance. Five examples of this strategy are highlighted below. The REIT is expected to benefit from the realization of these value-add investments and a broader value-enhancing investment strategy following Closing.

Derby Hills

In 2014, Flagship acquired the Derby Hills Initial Community. This 170 lot community was an opportunistic acquisition with immediate opportunities to drive operational improvement, as the previous owner had not actively managed the community and did not have the licensing required to sell homes on vacant lots. Immediately upon closing of the acquisition, Flagship began implementing several value-enhancing initiatives, moving lot rents to market rates and increasing occupancy by selling homes to owner-occupiers. Value-enhancing initiatives such as building a new clubhouse improved the overall quality of the community, further enhancing organic growth. As a result of these value-enhancing initiatives, occupancy increased to 99% as at June 30, 2020 from 82% as at December 31, 2014 and monthly lot rent increased to $380 as of June 30, 2020 from $300 as at December 31, 2014, resulting in a stabilized yield of approximately 18.5%.

Mosby's Pointe

In 2011, Flagship acquired the Mosby's Pointe Initial Community with 151 lots. Management identified this community as an attractive acquisition target due to its location within Flagship's existing geographic footprint and opportunities for operational improvement and expansion. Flagship actively managed the community and completed several value-enhancing investments to drive organic growth. Subsequently, in 2015, an adjacent community containing 101 lots was acquired and combined with Mosby's Pointe. Following the combination, Flagship converted the previous manager's apartment into a clubhouse and exercise facility for residents. As a result of these value-enhancing initiatives and the community combination, occupancy increased to 89% as at June 30, 2020 from 66% as at December 31, 2011 and monthly lot rent increased to $450 as of June 30, 2020 from $350 as at December 31, 2011, resulting in a stabilized yield of approximately 26.5%.

Riverbend Pointe

Riverbend Pointe was acquired in 2015 from a local owner-operator. At the time of acquisition by Flagship, 173 of the 357 lots in the community were economically occupied, primarily by renter-occupied households, and average monthly lot rents were $198. Subsequently, Flagship implemented a tenant optimization process to refine tenant quality through the removal of 86 manufactured homes in addition to implementing a new homes sales channel in the community. Since acquiring Riverbend Pointe, management has achieved annual monthly lot rent growth of approximately 7%. Following the start of the tenant optimization process, the community's occupancy has since continually trended upwards and is currently 54%. Riverbend Pointe was named the 2019 Community of the Year by the Kentucky Manufactured Housing Institute.

Waterford Pointe

Waterford Pointe was acquired in 2015 from a local owner-operator who had struggled to stabilize operational performance. At the time of acquisition by Flagship, occupancy was 45% and monthly lot rent was $205. Over the past four years, Flagship has focused on driving operational performance through the implementation of a new home sales channel, value-enhancing capital investments, expense optimization and developing ancillary revenue opportunities including the addition of 15 recreational vehicle lots. As a result, annual monthly lot rent growth has averaged approximately 10% since 2015 and the current occupancy rate is approximately 63%.

Summit View Pointe

Summit View Pointe was acquired in 2018 from a local owner-operator who had not actively managed the community. Management believed meaningful organic growth could be achieved through institutional management, operational expertise and capital investment. Over the past 16 months, Flagship has invested $96,000 into the community's amenities, such as playgrounds and basketball courts, and implemented a new home sales channel. As a result, the occupancy rate has grown to approximately 45% from 35% at the time of acquisition and monthly lot rents have grown approximately 7% over the same period to an average of $335 from $312.

External Growth

Consolidation Opportunity in a Fragmented Industry

The U.S. MHC industry is highly fragmented, as the top 50 owners of MHCs in the United States represent approximately 17% of the currently available supply, presenting an opportunity for consolidation. Management believes that, due to the highly fragmented nature of the MHC industry in the United States, the REIT is well-positioned to continue to be a leading consolidator by leveraging its regional scale and internalized management platform to competitively source and execute new acquisition opportunities.

Access to Public Capital Markets Provides a Competitive Advantage

The REIT expects to benefit significantly from listing as a publicly traded real estate investment trust due to improved access to the capital markets and the ability to offer tax deferred Class B Unit consideration to vendors when completing acquisitions. Access to the capital markets will support the REIT's growth strategy and represents an additional source of financing that is not available to most of the REIT's competitors, which are predominantly private entities. Management believes the ability to offer tax deferred consideration will differentiate the REIT from its competitors.

Continued Consolidation in Target Markets

Since the development of its initial MHC in 1995, Flagship has increased the size of its portfolio at a compounded annual growth rate of approximately 18%. There are nearly 5,300 MHCs in Kentucky, Indiana, Ohio and Tennessee, providing significant opportunity for continued consolidation and growth. Over the course of the past 25 years, Flagship's management team has built deep relationships with market participants including residents, lenders, product and service providers and competitors who are potential acquisition targets. This in-depth local market knowledge represents an enduring strategic advantage over new market entrants. Furthermore, management believes that Flagship's concentration in its target markets has generally discouraged competitors from entering and accumulating communities in these markets, allowing Flagship to establish and maintain its market-leading position.

Expansion into New and Adjacent Markets

Management believes there are significant expansion opportunities into adjacent U.S. states with similar regulatory frameworks as the states in which the Initial Communities are located. Management will continue to seek actionable acquisition targets that are synergistic to Flagship's existing portfolio and provide the REIT with the opportunity to establish a market-leading position. Management generally targets markets demonstrating favourable population and employment trends with diverse economic fundamentals supported by major employment drivers, including the presence of government employers. Targeted communities are typically near interstate highways, necessity-based retail centres, post-secondary institutions, healthcare facilities and major metropolitan employment centres.

Strategic Relationship with Empower Provides Proprietary Acquisition Opportunities

The REIT's strategic relationship with Empower will provide proprietary access to potential acquisition opportunities. Whereas the REIT will be focused on evaluating and acquiring MHCs that meet its Investment Criteria, Empower will be focused on MHCs that do not meet the REIT's Investment Criteria. Pursuant to the ROFO Agreement, Flagship Operating, LLC will have the REIT ROFO, which will provide Flagship Operating, LLC with a right of first opportunity on all opportunities identified by Empower to acquire or invest, directly or indirectly, in one or more MHCs, including such MHCs that are owned directly or indirectly by Empower. For a REIT Opportunity subject to the REIT ROFO that is owned directly or indirectly by Empower, such REIT Opportunity shall be presented to Flagship Operating, LLC at a discount to appraised value. See "Arrangements with Empower".

OVERVIEW OF THE UNITED STATES MANUFACTURED HOUSING COMMUNITY INDUSTRY

Introduction to the United States Residential Real Estate and Housing Industry

The residential real estate and housing sector is an important segment of the United States economy and, when combined with residential housing services, is one of the largest contributors to the United States' gross domestic product ("**GDP**"). According to the Congressional Research Service, spending on fixed residential real estate investment in 2018 totaled approximately $785 billion, accounting for approximately 3.3% of GDP. Furthermore, spending on residential housing services, which includes rent, imputed rent, utilities, etc., in 2018 totaled approximately $2.6 trillion, representing approximately 11.6% of GDP. In the decade leading up to 2018, residential home values grew at a steady pace and surpassed pre-2008 recession value levels in nearly all markets, while at the same time exceeding annual increases in personal income. Consequently, according to the U.S. Census Bureau, over the same period, residential home ownership rates have declined approximately 4% while rental housing vacancies have declined approximately 3.5%.

Generally, residential real estate and housing industry performance are correlated with macroeconomic conditions in the United States. Fluctuations in housing supply and demand are generally influenced by broader economic and local market conditions, which affect business and consumer confidence, employment demand and ultimately housing affordability. In particular, economic trends relating to employment growth, income growth and population growth have been primary drivers of the residential housing market. According to the NAHB/Wells Fargo Housing Opportunity Index, peak housing affordability was reached in 2012 when 79% of home sales were affordable for a typical family unit, compared to 57% in 2018. Furthermore, according to the Joint Center for Housing Studies of Harvard University, approximately 32% of households in the United States are considered "cost-burdened" in respect of housing, meaning housing costs are at least 30% of household income, and require more affordable forms of housing.

Types of Housing in the United States

Single Family Housing

Single-family housing is typically composed of free-standing residences that are maintained and used as a single dwelling unit and are generally detached from any other structure but can include residences that share one or more walls with another single dwelling unit. Single-family housing dwelling units generally have direct or shared access to a public thoroughfare and do not share utilities including electric, gas or water or any other essential utility or service with any other residential residence. Traditionally, single-family housing stock was owner-occupied, however, an increasing portion of single-family housing has shifted to renter-occupied since the 2008 recession. According to the Joint Center for Housing Studies of Harvard University and U.S. Census Bureau, more than 15 million single-family homes are now rented, representing more than one quarter of all rental housing stock.

Multi-Family Housing

Multi-family housing in the United States is composed of residential residences containing multiple separate dwelling units within the same residential building or complex. Dwelling units within multi-family housing are generally side-by-side and above or below neighbouring dwelling units. Common forms of multi-family housing include apartment buildings, condominiums, co-operatives and rooming houses, among others. Dwelling units in multi-family housing generally do not have direct access to a public thoroughfare and utilities including electric, gas, water or sewer can be shared or sub-metered depending on the type and age of the residential residence. According to the Joint Center for Housing Studies of Harvard University and U.S. Census Bureau, there are more than 29 million multi-family rental dwelling units, comprising more than half of all rental housing stock.

Manufactured Homes and Mobile Homes

Manufactured homes are prefabricated housing, manufactured in single-purpose, climate-controlled facilities and delivered and installed on-site, while mobile homes are drivable or towable vehicles including trailers, recreational vehicles and motorhomes. Both manufactured homes and mobile homes are generally

purchased by residents and placed on a lot which is leased from an MHC owner. Manufactured homes and mobile homes are typically owner-occupied and are required to be permanently attached to a wheeled chassis, which differentiates them from other forms of housing stock in the United States. Manufactured home and mobile home purchases are generally financed through chattel lending channels and MHC owners are not party to the financing arrangements. MHC owners typically own the land and infrastructure including utility connections, streets, street lighting, common areas and amenities. All utilities and other occupancy costs are generally metered and directly paid by or charged back to residents.

Manufactured Housing Communities

MHCs cater to homes that are prefabricated, single-family dwellings that are directly transported from a manufactured housing construction facility to an MHC. Manufactured homes require varying levels of assembly or joining upon delivery, depending on their section classification: (i) single-section (500 to 1,200 square feet); (ii) double-section (1,000 to 2,500 square feet); and (iii) triple or more sections (2,500+ square feet). Typical lease models require residents to own or rent their manufactured home, lease the lot it is placed on, and directly pay utility bills. Manufactured homes, although on a wheeled chassis, are generally immobile and cost-prohibitive to move once delivered and set up. There are primarily two types of manufactured housing communities: (i) affordable housing communities for middle class working Americans; and (ii) lifestyle communities for retirees which are often age restricted.

Recreational Vehicle Park

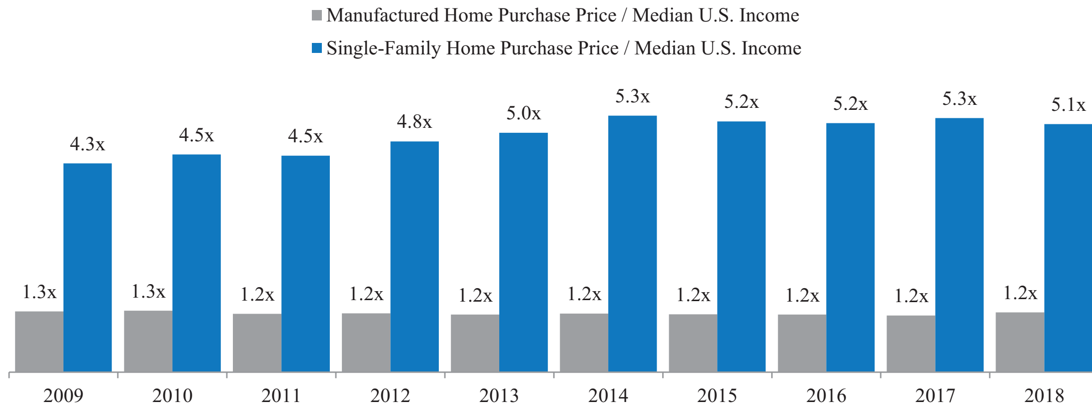
Recreational vehicle parks lease lots to drivable or towable mobile homes and provide access to utilities, infrastructure, washrooms, laundry rooms, and recreational facilities, among other amenities. Typical lease models are similar to manufactured home lease models, but mobile homes are fully mobile and can vacate a lot with minimal effort or cost. Consequently, due to the mobile and transient nature of the recreational vehicle industry, rental durations are typically shorter than MHCs and in many cases are lifestyle, seasonal and age-restricted (55+) communities.

Attractiveness of Manufactured Housing Communities for Residents

Affordable Form of Home Ownership

According to the U.S. Census Bureau, the average cost of a manufactured home in the United States in 2018 was approximately $78,600, which is approximately 1.2 times the median household income. By comparison, the average price of a single-family home in the United States in 2018 was approximately $325,000, which is more than five times the median household income. Manufactured housing provides lower and middle-income demographics across the United States with an affordable home ownership option, the opportunity to build equity in a manufactured home, and monthly housing expenses that are, on average, less than two-thirds of market rents for a two-bedroom multi-family apartment in 2018 according to Apartment List Rentonomics. Furthermore, lender financing for manufactured homes typically amortizes over a 10 to 12-year period and, upon the end of the amortization period, the financing on the manufactured home would be paid off in full and the owner-occupier would thereafter only be responsible for paying lot rent, tax and insurance.

Cost to Median Household Income

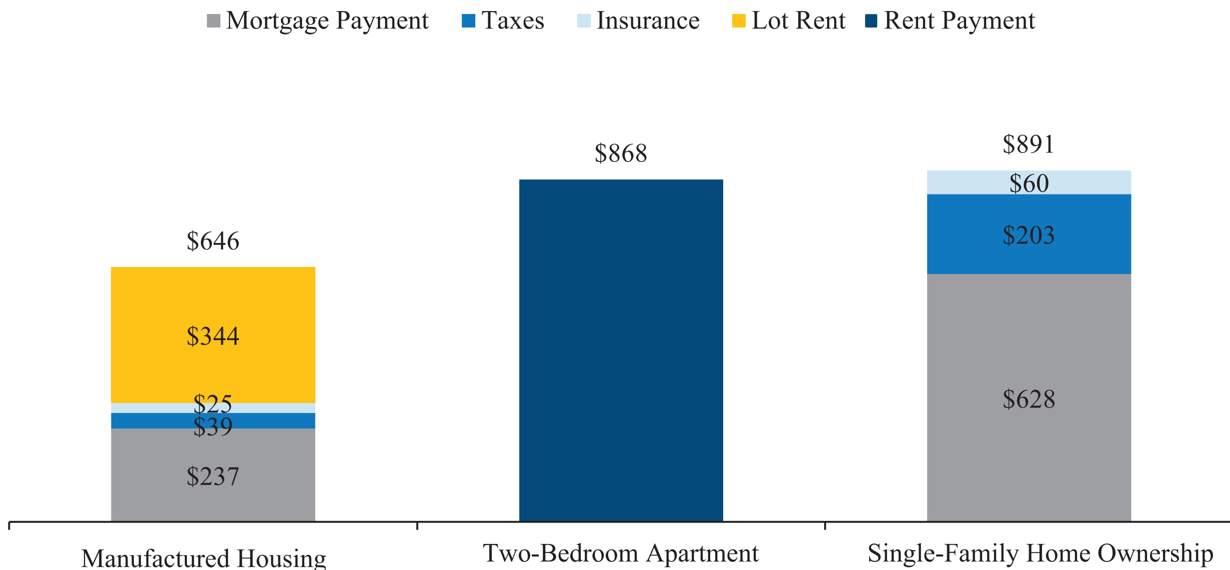


Source: U.S. Census Bureau, Federal Reserve Economic Data, U.S. Department of Housing and Urban Development

Within Flagship's current operational footprint, management estimates the average monthly cost for manufactured housing accommodation, including mortgage payments that build equity ownership in the manufactured home, to be approximately $650 compared to the average monthly two-bedroom apartment rent of approximately $870 and average monthly single-family home ownership cost of approximately $890 as highlighted in the chart below.

Manufactured Home Ownership vs. Multi-Family Apartment Rent vs. Single-Family Home Ownership

Gross Monthly Expense Comparison



Source: Colliers International

Lifestyle and Community

MHCs provide a clean, safe, well-maintained and attractive environment for their residents. Generally, MHCs have amenities including green spaces, playgrounds, sports and recreational facilities available for resident use. Maintenance and general upkeep of amenities are the responsibility of the MHC owner and are maintained for the benefit of the residents. The costs of such maintenance and general upkeep are included in the lot rents.

High Quality Manufactured Homes

Modern manufactured homes are typically built in single purpose, climate-controlled facilities and are crafted in sections which are then transported to a final location where they are installed on location. Manufactured homes are built to rigorous specifications and, upon completion, are inspected by contractors licensed by the United States Department of Housing and Urban Development. Similar to modular homes, modern manufactured homes are built with high-quality building materials with customizable options, including flooring, cabinetry and exterior finishes, and include a range of architectural layouts and designs. Once on-site, manufactured homes are placed directly on a concrete pad or foundation. The chassis and structural elements of a manufactured home are then covered with a 'skirt' which is often composed of either metal, vinyl, stone or brick which adds an environmental barrier to provide insulation and ventilation as well as a high-quality finished look similar to a modular home.

Manufactured Housing Community Industry Overview

Attractive Rental Market Characteristics

Manufactured housing rental characteristics are similar to multi-family rental characteristics in several respects but also have several key fundamental advantages that provide increased occupancy stability and rental growth opportunities. Similar to multi-family housing, manufacturing housing is generally leased on a monthly or annual basis and has a large and diverse tenant base with no significant exposure to any one tenant. In contrast to multi-family housing, manufactured housing is predominately a land lease business model whereby MHC residents are owner-occupiers of their manufactured homes and rent a lot within a community on which to place their manufactured home. Manufactured housing residents generally rent the same lot for a much longer period due to the generally prohibitive cost and effort associated with moving a manufactured home. In 2019, Flagship's resident turnover rate was approximately 17%, which is well below the average tenant turnover rate for U.S. publicly-traded multi-family residential real estate investment trusts of approximately 46%. In the event a manufactured housing resident moves, the resident often sells the manufactured home to a new owner who continues paying lot rent rather than moving the manufactured home to a new MHC. Management estimates that Flagship's historical turnover rate of manufactured homes has been less than 1% per year.

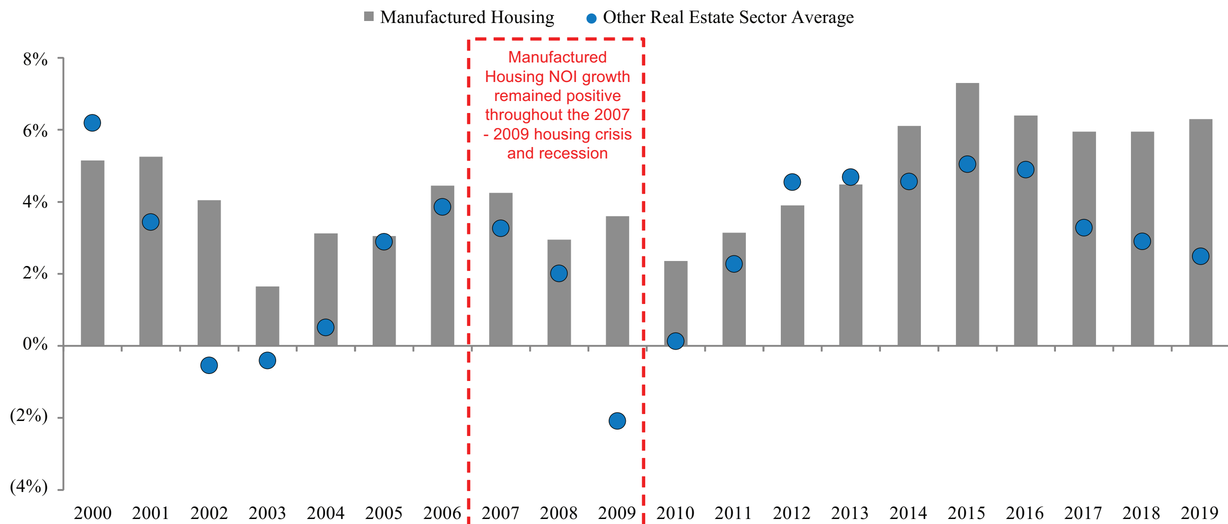
High Barriers to New Supply

Competing land uses and scarcity of land zoned for the development of MHCs form meaningful barriers to new manufactured housing supply across the United States. The process of obtaining zoning permits and other regulatory approvals required to develop a new MHC is generally prohibitive, complicated and time consuming. Much of the opposition to new MHCs originates from various levels of municipal and state bureaucracy which favour multi-family and single-family residential development because they are subject to property tax, unlike manufactured housing which, in most states, is taxed as personal property similar to an automobile. Although MHC owners pay real estate tax on the land, annual taxes payable to a municipal government are much less than would otherwise be paid by a single-family or multi-family residential development of similar size. Consequently, management is unaware of any new MHCs that have been built in Flagship's current operating markets over the past 15 years.

Defensive Asset Class with Track Record of Outperformance

The manufactured housing sector has demonstrated a consistent track record of stable occupancy and growing rents regardless of the economic cycle. This dynamic is primarily a result of: (i) manufactured housing being one of the most affordable housing options available; (ii) residents owning their own home; and (iii) the generally prohibitive cost and effort associated with moving a manufactured home. Accordingly, the American Housing Survey estimated in 2013 that at least 80% of the manufactured homes in the United States are still located on their original delivery lots. The manufactured housing sector has achieved more than 20 consecutive years of growth in same community net operating income, which has grown at an average of 4% per year, outperforming the average of all other real estate sectors.

Real Estate Sectors Same Property Net Operating Income Growth



Source: Public company filings

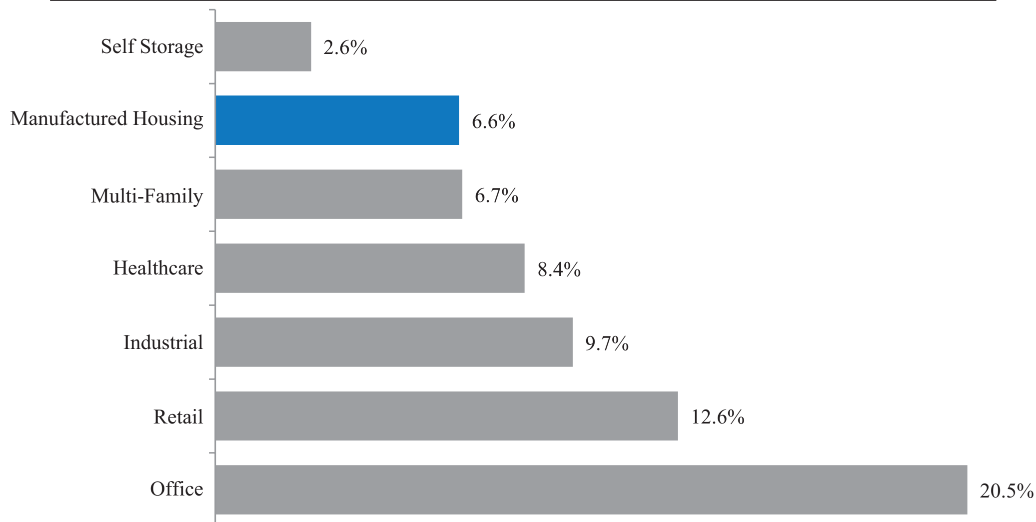
Favourable Regulatory Environment for Lot Rent Delinquencies

Flagship benefits from a favourable regulatory environment in which MHC residents are incentivized to pay lot rent on time and avoid delinquency. Upon providing a notice of delinquency to a resident, Flagship is able to call a judicial hearing within 30 days of notice delivery, whereby delinquent tenants are compelled to pay unreasonably withheld outstanding rent balances. If the tenant remains delinquent, the tenant can be evicted and any home that remains on a delinquent lot can be sold in an auction process. This delinquency process, along with a standard one-month lot rent deposit, serve as rental payment incentives and minimize delinquencies. As a result, Flagship has historically operated with minimal lot rent delinquencies.

Lower Capital Expenditure Requirements and Higher Cash Flow Profitability and Stability

In contrast with other real estate sectors, the manufactured housing sector primarily invests in land as opposed to a physical building or structure. As a result, repair and maintenance costs and capital expenditure requirements are generally minor and limited to MHC infrastructure including utility connections, streets, lighting, common areas and amenities. Manufactured homes and mobile homes are generally owned by the residents thereof, and maintenance and upkeep are the responsibility of the owner and are subject to safety, environmental and maintenance standards enforced by MHC owners.

Maintenance Capital Expenditures as % of Net Operating Income (Last 5-Years)

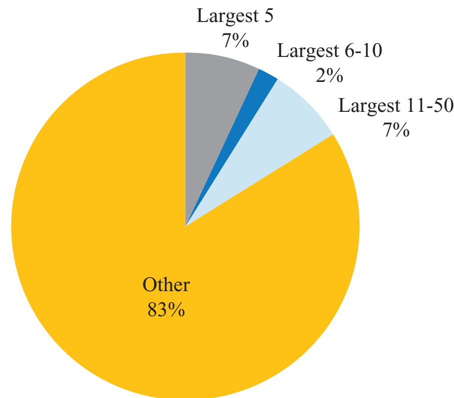


Source: Public company filings

Highly Fragmented Industry

According to the Manufactured Housing Institute, the top 50 MHC owners control approximately 17% of the 4.2 million estimated manufactured housing lots available for rent in the United States. The vast majority of lots are privately owned by independent local operators lacking institutional sophistication, operational expertise and economies of scale. Management estimates that Flagship is currently the 26th largest owner of manufactured housing lots in the United States, with continued opportunity to gain market share.

Manufactured Housing Market Share

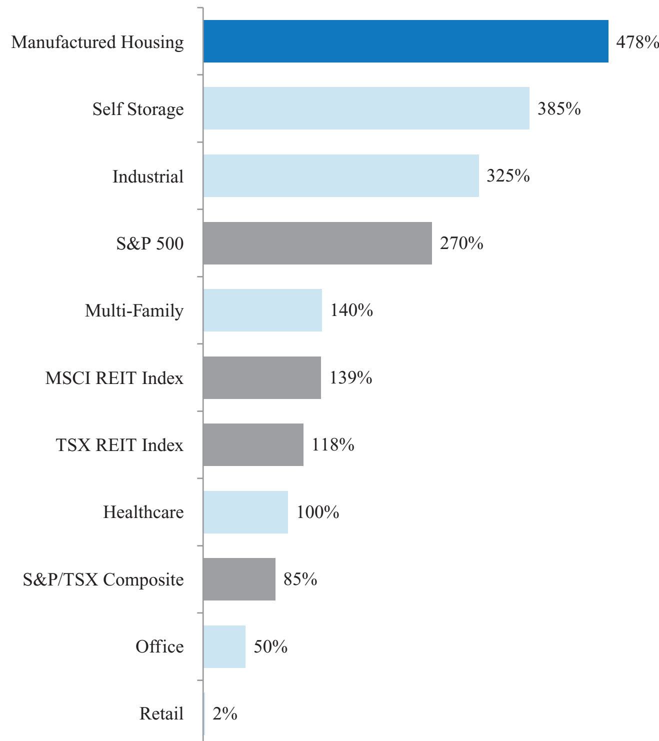


Source: Manufactured Housing Institute

Manufactured Housing Community Industry Outperformance and Key Growth Drivers

In the United States, MHCs have been the strongest performing real estate asset class among all real estate sectors over the past 20 years. Manufactured housing real estate has generated industry-leading total returns throughout all economic cycles, outperforming all other U.S. real estate sectors including self storage, industrial, multi-family, healthcare, office and retail. Publicly-traded manufactured housing real estate investment trusts in the United States have achieved a total return of 478% from June 30, 2010 to June 30, 2020 (source: Bloomberg).

10-Year Total Returns by Real Estate Sector (June 30, 2010 to June 30, 2020)



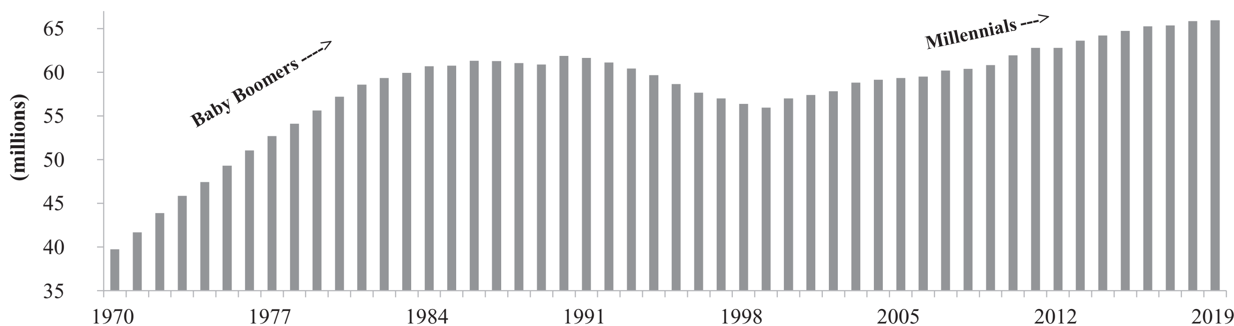
Source: Bloomberg

Advantageous trends expected to drive continued growth and outperformance of the MHC industry include: (i) favourable demographic tailwinds and increasing household formations; and (ii) lower housing affordability and declining traditional home ownership rates.

Favourable Demographic Tailwinds with Increasing Household Formations

The United States is currently in the midst of a favourable demographic shift that is expected to materially benefit the residential real estate sector. The "millennial" generation is on the cusp of surpassing the "baby boomer" generation as the largest adult-age demographic group, and the segment of the United States population currently aged 20 to 34 is the largest of this age segment in United States history. Projections from the National Multifamily Housing Council suggest that household formations will increase on average by approximately 1.5 million per year over the next five years, compared to the annual average of 1.1 million over the previous five years.

U.S. Population (Aged 20-34)

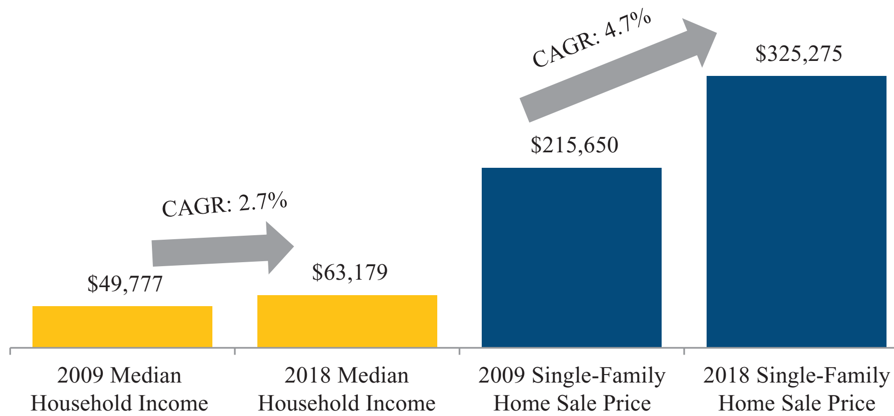


Source: U.S. Bureau of Labor Statistics

Lower Housing Affordability and Declining Home Ownership Rates

As millennials enter the prime age for household formation and home ownership, they are doing so in an economic environment in which housing price growth has outpaced wage growth over the past decade. Over the same period, mortgage lending standards have remained higher than prior to the United States sub-prime mortgage crisis in 2008. As a result, traditional single-family home ownership is out of reach for many Americans, in particular millennials, with the effect that United States homeownership rates have declined from a peak of 69.2% in 2004 to 64.8% in the third quarter of 2019.

United States House Price Growth and Household Income Growth (2009 – 2018)



Source: United States Census Bureau, Federal Reserve Economic Data

Manufactured Housing Community Industry Participants

The MHC industry has a wide variety of industry participants, primarily consisting of investors (owners), lenders, and builders. Investors are composed of both privately owned and publicly-traded MHC owner-operators of varying degrees of scale and operational expertise. Lenders can generally be categorized as either a lender to (i) owners of MHCs, such as government agency lenders (e.g., Fannie Mae and Freddie Mac), CMBS lenders and life insurance companies, or (ii) purchasers of manufactured homes, which lenders are primarily chattel lenders (e.g., Vanderbilt Mortgage, 21st Mortgage). Builders, such as Clayton Homes (subsidiary of Berkshire Hathaway), are typically private-sector companies that construct manufactured homes under license from the United States Department of Housing and Urban Development.

The REIT's publicly traded competitors with MHC operations in the United States are Sun Communities, Inc., Equity LifeStyle Properties, Inc. and UMH Properties, Inc. Both Sun Communities, Inc. and Equity LifeStyle Properties, Inc. focus primarily on major coastal markets, such as Florida, California and Texas. Select institutional investors in private MHC platforms, through direct and indirect investments, include, among others, The Blackstone Group (Treehouse Communities), Apollo Global Management (Inspire Communities), GIC (Yes! Communities), TPG Capital (RV Horizons), British Columbia Investment Management Corporation (Parkbridge Lifestyle Communities), Brookfield (RHP Properties), Green Courte Partners (GCP Land Lease Portfolio) and the Washington State Investment Board (Hometown America).

INITIAL COMMUNITY MARKETS

Initial Portfolio Market Trends

The markets in which the Initial Communities are located are characterized by stable economies anchored by private sector, government, healthcare, and post-secondary institution employers. In addition, many of the markets are hubs for manufacturing as well as logistics and transportation, attracting investment from numerous Fortune 500 companies. Management has assembled the following information about each MSA where the Initial Communities are located.

Louisville — Jefferson County, Kentucky Economic Overview

	2014	2015	2016	2017	2018
Gross metro product ($ billions)	$ 62.3	$ 64.9	$ 67.3	$ 69.4	$ 72.1
Total employment (thousands)	595	600	626	646	642
Unemployment rate (%)	4.6%	4.5%	3.8%	3.2%	3.5%
Personal income growth (%)	3.0%	4.6%	2.5%	2.2%	1.9%
Population (thousands)	1,272	1,279	1,285	1,293	1,297

Source: U.S. Bureau of Labor Statistics

Louisville — Jefferson County is the largest MSA in Kentucky and the 46th largest MSA in the United States, with a population of approximately 1.3 million residents. Economic activity in Louisville is primarily driven by logistics and transportation, health-care services and manufacturing. Louisville's location on the Ohio River makes it a natural hub for transportation and logistics across the United States. As a result, numerous Fortune 500 companies have invested heavily in the region and there are many major employers, including United Parcel Services, which has committed to investing $750 million over the next 15 years for a global shipping hub at Louisville International Airport. Louisville is also home to several Fortune 1000 companies, including Humana Inc., Yum! Brands, Inc., The Brown-Forman Corporation and Kindred Healthcare, LLC, as well as major healthcare and manufacturing employers such as Norton Healthcare, Ford Motor Company and KentuckyOne Health.

Cincinnati, Ohio Economic Overview

	2014	2015	2016	2017	2018
Gross metro product ($ billion)	$120.0	$125.4	$130.7	$135.3	$141.1
Total employment (thousands)	1,023	1,026	1,040	1,060	1,075
Unemployment rate (%)	4.3%	4.3%	4.0%	3.8%	4.0%
Personal income growth (%)	1.4%	3.7%	1.8%	2.2%	2.8%
Population (thousands)	2,148	2,158	2,168	2,180	2,190

Source: U.S. Bureau of Labor Statistics

Cincinnati is the largest MSA in Ohio and the 29th largest MSA in the United States, with approximately 2.2 million residents. Historically, Cincinnati has exhibited strong economic growth and a growing labour market which has contributed to an increasing number of corporate relocations into the Cincinnati area and subsequent job growth in professional and business services. Corporate growth has attracted major employers such as Amazon.com, Inc., which is in the midst of investing approximately $1.5 billion to fund the expansion of a regional distribution hub at the Cincinnati/Northern Kentucky International Airport. In addition, Cincinnati is home to eight Fortune 500 companies, including The Kroger Company, The Procter & Gamble Company, AK Steel Holding Corporation and Cintas Corporation.

Evansville, Indiana Economic Overview

	2014	2015	2016	2017	2018
Gross metro product ($ billion)	$16.3	$16.5	$16.6	$17.2	$17.7
Total employment (thousands)	150	153	152	154	159
Unemployment rate (%)	4.9%	4.1%	3.9%	2.8%	3.0%
Personal income growth (%)	3.2%	4.5%	0.6%	1.8%	2.6%
Population (thousands)	315	315	315	315	315

Source: U.S. Bureau of Labor Statistics

Evansville is the third largest MSA in Indiana and 160th largest MSA in the United States, with a population of over 0.3 million residents. The area has historically been and continues to be important for manufacturing due to its accessibility via the Ohio River, two interstate highways, four freight rail lines and a regional airport. In recent years, education and health services have experienced rapid growth in the region and large investments from manufacturers continue to contribute to job growth in the Evansville metro area. Such manufacturers include Toyota Motor Corporation, which is investing $700 million in its manufacturing plant to increase its production levels by 200,000 vehicles per year. Other large employers include Fortune 500 companies such as Berry Global Group, Inc. and The Whirlpool Corporation, as well a network of healthcare providers including the Deaconess Health System and St. Mary's Medical Center. The presence of these large employers has contributed to a consistently low unemployment rate historically.

Lexington-Fayette, Kentucky Economic Overview

	2014	2015	2016	2017	2018
Gross metro product ($ billion)	$25.4	$26.8	$27.6	$28.1	$28.8
Total employment (thousands)	246	246	257	263	265
Unemployment rate (%)	3.7%	4.0%	3.2%	2.9%	3.0%
Personal income growth (%)	2.8%	3.7%	1.9%	2.0%	0.9%
Population (thousands)	495	502	507	513	517

Source: U.S. Bureau of Labor Statistics

Lexington-Fayette is the second largest MSA in Kentucky and the 107th largest MSA in the United States, with more than 0.5 million residents. Lexington's economy is characterized by low volatility due to anchor employers, including a number of government departments primarily in education and healthcare, and low cost of living, which is approximately 8% below the national average. As a result, Lexington was insulated from the high unemployment trends that swept the United States during the 2008 recession and has historically achieved strong household income growth. Large employers include the University of Kentucky, Fayette County Public Schools, Lexington-Fayette Urban County Government, Lexmark International, Inc., The J. M. Smucker Company, International Business Machines Corporation (IBM), Lockheed Martin Corporation and Amazon.com, Inc. According to U.S. Census data, Lexington is among the top 15 most educated cities in the United States, which is reflected in its skilled workforce that has continued to attract business relocations to the metro area.

Paducah, Kentucky Economic Overview

Paducah is a part of the Jackson Purchase region in Kentucky. It is strategically located at the confluence of the Ohio, Mississippi and Tennessee rivers and, as a result, is a prominent hub for trade and transportation. Paducah's economy has traditionally been characterized by stable employment due to its reliance on the mid-west transportation and shipping industry, which transports hundreds of millions of tons of agriculture-related products year-round from the rich mid-west and great plains farming regions to the Gulf coast for international export. This transportation network is critically important to the U.S. economy, which historically has exported more than $140 billion of agricultural products, and to agriculture product importing countries

around the world, which purchased 2.5 times more agricultural products from the United States in 2017 than they did 20 years earlier.

Knoxville, Tennessee Economic Overview

	2014	2015	2016	2017	2018
Gross metro product ($ billion)	$36.8	$38.5	$40.1	$41.3	$43.3
Total employment (thousands)	373	392	392	403	418
Unemployment rate (%)	5.6%	4.9%	4.7%	2.9%	2.8%
Personal income growth (%)	2.9%	5.2%	3.0%	0.9%	1.9%
Population (thousands)	856	860	867	876	883

Source: U.S. Bureau of Labor Statistics

Knoxville is the third largest MSA in Tennessee and the 64th largest MSA in the United States, with a population of over 0.8 million residents. Knoxville's economy is diversified, with no single industry accounting for more than one fifth of the area's total employment. Knoxville remains an urban centre for mining in the Cumberland Plateau, which contains large deposits of zinc and coal. The location of Knoxville relative to the Cumberland Plateau has led to the expansion and relocation of manufacturing businesses to the metro area. Knoxville's economy is further bolstered by the presence of the Tennessee Valley Authority headquarters and the University of Tennessee at Knoxville. Knoxville is a leading technology city, with fiber-optic cable lines throughout the downtown core, which is a strong attraction for many businesses considering relocation.

Dayton, Ohio Economic Overview

	2014	2015	2016	2017	2018
Gross metro product ($ billion)	$35.1	$35.0	$35.2	$35.4	n.a.(1)
Total employment (thousands)	363	366	364	377	368
Unemployment rate (%)	4.6%	4.5%	4.5%	4.2%	4.6%
Personal income growth (%)	3.0%	4.4%	1.2%	2.8%	2.7%
Population (thousands)	801	800	802	804	807

Note:

(1) Data not available for 2018.

Source: U.S. Bureau of Labor Statistics

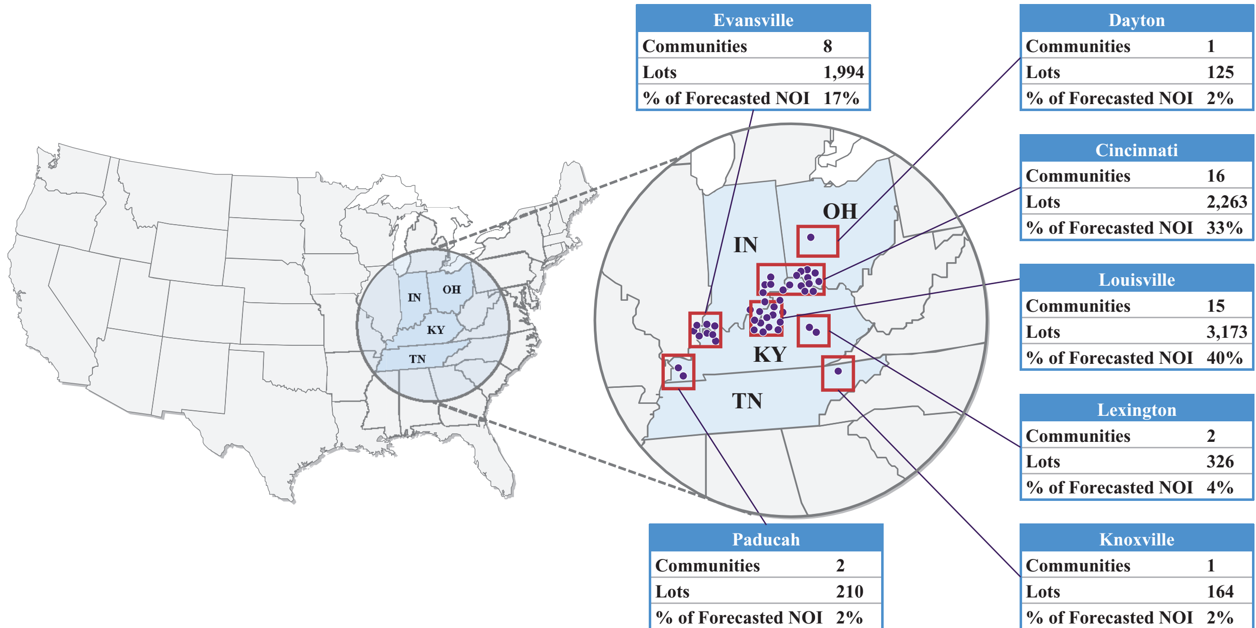
Dayton is the fourth largest MSA in Ohio and 74th largest MSA in the United States, with a population of approximately 0.8 million residents. Dayton is home to the Wright-Patterson Air Force Base, which, along with two other military bases, generate a combined economic impact of approximately $17 billion in the greater Dayton area. Military spending provides stability to the local economy and has played a crucial role in the consistently low unemployment rates in the greater Dayton area. In addition, Dayton is located at the "Crossroads of America", an important part of the North American supply chain, and is within a day's drive of 60% of the U.S. population, which has led to increasing job growth in manufacturing, logistics and warehousing. The major expansion of the Wright-Patterson Air Force Base that was announced in late 2019 is expected to provide further economic stability and support for the local labor market.

THE INITIAL PORTFOLIO

Flagship Portfolio

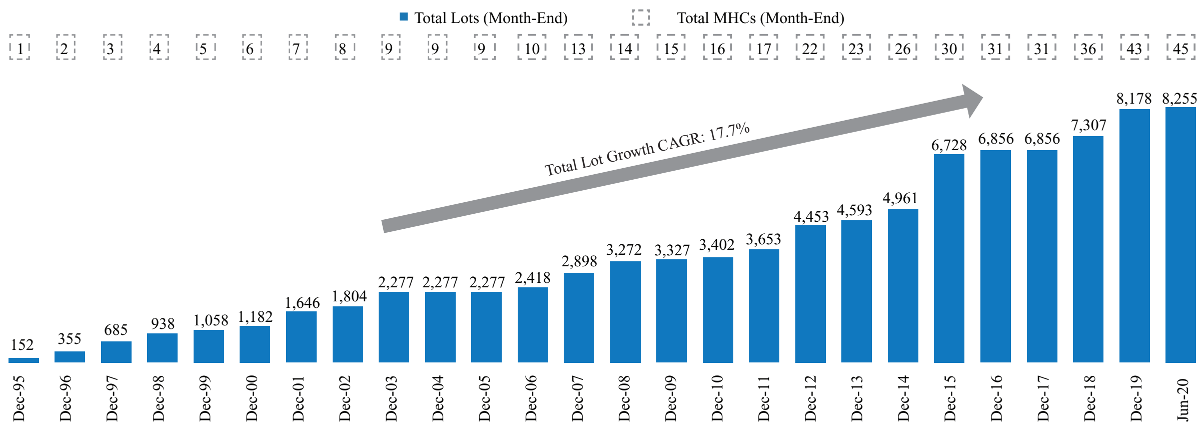
The REIT will acquire a portfolio of 45 MHCs owned and operated by Flagship located within the four contiguous states of Kentucky, Indiana, Ohio and Tennessee. Flagship's MHCs are predominantly all-age MHCs and attract a diverse base of family-oriented residents seeking affordable housing. All of Flagship's MHCs offer attractive common areas and amenities, including clubhouses, green spaces, sports and recreational facilities, playgrounds, and after-school programming.

45 MHCs consisting of 8,255 lots across 4 contiguous states



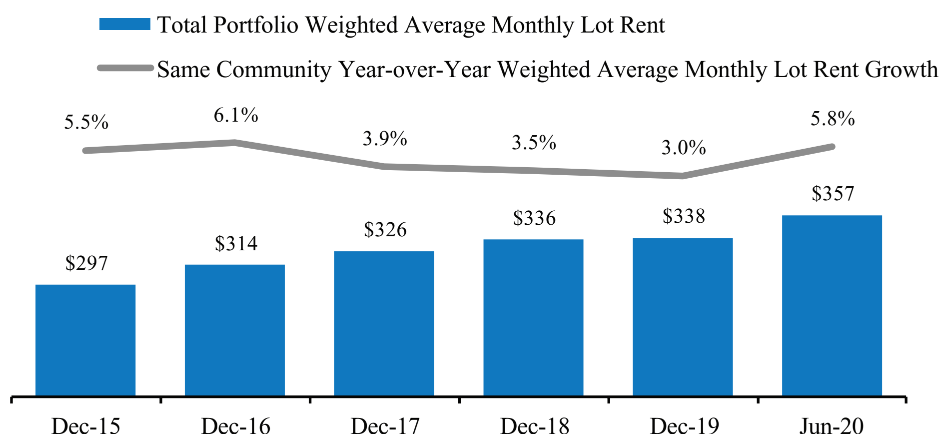
Portfolio Growth

MHC and Lot Growth. Since 1995, Flagship has grown its portfolio comprising the Initial Communities from one MHC with 152 lots to 45 MHCs with 8,255 lots. Management has comprehensive knowledge and deep industry relationships in Flagship's existing operational footprint and the REIT's target growth markets. These relationships support the origination and execution of off-market acquisition opportunities, which management believes has historically represented two out of every three acquisitions.



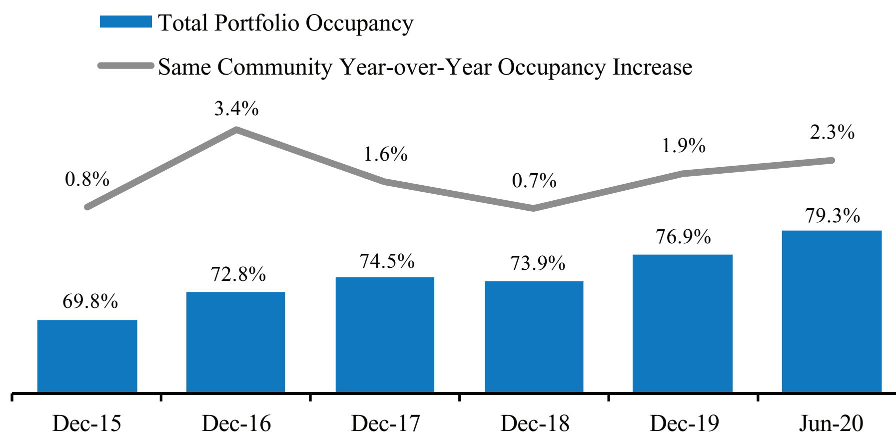
Lot Rent Growth: Flagship has achieved consistent growth in lot rent revenue from the Initial Communities, in part, by sustained annual increases in lot rental rates. From December 2015 to June 2020, Flagship grew the weighted average monthly lot rental rate at the Initial Communities from $297 to $357, representing a CAGR of 4.2%. On a Same Community basis, Flagship has achieved average lot rent growth of 4.6% during the same period.

Total Portfolio Weighted Average Monthly Lot Rent and Same Community Year-Over-Year Weighted Average Monthly Lot Rent Growth



Occupancy Growth: Flagship has delivered stable and growing occupancy across the Initial Communities over time. From December 31, 2015 to June 30, 2020, total occupancy at the Initial Communities increased from 69.8% to 79.3%. Since December 31, 2014, Same Community occupancy has increased by an average of 1.8%, year-over-year.

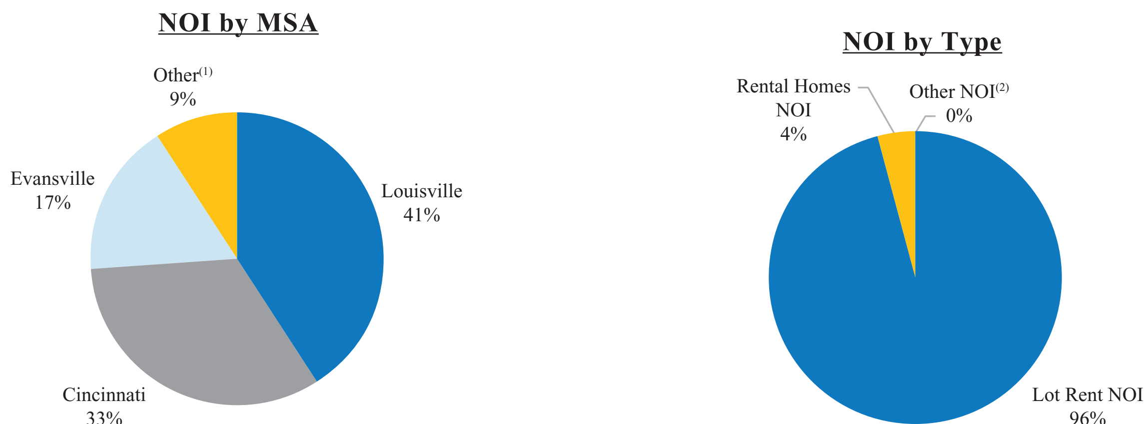
Total Portfolio Occupancy and Same Community Year-Over-Year Occupancy Increase



Net Operating Income Diversification

Flagship's NOI is diversified across seven MSAs and four states. During the Forecast Period, approximately 96% of the REIT's NOI is expected to be derived from lot rent. The following illustrates the breakdown of the

REIT's forecasted NOI during the Forecast Period. See "Non-IFRS Measures" and "Forecast Non-IFRS Reconciliation".



Notes:

(1) Includes Lexington, Paducah, Knoxville and Dayton.

(2) Other NOI includes fee income (net of bad debt expense), utilities reimbursement (net of utilities expense) and other ancillary income such as cable income, vending machine income, rental income from adjacent farmland, billboard rental income and parking income.

Same Community Net Operating Income

Flagship has delivered stable and growing Same Community NOI from the Initial Communities, primarily driven by monthly lot rent growth, occupancy growth, utilities expense recapture, expense management and value-add capital investments. Same Community NOI grew 11.3% in 2018 and 14.7% in 2019 and 9.5% for the six months ended June 30, 2020. See "Non-IFRS Measures".

Initial Communities 2020 Year-To-Date Performance Comparison

Flagship achieved year-over-year Same Community NOI growth of approximately 14.6% for the three months ended June 30, 2020, which has been primarily driven by monthly lot rent growth, occupancy growth, utilities expense recapture, expense management and value-add capital investments. Management believes that these operating and financial results reflect the continued strong performance of the Initial Communities during the COVID-19 pandemic. See "Non-IFRS Measures".

The table below is a 2020 year-to-date and second quarter comparison of key operational metrics of the Initial Communities for the periods indicated.

	6 Months ended June 30, 2019	6 Months ended June 30, 2020	3 Months ended June 30, 2019	3 Months ended June 30, 2020
Total Occupancy(1)	76.1%	79.3%	76.1%	79.3%
Same Community Occupancy(1)	75.7%	78.1%	75.7%	78.1%
Total NOI ($ thousands)(2)	$9,326	$10,807	$4,632	$5,733
Same Community NOI ($ thousands)(2)	$9,119	$ 9,989	$4,602	$5,273
Total Resident Prepayments(3)	20.2%	22.6%	20.5%	22.7%
Same Community Resident Prepayments(3)	20.5%	22.4%	20.1%	22.4%
Total Proportion of Residents with Lot Rents Past Due(4)	5.5%	6.2%	6.0%	6.0%
Same Community Proportion of Residents with Lot Rents Past Due(4)	5.4%	5.2%	5.7%	5.1%

Notes:

(1) As at the end of the period.

(2) See “Non-IFRS Measures”.

(3) Average of number of residents prepaying their lot rents (as a percentage of total number of residents) as at each month-end during the period.

(4) Average of number of residents who have not paid their lot rents in full when due (as a percentage of total number of residents) as at each month-end during the period.

List of Initial Communities

The Initial Communities are composed of 45 communities with 8,255 lots in four states: (i) Kentucky (4,952 lots); (ii) Indiana (2,684 lots); (iii) Ohio (455 lots); and (iv) Tennessee (164 lots). On average, the Initial Communities have 183 lots per community and an occupancy rate of 79%, as at June 30, 2020. Following development by Flagship of its first MHC in 1995, the remaining Initial Communities were acquired between 1996 and 2019, with an average tenure under Flagship’s management of 9 years. The Initial Communities’ in-place monthly lot rent ranges from $245 to $470 with a weighted average of $357 per month. The Initial Communities typically have a range of desirable amenities and common areas including clubhouses, playgrounds, basketball courts and other recreational facilities and after school programs. Additionally, 41 communities have a direct connection to the municipal sewage system, while the remaining four communities are connected to private sewage facilities. All of the Initial Communities are located near interstate highways, necessity-based retail centres, post-secondary institutions, healthcare facilities and major metropolitan employment centres.

Initial Communities acquired prior to 2015 represent approximately 60% of rental lots. These communities have an average occupancy of 82% and an average monthly lot rent of $377 compared to communities acquired thereafter which have an average occupancy of 75% and an average monthly lot rent of $325. Generally, Flagship acquires communities from local owner operators without institutional management capabilities or operational expertise and seeks to improve the community’s operational and financial performance. Upon completing an acquisition, typically one to three years are required for management to complete value-enhancing capital investments and turn over sub-optimal residents, and typically three to five years are required for management to bring performance up to Flagship’s operating standards. Management believes that, over time, it will continue to increase occupancy within the Initial Communities, particularly within communities acquired during and after 2015.

The following table describes the Initial Communities as at June 30, 2020:

MSA / Initial Community	State	Address	Year Acquired	Total Acres	Total Lots	Occupancy (June 30, 2020)[1]	In Place Lot Rent (June 30, 2020)
Louisville							
1 Autumn Lake Pointe	KY	2801 Autumn Lake Drive	2012	110	565	70%	$385
2 Indian Oaks Pointe	IN	7236 Declaration Drive	2003	78	473	73%	$410
3 Barrington Pointe	KY	1321 Glengarry Drive	2001	75	464	83%	$415
4 Whispering Oaks Pointe	KY	315 Barricks Road	2008	60	374	90%	$400
5 Ashley Pointe	KY	1115 Penile Road	1997	57	330	82%	$400
6 Tannehill Pointe	IN	3871 Mill Place	2019	58	191	91%	$290
7 Copperstone Pointe	KY	160 Park Drive	2002	23	158	92%	$380
8 Amberly Pointe	IN	1231 Birchtree Lane	2000	18	124	78%	$275
9 Berkshire Pointe	IN	8000 Berkshire Pointe Dr. NE	1999	35	120	98%	$275
10 Logans Pointe North	KY	6801 Stardust Drive	2012	25	89	75%	$385
11 Seven Oaks Pointe	IN	1055 Old Forest Road NW	2019	13	84	98%	$265
12 Logans Pointe South	KY	13111 Lonestar Way	2012	15	61	51%	$385
13 Rosewood Pointe	IN	550 Rosewalk Drive	2009	10	55	80%	$282
14 Mills Pointe	KY	12000 East Orell Road	2012	25	54	89%	$385
15 Johnsontown Pointe	KY	5410 Johnsontown Road	2012	17	31	90%	$385
Subtotal / Weighted Average				**619**	**3,173**	**81%**	**$375**
Cincinnati							
16 Deer Trace Pointe	KY	146 Villa Drive	2015	35	320	81%	$450
17 Applewood Pointe	OH	1988 Hummingbird Circle	1998	38	253	79%	$430
18 Mosby's Pointe[2]	KY	10367 Garden Drive	2011	37	251	89%	$450
19 Indian Hill Pointe	KY	1 Indian Hill Drive	2007	65	220	83%	$325
20 Heartland Pointe	KY	113 Sioux Trail	1996	36	203	97%	$420
21 Derby Hills Pointe	KY	784 Whirlaway Lane	2014	40	170	99%	$380
22 Asbury Pointe[3]	KY	401 Asbury Pointe Drive	1995	24	152	77%	$296
23 Oakview Pointe	KY	88 Floyd Street	2014	30	141	79%	$265
24 Country Living Pointe	KY	3 Lisa Drive	2016	45	128	79%	$325
25 Cherry Hill Pointe	KY	1 Cherry Hill Drive	2007	27	75	91%	$325
26 Beechwood Ft. Mitchell	KY	2274 Galaxy Dr	2010	33	75	92%	$470
27 Hillcrest Pointe	KY	5600 Cody Road	2018	35	71	92%	$355
28 Aspen Pointe	KY	20 Chetalou Drive	2019	15	70	69%	$325
29 Campbell Pointe	KY	12635 Spruce Street	2014	15	57	91%	$380
30 Redwood Pointe	OH	3480 Lawrenceburg Road	2020	7	43	93%	$295
31 Candlelight Pointe	OH	8123 Dry Fork Rd	2020	19	34	100%	$325
Subtotal / Weighted Average				**501**	**2,263**	**86%**	**$383**
Evansville							
32 Grandin Pointe	IN	5901 N St Joseph Ave	2015	146	773	76%	$320
33 Riverbend Pointe	KY	501 Office Lane	2015	82	357	54%	$282
34 Waterford Pointe	IN	2448 Saw Grass Drive	2015	57	317	63%	$320
35 Carolina Pointe	IN	2850 Carolina Avenue	2019	23	167	81%	$245
36 Pinecrest Pointe	IN	831 Birkshire Avenue	2018	18	157	64%	$335
37 Summit View Pointe	IN	15 Wyandotte Drive	2018	26	96	45%	$335
38 Heritage Hills Pointe East	IN	4833 Salem Drive	2018	11	71	63%	$335
39 Heritage Hills Pointe West	IN	4855 Indiana 66	2018	8	56	82%	$335
Subtotal / Weighted Average				**370**	**1,994**	**68%**	**$310**
Lexington							
40 Adams Pointe	KY	1312 Boonesborough Road	2007	36	185	84%	$330
41 Bradbury Pointe	KY	111 Bradbury Pointe Drive	2006	30	141	77%	$330
Subtotal / Weighted Average				**66**	**326**	**81%**	**$330**
Paducah							
42 Westridge Pointe	KY	7410 Lightfoot Road	2013	35	140	74%	$250
43 Southwood Pointe	KY	749 Bleich Rd	2019	13	70	70%	$250
Subtotal / Weighted Average				**48**	**210**	**73%**	**$250**

MSA / Initial Community	State	Address	Year Acquired	Total Acres	Total Lots	Occupancy (June 30, 2020)[1]	In Place Lot Rent (June 30, 2020)
Knoxville							
44 Crestmore Pointe	TN	1905 Buffalo Trail	2019	27	164	94%	$275
Dayton							
45 Harmony Pointe	OH	68 West Alex Bell Road	2019	12	125	100%	$400
Total Portfolio / Weighted Average				**1,643**	**8,255**	**79%**	**$357**
Communities Acquired 2015 Onwards				**650**	**3,294**	**75%**	**$325**
Communities Acquired Prior to 2015				**993**	**4,961**	**82%**	**$377**

Notes:

(1) The occupancy figures give effect to 15 apartment units/rental homes, which are onsite dwellings or other permanent structures that are affixed to the Initial Communities.

(2) An adjacent MHC was acquired in 2015 and subsequently combined with Mosby's Pointe.

(3) Asbury Pointe was developed (not acquired) in 1995.

Standard Lot Lease Terms

The terms of the standard residential lot lease used at each Initial Community generally include month-to-month lease maturity except those lot leases used in the Initial Communities subject to the Fannie Mae Loan, which will change to successive 12-month terms beginning May 15, 2021. Typically, a resident on a month-to-month lease may terminate the lease agreement by giving 30 days' prior written notice, and, similarly, the MHC owner may terminate the lease by giving the resident 30 days' written notice, or such other notice as may be required by any applicable law. If the resident fails to pay any installment of rent, the MHC owner may terminate the lease upon serving written notice if the resident fails to remedy such breach within seven days of receipt of such notice. Each resident is required to maintain a renter's liability insurance policy and residents are not allowed to assign, transfer, lease, sublease or rent their lot without written consent from the MHC owner. Residents do not pay additional fees in respect of costs of maintaining and servicing the amenities in the MHC, as such costs are included in the lot rent. Residents pay for their own utilities directly to the applicable service provider or to the MHC owner in respect of properties subject to utility sub-metering.

Rental Homes Fleet

The Rental Homes comprising the Rental Homes Fleet are located on the Initial Communities and are for lease to residents thereof. Residents of Rental Homes separately pay rent on both the Rental Home and the lot on which it sits. As at June 30, 2020 there were 593 Rental Homes (560 as at December 31, 2019), approximately 94% of which were occupied (approximately 89% were occupied as at December 31, 2019).

ASSESSMENTS AND VALUATIONS OF THE INITIAL PORTFOLIO

Property Condition Assessments

Property condition assessment reports ("**PCA Reports**") were prepared for each of the Initial Communities by independent and experienced professional consulting engineering firms for the purpose of evaluating the general overall physical condition of the Initial Communities, documenting any material and building system defects that might significantly affect the value of any of the Initial Communities and determining if conditions exist that may have a significant impact on the continued operation thereof over the 12 years following the date of the applicable PCA Report, subject to certain common limitations. The PCA Reports were prepared in general accordance with ASTM E2018-15 "Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process" and as specified in the most current version of the "4099 Fannie Mae Multifamily Instructions for Performing a MultiFamily Property Condition Assessment" or the Freddie Mac Engineering and Property Condition Report Requirements. The property assessments for the PCA Reports were conducted between November 2019 and August 2020. Each of the PCA Reports assessed, as applicable: (i) repairs required to be completed immediately (including life safety items, priority repairs recommended for

completion within the next 90 days and critical items recommended for completion within the next six months); (ii) deferred maintenance repairs (including significant priority repairs and replacements recommended to be addressed as soon as possible, non-recurring capital items recommended for completion within 12 months and operational repairs that are expected to be completed as part of a repairs and maintenance budget and that cannot be reasonably resolved by routine maintenance); and (iii) capital replacement reserves expenditures to be performed during the subsequent 12 years in order to maintain appropriate building conditions. The PCA Reports do not identify minor, inexpensive repairs or maintenance items and assume that such maintenance and repairs will be performed on a regular basis. No cost allowance is carried for this regular maintenance and the estimates do not include allowances for future upgrading of components that may be necessary or required by applicable federal, state or local accessibility regulations.

Based on the PCA Reports, management believes that the Initial Communities are generally well-maintained, in accordance with their use. The PCA Reports identify a total of approximately $1.3 million in immediate expenditures and deferred maintenance expenditures and a total of approximately $3.4 million in capital replacement reserves expenditures (uninflated) over the next 12 years for the Initial Communities. On an annual basis, this represents approximately $35 per lot over the next 12 years (excluding immediate repairs and deferred maintenance costs). Notwithstanding the conclusion in the PCA Reports, the REIT intends to reserve approximately $60 per lot per year for maintenance capital expenditures and it is expected that these maintenance capital expenditures will be financed using cash on hand and cash reserves. Additionally, following Closing, the REIT is expected to have $1.7 million of capital expenditure reserves for immediate expenditures and deferred maintenance expenditures of the Initial Communities and the Rental Homes Fleet, which will be partially funded by the net proceeds of the Offering. See "Use of Proceeds".

Projected Uninflated Capital Replacement Reserves Expenditures
($ in thousands)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Aggregate Expenditure
$211	$202	$369	$339	$377	$271	$213	$432	$279	$328	$220	$204	$3,444

Management expects reserves to adequately cover all capital expenditures over the term. The REIT will monitor the appropriate level of repairs and maintenance and capital expenditures to ensure that the Initial Communities remain competitive.

Rental Home Inspections

Rental Inspection Summaries Reports ("**RISRs**") were prepared in respect of the Rental Homes Fleet by an independent and experienced professional consulting engineering firm for the purpose of evaluating the overall physical condition of the Rental Homes, documenting any material and building system defects that might significantly affect the value of any of such Rental Homes and determining if conditions exist that may have a significant impact on the continued operation thereof over the 12 years following the date of the RISRs, subject to certain customary limitations. The RISRs were prepared using methods and procedures consistent with good commercial or customary practices designed to conform to acceptable industry standards, as well as additional standards with regards to analysis. The property assessments for the RISRs were conducted in March 2020 and Rental Homes were accessed on a sampling basis, with a total of 96 Rental Homes accessed across the Initial Communities. The RISRs assessed, as applicable: (i) repairs required to be completed immediately (including life safety items and critical items recommended for completion within the subsequent six months); (ii) deferred maintenance repairs (non-recurring capital items recommended for completion within the subsequent 12 months); and (iii) capital replacement reserves expenditures to be performed during the subsequent 12 years in order to maintain appropriate Rental Home conditions. The RISRs do not identify minor, inexpensive repairs or maintenance items and assume that such maintenance and repairs will be performed on a regular basis. No cost allowance is carried for this regular maintenance and the estimates do not include allowances for future upgrading of components that may be necessary or required by applicable federal, state or local accessibility regulations.

Based on the RISRs, management believes that the Rental Homes are generally well-maintained, in accordance with their use. Based on the 96 Rental Homes accessed, the RISRs project a total of approximately $0.2 million in immediate expenditures and deferred maintenance expenditures and a total of approximately $1.2 million in capital replacement reserves expenditures (uninflated) over the next 12 years for the Rental Homes Fleet, which, on an annual basis, represents an estimate of approximately $167 per Rental Home comprising the Rental Homes Fleet over the next 12 years (excluding immediate repairs and deferred maintenance costs). Notwithstanding the conclusion in the RISRs, the REIT intends to reserve approximately $1,000 per Rental Home per year for maintenance capital expenditures and it is expected that these maintenance capital expenditures will be financed using cash on hand and cash reserves. Additionally, following Closing, the REIT is expected to have $1.7 million of capital expenditure reserves for immediate expenditures and deferred maintenance expenditures of the Initial Communities and the Rental Homes Fleet, which will be partially funded by the net proceeds of the Offering. See "Use of Proceeds".

Projected Uninflated Capital Replacement Reserves Expenditures for the Rental Homes Fleet
($ in thousands)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Aggregate Expenditure
$37	$63	$77	$110	$120	$108	$113	$115	$108	$103	$105	$92	$1,151

Management expects reserves to adequately cover all capital expenditures over the term. The REIT will monitor the appropriate level of repairs and maintenance and capital expenditures to ensure that the Rental Homes remain well-maintained, in accordance with their use.

Environmental Site Assessments

Each of the Initial Communities and the REIT's head office property was the subject of a Phase I environmental site assessment report ("**Phase I ESA Report**") prepared by an independent and experienced environmental consultant dated between February 15, 2019 and March 19, 2020. The Phase I environmental site assessments were performed in conformance with the scope and limitations as detailed in the ASTM E1527-13 "Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process" (the "ASTM Environmental Standard") and, other than for the Carolina Pointe and Logans Pointe South Initial Communities, the Fannie Mae Multifamily Selling and Servicing Guide or the most current Freddie Mac environmental guidance documents. The purpose of the Phase I ESA Reports was to identify any existing or potential recognized environmental conditions, as defined in the ASTM Environmental Standard ("**RECs**"), in connection with the Initial Communities and the REIT's head office property, which means the presence or likely presence of any hazardous substances or petroleum products in, on, or at a property: (i) due to release to the environment; (ii) under conditions indicative of a release to the environment; or (iii) under conditions that pose a material threat of a future release to the environment. The Phase I ESA Reports also identified any controlled recognized environmental conditions ("**CRECs**"), historical recognized environmental conditions ("**HRECs**") and environmental issues that do not qualify as RECs but warrant further discussion in connection with the Initial Communities and the REIT's head office property.

Based on the Phase I ESA Reports prepared in respect of the Initial Communities and the REIT's head office property, the independent environmental consultants did not identify any RECs, CRECs or HRECs in connection with any of the Initial Communities or the REIT's head office property as of the date of the respective Phase I ESA Reports except for the following:

- The Phase I ESA Report dated March 16, 2020 in respect of the Carolina Pointe Initial Community identified a REC in connection with the historical use of a north adjoining property as a gasoline service station. The Phase I ESA Report did not recommend further investigation of the REC due to a number of reasons, including that: (i) investigations did not detect contaminants in soil vapor at concentrations above residential risk criteria; (ii) residents of Carolina Pointe Initial Community would not be exposed to potentially impacted groundwater; and (iii) soil beneath Carolina Pointe Initial Community is unlikely to be impacted. The Phase I ESA Report also identified an HREC related to the property's enrollment in

the Indiana State Brownfields program due to previously written RECs in connection with the operational history of the north adjacent, up-gradient properties, including as gas stations, a printing company and a large metal plating facility. The Phase I ESA Report recommended continued monitoring and cooperation with the Indiana Department of Environmental Management with respect to the Indiana State Brownfields program case. In connection with the acquisition of Carolina Pointe in 2019, Flagship obtained a "claims made" environmental insurance policy in respect of the Carolina Pointe Initial Community, which policy expires in May 2029.

- The Phase I ESA Report dated March 16, 2020 in respect of the Logans Pointe South Initial Community identified a REC in connection with the historical dry-cleaning activities on a north-northeast adjoining property. The Phase I ESA Report did not recommend further investigation of the REC caused by the off-site source and recommended continued monitoring and cooperation (if any is necessary) with the Kentucky Department of Environmental Protection with respect to its case relating to such historical dry-cleaning activities on the adjoining property.
- The Phase I ESA Report dated January 8, 2020 in respect of the Autumn Lake Pointe Initial Community identified HRECs that have been granted regulatory closure with no additional action required and that did not require further assessment, according to the Phase I ESA Report.

Any other issues that did not qualify as RECs noted in the Phase I ESA Reports were issues that can be managed under operations and maintenance programs (or other plans) or should be subject to short-term testing and did not warrant further environmental assessment or other investigation as of the date of the respective Phase I ESA Reports.

It is the REIT's operating policy to obtain a Phase I ESA Report conducted by an independent and experienced environmental consultant prior to acquiring a property. If the Phase I ESA Report recommends a Phase II environmental assessment be conducted, the REIT conducts a Phase II environmental assessment by an independent and experienced environmental consultant.

Management is not aware of any non-compliance with environmental laws at any of the Initial Communities or the REIT's head office property that management believes would have a material adverse effect on the REIT. Management is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the Initial Communities or the REIT's head office property that would materially adversely affect the REIT or the values of the Initial Communities and the REIT's head office property, taken as a whole, as determined by the Appraiser. The REIT will implement policies and procedures to assess, manage and monitor environmental conditions at the Initial Communities and the REIT's head office property, and to manage exposure to potential liability. See "Risk Factors — Risk Factors Related to the Real Estate Industry and the Business of the REIT — Environmental Matters".

Independent Appraisal

Flagship retained the Appraiser to provide an independent estimate of the market value of the Initial Communities and the REIT's head office property on a portfolio basis as at July 30, 2020 (the "**Appraisal**"). The Appraiser was not given any limiting instructions. The following is a summary of, and is qualified in its entirety by reference to the terms of, the Appraisal.

The Appraisal was prepared in conformity with the requirements and guidelines of the current Uniform Standards of Professional Appraisal Practice, the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute of the United States. The Appraisal Institute of the United States defines market value as "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming that the price is not affected by undue stimulus". According to the Appraisal Institute of the United States, implicit in the definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their own best interests; (iii) a reasonable time is allowed for exposure in the open market; (iv) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (v) the price

represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

According to the Appraisal, the estimated market value of the Initial Communities and the REIT's head office property on a portfolio basis, as at July 30, 2020, was approximately $400 million (with the estimated market value of the Initial Communities being approximately $399.3 million and the estimated market value of the REIT's head office property being $750,000). The value conclusions made by the Appraiser reflect all known information about the Initial Communities, the REIT's head office property, market conditions and available data.

The estimated market value of each of the Initial Communities was determined by the Appraiser using the income approach to value, which used the direct capitalization method, as investors in similar types of property typically rely solely on this method.

The Appraiser confirmed and analyzed financial features of each of the Initial Communities, including historical and budgeted income/expense data, rent roll, and tax and assessment records. This information as well as trends established by confirmed market indicators was used to forecast performance of each of the Initial Communities. The Appraiser visited each of the Initial Communities and completed an inspection of the interior and exterior for all properties. Valuation parameters were used, having due regard to the income characteristics, current market conditions and prevailing economic and industry information.

In appraising the Initial Communities and the REIT's head office property, the Appraiser assumed, among other things, that titles to the Initial Communities and the REIT's head office property were good and marketable and that there will be no change in market and economic conditions, physical building condition, legal or planning status or tenancies, as applicable, that would materially impact the values of the Initial Communities and the REIT's head office property between the report date and the effective date of the Appraisal. These assumptions as well as other assumptions listed in the Appraisal will affect the Appraiser's value conclusions.

The Appraiser did not take into account legal, engineering, and regulatory requirements applicable to any property, including zoning and other state and local government regulations, permits and licenses, or environmental or ecological matters or related issues. The Appraiser was not provided with the PCA Reports for the Initial Communities or the REIT's head office property but was given access to all of Flagship's records with respect to the Initial Communities and the REIT's head office property.

In determining the approximate market value of the Initial Communities and the REIT's head office property, the Appraiser relied on operating and financial data provided by Flagship, including, as applicable, rent rolls, operating income and expense budgets, historical operating statements and projected net operating income statements. For each Initial Community, the Appraiser discussed with Flagship the Initial Community's history, current tenant status and future prospects, reviewed historical operating results and reviewed in detail management revenue and expense estimates as set forth in the forecast operating budgets for their reasonableness. Based on this review, and other relevant facts, the Appraiser considered such data to be reasonable and supportable.

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Appraisal is based on various assumptions of future expectations and while the Appraiser's internal forecasts of net operating income for the Initial Communities is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisal. The Appraisal will be filed with the securities regulatory authorities in each of the provinces and territories of Canada and will be available on SEDAR at www.sedar.com. Investors are advised to read the Appraisal for a full description of applicable assumptions and conditions prior to making an investment in the Units offered by this prospectus.

Rental Home Estimated Values

Flagship has estimated market values for each of the Rental Homes (the "**Rental Home Estimated Values**") using the NADA National Appraisal System. Management believes the NADA National Appraisal System, which provides an estimate of value of manufactured homes using a methodology framework broadly similar to that commonly used to value other depreciating personal property assets such as automobiles (as distinct from an appraisal of real property), is well-regarded within the MHC industry. The NADA approach to (retail) value is based upon depreciated replacement cost (i.e., "book value") modified by market comparable sales. The book value is comprised of a base value modified by general location, condition, specific location, components built into the Rental Home, accessories attached to the Rental Home, and other factors. The market adjustment considers the sales prices and book values of three comparable homes relative to the same for the subject Rental Home. The estimated aggregate market value of the Rental Homes, based on the sum of the Rental Home Estimated Value of each Rental Home derived using the NADA National Appraisal System, as at June 30, 2020 was approximately $12.6 million.

Caution should be exercised in the evaluation and use of the sum of the Rental Home Estimated Values. Each Rental Home Estimated Value comprising such sum is derived using the NADA National Appraisal System, and is based on depreciated replacement cost (i.e., "book value") modified by market comparable sales. A Rental Home Estimated Value is not a formal valuation or appraisal, is not a precise measure of the value of the subject Rental Home and does not represent the actual cost Flagship or the REIT would incur to replace such Rental Home. The Rental Home Estimated Values are based on various assumptions which are considered to be reasonable at the current time; however, some of the assumptions may not materialize or may differ materially from actual experience in the future.

DEBT STRATEGY AND INDEBTEDNESS

Debt Strategy

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

Immediately following Closing (assuming completion of the Acquisition upon Closing), management anticipates the REIT's Indebtedness to total approximately $213 million of secured mortgage loans and credit facilities, implying a Debt to Gross Book Value Ratio of approximately 49.6%. Management intends to target and maintain a Debt to Gross Book Value Ratio of between 45% to 55% in order to maximize returns while minimizing leverage risk. See "Non-IFRS Measures".

Upon Closing (assuming completion of the Acquisition upon Closing), the REIT will have a long-term debt maturity profile, with a weighted average term to maturity of approximately 10.2 years. All of the REIT's Indebtedness at Closing will be composed of fixed rate debt, which mitigates the REIT's exposure to interest rate risk in a rising interest rate environment.

See "The Acquisition — Principal Transaction Steps — CMBS-Secured Initial Communities".

Summary of Indebtedness

The following table sets out details for all Indebtedness of secured mortgage loans and credit facilities of the REIT as at Closing assuming completion of the Acquisition upon Closing.

Initial Community	Lender	Outstanding Principal Amount at Closing	Annual Interest Rate	Interest Rate Type	Maturity
Autumn Lakes Pointe; Tannehill Pointe; Logans Pointe North; Mills Pointe; Johnsontown Pointe; Deer Trace Pointe; Mosby's Pointe; Oakview Pointe; Derby Hills Pointe; Campbell County Pointe; Hillcrest Pointe; Grandin Pointe; Riverbend Pointe; Waterford Pointe; Pinecrest Pointe; Heritage Hills Pointe East; Heritage Hills Pointe West; Westridge Pointe; Crestmore Pointe	Freddie Mac	$ 99,045,000	3.21%	Fixed	July 2030
Whispering Oaks Pointe; Ashley Pointe; Rosewood Pointe; Applewood Pointe; Heartland Pointe; Asbury Pointe; Beechwood Ft. Mitchell; Adams Pointe	Walker & Dunlop, LLC, as a Delegated Underwriting and Servicing lender of Fannie Mae	$ 63,568,000	2.97%	Fixed[1]	June 2032[2]
Barrington Pointe; Copperstone Pointe	KeyBank[3]	$ 17,900,087	5.62%	Fixed	June 2028
Indian Oaks Pointe	Walker & Dunlop, LLC, as servicer for Fannie Mae	$ 11,055,000	3.39%	Fixed	January 2030
Indian Hill Pointe; Cherry Hill Pointe	KeyBank[3]	$ 6,718,596	5.62%	Fixed	June 2028
Berkshire Pointe; Amberly Pointe	Walker & Dunlop, LLC, as a Delegated Underwriting and Servicing lender of Fannie Mae	$ 6,420,000	2.93%	Fixed[1]	August 2032[2]
Carolina Pointe	Carolina Court, Inc. (seller of Carolina Pointe)	$ 3,110,885	5.00%	Fixed	June 2034
Bradbury Pointe	KeyBank[3]	$ 2,910,583	5.62%	Fixed	June 2028
Country Living Pointe	KeyBank[3]	$ 2,007,231	5.32%	Fixed	March 2029
Logans Pointe South	Jefferson Mobile Home Park, LLC (seller of Logans Pointe South)	$ 340,693	5.75%	Fixed	July 2027
Total / Weighted Average		**$213,076,074**	**3.50%**		

Notes:

(1) In respect of the Initial Advance and the Tranche 2 Advance; subsequent Advances under the Fannie Mae Loan may bear interest at a fixed or variable rate. See "— Composition of Indebtedness — Fannie Mae Loan".

(2) In respect of the Initial Advance and the Tranche 2 Advance; subsequent Advances under the Fannie Mae Loan may have maturities of not more than (i) 10 years from the closing of such Advance for variable rate Advances and (ii) 15 years from the closing of such Advance for fixed rate Advances, provided that in no event shall an Advance mature later than May 2035. See "— Composition of Indebtedness — Fannie Mae Loan".

(3) The applicable loan is a CMBS loan (the related Initial Communities are collectively referred to in this prospectus as the "**CMBS-Secured Initial Communities**").

Debt Maturity Schedule

The following table sets out the Indebtedness of secured mortgage loans and credit facilities to be paid over each of the 12 calendar years following Closing (assuming Closing and the purchase of the entire Initial Portfolio occurs on October 7, 2020) and thereafter (assuming such Indebtedness is not prepaid or renewed at maturity).

Year	Principal Payments During Period	Principal Repayments on Maturity	Total	% of Total Principal
Remainder of 2020	$ 111,898	—	$ 111,898	0.05%
2021	$ 478,196	—	$ 478,196	0.22%
2022	$ 601,950	—	$ 601,950	0.28%
2023	$ 734,657	—	$ 734,657	0.34%
2024	$ 771,521	—	$ 771,521	0.36%
2025	$ 819,600	—	$ 819,600	0.38%
2026	$ 865,839	—	$ 865,839	0.41%
2027	$ 889,669	$ 5,176	$ 889,844	0.42%
2028	$ 1,188,693	$ 23,842,296	$ 25,030,990	11.75%
2029	$ 1,733,657	$ 1,707,673	$ 3,441,330	1.62%
2030	$ 1,788,393	$110,100,000	$111,888,393	52.51%
2031	$ 1,848,760	—	$ 1,848,760	0.87%
2032	$ 997,202	$ 64,092,934	$ 65,090,137	30.55%
Thereafter	$ 469,305	$ 28,653	$ 497,958	0.23%
Total / Weighted Average	**$13,299,342**	**$199,776,733**	**$213,076,074**	**100.00%**
Weighted average effective interest rate:	**3.50%**			
Weighted average term to maturity:	**10.2 years**			

Composition of Indebtedness

Fannie Mae Loan

Certain SSK Entities have, jointly and severally, entered into a master credit facility agreement (the "**Fannie Mae Loan**", as amended from time to time) with a Delegated Underwriting and Servicing lender of Fannie Mae pursuant to which the lender provided the borrower entities on May 15, 2020 (the "**Initial Effective Date**") with a fixed rate loan of approximately $63.6 million (the "**Initial Advance**" and, including any advance made thereafter, an "**Advance**") for a 12-year term at a fixed rate of 2.97% per annum, payable interest only until July 2028. On July 15, 2020, a second Advance in the form of a fixed rate loan was drawn under the Fannie Mae Loan in the amount of approximately $6.4 million for a 12-year term at a fixed rate of 2.93% per annum, payable interest only until August 2032 (the "**Tranche 2 Advance**").

Any subsequent Advances under the Fannie Mae Loan are to be made in the minimum amount of $5 million to such borrowers, in each case priced based on Fannie Mae's market pricing in effect at the time the pricing for such Advance is determined. Initially, subsequent Advances can be made up to two times during the first five years of the term, but no more than once per year after the first five years of the term, subject to satisfaction of certain financial covenants contained in the Fannie Mae Loan. Subsequent Advances under the Fannie Mae Loan are subject to limits imposed based on pre-defined maximum loan-to-value ratios and minimum debt service coverage ratios for the properties secured by the Fannie Mae Loan, including properties which may be added as security for the Fannie Mae Loan in the future (i) on an aggregated basis and (ii) on an individual property basis. Any subsequent Advances may be subject to fixed rate interest or variable rate interest at the request of the borrower entities. Any such Advance may have terms not less than 5 years from the date of such Advance and shall have terms not more than (i) 10 years from the closing of such Advance for variable rate interest Advances and (ii) 15 years from the closing of such Advance for fixed rate interest Advances, provided that in no event shall an Advance mature later than 15 years from the Initial Effective Date. A variable rate interest Advance may be converted in whole or in part into a fixed rate interest Advance subject to the applicable lockout period and other terms and conditions. All Advances are and all subsequent Advances will be

secured and cross-collateralized by properties held by the borrower entities and the borrower entities have the right to the release, substitution and/or addition of one or more properties from or to the security pool from time to time subject to the terms and conditions of the Fannie Mae Loan. Recourse of the lender under the Fannie Mae Loan is limited to the collateral secured thereby, subject to certain customary exceptions.

The Initial Advance of the Fannie Mae Loan is secured by the following Initial Communities: Whispering Oaks Pointe, Ashley Pointe, Rosewood Pointe, Applewood Pointe, Heartland Pointe, Asbury Pointe, Beechwood Ft. Mitchell and Adams Pointe. The Tranche 2 Advance of the Fannie Mae Loan is secured by the following Initial Communities: Berkshire Pointe and Amberly Pointe.

The Fannie Mae Loan requires that the borrower maintain an aggregate debt service coverage ratio of not less than 1.35:1.00 with respect to fixed rate interest advances and 1.10:1.00 with respect to variable rate interest advances, and an aggregate loan-to-value ratio not in excess of 75%.

On Closing, Flagship Operating, LLC will be added as guarantor under the Fannie Mae Loan. The Fannie Mae Loan includes a covenant requiring that Flagship Operating, LLC have an initial net worth of not less than $150 million and cash and cash equivalents at Closing equal to at least five percent (5%) of the aggregate outstanding Advances. The Fannie Mae Loan also contains covenants, representations and warranties that are customary for credit facilities of this type. On Closing, the REIT expects to be in compliance with all of the terms and conditions of the Fannie Mae Loan.

Freddie Mac Loan

Certain subsidiaries of FCLLC, as individual borrowers, have entered into Multifamily Loan and Security Agreements (collectively, the "Freddie Mac Loan") with a Delegated Underwriting and Servicing lender of Freddie Mac pursuant to which, on July 31, 2020, the lender provided to the borrower entities a fixed rate loan in the aggregate amount of approximately $99 million for a term of ten years at a fixed rate of 3.21% per annum, payable interest only until August 1, 2030. Recourse of the lender under the Freddie Mac Loan is limited to the collateral secured thereby, subject to certain customary exceptions, with all of the borrowers' indebtedness under the Freddie Mac Loan being cross-collateralized.

The Freddie Mac Loan is secured by the following Initial Communities: Autumn Lakes Pointe, Tannehill Pointe, Logans Pointe North, Mills Pointe, Johnsontown Pointe, Deer Trace Pointe, Mosby's Pointe, Oakview Pointe, Derby Hills Pointe, Campbell County Pointe, Hillcrest Pointe, Grandin Pointe, Riverbend Pointe, Waterford Pointe, Pinecrest Pointe, Heritage Hills Pointe East, Heritage Hills Pointe West, Westridge Pointe, and Crestmore Pointe.

The Freddie Mac Loan requires that the borrower entities each maintain a minimum debt service coverage ratio of 1.25:1, and a maximum aggregate combined loan-to-book ratio of 60%. The Freddie Mac Loan requires that FCLLC, as guarantor, comply with certain covenants relating to net worth and liquidity.

On Closing, Flagship Operating, LLC will be added as guarantor under the Freddie Mac Loan. The Freddie Mac Loan includes a covenant requiring that Flagship Operating, LLC have an initial net worth of not less than $100 million and cash and cash equivalents at Closing equal to at least 5% of the aggregate outstanding advances under the Freddie Mac Loan. The Freddie Mac Loan also contains covenants, representations and warranties that are customary for credit facilities of this type, including certain limitations on transfer of properties and interests in the controlling interests of the borrower entities, as well as the continued participation of Kurtis Keeney and Nathaniel Smith as part of management for at least two years following the transfer. On Closing, the REIT expects to be in compliance with all of the terms and conditions of the Freddie Mac Loan.

Unencumbered Properties

On Closing, the REIT will own seven unencumbered properties.

THE ACQUISITION

Upon and following (if applicable) Closing, and following certain pre-Closing reorganization transactions involving Flagship, the REIT will indirectly acquire the Initial Portfolio via (i) the acquisition by Flagship Operating, LLC of FCLLC (which owns 28 of the Initial Communities and associated rental manufactured homes) by merging Merger LLC with and into FCLLC pursuant to the Merger Agreement, resulting in the payment of consideration noted below to the unitholders of FCLLC; and (ii) the acquisition from certain non-management investors and executive officers of the REIT of (a) entities owning the Legacy SSK Portfolio (other than the Rosewood Pointe Initial Community) by Flagship Operating, LLC, and (b) the entity owning the Rosewood Pointe Initial Community by the REIT, in each case pursuant to the Contribution Agreement. Pursuant to such transactions, all of the issued and outstanding securities of FCLLC and the SSK Entities will be exchanged for an amount in cash equal to approximately $58 million, 38,685 new Units and 5,432,940 new Class B Units of the REIT's subsidiary, Flagship Operating, LLC. See "The Acquisition — Principal Transaction Steps — CMBS-Secured Initial Communities".

The vendors of the Initial Portfolio are set out below, along with the consideration to be received by each of them in the Acquisition. Holdings of Class B Units described below represent both (i) Class B Units held directly by the applicable person or group, and (ii) Class B Units held indirectly on a proportionate basis through direct and indirect ownership interests in Legacy Holdings:

(a) Kurtis Keeney, the President and Chief Executive Officer of the REIT, will receive, in respect of his interest in FCLLC and the SSK Entities, 8,704 Units of the REIT and 1,369,093 Class B Units of Flagship Operating, LLC, together representing a cash value of approximately $20.7 million, and an approximate 11.8% interest in the REIT determined as if all Class B Units are redeemed for Units and assuming no exercise of the Over-Allotment Option.

(b) Nathaniel Smith, the Chief Investment Officer of the REIT, will receive, in respect of his interest in FCLLC and the SSK Entities, 8,704 Units and 1,394,882 Class B Units, together representing a cash value of approximately $21.1 million, and an approximate 12.0% interest in the REIT determined as if all Class B Units are redeemed for Units and assuming no exercise of the Over-Allotment Option.

(c) The Specified Non-Management Investor will receive, in respect of his interest in FCLLC and the SSK Entities, 8,704 Units and 1,155,561 Class B Units, together representing a cash value of approximately $17.5 million, and an approximate 9.9% interest in the REIT determined as if all Class B Units are redeemed for Units and assuming no exercise of the Over-Allotment Option.

(d) Certain non-management investors, collectively as a group, will receive, in respect of their interests in the SSK Entities, 12,573 Units and 1,451,977 Class B Units, together representing a cash value of approximately $22.0 million, and an approximate 12.5% interest in the REIT determined as if all Class B Units are redeemed for Units and assuming no exercise of the Over-Allotment Option. These investors do not have any ownership interest in FCLLC. Additionally, no one such investor owns an interest in the REIT of over 10%, determined on the foregoing basis.

(e) Certain management investors, collectively as a group, will receive, in respect of their interests in FCLLC, 61,427 Class B Units, representing a cash value of approximately $0.9 million, and an approximate 0.5% interest in the REIT determined as if all Class B Units are redeemed for Units and assuming no exercise of the Over-Allotment Option. These investors do not have any ownership interest in the SSK Entities.

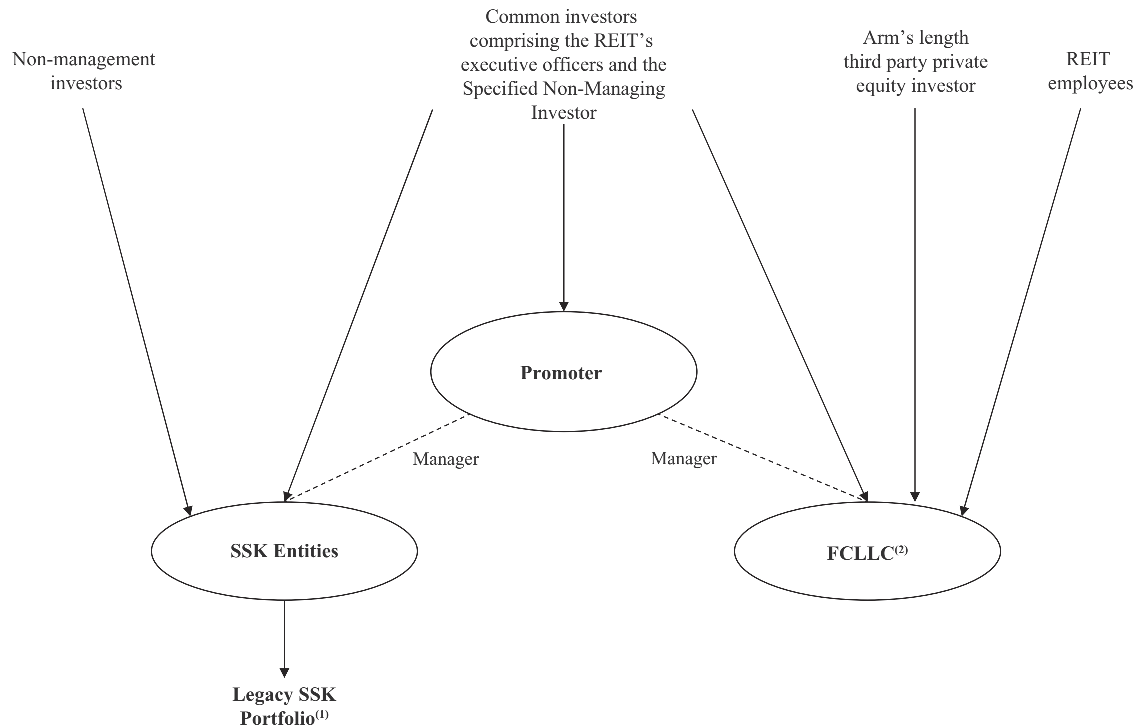
(f) An arm's length third party private equity investor that is not related to management of the REIT will receive, in respect of its Series A-1 units in FCLLC, an amount in cash equal to approximately $58 million out of the net proceeds of the Offering. This investor does not have any ownership interest in the SSK Entities.

The Class B Units referred to in items (a) through (d) above will be aggregated and held by Legacy Holdings (excluding 137,115 Class B Units held by Kurtis Keeney directly and 137,115 Class B Units held by Nathaniel Smith directly), and accordingly, Legacy Holdings (an entity controlled by Kurtis Keeney and

Nathaniel Smith) will own 5,097,283 Class B Units at completion of the Acquisition (representing approximately 43.5% of the Units determined as if all Class B Units are redeemed for Units and assuming no exercise of the Over-Allotment Option). The Class B Units to be issued in the Acquisition will be issued at the Offering Price.

Pre-Closing Structure Chart

The following is a diagram of the simplified organizational structure of Flagship immediately prior to Closing:



Notes:

(1) Includes 17 Initial Communities, the portion of the Rental Homes Fleet owned by SSK RH LLC and the REIT's head office property owned by Head Office LLC.

(2) Owns 28 Initial Communities and the portion of the Rental Homes Fleet owned by Charlie's Homes, LLC.

Principal Transaction Steps

The following is a summary of the principal transactions that will take place prior to and in connection with the Closing or completion of the Acquisition, as applicable:

Pre-Closing Events

(i) A new limited liability company, Legacy Holdings, will be formed by the Promoter.

(ii) Separate limited liability companies newly formed by Legacy Holdings will merge with and into, respectively, (a) each SSK Entity other than the SSK Entity that owns the Rosewood Pointe Initial Community ("**Rosewood LLC**"), (b) a limited liability company that owns the REIT's head office property ("**Head Office LLC**"), and (c) a limited liability company that owns a portion of the Rental Homes Fleet ("**SSK RH LLC**"), with equity interests in Legacy Holdings issued as consideration and the entities identified in (a), (b) and (c) above surviving and becoming wholly owned by Legacy Holdings.

(iii) Each SSK Entity or subsidiary of an SSK Entity that directly owns a property (including Rosewood LLC and Head Office LLC) will convert to separate limited partnerships under applicable state law, each admitting a limited liability company newly formed by Legacy Holdings as general partner.

(iv) Each SSK Entity or subsidiary of an SSK Entity that is not a property-owning limited partnership (following the conversions described above) will liquidate into Legacy Holdings, causing Legacy Holdings to become the direct owner of 100% of the limited partner interests in such limited partnerships (other than the limited partner interests in the limited partnership ("**Rosewood LP**") that converted from Rosewood LLC, which limited partner interests will be owned by the individuals who were the members of Rosewood LLC prior to its conversion to a limited partnership).

(v) FCLLC will distribute to the holders of its Series A-2 units, in partial redemption of their Series A-2 units, certain assets, including the MHCs not being transferred to the REIT (as described under "Arrangements with Empower — ROFO Agreement"), which assets will be contributed to Empower.

(vi) All but four property-owning limited liability companies owned by FCLLC will convert to separate limited partnerships under applicable state law, admitting Flagship GP, LLC (newly formed by FCLLC) as general partner, and the four excluded limited liability companies will merge with and into Flagship Manageco (newly formed by FCLLC), with Flagship Manageco continuing as the surviving entity and which will employ all of the employees performing services for the REIT, US Holdco and Flagship Operating, LLC and its subsidiaries.

(vii) Flagship Manageco will form Flagship TRS as a wholly-owned subsidiary, which will elect to be classified as a corporation for U.S. federal income tax purposes.

The Offering

(viii) The REIT will complete the Offering, and the Unit held by the initial Unitholder of the REIT will be redeemed for $10.

Indirect Acquisition of the Initial Portfolio

(ix) (a) The REIT will use the net proceeds of the Offering to subscribe for preferred shares and common shares of US Holdco; (b) US Holdco will use the proceeds received from the REIT to subscribe for class A units of Flagship Operating, LLC ("**Class A Units**"), a limited liability company newly formed by US Holdco; and (c) Flagship Operating, LLC will contribute the proceeds received from US Holdco to a limited liability company ("**Merger LLC**") newly formed and wholly owned by Flagship Operating, LLC.

(x) The indirect owners of the Rosewood Pointe Initial Community, being certain members of management and others, will contribute 100% of the limited partner interests in Rosewood LP (representing 100% of its equity value) to the REIT for Units.

(xi) (a) The REIT will contribute the limited partner interests in Rosewood LP to US Holdco for common shares; and (b) US Holdco will contribute the limited partner interests in Rosewood LP to Flagship Operating, LLC for Class A Units.

(xii) Pursuant to the Merger Agreement, Merger LLC will merge with and into FCLLC, which holds 28 of the Initial Communities and Charlie's Homes, LLC, a limited liability company that owns a portion of the Rental Homes Fleet, with FCLLC continuing as the surviving entity, in consideration for which the unitholders of FCLLC will receive approximately $58 million in cash and 1,383,010 Class B Units, following which FCLLC will liquidate into Flagship Operating, LLC, causing Flagship Operating, LLC to own 100% of the limited liability company interests in Flagship Manageco and Flagship GP, LLC and 100% of the limited partner interests in the limited partnerships that were owned by FCLLC immediately prior to the merger.

(xiii) Pursuant to the Contribution Agreement, Legacy Holdings will contribute to Flagship Operating, LLC for 4,049,930 Class B Units the following: (a) the limited partner interests in the limited partnerships through which Legacy Holdings will indirectly hold, following the previous steps, 16 of the Initial Communities, (b) the limited liability company interests in the limited liability company serving as the general partner of such limited partnerships, and (c) the limited liability company interests in SSK RH LLC, which entity will subsequently merge with and into Charlie's Homes, LLC, with Charlie's Homes, LLC continuing as the surviving entity.

(xiv) The holders of Series A-2 units in FCLLC who will receive Class B Units pursuant to the Merger Agreement will contribute such Class B Units to Legacy Holdings for equity interests in Legacy Holdings, and the holders of Series B units in FCLLC who will receive Class B Units pursuant to the Merger Agreement will retain direct ownership of such Class B Units.

CMBS-Secured Initial Communities

Each of the CMBS-Secured Initial Communities is currently owned by an SSK Entity and will be acquired by the REIT on the later of Closing and receipt of necessary customary consents, including consents from lenders and associated servicers, and in the case of one CMBS loan, from a rating agency. If there is a delay in any such acquisition as a result of not obtaining such consents by Closing, the transactions described above will be adjusted to reflect such delay for the applicable Initial Community. Should any required consent not be obtained by December 15, 2020, the REIT will refinance such indebtedness and the applicable borrowers under the applicable CMBS loans will defease or otherwise prepay the applicable CMBS loan, or the REIT will formally assume such indebtedness, in each case at the sole cost and expense of the applicable vendors (see "— Indemnity Agreement") so that the REIT can acquire the applicable CMBS-Secured Initial Community by no later than December 31, 2020. Furthermore, any purchase price attributable to such CMBS-Secured Initial Community will be adjusted to reflect a credit in favour of the REIT for the period between Closing and the actual date of each acquisition closing to neutralize any financial impact to the REIT of any such delay. The Class B Units to be issued in the acquisition of any such delayed CMBS-Secured Initial Community will nevertheless be issued at the Offering Price. The six CMBS-Secured Initial Communities represent 13.3% of the 45 Initial Communities to be indirectly acquired by the REIT in connection with the Acquisition. The aggregate of the Class B Units to be issued in consideration for the acquisition of all the CMBS-Secured Initial Communities represents 13.6% of the consideration to be paid by the REIT in connection with the Acquisition.

For an illustration of the simplified corporate structure of the REIT upon completion of the Offering and the above transactions, see "Post-Closing Structure".

Contribution Agreement

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

As described above, Flagship Operating, LLC will indirectly acquire 16 of the Initial Communities and a portion of the Rental Homes Fleet from Legacy Holdings pursuant to a contribution agreement among Legacy Holdings, Flagship Operating, LLC and the Promoter (the "**Contribution Agreement**"). On Closing, Legacy Holdings will contribute its interest in the equity of the limited liability companies (including the general partners of the limited partnerships noted below) and limited partnerships through which Legacy Holdings will hold indirectly 16 of the Initial Communities and a portion of the Rental Homes Fleet to Flagship Operating, LLC for Class B Units.

The Contribution Agreement will contain representations and warranties typical of those contained in purchase agreements for similar real estate assets negotiated between sophisticated purchasers and sellers acting at arm's length. Certain of the representations and warranties will be qualified as to knowledge (after reasonable inquiry), materiality and disclosure. Legacy Holdings and the Promoter, jointly and severally, will provide representations and warranties relating to the Promoter, Legacy Holdings, the portion of the Initial

Communities and the Rental Homes Fleet being acquired from Legacy Holdings and, in each case, the entities owning such assets (and any other acquired entities), including as to: existence and capacity; due authorization; no contravention; compliance with laws and legal orders, subject to knowledge and materiality qualifiers; title to properties and securities; condemnation and eminent domain actions, subject to knowledge qualifiers; material contracts, subject to knowledge qualifiers; financial matters, subject to materiality qualifiers; tax matters; and environmental matters, subject to knowledge and materiality qualifiers. Such representations and warranties of Legacy Holdings and the Promoter will survive for a period of 18 months following the Closing; however, the representations and warranties regarding formation and status, power and due authorization and title to properties and securities will survive indefinitely, and the representations and warranties regarding tax and environmental matters will survive for the applicable limitation periods.

A purchaser of Units should refer to the terms of the Contribution Agreement for a complete description of the covenants, representations and warranties being provided in favour of Flagship Operating, LLC, and related limitations thereunder.

Merger Agreement

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

Flagship Operating, LLC will indirectly acquire 28 of the Initial Communities and a portion of the Rental Homes Fleet from FCLLC via the merger of a newly created subsidiary of Flagship Operating, LLC with and into FCLLC pursuant to a merger agreement among Flagship Operating, LLC, such subsidiary entity, FCLLC, its Series A-1 unitholder and the Promoter (the "**Merger Agreement**").

The Merger Agreement will contain representations and warranties typical of those contained in merger agreements or purchase agreements for similar real estate assets negotiated between sophisticated purchasers and sellers acting at arm's length. Certain of the representations and warranties will be qualified as to knowledge (with respect to knowledge of FCLLC and the Promoter, after reasonable inquiry), materiality and disclosure. FCLLC and the Promoter, jointly and severally, will provide representations and warranties relating to FCLLC and the portion of the Initial Communities and the Rental Homes Fleet being acquired pursuant to the Merger Agreement, including as to: existence and capacity; due authorization; no contravention; compliance with laws and legal orders, subject to knowledge and materiality qualifiers; title to properties and securities; condemnation and eminent domain actions, subject to knowledge qualifiers; material contracts, subject to knowledge qualifiers; financial matters, subject to materiality qualifiers; tax matters; and environmental matters, subject to knowledge and materiality qualifiers. The Series A-1 unitholder of FCLLC will provide fundamental representations and warranties relating to its existence and capacity, due authorization and title to securities, as well as knowledge-qualified representations and warranties regarding no contravention and compliance with laws (subject to materiality qualifiers). Only representations and warranties of the Promoter will survive for a period of 18 months following the Closing; however, the representations and warranties of the Promoter regarding formation and status, power and due authorization and title to properties and securities will survive indefinitely, and the representations and warranties regarding tax and environmental matters will survive for the applicable limitation periods.

A purchaser of Units should refer to the terms of the Merger Agreement for a complete description of the covenants, representations and warranties being provided in favour of Flagship Operating, LLC, and related limitations thereunder.

Indemnity Agreement

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

Pursuant to an indemnity agreement entered into among the REIT, Flagship Operating, LLC, the Promoter, the former Series A-2 unitholders of FCLLC and Legacy Holdings (the "**Indemnity Agreement**"), Legacy Holdings and the Promoter, jointly and severally, will provide a representation and warranty that this prospectus does not contain a misrepresentation (as defined in applicable Canadian securities legislation), subject to exceptions for portions of the prospectus containing extracts or summaries of expert reports and information provided by the Underwriters. Such representations and warranties of Legacy Holdings and the Promoter will survive for three years from Closing.

Additionally, in respect of employment-related matters, the Indemnity Agreement will apportion responsibility for obligations and provide that: (a) the current employer of Flagship's employees will remain responsible for all employment-related costs, obligations and liabilities in respect of each such employee (i) who is not offered or does not accept employment with the REIT or (ii) if Closing does not occur, and, in either case, the Promoter and Legacy Holdings, jointly and severally, will indemnify the REIT and Flagship Operating, LLC for such costs, obligations and liabilities; and (b) Flagship Manageco, as the employer entity of the REIT, will be responsible for all such costs, obligations and liabilities in respect of each employee who is offered and accepts employment with that entity, and Flagship Manageco will indemnify the Promoter and the current employer of Flagship's employees for those costs, obligations and liabilities.

Pursuant to the Indemnity Agreement, the Promoter and Legacy Holdings, on a joint and several basis, will indemnify the REIT and Flagship Operating, LLC for breaches of their and FCLLC's covenants, representations and warranties in the Indemnity Agreement, the Contribution Agreement and the Merger Agreement, as applicable; however, no claim under the indemnity may be made until the aggregate losses exceed $1.5 million, subject to customary exceptions for fraud and fundamental representations. The aggregate maximum liability of Legacy Holdings and the Promoter pursuant to the Indemnity Agreement will be limited to the value of the Class B Units held by Legacy Holdings attributable to the former Series A-2 unitholders of FCLLC based on their respective limited liability company interests in Legacy Holdings on completion of the Acquisition and the Units and Class B Units received by such individuals pursuant to the Acquisition, estimated to be an aggregate of $59.2 million at Closing (based on the Offering Price), representing approximately 73% of the $81.1 million estimated net proceeds of the Offering, assuming the Over-Allotment Option is not exercised and assuming closing of the Acquisition upon Closing. As security for the obligations of Legacy Holdings, the Promoter and the Series A-2 unitholders of FCLLC under the Indemnity Agreement, including in respect of costs incurred in connection with the defeasance, prepayment or assumption of the CMBS loans secured by any CMBS-Secured Initial Communities that are not acquired by the REIT on Closing as described in the following paragraph, (i) Legacy Holdings will pledge to the REIT, for a period of 18 months following the Closing, a number of Class B Units attributable to the former Series A-2 unitholders of FCLLC based on their respective membership interests in Legacy Holdings at Closing, including Units for which such Class B Units are redeemed; and (ii) such former Series A-2 unitholders of FCLLC will pledge to the REIT, for a period of 18 months following the Closing, the Units and Class B Units received by such individuals pursuant to the Acquisition; such Class B Units and Units, in the aggregate, being equivalent in value (using the Offering Price) to the indemnity limit, less a number of Class B Units and/or Units having a value (using the Offering Price) equivalent to approximately $16 million which will be pledged as collateral for a bona fide loan from an arm's length lender. The REIT will obtain a six-year prospectus liability insurance policy providing coverage to the Trustees and officers of the REIT, the REIT and the Promoter (in such order of priority), subject to certain limits, deductibles and other terms and conditions. See "— Contribution Agreement" and "— Merger Agreement".

Pursuant to the Indemnity Agreement, the Series A-2 unitholders of FCLLC, the Promoter and Legacy Holdings will be responsible for all defeasance and other costs that may be incurred in connection with the defeasance, prepayment or assumption of the CMBS loans secured by any CMBS-Secured Initial Communities that are not acquired by the REIT on Closing if requested by the REIT, and will indemnify the REIT and Flagship Operating, LLC for any such costs as well as all incremental costs and expenses (including interest) associated with securing any replacement loan on as favourable terms. In addition, the Series A-1 unitholder of FCLLC has agreed to also be responsible for up to $4.4 million of such defeasance and other costs and has agreed that $4.4 million of the net proceeds of the Offering otherwise payable to it will be placed into escrow as

security for these obligations. Such cash proceeds will be released to the Series A-1 unitholder of FCLLC as the required consents for the transfer of the CMBS-Secured Initial Communities are obtained.

Although Legacy Holdings and the former Series A-2 unitholders of FCLLC, as applicable, will pledge to the REIT, for a period of 18 months following the Closing, Class B Units, including Units for which the Class B Units are redeemed, and Units having the value described above, no assurance can be given that the REIT will recover from the Promoter and Legacy Holdings for any breach of the covenants, representations and warranties to be made under the Indemnity Agreement that survive for periods longer than 18 months following the Closing or that the assets of the Promoter and Legacy Holdings will be sufficient to satisfy such obligations, including if the value of the pledged securities declines. Further, in respect of the covenants, representations and warranties provided under the Merger Agreement, only those provided by the Promoter will survive Closing, and, as such, no indemnity will be provided for any other covenants, representations and warranties thereunder. The inability to recover fully any significant liabilities incurred with respect to breaches of covenants, representations and warranties under the Contribution Agreement, the Merger Agreement and the Indemnity Agreement may have adverse effects on the REIT's financial position.

Only the REIT will be entitled to bring a claim or action for misrepresentation or breach of contract under the Contribution Agreement, Merger Agreement or Indemnity Agreement and Unitholders will not have any contractual rights or remedies under such agreements.

A purchaser of Units should refer to the terms of the Indemnity Agreement for a complete description of the covenants, representations, warranties and indemnities being provided in favour of the REIT, and related limitations thereunder.

The terms of the Contribution Agreement, the Merger Agreement and the Indemnity Agreement are subject to negotiations among the parties involved, including the REIT, the Promoter, the vendors, the Underwriters and their respective legal counsel.

RETAINED INTEREST HOLDERS

General

On completion of the Acquisition, the Retained Interest Holders are expected to own an aggregate of 5,432,940 Class B Units (5,097,283 of which will be held by Legacy Holdings) and 38,685 Units (17,408 of which will be held by the REIT's President and Chief Executive Officer and Chief Investment Officer), together representing an approximate 46.7% effective interest in the REIT, or an approximate 43.2% effective interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). The Retained Interest Holders include the REIT's executive officers, who will collectively beneficially own 2,789,149 Class B Units and 17,408 Units (including indirectly on a proportionate basis through direct and indirect ownership interests in Legacy Holdings), and control (through effective control of Legacy Holdings by the REIT's President and Chief Executive Officer and Chief Investment Officer) an additional 2,607,538 Class B Units owned by Legacy Holdings, representing, in the aggregate, an approximate 46.2% effective interest in the REIT, or an approximate 42.8% effective interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). The Class B Units are, in all material respects, economically equivalent to Units and are redeemable under certain circumstances by the holder thereof for cash or Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by Flagship Operating, LLC and as directed by the REIT in its sole discretion. See "Flagship Operating, LLC — Flagship Operating, LLC Units". The Retained Interest Holders intend to collectively maintain a significant ownership position in the REIT (through ownership of Units and Class B Units) over the long-term.

Lock-up Period

In conjunction with the entering into of the Underwriting Agreement, each of the Trustees and executive officers of the REIT and each of the Retained Interest Holders will execute an undertaking in favour of the Underwriters, pursuant to which each will agree for the period from the Closing Date to the date that is 24 months thereafter (the "**Lock-up Period**") not to, directly or indirectly, or agree or announce any intention to, in any manner whatsoever, (i) offer, issue, sell, grant any option, right or warrant to purchase, secure, pledge, or

otherwise transfer, dispose of or monetize, or (ii) engage in any hedging transaction with respect to, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, any REIT Securities without the prior written consent of the Lead Underwriters, such consent not to be unreasonably withheld, and the consent of the independent Trustees, except in conjunction with: (a) the acceptance of a bona fide take-over bid made to all securityholders of the REIT or similar business combination transaction; (b) in the case of an individual who owns Units or securities of Legacy Holdings, any transfer resulting from or following the death, long-term incapacity or as contractually or legally required as a result of the change in marital status of such individual, provided, in each case, the terms of such transfer expressly prohibits the transferee party thereto from selling, transferring or otherwise disposing of, directly or indirectly, the transferred REIT Securities during the Lock-up Period; (c) a pledge of REIT Securities (other than REIT Securities otherwise pledged in respect of indemnity obligations in the Indemnity Agreement) as collateral for a bona fide loan if the terms of such pledge expressly prohibit the party to which the pledge is granted from selling, directly or indirectly, the pledged Units during the Lock-up Period; or (d) any transfer of REIT Securities among the Retained Interest Holders or any securityholders thereof.

Investor Rights Agreement

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

On Closing, the REIT and the Retained Interest Holders will enter into the Investor Rights Agreement which will govern certain of the rights of the Retained Interest Holders as Unitholders and holders of Class B Units, as applicable. The Investor Rights Agreement shall be in effect for so long as the Retained Interest Holders and their associates own, in the aggregate, directly or indirectly, 10% or more of the then outstanding Units (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT). The following is a summary of certain provisions of the Investor Rights Agreement, which is not intended to be complete.

Nomination Rights

Pursuant to the Investor Rights Agreement and as set forth in the Declaration of Trust, the Retained Interest Holders will be granted the right to nominate a number of Trustees (such nominees will be subject to election together with the remaining Trustees at annual meetings of Unitholders) based on: (i) the proportion of the aggregate number of outstanding Units held by the Retained Interest Holders and their associates (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT), whether held directly or indirectly, at the time of nomination; and (ii) the size of the Board of Trustees, as shown in the following table:

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

Note:

(1) Percentage of the REIT's equity (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT).

For so long as the Chief Executive Officer of the REIT is one of the Retained Interest Holders or an affiliate, associate, director or officer, as applicable, of a Retained Interest Holder, the Chief Executive Officer

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

On completion of the Acquisition, it is expected that the Retained Interest Holders will have an approximate 46.7% effective interest in the REIT, or an approximate 43.2% effective interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units), and will therefore be entitled to nominate three of the seven Trustees of the REIT. In the event the acquisition of the CMBS-Secured Initial Communities are delayed, the Retained Interest Holders will nevertheless have an interest in the REIT in excess of 33% at Closing (based determined as if all Class B Units are redeemed for Units) and will therefore still be entitled to nominate three of seven Trustees of the REIT at Closing. See "Post-Closing Structure".

Consent Rights

Pursuant to the Investor Rights Agreement, transactions not in the ordinary course of business that would generally constitute a fundamental change under corporate law that may be taken by Flagship Operating, LLC will require the approval of Legacy Holdings, as designee of the Retained Interest Holders, provided that the Retained Interest Holders and their associates own, in the aggregate, 33⅓% or more of the then outstanding Units (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT) or, in the event the Retained Interest Holders and their associates own less than such percentage interest, the percentage interest owned by the Retained Interest Holders and their associates constitutes at least that number of Units (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT) equal to 33⅓% of the votes cast at a meeting of Unitholders. The same approvals will also be required for the following:

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

Registration Rights

The Investor Rights Agreement will provide the Retained Interest Holders with the right (the "**Piggy-Back Registration Right**"), among others, to require the REIT to include Units (including Units issuable upon the redemption of Class B Units) held by Retained Interest Holders in any future offering undertaken by the REIT by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a "**Piggy-Back**

Distribution"). The REIT will be required to use reasonable commercial efforts to cause to be included in the Piggy-Back Distribution all of the Units the Retained Interest Holders request to be sold, provided that if the Piggy-Back Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Piggy-Back Distribution should be limited for certain prescribed reasons, the Units to be included in the Piggy-Back Distribution will be first allocated to the REIT.

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

Each of the Piggy-Back Registration Right and the Demand Registration Right will be exercisable at any time from 24 months following Closing, provided that the Retained Interest Holders and their associates own, in the aggregate, directly or indirectly, at least 10% of the outstanding Units (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT) at the time of exercise. The Piggy-Back Registration Right and the Demand Registration Right will be subject to various conditions and limitations, and the REIT will be entitled to defer any Demand Distribution in certain typical circumstances for a period not exceeding 90 days. The expenses in respect of a Piggy-Back Distribution, subject to certain exceptions, will be borne by the REIT, except that any underwriting fee on the sale of Units by the Retained Interest Holders and the fees of the Retained Interest Holders' external legal counsel will be borne by the Retained Interest Holders. The expenses in respect of a Demand Distribution, subject to certain exceptions, will be borne by the REIT and the Retained Interest Holders on a proportionate basis according to the number of Units distributed by each.

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

The REIT has not and will not, pursuant to the Investor Rights Agreement or otherwise, have any obligation to register, nor will it register, Units under the U.S. Securities Act.

Pre-Emptive Rights

In the event the REIT, Flagship Operating, LLC or one of their subsidiaries decides to issue equity securities of the REIT or Flagship Operating, LLC or securities convertible into or exchangeable or redeemable for equity securities of the REIT or Flagship Operating, LLC or an option or other right to acquire such securities other than to an affiliate thereof, the Investor Rights Agreement will provide that the Retained Interest Holders and their associates, for so long as they continue to own, in the aggregate, directly or indirectly, at least 10% of the outstanding Units (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT), shall have pre-emptive rights to purchase Units, Class B Units or such other securities as are being contemplated for issuance by the REIT, Flagship Operating, LLC or one of their subsidiaries to maintain their pro rata ownership interests in the REIT, provided that such pre-emptive rights may only be exercised by Legacy Holdings as designee on behalf of the Retained Interest Holders. Notice of exercise of such rights is to be provided in advance of the commencement of any offering of securities of the REIT or Flagship Operating, LLC or such

other securities as are being contemplated for issuance and otherwise in accordance with the terms and conditions to be set out in the Investor Rights Agreement.

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

- to participants in a distribution reinvestment plan or similar plan, including any "bonus" distribution;
- in respect of the exercise or issuance of options, warrants, rights or other securities issued under security based compensation arrangements of the REIT or Flagship Operating, LLC;
- in respect of the exercise of the Class B Unit redemption right for Units;
- as full or partial consideration for the purchase of real property by the REIT or its subsidiaries from Empower;
- to Unitholders or holders of Class B Units in lieu of cash distributions;
- in respect of the exercise by a holder of a conversion, exchange or other similar right pursuant to the terms of a security in respect of which the Retained Interest Holders were granted the right to exercise their pre-emptive rights or in respect of which the pre-emptive rights did not apply;
- pursuant to a unitholders' rights plan of the REIT;
- to the REIT, Flagship Operating, LLC or any subsidiary or affiliate; and
- pursuant to the exercise of the Over-Allotment Option, if any.

Drag-Along Rights

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

Tag-Along Rights

For so long as the Retained Interest Holders and their associates own, in the aggregate, directly or indirectly, at least 10% of the outstanding Units (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT) the Retained Interest Holders will have tag-along rights that will apply in respect of any sale by the REIT of its interest in Flagship Operating, LLC.

ARRANGEMENTS WITH EMPOWER

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

As further described below, Flagship Operating, LLC will enter into the ROFO Agreement with Empower on Closing, pursuant to which, among other things, Empower will present Flagship Operating, LLC with

opportunities to purchase MHCs, including those owned by Empower. Flagship Operating, LLC will have a right of first opportunity to purchase such properties and, in the case of any such property that is already owned by Empower, such opportunity will be presented to Flagship Operating, LLC at a discount to appraised value. Conversely, Flagship Operating, LLC will present Empower with opportunities to purchase MHCs that the REIT does not wish to pursue and Empower will have a right of first opportunity to purchase such properties. The REIT will have a one-time right to indirectly acquire all assets owned by Empower at their prevailing market value once the REIT has a Gross Book Value of $1.5 billion or more.

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

ROFO Agreement

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

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

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

Empower may continue to own and operate any MHC in which it owns an interest, directly or indirectly, as of the date of Closing, subject to the REIT ROFO described above, such that once such MHC satisfies the REIT's Investment Criteria, Empower shall promptly notify Flagship Operating, LLC of such REIT Opportunity. Following Closing, Empower will own (i) Beechwood Pointe, a 35-acre MHC located in Austin, Indiana with 120 lots and an occupancy rate of 37.5% as at June 30, 2020 and average in-place monthly lot rent of $240, and (ii) Northshore Estates, a 14-acre MHC located in Lakeside Marblehead, Ohio with 100 lots and an occupancy rate of 100% as at June 30, 2020 and average in-place monthly lot rent of $450.

Pursuant to the ROFO Agreement, Empower will have a right to pursue all opportunities (the "**Empower ROFO**") identified by the REIT to acquire or invest in, directly or indirectly, one or more MHCs that the

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

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

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

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

Management Agreement

Under the Management Agreement, Flagship TRS will provide certain asset and property management services to Empower ("**Management Services**"). In consideration of the provision of Management Services, Flagship TRS will be entitled to: (i) a base asset management fee calculated and payable on a monthly basis, equal to 0.25% of the gross book value of Empower's assets; and (ii) a property management fee, calculated and payable on a monthly basis, equal to 3.0% of the gross property revenue of Empower (together, the "**Management Services Fees**").

Flagship TRS will be reimbursed for all reasonable out-of-pocket costs and expenses incurred in connection with providing Management Services and carrying out related duties and obligations under the Management Agreement. However, Flagship TRS will be responsible for its own overhead costs and certain other costs and expenses, including (i) its office rent, and (ii) costs relating to employees of Flagship Manageco providing Management Services to Empower. The personnel employed or otherwise engaged on behalf of Flagship TRS to carry out its duties and obligations under the Management Agreement will not be employees of Empower, and Flagship TRS will be responsible for all employment matters with respect to such personnel.

The Management Agreement will be entered into on Closing and will have an initial term of five years. Thereafter, the Management Agreement may be renewed by Empower for one additional term of five years upon written notice to Flagship TRS given not less than 180 days prior to the expiry of the initial term. If renewed, Flagship TRS shall have the right to terminate the Management Agreement at any time during the renewal term upon 180 days' prior written notice to Empower, without the payment of any termination or other

fees. If requested by Empower, Flagship TRS will continue to provide Management Services under the Management Agreement to Empower for up to an additional 12 months, if reasonably required by Empower to facilitate the transition of such services to Empower or other service provider retained by Empower. If Flagship Operating, LLC acquires the assets then-owned by Empower as described above pursuant to the ROFO Agreement, the Management Agreement will terminate on the closing of such acquisition.

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

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

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

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

Services Agreement

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

In the event of a repossession or foreclosure of a manufactured home on a REIT-owned MHC (which shall be undertaken by Empower from time to time as requested by Flagship Operating, LLC), losses incurred by Empower from the repossession, refurbishing and subsequent sale of that manufactured home on a REIT-owned MHC will be borne by Flagship Operating, LLC. Such losses shall generally be determined as the out-of-pocket costs incurred by Empower in such repossession, refurbishment and sale, less the proceeds from the sale.

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

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

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

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

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

Non-Competition and Non-Solicitation Agreement

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

Pursuant to the Non-Competition and Non-Solicitation Agreement, unless otherwise consented to by the independent Trustees, during any period in which the ROFO Agreement remains effective, Empower and its affiliates and associates (including the Retained Interest Holders and the Promoter) agree not to (i) directly solicit any existing employee or tenant of the REIT to, respectively, become employed with respect to or become a tenant of a non-REIT property in which Empower or any of its affiliates or associates has an ownership interest or that it manages for another client; (ii) acquire, invest in or have an ownership interest in, directly or indirectly, any MHCs located in Canada, the United States or elsewhere where the REIT operates, or any business or activity related thereto, other than in accordance with the terms of the ROFO Agreement, Management Agreement or the Services Agreement; (iii) create another real estate investment trust or another publicly traded or held real estate business which primarily invests in MHCs in Canada, the United States or elsewhere where the REIT operates; or (iv) act as asset or property manager or promoter to, or perform any similar role for, another real estate investment trust or business which primarily invests in MHCs in Canada, the United States or elsewhere where the REIT operates; provided, however, that if the Management Agreement or Services Agreement is terminated by the REIT due to an event of default by Empower or any of its affiliates or associates, the Non-Competition and Non-Solicitation Agreement shall remain in effect for a period of 12 months following the date of such termination; provided, further, that if the ROFO Agreement is terminated due to the termination of the Management Agreement, but the REIT continues to provide Management Services for any period of 12 months following such termination, then the Non-Competition and Non-Solicitation Agreement shall remain in effect for a period of 12 months following the date of such subsequent termination.

Notwithstanding the foregoing, if a change of control or management (as defined in the Non-Competition and Non-Solicitation Agreement) of the REIT or Flagship Operating, LLC occurs, Empower will have the right to terminate the Non-Competition and Non-Solicitation Agreement upon written notice.

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

CAPITALIZATION OF THE REIT

The following table sets forth the REIT's *pro forma* consolidated capitalization as at August 12, 2020, both before and after giving effect to, among other things, the Offering and the Acquisition, but without giving effect to the exercise of the Over-Allotment Option.

	As at August 12, 2020[1]	As at August 12, 2020, after giving effect to the Offering, the Acquisition and the use of proceeds of the Offering
Indebtedness		
Redeemable units (Class B Units[2])	—	$ 81,494,100
Mortgages Payable	—	$214,682,999
Unitholders' Equity		
Units[2]	$10.00	$ 94,330,275
Total Capitalization	$10.00	$390,507,374

Notes:

(1) The REIT was initially settled on August 12, 2020 with $10.00 in cash.

(2) The number of Units and Class B Units authorized for issuance is unlimited.

FINANCIAL FORECAST

The following Financial Forecast was prepared by management, using assumptions with an effective date of September 25, 2020, and was approved by the Board on September 25, 2020. Pursuant to applicable securities laws, the REIT will be required to update the forecast during the Forecast Period by identifying any material changes from the forecast resulting from events that have occurred since it was issued and by comparing such forecast with annual audited actual results and interim unaudited actual results for the periods covered. The results of this comparison will accompany the REIT's annual or interim management's discussion and analysis for the relevant periods.

The forecast has been prepared in accordance with the measurement and presentation principles of IFRS and reflects the significant accounting policies expected to be applied by the REIT. The forecast has been prepared using assumptions that reflect management's intended courses of action for the REIT for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast has been prepared after giving effect to the Offering, the Acquisition and the other transactions contemplated in this prospectus to be completed before or concurrently with Closing (and assuming no exercise of the Over-Allotment Option).

The assumptions used in the preparation of a forecast, although considered reasonable by management at the time of preparation, may not materialize as forecasted and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that actual results achieved for the Forecast Period will vary from the forecasted results and that such variations may be material. There is no representation that actual results achieved during the Forecast Period will be the same in whole or in part as those forecasted. Important factors that could cause actual results to vary materially from the forecast include those disclosed under "Risk Factors". See "Forward-Looking Statements" and "Risk Factors".

The financial forecast that follows should be read in conjunction with the REIT's unaudited pro forma consolidated financial statements, the REIT's audited financial statements, the audited and unaudited combined carve-out financial statements of the Legacy SSK Portfolio and the audited and unaudited consolidated carve-out financial statements of FCLLC contained in this prospectus. See "Index to Financial Statements".

Independent Auditor's Report on Financial Forecast

To the Trustees of Flagship Communities Real Estate Investment Trust:

The accompanying financial forecast of Flagship Communities Real Estate Investment Trust (the "REIT") consisting of consolidated statements of forecasted net income and comprehensive income for each of the three-month periods ending December 31, 2020, March 31, 2021, June 30, 2021 and September 30, 2021 and the twelve-month period ending September 30, 2021 has been prepared by management using assumptions with an effective date of September 25, 2020. We have examined the support provided by management for the assumptions, and the preparation and presentation of this forecast. Our examination was made in accordance with the applicable Assurance and Related Services Guideline set out in the CPA Canada Handbook — Assurance. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- as at the date of this report, the assumptions developed by management are suitably supported and consistent with the plans of the REIT, and provide a reasonable basis for the forecast;
- this forecast reflects such assumptions; and
- this forecast complies with the presentation and disclosure standards for forecasts set out in the CPA Canada Handbook — Accounting.

Since this financial forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, we express no opinion as to whether this forecast will be achieved.

MNP LLP

Chartered Professional Accountants, Licensed Public Accountants.

September 28, 2020

Toronto, Canada

Flagship Communities Real Estate Investment Trust

Consolidated Statements of Forecasted Net Income and Comprehensive Income

For the three-month periods ending December 31, 2020, March 31, 2021, June 30, 2021 and September 30, 2021 and the twelve-month period ending September 30, 2021
(Expressed in US Dollars)

	Three-month periods ending				Twelve-month period ending
	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	September 30, 2021
Revenue from investment properties	8,691,354	8,988,210	9,029,036	9,068,182	35,776,782
Expenses					
Property operating expenses	3,026,447	3,154,224	3,210,259	3,215,712	12,606,642
General and administrative expenses	1,252,525	1,252,525	1,252,525	1,252,525	5,010,100
Depreciation and amortization	26,890	29,390	31,890	34,390	122,560
Finance costs					
Interest expense and other financing charges	1,813,937	1,768,928	1,789,550	1,810,620	7,183,035
Distribution on Class B Units	692,700	692,700	692,700	692,699	2,770,799
	6,812,499	6,897,767	6,976,924	7,005,946	27,693,136
Net income and comprehensive income	**$1,878,855**	**$2,090,443**	**$2,052,113**	**$2,062,235**	**$8,083,646**

See accompanying notes to the consolidated statements of forecasted net income and comprehensive income.

Flagship Communities Real Estate Investment Trust

Notes to Consolidated Statement of Forecasted Net Income and Comprehensive Income

For the three-month periods ending December 31, 2020, March 31, 2021, June 30, 2021 and September 30, 2021 and the twelve-month period ending September 30, 2021 (Expressed in US Dollars)

1. Purpose of the consolidated financial forecast

This consolidated financial forecast has been prepared by management of Flagship Communities Real Estate Investment Trust (the "REIT") for use by prospective investors in their evaluation of potential investments in the REIT and may not be appropriate for any other purpose.

2. Basis of presentation of financial forecast

The REIT is a newly created, unincorporated, open-ended real estate investment trust established under, and governed by, 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. 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 manufactured housing communities ("MHCs") located in the United States. In connection with the completion of the initial public offering (the "Offering") of trust units of the REIT (the "Units"), the REIT will indirectly acquire a 100% interest in a portfolio of 45 MHCs with 8,255 lots located in Kentucky, Indiana, Ohio and Tennessee (the "Initial Communities"), together with a fleet of approximately 600 manufactured homes for lease to residents of the Initial Communities and the REIT's head office property in Erlanger, Kentucky (collectively, the "Initial Portfolio").

The consolidated financial forecast consists of the consolidated statements of forecasted net income and comprehensive income of the REIT for the three-month periods ending December 31, 2020, March 31, 2021, June 30, 2021 and September 30, 2021 and the twelve-month period ending September 30, 2021 (the "consolidated financial forecast"). The consolidated financial forecast has been prepared using assumptions with an effective date of September 25, 2020, and reflects the assumptions described in Note 4.

The consolidated financial forecast has been prepared using assumptions that reflect the REIT's intended course of action for the periods presented, given management's judgment as to the most probable set of economic conditions. The consolidated financial forecast will be compared with the reported results for the financial forecast periods and any significant differences will be disclosed. The actual results achieved during the financial forecast periods will vary from the forecasted results, and these variations may be material.

This consolidated financial forecast has been approved for issuance by the Board of Trustees of the REIT on September 25, 2020.

3. Summary of significant accounting policies

The consolidated financial forecast has been prepared using the following policies in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (the "IASB"), and incorporates the principal accounting policies expected to be used to prepare the REIT's consolidated financial statements.

(a) Basis of consolidation

The consolidated financial forecast includes the forecasted accounts of the REIT and the other entities that the REIT controls in accordance with IFRS 10 — Consolidated Financial Statements. The REIT consolidates its interest in entities which it has common control. Control is defined by the power to govern an entity's financial and operating policies so as to be able to obtain benefits from its activities. All forecasted intercompany balances and transactions have been eliminated on consolidation.

(b) Business combination

In accordance with IFRS 3 — Business Combinations, a business combination must involve the acquisition of a business, which generally has three elements: inputs, processes and outputs. On October 22, 2018, the IASB issued a narrow scope amendment to IFRS 3. This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. This amendment is effective on January 1, 2020 and is to be applied prospectively. The REIT adopted the amendment to IFRS 3.

(c) Investment properties

A property is determined to be an investment property when it is held either to earn rental income, capital appreciation or both. Investment properties include land, buildings, land improvements, building improvements and certain intangibles such as in-place leases and non-competes, if any. Investment properties are initially valued at cost, and subsequently are measured at fair value. Unrealized gains and losses arising from changes in fair value are included in the statement of income and comprehensive income in the applicable period. Fair values are determined through a combination of internal management valuations as well as external appraisers. The fair

3. Summary of significant accounting policies (Continued)

value of each investment property is based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the balance sheet date, less future estimated cash outflows in respect of such properties.

The acquisition of investment properties is initially measured at cost including directly attributable acquisition costs, except when acquired through a business combination, where such costs are expensed as incurred. Costs incurred for the acquisition, development, and construction of properties are capitalized to the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably. To the extent such costs exceed the estimated fair value of such property, the excess would be expensed. All repairs and maintenance costs are expensed as incurred.

(d) Revenue recognition

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and as such accounts for its leases with tenants as operating leases. Revenue from investment properties includes rents from tenants under leases, property tax and operating cost recoveries, lease cancellation fees, late fees and other ancillary revenues. Recoveries from tenants are recognized as revenue in the period in which the applicable costs are incurred. Lease cancellation fees are recognized as revenue once an agreement is completed with the tenant to terminate the lease and the collectability is reasonably assured. Revenue is measured at the transaction price agreed under the contract, and is recognized at the point in time in which control over the property has been transferred. Customer deposits received are held in trust.

The REIT adopted IFRS 15 — Revenue from Contracts with Customers and it introduced a single model for recognizing revenue from contracts with customers. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

(e) Deferred Finance Changes

The REIT measures its debt at amortized cost using the effective interest method. All interest-related charges are reported in the consolidated statements of income and comprehensive income and are included within interest expense, except for those interest-related charges capitalized to qualifying properties under development or rental properties. Mortgages payable are netted against the transaction costs, and the effective interest method of amortization is applied to the premiums, discounts and transaction costs.

(f) Financial instruments

Classification

On initial recognition, the REIT determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss ("FVTPL")
3. Measured at fair value through other comprehensive income

The classification under IFRS 9 — Financial Instruments ("IFRS 9") is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met:

1. Held within a business model whose objective is to hold assets to collect contractual cash flows; and

3. Summary of significant accounting policies (Continued)

2. Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the REIT may irrevocably elect, on initial recognition, to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives), or if the REIT has chosen to evaluate them at FVTPL.

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

Financial Instrument	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Accounts receivables	Amortized cost
Due from related parties	Amortized cost
Bank overdraft	Amortized cost
Trade and other payables	Amortized cost
Other liabilities	Amortized cost
Due to related parties	Amortized cost
Class B Units	FVTPL
Mortgages payable	Amortized cost

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 or 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 statements of income and comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the statements of 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.

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 statements of 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 account receivables 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.

3. Summary of significant accounting policies (Continued)

Impairment losses, if incurred, would be recorded in general and administrative expenses in the statement of 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 statement of 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 and losses from the derecognition are recognized in the consolidated financial forecast.

Financial liabilities — The REIT derecognizes a financial liability when the obligation specified in the contract is discharged, canceled or expired. 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 financial forecast.

(g) Class B units

Units of the REIT's operating subsidiary, Flagship Operating, LLC will consist of outstanding Class A units (the "Class A Units") and Class B units (the "Class B Units"). All of the Class A Units will be indirectly held by the REIT. The holders of Class B Units will be entitled to receive distributions from Flagship Operating, LLC proportionately to the distributions made by the REIT to holders of Units. The Class B Units will be redeemable by the holder thereof for cash or Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by Flagship Operating, LLC and as directed by the REIT in its sole discretion, subject to certain limitations and restrictions, and therefore are considered a puttable instrument. As a result, the Class B Units have been classified as financial liabilities and are measured at FVTPL. The fair value of the Class B Units is measured every period by reference to the traded value of the Units, with changes in measurement recorded in the statement of income and comprehensive income. Distributions on Class B Units are recorded as finance cost in the consolidated financial forecast in the period in which they become payable.

(h) Leases

The REIT adopted IFRS 16 — Leases and this standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17 — Leases, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

(i) Income taxes

(i) Canadian mutual fund status

The REIT is a mutual fund trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a mutual fund trust that is not a Specified Investment Flow-Through Trust ("SIFT") pursuant to the Income Tax Act (Canada) is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to unitholders. The REIT intends to continue to qualify as a mutual fund trust that is not a SIFT trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

(ii) U.S. REIT status

The REIT is classified as a U.S. corporation for U.S. federal income tax purposes under current Treasury Regulations. Further, pursuant to section 7874 of the United States Internal Revenue Code of 1986, as amended (the "Code") the REIT is treated as a U.S. corporation for all purposes under the Code and, as a result, it is permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding it is organized as a Canadian entity. In general, a company that elects real estate investment trust status, distributes at least 90% of its real estate investment trust taxable income to its shareholders

3. Summary of significant accounting policies (Continued)

in any taxable year, and complies with certain other requirements is not subject to U.S. federal income taxation to the extent of the income it distributes. If it fails to qualify as a real estate investment trust in any taxable year, it will be subject to U.S. federal income tax at regular corporate income tax rates on its taxable income. Even if it qualifies for taxation as a real estate investment trust, it may be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed income. The REIT has reviewed the real estate investment trust requirements and has determined that it qualifies as a real estate investment trust under the Code. Accordingly, no provision for U.S. federal income or excise taxes has been made with respect to the income of the REIT.

(iii) Current taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(iv) Deferred taxes

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (a) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and (b) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

4. Significant assumptions

The assumptions used in the preparation of the consolidated financial forecast, although considered reasonable by management, require significant judgements to be made about future events, which may not materialize as forecasted. It is not possible to forecast unanticipated events and circumstances.

(a) The Offering

The consolidated financial forecast assumes that on closing of the Offering (the "Closing"), the REIT will raise gross proceeds of approximately $93,750,000 (excluding any exercise of the over-allotment option) pursuant to the Offering through the issuance of 6,250,000 Units at a price of $15.00 per Unit. Costs relating to the Offering including underwriters' fees and other costs directly associated with the Offering, are expected to be approximately $12,627,880 and are charged directly to unitholders' equity. It is assumed that Closing will occur on or about October 7, 2020; however, the actual date of Closing may differ.

(b) Indirect acquisition of the Initial Portfolio

The Initial Communities are currently indirectly owned by FCLLC and by the SSK Entities. Following certain pre-Closing reorganization transactions, upon Closing, FCLLC will merge with and into a limited liability company subsidiary of the REIT, Flagship Operating LLC, and the SSK Entities will be contributed to Flagship Operating LLC. As a result, upon completion of the merger and contribution, and certain related transactions, all of the Initial Communities and the other assets comprising the Initial Portfolio will be indirectly held by the REIT through its indirect ownership of Flagship Operating LLC. It is assumed that these transactions are completed upon Closing.

At Closing, the REIT will use the net proceeds of the Offering to fund the cash component of the Acquisition, to repay debt secured by certain assets in the Initial Portfolio, for capital expenditure reserves, to fund transaction costs associated with the

4. Significant assumptions (Continued)

Closing and for general business purposes. The acquisition is determined to be accounted for as a business combination. The identifiable net assets acquired based on preliminary allocations, are as follows:

Investment properties	$ 412,686,000
Cash and cash equivalents	1,958,473
Accounts receivables	393,919
Prepaid and other assets	424,376
Property and equipment	721,509
Escrows	12,891,906
Mortgages payable — assumed at indirect acquisition of the Initial Portfolio	(214,682,999)
Mortgages payable — portion to be repaid using net proceeds from offering	(13,523,666)
Trade and other payables	(1,087,113)
Other liabilities	(13,344,374)
	186,438,031
Excess of fair value of net assets acquired over consideration	(46,669,394)
Net assets acquired	$ 139,768,637
Consideration by the REIT consists of the following:	
Retained interest (Units & Class B Units)	82,074,375
Cash	57,694,262
	$ 139,768,637

(c) Debt

On Closing, the REIT is expected to assume mortgages payable on 38 of the Initial Communities with an outstanding principal balance of $214,682,999, including a mark-to-market adjustment of $7,115,261 after factoring in the repayment of $13,523,666 of debt using a portion of the net proceeds from the Offering. A financing cost of $176,816 will be incurred upon debt repayment which will include prepayment penalty and related costs. The mortgages payable have a weighted average interest rate of 3.50% per annum. The mortgages are generally secured by the properties held by the REIT.

(d) Sources and uses of cash

The REIT's sources and uses of cash after the completion of the transactions contemplated in the Offering are as follows:

Sources	
Proceeds from the Offering	$ 93,750,000
	$ 93,750,000
Uses	
Unit issue costs	$ 12,627,880
Purchase of net assets	57,694,262
Repayment of mortgages payable	13,700,482
Cash from Offering proceeds	9,727,375
	$ 93,750,000

(e) Revenue

Forecasted rental revenue from investment properties is based on rents from existing leases, as well as expected income from lease-up of lots or rental homes that are vacant or anticipated to become vacant due to lease expiry.

Rental income from lot rentals and rental homes are calculated by increasing rents to market rates upon lease renewal at expiry. The consolidated financial forecast assumes an average of 4% and 2%, respectively, of rental growth from lot rentals and from

4. Significant assumptions (Continued)

rental homes over the forecast period. The occupancy rate during the forecast period is assumed to be approximately 79.8% and 88.8%, respectively, for lot rentals and rental homes.

The consolidated financial forecast includes projections of other revenue from services, including fee income, utilities income and other income. Fee income is expected to average 4.1% of lot rental income over the forecast period. Utilities income represents the reimbursement of utilities expenses from the tenants and it is expected that 79.5% (excluding other income) of the forecasted utilities expenses is recoverable over the forecast period.

The components of revenue are as follows:

	Three-month periods ending				Twelve-month period ending
	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	September 30, 2021
Lot rental income	$7,023,290	$7,256,464	$7,291,557	$7,325,179	$28,896,490
Rental home income	482,377	492,025	492,025	492,025	1,958,452
Fee income	289,862	299,277	300,844	302,343	1,192,326
Utilities and other income	895,825	940,444	944,610	948,635	3,729,514
	$8,691,354	**$8,988,210**	**$9,029,036**	**$9,068,182**	**$35,776,782**

(f) Property operating expenses

Property operating expenses have been forecasted with reference to the operating plans and budgets for the Initial Portfolio. The consolidated financial forecast reflects historical data, anticipated changes, adjusted for changes in costs due to inflation and other market trends. The major components of property expenses consist of utilities, payroll and benefits, repairs and maintenance, property taxes and insurance.

(g) Finance costs

Finance costs represents interest expense on mortgages payable, floorplan financing, amortization of deferred financing costs and distributions on Class B Units.

The consolidated financial forecast assumes that distributions will be declared by the REIT in respect of the Units on a monthly basis with an annual distribution of $0.51 per Unit, with a corresponding equal amount payable to holders of the Class B Units. The distributions on Class B Units are forecasted to be $2,770,799 for the twelve-month period ending September 30, 2020. The Class B Units are anticipated to represent approximately a 46.3% interest in the REIT on a fully redeemed basis.

The consolidated financial forecast does not reflect any change in the fair value of the Class B Units as any such a change cannot be forecasted. A 10% change in market value of a Unit, for which Class B Units may be redeemed, would result in a fair value change of approximately $8,149,410.

The finance costs are projected as follows:

	Three-month periods ending				Twelve-month period ending
	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	September 30, 2021
Interest expense on mortgages payable	$1,905,611	$1,862,668	$1,881,588	$1,900,540	$ 7,550,407
Interest expense on floorplan financing	60,000	60,000	60,000	60,000	240,000
Amortization of deferred financing costs	105,615	103,549	105,251	107,370	421,785
Amortization of mark-to-market adjustment	(257,289)	(257,289)	(257,289)	(257,290)	(1,029,157)
Distribution on Class B Units	692,700	692,700	692,700	692,699	2,770,799
	$2,506,637	**$2,461,628**	**$2,482,250**	**$2,503,319**	**$ 9,953,834**

4. Significant assumptions (Continued)

(h) General and administrative expenses

General and administrative expenses are forecasted based on management's best estimates with reference to the REIT's plans and budgets and relate to the day-to-day administration of the REIT. The expenses include but are not limited to legal and audit fees, insurance costs, travel and entertainment expenses, trustee fees and employee and executive compensation.

(i) Acquisitions and dispositions of investment properties

The consolidated financial forecast does not reflect any potential sales of the Initial Communities or rental homes in the Initial Portfolio or acquisitions of new communities. However, it is possible that the REIT could make purchases and sales of properties during the forecast period which will only be undertaken on a basis considered by management to be beneficial to the REIT and as approved by the Trustees of the REIT.

(j) Fair value adjustment on investment properties

The consolidated financial forecast does not reflect any change in the fair value of the Initial Portfolio as any such change is impacted by many variables that cannot be forecasted reliably. A 25 basis point decrease or increase in capitalization rates would result in an approximately $19,232,368 increase or $17,592,632 decrease in the fair value of investment properties, respectively.

(k) Income taxes

The REIT intends to meet the real estate investment trust requirements under the Code, to not be a SIFT trust pursuant to the Income Tax Act (Canada), and to make the necessary distributions to not be subject to Canadian or U.S. federal income tax. Accordingly, in the consolidated financial forecast, the REIT has not recorded a provision for current income taxes or deferred income taxes in respect of the assets, liabilities and earnings of the REIT.

(l) Other matters

The global outbreak of COVID-19 has had a significant impact on businesses through the restrictions put in place by U.S. federal, states and municipal governments regarding travel, business operations and isolation/quarantine orders. The ultimate extent of the impact the COVID-19 pandemic may have on the REIT will depend on future developments that are highly uncertain and cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the COVID-19 pandemic, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by U.S. federal, state and municipal governments. No other significant changes in economic conditions and government legislation with respect to taxes, laws and regulations, including realty taxes, other than announced changes, are assumed during the forecast period.

5. Commitments and contingencies

The REIT has agreed to indemnify the underwriters and their directors, officers, employees and agents against certain liabilities, including, without restriction, civil liabilities under Canadian securities legislation, and to contribute to any payments that the underwriters may be required to make in respect thereof. The REIT has also agreed to indemnify, in certain circumstances and subject to certain conditions, its trustees and officers.

The REIT may be subject to claims and legal actions that arise in the ordinary course of business. It is the opinion of the management that any ultimate liability that may arise from such matters would not have a significant adverse effect on the consolidated financial forecast.

5. Commitments and contingencies (Continued)

The following tables reconcile forecast net income and comprehensive income to FFO and AFFO and reconciles certain components of forecast net income and comprehensive income to NOI. See "Non-IFRS Measures" and "Financial Forecast".

	Three-month periods ending				Twelve-month period ending
	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	September 30, 2021
Net income and comprehensive income	$1,878,855	$2,090,443	$2,052,113	$2,062,235	$ 8,083,646
Add/(Deduct)					
Distribution on Class B Units	692,700	692,700	692,700	692,699	2,770,799
Depreciation and amortization	26,890	29,390	31,890	34,390	122,560
FFO	2,598,445	2,812,532	2,776,702	2,789,326	10,977,005
Add/(Deduct)					
Amortization of deferred financing costs	105,615	103,549	105,251	107,370	421,785
Amortization of mark-to-market adjustment	(257,289)	(257,289)	(257,289)	(257,290)	(1,029,157)
Maintenance CAPEX — lots(1)	(99,060)	(99,060)	(148,590)	(148,590)	(495,300)
Maintenance CAPEX — rental homes(2)	(114,400)	(114,400)	(171,600)	(171,600)	(572,000)
AFFO	**$2,233,310**	**$2,445,333**	**$2,304,475**	**$2,319,215**	**$ 9,302,333**

(1) Maintenance capital expenditures on lots are based on the sum of quarterly rounded amounts and are estimated to be approximately $60 per lot on an annual basis.

(2) Maintenance capital expenditures on rental homes are based on the sum of quarterly rounded amounts and are estimated to be approximately $1,000 per rental home on an annual basis.

	Three-month periods ending				Twelve-month period ending
	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	September 30, 2021
Revenue from investment properties	$8,691,354	$8,988,210	$9,029,036	$9,068,182	$35,776,782
Deduct:					
Payroll and benefits	773,588	840,857	874,491	874,490	3,363,426
Repairs and maintenance	200,578	200,578	217,293	217,292	835,741
Utilities	1,128,884	1,156,627	1,161,895	1,166,942	4,614,348
Taxes and insurance	664,819	691,412	691,412	691,410	2,739,053
General and administrative expenses	84,532	86,223	86,223	86,222	343,200
Bad debt	70,989	73,409	73,827	74,232	292,457
Other operating expenses	103,058	105,119	105,119	105,121	418,417
NOI	**$5,664,906**	**$5,833,985**	**$5,818,776**	**$5,852,473**	**$23,170,140**

Upon repayment of certain liabilities immediately following Closing, the Debt to Gross Book Value Ratio of the REIT is expected to be as follows:

Principal Amounts of Assumed Debt	$213,076,074
Indebtedness	$213,076,074
Gross Book Value	$429,867,597
Debt to Gross Book Value Ratio	49.6%

5. Commitments and contingencies (Continued)

Below is a reconciliation of the pro forma NOI for the twelve months ended June 30, 2020 to the forecast NOI for the twelve months ending September 30, 2021. This reconciliation is illustrative in nature and has been prepared by management as a supplement for the reader to the financial forecast. The assumptions used in respect of rent increases, net changes in occupancy and the other items that make up other adjustments in order to arrive at the figures below constitute forward-looking information. While these assumptions are considered reasonable by management as of the date of this prospectus, they are inherently subject to significant uncertainties and contingencies that may affect the outcome of the forward-looking information. Investors should use caution when considering such forward-looking information, and the REIT cautions readers not to place undue reliance on these statements. See “Forward-Looking Statements”.

Pro forma REIT NOI for the twelve month period ended June 30, 2020[(1)]	$21,167,194
Add (Deduct):	
Adjustments for assets not owned throughout the twelve month period ended June 30, 2020[(2)]	502,096
Rent increases and net changes in occupancy to June 30, 2020	1,323,466
Increase in operating expenses to June 30, 2020	(140,541)
Pro forma in-place NOI as at June 30, 2020	**$22,852,215**
Rent increases, net changes in occupancy and changes in other revenue	616,661
Increase in operating expenses	(298,736)
Forecast NOI	**23,170,140**
Forecast NOI Growth from June 30, 2020 in-place NOI	**1.4%**

Notes:

(1) Represents an amount equal to the sum of: (i) pro forma NOI for the six months ended June 30, 2020, and (ii) aggregate NOI for the SSK Legacy Portfolio and FCLLC for the six months ended December 31, 2019. Item (ii) above is derived by subtracting (a) the sum of the NOI of the SSK Legacy Portfolio and the NOI of FCLLC for the six months ended June 30, 2019, from (b) the sum of the NOI for the SSK Legacy Portfolio and the NOI for FCLLC for the year ended December 31, 2019.

(2)
- Tannehill Pointe was acquired on October 1, 2019. An NOI adjustment of $113,732 is included to annualize Tannehill Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecasted Period.
- Seven Oaks Pointe was acquired on August 22, 2019. An NOI adjustment of $11,276 is included to annualize Seven Oaks Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecasted Period.
- Crestmore Pointe was acquired on November 22, 2019. An NOI adjustment of $168,444 is included to annualize Crestmore Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecasted Period.
- Candlelight Pointe was acquired on January 8, 2020. An NOI adjustment of $41,308 is included to annualize Candlelight Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecasted Period.
- Redwood Pointe was acquired on June 3, 2020. An NOI adjustment of $123,046 is included to annualize Redwood Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecasted Period.
- Southwood Pointe was acquired on December 17, 2019. An NOI adjustment of $44,290 is included to annualize Southwood Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecasted Period.

FORECAST NON-IFRS RECONCILIATION

The calculation of NOI and reconciliations of FFO and AFFO do not form part of the consolidated statements of forecasted net earnings and comprehensive income.

Set out below is a calculation of NOI and a reconciliation of the forecasted net income and comprehensive income to FFO and AFFO assuming completion of the Acquisition upon Closing. NOI, FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. NOI, FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate issuers and accordingly, may not be comparable to NOI, FFO and AFFO as reported by other issuers. See "Non-IFRS Measures" and "Financial Forecast".

	Three-month periods ending				Twelve-month period ending
($ in thousands)[1]	**December 31, 2020**	**March 31, 2021**	**June 30, 2021**	**September 30, 2021**	**September 30, 2021**
Net income and comprehensive income	**$1,879**	**$2,090**	**$2,052**	**$2,062**	**$ 8,084**
Add/(Deduct):					
Distribution on Class B Units	$ 693	$ 693	$ 693	$ 693	$ 2,771
Depreciation and amortization	$ 27	$ 29	$ 32	$ 34	$ 123
Funds from operations (FFO)	**$2,598**	**$2,813**	**$2,777**	**$2,789**	**$10,977**
Add/(Deduct):					
Amortization of deferred financing costs	$ 106	$ 104	$ 105	$ 107	$ 422
Amortization of mark-to-market adjustment	$ (257)	$ (257)	$ (257)	$ (257)	$ (1,029)
Maintenance capital expenditures	$ (99)	$ (99)	$ (149)	$ (149)	$ (495)
Capital expenditure reserve — Rental Homes	$ (114)	$ (114)	$ (172)	$ (172)	$ (572)
Adjusted funds from operations (AFFO)	**$2,233**	**$2,445**	**$2,304**	**$2,319**	**$ 9,302**
Revenue from investment properties	**$8,691**	**$8,988**	**$9,029**	**$9,068**	**$35,777**
Deduct:					
Property operating expenses	$3,026	$3,154	$3,210	$3,216	$12,607
Net operating income (NOI)	**$5,665**	**$5,834**	**$5,819**	**$5,852**	**$23,170**

Note:

(1) Totals may not add up due to rounding.

NOI Forecast Reconciliation

Below is a reconciliation of the pro forma NOI for the twelve months ended June 30, 2020 to the forecast NOI for the twelve months ending September 30, 2021 assuming completion of the Acquisition upon Closing. This reconciliation is illustrative in nature and has been prepared by management as a supplement for the reader to the Financial Forecast. The assumptions used in respect of rent increases, net changes in occupancy and the other items that make up other adjustments in order to arrive at the figures below constitute forward-looking information. While these assumptions are considered reasonable by management as of the date of this prospectus, they are inherently subject to significant uncertainties and contingencies that may affect the outcome of the forward-looking information. Investors should use caution when considering such forward-looking information, and the REIT cautions readers not to place undue reliance on these statements. See "Forward-Looking Statements".

	($ in thousands)[1]
Pro forma REIT NOI for the twelve month period ended June 30, 2020[2]	$21,167
Add (Deduct):	
Adjustments for assets not owned throughout the twelve month period ended June 30, 2020[3]	$ 502
Rent increases and net changes in occupancy to June 30, 2020	$ 1,323
Increase in operating expenses to June 30, 2020	$ (141)
Pro forma in-place NOI as at June 30, 2020	**$22,852**
Add (Deduct):	
Rent increases, net changes in occupancy and changes in other revenue	$ 617
Increase in operating expenses	$ (299)
Forecast NOI	**$23,170**
Forecast NOI Growth from June 30, 2020 in-place NOI	**1.4%**

Notes:

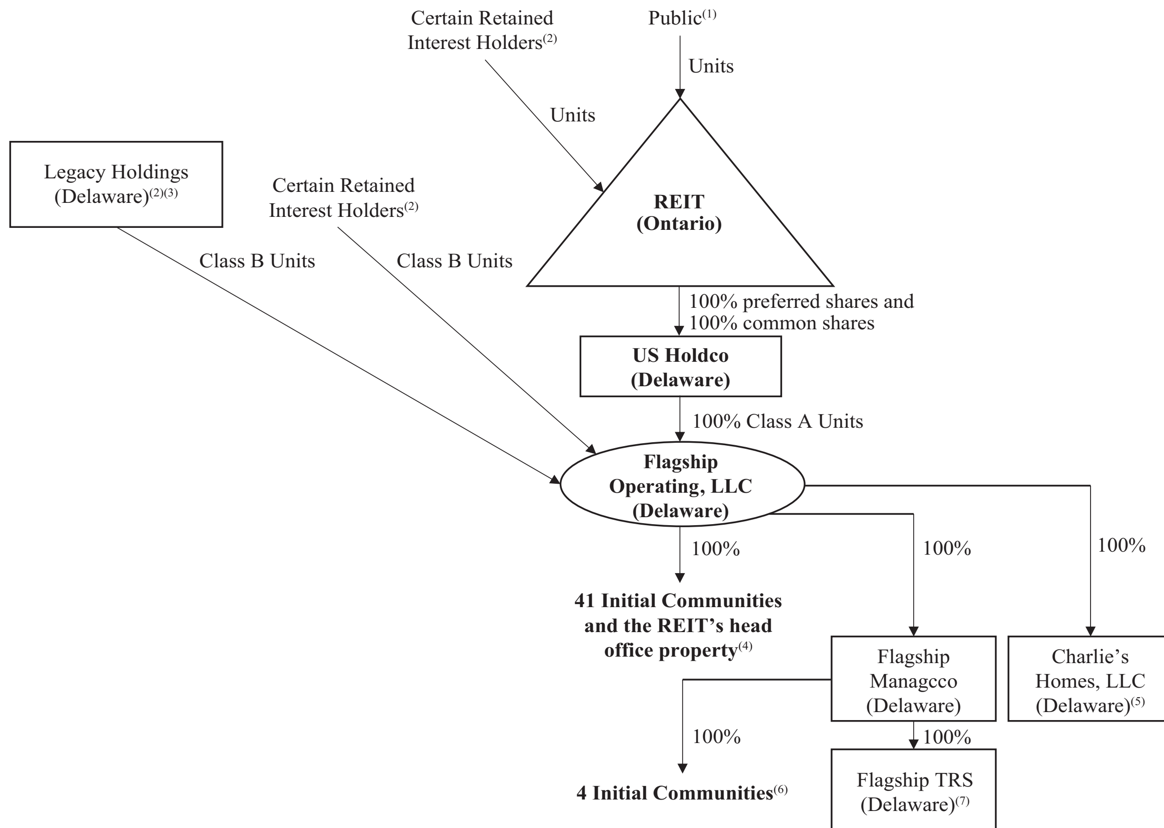
(1) Totals may not add up due to rounding.

(2) Represents an amount equal to the sum of: (i) pro forma NOI for the six months ended June 30, 2020, and (ii) aggregate NOI for the SSK Legacy Portfolio and FCLLC for the six months ended December 31, 2019. Item (ii) above is derived by subtracting (a) the sum of the NOI of the SSK Legacy Portfolio and the NOI of FCLLC for the six months ended June 30, 2019, from (b) the sum of the NOI for the SSK Legacy Portfolio and the NOI for FCLLC for the year ended December 31, 2019.

(3)
- Tannehill Pointe was acquired on October 1, 2019. An NOI adjustment of $114 is included to annualize Tannehill Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecast Period.
- Seven Oaks Pointe was acquired on August 22, 2019. An NOI adjustment of $11 is included to annualize Seven Oaks Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecast Period.
- Crestmore Pointe was acquired on November 22, 2019. An NOI adjustment of $168 is included to annualize Crestmore Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecast Period.
- Candlelight Pointe was acquired on January 8, 2020. An NOI adjustment of $41 is included to annualize Candlelight Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecast Period.
- Redwood Pointe was acquired on June 3, 2020. An NOI adjustment of $123 is included to annualize Redwood Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecast Period.
- Southwood Pointe was acquired on December 17, 2019. An NOI adjustment of $44 is included to annualize Southwood Pointe to make the run rate REIT NOI for the twelve months ended June 30, 2020 comparable against the Forecast Period.

POST-CLOSING STRUCTURE

The following is a diagram of the simplified organizational structure of the REIT immediately following Closing[8]:



Notes:

(1) It is anticipated that on Closing (assuming completion of the Acquisition upon Closing), the public is expected to own an approximate 53.3% ownership interest in the REIT, and an approximate 56.8% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). Should the CMBS-Secured Initial Communities not be acquired by the REIT at Closing, it is anticipated that the public is expected to initially own an approximate 59.8% ownership interest in the REIT, and an approximate 63.1% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units), until such time as the CMBS-Secured Initial Communities are acquired by the REIT, and further Class B Units issued therefor, which will occur no later than December 31, 2020.

(2) It is anticipated that on Closing (assuming completion of the Acquisition upon Closing), the Retained Interest Holders are expected to own an aggregate of 5,432,940 Class B Units (5,097,283 of which will be held by Legacy Holdings) and 38,685 Units (17,408 of which will be held by the REIT's President and Chief Executive Officer and Chief Investment Officer), together representing an approximate 46.7% effective interest in the REIT, or an approximate 43.2% effective interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). The Retained Interest Holders include the REIT's executive officers, who will collectively beneficially own 2,789,149 Class B Units and 17,408 Units (including indirectly on a proportionate basis through direct and indirect ownership interests in Legacy Holdings), and will control (through effective control of Legacy Holdings by the REIT's President and Chief Executive Officer and Chief Investment Officer) an additional 2,607,538 Class B Units owned by Legacy Holdings, representing, in the aggregate, an approximate 46.2% effective interest in the REIT, or an approximate 42.8% effective interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). Should the CMBS-Secured Initial Communities not be acquired by the REIT at Closing, it is anticipated that the Retained Interest Holders are expected to initially own an aggregate of 4,170,076 Class B Units and 38,685 Units, together representing an approximate 40.2% effective interest in the REIT, or an approximate 36.9% effective interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units), until such time as the CMBS-Secured Initial Communities are acquired by the REIT, and further Class B Units issued therefor, which will occur no later than December 31, 2020.

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

(4) Ownership of 41 of the Initial Communities and the REIT's head office property is held through special purpose entities, including limited liability companies and limited partnerships.

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

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

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

(8) See "The Acquisition — Principal Transaction Steps — CMBS-Secured Initial Communities".

TRUSTEES AND MANAGEMENT OF THE REIT

Governance and Board of Trustees

The Declaration of Trust will provide that, subject to certain conditions, the Trustees will have absolute and exclusive power, control and authority over the REIT's assets and operations, as if the Trustees were the sole and absolute legal and beneficial owners of the REIT's assets. The governance practices, investment guidelines and operating policies of the REIT will be overseen by a Board of Trustees (the "**Board**") consisting of a minimum of one and a maximum of ten Trustees, a majority of whom will be Canadian residents, provided that National Instrument 52-110 — *Audit Committees* ("**NI 52-110**") will require the Board to have at least three members. The REIT must, at all times after the Offering, have a majority of Trustees who are "independent" within the meaning of National Instrument 58-101 — *Disclosure of Corporate Governance Practices* ("**NI 58-101**"); provided, however, that if at any time a majority of the Trustees are not independent because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of any Trustee who was an independent Trustee, this requirement shall not be applicable for a period of 60 days thereafter, during which time the remaining Trustees shall appoint a sufficient number of Trustees who qualify as independent to comply with this requirement.

The Board is initially composed of seven Trustees, a majority of whom are Canadian residents and a majority of whom are independent. Peter Bynoe, an independent Trustee, is designated as Chair of the Board. If, at any time, the Chair of the Board is not an independent Trustee, the Board will appoint a lead independent Trustee. Pursuant to NI 58-101, an independent Trustee is one who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with a Trustee's independent judgment and who is not deemed to be non-independent under applicable Canadian securities laws. The REIT has determined that Peter Bynoe, Louis Forbes, J. Susan Monteith, Andrew Oppenheim and Iain Stewart are independent under these standards. Kurtis Keeney, President and Chief Executive Officer of the REIT, and Nathaniel Smith, Chief Investment Officer of the REIT, are not independent under this standard given their roles as executives of the REIT. See "Arrangements with Empower".

The mandate of the REIT's Board will be one of stewardship and oversight of the REIT and its business. In fulfilling its mandate, the Board will adopt a written charter setting out its responsibility for, among other things, (i) participating in the development of and approving a strategic plan for the REIT; (ii) supervising the activities and managing the investments and affairs of the REIT; (iii) approving major decisions regarding the REIT; (iv) defining the roles and responsibilities of management; (v) reviewing and approving the business and investment objectives to be met by management; (vi) assessing the performance of and overseeing management; (vii) reviewing the REIT's debt strategy; (viii) identifying and managing risk exposure; (ix) ensuring the integrity and adequacy of the REIT's internal controls and management information systems; (x) succession planning; (xi) establishing committees of the Board, where required or prudent, and defining their mandate; (xii) maintaining records and providing reports to Unitholders; (xiii) ensuring effective and adequate communication with Unitholders, other stakeholders and the public; and (xiv) determining the amount and timing of distributions to Unitholders.

The Board will adopt a written position description for the Chair of the Board, which will set out the Chair's key responsibilities, including, as applicable, duties relating to setting Board meeting agendas, chairing Board and Unitholder meetings, Trustee development and communicating with Unitholders and regulators. The Board will also adopt a written position description for each of the committee chairs which will set out each of the committee chair's key responsibilities, including duties relating to setting committee meeting agendas, chairing

committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee.

The REIT will adopt a written code of conduct (the "**Code of Conduct**") that applies to all Trustees, officers, and management of the REIT and its subsidiaries. The objective of the Code of Conduct is to provide guidelines for maintaining the integrity, reputation, honesty, objectivity and impartiality of the REIT and its subsidiaries. The Code of Conduct addresses conflicts of interest, protecting the REIT's assets, confidentiality, fair dealing with security holders, competitors and employees, compliance with laws and reporting any illegal or unethical behaviour. As part of the Code of Conduct, any person subject to the Code of Conduct is required to avoid or fully disclose interests or relationships that are harmful or detrimental to the REIT's best interests or that may give rise to real, potential or the appearance of conflicts of interest. The Board will have the ultimate responsibility for the stewardship of the Code of Conduct. The Code of Conduct will also be filed with the Canadian securities regulatory authorities on the SEDAR website at www.sedar.com.

The REIT will also adopt an insider trading policy (the "**Insider Trading Policy**") which will apply to, among others, all Trustees, officers, and employees. The objective of the Insider Trading Policy is to assist such individuals in complying with the applicable securities, criminal and other applicable laws and stock exchange rules relating to "insider trading", "tipping," and "recommending". The Insider Trading Policy is also intended to help the REIT's reporting insiders comply with additional securities law obligations.

The standard of care and duties of the Trustees provided in the Declaration of Trust will be similar to that imposed on directors of a corporation governed by the CBCA. Accordingly, each Trustee will be required to exercise the powers and discharge the duties of his or her office honestly and in good faith with a view to the best interests of the REIT and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust will provide that each Trustee is entitled to indemnification from the REIT in respect of the exercise of the Trustee's powers and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with a view to the best interests of the REIT and, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his or her conduct was lawful.

Trustees will be elected at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting, or until a successor is appointed, and will be eligible for re-election. The Board will have a majority voting policy consistent with TSX requirements. See "— Majority Voting Policy". Other than the Retained Interest Holders' nominees (determined from time to time based on ownership levels as described under "Retained Interest Holders — Investor Rights Agreement — Nomination Rights") nominated by the Retained Interest Holders in connection with its nomination right described herein, nominees will be nominated by the Compensation, Governance and Nominating Committee, in each case for the election by Unitholders as Trustees in accordance with the provisions of the Declaration of Trust.

A quorum of the Trustees, being the majority of the Trustees then holding office (provided a majority of the Trustees comprising such quorum are residents of Canada), will be permitted to fill a vacancy in the Board, except a vacancy resulting from an increase in the number of Trustees other than in accordance with the provision regarding the appointment of Trustees in the Declaration of Trust, or a vacancy resulting from a failure of the Unitholders to elect the required number of Trustees. In the absence of a quorum of Trustees, or if the vacancy has arisen from an increase in the number of Trustees other than in accordance with the provision regarding the appointment of Trustees in the Declaration of Trust or from a failure of the Unitholders to elect the required number of Trustees, the Trustees will promptly call a special meeting of the Unitholders to fill the vacancy. If the Trustees fail to call that meeting or if there is no Trustee then in office, any Unitholder will be entitled to call such meeting. Except as otherwise provided in the Declaration of Trust, the Trustees may, between annual meetings of Unitholders, appoint one or more additional Trustees to serve until the next annual meeting of Unitholders, provided that the number of additional Trustees so appointed will not at any time exceed one-third of the number of Trustees who held such office at the conclusion of the immediately preceding annual meeting of Unitholders. Any Trustee may be removed by an ordinary resolution passed by a majority of the votes cast at a meeting of Unitholders.

As described under "Retained Interest Holders", the Retained Interest Holders will have the exclusive right to nominate Trustees in certain circumstances. Initially, Kurtis Keeney, Nathaniel Smith and Peter Bynoe will serve on the Board pursuant to the Retained Interest Holders' nomination right. Kurtis Keeney will also serve as the President and Chief Executive Officer of the REIT and Nathaniel Smith will serve as Chief Investment Officer of the REIT. For so long as Kurtis Keeney, any other Retained Interest Holder or any affiliate, associate, director or officer, as applicable, of any of the Retained Interest Holders is serving as President and Chief Executive Officer, such individual will comprise one of the Retained Interest Holders' nominees. See "Retained Interest Holders — Investor Rights Agreement — Nomination Rights".

The following table sets forth the name, municipality of residence, positions held with the REIT and principal occupation of the Trustees of the REIT:

Name, Municipality of Residence	Position/Title	Independent	Committees	Principal Occupation
Peter Bynoe *Chicago, Illinois, U.S.*	Trustee (Chair of the Board)	Yes	Compensation, Governance and Nominating Committee	Senior Advisor to DLA Piper LLP (US)
Louis Forbes *Toronto, Ontario, Canada*	Trustee	Yes	Audit Committee (Chair)	Corporate director
Kurtis Keeney *Covington, Kentucky, U.S.*	Trustee and President and Chief Executive Officer	No[(1)]	None	President and Chief Executive Officer of the REIT
J. Susan Monteith *Toronto, Ontario, Canada*	Trustee	Yes	Audit Committee; Compensation, Governance and Nominating Committee	Corporate director
Andrew Oppenheim *Calgary, Alberta, Canada*	Trustee	Yes	Compensation, Governance and Nominating Committee (Chair)	Partner at Gowling WLG (Canada) LLP
Nathaniel Smith *Fort Mitchell, Kentucky, U.S.*	Trustee and Chief Investment Officer	No[(2)]	None	Chief Investment Officer of the REIT
Iain Stewart *Calgary, Alberta, Canada*	Trustee	Yes	Audit Committee	President and Chief Executive Officer of Genesis Land Development Corp.

Notes:

(1) Mr. Keeney is considered a non-independent Trustee as he is an executive officer of the REIT.

(2) Mr. Smith is considered a non-independent Trustee as he is an executive officer of the REIT.

Biographical Information Regarding the Trustees

Additional biographical information regarding the Trustees of the REIT for the past five years is set out below:

Peter Bynoe

Mr. Bynoe serves as an independent Trustee, Chair of the Board and a member of the Compensation, Governance and Nominating Committee of the REIT. Mr. Bynoe is a Senior Advisor to the international law firm DLA Piper LLP (US) and has been affiliated with DLA Piper for 25 years, working out of its Chicago office. From 2008 to 2019, Mr. Bynoe served as Senior Counsel to the firm. Prior to that, Mr. Bynoe was a Senior Partner, serving on the firm's executive committee. During his time at DLA Piper, Mr. Bynoe created and managed the firm's Sports Facilities Practice Group and negotiated a number of stadia and arena deals; he also led a team that advised the London Olympic Committee in its preparations for the 2012 Summer Games. Mr. Bynoe currently serves as a director of Frontier Communications Corporation (NASDAQ: FTR), Covanta Holding Company (NYSE: CVA) and Ardent Health Services (where he is also chair of the Nominating and Governance Committee); he is also the Vice Chair of the Rush University Medical Center, a Life Trustee of the Goodman Theatre and a trustee of the CORE Center for the Research, Prevention and Care of Infectious

Diseases. Mr. Bynoe was a Managing Director at Equity Group Investments from 2014 to 2019 and served as the Chief Executive Officer of Rewards Network Inc. from 2013 to 2014. Prior to then, Mr. Bynoe was a partner and the Chief Operating Officer of Loop Capital Markets LLC from 2008 to 2013. From 1989 to 1992, Peter was the Managing Partner of the National Basketball Association's Denver Nuggets, becoming the first African-American to own a controlling interest in an American professional sports team. Mr. Bynoe has served as the Chairman of the Chicago Landmarks Commission, the Chicago Plan Commission and the Illinois Sports Facilities Authority. Over the past 25 years, Mr. Bynoe has also served on Audit Committees and Compensation, Governance and Nominating Committees of the boards of directors of multiple public and private companies. Mr. Bynoe holds a Bachelor of Arts degree, *cum laude* from Harvard College, a Juris Doctor degree from Harvard Law School, and a Master of Business Administration degree from the Harvard Graduate School of Management Education. He is a member of the Illinois Bar and a licensed real estate broker in the state of Illinois.

Louis Forbes

Mr. Forbes serves as an independent Trustee and Chair of the Audit Committee of the REIT. Mr. Forbes is also a trustee, Chair of the Audit Committee and a member of the Governance, Compensation and Nominating Committee of the board of trustees of Automotive Properties Real Estate Investment Trust (TSX: APR.UN), a real estate investment trust focused on owning and acquiring income-producing automotive dealership properties located in Canada. Mr. Forbes was formerly the Senior Vice President and Chief Financial Officer of CT Real Estate Investment Trust (TSX: CRT.UN), serving from the inception of CT Real Estate Investment Trust to November, 2018. Mr. Forbes has over 30 years of real estate and finance experience. Prior to his appointment as Senior Vice President and Chief Financial Officer of CT Real Estate Investment Trust, Mr. Forbes was the Executive Vice President and Chief Financial Officer of Primaris Retail Real Estate Investment Trust from 2003 to 2013. Prior to serving in that role, Mr. Forbes was Vice President, Director and Senior Canadian Real Estate Equities Analyst of Merrill Lynch Canada, where he was responsible for covering North American real estate securities. Mr. Forbes also served as Vice President Finance and Chief Financial Officer of Revenue Properties Company Limited. Mr. Forbes holds a Bachelor of Science degree from McMaster University and a Master of Business Administration degree from Queen's University. Mr. Forbes holds the Chartered Professional Accountant (CPA, CA) designation and completed the Chartered Director Program at the Directors College, McMaster University.

Kurtis Keeney

Mr. Keeney serves as a Trustee and President and Chief Executive Officer of the REIT. Mr. Keeney co-founded the Promoter and FCLLC with his partner Nathaniel Smith in 1995 and 2018, respectively. Mr. Keeney has served as President and Chief Executive Officer of the Promoter and FCLLC since their respective founding. Under Mr. Keeney's leadership, the Promoter has established a successful track record as a real estate asset manager of MHCs since its founding in 1995 with one MHC with 152 lots to 47 MHCs with 8,475 lots in four states. Mr. Keeney's responsibilities include running all facets of the business, particularly financial, human resources, executive management and the growth and direction of the organization. Under his leadership, Flagship has been recognized as a semi-finalist in the annual Family & Private Business Awards by the University of Cincinnati's Goering Center as well as named to the Cincinnati Business Courier's Fast 55 List of growing companies, and twice received the Manufactured Housing Institute's National Industry Award for Manufactured Home Community Operator of the Year. Before his involvement with Flagship, Mr. Keeney worked for eight years at Fifth Third Bancorp in various roles, ending as a district manager. Mr. Keeney has served as chairman of the Independence Seniors Association, the board of directors for Cardinal Hill Rehabilitation Center in Northern Kentucky and as a Board Member for the Community Foundation of Northern Kentucky. Mr. Keeney holds a Bachelor of Science degree in Finance from Northern Kentucky University.

J. Susan Monteith

Ms. Monteith serves as an independent Trustee and a member of the Audit Committee and the Compensation, Governance and Nominating Committee of the REIT. Since January 1, 2018, Ms. Monteith has

also served as a member of the board of directors, the Risk Review Committee, the Investment Committee and the Special Committee for Demutualization of Economical Mutual Insurance Company, a leading property and casualty insurer in Canada serving more than one million customers with $2.6 billion in gross written premiums and approximately $6.2 billion in assets as at June 30, 2020. Ms. Monteith has over 30 years experience as a senior capital markets professional advising companies on capital raising and M&A financing. She spent 10 years with National Bank Financial Inc. as Executive Vice President and Managing Director, Client Strategy & People Development and as Head of Equity Capital Markets until her retirement in 2016. Prior to joining National Bank Financial Inc., Ms. Monteith was Head of Equity Capital Markets with Genuity Capital Markets from 2005 to 2006. Previously she spent 13 years with CIBC World Markets Inc. in various positions in Investment Banking and Equity Capital Markets, including as Managing Director & Head of Equity Syndication. She also practiced corporate and commercial law in Toronto with the law firm Tilley, Carson & Findlay. Ms. Monteith currently sits on the board of Women's College Hospital and is a member of the Quality, Academic & Equity Committee. Ms. Monteith holds a Bachelor of Laws (LLB) degree from Osgoode Hall Law School at York University and a Master of Science degree in Business from London Business School. She also holds the ICD.D designation from the Institute of Corporate Directors.

Andrew Oppenheim

Mr. Oppenheim serves as an independent Trustee and Chair of the Compensation, Governance and Nominating Committee of the REIT. Mr. Oppenheim is a partner at Gowling WLG (Canada) LLP, a full-service multinational law firm. Mr. Oppenheim has been a practicing commercial lawyer for 38 years. Mr. Oppenheim was the lead director of Amica Mature Lifestyles Inc. and served on its board of directors' Compensation Committee prior to its sale and has served as a director of a number of other public and private companies. Mr. Oppenheim holds a Bachelor of Commerce degree from University of Witwatersrand in Johannesburg, South Africa, a Bachelor of Laws degree from the University of Calgary and the ICD.D designation with the Institute of Corporate Directors.

Nathaniel Smith

Mr. Smith serves as a Trustee and Chief Investment Officer of the REIT. Mr. Smith co-founded the Promoter and FCLLC with Kurtis Keeney in 1995 and 2018, respectively, and has served as Chief Investment Officer of the Promoter and FCLLC since their respective founding. Under the guidance of Mr. Smith and Mr. Keeney, Flagship has grown to include 47 MHCs with 8,475 lots in four states. Mr. Smith's responsibilities include the acquisitions of new communities, marketing, e-commerce and sales for the organization. In addition, Mr. Smith has served as chairman of the board of directors for the national Manufactured Housing Institute, a 915-member industry trade organization, and is past president of the Kentucky Manufactured Housing Institute, having served on several active committees. In 2009, Mr. Smith received the Chairman's Award from the Manufactured Housing Institute, and in 2015 was inducted into the Kentucky Manufactured Housing Institute's KMHI Hall of Fame. He serves on the board of directors for Safe Harbor Marinas, the world's largest owner and operator of marinas, and was appointed by Governor Steve Beshear as a member on the Greater Cincinnati Northern Kentucky International Airport Board (CVG) and to the Northern Kentucky University Board of Regents, where he served as chairman. Active in national politics, Mr. Smith serves as a national committeeman/superdelegate for the Democratic National Committee. Mr. Smith holds a Bachelor of Arts degree from Northern Kentucky University.

Iain Stewart

Mr. Stewart serves as an independent Trustee and a member of the Audit Committee of the REIT. Mr. Stewart is the President and Chief Executive Officer, and was previously a member of the Compensation and Governance Committee of the board of directors, of Genesis Land Development Corp. (TSX: GDC), a land developer and residential home builder. Mr. Stewart is also the former Co-Founder and Co-CEO of Parkbridge Lifestyle Communities Inc. He has over 30 years of experience in all aspects of the real estate industry in Canada. He currently serves on the board of directors and audit committee of a private financial services company and serves on the board of directors of a not-for-profit organization which supports projects in developing countries. He holds a Bachelor of Commerce degree from the University of Alberta, the Chartered

Professional Accountant (CPA, CA) designation and the ICD.D designation with the Institute of Corporate Directors.

Penalties or Sanctions

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

Individual Bankruptcies

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

Corporate Cease Trade Orders and Bankruptcies

Except as described below, none of the REIT's Trustees or executive officers, and to the best of the REIT's knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT is, as at the date of this prospectus, or has been within the 10 years before the date of this prospectus, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the existing or proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the existing or proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, "**order**" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Mr. Bynoe has served as a director of Frontier Communications Corporation since 2007. Frontier Communications Corporation and each of its direct and indirect subsidiaries (collectively, the "**Frontier Entities**") filed voluntary petitions for protection under Chapter 11 of Title 11 of the United States Bankruptcy Code on April 14, 2020, following which an order was entered on June 30, 2020 approving the Frontier Entities' disclosure statement, solicitation and notice procedures and other related relief, which enabled the Frontier Entities to commence solicitation of votes on their Plan of Reorganization on July 2, 2020. On August 21, 2020, the U.S. Bankruptcy Court for the Southern District of New York confirmed the Frontier Entities Plan of Reorganization and on August 27, 2020, the U.S. Bankruptcy Court for the Southern District of New York entered the order approving the Plan of Reorganization.

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

Mr. Forbes served as a director of CHC Student Housing Corp. ("**CHC**") from 2014 to 2017. On May 8, 2017, the Ontario Securities Commission issued a management cease trade order restricting all trading in securities of CHC by management and insiders of CHC due to a failure to file its annual financial statements, management's discussion and analysis and related certifications within the time period prescribed by securities

legislation. The management cease trade order expired on July 4, 2017 following the filing of the annual financial statements, management's discussion and analysis and related certifications.

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

Committees of the Board

The Board will establish two committees: the Audit Committee and the Compensation, Governance and Nominating Committee.

Audit Committee

The Audit Committee consists of at least three Trustees, all of whom will be persons determined by the REIT to be both independent Trustees, except for temporary periods in limited circumstances in accordance with NI 52-110, and financially literate within the meaning of NI 52-110, and a majority of whom will be residents of Canada. The Audit Committee will be composed of Mr. Forbes, who will act as chair of this committee, Ms. Monteith and Mr. Stewart, all of whom have been determined to be independent. Each of the Audit Committee members will have an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

For biographical information about each member of the Audit Committee, including his or her education or experience that is relevant to the performance of his or her responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by the REIT to prepare its financial statements, see "— Governance and Board of Trustees — Biographical Information Regarding the Trustees".

The Board will adopt a written charter for the Audit Committee, substantially in the form set out under Appendix A to this prospectus, which sets out the Audit Committee's responsibilities. It is expected that the Audit Committee's responsibilities will include: (i) reviewing annual and quarterly financial statements, financial disclosure in a prospectus or other securities offering document, press releases disclosing, or based upon, financial results of the REIT and any other publicly disseminated material financial disclosure; (ii) reviewing the REIT's accounting policies and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management, including any material changes therein and their impact; (iii) discussing with management, the auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements; (iv) reviewing any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under applicable generally accepted accounting principles; (v) reviewing and approving the engagement of the auditors; (vi) providing oversight of the effectiveness of the auditors' work and reviewing the independence of the auditors and the compensation thereof; (vii) reviewing the REIT's system of internal controls, including the effectiveness thereof and any significant changes therein, with management and the auditors; (viii) overseeing the REIT's risk management systems; and (ix) reviewing management's evaluation of and reports on compliance with legal and regulatory requirements.

The Audit Committee will have direct communication channels with the Chief Financial Officer and the external auditors of the REIT to discuss and review such issues as the Audit Committee may deem appropriate.

The following table presents, by category, the fees billed by MNP LLP as external auditor of, and for other services provided to, the REIT in connection with the REIT's formation and organization, for the period indicated:

Category of Fees	Period from January 1, 2020 to September 28, 2020
Audit fees[(1)]	$232,000
Audit-related fees[(2)]	$ 50,900
Tax fees[(3)]	$195,600
All other fees[(4)]	$ 98,800

Notes:

(1) "Audit fees" relate to the audit and review of financial statements and financial forecasts included in this prospectus.

(2) "Audit-related fees" relate to French translation services.

(3) "Tax fees" relate to certain tax advisory fees.

(4) "All other fees" relate to certain IPO advisory services provided to management.

No fees were payable to MNP LLP, as external auditor of, and for other services provided to, the REIT prior to 2020.

Compensation, Governance and Nominating Committee

The Compensation, Governance and Nominating Committee will at all times be composed of at least three Trustees, a majority of whom will be persons determined by the REIT to be independent Trustees and a majority of whom will be residents of Canada, and will be charged with reviewing, overseeing and evaluating the compensation, corporate governance and nominating policies of the REIT. The Compensation, Governance and Nominating Committee will be composed of Mr. Oppenheim, who will act as chair of this committee, Ms. Monteith and Mr. Bynoe, all of whom have been determined by the REIT to be independent.

The Board will adopt a written charter for the Compensation, Governance and Nominating Committee setting out its responsibilities for: (i) assessing the effectiveness of the Board, each of its committees and individual Trustees; (ii) overseeing the recruitment and selection of candidates as Trustees of the REIT, subject to the nomination rights of the Retained Interest Holders; (iii) organizing an orientation and education program for new Trustees; (iv) considering and approving proposals by the Trustees to engage outside advisors on behalf of the Board as a whole or on behalf of the independent Trustees; (v) reviewing and making recommendations to the Board concerning any change in the number of Trustees comprising the Board; (vi) considering questions of management succession; (vii) administering any equity incentive plan adopted by the REIT and any other compensation incentive programs; (viii) assessing the performance of management of the REIT; (ix) reviewing and approving the compensation paid by the REIT to the executive officers of the REIT; and (x) reviewing and making recommendations to the Board concerning the compensation payable to Trustees of the REIT.

The Board believes that the members of the Compensation, Governance and Nominating Committee individually and collectively possess the requisite knowledge, skill and experience in governance and compensation matters, including human resource management, executive compensation matters and general business leadership, to fulfill the committee's mandate. All members of the Compensation, Governance and Nominating Committee have substantial knowledge and experience as current and former senior executives of large and complex organizations and/or on the boards of other publicly traded entities. For additional details regarding the relevant education and experience of each member of the Compensation, Governance and Nominating Committee, see "— Governance and Board of Trustees — Biographical Information Regarding the Trustees".

In determining total compensation for the REIT's Trustees and executive officers, the Compensation, Governance and Nominating Committee and the Board will consider a number of key factors, including (i) relative total unitholder return, (ii) acquisitions, financings and refinancings and (iii) financial performance.

The Compensation, Governance and Nominating Committee and the Board will also assess the individual performance of each executive including a consideration of leadership, team development, asset management, investment and financing strategy development and execution, public company governance, and execution of specific objectives.

Nomination of Trustees

Other than persons nominated pursuant to the Retained Interest Holders' nomination rights (see "Retained Interest Holders — Investor Rights Agreement — Nomination Right"), all board nominees are nominated by the Compensation, Governance and Nominating Committee, which makes such nominations after considering the mix of skills and experience it believes are necessary to further the REIT's goals. Additionally, nominations may be made by Unitholders in certain circumstances, in compliance with the Advance Notice Provision. See "Declaration of Trust and Description of REIT Units — Advance Notice Provision". Trustees elected at an annual meeting will be elected for a term expiring at the close of the subsequent annual meeting and will be eligible for re-election. Trustees appointed by the Trustees between meetings of Unitholders in accordance with the Declaration of Trust shall be appointed for a term expiring at the close of the next annual meeting and will be eligible for election or re-election, as the case may be.

Majority Voting Policy

In accordance with the requirements of the TSX, the Board will adopt a "Majority Voting Policy" to the effect that a nominee for election as a Trustee who does not receive a greater number of votes "for" than votes "withheld" with respect to the election of directors by Unitholders will be expected to offer to tender his or her resignation to the Chair of the Board promptly following the meeting of Unitholders at which the Trustee was elected. The Compensation, Governance and Nominating Committee will consider such offer and make a recommendation to the Board whether or not to accept it. The Board will promptly accept the resignation unless it determines, in consultation with Compensation, Governance and Nominating Committee, that there are exceptional circumstances that should delay the acceptance of the resignation or justify rejecting it. The Board will make its decision and announce it in a press release within 90 days following the meeting of Unitholders. A Trustee who tenders a resignation pursuant to the Majority Voting Policy will not participate in any meeting of the Board or the Compensation, Governance and Nominating Committee at which the resignation is considered.

Remuneration of Trustees

Each non-management Trustee will receive an annual retainer of $35,000 per year and no additional fee per meeting. Each Trustee will be reimbursed for all reasonable travel and ancillary expenses incurred. The Chair of the Board will receive an additional annual retainer of $52,500. The chair of the Audit Committee will receive an additional retainer of $20,000, and the chair of the Compensation, Governance and Nominating Committee will receive an additional retainer of $17,500. The Trustees will not receive any additional remuneration for acting as directors on the boards of any of the REIT's subsidiaries. Trustees who are also members of management will not receive any remuneration for their role as a Trustee.

The REIT will establish equity ownership guidelines for the Trustees (together with the executive officers) to further align the interests of Trustees and executive officers with those of the Unitholders. See "Executive Compensation — Executive Unit Ownership Guidelines".

The REIT also intends to adopt, following Closing, a deferred unit plan for Trustees intended to align the interests of Trustees with those of the REIT and its Unitholders. Pursuant to such a plan, the REIT expects that Trustees will have the option to elect to receive up to 100% of all fees that are otherwise payable in cash (i.e., annual board retainer fee, meeting fees and additional retainers) in the form of deferred units created under such plan; provided, however, that pursuant to equity ownership guidelines for the Trustees expected to be established by the REIT, it is expected that each Trustee will be required to elect to receive not less than 50% of their annual retainer in the form of deferred units until such time as the Trustee satisfies the equity ownership requirements. See "Executive Compensation — Executive Unit Ownership Guidelines".

Orientation and Continuing Education

New Trustees

When new Trustees are elected to the Board, they will participate in a comprehensive orientation program. The orientation program will familiarize new Trustees with the REIT's business and operations, including structure, operations, and risks. All new Trustees will complete tours of a sampling of the REIT's properties. They will be briefed on the role of the Board, its committees and the contributions individual Trustees are expected to make. New Trustees will also receive an orientation package containing all Trustees' committee mandates and charters, copies of the REIT's policies and other background information on the REIT's business, operations and risks.

Continuing Education

The REIT's continuing education program for its Trustees will involve the ongoing evaluation by the Compensation, Governance and Nominating Committee of the skills and competencies of existing Trustees. The Board is currently composed of highly qualified and experienced Trustees with impressive levels of skill and knowledge. Many of the Trustees are seasoned business executives, directors or professionals with considerable experience, including as directors or trustees of other significant public companies or public trusts. The Compensation, Governance and Nominating Committee will regularly monitor the composition of the Board and will recommend the adoption of a formal continuing education program should it be determined to be necessary.

As part of the REIT's continuing education program, Trustees will:

- receive a comprehensive electronic package of information prior to each Board and board committee meeting;
- obtain a quarterly report on the REIT's operations and markets from senior management;
- receive updates from management and third parties (including advisors) on regulatory developments and trends and issues related to the REIT's business;
- receive reports on the work of board committees following committee meetings;
- complete periodic tours of certain properties of the REIT; and
- be encouraged to attend industry conferences and events, with the reasonable cost of such events being reimbursed by the REIT.

Board Assessments

The Compensation, Governance and Nominating Committee will conduct an annual assessment of the Board, its committees and each individual Trustee, which will include an assessment of each Trustee's experience, financial literacy, independence and other factors. The assessment process will require each Trustee to complete a questionnaire addressing (i) a review of the effectiveness of the Board and each committee, (ii) a peer review of each other Trustee and (iii) a self-evaluation of such Trustee's own performance. The Chair of the Compensation, Governance and Nominating Committee will report the results of the assessments to the Board. This process is used (i) as an assessment tool, (ii) as a component of the regular review process of Board members' participation and (iii) to assist with the Board's succession planning.

Diversity

The REIT is committed to fostering an open and inclusive workplace culture. The REIT's Code of Conduct will underscore a commitment to diversity and recognize it as an important asset. The Code of Conduct will explicitly state that the REIT and its subsidiaries are firmly committed to providing equal opportunity in all aspects of employment. The REIT endorses the principle that the Board should have a balance of skills, experience and diversity of perspectives appropriate to the business.

In furtherance of the REIT's commitment to diversity at the Board level, following Closing, the Board will adopt a diversity policy (the "**Diversity Policy**"). In accordance with the Diversity Policy, the Compensation, Governance and Nominating Committee will consider a number of factors, including gender, ethnic, racial and geographic diversity, as well as age, business experience, professional expertise, personal skills and perspectives, when seeking and considering new Trustees for nomination or evaluating Trustee nominees for re-election. The Board will ensure compliance with the Diversity Policy by requiring that the Compensation, Governance and Nominating Committee conduct annual assessments to consider the level of representation on the Board of the various attributes enumerated in the Diversity Policy, including the number of women on the Board among other factors. Notwithstanding the foregoing, recommendations concerning Trustee nominees are, foremost, based on merit and performance, with due regard to the overall effectiveness of the Board, with diversity being taken into consideration, as it is beneficial that a diversity of backgrounds, views and experiences be present at the Board and management levels.

The Diversity Policy will not specify a numerical target for Trustees who are women and/or people of colour, nor will the REIT maintain a specific numerical target in making executive officer appointments, as the Board believes its evaluation and nomination process is robust and, in practice, does consider and will result in gender, ethnic and racial diversity on the Board. The Compensation, Governance and Nominating Committee will be responsible for reviewing the structure and diversity of the Board annually and may set diversity, including gender, ethnic and racial diversity, aspirations regarding the Board's optimum composition as part of the identification and nomination of Trustees.

Similarly, the level of representation of women and people of colour will continue to be considered by the REIT, the Board and the Compensation, Governance and Nominating Committee, among other factors, in the making of executive officer appointments. In searches for new executive officers, the Compensation, Governance and Nominating Committee will consider the level of diversity in management as one of several factors used in its search process. Notwithstanding the foregoing, all executive officer appointments will always be based on merit, having regard to the requirements of the REIT.

There is currently one female Trustee on the Board (14% of the Board and 20% of the independent Trustees) and no female executive officers of the REIT or any of its subsidiaries. In addition, women and people of colour represent 29% of the Board and 40% of the Independent Trustees.

Conflicts of Interest

The Declaration of Trust will contain "conflict of interest" provisions to protect Unitholders without creating undue limitations on the REIT. As the Trustees will be engaged in a wide range of real estate and other activities, the Declaration of Trust will contain provisions, similar to those contained in the CBCA, that will require each Trustee to disclose to the REIT, at the first meeting of Trustees at which a proposed contract or transaction is considered, any interest in a material contract or transaction or proposed material contract or transaction with the REIT (including a contract or transaction involving the making or disposition of any investment in real property or a joint venture agreement) or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. If a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Trustees, a Trustee will be required to disclose in writing to the REIT, or request to have entered into the minutes of meetings of Trustees, the nature and extent of his or her interest forthwith after the Trustee becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Trustee who has made disclosure to the foregoing effect will not be entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction primarily relates to his or her remuneration or is for an indemnity under the provisions of the Declaration of Trust or the purchase or maintenance of liability insurance.

All decisions of the Board will require the approval of a majority of the Trustees present in person or by phone at a meeting of the Board, except for each of the following matters which will also require the approval of a majority of the independent Trustees:

(i) an acquisition of a property or an investment in a property, whether by co-investment or otherwise, in which any related party of the REIT, including Empower, has any direct or indirect interest, whether as owner, operator or manager;

(ii) a material change to any agreement with a related party of the REIT or any renewal, extension or termination thereof or any increase in any fees payable thereunder;

(iii) the entering into of, or the waiver, exercise or enforcement of any rights or remedies under, any agreement entered into by the REIT, or the making, directly or indirectly, of any co-investment, in each case with (a) any Trustee, (b) any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest, or (c) any entity for which any Trustee acts as a director or other similar capacity;

(iv) the refinancing, increase or renewal of any indebtedness owed by or to (a) any Trustee, (b) any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest, or (c) any entity for which any Trustee acts as a director or other similar capacity;

(v) decisions relating to any claims by or against one or more parties to any agreement with any related party to the REIT; or

(vi) the appointment of members of the board of directors of US Holdco.

In connection with any transaction involving the REIT, including any transaction which requires the approval of a majority of the independent Trustees, the Board shall have the authority to retain external legal counsel, consultants or other advisors to assist it in negotiating and completing such transaction without consulting or obtaining the approval of any officer of the REIT.

It is anticipated that the independent Trustees will hold in-camera meetings, with non-independent Trustees and members of management not in attendance, as part of regulatory scheduled Board meetings. The Chair will conduct the in-camera meetings without the presence of the other non-independent Trustees or management, and in circumstances where the independent Trustees have determined that the Chair is subject to a potential conflict of interest in connection with his non-independence designation pursuant to NI 58-101 or otherwise, a lead independent Trustee selected by and among the independent Trustees shall conduct such in-camera sessions both without the presence of management and without the presence of management or the non-independent Trustees (including the Chair).

Executive Officers

The Board will adopt, effective as of Closing, a written position description and mandate for the Chief Executive Officer which will set out his key responsibilities. The primary functions of the Chief Executive Officer will be to lead management of the business and affairs of the REIT, to lead the implementation of the resolutions and the policies of the Board, to supervise day to day management and to communicate with Unitholders and regulators. The Chief Executive Officer mandate will be considered by the Board for approval annually.

The following table sets forth the name, municipality of residence and positions held with the REIT of each executive officer of the REIT on Closing:

Name and Municipality of Residence	Office with the REIT
Kurtis Keeney *Covington, Kentucky, U.S.*	President and Chief Executive Officer
Eddie Carlisle *Burlington, Kentucky, U.S.*	Chief Financial Officer and Secretary
Nathaniel Smith *Fort Mitchell, Kentucky, U.S.*	Chief Investment Officer

Additional biographical information regarding the senior management of the REIT, including a description of each individual's principal occupation within the past five years, is provided below.

Kurtis Keeney — President and Chief Executive Officer

See "— Governance and Board of Trustees — Biographical Information Regarding the Trustees".

Nathaniel Smith — Chief Investment Officer

See "— Governance and Board of Trustees — Biographical Information Regarding the Trustees".

Eddie Carlisle — Chief Financial Officer and Secretary

Mr. Carlisle has served as Chief Financial Officer of FCLLC since 2018. Prior to joining Flagship, Mr. Carlisle served as Director of Finance for Avure Technologies Incorporated ("**Avure**"), a leading manufacturer of high pressure food processing equipment. There he led Avure's integration into a publicly traded company, implementing Sarbanes Oxley internal control policies and reporting. From 2006 to 2014, Mr. Carlisle held various positions with Sunny Delight Beverages Company in the finance and accounting functions. Mr. Carlisle is a Certified Public Accountant and earned his Master's Degree in Accountancy from Northern Kentucky University and a Bachelor of Business Administration, Accounting from Eastern Kentucky University.

Trustees' and Officers' Liability Insurance

The REIT intends to obtain trustees' and officers' liability insurance policies, which cover indemnification of Trustees and officers of the REIT in certain circumstances, including coverage for the REIT and its Trustees and officers in relation to this prospectus. The REIT will also obtain a six-year prospectus liability insurance policy providing coverage to the Trustees and officers of the REIT and the Promoter, subject to certain limits, deductibles and other terms and conditions. In addition, the REIT will enter into indemnification agreements with each of its Trustees and officers for liabilities and costs in respect of any action or suit against them in connection with the execution of their duties, subject to customary limitations prescribed by applicable law.

EXECUTIVE COMPENSATION

Introduction

The following discussion describes the significant elements of the REIT's expected executive compensation program, with particular emphasis on the process for determining compensation payable to the President and Chief Executive Officer and the Chief Financial Officer, as well as the Chief Investment Officer, being the next most highly compensated executive officer, each of whom will be employed by Flagship Manageco. The President and Chief Executive Officer, Chief Financial Officer and Chief Investment Officer are referred to herein as the "named executive officers" in accordance with applicable Canadian securities laws.

The REIT's proposed compensation arrangements for the named executive officers are described below.

Principal Elements of Compensation

The compensation of the named executive officers will initially consist of base salary and discretionary annual cash bonuses. The REIT's process for determining executive compensation is expected to be relatively straightforward, involving evaluation of executive officers. Initially, there will be no specific formula for determining the amount of the base salary or cash bonuses nor a formal approach applied for determining how one element of compensation fits into the overall compensation objectives in respect of the REIT's activities. Objectives and performance measures may vary from year to year as determined to be appropriate by the REIT. Neither the REIT nor Flagship Operating, LLC engages compensation consultants for the purposes of performing benchmarking or applies specific criteria for the selection of comparable businesses.

Base Salaries

Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries are determined on an individual basis, taking into consideration the past, current and potential contribution to the REIT's success, the position and responsibilities of the named executive officers, and competitive industry pay practices for other real estate investment trusts and companies of comparable size. Increases in base salary are at the sole discretion of the Trustees.

Annual Cash Bonuses

Annual cash bonuses may be paid to the named executive officers. Annual cash bonuses are not intended to be awarded pursuant to any formal or formulaic incentive plan, but may be awarded on a discretionary basis based on qualitative and quantitative performance standards to reward the performance of the named executive officer individually. The Compensation, Governance and Nominating Committee believes it to be appropriate, in the context of a newly created public issuer, to determine executive incentive compensation, within the contractually established range, using a review and global assessment of the performance of the REIT, in terms of financial results, achievements and strategic positioning, and specific individual contributions, among others, rather than adhering to a formulaic approach. The President and Chief Executive Officer will make an annual recommendation to the Compensation, Governance and Nominating Committee for approval of the amount of cash bonus to be awarded to the other named executive officers. The President and Chief Executive Officer may establish pre-determined goals and objectives for purposes of assisting in the determination of such bonus amounts to be awarded, which goals and objectives may include a range of targets for the REIT and personal metrics for the individual named executive officer. As the REIT grows and matures, the Compensation, Governance and Nominating Committee will look to develop a more formalized approach to annual cash bonuses, which may include the use of "score cards".

Incentive Compensation Plans

The Board may, following Closing, consider the adoption of one or more forms of equity incentive plans intended to align the interests of certain parties with those of the REIT and its Unitholders. Such plans could involve the issuance of securities of the REIT and could include as participants, the executive officers of the REIT and personnel providing services to the REIT. Any such equity compensation arrangements will be in accordance with applicable laws, including the requirements of any securities exchange on which the Units are

listed. The aggregate number of Units that may be reserved for issuance under all of the REIT's equity incentive plans or similar plans adopted for the benefit of insiders of the REIT and service providers to the REIT shall not exceed 10% of the outstanding number of Units (on a fully-diluted basis).

Compensation Risk and Hedging Policy

The Compensation, Governance and Nominating Committee will consider the implications of the risks associated with the REIT's compensation policies and practices as part of its responsibility to ensure that the compensation for the Trustees and the named executive officers of the REIT align the interests of the Trustees and the named executive officers with Unitholders and the REIT as a whole. The REIT's insider trading policy will prohibit all officers and Trustees of the REIT from selling "short", selling "call options" or buying "put options" on any of the REIT's securities and from purchasing financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity securities granted to such executive officers and Trustees as compensation or of any other securities of the REIT held directly or indirectly by such person.

Summary Compensation Table Expected for Fiscal 2020

The following table sets out information concerning the expected compensation to be paid or awarded to the named executive officers of the REIT in fiscal 2020.

				Non-Equity Incentive Plan Compensation				
Name and Principal Position	**Salary[1][2]**	**Unit-Based Awards**	**Option-Based Awards**	**Annual Incentive Plans[3]**	**Long-Term Incentive Plans**	**Pension Value**	**All Other Compensation[4]**	**Total Compensation**
Kurtis Keeney *President and Chief Executive Officer*	$350,000	—	—	$122,500	—	—	$ 51,218	**$523,718**
Eddie Carlisle *Chief Financial Officer and Secretary*	$250,000	—	—	$ 87,500	—	—	$ 51,218	**$388,718**
Nathaniel Smith *Chief Investment Officer*	$350,000	—	—	$122,500	—	—	$ 51,823	**$524,323**

Notes:

(1) Represents annualized base salary expected to be paid for the year ending December 31, 2020.

(2) Base salary will be payable to the named executive officers and any other compensation, if any, will be determined by the Trustees, in their discretion, following Closing.

(3) This amount represents the annual cash bonus and assumes that the executive will earn the maximum bonus amount available under his or her employment agreement. However, since this amount is based upon future performance of the REIT and the individual, it is subject to change.

(4) Represents annualized premiums on the life insurance and long-term disability insurance policies established and maintained for the named executive officer by Flagship Manageco. The figure under this heading in respect of Eddie Carlisle represents an estimate, based on the figure given in respect of such annualized premiums for Kurtis Keeney.

Executive Unit Ownership Guidelines

The REIT will establish equity ownership guidelines for the Trustees and executive officers of the REIT to further align the interests of Trustees and executive officers with those of the Unitholders. The ownership guidelines will establish minimum equity ownership levels that, when adopted, are expected to require (i) all non-management Trustees to acquire and thereafter maintain a number of Units or equity equivalents with a fair market value equal to a minimum of three times their annual base cash retainer in place for non-management Trustees within a period of three years of the later of the establishment of a security-based compensation arrangement for the non-management Trustees and their respective appointment dates, (ii) the President and

Chief Executive Officer to acquire and thereafter maintain a number of Units or equity equivalents with a fair market value equal to a minimum of five times his or her annual base salary within a period of three years of the later of the establishment of a security-based compensation arrangement for executive officers and the appointment date, and (iii) all other executive officers to acquire and thereafter maintain a number of Units or equity equivalents with a fair market value equal to a minimum of three times their annual base salary within a period of three years of later of the establishment of a security-based compensation arrangement for executive officers and their respective appointment dates. The REIT will consider, as applicable, the proportionate ownership interest of each Trustee and executive officer of the REIT in Legacy Holdings for purposes of determining whether such Trustee or executive officer has met his or her applicable minimum equity ownership level established by the REIT's equity ownership guidelines; on this basis, it is expected that Kurtis Keeney and Nathaniel Smith will meet their respective minimum equity ownership levels at Closing. See "Trustees and Management of the REIT — Remuneration of Trustees".

Indebtedness of Trustees, Executive Officers and Employees

As at the date hereof, there was no indebtedness (other than "routine indebtedness" under applicable Canadian securities laws) owing to the REIT by any trustees, executive officers, employees or former trustees, executive officers or employees of the REIT.

Employment Agreements

President and Chief Executive Officer

Pursuant to the terms of an employment agreement to be entered into with Flagship Manageco, Mr. Keeney will serve as the REIT's President and Chief Executive Officer for an indefinite term. The agreement will provide for an annual base salary of $350,000 and the ability to earn an annual short-term incentive cash bonus in an amount up to 35% of his annual base salary. Pursuant to his employment agreement, Mr. Keeney will also be eligible to participate in employee benefit plans established by the employer and have a long-term disability insurance policy and a life insurance policy established and maintained at the employer's expense. Mr. Keeney's employment agreement will provide that, in the event Mr. Keeney's employment is terminated without "cause" (as such term is defined in the agreement) or Mr. Keeney terminates his employment agreement because the employer has failed to discharge its duties and responsibilities and fails or refuses to correct such failings within a specified period, he will be entitled to (i) accrued amounts for (a) earned but unpaid base salary, vacation and benefits up to the termination date and (b) earned but unpaid short-term incentive cash bonus for the previously completed calendar year, (ii) a lump sum severance payment equal to two times (a) his base salary immediately prior to termination (or any higher base salary in effect during the 12 months prior to termination), plus (b) the greater of the short term incentive bonus paid to or earned by him for the prior year or the average short term incentive bonus paid to or earned by him for the two prior years, which amount is to be paid in a single lump sum within 30 days following termination, (iii) accelerated vesting of awards granted to him under any equity incentive plan adopted by the REIT, and (iv) a continuation of benefits (except for disability insurance and others that cannot be continued) for two years or until he becomes eligible for such benefits from a new employer. If Mr. Keeney's employment is terminated due to his death or permanent disability, Mr. Keeney (or his estate, as applicable) will be entitled to (i) a lump sum severance payment equal to (a) one times (x) his base salary immediately prior to termination (or any higher base salary in effect during the 12 months prior to termination), plus (y) the greater of the short term incentive bonus paid to or earned by him for the prior year or the average short term incentive bonus paid to or earned by him for the two prior years, less (b) the amount of any payments made and amounts payable to Mr. Keeney (or his estate, as applicable) under the long-term disability insurance policy or life insurance policy, as applicable, established and maintained for Mr. Keeney by Flagship Manageco, and (ii) accelerated vesting of awards granted to him under any equity incentive plan adopted by the REIT. Mr. Keeney's employment agreement will also include a restrictive covenant that requires Mr. Keeney not to solicit certain employees for a period of one year following termination of employment, subject to certain exceptions.

Chief Financial Officer

Pursuant to the terms of an employment agreement to be entered into with Flagship Manageco, Mr. Carlisle will serve as the REIT's Chief Financial Officer for an indefinite term. The agreement will provide for an annual base salary of $250,000 and the ability to earn an annual short-term incentive cash bonus in an amount up to 35% of his annual base salary. Pursuant to his employment agreement, Mr. Carlisle will also be eligible to participate in employee benefit plans established by the employer and have a long-term disability insurance policy and a life insurance policy established and maintained at the employer's expense. Mr. Carlisle's employment agreement will provide that, in the event Mr. Carlisle's employment is terminated without "cause" (as such term is defined in the agreement) or Mr. Carlisle terminates his employment agreement because the employer has failed to discharge its duties and responsibilities and fails or refuses to correct such failings within a specified period, he will be entitled to (i) accrued amounts for (a) earned but unpaid base salary, vacation and benefits up to the termination date, and (b) earned but unpaid short-term incentive cash bonus for the previously completed calendar year, (ii) a lump sum severance payment equal to two times (a) his base salary immediately prior to termination (or any higher base salary in effect during the 12 months prior to termination), plus (b) the greater of the short term incentive bonus paid to or earned by him for the prior year or the average short term incentive bonus paid to or earned by him for the two prior years, which amount is to be paid in a single lump sum within 30 days following termination, (iii) accelerated vesting of awards granted to him under any equity incentive plan adopted by the REIT, and (iv) a continuation of benefits (except for disability insurance and others that cannot be continued) for two years or until he becomes eligible for such benefits from a new employer. If Mr. Carlisle's employment is terminated due to his death or permanent disability, Mr. Carlisle (or his estate, as applicable) will be entitled to (i) a lump sum severance payment equal to (a) one times (x) his base salary immediately prior to termination (or any higher base salary in effect during the 12 months prior to termination), plus (y) the greater of the short term incentive bonus paid to or earned by him for the prior year or the average short term incentive bonus paid to or earned by him for the two prior years, less (b) the amount of any payments made and amounts payable to Mr. Carlisle (or his estate, as applicable) under the long-term disability insurance policy or life insurance policy, as applicable, established and maintained for Mr. Carlisle by Flagship Manageco, and (ii) accelerated vesting of awards granted to him under any equity incentive plan adopted by the REIT. Mr. Carlisle's employment agreement will also include a restrictive covenant that requires Mr. Carlisle not to solicit certain employees for a period of one year following termination of employment, subject to certain exceptions.

Chief Investment Officer

Pursuant to the terms of an employment agreement to be entered into with Flagship Manageco, Mr. Smith will serve as the REIT's Chief Investment Officer for an indefinite term. The agreement will provide for an annual base salary of $350,000 and the ability to earn an annual short-term incentive cash bonus in an amount up to 35% of his annual base salary. Pursuant to his employment agreement, Mr. Smith will also be eligible to participate in employee benefit plans established by the employer and have a long-term disability insurance policy and a life insurance policy established and maintained at the employer's expense. Mr. Smith's employment agreement will provide that, in the event Mr. Smith's employment is terminated without "cause" (as such term is defined in the agreement) or Mr. Smith terminates his employment agreement because the employer has failed to discharge its duties and responsibilities and fails or refuses to correct such failings within a specified period, he will be entitled to (i) accrued amounts for (a) earned but unpaid base salary, vacation and benefits up to the termination date, and (b) earned but unpaid short-term incentive cash bonus for the previously completed calendar year, (ii) a lump sum severance payment equal to two times (a) his base salary immediately prior to termination (or any higher base salary in effect during the 12 months prior to termination), plus (b) the greater of the short term incentive bonus paid to or earned by him for the prior year or the average short term incentive bonus paid to or earned by him for the two prior years, which amount is to be paid in a single lump sum within 30 days following termination, (iii) accelerated vesting of awards granted to him under any equity incentive plan adopted by the REIT, and (iv) a continuation of benefits (except for disability insurance and others that cannot be continued) for two years or until he becomes eligible for such benefits from a new employer. If Mr. Smith's employment is terminated due to his death or permanent disability, Mr. Smith (or his estate, as applicable) will be entitled to (i) a lump sum severance payment equal to (a) one times (x) his base salary immediately prior to termination (or any higher base salary in effect during the 12 months prior to

termination), plus (y) the greater of the short term incentive bonus paid to or earned by him for the prior year or the average short term incentive bonus paid to or earned by him for the two prior years, less (b) the amount of any payments made and amounts payable to Mr. Smith (or his estate, as applicable) under the long-term disability insurance policy or life insurance policy, as applicable, established and maintained for Mr. Smith by Flagship Manageco, and (ii) accelerated vesting of awards granted to him under any equity incentive plan adopted by the REIT. Mr. Smith's employment agreement will also include a restrictive covenant that requires Mr. Smith not to solicit certain employees for a period of one year following termination of employment, subject to certain exceptions.

Termination Benefits

The following table indicates the amount payable to each named executive officer under the terms of their employment agreements upon termination other than for cause, if such events were to occur immediately following the completion of the Offering.

Name and Principal Position	Event	Severance[(1)] ($)	Total ($)
Kurtis Keeney . . . . President and Chief Executive Officer	Termination without cause or resignation due to employer default	$700,000	$700,000
	Termination due to death or permanent disability[(2)]	$350,000	$350,000
Eddie Carlisle . . . . Chief Financial Officer	Termination without cause or resignation due to employer default	$500,000	$500,000
	Termination due to death or permanent disability[(2)]	$250,000	$250,000
Nathaniel Smith . . . . Chief Investment Officer	Termination without cause or resignation due to employer default	$700,000	$700,000
	Termination due to death or permanent disability[(2)]	$350,000	$350,000

Notes:

(1) Assuming no accrued amounts for earned but unpaid base salary, vacation and benefits, or earned but unpaid short-term incentive cash bonus, as this assumes such events were to occur immediately following the completion of the Offering.

(2) Assuming no payments under long-term disability insurance policy or life insurance policy.

INVESTMENT GUIDELINES AND OPERATING POLICIES

Investment Guidelines

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

(a) the REIT may only invest, directly or indirectly, in acquiring, holding, developing, maintaining, improving, leasing, managing or otherwise dealing with interests (including fee ownership and leasehold interests) primarily in (i) income-producing real property which is being utilized or intended to be utilized primarily for the purpose of MHCs, and (ii) properties and assets ancillary thereto necessary for the operation of such real property, and such other activities as are consistent with the other investment guidelines of the REIT;

(b) notwithstanding anything else contained in the Declaration of Trust, the REIT shall not make any investment, take any action or omit to take any action that would result in the Trust not being a "mutual fund trust" within the meaning of the Tax Act or that would result in the Units not being qualified investments for Exempt Plans;

(c) the business of the REIT shall be limited to and conducted in such a manner as to permit the REIT at all times to be classified as a real estate investment trust under the Code, including through a taxable REIT subsidiary, unless the independent Trustees have determined, at their full discretion, that the REIT cease qualifying as a real estate investment trust under the Code;

(d) the REIT shall not invest in any interest in a single real property (which, for certainty, shall not include a portfolio of real properties) if, after giving effect to the proposed investment, the cost to the REIT of such investment (net of the amount of debt incurred or assumed in connection with such investment) will exceed 20% of Gross Book Value at the time the investment is made;

(e) the REIT may, directly or indirectly, invest in a joint venture arrangement for the purposes of owning interests or investments otherwise permitted to be held by the REIT; provided that such joint venture arrangement contains terms and conditions which, in the opinion of the independent Trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT's and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to the REIT, provisions to limit the liability of the REIT and its Unitholders to third parties, and provisions to provide for the participation of the REIT in the management of the joint venture arrangement. For purposes hereof, a "joint venture arrangement" is an arrangement between the REIT and one or more other persons pursuant to which the REIT, directly or indirectly, conducts an undertaking for one or more of the purposes set out in the investment guidelines of the REIT and in respect of which the REIT may hold its interest jointly or in common or in another manner with others either directly or through the ownership of securities of a corporation or other entity;

(f) except for the REIT's direct and indirect investments resulting from the transactions contemplated by the Acquisition, temporary investments held in cash, deposits with a Canadian chartered bank, credit union or trust company registered under the laws of a province of Canada, deposits with a savings institution, trust company, credit union or similar financial institution that is organized or chartered under the laws of a state or of the United States, short-term government debt securities or money market instruments maturing prior to one year from the date of issue and except as permitted pursuant to the investment guidelines and operating policies of the REIT, the REIT may not hold securities of a person other than to the extent such securities would constitute an investment in real property (as determined by the Trustees) and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary, but in all events subject to paragraph (b) above, the REIT may hold securities of a person: (i) acquired in connection with the carrying on, directly or indirectly, of the REIT's activities or the holding of its assets; or (ii) which focuses its activities primarily on the activities described in paragraph (a) above, provided in the case of any proposed investment or acquisition which would result in the beneficial ownership of more than 10% of the outstanding securities of an issuer (the "**Acquired Issuer**"), the investment is made for the purpose of subsequently effecting the merger or combination of the business and assets of the REIT and the Acquired Issuer or for otherwise ensuring that the REIT will control the business and operations of the Acquired Issuer;

(g) the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;

(h) except for the REIT's direct and indirect investments resulting from the transactions contemplated by the Acquisition, the REIT shall not invest, directly or indirectly, in operating businesses unless such investment is an indirect investment and is incidental to a transaction:

  (i) where revenue will be derived, directly or indirectly, principally from the ownership of MHCs; or

  (ii) which principally involves the ownership, maintenance, development, improvement, leasing or management, directly or indirectly, of MHCs (in each case as determined by the Trustees);

(i) the REIT shall not invest in raw land for development, except (i) for existing properties with additional development or properties adjacent to existing properties of the REIT for the purpose of the renovation or expansion of existing properties, or (ii) the development of new properties which will be capital property of the REIT, provided that the aggregate value of the investments of the REIT in raw

land, excluding raw land under development, after giving effect to the proposed investment, will not exceed 5% of Gross Book Value;

(j) the REIT may invest in and originate mortgages and mortgage bonds (including participating or convertible mortgages) and similar instruments where:

   (i) it intends to use the acquisition of the mortgages as a method of acquiring, directly or indirectly, an income-producing MHC that would otherwise meet the investment guidelines of the REIT;

   (ii) the real property that is security therefor is an income-producing MHC that otherwise meets the investment guidelines of the REIT; or

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

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

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

Operating Policies

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

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

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

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

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

(c) the REIT may engage in construction or development of real property: (i) to maintain its real properties in good repair or to improve the income-producing potential of properties in which the REIT has an interest; and (ii) to develop new properties that will be capital properties of the REIT on completion, provided that the aggregate value of the investments of the REIT in properties under

development after giving effect to the proposed investment in the construction or development, will not exceed 10% of Gross Book Value;

(d) title to each real property shall be held by and registered in the name of the REIT, the Trustees or a corporation or other entity owned in whole or in part, directly or indirectly, by the REIT or jointly owned, directly or indirectly, by the REIT, with joint venturers; provided, that where land tenure will not provide fee simple title, the REIT, the Trustees or a corporation or other entity wholly owned, directly or indirectly, by the REIT or jointly owned, directly or indirectly, by the REIT with joint venturers shall hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;

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

(f) the REIT shall not, directly or indirectly, guarantee any Indebtedness or liabilities of any kind of a third party, except Indebtedness or liabilities assumed or incurred by an entity in which the REIT holds an interest, directly or indirectly, or by an entity jointly owned by the REIT with joint venturers and operated solely for the purpose of holding a particular property or properties, where such Indebtedness, if granted by the REIT directly, would not cause the REIT to contravene its investment guidelines or operating policies. The REIT is not required, but shall use its reasonable best efforts, to comply with this requirement (i) in respect of obligations assumed by the REIT pursuant to the acquisition of real property; or (ii) if doing so is necessary or desirable in order to further the initiatives of the REIT permitted under the Declaration of Trust;

(g) the REIT shall, directly or indirectly, obtain and maintain at all times property insurance coverage in respect of potential liabilities of the REIT and the accidental loss of value of the assets of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practice of owners of comparable properties;

(h) the REIT shall have obtained an appraisal of each real property that it intends to acquire and an engineering survey with respect to the physical condition thereof, in each case, by an independent and experienced consultant, unless the requirement for such an appraisal or engineering survey is waived by the independent Trustees;

(i) the REIT shall obtain a Phase I environmental site assessment of each real property to be acquired by it and, if the Phase I environmental site assessment report recommends that a further environmental site assessment be conducted, the REIT shall have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant; as a condition to any acquisition such assessments shall be satisfactory to the Trustees; and

(j) the REIT shall not acquire, invest in or hold any loan to a resident secured by a manufactured home, unless and until the earlier of (i) such time as the REIT shall have acquired all of the assets of Empower, if at all, pursuant to the exercise of its rights in this regard under the ROFO Agreement and (ii) such time as the REIT shall have a Gross Book Value of $1.5 billion or more.

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

Amendments to Investment Guidelines and Operating Policies

Pursuant to the Declaration of Trust, all of the investment guidelines set out under the heading "Investment Guidelines" and the operating policies contained in paragraphs (a), (e), (f), (g), (h) and (i), set out under the heading "Operating Policies" may be amended only with the approval of at least two-thirds of the votes cast by

Unitholders at a meeting of Unitholders called for such purpose. The remaining operating policies may be amended with the approval of a majority of the votes cast by Unitholders at a meeting called for such purpose.

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

DECLARATION OF TRUST AND DESCRIPTION OF REIT UNITS

General

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

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

Operations and Assets of the REIT

All operations and assets of the REIT will be held through Flagship Operating, LLC unless (i) the Board determines that an alternative ownership structure would be in the best interests of the REIT, and (ii) such alternative structure provides the Retained Interest Holders with legal rights and economic benefits derived therefrom that are equivalent to the rights and benefits that the Retained Interest Holders would have had if the operations and assets were held through Flagship Operating, LLC. This requirement may not be amended, modified or removed without the prior written consent of Legacy Holdings as designee of the Retained Interest Holders.

Units

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

No Unit will have any preference or priority over another. Each Unit will represent a Unitholder's proportionate undivided beneficial ownership interest in the REIT and will confer 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 will be fully paid and non-assessable when issued and are transferable. The Units are redeemable by the holder thereof, as described below under "Redemption Right" and, except as set out in "Retained Interest Holders", "— Issuance of Units" and "Flagship Operating, LLC — Operation", the Units have no other conversion, retraction, redemption or pre-emptive rights. Fractional Units may be issued as a result of an act of the Trustees, but fractional Units do not entitle the holders thereof to vote, except to the extent that such fractional Units may represent in the aggregate one or more whole Units.

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

Restrictions on Ownership and Transfer

REIT Qualification

In order for the REIT to qualify as a real estate investment trust for U.S. federal income tax purposes, the Units must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding Units (treating certain options and, under certain circumstances, securities convertible into Units as Units) may be owned, directly or through certain constructive ownership rules, by five or fewer individuals (as defined for this purpose) in the Code to include certain tax-exempt entities, such as charitable trusts and private foundations but to exclude certain qualified trusts described in Section 401(a) of the Code) at any time during the last half of a taxable year. The REIT does not intend to treat the Class B Units as options or securities convertible into Units for purposes of this ownership limit.

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

The applicable constructive ownership rules under the Code are complex and may cause Units owned actually or constructively by a group of related individuals or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% of the Units (or the acquisition of an interest in an entity that owns, actually or constructively, the Units) by an individual or entity could, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% of the Units and thereby violate the applicable ownership limit.

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

- five or fewer individuals (as defined for this purpose in the Code to include certain tax-exempt entities, such as charitable trusts and private foundations but to exclude certain qualified trusts described in Section 401(a) of the Code) to own, actually or beneficially, more than 49% in value of the outstanding Units (treating certain options and, under certain circumstances, securities convertible into Units as Units); or
- the REIT to own, actually or constructively, an interest in a tenant of the REIT (or a tenant of any entity owned in whole or in part by the REIT).

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

In connection with a waiver of an ownership limit or at any other time, the Board may, in its sole and absolute discretion, increase or decrease Unit ownership limits for one or more persons, except that a decreased ownership limit will not be effective for any person whose actual, beneficial or constructive ownership of the Units exceeds the decreased ownership limit at the time of the decrease until the person's actual, beneficial or constructive ownership of the Units equals or falls below the decreased ownership limit, although any further acquisition of the Units will violate the decreased ownership limit. The Board may not increase or decrease any ownership limit if the new ownership limit would allow five or fewer individuals (as defined for this purpose in the Code to include certain tax-exempt entities, such as charitable trusts and private foundations but to exclude certain qualified trusts described in Section 401(a) of the Code) to own, actually or beneficially, more than 49% of the Units (treating certain options and, under certain circumstances, securities convertible into Units as Units). The REIT does not intend to treat the Class B Units as options or securities convertible into Units for purposes of this ownership limit.

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

The Declaration of Trust further prohibits:

- any person from actually, beneficially or constructively owning Units that could result in the REIT being "closely held" under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise cause the REIT to fail to qualify as a real estate investment trust (including, but not limited to, actual, beneficial or constructive ownership of Units that could result in the REIT owning (actually or constructively) an interest in a tenant that is described in Section 856(d)(2)(b) of the Code if the income the REIT derives from such tenant, taking into account other income received by the REIT that is treated as non-qualifying income for purposes of the gross income tests of Section 856(c) of the Code, might cause the REIT to fail to satisfy any of the gross income requirements imposed on real estate investment trusts); and
- any person from transferring Units if such transfer would result in the Units being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

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

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

The REIT is required to demand, within 30 days after the end of each taxable year, a written statement from every Unitholder of record owning 5% or more (or such lower percentage as required by the Code or the Treasury Regulations promulgated thereunder) of the outstanding Units, stating the name and address of the actual owner of the Units, the number of Units that each such owner actually or beneficially owns and a description of the manner in which the Units are held. Each Unitholder of record also must provide the REIT with any additional information that the REIT requests in order to determine the effect, if any, of the actual or beneficial ownership of the Units owned by the Unitholder of record on the REIT's status as a real estate investment trust for U.S. federal income tax purposes and to ensure compliance with the ownership limits and

the other restrictions on ownership and transfer of the Units set forth in the Declaration of Trust. In addition, any person who is an actual, beneficial or constructive owner of Units and any person (including the Unitholder of record) who is holding Units for an actual, beneficial or constructive owner must, on request, disclose to the REIT in writing such information as the REIT may request in good faith in order to determine the its status as a real estate investment trust for U.S. federal income tax purposes and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

FIRPTA

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

In order for the REIT to comply with its withholding obligations under FIRPTA (and certain other regulatory requirements), the Units are subject to notice requirements and transfer restrictions. Non-U.S. persons holding Units are required to provide the REIT with such information as the REIT may request. Furthermore, any non-U.S. person that is treated as having acquired sufficient Units to be treated as owning more than 5% of the Units is required to notify the REIT by the close of the business day prior to the date of the transfer that causes the non-U.S. person to own more than 5% of the Units.

The applicable constructive ownership rules under the Code are complex and may cause Units owned actually or constructively by a group of related individuals or entities to be owned constructively by one individual or entity. As a result, the acquisition of 5% or less of the Units (or the acquisition of an interest in an entity that owns, actually or constructively, Units) by an individual or entity might, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of 5% of the Units and thereby become subject to the notice requirements. Under these rules of constructive ownership, Units can be attributed (i) among family members, (ii) to non-U.S. persons from entities that own Units, to the extent that such non-U.S. persons own interests in such entities and (iii) to entities from non-U.S. persons that own interests in such entities. Under these attribution rules, Units of related entities (including related investment funds) may be aggregated to the extent of overlapping ownership.

If any non-U.S. person that is treated as having acquired sufficient Units to be treated as owning more than 5% of the Units fails to comply with the FIRPTA notice provisions described above, the excess Units (i.e., the excess of the number of Units that the non-U.S. person is treated as owning over an amount equal to 5% of the outstanding Units) are required to be sold, through the mechanism described below under "Declaration of Trust — Excess Units," with such non-U.S. person receiving the lesser of (i) the original purchase price for the excess Units and (ii) the sale price of the excess Units (net of commissions and other expenses of sale). Non-U.S. persons holding Units are strongly advised to monitor their actual and constructive ownership of Units.

Excess Units

Pursuant to the Declaration of Trust, if any purported transfer of the Units or any other event results in any person violating the ownership limits described above under "Declaration of Trust — REIT Qualification" or such other limit established by the Board or otherwise failing to qualify as a real estate investment trust, or if a non-U.S. person is treated as owning more than 5% of the Units and has not complied with the notice provisions described under "Declaration of Trust — FIRPTA," then the number of Units that exceeds the applicable ownership limit (rounded up to the nearest whole Unit) is automatically transferred to, and held by, a charitable trust for the exclusive benefit of one or more charitable beneficiaries selected by the REIT. The prohibited owner has no rights in Units held by the charitable trustee. The automatic transfer is effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in the transfer to the charitable trust. Any dividend or other distribution paid to the prohibited owner, prior to the REIT's

discovery that the Units had been automatically transferred to a charitable trust, must be repaid to the charitable trustee upon demand. If the transfer to the charitable trust as described above is not automatically effective, for any reason, to prevent violation of the applicable restriction on ownership and transfer of the Units, then the transfer of the number of Units that causes any person to violate the above restrictions are void and of no force or effect and the intended transferee acquires no rights in the Units. If any transfer of Units results in Units being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution), then any such purported transfer is void and of no force or effect and the intended transferee acquires no rights in the Units.

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

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

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

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

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

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

If the Board determines in good faith that a proposed transfer or other event has taken place that violates the restrictions on ownership and transfer of the Units set forth in the Declaration of Trust, the Board may take such action as the Board deems advisable in its sole discretion to refuse to give effect to or to prevent such transfer, including, but not limited to, causing the REIT to redeem Units, refusing to give effect to the transfer on the REIT's books or instituting proceedings to enjoin the transfer.

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

Meetings of Unitholders

The Declaration of Trust provides that meetings of Unitholders will be required to be called and held in various circumstances, including (i) for the election or removal of Trustees, (ii) the appointment or removal of the auditors of the REIT, (iii) the approval of amendments to the Declaration of Trust (except as described below under "— Amendments to the Declaration of Trust"), (iv) the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees), (v) the termination of the REIT and (vi) for the transaction of any other business as the Trustees may determine or as may be properly brought before the meeting. Meetings of Unitholders will be called and held annually, commencing in 2021, for the election of the Trustees and the appointment of the auditors of the REIT. All meetings of Unitholders must be held in Canada.

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

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

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

Advance Notice Provision

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

Except as otherwise provided in the Declaration of Trust, only persons who are nominated by Unitholders in accordance with the Advance Notice Provision or in accordance with the Investor Rights Agreement shall be eligible for election as Trustees. Nominations of persons for election to the Board may be made for any annual meeting of Unitholders, or for any special meeting of Unitholders if one of the purposes for which the special meeting was called was the election of Trustees: (i) by or at the direction of the Board, including pursuant to a notice of meeting; (ii) by or at the direction or request of one or more Unitholders pursuant to a requisition of the Unitholders made in accordance with the Declaration of Trust; or (iii) by any person (a "**Nominating**

Unitholder"): (a) who, at the close of business on the date of the giving of the notice provided for below and on the record date for notice of such meeting, is entered in the REIT's register as a holder of one or more Units carrying the right to vote at such meeting or who beneficially owns Units that are entitled to be voted at such meeting; and (b) who complies with the notice procedures set forth in the Advance Notice Provision.

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

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

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

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

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

Redemption Right

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

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

(ii) 100% of the "Closing Market Price" on the Redemption Date.

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

(i) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date;

(ii) an amount equal to the weighted average of the closing market prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or

(iii) if there was trading on the applicable exchange or market for fewer than five of the ten trading days, an amount equal to the simple average of the following prices established for each of the ten consecutive trading days ending on such date: the simple average of the last bid and last asking price of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

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

(i) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date if the principal exchange or market provides information necessary to compute a weighted average trading price of the Units on the specified date;

(ii) an amount equal to the closing price of a Unit on the principal market or exchange if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date;

(iii) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or

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

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

The aggregate Redemption Price payable by the REIT in respect of any Units surrendered for redemption during any calendar month will be paid in U.S. dollars within 30 days after the end of the calendar month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) on the date such Units are tendered for redemption, the outstanding Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, in any market where the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten-day trading period commencing immediately before the Redemption Date; and (iv) the redemption of the Units must not result in the delisting of the Units from the principal stock exchange on which the Units are listed.

Cash payable on redemptions will be paid pro rata to all Unitholders tendering Units for redemption in any month. To the extent a Unitholder is not entitled to receive cash upon the redemption of Units as a result of any of the foregoing limitations, then the balance of the Redemption Price for such Units will, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution in specie to such Unitholder of Redemption Notes. In the event of distributions of Redemption Notes, each Redemption Note so distributed to the redeeming holder of Units shall be in the principal amount of $100 or such other amount as may be determined by the Trustees. No fractional Redemption Notes shall be distributed and where the number of Redemption Notes to be received upon redemption by a holder of Units would otherwise include a fraction, that number shall be rounded down to the next lowest whole number. The Trustees may deduct or withhold from all payments or other distributions payable to any Unitholder pursuant to the Declaration of Trust all amounts

required by law to be so withheld. Where the REIT redeems Units of a Unitholder, pursuant to the Declaration of Trust, the REIT may allocate to that Unitholder any income or capital gain realized by the REIT for purposes of the Tax Act on or in connection with such redemption. However, certain Proposed Amendments to the Tax Act would generally prohibit the REIT from deducting, in the computation of the REIT's income, the portion of an amount paid to a redeeming Unitholder of the REIT that is considered to be paid out of the income of the REIT, and limit the ability of the REIT to deduct capital gains so allocated to redeeming Unitholders. If such Proposed Amendments are enacted in their current form, any such income (including any taxable capital gains) may be made payable to non-redeeming Unitholders so that the REIT will not be liable for non-refundable income tax thereon, in which case the amounts and taxable component of distributions to non-redeeming Unitholders may be greater than would have been the case in the absence of such amendments. Where the REIT redeems Units of a Unitholder, the REIT currently intends to allocate to that Unitholder capital gains and income only to the extent such allocation would be deductible to the REIT for purposes of the Tax Act. See "Certain Canadian Federal Income Tax Considerations".

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units. Redemption Notes which may be distributed to holders of Units in connection with a redemption will not be listed on any exchange, no market is expected to develop in Redemption Notes and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. Redemption Notes so distributed may not be qualified investments for Exempt Plans, depending upon the circumstances at the time.

Purchases of Units by the REIT

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

Take-Over Bids

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

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

Non-Certificated Inventory System

Other than pursuant to certain exceptions, registration of interests in and transfers of Units held through CDS, or its nominee, will be made electronically through the NCI system of CDS. On Closing, the REIT, via its

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

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

Issuance of Units

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

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

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

Information and Reports

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

Amendments to the Declaration of Trust

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

other amendments to the Declaration of Trust require approval by a majority of the votes cast at a meeting of Unitholders called for such purpose.

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

(i) an exchange, reclassification or cancellation of all or part of the Units;

(ii) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units;

(iii) any constraint on the issue, transfer or ownership of the Units or the change or removal of such constraint;

(iv) any sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees and not prejudicial to Unitholders);

(v) the termination of the REIT or its subsidiaries (other than as part of an internal reorganization of the assets of the REIT or its subsidiaries as approved by the Trustees and not prejudicial to Unitholders);

(vi) the combination, amalgamation or arrangement of any of the REIT or its subsidiaries with any other entity (other than as part of an internal reorganization of the assets of the REIT or its subsidiaries as approved by the Trustees and not prejudicial to Unitholders); and

(vii) except as described herein, the amendment of the investment guidelines and operating policies of the REIT. See "Investment Guidelines and Operating Policies — Amendments to Investment Guidelines and Operating Policies".

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

(i) aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over: (a) the Trustees or the REIT; (b) the continuing status of the REIT as a "mutual fund trust" under the Tax Act; (c) the continuing status of the REIT as a "real estate investment trust" for U.S. federal income tax purposes; or (d) the distribution of Units;

(ii) which, in the opinion of the Trustees, provide additional protection for the Unitholders;

(iii) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders;

(iv) which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in this prospectus and the Declaration of Trust;

(v) of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders;

(vi) which, in the opinion of the Trustees, are necessary or desirable: (a) to ensure continuing compliance with IFRS; or (b) to ensure the Units are classified as equity for purposes of IFRS;

(vii) which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to implement a Unit option or purchase plan or issue Units for which the purchase price is payable in instalments;

(viii) which, in the opinion of the Trustees, are necessary or desirable for the REIT to qualify for a particular status under, or as a result of changes in, taxation or other laws, or the interpretation of such laws, including to qualify for the definition of "real estate investment trust" in the Code or to otherwise prevent the REIT or any of its subsidiaries from becoming subject to tax under the SIFT Rules;

(ix) to create one or more additional classes of units solely to provide voting rights to holders of shares, units or other securities that are exchangeable, redeemable, exercisable or convertible for Units entitling the holder thereof to a number of votes not exceeding the number of Units into which the

exchangeable shares, units or other securities are exchangeable, redeemable, exercisable or convertible but that do not otherwise entitle the holder thereof to any rights with respect to the REIT's property or income other than a return of capital; and

(x) for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required) which, in the opinion of the Trustees, is not prejudicial to Unitholders and is necessary or desirable.

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

Rights of Unitholders

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

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

Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting: (a) the business or businesses that the corporation can carry on; or (b) the issue, transfer or ownership of shares). Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or which disregard the interests of securityholders and certain other parties. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The Declaration of Trust does not include a comparable right. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of a corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right. Also, unlike shareholders of a corporation incorporated under the CBCA, Unitholders do not have the right to make proposals in advance of a Unitholder meeting about matters to be voted on at the Unitholder meeting.

US HOLDCO

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

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

FLAGSHIP OPERATING, LLC

General

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

Flagship Operating, LLC Class A Units and Class B Units

Upon Closing and the related transactions, Flagship Operating, LLC will have outstanding (i) Class A Units, all of which will be held by US Holdco, and (ii) Class B Units, all of which will be held by Legacy Holdings and certain other Retained Interest Holders. The Class B Units are, in all material respects, economically equivalent to the Units on a per unit basis, subject to certain customary anti-dilution adjustments. The holders of Class B Units are entitled to receive distributions from Flagship Operating, LLC on the same per unit basis as holders of Units. Class B Units do not carry a voting right with respect to matters put before Unitholders of the REIT for a vote. The REIT anticipates that additional Class B Units may be issued subsequently to U.S. persons in connection with the acquisition of additional properties by the REIT in the United States. Transfers of Class A Units and Class B Units generally are not permitted, subject to limited exceptions, including (i) pursuant to the redemption of the Class B Units, (ii) transfers from a legal entity to an affiliate, subsidiary or successor in interest of such entity, and (iii) with regards to Class B Units only, transfers to other holders of Class B Units after the date that is 180 days after the Closing of the Offering.

Redemption Rights

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

Compulsory Acquisition

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

Operation

The Operating Agreement requires Flagship Operating, LLC to be operated in a manner that enables the REIT (i) to satisfy the requirements for being classified as a real estate investment trust for U.S. federal income tax purposes, unless the Board elects for the REIT to cease to qualify as a real estate investment trust, (ii) not to be subject to any U.S. federal income or excise tax liability (other than with respect to any income or gain that the REIT elects to retain and pay any applicable U.S. federal corporate income tax), unless the Board elects for the REIT to cease to qualify as a real estate investment trust, and (iii) ensure that Flagship Operating, LLC is not classified as a "publicly traded partnership" for purposes of Section 7704 of the Code, which classification might result in Flagship Operating, LLC being taxed as a corporation for U.S. federal income tax purposes, rather than as a partnership. The authority of US Holdco with respect to Flagship Operating, LLC is limited to certain matters delegated to US Holdco by the REIT and its Board. The authority of US Holdco also is limited in certain other respects. In particular, pursuant to the Investor Rights Agreement, certain material transactions taken by the REIT or Flagship Operating, LLC require the approval of the REIT (through its control of US Holdco) and Legacy Holdings as designee of the Retained Interest Holders (for so long as the Retained Interest Holders and their associates own, in the aggregate, 33⅓% or more of the then outstanding Units (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT) or, in the event the Retained Interest Holders and their associates own less than such percentage interest, the percentage interest owned by the Retained Interest Holders and their associates constitutes at least that number of Units (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT) equal to 33⅓% of the votes cast at a meeting of Unitholders). See "Retained Interest Holders — Investor Rights Agreement". The operations of Flagship Operating, LLC are subject to the terms of the Operating Agreement, which provides, among other things, that (i) Flagship Operating, LLC operate in a manner consistent with the governance and other terms of the Declaration of Trust, including the investment guidelines and operating policies set out therein, and (ii) certain fundamental actions taken by Flagship Operating, LLC (including items such as acquisitions, dispositions and refinancings of real property) require the approval of all of the Flagship Operating, LLC managers, subject to situations where individuals must abstain from voting due to a conflict of interest or under applicable law.

Distributions and Allocations of Profit and Losses

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

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

Indemnification

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

Tax Matters

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

DISTRIBUTION POLICY

The following outlines the distribution policy of the REIT to be adopted pursuant to the Declaration of Trust. Determinations as to the amounts distributable, however, will be made in the sole discretion of the Trustees from time to time.

Distribution Policy

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

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

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

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

The first distribution is expected to be for the period from Closing to October 31, 2020 and is expected to be made on November 16, 2020 in the amount of $0.0329 per Unit (assuming that Closing occurs on October 7, 2020). The REIT intends to make subsequent monthly distributions in the estimated amount of $0.0425 per Unit thereafter.

The ability of the REIT to make cash distributions, and the actual amount distributed, is entirely dependent on the operations and assets of the REIT and is subject to various factors, including financial performance, obligations under applicable credit facilities and restrictions on payment of distributions thereunder on the occurrence of an event of default, fluctuations in working capital, the sustainability of income derived from the tenants of the REIT's properties and any capital expenditure requirements. See "Risk Factors".

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, Canadian counsel to the REIT, and Torys LLP, Canadian counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable as of the date hereof to a purchaser who acquires, as beneficial owner, Units pursuant to this Prospectus and who, for the purposes of the Tax Act and at all relevant times, is, or is deemed to be, resident in Canada, deals at arm's length with the REIT and each of the Underwriters, is not affiliated with the REIT or any of the Underwriters and holds the Units as capital property (in this section of the prospectus, referred to as a "**Holder**"). The Units generally will be capital property to a Holder provided that the Holder does not hold such Units in the course of carrying on a business and has not acquired them in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain holders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have any Units and any other "Canadian security" (as defined in the Tax Act) owned in the taxation year in which the election is made, and in all subsequent taxation years, deemed to be capital property. Purchasers who do not hold their Units as capital property should consult their own tax advisors regarding their particular circumstances.

This summary does not apply to a Holder: (i) that is a "financial institution" subject to the mark-to-market rules in the Tax Act; (ii) an interest in which would be a "tax shelter investment" within the meaning of the Tax Act; (iii) that has elected to determine its "Canadian tax results" in a foreign currency pursuant to the "functional currency" reporting rules in the Tax Act; (iv) that holds or has held, actually or constructively, more than 10% of the outstanding Units, as determined for U.S. federal income tax purposes at any relevant time (See "Certain U.S. Federal Income Tax Considerations"); or (v) that has entered or will enter into a "derivative forward agreement", as defined in the Tax Act, with respect to the Holder's Units. Such Holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Units. In addition, this summary does not address the deductibility of interest by a purchaser who has borrowed money to acquire Units under this Offering.

This summary assumes that either the TSX Publicly Traded Exception or the U.S. Publicly Traded Exception (each as defined below) applies to the Units. See "Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders".

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) before the date hereof ("**Proposed Amendments**"), counsel's understanding of the current publicly available administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**"), and a certificate as to certain factual matters from an executive officer of the REIT. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations. No assurance can be given that the Proposed Amendments will be enacted in the form proposed or at all.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on a purchaser's particular status and circumstances, including

the province or territory in which the purchaser resides or carries on business. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Purchasers should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units in their own circumstances.

Generally, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Units must be expressed in Canadian dollars. Amounts denominated in another currency must be converted into Canadian dollars using the exchange rate quoted by the Bank of Canada on the date such amounts first arose, or such other rate of exchange as is acceptable to the CRA. An investment in Units will be denominated in U.S. dollars and distributions made on the Units will be made in U.S. dollars. Accordingly, Holders of Units must convert such amounts to Canadian dollars for the purposes of the Tax Act.

For the purposes of this summary and the opinion given under the heading "Eligibility for Investment", a reference to the REIT is a reference to Flagship Communities Real Estate Investment Trust only and is not a reference to any of its subsidiaries or predecessors.

Status of the REIT

This summary assumes the REIT will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act and that the REIT will validly elect under the Tax Act to be a mutual fund trust from the date it was established. An executive officer of the REIT has advised counsel that it intends to ensure that the REIT will meet the requirements necessary for it to qualify as a mutual fund trust no later than the Closing of the Offering and at all times thereafter, and to file the necessary election so that the REIT will be deemed to qualify as a mutual fund trust throughout its first taxation year. **If the REIT were not to qualify or be deemed to qualify as a mutual fund trust at all times, the income tax considerations could be materially and adversely different from those described below.**

This summary is also based on the assumption that the REIT will at no time be a "SIFT trust", as defined in the rules applicable to SIFT trusts and SIFT partnerships in the Tax Act (the "**SIFT Rules**"). The SIFT Rules effectively tax certain income of a publicly-traded trust or partnership that is distributed to its investors on the same basis as would have applied had the income been earned through a taxable Canadian corporation and distributed by way of dividend to its shareholders. These rules apply only to "SIFT trusts" and "SIFT partnerships" (each as defined in the Tax Act) and their investors.

Where the SIFT Rules apply, distributions of a SIFT trust's "non-portfolio earnings" are not deductible in computing the SIFT trust's net income. Non-portfolio earnings generally are defined as income attributable to a business carried on by the SIFT trust in Canada or to income (other than certain dividends) from, and capital gains from the disposition of, "non-portfolio properties" (as defined in the Tax Act). The SIFT trust is itself liable to pay an income tax on an amount equal to the amount of such non-deductible distributions at a rate that is substantially equivalent to the combined federal and provincial general tax rate applicable to taxable Canadian corporations. Such non-deductible distributions paid to a holder of units of the SIFT trust generally are deemed to be taxable dividends received by the holder of such units from a taxable Canadian corporation. Such deemed dividends will qualify as "eligible dividends" for purposes of the enhanced gross-up and dividend tax credit available under the Tax Act to individuals resident in Canada and for purposes of computing a Canadian resident corporation's "general rate income pool" or "low rate income pool", as the case may be (each as defined in the Tax Act). In general, distributions paid as returns of capital will not be subject to the SIFT Rules.

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 and does not carry on business in Canada in that year. An executive officer of the REIT has advised counsel that the REIT has not owned and does not currently intend to own any non-portfolio property or carry on a business in Canada.

If the REIT were to become subject to the SIFT Rules, certain of the income tax considerations described below would, in some respects, be materially and adversely different, and the SIFT Rules may, depending on the nature and extent of distributions from the REIT, including what portion of its distributions are income and what portion are returns of capital, have a material adverse effect on the after-tax returns of Unitholders.

The remainder of this summary assumes that the REIT will not own any non-portfolio property or carry on business in Canada and, accordingly, will not be a SIFT trust.

Taxation of the REIT

The taxation year of the REIT is the calendar year. The REIT must compute its income or loss for each taxation year as though it were an individual resident in Canada. The income of the REIT for purposes of the Tax Act will include, among other things, dividends received (or deemed to be received) from US Holdco as described further below, and any net realized taxable capital gains.

US Holdco is a "foreign affiliate" and a "controlled foreign affiliate" ("**CFA**") of the REIT for purposes of the Tax Act. In the event that US Holdco or any other CFA of the REIT earns income in a particular taxation year of the CFA that is characterized as "foreign accrual property income" ("FAPI") for purposes of the Tax Act, the amount of such FAPI allocable to the REIT must be included in computing the income of the REIT for the taxation year of the REIT in which the taxation year of US Holdco or such other CFA ends, whether or not the REIT actually receives a distribution of that FAPI. The FAPI relating to the shares of US Holdco or such other CFA will include FAPI earned directly or indirectly by US Holdco or such other CFA (including income earned by one or more subsidiary partnerships).

Dividends received (or deemed to be received) by the REIT from U.S. Holdco will be included in computing the income of the REIT, however, as described below, a deduction generally will be available to the extent that the REIT has included such amount in its income as FAPI.

FAPI does not include income from a business carried on by a CFA of the REIT (or by a partnership of which a CFA of the REIT is a member) that is an "active business" within the meaning of the FAPI provisions of the Tax Act. This should generally include income of a CFA where, throughout the period in the taxation year during which the business was carried on, the business is the leasing of property conducted principally with persons with whom the CFA deals at arm's length for purposes of the Tax Act and the CFA employs more than five employees full-time in the active conduct of the business outside of Canada (the "**Employee Exception**"). FAPI should also generally not include income from sources in a country other than Canada derived by a particular CFA, or a partnership of which that CFA is a member, to the extent that the activities occur while the particular CFA is a "qualifying member" of the particular partnership, that can reasonably be considered to be directly related to active business activities carried on in a country other than Canada by another non-resident corporation that is or is deemed to be a foreign affiliate in respect of which the REIT has a "qualifying interest" throughout the year to the extent that such income would, if it were earned by such other corporation, be included in computing amounts prescribed to be its earnings or loss from an active business (including a business that is considered to be an active business by virtue of the Employee Exception) carried on in a country other than Canada for purposes of the FAPI provisions of the Tax Act (the "**Direct Relation Exception**"). An executive officer of the REIT has advised counsel that it intends that any CFA of the REIT (or a partnership of which a CFA of the REIT is a member) will either meet the Employee Exception or the Direct Relation Exception at all relevant times or will not have any material income other than dividends received on shares of other foreign affiliates of the REIT or income from another active business of such CFA or partnership, in which case the REIT should not be required to include any material amount of FAPI in computing its income for purposes of the Tax Act. If, notwithstanding such expectation, any relevant CFA of the REIT (or of a partnership of which a CFA of the REIT is a member) fails to meet the Employee Exception or the Direct Relation Exception or carries on another business that is not an active business throughout a particular taxation year, the REIT will be required to include its allocable share of any resulting FAPI in its income for purposes of the Tax Act, and a grossed-up amount may be deductible in respect of the "foreign accrual tax" as defined in the Tax Act ("FAT") applicable to the FAPI as computed in accordance with the Tax Act. As the REIT intends to qualify as a real estate investment trust for U.S. federal income tax purposes, the amount of U.S. federal income tax payable by U.S. Holdco and the REIT on its income is not expected to be material, and it is not expected that there would be a material related FAT deduction available to apply against any FAPI in respect of US Holdco or any other CFA of the REIT.

The adjusted cost base to the REIT of its shares in US Holdco will be increased by the amount of FAPI, if any, included in the income of the REIT in respect of FAPI earned by US Holdco and/or allocated to

US Holdco (net of any applicable FAT deduction relating to such FAPI). At such time as the REIT receives a dividend from US Holdco the amount included in income in respect of that dividend will effectively be reduced by any amount(s) so added to the adjusted cost base to the REIT of its shares of US Holdco (for clarity, net of any applicable FAT deduction relating to such FAPI) and there will be a corresponding reduction in the adjusted cost base to the REIT of its shares in US Holdco.

For the purposes of the Tax Act, all income of the REIT (including FAPI) must be calculated in Canadian currency. Where the REIT (or any of its subsidiaries) holds investments or incurs indebtedness denominated in foreign currencies (such as U.S. dollars), gains or losses may be realized by the REIT as a consequence of fluctuations in the relative value of the Canadian currency and such foreign currencies.

In computing its income, the REIT will be entitled to deduct reasonable current administrative and other expenses incurred by it to earn income. Reasonable expenses incurred in respect of the issuance of Units generally may be deducted by the REIT on a five-year, straight-line basis, pro-rated for short taxation years.

The REIT may deduct from its income for a taxation year amounts which are paid or become payable by it to Unitholders in such year. An amount will be considered to be payable in a taxation year if a Unitholder is entitled in the year to enforce payment of the amount. Counsel has been advised by an executive officer of the REIT that the Trustees' current intention is to make payable to Unitholders each year sufficient amounts such that the REIT generally will not be liable to pay tax under Part I of the Tax Act. Where the REIT does not have sufficient cash to distribute such amounts in a particular taxation year, the REIT intends to make one or more in-kind distributions in that year in the form of additional Units. Income of the REIT payable in a taxation year of the REIT to the Unitholders in the form of additional Units will generally be deductible by the REIT in computing its income for that year.

A distribution by the REIT of its property upon a redemption of Units will be treated as a disposition by the REIT of such property for proceeds of disposition equal to the fair market value thereof. Where the property in question was held by the REIT as capital property, the REIT will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition of the property exceed (or are less than) the aggregate of the adjusted cost base of the relevant property and any reasonable costs of disposition.

Losses incurred by the REIT cannot be allocated to Unitholders, but can be deducted by the REIT in future years in computing its taxable income, in accordance with the Tax Act. In the event the REIT would otherwise be liable for tax on its net realized taxable capital gains for a taxation year, it will be entitled for such taxation year to reduce (or receive a refund in respect of) its liability for such tax by an amount determined under the Tax Act based on the redemption of Units during the year (the "**capital gains refund**"). The capital gains refund in a particular taxation year may not completely offset the REIT's tax liability for the taxation year arising in connection with the redemption of Units. The Declaration of Trust provides that all or a portion of any capital gain or income realized by the REIT in connection with such redemptions may, at the discretion of the Trustees, be treated as capital gains or income paid to, and designated as capital gains or income of, the redeeming Holder. Such income or the taxable portion of the capital gain so designated must be included in the income of the redeeming Unitholder (as income or taxable capital gains, as the case may be) and may be deductible by the REIT in computing its income. However, certain Proposed Amendments would generally prohibit the REIT from deducting, in the computation of the REIT's income, the portion of an amount paid to a redeeming Unitholder of the REIT that is considered to be paid out of the income of the REIT, and limit the ability of the REIT to deduct capital gains so allocated to redeeming Unitholders. If such Proposed Amendments are enacted in their current form, any such income (including any taxable capital gains) may be made payable to non-redeeming Unitholders so that the REIT will not be liable for non-refundable income tax thereon, in which case the amounts and taxable component of distributions to non-redeeming Unitholders may be greater than would have been the case in the absence of such amendments. Where the REIT redeems Units of a Unitholder, the REIT currently intends to allocate to that Unitholder capital gains and income only to the extent such allocation would be deductible to the REIT for purposes of the Tax Act.

Taxation of Holders

REIT Distributions

A Holder generally will be required to include in computing income for a particular taxation year the portion of the net income of the REIT (including FAPI attributed to the REIT, dividends received (or deemed to be received) by the REIT from US Holdco, except to the extent that the amount included in the REIT's income in respect of such dividends is effectively reduced in connection with prior FAPI recognition as described above under "Taxation of the REIT", and any net realized taxable capital gains) that is paid or payable to the Holder on the Units in that taxation year, whether those amounts are received in cash, additional Units or otherwise. Any loss of the REIT for purposes of the Tax Act cannot be allocated to, or treated as a loss of, a Holder.

Provided that the appropriate designations are made by the REIT, such portion of its net taxable capital gains and foreign source income that are paid or become payable to a Holder will retain their character as taxable capital gains or foreign source income, as the case may be, to Holders for purposes of the Tax Act. This summary assumes that such designations will be made by the REIT.

The non-taxable portion of any net realized capital gains of the REIT that are paid or payable to a Holder in a taxation year will not be included in computing the Holder's income for the year. Any other amount in excess of the net income of the REIT (including in respect of returns of capital of the REIT) that is paid or payable to a Holder on the Units in a taxation year generally will not be included in the Holder's income for the year, but a Holder will be required to reduce the adjusted cost base of its Units by the portion of any amount (other than proceeds of disposition in respect of the redemption of Units and the non-taxable portion of net capital gains the taxable portion of which is designated in respect of the Holder) paid or payable to such Holder that was not included in computing the Holder's income. To the extent that the adjusted cost base of a Unit otherwise would be less than zero, the Holder will be deemed to have realized a capital gain equal to the negative amount and the Holder's adjusted cost base of the Units will be increased by the amount of such deemed capital gain.

Foreign Tax Credits and Deductions

To the extent that a Holder is subject to U.S. withholding tax in respect of distributions paid by the REIT on the Units, the amount of such tax generally will be eligible for foreign tax credit or deduction treatment, subject to the detailed rules and limitations under the Tax Act, and as described in the ensuing paragraphs; provided, however, that in the event any U.S. tax is withheld that does not represent the final U.S. income tax liability for the year, the Holder also files a U.S. federal income tax return to establish the Holder's final U.S. income tax liability for the year and the Holder is not entitled to a refund of such withholding tax.

The U.S. withholding tax deducted in respect of a distribution paid on a Unit in a taxation year will generally be characterized as "non-business income tax", as defined in the Tax Act, and may be deductible as a foreign tax credit from the Holder's Canadian federal income tax otherwise payable for that year to the extent permitted by the Tax Act where the Holder has sufficient non-business income from U.S. sources computed in accordance with the Tax Act, and where such tax has not been deducted in computing the Holder's income. Alternatively, such non-business income tax (including any amount not deductible in computing tax payable as a foreign tax credit) generally may be deducted by the Holder in computing the Holder's net income for the purposes of the Tax Act to the extent that such non-business income taxes are paid in respect of income derived from a Unit for purposes of the Tax Act.

A Holder's ability to apply U.S. withholding taxes in the foregoing manner may be affected (i) where the Holder 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. withholding taxes are paid (which will depend, in part, on the composition of distributions made by the REIT for Canadian federal income tax purposes), or (ii) where the Holder has other U.S. sources of income or losses or has paid other U.S. taxes. In this regard, Unitholders should note that, while the matter is not fee from doubt, U.S. withholding tax applicable to distributions made by the REIT that are treated as returns of capital for Canadian federal income tax purposes may not be eligible for a foreign tax credit or deduction under the Tax Act. Although the foreign tax credit provisions are generally designed to avoid

double taxation, the maximum credit is limited. Because of this, and because of differences between the Canadian and U.S. tax rules concerning the timing of the recognition of expenses and income, the composition of distributions and other factors, there is a risk of double taxation. Holders should consult their own tax advisors with respect to the availability of a foreign tax credit or deduction, including having regard to the expected composition of distributions made by the REIT for U.S. and Canadian tax purposes and to their own circumstances.

Disposition of Units

Upon the disposition or deemed disposition of Units by a Holder, whether on a redemption or otherwise, the Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (determined, in the case of a redemption, as discussed below) are greater (or less) than the aggregate of the Holder's adjusted cost base of the Units immediately before such disposition and any reasonable costs of disposition.

The adjusted cost base to a Holder of a Unit generally will include all amounts paid by the Holder for the Unit subject to certain adjustments, including reductions as a consequence of distributions paid by the REIT in excess of its net income as described above. The cost of additional Units received in lieu of a cash distribution will generally be the amount of income of the REIT distributed by the issuance of such Units. For the purpose of determining the adjusted cost base of a Unit to a Holder, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Holder as capital property immediately before that acquisition.

A redemption of Units in consideration for cash, notes, or other assets of the REIT, as the case may be, will be a disposition of such Units for proceeds of disposition equal to the amount of such cash or the fair market value of such notes or other assets, as the case may be, less any income or capital gain realized by the REIT in connection with the redemption of those Units to the extent such income or capital gain is designated by the REIT to the redeeming Holder. Holders exercising the right of redemption will consequently realize a capital gain, or sustain a capital loss, depending upon whether such proceeds of disposition exceed, or are exceeded by, the adjusted cost base of the Units redeemed. Where income or capital gains realized by the REIT in connection with the redemption of Units (whether such redemption is satisfied by cash, notes or other assets of the REIT) have been designated by the REIT to a redeeming Holder, the Holder will be required to include in income the income or taxable portion of the capital gain so designated. The cost of any property distributed in specie by the REIT to a Holder upon a redemption of Units will be equal to the fair market value of that property at the time of the distribution. The Holder will thereafter be required to include in income the amount of any interest or other income derived from the property, in accordance with the provisions of the Tax Act.

Capital Gains and Losses

One-half of any capital gain realized by a Holder from a disposition of Units and the amount of any net taxable capital gains designated by the REIT in respect of the Holder will be included in the Holder's income under the Tax Act as a taxable capital gain. One-half of any capital loss (an "**allowable capital loss**") realized on the disposition of a Unit will be deducted against any taxable capital gains realized by the Holder in the year of disposition, and any excess of allowable capital losses over taxable capital gains may be carried back to the three preceding taxation years or forward to any subsequent taxation year and applied against net taxable capital gains in those years, subject to the detailed rules contained in the Tax Act.

Refundable Tax

A Holder that is a Canadian-controlled private corporation (as defined in the Tax Act) will be subject to an additional refundable tax in respect of its aggregate investment income for the year, which is generally defined to include interest, all or substantially all income and capital gains distributed to the Holder by the REIT, and capital gains realized on a disposition of Units.

Alternative Minimum Tax

A Holder who is an individual or trust (other than certain specified trusts) may have an increased liability for alternative minimum tax as a result of capital gains realized on a disposition of Units and net income of the REIT paid or payable, or deemed to be paid or payable, to the Holder and that is designated as taxable dividends and net taxable capital gains.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

THIS SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS REGARDING THE FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE UNITS, AND REGARDING POTENTIAL CHANGES IN APPLICABLE TAX LAW.

In the opinion of Taft Stettinius & Hollister LLP, U.S. counsel to the REIT, the following is a description of (i) certain U.S. federal income tax consequences of the treatment of the REIT as a real estate investment trust and (ii) certain U.S. federal income tax consequences of the ownership and disposition of Units to Non-U.S. Holders (as defined below). Torys LLP, U.S. counsel to the Underwriters, has reviewed and concurred with this disclosure.

This discussion is based on the Code, Treasury regulations promulgated under the Code ("**Treasury Regulations**"), administrative pronouncements or practices, judicial decisions, and the Treaty, all as of the date hereof. Future legislative, judicial, or administrative modifications, revocations, or interpretations, which may or may not be retroactive, may result in U.S. federal income tax consequences significantly different from those discussed herein. This discussion is not binding on the U.S. Internal Revenue Service (the "**IRS**"). No ruling has been or will be sought or obtained from the IRS with respect to any of the U.S. federal income tax consequences discussed herein. No assurance can be given whether the IRS will challenge any of the conclusions described herein or whether a U.S. court will sustain such a challenge.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department, which review may result in revisions to regulations and interpretations in addition to statutory changes. No assurance can be given as to whether, or in what form, any proposals affecting real estate investment trusts or their owners will be enacted.

In particular, only limited guidance has been issued to date with respect to the Tax Cuts and Jobs Act of 2017 (the "**Jobs Act**"). The Jobs Act significantly reforms the Code with respect to the taxation of both individual taxpayers and corporate taxpayers. Numerous interpretive issues and ambiguities with respect to the Jobs Act have not yet been addressed and require further guidance, possibly including technical corrections. If and when such guidance will be forthcoming, or in the case of technical corrections, will be enacted, is unclear.

The Coronavirus Aid, Relief, and Economic Security Act (the "**CARES Act**") was signed into law on March 27, 2020. The CARES Act makes significant changes to the U.S. federal income tax rules for taxation of individuals and corporations, including certain modifications to rules set forth in the Jobs Act, some of which could have unanticipated consequences to the REIT or U.S. Holders. Prospective purchasers are urged to consult with their tax advisors with respect to the Jobs Act and CARES Act changes and any other regulatory or administrative developments and proposals and their potential effect on investment in the Units.

Taxation of the REIT

U.S. Status

Although the REIT is organized as an unincorporated trust under Canadian law, the REIT is classified as an association taxable as a corporation for U.S. federal income tax purposes under current Treasury Regulations. The discussion herein reflects this classification and uses terminology consistent with this classification, including references to "dividends" and "earnings and profits." Furthermore, pursuant to Section 7874 of the Code ("Section 7874"), the REIT will be treated as a U.S. domestic corporation for all purposes under the Code and, as a result, the REIT is permitted to elect to be treated as a real estate investment trust under the Code (subject to the requirements described below), notwithstanding the fact that the REIT is organized as a Canadian entity. Taft Stettinius & Hollister LLP, U.S. counsel to the REIT, and Torys LLP, U.S. counsel to the Underwriters, will each render an opinion in connection with the Closing in respect of the treatment of the REIT as a U.S. domestic corporation for U.S. federal income tax purposes as discussed above, subject to customary assumptions and factual matters.

An entity treated as a corporation generally is considered for U.S. federal income tax purposes to be a tax resident in the jurisdiction of its organization or incorporation. Accordingly, under the generally applicable U.S. federal income tax rules, the REIT, which is organized under the laws of the Canada, would be classified as a foreign corporation (and, therefore, not a U.S. domestic corporation) for U.S. federal income tax purposes. Section 7874 provides an exception to this general rule (discussed below), under which a non-U.S. incorporated entity may, in certain circumstances, be treated as a U.S. domestic corporation for U.S. federal income tax purposes. These rules are complex and there is limited guidance regarding their application.

Under Section 7874, a corporation created or organized outside the United States (i.e., a non-U.S. entity classified as a corporation for U.S. federal income tax purposes) nevertheless is treated as a U.S. domestic corporation for U.S. federal income tax purposes if each of the following three conditions are met: (i) the foreign corporation, directly or indirectly, acquires substantially all of the properties held directly or indirectly by a U.S. domestic corporation (including through the acquisition of all of the outstanding shares of the U.S. domestic corporation) or substantially all of the properties constituting a trade or business of a U.S. domestic partnership (the "substantially all" test); (ii) the foreign corporation's "expanded affiliated group" (as defined under Section 7874) does not have "substantial business activities" in the foreign corporation's country of organization or incorporation and tax residence relative to the expanded affiliated group's worldwide activities; and (iii) after the acquisition, the former shareholders or partners of the acquired U.S. domestic corporation or partnership hold at least 80% (by either vote or value) of the shares or interests of the foreign acquiring corporation or partnership by reason of holding shares in the U.S. acquired corporation or partnership (taking into account the receipt of the foreign corporation's shares in exchange for the U.S. domestic corporation's shares or partnership's interests) as determined for purposes of Section 7874 (this test is referred to as the "80% ownership test").

For purposes of Section 7874, the second condition described above is met because the REIT, including its "expanded affiliated group," will not have "substantial business activities" in Canada within the meaning of Section 7874 upon consummation of the Acquisition and the Offering. As a result, whether Section 7874 applies to cause the REIT to be treated as a U.S. domestic corporation for U.S. federal income tax purposes following the Closing depends on the satisfaction of both the 80% ownership test and the "substantially all" test.

Based on the terms of the Acquisition and the Offering, the acquisition of Units by the indirect owners of the Rosewood Pointe Initial Community, the rules for determining share ownership under Section 7874 and the Treasury Regulations promulgated thereunder, the Retained Interest Holders, either collectively or solely taking into account the indirect owners of the Rosewood Pointe Initial Community who are acquiring Units from the REIT directly, should be treated for purposes of Section 7874 as owning stock in the REIT valued in excess of 80% of the value of the all of the stock in the REIT treated as issued by the REIT for purposes of Section 7874. While the computation of the ownership percentage for purposes of the 80% ownership test under Section 7874 is subject to various complex adjustments for which limited guidance exists, the Class B Units should be treated as equity of the REIT for purposes of the 80% ownership test because the Class B Units provide the holders of such Class B Units with distribution rights that are substantially similar in all material respects to the distribution rights provided to Unitholders of the REIT. Moreover, the indirect owners of the Rosewood Pointe Initial Community who are acquiring Units from the REIT directly should be treated for purposes of Section 7874 as owning stock in the REIT valued in excess of 80% of the value of all of the stock treated as issued by the REIT (disregarding the Class B Units as equity of the REIT). This analysis relies, in part, on Treasury Regulations promulgated under Section 7874, which required certain share issuances made by the acquiring foreign corporation, such as the Units issued in the Offering, generally to be subtracted from the value of the foreign corporation's shares (eliminating the value of the Units issued in the Offering from the calculation to determine satisfaction of the 80% ownership test), thereby increasing the ownership percentage of the other owners of Units (such as the indirect owners of the Rosewood Pointe Initial Community who are acquiring Units from the REIT directly) or deemed owners of Units (such as Legacy Holdings) for purposes of Section 7874. Whether the 80% ownership test has been satisfied, however, must be finally determined at completion of the Acquisition and the Offering, by which time there could be adverse changes to the relevant facts and circumstances. Limited guidance exists as to the application of the "substantially all" test. Under these circumstances, however, the "substantially all" test should be satisfied by the transfer of the Initial Portfolio (excluding the Rosewood Pointe Initial Community) to the REIT, and independently, by the contribution of the Rosewood Pointe Initial

Community to the REIT. As a result of the foregoing, the precise application of the 80% ownership test and the "substantially all" test is subject to factual and legal uncertainties and no assurance can be given that the IRS would not challenge the application of these tests or that such an assertion would not be sustained by a reviewing court.

Any changes to the rules of Section 7874 or the Treasury Regulations promulgated thereunder, or other changes of law, which could be made retroactively effective, could adversely affect the REIT's status as a U.S. domestic corporation eligible to elect to be a real estate investment trust for U.S. federal income tax purposes.

If the REIT is treated as a foreign corporation for U.S. federal income tax purposes, the REIT might be subject to substantial liability for additional U.S. income taxes, including both U.S. federal corporate income tax and a branch profits tax. See "Risk Factors — Tax-Related Risks — U.S. Tax Risks — (i) Qualification as a Real Estate Investment Trust".

Real Estate Investment Trust Status

The REIT intends to operate in a manner that permits the REIT to satisfy the requirements for qualification and taxation as a real estate investment trust under the applicable provisions of the Code, and the following discussion describes certain U.S. federal income tax consequences of its status as a real estate investment trust.

Taft Stettinius & Hollister LLP, U.S. counsel to the REIT, will render an opinion to the REIT to the effect that, commencing with its first taxable year ending December 31, 2020, the REIT is organized and operates in conformity with the requirements for qualification and taxation as a real estate investment trust under the Code, and that the REIT's organization and current and proposed method of operation will enable the REIT to continue to meet the requirements for qualification and taxation as a real estate investment trust under the Code. This opinion will be based on various assumptions and representations as to factual matters. Moreover, the REIT's qualification and taxation as a real estate investment trust depends upon its ability to meet the various qualification tests imposed under the Code, which are discussed below, including through actual annual operating results, asset composition, distribution levels and diversity of stock ownership, the results of which have not been and will not be reviewed by Taft Stettinius & Hollister LLP. Accordingly, no assurance can be given that the REIT's actual results of operations for any particular taxable year will satisfy those requirements. Further, the anticipated U.S. federal income tax treatment that apply as a result of the REIT's status as a real estate investment trust may be changed, perhaps retroactively, by legislative, administrative or judicial action at any time, and Taft Stettinius & Hollister LLP has no obligation to update its opinion subsequent to the date of such opinion. Taft Stettinius & Hollister LLP's opinion does not foreclose the possibility that the REIT may have to use one or more real estate investment trust savings provisions, described below, which require the REIT to pay an excise tax or penalty (which may be material) in order to maintain qualification and taxation as a real estate investment trust.

The REIT intends to elect to be a real estate investment trust for U.S. federal income tax purposes beginning with its taxable year ending December 31, 2020, and the discussion below assumes that the REIT will qualify as a real estate investment trust for U.S. federal income tax purposes for such taxable year and in each taxable year thereafter. No assurance can be given, however, that the REIT will qualify, or will continue to qualify in any taxable year, as a real estate investment trust for U.S. federal income tax purposes because qualification as a real estate investment trust depends on continuing to satisfy numerous asset, income and distribution tests described below, which in turn are dependent in part on the REIT's ongoing operating activities and results.

Qualified REIT Subsidiaries

The REIT owns its interest in Flagship Operating, LLC through US Holdco. The REIT owns 100% of the issued and outstanding shares of stock in US Holdco. A corporation owned entirely be a real estate investment trust generally qualifies to be a qualified REIT subsidiary ("**QRS**"), which is disregarded for U.S. federal income tax purposes. Initially, the only QRS owned by the REIT is US Holdco. For purposes of the real estate investment trust status tests discussed below, all of the assets and income and loss of US Holdco are treated as

assets and income and loss of the REIT. References herein to the income, assets or loss of the REIT shall include income, assets or loss of US Holdco.

Partnerships and Disregarded Entities

All of the REIT's real estate assets are owned through Flagship Operating, LLC and its subsidiaries. For purposes of the real estate investment trust status tests discussed below, the REIT is considered to own a proportionate share of the assets and receive a proportionate share of the income and loss of any entity treated as a partnership for U.S. federal income tax purposes of which the REIT is treated as a partner. Flagship Operating, LLC is treated as a partnership for U.S. federal income tax purposes. Each direct or indirect wholly-owned subsidiary of Flagship Operating, LLC that is not treated as a corporation for U.S. federal income tax purposes is disregarded as an entity separate from Flagship Operating, LLC for U.S. federal income tax purposes. An entity that otherwise is treated as a partnership for U.S. federal income tax purposes may nonetheless be treated as a corporation for U.S. federal income tax purposes if the entity is a "publicly traded partnership" and does not qualify for an exemption based on the character of its income. A partnership is treated as a publicly traded partnership if its interests are traded on an established securities market or were readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applicable Treasury Regulations. The Operating Agreement contains provisions intended to ensure that Flagship Operating, LLC is not considered a "publicly traded partnership." Accordingly, Flagship Operating, LLC is not anticipated to be treated as a publicly traded partnership that is treated as a corporation for U.S. federal income tax purposes. If Flagship Operating, LLC is considered a "publicly traded partnership" (and does not qualify for the exemption based on the character of its income), the REIT would not be treated as owning its proportionate share of the assets and income of Flagship Operating, LLC for the purposes of the REIT asset and income test requirements (and, instead, would be treated as owning the stock of a corporation). This treatment could cause the REIT to fail to qualify as a real estate investment trust for U.S. federal income tax purposes. In addition, the income of Flagship Operating, LLC would become subject to U.S. federal corporate income tax. References herein to the income, assets or loss of the REIT shall include a proportionate share of the income, assets or loss of Flagship Operating, LLC, which in turn shall include the income, assets or loss of each direct or indirect wholly-owned subsidiary of Flagship Operating, LLC that is treated as disregarded as an entity separate from Flagship Operating, LLC (as well as a proportionate share of any income, assets or loss of any entity treated as a partnership for U.S. federal income tax purposes in which Flagship Operating, LLC is treated as a direct or indirect partner).

Taxable REIT Subsidiaries

A real estate investment trust, in general, may jointly elect with a direct or indirect subsidiary corporation, regardless of whether wholly-owned, to treat the subsidiary corporation as a taxable REIT subsidiary ("**TRS**"). The separate existence of a TRS, unlike a disregarded QRS as discussed above, is not ignored for U.S. federal income tax purposes. A TRS is subject to U.S. federal corporate income tax on its taxable income, which may reduce the cash flow generated by the real estate investment trust and its ability to make distributions to its stockholders. In addition, if a TRS owns, directly or indirectly, securities representing 35% or more of the vote or value of a subsidiary entity treated as a corporation for U.S. federal income tax purposes, that subsidiary also is treated as a TRS. An entity does not qualify as a TRS, however, if the entity directly or indirectly operates or manages a lodging or health care facility, or generally provides to another person, under a franchise, license or otherwise, rights to any brand name under which any lodging facility or health care facility is operated.

If the REIT jointly elects with a subsidiary to treat the subsidiary as a TRS, the REIT is not treated as holding the assets of the TRS or as receiving directly any income that the TRS earns. Rather, the shares issued by the TRS are treated as an asset of the REIT, and the REIT real estate investment trust generally recognizes as income the dividends, if any, that the REIT receives from a TRS. This treatment can affect the gross income and asset test calculations described below. Because the REIT does not include the assets and income of any subsidiary corporation that is treated as a TRS in determining the REIT's compliance with the real estate investment trust requirements, such an entity may be used by the REIT to undertake indirectly activities that the real estate investment trust rules might otherwise preclude the REIT from doing directly or through pass-through subsidiaries. Initially, the only subsidiary that the REIT intends to elect to be a TRS is Flagship TRS, which is expected to enter into the Management Agreement with Empower.

General U.S. Federal Income Tax Considerations of Real Estate Investment Trust Status

The REIT generally is not subject to U.S. federal income tax on the portion of its real estate investment trust taxable income or net capital gain that is distributed to Unitholders because the REIT generally is entitled to a dividends-paid deduction (i.e., a deduction against its income and gain) for the amount of any distribution (or deemed distribution) treated as a taxable dividend for U.S. federal income tax purposes. Consequently, the REIT is subject to U.S. federal income tax at normal corporate rates on any taxable income or net capital gain not distributed.

Furthermore, notwithstanding the REIT's qualification as a real estate investment trust, the REIT may also be subject to taxation in other circumstances. If the REIT fails to satisfy either the 75% or 95% gross income test, as discussed below, and nonetheless maintains its qualification as a real estate investment trust because other requirements are met, and such failure is due to reasonable cause and not wilful neglect, the REIT is subject to a 100% tax on the greater of the amount by which the REIT fails to satisfy either the 75% or 95% gross income test, multiplied by a fraction intended to reflect the REIT's profitability. Furthermore, if the REIT fails to satisfy the 5% asset test or the 10% vote or value test (and does not qualify for a de minimis safe harbour) or fails to satisfy the other asset tests, each of which is discussed below, and nonetheless maintains its qualification as a real estate investment trust because certain other requirements are met, and such failure is due to reasonable cause and not wilful neglect, the REIT is subject to a tax equal to the greater of $50,000 or an amount determined by multiplying the highest U.S. federal corporate tax rate by the net income generated by the assets that caused the failure for the period beginning on the first date of the failure to meet the tests and ending on the earlier of the date that the REIT disposes of the assets (which must be within six months after the last day of the quarter in which the failure is identified) or the REIT otherwise satisfies the tests. If the REIT fails to satisfy one or more real estate investment trust requirements other than the 75% or 95% gross income tests and other than the asset tests, but nonetheless maintains its qualification as a real estate investment trust because such failure is due to reasonable cause and not wilful neglect, the REIT is subject to a penalty of $50,000 for each such failure. The REIT also is subject to a tax of 100% on net income from any "prohibited transaction" (as described below). If the REIT has net income from the sale or other disposition of "foreclosure property" (as described below) that is held primarily for sale to customers in the ordinary course of business or other net income from foreclosure property, the REIT is subject to tax on such income from foreclosure property at the highest U.S. federal corporate income tax rate. The REIT also pays federal income tax on taxable income, including net capital gain, that the REIT does not distribute during, or within a specified time after, the calendar year in which the income is earned. In addition, if the REIT fails to distribute during each calendar year at least the sum of:

(i) 85% of its real estate investment trust ordinary income for such year;

(ii) 95% of its real estate investment trust capital gain net income for such year, other than the amount of any capital gain net income that the REIT elects to retain and pay tax on as described below; and

(iii) any undistributed taxable income from prior years,

then the REIT is subject to a 4% non-deductible excise tax on the excess of such required distribution over the amounts actually distributed. The amount that a real estate investment trust is treated as having "actually distributed" during the current taxable year is both the amount distributed during the current year and the amount by which the distributions during the prior year exceed its taxable income and net capital gain for that prior year. If the REIT retains and pays income tax on any of its ordinary income or capital gain net income, such retained amounts are treated as having been distributed for purposes of the 4% excise tax.

A 100% tax may be imposed on some items of income and expense that are directly or indirectly paid between a real estate investment trust and a TRS if, and to the extent that, the IRS successfully determines that the transaction is not at arm's-length and adjusts the reported amount of these items. Such items include rents paid by a tenant to the REIT properly attributable to services performed by the TRS for the tenant, interest payments from the TRS to the REIT, income attributable to services provided by the TRS to, or on behalf of, the REIT and any other deductible item of the TRS attributable to payments to, or on behalf of, the REIT, in each case, to the extent such arrangement is other than on arm's-length terms.

If the REIT acquires any asset from a C corporation, including any entity that generally is subject to full corporate level tax, in a merger or other transaction in which the REIT acquires a basis in the asset that is determined by reference either to the C corporation's basis in the asset or to another asset, the REIT is required to pay tax at the highest regular corporate rate applicable if the REIT recognizes gain on the sale or disposition of the asset during the five-year period after the REIT acquires the asset. The amount of gain on which the REIT pays tax is the lesser of:

(i) the amount of gain recognized at the time of the sale or disposition; and

(ii) the amount of gain that the REIT would have recognized if the REIT had sold the asset at the time the REIT acquired the asset.

In addition, the REIT, including its subsidiaries and affiliated entities, may be subject to a variety of taxes, including payroll taxes and state and local income, property and other taxes on its assets and operations. A TRS also is subject to U.S. federal corporate income tax on its taxable income. The REIT may also be subject to tax in various situations and on some types of transactions not presently contemplated. The REIT intends to use the calendar year both for U.S. federal income tax purposes and for financial reporting purposes.

Qualification as a Real Estate Investment Trust — Generally

A real estate investment trust for U.S. federal income tax purposes is a corporation, trust or association that meets each of the following requirements:

(i) is managed by one or more trustees or directors;

(ii) has beneficial ownership evidenced by transferable shares, or by transferable certificates of beneficial interest;

(iii) would be taxable as a domestic corporation, but for the provisions of the Code applicable to a real estate investment trust;

(iv) is neither a financial institution nor an insurance company subject to special provisions of the Code;

(v) has at least 100 persons who are beneficial owners of its shares or certificates of beneficial interest.

(vi) satisfies the requirement, during the last half of any taxable year, that not more than 50% in value of its outstanding shares, or certificates of beneficial interest (treating certain options and, under certain circumstances, securities convertible into shares or certificates of beneficial interest as such shares of certificates), is 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).

(vii) elects to be a real estate investment trust, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain real estate investment trust status.

(viii) meets certain other qualification tests, described below, regarding the nature of its income and assets and the distribution of its income.

(ix) uses a calendar year for U.S. federal income tax purposes and complies with the recordkeeping requirements of the Code.

Conditions (iii), (v), (vi), and (viii) above are discussed in detail below. With respect to condition (i) above, under the Declaration of Trust, the REIT is managed by its Board of Trustees. With respect to condition (ii) above, the Units constitute transferable shares or certificates of beneficial interest for U.S. federal income tax purposes. With respect to condition (iv) above, the REIT is neither a financial institution nor an insurance company subject to special provisions of the Code. With respect to condition (vii) above, the REIT intends to elect to be a real estate investment trust for U.S. federal income tax purposes beginning with its taxable year ending December 31, 2020 (as described above). With respect to condition (ix) above, the REIT intends to use a calendar year for U.S. federal income tax purposes (as described above) and intends to comply with the recordkeeping requirements of the Code.

Taxable as a U.S. Domestic Corporation

The REIT must be taxable as a U.S. domestic corporation for U.S. federal income tax purposes, but for its election to be taxable as a real estate investment trust. As noted above, pursuant to Section 7874, the REIT should be treated as a U.S. domestic corporation for all purposes under the Code (but for the provisions of the Code applicable to a real estate investment trust) and, as a result, should be permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding that the REIT is organized as unincorporated trust under Canadian law (as discussed above).

Share Ownership Tests

The Units must be held by a minimum of 100 persons for at least 335 days in each taxable year or a proportional number of days in any short taxable year (other than its first taxable year as a real estate investment trust). Following the Closing, the Units are expected to be held by more than 100 persons. In addition, at all times during the second half of each taxable year as a real estate investment trust (other than its first taxable year as a real estate investment trust), no more than 50% in value of the Units (treating certain options and, under certain circumstances, securities convertible into Units as Units) may be owned, directly or indirectly (applying constructive ownership rules) by five or fewer individuals (as defined for this purpose in the Code to include certain tax-exempt entities, such as charitable trusts and private foundations but to exclude certain qualified trusts described in Section 401(a) of the Code). If the REIT complies with the Treasury Regulations for ascertaining its actual ownership (i.e., the persons required to include dividends from the REIT in gross income) and does not know, or exercising reasonable diligence would not have reason to know, that more than 50% in value of the outstanding Units (treating certain options and, under certain circumstances, securities convertible into Units as Units) are held, actually or constructively, by five or fewer individuals (as defined for this purpose in the Code), then the REIT is treated as meeting such requirement. Because the Class B Units may be redeemed for Units or cash, at the election of Flagship Operating, LLC, the Class B Units should not be treated as options for, or securities convertible into, Units for purposes of this constructive ownership standard.

In order to ensure compliance with the 50% ownership test, the REIT has placed restrictions on the transfer of the Units to prevent concentration of ownership. In order to demonstrate compliance with these requirements under the applicable Treasury Regulations, the REIT must maintain records that disclose the actual ownership of the outstanding Units disclosed to the REIT in response to written statements demanded from Unitholders for this information. Failure to comply with these record-keeping requirements could subject the REIT to monetary penalties. In fulfilling its obligation to maintain records, the REIT intends to request written statements each year from the record holders of designated percentages of Units disclosing the actual owners of such Units in the manner required under the applicable Treasury Regulations. A list of persons failing or refusing to comply in whole or in part with the REIT's request for written statements must be maintained by the REIT. In addition, the Declaration of Trust provides restrictions regarding the transfer of Units that are intended to assist the REIT in continuing to satisfy the share ownership requirements. The provisions of the Declaration of Trust that restrict the ownership and transfer of Units are described above in "Declaration of Trust and Description of REIT Units — Restrictions on Ownership and Transfer." The REIT intends to enforce the percentage limitations on ownership of Units in a manner necessary to maintain its qualification as a real estate investment trust for U.S. federal income tax purposes.

Asset Tests

At the close of each quarter of the REIT's taxable year, the REIT must satisfy tests relating to the nature of its "total assets," which are defined to be its gross assets determined in accordance with generally accepted accounting principles. As described above, for purposes of these tests, if the REIT (directly or through a QRS) invests in a partnership or other entity treated as a partnership or disregarded entity for U.S. federal income tax purposes (such as Flagship Operating, LLC and its subsidiaries other than Flagship TRS, which intends to elect jointly with the REIT to be a TRS), the REIT is treated as owning a proportionate share of the partnership's or other entity's assets, and if the REIT owns 100% of a corporation that is a QRS, such as US Holdco (not a TRS), the REIT is treated as owning 100% of the QRS's assets.

First, at least 75% of the value of the REIT's total assets must be represented by:

(i) interests in real property;

(ii) interests in mortgages on real property (including debt held by the REIT and secured by interests in an entity treated as a partnership or disregarded entity for U.S. federal income tax purposes if certain requirements are met and subject to a safe harbor set forth in guidance published by the IRS, including a requirement that at least 85% of the value of the entity's assets must consist of real property);

(iii) shares or certificates of beneficial interest in other real estate investment trusts;

(iv) cash;

(v) cash items;

(vi) U.S. government securities;

(vii) qualified temporary investments (generally assets acquired by the REIT with capital received in exchange for Units or debt of the REIT during the one-year period following the receipt of such capital);

(viii) personal property leased in connection with real property to the extent that rents attributable to such personal property are treated as "rents from real property" (i.e., the amount attributable to the personal property does not exceed 15% of the total rent attributable to the personal property and the associated real property;

(ix) personal property secured by a mortgage on real property, as long as the fair market value of the personal property does not exceed 15% of the total fair market value of such real property and personal property; and

(x) debt instruments issued by "publicly offered" real estate investment trusts (i.e., real estate investment trusts that are required to file annual and periodic reports with the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934).

Second, although the remaining 25% of the REIT's assets generally may be invested without restriction, the REIT is prohibited from owning securities representing more than 10% of either the vote or value of the outstanding securities of any non-government issuer other than a QRS, another real estate investment trust or a TRS. For purposes of the 10% value test, certain instruments (such as "straight debt") are not considered securities held by the REIT. Further, no more than 20% of the value of the REIT's total assets may be represented by securities of its TRSs. No more than 5% of the value of the REIT's total assets may be represented by securities of any single non-government issuer other than a QRS, or a TRS, or shares of another real estate investment trust. Finally, not more than 25% of the value of a real estate investment trust's assets may be represented by debt instruments issued by publicly offered real estate investment trusts to the extent not otherwise qualifying as mortgages on real property or on interests in real property.

If the REIT fails to meet any of the asset tests at the end of any quarter and such failure is not cured within 30 days thereafter (or the REIT has failed to comply with the asset tests as of end of the prior quarter), the REIT would fail to qualify as a real estate investment trust, subject to the additional cure provisions described below. After the 30-day cure period (or if not available), with respect to violations of the 5% and 10% asset tests described above, the REIT may maintain its qualification as a real estate investment trust by disposing of sufficient assets to cure such a violation provided that the violation does not exceed the lesser of 1% of the REIT's assets at the end of the relevant quarter or $10 million if the disposition occurred within six months after the last day of the calendar quarter in which the REIT identified the violation. For violations of these tests that are larger than such amount and for violations of the other asset tests described above, where such violations are due to reasonable cause and not wilful neglect, the REIT may avoid disqualification as a real estate investment trust, after the 30-day cure period (or if not available), by taking steps including the disposition of sufficient assets to meet the asset tests and paying a tax equal to the greater of $50,000 or an amount determined by multiplying the highest U.S. federal corporate tax rate by the net income generated by the non-qualifying assets for the period beginning on the first date of the failure to meet the tests and ending on the earlier of the date that the REIT disposes of the assets (which must be within six months after the last day of the quarter in which the failure is identified) or the REIT otherwise satisfies the asset tests.

Gross Income Tests

The REIT is subject to two separate percentage tests relating to the sources of its gross income that must be satisfied for each taxable year. As described above, for purposes of these tests, if the REIT (directly or through a QRS) invests in a partnership or other entity treated as a partnership or disregarded entity for U.S. federal income tax purposes (such as Flagship Operating, LLC and its subsidiaries other than Flagship TRS, which intends to elect jointly with the REIT to be a TRS), the REIT is treated as receiving its proportionate share of the income and loss of the partnership or other entity, and the gross income and other tax items of the partnership or other entity retain the same character in the hands of the REIT as such items have in the hands of the partnership or other entity, and if the REIT owns 100% of a corporation that is a QRS, such as US Holdco (not a TRS), the REIT is treated as receiving 100% of the QRS's gross income and other tax items. The two gross income tests, which are described below, are referred to as the "75% gross income test" and the "95% gross income test."

75% Gross Income Test

At least 75% of the REIT's gross income (excluding gross income from "prohibited transactions," discussed below, and certain other specified items, such as income from certain hedging transactions, discussed below) for the taxable year must be derived from the following sources:

(i) rents from real property, except as modified below;

(ii) interest on obligations adequately secured by mortgages on, or interests in, real property (including income from debt held by the REIT and secured by interests in an entity treated as a partnership or disregarded entity for U.S. federal income tax purposes if the debt is treated as an interest in a mortgage on real property under the 75% asset test described above);

(iii) gain from the sale or other disposition of interests in real property and interests in mortgages on real estate, other than gain from property held primarily for sale to customers in the ordinary course of a trade or business (or otherwise treated as inventory);

(iv) dividends or other distributions on shares (or transferable certificates of beneficial interest) in other real estate investment trusts, as well as gain from the sale or other disposition of such shares (or certificates);

(v) abatements and refunds of real property taxes;

(vi) income from the operation, and gain from the sale, of "foreclosure property," discussed below;

(vii) commitment fees or other amounts (other than amounts the determination of which depend in whole or in part on the income or profits of any person) received for agreeing to make loans secured by mortgages on real property, or to purchase or lease real property;

(viii) certain qualified temporary investment income attributable to the investment of new capital received by the REIT in exchange for Units or certain publicly offered debt, which income is received or accrued during the one-year period following the receipt of such capital; and

(ix) gain from the sale or other disposition of a real estate asset (excluding any asset qualifying as a real estate asset (as described above) solely as a result of being a debt instrument issued by a publicly offered real estate investment trust) which is not a "prohibited transaction" solely by reason of the exceptions in Section 857(b)(6) of the Code.

95% Gross Income Test

In addition to deriving 75% of the REIT's gross income for the taxable year from the sources listed above (i.e., qualifying income for purposes of the 75% gross income test), at least 95% of the REIT's gross income for the taxable year must be derived from income that is treated as qualifying income for purposes of the 75% gross income test, dividends, interest or gain from the sale or disposition of stock or other securities that are not held primarily for sale to customers in the ordinary course of a trade or business (or otherwise treated as inventory).

Rents from Real Property

Rents received from a tenant does not, however, qualify as rents from real property for purposes of the 75% or 95% gross income test if the REIT, or an owner of 10% or more of the Units (owned directly or constructively), directly or indirectly (applying constructive ownership rules) owns 10% or more (if a corporation for U.S. federal income tax purposes, by vote or value, or otherwise, by value or net profits) of such tenant, unless the tenant is a TRS of the REIT and certain other requirements are met. In addition, if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property (based on relative fair market values of the personal property and real property) does not qualify as rents from real property. No portion of rent attributable to personal property qualifies as rent from real property if the rent is attributable to a separate lease of only the personal property. Moreover, an amount received or accrued does not qualify as rent from real property if the amount is based in whole or in part on the income or profits of any person, although an amount received or accrued generally is not excluded from "rents from real property" solely by reason of being based on a fixed percentage or percentages of receipts or sales.

For rents received to qualify as rents from real property, the REIT generally must not furnish or render services to tenants, other than through a TRS, or an independent contractor from whom the REIT derives no income, except that the REIT may provide services directly that are "usually or customarily rendered" in connection with the rental of properties for occupancy only, or are not otherwise considered rendered to the occupant "primarily" for the occupant's "convenience." The REIT is permitted to render a de minimis amount (not to exceed 1% of amounts received or accrued with respect to such property, valued at not less than 150% of any direct costs of performing such services) of impermissible services to tenants, or in connection with the management of property, and still treat amounts received with respect to that property (other than the amounts attributable to the provision of the de minimis impermissible services) as rent from real property. Furthermore, the REIT may furnish such services to tenants through a TRS and still treat amounts otherwise received with respect to the property as rent from real property.

Dividends

The REIT's share of any dividends received from any corporation or other entity treated as a corporation for U.S. federal income tax purposes (including any TRS, but excluding any other real estate investment trust) in which the REIT owns an equity interest constitute qualifying income for purposes of the 95% gross income test but not for purposes of the 75% gross income test. The REIT's share of any dividends received from any other real estate investment trust in which the REIT owns an equity interest, if any, constitute qualifying income for purposes of the 75% and 95% gross income tests.

Interest

For purposes of the 75% and 95% gross income tests, the term "interest" generally does not include any amount the REIT receives or accrues, directly or indirectly, if the determination of such amount depends in whole or in part on the income or profits of any person. Interest, however, generally includes both: (i) an amount that is based on a fixed percentage or percentages of receipts or sales and (ii) an amount that is based on the income or profits of a debtor, as long as the debtor derives substantially all of its income from leasing substantially all of its interest in the real property securing the debt, and only to the extent that the amounts that the REIT receives or accrues that are based on the amounts that the debtor receives or accrues would be treated as qualifying "rents from real property" if received directly by the REIT. If a loan held by the REIT contains a provision that entitles the REIT to a percentage of the borrower's gain upon the sale of the real property securing the loan (or gain that would be realized from a sale as of a specified date) or a percentage of the appreciation in the property's value as of a specific date, income attributable to that loan provision is treated as gain from the sale of the property securing the loan, which generally is treated as qualifying income for purposes of the 75% and 95% gross income tests.

Interest on debt secured by a mortgage on real property or on interests in real property generally is treated as qualifying income for purposes of the 75% and 95% gross income tests. If a loan that is secured by real property and other property and the highest principal amount of the loan outstanding during a taxable year

exceeds the fair market value of the real property securing the loan as of the date the REIT agrees (and becomes legally bound) to originate or acquire the loan, a portion of the interest income from such loan is not treated as qualifying income for purposes of the 75% gross income test, but is treated as qualifying income for purposes of the 95% gross income test. The portion of the interest income that is treated as qualifying income for purposes of the 75% gross income test is equal to the interest income multiplied by a fraction, the numerator of which is the value of the real property as of the date described above, and the denominator of which is the amount of the loan (with the remainder of the interest not being treated as qualifying income for purposes of the 75% gross income test). The portion of the loan related to the interest that is not treated as qualifying income for purposes of the 75% gross income test is not treated as a real estate asset for purposes of the asset tests described above, and accordingly such portion of the loan is subject to, among other requirements, the 10% asset value test described above. In the case of a mortgage loan secured by both real property and personal property, if the fair market value of the personal property does not exceed 15% of the total fair market value of all of the property securing the loan, then the personal property securing the loan is treated as real property for purposes of determining whether the mortgage loan is a qualifying asset for purposes of the 75% asset test and whether the related interest is treated as qualifying income for purposes of the 75% gross income test.

Fee Income

The REIT may receive various fees in connection with its operations. The fees will be qualifying income for purposes of the 75% and 95% gross income tests if the fees are received in consideration for entering into an agreement to make a loan secured by real property or to purchase or lease real property and the fees are not determined by the borrower's income and profits. Other fees are treated as non-qualifying income for purposes of the 75% or 95% gross income test. If such fees are received by a TRS, such as Flagship TRS, however, the REIT is not treated as receiving the fees for purposes of the 75% or 95% gross income test, any net taxable income to the TRS in respect of the fees may be subject to U.S. federal corporate income tax, and any distribution from the TRS to the REIT generally is treated as dividend income (which generally is treated as non-qualifying income for purposes of the 75% gross income test and treated as qualifying income for purposes of the 95% gross income test).

Hedging Transactions and Foreign Currency Gain

Any income from (i) a hedging transaction (entered into to manage risk of price changes, currency fluctuations with respect to property or interest rate, price changes or currency fluctuations with respect to a borrowing) that is clearly and timely identified and that hedges indebtedness incurred or to be incurred to acquire or carry real estate assets or (ii) a clearly and timely identified transaction entered into primarily to manage the risk of currency fluctuations with respect to any item of income that qualifies under the 75% or 95% gross income tests, in either case does not constitute gross income (rather than being treated either as qualifying income or non-qualifying income) for purposes of the 75% and 95% gross income tests. Income from these types of transactions that does not meet these requirements is treated as non-qualifying income for purposes of the 75% and 95% gross income tests. Certain income from hedging transactions entered into to hedge existing qualified hedging positions after any portion of the hedged indebtedness or property is disposed of is not included in income for purposes of the 75% and 95% gross income tests if clearly and timely identified. Any income from foreign currency gain that is "real estate foreign exchange gain" as defined in the Code (generally certain gain realized by reason of a change in an exchange rate) does not constitute gross income (rather than being treated either as qualifying income or non-qualifying income) for purposes of the 75% and 95% gross income tests. Other foreign currency gain, if such foreign currency gain is "passive foreign exchange gain" as defined in the Code (generally, in addition to real estate foreign exchange gain, foreign currency gain attributable to items of income qualifying under the 95% gross income test, or attributable to the acquisition or ownership of, or being or becoming the obligor under, obligations), does not constitute gross income only for purposes of the 95% gross income test (but is treated as non-qualifying income for purposes of the 75% gross income test).

Prohibited Transaction

For purposes of determining whether the REIT complies with the 75% and 95% gross income tests, gross income does not include income from prohibited transactions. A "prohibited transaction" is a sale of property held primarily for sale to customers in the ordinary course of a trade or business (or otherwise treated as inventory), excluding foreclosure property (described below). Whether the REIT holds a property primarily for sale to customers in the ordinary course of a trade or business (or otherwise is required to treat the property as inventory) depends on the facts and circumstances in effect from time to time, including the facts related to a particular property. The REIT may rely on a safe harbor to avoid the characterization of the sale of property as a prohibited transaction subject to the 100% prohibited transaction tax (discussed above) if the following requirements for the safe harbor are met:

(i) the REIT has held the property for not less than two years;

(ii) the aggregate expenditures the REIT, or any partner of the REIT, makes during the two-year period preceding the date of the sale that are includable in the basis of the property do not exceed 30% of the selling price of the property;

(iii) either (1) during the year in question, the REIT does not make more than seven sales of property (other than sales of foreclosure property or sales to which Section 1033 of the Code applies); (2) the aggregate adjusted bases of all such properties that the REIT sells during the year do not exceed 10% of the aggregate bases of all of the assets of the REIT at the beginning of the year; (3) the aggregate fair market value of all such properties that the REIT sells during the year does not exceed 10% of the aggregate fair market value of all of the assets of the REIT at the beginning of the year; (4) both (A) the aggregate adjusted tax bases of all such property that the REIT sells during the year do not exceed 20% of the aggregate adjusted tax bases of all of the assets of the REIT at the beginning of the year and (B) the aggregate adjusted tax bases of all such properties that the REIT sells during the year in question and the two prior years do not exceed 10% of the sum of the aggregate adjusted tax bases of all of the assets of the REIT as of the beginning of each of these three taxable years; or (5) both (A) the aggregate fair market value of all such property that the REIT sells during the year does not exceed 20% of the aggregate fair market value of all of the assets of the REIT at the beginning of the year and (B) the aggregate fair market value of all such properties that the REIT sells during the year in question and the two prior years does not exceed 10% of the sum of the aggregate fair market value of all of the assets of the REIT as of the beginning of each of these three taxable years;

(iv) in the case of property consisting of land and improvements not acquired through foreclosure (or deed in lieu thereof) or lease termination, the REIT has held the property for at least two years for the production of rental income; and

(v) if the REIT has made more than seven sales of property (other than sales of foreclosure property or sales to which Section 1033 of the Code applies) during the taxable year, substantially all of the marketing and development expenditures with respect to the property have been made through an independent contractor from whom the REIT derives no income or through a TRS.

Foreclosure Property

Foreclosure property held by the REIT is real property (including interests in real property) and any personal property incident to such real property (i) that is acquired by the REIT as a result of the REIT having bid on the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after a default occurs (or default is imminent) on a lease of the property or a mortgage loan held by the REIT and secured by the property, (ii) for which the related loan or lease has been made, entered into or acquired by the REIT at a time when default is not imminent or anticipated and (iii) for which the REIT makes an election to treat the property as foreclosure property. As described above, the REIT generally is subject to tax at the maximum U.S. federal income corporate tax rate on any net income from foreclosure property, which generally means any gain from the disposition of, or gross income derived from, the foreclosure property, reduced by deductible items directly connected with the production of such income, but excluding any income that otherwise is treated as qualifying income for purposes of the 75% gross income test

(if not income or gain derived from foreclosure property). Any such gain from the sale of property for which a foreclosure property election has been made is not subject to the 100% penalty tax on gains from prohibited transactions described above, even if the property has been held primarily for sale to customers in the ordinary course of a trade or business (or otherwise treated as inventory). Property held by the REIT that qualifies as foreclosure property generally ceases to be foreclosure property as of the close of the third taxable year following the taxable year in which the REIT acquires the property (potentially subject to extension up to an additional three years). Such property ceases to be foreclosure property, however, on a date prior to such date under certain circumstances, including if the REIT uses the property in a trade or business (other than a trade or business consisting solely of activities that result in the receipt of rents from real property) which is conducted by the REIT more than 90 days after the REIT acquires the property, unless such trade or business activity is conducted through an independent contractor from whom the REIT derives no income or a TRS.

Failure to Satisfy Gross Income Tests

Even if the REIT fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, the REIT may still qualify as a real estate investment trust for such year if the REIT is entitled to relief under provisions of the Code. These relief provisions generally are available if:

(i) following the REIT's identification of the failure, the REIT files a schedule with a description of each item of gross income that caused the failure in accordance with the Treasury Regulations; and

(ii) the REIT's failure to comply was due to reasonable cause and not due to wilful neglect.

If these relief provisions apply, however, the REIT nonetheless is subject to a special tax equal to the greater of the amount by which the REIT fails either the 75% or 95% gross income test for that year multiplied by a fraction the numerator of which is the real estate investment trust taxable income for the taxable year (adjusted for certain items) and the denominator of which is the gross income for the taxable year (adjusted for certain items).

Annual Distribution Requirements

To qualify for taxation as a real estate investment trust, the REIT generally must distribute dividends (other than capital gain dividends) to Unitholders in an amount at least equal to:

(i) the sum of (x) 90% of its real estate investment trust taxable income, computed without regard to the dividends-paid deduction, and net capital gain plus (y) 90% of its net income after tax, if any, from foreclosure property; minus

(ii) the excess of the sum of specified items of non-cash income (including original issue discount on any mortgage loans) over 5% of its real estate investment trust taxable income, computed without regard to the dividends-paid deduction, and net capital gain.

The REIT generally must make distributions during the taxable year to which the distributions relate. Distributions may be made in the following year in either of two circumstances. First, if the REIT declares a dividend in October, November or December of any year with a record date in one of these months and pays the dividend on or before January 31 of the following year, the REIT is treated as having paid the dividend on December 31 of the year in which the dividend is declared. Second, if the REIT declares a dividend before the time prescribed by law for the REIT to files its tax return for a taxable year (including extensions), and the REIT distributes the amount of the dividend during the taxable year following the taxable year to which the dividend relates and not later than the first regular dividend payment that the REIT makes after such declaration. These distributions are taxable to Unitholders in the taxable year that the REIT makes the distributions, even though the distributions relate to the prior taxable year for purposes of satisfying the 90% distribution requirement. To the extent that the REIT does not distribute all of its net capital gain or the REIT distributes at least 90%, but less than 100% of its real estate investment trust taxable income, as adjusted, the REIT is subject to tax on the undistributed amount at regular corporate income tax rates.

If in any taxable year, the REIT has available net operating losses carried forward from prior taxable years, such losses may reduce the amount of distributions that the REIT must make in order to comply with the REIT

distribution requirements. Such losses, however, generally do not affect the tax treatment to Unitholders of any distributions that the REIT actually makes.

Although several types of non-cash income are excluded in determining the annual distribution requirement, the REIT incurs corporate income tax (and the 4% non-deductible excise tax described above) with respect to those non-cash income items if the REIT does not distribute those items on a current basis. As a result of the foregoing, unless the REIT borrows funds or pays taxable dividends of its capital stock or debt securities, the REIT may not have sufficient cash to distribute all of its real estate investment trust taxable income and thereby avoid the imposition of corporate income tax (and the excise tax) on certain undistributed income, or potentially satisfy the 90% distribution requirement.

The REIT is required to accrue certain items of income before these items otherwise are taken into income under the Code if these items are taken into account in its applicable financial statements. Additionally, interest deductions otherwise available to the REIT are limited to the sum of its interest income for the taxable year plus 30% of its adjusted taxable income for the taxable year, unless the REIT causes Flagship Operating, LLC to qualify as an "electing real property trade or business." If Flagship Operating, LLC elects to be an "electing real property trade or business," accelerated expensing rules do not apply to property used in the electing real property trade or business and real property and "qualified improvement property" are depreciated under the alternative depreciation system, with a 40-year useful life for nonresidential real property, a 30-year useful life for residential real property and a 20-year useful life for qualified improvement property.

The REIT may elect to retain rather than distribute all or a portion of its net capital gain and pay corporate income tax on such gain. In that case, the REIT may elect to have Unitholders include their proportionate share of the undistributed net capital gain in income as long-term capital gain and receive a credit for their share of the tax paid by the REIT. Unitholders then increase the adjusted tax basis of their Units by the difference between (i) the amounts of distributions (including taxable stock dividends) that the REIT designates as capital gain dividends and that the Unitholders include in their taxable income, minus (ii) the tax that the REIT pays on behalf of the Unitholders with respect to that income. For purposes of the 4% excise tax described above, any retained amounts for which the REIT elects this treatment are treated as having been distributed.

The REIT may not have sufficient cash or other liquid assets to meet the distribution requirements described above due to timing differences between the actual receipt of income and actual payment of deductible expenses and the inclusion of items of income and deduction of expenses by the REIT for U.S. federal income tax purposes. In addition, the REIT may prefer to retain cash, rather than distribute cash, in order to repay debt, acquire assets or for other reasons. In the event that such timing differences occur, and in other circumstances, in order to satisfy the distribution requirements described above, the REIT may arrange for short-term, or possibly long-term, borrowings, or may pay dividends in the form of other property (including, for example, Units). Under IRS Revenue Procedure 2017-45, as a publicly offered real estate investment trust, the REIT may give stockholders a choice, subject to various limits and requirements, of receiving a dividend in cash or in Units. As long as at least 20% of the total dividend is available in cash and certain other requirements are satisfied, the distribution of Units is treated as a dividend (to the extent applicable rules treat such distribution as being made out of real estate investment trust earnings and profits).

If taxable income of the REIT for a particular year is subsequently determined to have been understated, under certain circumstances, the REIT may be permitted to rectify any failure to meet the distribution requirements for a taxable year by paying a "deficiency dividend" to Unitholders in a later year, which the REIT may include in calculating its dividends-paid deduction for the earlier year and potentially avoid being taxed on amounts distributed as "deficiency dividends." In such a circumstance, however, the REIT is required to pay interest (and possibly penalties) based upon the amount of any deduction taken for "deficiency dividends."

Failure to Qualify

If the REIT fails to qualify for taxation as a real estate investment trust for U.S. federal income tax purposes in any taxable year and applicable relief provisions described above do not apply, the REIT is subject to U.S. federal income tax on its taxable income at regular corporate income tax rates and is not permitted to deduct the amount of any distributions to Unitholders. In such event, all distributions to Unitholders are taxable as dividends to the extent of the REIT's current and accumulated earnings and profits (as determined under

U.S. federal income tax principles). Unless entitled to relief under specific statutory provisions, the REIT also is disqualified from re-electing taxation as a real estate investment trust for the year in which qualification is lost and for the four taxable years following the year during which qualification is lost.

Taxation of Non-U.S. Holders

The following discussion describes certain U.S. federal income tax consequences to Non-U.S. Holders (as defined below) under present law of an investment in the Units. This discussion applies only to investors that hold the Units as capital assets and that acquire Units in the Offering. This discussion is based upon current provisions of the Code, existing and proposed Treasury Regulations thereunder, current administrative rulings, judicial decisions and other applicable authorities. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not deal with the tax consequences to any particular investor or to persons in special tax situations (except as specifically addressed herein) such as banks, certain financial institutions, insurance companies, broker dealers, U.S. expatriates, traders that elect to mark to market, tax-exempt entities, persons liable for alternative minimum tax or persons holding a Unit as part of a straddle, hedging, conversion or integrated transaction.

A "**Non-U.S. Holder**" is a beneficial owner of a Unit that is neither a U.S. Holder nor an entity that is treated as a partnership for U.S. federal income tax purposes. A "**U.S. Holder**" is a beneficial owner of a Unit that is, for U.S. federal income tax purposes: (i) an individual citizen or resident of the U.S., (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the U.S., any state thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income taxation regardless of its source or (iv) a trust that (a) is subject to the supervision of a court within the U.S. and the control of one or more U.S. persons or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

The U.S. federal income tax treatment of a person treated as a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Units depends on the status of the partner and the activities of the partnership. Partners in a partnership that owns Units should consult their own tax advisors as to the particular U.S. federal income tax considerations applicable to them.

THE RULES GOVERNING THE U.S. FEDERAL INCOME TAXATION OF NON-U.S. HOLDERS ARE COMPLEX AND THIS SUMMARY IS FOR GENERAL INFORMATION ONLY. NON-U.S. HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE IMPACT OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME TAX LAWS ON OWNERSHIP OF THE UNITS, INCLUDING ANY REPORTING REQUIREMENTS.

Distributions on the Units

Distributions (including any taxable stock dividends) that are neither attributable to gains from sales or exchanges by the REIT of U.S. real property interests, ("**USRPIs**"), as defined in the Code, nor designated as capital gain dividends (except as described below) are treated as dividends of ordinary income to the extent that the distributions are made out of the REIT's current or accumulated earnings and profits (as determined under U.S. federal income tax principles applicable to a real estate investment trust). Such distributions ordinarily are subject to withholding at a rate of 30%, unless an applicable tax treaty or statutory provision reduces that tax and the Non-U.S. Holder provides an IRS Form W-8BEN or IRS Form W-8BEN-E (or other acceptable substitute or applicable form) to the REIT or unless the Non-U.S. Holder provides an IRS Form W-8ECI certifying that the distribution is "effectively connected with a U.S. trade or business" (as discussed below).

A Non-U.S. Holder that is the beneficial owner of Units and a qualified resident of Canada (for purposes of the Treaty) generally is entitled to a 15% withholding rate under the Treaty (rather than the 30% withholding rate) if: (i) the Non-U.S. Holder is an individual and holds no more than 10% of the outstanding Units, (ii) the Units are publicly traded and the Non-U.S. Holder owns no more than 5% of the outstanding Units or (iii) the Non-U.S. Holder (other than an individual) holds no more than 10% of the outstanding Units and the REIT is diversified. For this purpose, the REIT is treated as diversified if the gross value of no single interest in real

property held by the REIT exceeds 10% of the gross value of the REIT's total interest in real property. Qualified residents of Canada that are tax-exempt entities established to provide pension, retirement or other employee benefits (including trusts governed by an RRSP, an RRIF or a DPSP) may be eligible for an exemption from U.S. federal tax withholding on dividends under Article XXI of the Treaty. A trust governed by a TFSA, a RESP or a RDSP is not entitled to benefits as an entity or arrangement under the Treaty. Instead, income received by a TFSA, a RESP or a RDSP should be treated as received by the beneficiary or annuitant of the TFSA, RESP, or RDSP as the case may be, and the TFSA, RESP, or RDSP, as the case may be, should be disregarded for U.S. federal income tax purposes. The beneficiary or annuitant of the TFSA, RESP, or RDSP as the case may be, may, however, be eligible for reduced withholding tax rates under the Treaty. Unitholders that are Exempt Plans should consult their own tax advisors with respect to the Canadian and U.S. federal income tax considerations relevant to an investment in Units.

Distributions that are treated as effectively connected with a U.S. trade or business of a Non-U.S. Holder, and, if required by an applicable income tax treaty, attributable to a U.S. permanent establishment of the Non-U.S. Holder, generally are subject to U.S. federal income tax on a net income basis at graduated rates, in the same manner as U.S. Holders, and are not subject to withholding if certain certification requirements are satisfied (generally, on IRS Form W-8ECI). Any such dividends received by a Non-U.S. Holder that is a corporation may also be subject to a branch profits tax of 30%, unless reduced by an applicable income tax treaty (5% under the Treaty and applicable protocols currently in force).

A Non-U.S. Holder would not incur tax on a distribution in excess of the REIT's current and accumulated earnings and profits if the excess portion of the distribution does not exceed the adjusted tax basis of the Non-U.S. Holder's Units. Instead, the excess portion of the distribution would reduce the Non-U.S. Holder's adjusted tax basis in the Units. A Non-U.S. Holder would be subject to tax on a distribution that exceeds both the REIT's current and accumulated earnings and profits and the adjusted tax basis in its Units if the Non-U.S. Holder otherwise would be subject to tax on gain from the disposition of its Units as described herein. Distributions on the Units generally are expected to exceed the REIT's current and accumulated earnings and profits as determined under the Code. The amount required to be withheld may be based on a reasonable estimate of the portion of a distribution, if any, that is paid out of current and accumulated earnings and profits, or the REIT may make such calculations or take such other actions as may be required in order to comply with U.S. laws. Because the Units should be considered regularly traded on an established securities market, as described below, the REIT should not be required to withhold any amount with respect to distributions in excess of the REIT's current and accumulated earnings and profits that are distributed to Non-U.S. Holders that own 10% or less of the outstanding Units during the applicable testing period, although no assurances can be given that withholding on such amounts is not or will not become required. If the REIT is or becomes required to withhold with respect to distributions in excess of the REIT's current and accumulated earnings and profits, the rate of withholding is equal to 15% of such amounts.

Distributions of proceeds attributable to gains from the sale or exchange by the REIT of USRPIs are subject to U.S. federal income and withholding taxes pursuant to FIRPTA. Under FIRPTA, such gains are considered effectively connected with a U.S. trade or business of the foreign shareholder and are taxed at the normal graduated rates applicable to U.S. Holders. Moreover, such gains may be subject to branch profits tax in the hands of a shareholder that is a foreign corporation at a rate of 30% unless reduced by an applicable income tax treaty (5% under the Treaty). A distribution of proceeds attributable to the sale or exchange by the REIT of USRPIs, however, is not subject to tax under FIRPTA or the branch profits tax, and instead is taxed in the same manner as distributions of cash generated by the REIT's real estate operations other than the sale or exchange of properties (as described above) if (i) the distribution is made with regard to a class of shares that is regularly traded on an established securities market located in the United States (as should be the case with respect to the Units, as discussed below) and (ii) the recipient Unitholder does not own more than 10% of that class of Units at any time during the 1-year period ending on the date the distribution is received.

The REIT is required to withhold 21% (or less to the extent provided in applicable Treasury Regulations) of any distribution to a Non-U.S. Holder owning more than 10% of the relevant class of shares, or that otherwise has held more than 10% of a relevant class of shares at any time during the 1-year period ending on the date the distribution is received that is, or if greater, could be designated by the REIT as a capital gain dividend; this amount is creditable against the Non-U.S. Holder's FIRPTA tax liability. Similarly, withholding at 21% (or less

to the extent provided in applicable Treasury Regulations) of any distribution to a Non-U.S. Holder that is, or if greater, could be designated by the REIT as a capital gain dividend also is required if the Units fail the U.S. Publicly Traded Exception (as defined below) and as a result are not considered to be regularly traded on an established securities market in the United States.

Qualified Shareholders

Subject to the exception discussed below, any distribution attributable to gain from the sale or exchange by the REIT of USRPIs to a "qualified shareholder" who holds Units directly or indirectly (through one or more partnerships) is not subject to U.S. tax as income effectively connected with a U.S. trade or business and thus the distribution is not subject to special withholding rules under FIRPTA. While a "qualified shareholder" is not subject to FIRPTA withholding on REIT distributions, a distribution to a qualified shareholder that otherwise would have been taxable under FIRPTA is treated as an ordinary dividend, and certain investors of a "qualified shareholder" (i.e., non-U.S. persons who hold interests in the "qualified shareholder" (other than interests solely as a creditor), and hold more than 10% of the Units (regardless of whether by reason of the investor's ownership in the "qualified shareholder")) may be subject to FIRPTA withholding.

In addition, a sale of Units by a "qualified shareholder" who holds the Units directly or indirectly (through one or more partnerships) is not subject to U.S. federal income taxation under FIRPTA. As with distributions, certain investors of a "qualified shareholder" (i.e., non-U.S. persons who hold interests in the "qualified shareholder" (other than interests solely as a creditor), and hold more than 10% of the Units (regardless of whether by reason of the investor's ownership in the "qualified shareholder")) may be subject to FIRPTA withholding on a sale of the Units.

A "qualified shareholder" is a foreign person that (i) either (a) is eligible for the benefits of a comprehensive income tax treaty which includes an exchange of information program and whose principal class of interests is listed and regularly traded on one or more recognized stock exchanges (as defined in such comprehensive income tax treaty), or (b) is a foreign partnership that is created or organized under foreign law as a limited partnership in a jurisdiction that has an agreement for the exchange of information with respect to taxes with the United States and has a class of limited partnership units representing greater than 50% of the value of all the partnership units that is regularly traded on the NYSE or NASDAQ markets, (ii) is a "qualified collective investment vehicle" (within the meaning of Section 897(k)(3)(B) of the Code), and (iii) maintains records on the identity of each person who, at any time during the foreign person's taxable year, is the direct owner of 5% or more of the class of interests or units (as applicable) described in (i), above.

Qualified Pension Funds

Any distribution to a "qualified foreign pension fund" (or an entity all of the interests of which are held by a "qualified foreign pension fund") who holds Units directly or indirectly (through one or more partnerships) is not subject to U.S. tax as income effectively connected with a U.S. trade or business and thus is not subject to special withholding rules under FIRPTA. In addition, a sale of Units by a "qualified foreign pension fund" that holds the Units directly or indirectly (through one or more partnerships) is not subject to U.S. federal income taxation under FIRPTA.

A "qualified foreign pension fund" is any trust, corporation, or other organization or arrangement (i) which is created or organized under the law of a country other than the United States, (ii) which is established by such country or one or more employers to provide retirement or pension benefits to participants or beneficiaries that are current or former employees (including self-employed individuals) or persons designated by such employees, as a result of services rendered by such employees to their employers, (iii) which does not have a single participant or beneficiary with a right to more than 5% of its assets or income, (iv) which is subject to government regulation and provides annual information reporting about its beneficiaries (or is otherwise available) to the relevant tax authorities in the country in which the organization or arrangement is established or operates, and (v) with respect to which, under the laws of the country in which the REIT is established or operates, (a) contributions to such organization or arrangement that would otherwise be subject to tax under such laws are deductible or excluded from the gross income of such entity or taxed at a reduced rate, or

(b) taxation of any investment income of such organization or arrangement is deferred or such income is taxed at a reduced rate.

Withholding and Constructive Ownership

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. Holders are required to provide the REIT with such information as the REIT may request. Furthermore, any Non-U.S. Holder that is treated as having acquired sufficient Units to be treated as owning more than 5% of the Units is required to notify the REIT by the close of the business day prior to the date of the transfer that causes the non-U.S. person to own more than 5% of the Units. For the purpose of determining whether a Non-U.S. Holder has acquired more than 5% 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. Holder that otherwise would be treated as having acquired sufficient Units to be treated as owning more than 5% of the Units fails to comply with the notice provisions described above, the excess Units (i.e., the excess of the number of Units that the Non-U.S. Holder is treated as owning over an amount equal to 5% of the outstanding Units) are required to be sold, with such Non-U.S. Holders 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. Holder also does 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. Holder and are not repaid, the REIT is permitted to withhold from subsequent payments to the Non-U.S. Holder up to the amount of such forfeited distributions. Non-U.S. Holders are strongly advised to monitor their actual and constructive ownership of Units. See "Declaration of Trust and Description of REIT Units — Restrictions on Ownership and Transfer — FIRPTA" for a more detailed discussion of these rules. Notwithstanding that a Non-U.S. Holder 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.

Dispositions of Units

Generally, a Non-U.S. Holder is not subject to U.S. federal income tax with respect to gain on the disposition of such Non-U.S. Holder's Units unless:

(i) the REIT is or has been a U.S. Real Property Holding Corporation ("**USRPHC**") for U.S. federal income tax purposes at any time during the 5-year period ending on the date of disposition or such shorter period that such Units are held;

(ii) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met; or

(iii) the gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States and, if required by an applicable income tax treaty, attributable to a permanent establishment of the Non-U.S. Holder.

A Non-U.S. Holder described in (ii) above is subject to a flat 30% tax on the gain derived from the sale, which may be offset by U.S. source capital losses (even though the individual is not considered a resident of the United States). A Non-U.S. Holder described in (iii) above generally is subject to U.S. federal income tax on a net income basis at graduated rates, in the same manner as U.S. Holders, and, if the Non-U.S. Holder is a corporation, may also be subject to an additional branch profits tax of 30%, unless reduced by an applicable income tax treaty (5% under the Treaty).

As to (i) above, the REIT is and likely will continue to be a USRPHC for U.S. federal income tax purposes. If the Units are considered "regularly traded on an established securities market," however, the Units are not treated as interests in a USRPHC (and therefore gain recognized on a disposition is not subject to U.S. federal income tax) with respect to Non-U.S. Holders who do not hold, actually or constructively, more than 10% of the

outstanding Units at any time during the 5-year period ending on the date of disposition, or such shorter period that such Units are held. In addition, the purchaser of Units is not required to withhold tax if the Units are considered "regularly traded on an established securities market" (as should be the case), regardless of whether the selling Non-U.S. Holder held more than 10% of the outstanding Units during the applicable testing period.

An "established securities market" consists of any of the following: (i) a U.S. national securities exchange which is registered under Section 6 of the Securities Exchange Act of 1934; (ii) a non-U.S. national securities exchange which is officially recognized, sanctioned, or supervised by a governmental authority; or (iii) any over-the-counter market. An over-the-counter market is any market which has an interdealer quotation system. An interdealer quotation system is any system of general circulation to brokers and dealers which regularly disseminates quotations of stocks and securities by identified brokers or dealers, other than by quotation sheets which are prepared and distributed by a broker or dealer in the regular course of business and which contain only quotations of such broker or dealer.

For the purpose of (ii), above, the TSX is a non-U.S. national securities exchange which is officially recognized, sanctioned, or supervised by a governmental authority, and, accordingly, the TSX is an established securities market. For so long as 100 or fewer persons do not own 50% or more of the Units, the Units should be treated as "regularly traded" on the TSX for a calendar quarter if: (a) the Units trade, other than in de minimis quantities, on at least 15 days during the calendar quarter; (b) the aggregate number of Units traded during the calendar quarter is at least 7.5% of the average number of Units outstanding during such calendar quarter (reduced to 2.5% if there are 2,500 or more record Unitholders); and (c) the REIT attaches a statement to its U.S. federal income tax return that provides information relating to the REIT, the Units, and beneficial owners of more than 5% of the Units (the "**TSX Publicly Traded Exception**").

In addition, the Units are 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. The Units are expected to be quoted on the OTC Pink marketplace (the "**Pink Sheets**"). The Pink Sheets are an over-the-counter market with an interdealer quotation system that should be treated as an "established securities market" located in the United States. A broker or dealer makes a market in a class of stock only if the broker or dealer holds itself out to buy or sell shares of such class of stock at the quoted price. In this regard, the REIT expects at least two brokers or dealers regularly to quote and make a market in the Units on Pink Sheets. For each calendar quarter during which the Units are regularly quoted on the Pink Sheets, the Units should be treated as "regularly traded" on an established securities market in the United States (the "**U.S. Publicly Traded Exception**") and, accordingly, gain on sales of Units by Non-U.S. Holders that own 10% or less of the outstanding Units during the applicable testing period should not be subject to U.S. federal income tax. Investors are cautioned that no assurances can be given that at least two brokers or dealers will be regularly quoting the Units on the Pink Sheets in any particular calendar quarter. In addition, neither the Code, the applicable Treasury Regulations, administrative pronouncements nor judicial decisions provide guidance as to the frequency or duration with which the Units must be quoted during a calendar quarter to be "regularly quoted." So long as the brokers or dealers regularly quote the Units at any time during a calendar quarter, the U.S. Publicly Traded Exception should apply and any gain from a sale at any time during the quarter should 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 the U.S. Publicly Traded Exception nor the TSX Publicly Traded Exception is satisfied, the sale of Units by a Non-U.S. Holder may be subject to U.S. federal income tax at normal graduated rates with respect to gain recognized. In addition, a purchaser of Units is required to withhold tax at the rate of 15% of the amount realized from the sale and to report and remit such tax to the IRS. Such withheld amount is not an additional tax but is treated as a credit against the Non-U.S. Holder's U.S. federal income tax liability arising from the sale, and the Non-U.S. Holder is required to file a U.S. federal income tax return. Furthermore, a prospective purchaser of Units may conclude that the Units satisfy neither the U.S. Publicly Traded Exception nor the TSX Publicly Traded Exception, and might require withholding in connection with the purchase. The U.S. federal income taxation of Non-U.S. Holders is a highly complex matter that may be affected by many other

considerations. Accordingly, Non-U.S. Holders of Units should consult their own tax advisors regarding the income and withholding tax considerations with respect to their investment in Units.

Withholding Taxes on Certain Foreign Accounts

Under the Foreign Account Tax Compliance Act ("**FATCA**"), withholding taxes may apply to certain types of payments made to "foreign financial institutions" (as specially defined in the Code) and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on the Units paid to a foreign financial institution or to a non-financial foreign entity, unless (i) the foreign financial institution undertakes certain diligence and reporting, (ii) the non-financial foreign entity either certifies that the entity does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner, or (iii) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules (including an exemption available for certain Canadian financial institutions under the US-Canada FATCA IGA). If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (i) above, the payee must, among other things, undertake to identify accounts held by certain U.S. persons or U.S. owned foreign entities and annually report certain information about such accounts.

If FATCA withholding is imposed, a beneficial owner that is not a foreign financial institution may under certain circumstances be eligible for a refund or credit of any amounts withheld by filing a U.S. federal income tax return. An intergovernmental agreement between the jurisdiction of a foreign financial institution and the United States may modify the general FATCA rules described above. Prospective investors should consult their tax advisors regarding FATCA and these withholding provisions.

Information Reporting and Backup Withholding

Generally, the REIT must report to the IRS and to a Non-U.S. Holder the amount of interest and dividends paid to the Non-U.S. Holder and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such interest and dividend payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty. In general, a Non-U.S. Holder is not subject to backup withholding with respect to payments of interest or distributions that are made to the Non-U.S. Holder if the Non-U.S. Holder has provided a properly completed IRS Form W-8BEN, IRS Form W-8BEN-E or other applicable IRS Form W-8. A Non-U.S. Holder is subject to information reporting and, depending on the circumstances, backup withholding with respect to the proceeds of the sale or other disposition of a Unit within the United States or conducted through certain U.S.-related payors, unless the payor of the proceeds receives the statement described above or the Non-U.S. Holder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules are allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the IRS on a timely basis.

Non-U.S. Holders are advised to consult with their own tax advisor regarding the specific tax consequences to them of the ownership and sales of Units, including the U.S. federal, state, local, non-U.S. and other tax consequences of such purchase and ownership and of potential changes in applicable tax laws.

PLAN OF DISTRIBUTION

General

Pursuant to the Underwriting Agreement, the REIT has agreed to sell and the Underwriters have severally agreed to purchase on Closing an aggregate of 6,250,000 Units at a purchase price of $15.00 per Unit payable in cash to the REIT against delivery of the Units for aggregate gross proceeds of $93,750,000. The Closing is expected to occur on October 7, 2020 or such other date as the REIT and the Lead Underwriters may agree, but in any event not later than October 14, 2020. The obligations of the Underwriters under the Underwriting Agreement are several and conditional and may be terminated at their discretion on the occurrence of certain stated events, including in the event the Units cannot be profitably marketed, upon the occurrence of certain

stated material changes with respect to the REIT and its subsidiaries (taken as a whole) and certain stated events seriously adversely affecting the financial markets in Canada or the business, operations, or affairs of the REIT and its subsidiaries (taken as a whole). The Underwriters are, however, severally obligated to take up and pay for all of the Units that they have agreed to purchase if any of the Units are purchased under the Underwriting Agreement.

There is currently no market through which the Units may be sold and purchasers may not be able to resell Units purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity and the extent of issuer regulation (see "Risk Factors"). The REIT has received conditional approval from the TSX to list the Units distributed under the Offering on the TSX under the symbol "MHC.U". Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before November 2, 2020. The Offering Price of the Units was established by negotiation among the REIT, the Promoter and the Underwriters and has been determined, in part, based on the forecasted net earnings and the resulting calculation of AFFO for the Forecast Period. In consideration for their services in connection with the Offering, the REIT has agreed to pay the Underwriters a fee equal to $0.90 per Unit, representing 6% of the gross proceeds of the Offering. Subscriptions for Units will be received subject to rejection or allocation in whole or in part and the right is reserved to close the subscription books at any time without notice.

The Underwriters propose to offer the Units initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Units at the price specified on the cover page of this prospectus, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page of this prospectus, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Units is less than the price paid by the Underwriters to the REIT.

The REIT has granted to the Underwriters the Over-Allotment Option, which is exercisable in whole or in part at any time up to 30 days after Closing to purchase up to an additional 937,500 Units at the Offering Price, solely to cover the Underwriters' over-allocation position, if any, and for consequent market stabilization purposes. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Units to be delivered upon the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires such Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The REIT and the Promoter have agreed to indemnify the Underwriters and their directors, officers, employees and agents against certain liabilities, including, without restriction, civil liabilities under Canadian securities legislation, and to contribute to any payments that the Underwriters may be required to make in respect thereof. These obligations will survive for such maximum period of time as the Underwriters may be entitled to commence an action with respect to a misrepresentation under applicable securities laws and indefinitely in the case of fraud or fraudulent misrepresentation.

The REIT will agree with the Underwriters in the Underwriting Agreement that, for a period of 180 days after the Closing Date, it will not, directly or indirectly, and will not agree or announce any intention to, in any manner whatsoever, (i) offer, issue, sell, grant any option, right or warrant to purchase, secure, pledge, or otherwise transfer, dispose of or monetize, or (ii) engage in any hedging transaction or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, any REIT Securities, without the prior written consent of the Lead Underwriters, such consent not to be unreasonably withheld, except in conjunction with: (a) the grant or exercise of stock options and other similar issuances pursuant to any unit incentive plan of the REIT and other unit compensation arrangements of the REIT disclosed in this prospectus; (b) obligations of the REIT in respect of existing agreements disclosed in this prospectus; or (c) the issuance of securities by the REIT in connection with acquisitions in the normal course of business.

In addition, the Trustees and executive officers of the REIT and the Retained Interest Holders will be subject to certain lock-up obligations during the Lock-up Period as described under "Retained Interest Holders — Lock-up Period".

The Units have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold or delivered, directly or indirectly, in the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. Each Underwriter has agreed that it will not offer or sell Units within the United States, except as permitted in the Underwriting Agreement and as expressly permitted by applicable laws of the United States. The Underwriting Agreement provides that the Underwriters may offer and sell the Units through their U.S. broker-dealer affiliates in the United States pursuant to exemptions from registration under the U.S. Securities Act and similar exemptions from registration under applicable state securities laws. The Underwriting Agreement also provides that the Underwriters may offer and sell the Units outside the United States in accordance with Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Units within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the U.S. Securities Act.

Price Stabilization, Short Positions and Passive Market Making

In connection with the Offering, the Underwriters may over-allocate or effect transactions which stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market, including: stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Units while the Offering is in progress. These transactions may also include making short sales of the Units, which involve the sale by the Underwriters of a greater number of Units than they are required to purchase in the Offering. Short sales may be "covered short sales", which are short positions in an amount not greater than the Over-Allotment Option, or may be "naked short sales", which are short positions in excess of that amount. The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Units in the open market. In making this determination, the Underwriters will consider, among other things, the price of Units available for purchase in the open market compared with the price at which they may purchase Units from the REIT through the Over-Allotment Option. If, following Closing, the market price of the Units decreases, the short position created by the over-allocation position in Units may be filled through purchases in the market, creating upward pressure on the price of the Units. If, following Closing, the market price of Units increases, the over-allocation position in Units may be filled through the exercise of the Over-Allotment Option in respect of Units at the Offering Price.

The Underwriters must close out any naked short position by purchasing Units in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Units in the open market that could adversely affect investors who purchase in the Offering. Any naked short sales will form part of the Underwriters' over-allocation position.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase Units. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the TSX, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Units may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on any stock exchange on which the Units are listed, in the over-the-counter market, or otherwise.

PRIOR ISSUANCES

During the twelve-month period prior to the date of this prospectus, the REIT issued one Unit for a price of $10.00 on August 12, 2020 in connection with the establishment of the REIT. This Unit will be repurchased by the REIT on Closing for a price of $10.00.

USE OF PROCEEDS

The net proceeds of the Offering will be approximately $81.1 million, after deducting the REIT's estimated expenses of the Offering and the Underwriters' fee. The REIT will use the net proceeds of the Offering as follows: approximately $57.7 million of the net proceeds will be used to fund the cash component of the Acquisition (in order to acquire the Series A-1 units in FCLLC held by an arm's length third party private equity investor); approximately $13.7 million of the net proceeds will be used to repay certain secured indebtedness (approximately $10.2 million of which will be used to repay debt incurred in the two years prior to Closing in connection with the acquisition of the following Initial Communities: Harmony Pointe, Seven Oaks Pointe, Southwood Pointe, Candlelight Pointe, Redwood Pointe and Aspen Pointe); approximately $0.9 million of the net proceeds will be used for capital expenditure reserves; and approximately $8.9 of the net proceeds will be used to fund transaction costs associated with the Closing and for general business purposes. See "The Acquisition" and "Capitalization of the REIT".

The proceeds received by the REIT on the exercise of the Over-Allotment Option, to the extent exercised, will be used by the REIT to fund future acquisitions and for general business purposes. See "Plan of Distribution".

RISK FACTORS

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

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 the Initial Communities. The marketability and value of the REIT's portfolio, including the Initial Communities, will depend on many factors, some of which may impact manufactured homes to a greater degree than traditional residential homes, including, without limitation: (i) changes in general economic conditions (such as the availability, terms and cost of mortgage financing and other types of credit); (ii) local economic conditions (such as business layoffs, industry slowdowns, changing demographics and other factors); (iii) local real estate conditions (such as an oversupply of properties or a reduction in demand for real estate in the area); (iv) changes in occupancy rates; (v) the attractiveness of properties to potential tenants or purchasers; (vi) changes in the public's perception of MHCs

and manufactured homes; (vii) competition with other landlords with similar available space; (viii) the ability of the REIT to provide adequate maintenance at competitive costs; (ix) the promulgation and/or enforcement of governmental regulations or other requirements relating to land-use and zoning restrictions, environmental protection and occupational safety; (x) the financial condition of borrowers and of tenants, buyers and sellers of real estate assets; (xi) changes in real estate tax rates and other operating expenses; (xii) natural disasters, epidemics or pandemics; (xiii) the imposition or tightening of rent controls; (xiv) energy and supply shortages; and (xv) various uninsured or uninsurable risks. There can be no assurance of profitable operations because the costs of operating the portfolio, including debt service, may exceed gross rental income therefrom, particularly since certain expenses related to real estate, such as property taxes, utility costs, maintenance costs and insurance, tend to increase even if there is a decrease in the REIT's income from such investments.

Asset Class and Tenant Risks

The REIT intends to concentrate its investments in the U.S. MHC industry. As a result, the REIT will be subject to risks inherent in investments in a single type of property in a single country. A downturn or slowdown in the demand for manufactured housing, including pursuant to changes in the public's perception of MHCs and manufactured homes or to changes in governmental rules and regulations relating to MHCs, may have more pronounced effects on the cash available for distribution or on the value of the REIT's assets than if the REIT more fully diversified its investments.

The REIT intends to lease 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 as well. 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 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 Initial Communities are located in areas that may be especially at risk of certain natural disasters, including the Initial Communities in areas that may be adversely affected by tornadoes or flooding. While the REIT engages in emergency preparedness, including business continuity planning, to mitigate risks, such events can evolve very rapidly and their impacts can be difficult to predict. As such, there can be no assurance that in the event of such a catastrophe that the REIT's operations and ability to carry on business will not be disrupted. The occurrence of such events may not release the REIT from performing its obligations to third parties. A catastrophic event, or fear associated therewith, could increase investment costs to repair or replace damaged properties, increase future property insurance costs and negatively impact tenant demand for lots, which could have a negative impact on the REIT's ability to conduct its business and increase its costs. In addition, liquidity and volatility, credit and insurance availability and market and financial conditions generally could change at any time as a result. While the REIT will seek to maintain insurance for loss of revenue resulting from the occurrence of certain natural disasters, insurance for certain natural disasters may not be available, and any of these events in isolation or in combination, could have a material negative impact on the REIT's financial condition and results of operations, decrease the amount of cash available for distribution to Unitholders.

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

Competition

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

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

COVID-19 Pandemic

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

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

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

Notwithstanding the COVID-19 pandemic, such measures have not had a material impact on Flagship, and management believes that the operational metrics within the Initial Communities will continue to be stable or strengthen in the foreseeable future and over the longer term. See "The REIT — Investment Opportunity". Nonetheless, given the unpredictable nature of the COVID-19 pandemic, any continuation or intensification of such pandemic or related government measures, and any changes in levels of government financial support to individuals affected by the COVID-19 pandemic and economic downturn, could in the future have an adverse

effect (which effect could be material) on the REIT's financial condition, results of operations and cash flows due to the following factors, or others:

- Weaknesses in national, regional or local economies may prevent residents and customers from paying rent in full or on a timely basis. Federal, state, local, and industry efforts, including eviction moratoriums and requirements to reduce or waive late fees, may affect Flagship's or the REIT's ability to collect rent or enforce remedies for the failure to pay rent, which could lead to an increase in its recognition of credit losses related to Flagship's or the REIT's rent receivables. In addition, a reduction in the ability or willingness of prospective customers to visit the Initial Communities could impact Flagship's or the REIT's ability to lease lots and may result in lower rental revenue and ancillary operating revenue produced by the Initial Communities.
- A reduction in tenant demand for lots due to a general decline in business activity and discretionary spending could adversely affect the value of the Initial Communities and the Rental Homes Fleet. This could lead to an impairment of the REIT's real estate investments. In addition, the REIT may be unable to complete planned development of land for expansion or other capital improvement projects on a timely basis or at all due to government-mandated shutdowns or an inability by third-party contractors to continue to work on construction projects.
- A general decline in business activity or demand for real estate transactions could adversely affect the REIT's ability or desire to acquire additional MHCs.
- The financial impact of the COVID-19 pandemic could negatively impact the REIT's ability to comply with financial covenants in its credit arrangements and result in a default and potentially an acceleration of indebtedness. Such non-compliance could negatively impact the REIT's financial position and its ability to make additional borrowings under its credit facilities.
- A severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect the REIT's ability to access capital necessary to fund business operations, including the acquisition or expansion of MHCs, or replace or renew maturing liabilities on a timely basis, on attractive terms, or at all, and may adversely affect the valuation of financial assets and liabilities.
- An outbreak of COVID-19 or other contagious illness in an Initial Community or the market in which an Initial Community operates could negatively impact its occupancy, reputation or attractiveness.
- The COVID-19 pandemic could negatively affect the health, availability and productivity of the REIT's personnel. It could also affect the REIT's ability to recruit and attract new employees or retain current employees. An outbreak that directly affects, or threatens to directly affect, any of the Initial Communities could also deter or prevent the REIT's on-site personnel from reporting to work. The effects of shelter-in-place orders could strain the REIT's business continuity plans, introduce operational risk, including but not limited to cybersecurity risks, and impair the REIT's ability to manage its business.
- Governmental agencies that permit and approve the REIT's projects, suppliers, homebuilders, and other business partners and third parties may be prevented from conducting business activities in the ordinary course for an indefinite period of time, which could in turn negatively affect the REIT's business.

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

The extent to which the COVID-19 pandemic impacts the REIT's operations, financial condition and financial results will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Such future developments include the severity and duration of the pandemic, any intensification of the pandemic, the actions by governments and others taken to contain the pandemic or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of

the pandemic and containment measures, among others. The rapid development and fluidity of this situation impedes our ability to predict the ultimate adverse impact of the COVID-19 pandemic. Nevertheless, the COVID-19 pandemic and the current financial, economic and capital markets environment, and future developments in these and other areas, present material uncertainty and risk with respect to the REIT's performance, financial condition, results of operations and cash flows.

Current Economic Environment

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

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

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

Fluctuations in Capitalization Rates

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

Regulation and Changes in Applicable Laws

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

Lower revenue growth or significant unanticipated expenditures may result from the REIT's need to comply with changes in applicable laws or regulations, including: (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; (ii) rent control or rent stabilization laws or other residential landlord/tenant laws; or (iii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of the REIT's properties, including changes to building codes and fire and life-safety codes. Further, residential landlord/ tenant laws in certain states may provide residents with the right to bring certain

claims to the respective judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the REIT may, in the future, incur capital expenditures which may not be fully recoverable from residents.

The Trump Administration and the U.S. Congress have enacted, or called for consideration of, proposals relating to a variety of issues, including with respect to financial regulation reform, tax reform, infrastructure spending, climate change, executive compensation and others. These and other potential proposals could have varying degrees of impact on the REIT ranging from minimal to material. At this time, the REIT is unable to predict with certainty what level of impact specific proposals could have on it. Additionally, the United States presidential and congressional election in November of 2020 may result in changes to the political composition of the executive branch and the United States Congress. Potential policy changes as a result of such elections cannot be predicted.

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

Adverse changes in the economic condition or regulatory environment of Kentucky, Ohio, Indiana and Tennessee may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and its ability to make cash distributions to Unitholders. See "The Initial Portfolio — Flagship Portfolio" and "The Initial Portfolio — Net Operating Income Diversification".

Capital Expenditures and Fixed Costs

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 will bear the economic cost of such maintenance and/or taxes not recoverable from tenants, which may adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. Numerous factors could result in substantial unbudgeted costs for refurbishment or modernization. In addition, the timing and amount of capital expenditures may indirectly affect the amount of cash available for distribution to Unitholders. Cash distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

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

If the actual costs of maintaining or upgrading a property exceed the REIT's estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, or if the REIT is not permitted to increase rents due to legal or other constraints, the REIT will incur additional and unexpected costs. If competing MHCs or other residential properties are built in the area where one of the REIT's properties is located, or any such communities or residential properties located in the vicinity of one of the REIT's properties is substantially refurbished, the net operating income derived from, and the value of, the

REIT's property could be reduced. Any failure by the REIT to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that the REIT earns from such properties. Any such event could have a material adverse effect on the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to Unitholders.

Property Taxes

The REIT will be 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 re-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. 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 will be subject to various U.S. federal, state and municipal laws relating to environmental matters. Such laws provide that the REIT could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties or at third party sites, at which wastes were sent for disposal by the REIT, including lead-based paints, mold, asbestos, polychlorinated biphenyls, petroleum-based fuels, mercury, volatile organic compounds, underground storage tanks, pesticides and other miscellaneous materials. Further, liability may be incurred by the REIT with respect to the release of such substances from or to the REIT's properties, including due to the migration of contamination to the REIT's property from another property. These laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. Those laws also govern the maintenance and removal of asbestos containing materials in certain circumstances, including in the event of damage, demolition or renovation of a property and also govern emissions of and exposure to asbestos fibres in the air. Certain of the Initial Communities 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 Initial Communities 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 Initial Communities may now or in the future contain soil or groundwater contamination, hazardous substances and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos, mold or other hazardous substances above the allowable or recommended thresholds, or other environmental risks could be associated with the buildings. The REIT will bear the risk of cost-intensive assessment, remediation or removal of such soil or groundwater contamination, hazardous substances or other residual pollution. The discovery of any such contamination or residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as

security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against the REIT. The remediation of any contamination and the related additional measures the REIT would have to undertake could have a materially adverse effect on the REIT and could involve considerable additional costs. The REIT will also be exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible. Moreover, the existence or even the mere suspicion of the existence of soil or groundwater contamination, hazardous materials or other residual pollution can materially adversely affect the value of a property and the REIT's ability to lease or sell such a property.

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

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

Accidental Death or Severe Injuries

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

Financing Risks

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

The REIT will be 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

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

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

On September 7, 2008, the Federal Housing Finance Agency, or the FHFA, placed Fannie Mae and Freddie Mac into conservatorship and, together with the U.S. Treasury, established a program designed to boost investor confidence. in Fannie Mae's and Freddie Mac's debt and mortgage-related securities. Although the U.S. Treasury has committed capital to Fannie Mae and Freddie Mac, there can be no assurance that these actions will be adequate for their needs. If these actions are inadequate, Fannie Mae and Freddie Mac could continue to suffer losses and could fail to honour their guarantees and other obligations. The future roles of Fannie Mae and Freddie Mac could be significantly reduced and the nature of their guarantees could be considerably limited relative to historical measurements. Any changes to the nature of the guarantees provided by Fannie Mae and Freddie Mac could redefine what constitutes a U.S. government agency mortgage-backed security and could have broad adverse market implications. Such market implications could negatively affect the performance and market value of the REIT's portfolio.

Degree of Leverage

The REIT's Debt to Gross Book Value Ratio is expected to be approximately 49.6% immediately following Closing (assuming completion of the Acquisition upon Closing). The REIT's degree of leverage 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 will be dedicated to the payment of the principal of and interest on its Indebtedness, thereby reducing the amount of funds available for distributions to Unitholders. Under the Declaration of Trust, the maximum amount of total Indebtedness cannot exceed 65% of Gross Book Value.

Interest Rate Risk

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

Third Party Approvals

While all consents of a material nature are expected to be obtained on or prior to Closing, certain consents or approvals deemed expedient in connection with the Acquisition may not have been obtained at the time of Closing and the consents obtained may be subject to conditions that are required to be fulfilled following Closing. Additionally, third parties may request certain consents or approvals that were not considered to be necessary in connection with the Offering or the Acquisition. To the extent that such approvals are not obtained or conditions relating thereto are not fulfilled, third parties may claim for breach of contract or other damages. While management believes the risks related to third party approvals are minimal, should any such claim be successful, an adverse impact could result to the REIT's financial condition and operating results, decreasing the amount of cash available for distribution.

In addition to the foregoing, as described under "The Acquisition — Principal Transaction Steps" and "The Acquisition — Indemnity Agreement", it is possible that there may be a delay in completing the acquisition of one or more of the CMBS-Secured Initial Communities pending receipt of necessary customary consents. Although the REIT has taken steps to neutralize any financial impact of such delay to the REIT, there can be no assurance that any such delay will not have an adverse impact on the REIT's financial condition and operating results.

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

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

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

No Assurance of Recovery

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

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

Zoning Compliance

Many of the Initial Communities do not comply fully with current zoning requirements, such as permitted use and setback and parking requirements, although all of those that do not so comply qualify as permitted non-conforming uses under special exception permits and applicable grandfather rules. Although applicable zoning laws and regulations permit the REIT to continue to use each such applicable non-conforming Initial Community as an MHC, the REIT would be forced to seek variances from current zoning requirements if the Initial 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 Initial Community as an MHC, which could have a material negative impact on the REIT's financial condition and results of operations, and decrease the amount of cash available for distribution to Unitholders.

Difficulty of Locating Suitable Investments

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

Laws Benefitting Disabled Persons

Laws benefiting disabled persons may result in unanticipated expenses being incurred by the REIT. Under the Americans with Disabilities Act of 1990 (the "**ADA**"), all places intended to be used by the public are required to meet certain federal requirements related to access and use by disabled persons. The Fair Housing Amendments Act of 1988 (the "**FHAA**") requires apartment properties first occupied after March 31, 1991 to comply with design and construction requirements for disabled access. For those projects receiving federal funds, the Rehabilitation Act of 1973 (the "**RA**") also has requirements regarding disabled access. These and other federal, state and local laws may require modifications to the REIT's properties, or affect renovations of the properties. Non-compliance with these laws could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, which could result in substantial capital expenditures. Although the REIT believes that the Initial Communities 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 Initial Communities and the performance of the REIT are dependent on future events and are, therefore, inherently uncertain. The track records of FCLLC, the Promoter and their affiliates cannot be relied upon to predict future events due to a variety of factors, including, without limitation, varying business strategies, different local and national economic circumstances, different supply and demand characteristics, varying degrees of competition and varying circumstances pertaining to the real estate markets.

The historical financial information relating to the Initial Portfolio included in this prospectus has been derived from historical accounting records. The REIT believes that the assumptions underlying the financial statements are reasonable. However, the financial statements may not reflect what the REIT's financial position, financial performance or cash flows would have been had the REIT been a standalone entity during the historical periods presented or what the REIT's financial position, financial performance or cash flows will be in the future. The REIT has not made adjustments to its historical financial information to reflect changes that may occur in its cost structure, financing and operations as a result of its acquisition of the Initial Communities. In preparing the pro forma financial information in this prospectus, the REIT has given effect to, among other items, the Offering. The estimates used in the pro forma financial information may not be similar to the REIT's actual experience as a stand-alone public entity.

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

Breach of Privacy or Information Security Systems

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

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

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

Expanding Social Media Vehicles

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

Employee Theft or Fraud

Certain of the REIT's employees have access to, or signature authority with respect to, bank accounts or other REIT assets, which exposes the REIT to the risk of fraud or theft. In addition, certain employees have access to key information technology infrastructure and to resident and other information that is commercially valuable. Should any employee compromise any of the REIT's information technology systems, or misappropriate resident or other information, the REIT could incur losses, including significant financial or

reputational harm, from which full recovery cannot be assured. The REIT may also not have insurance that covers any losses in full or that covers losses from particular criminal acts. Potential liabilities for theft or fraud are not quantifiable and an estimate of possible loss cannot be made.

Operational Risk

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

Access to Capital

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

Potential Conflicts of Interest

The Trustees 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 Trustee's duties and obligations to act honestly and in good faith with a view to the best interests of the REIT. In addition, the Declaration of Trust contains provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. Conflicts may also exist as one or more Trustees will be, or be 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.

Appraisal

Flagship retained the Appraiser to provide an independent estimate of the market value in respect of the Initial Communities and the REIT's head office property and obtained approximate valuations of each of the Rental Homes. See "Assessments and Valuations of the Initial Portfolio — Independent Appraisal" and "Assessments and Valuations of the Initial Portfolio — Rental Home Estimated Values". Caution should be exercised in the evaluation and use of appraisal results and the Rental Home Estimated Values, which are estimates of market value at a specific point in time. In general, appraisals such as the Appraisal represent only the analysis and opinion of qualified experts as of the effective date of such appraisals and are not guarantees of present or future value. There is no assurance that the assumptions employed in determining the appraised values of the Initial Communities and the REIT's head office property and the approximate valuations of the Rental Homes are correct as of the date of this prospectus or that such valuations and estimates actually reflect an amount that would be realized upon a current or future sale of any of the Initial Communities, the REIT's head office property or any of the Rental Homes, or, in the case of the Appraisal, that any projections included therein will be attainable. In addition, the Appraisal was given as at an effective date of July 30, 2020, and the estimated aggregate market value of the Rental Homes, based on the sum of the Rental Home Estimated Value

of each Rental Home derived using the NADA National Appraisal System, is given as at June 30, 2020, and these are therefore not current to the date of this prospectus or the Closing Date. As prices of real estate and manufactured homes fluctuate over time in response to numerous factors, the values of the Initial Communities and the REIT's head office property reflected in the Appraisal and the Rental Home Estimated Values may be unreliable indications of the current market value of the Initial Communities, the REIT's head office property and the Rental Homes, particularly in light of the COVID-19 pandemic. It is not possible to forecast with certainty the duration and full scope of the economic impact of the COVID-19 pandemic and other consequential changes it will have on the REIT's business and operations, both in the short term and in the long term. In a long-term scenario, total rental income could be impacted by future demand and a decline in market rents and other fees, which may ultimately impact the underlying valuation of the Initial Communities.

A publicly-traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisal and the Rental Home Estimated Values.

Insurance Coverage May be Inadequate

The REIT will attempt to obtain 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. In addition, the REIT will purchase prospectus liability insurance for a six-year term, the beneficiaries of which will be the following persons/entities in accordance with the following priority: (i) individual Trustees and officers of the REIT; (ii) the REIT, and (iii) the Promoter, as promoter, subject to certain limits, deductibles and other terms and conditions.

Risk Related to Insurance Renewals

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

Financial Forecast

The Financial Forecast contained in this prospectus was prepared using assumptions that reflect management's intended course for the periods covered, given the judgment of management as to the most probable set of economic conditions. There can be no assurance that the assumptions reflected in the Financial Forecast will prove to be accurate. Actual results for the Forecast Period may vary significantly from the forecasted results and those variations may be material. There is no representation by the REIT, the Promoter

or the Underwriters that actual results achieved during the Forecast Period will be the same, in whole or in part, as those forecasted herein. See "Forward-Looking Statements" and "Financial Forecast".

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; (1) the REIT's ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing; and (m) the availability and pricing of financing to fund the REIT's development activities on favourable terms or at all.

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

Joint Venture Arrangements

The REIT may, directly or indirectly, invest in a joint venture arrangement, thereby acquiring a non-controlling interest in certain investments. Although the REIT may not have control over these investments

and therefore may have a limited ability to protect its position therein, such joint venture arrangements are expected to contain terms and conditions which are commercially reasonable. Nevertheless, such investments may involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the REIT (including relating to the sale of properties held in the joint venture or the timing of the termination and liquidation of such joint venture) or may be in a position to take action contrary to the REIT's investment objectives. The REIT also may, in certain circumstances, be liable for the actions of its third party co-venturers.

Legislative Requirements that Limit Affordable Financing for Potential Manufactured Home Buyers

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

Litigation Risks

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

International Financial Reporting Standards

The Accounting Standards Board of Canada requires all publicly accountable enterprises to report under IFRS for interim and annual financial statements. The REIT is required to report under IFRS. There are ongoing projects conducted by the International Accounting Standards Board, 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

On completion of the Acquisition, the Retained Interest Holders are expected to own an aggregate of 5,432,940 Class B Units and 38,685 Units, together representing an approximate 46.7% effective interest in the REIT, or an approximate 43.2% effective interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units).

In addition, the Investor Rights Agreement will grant the Retained Interest Holders the right to nominate certain Trustees of the REIT based on the Retained Interest Holders' direct and indirect interest in the REIT. See "Retained Interest Holders — Investor Rights Agreement — Nomination Rights". Further, the Investor Rights Agreement will require that certain transactions in respect of the REIT and Flagship Operating, LLC will require the consent of Legacy Holdings as designee of the Retained Interest Holders, provided that the Retained Interest Holders and their associates own, in the aggregate, 33⅓% or more of the then outstanding Units (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT) or, in the event the Retained Interest Holders and their associates own less than such percentage interest, the percentage interest owned by the

Retained Interest Holders and their associates constitutes at least that number of Units (determined as if all Class B Units are redeemed for Units, and including any equity equivalents issued pursuant to any incentive compensation plan adopted by the REIT) equal to 33⅓% of the votes cast at a meeting of Unitholders. See "Retained Interest Holders — Investor Rights Agreement — Consent Rights". 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. As a result, the Retained Interest Holders will have the ability to influence many matters affecting the REIT.

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

Each Class B Unit is redeemable under certain circumstances by the holder thereof for cash or for Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by Flagship Operating, LLC and as directed by the REIT in its sole discretion. If Legacy Holdings or the other Retained Interest Holders holding the Class B Units redeem some or all of their Class B Units for Units and subsequently sell such Units in the public market, or if other Retained Interest Holders sell their Units in the public market, in each case following the expiration of the Lock-up Period (or earlier, where permitted), the market price of the Units may materially decrease. Moreover, despite the Retained Interest Holders having advised the REIT that they currently intend to retain a significant interest in the REIT (through direct or indirect ownership of Units or Class B Units) for the foreseeable future, a perception in the public market that these sales will occur might also produce such an effect.

Potential Conflicts of Interest with Empower

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

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

The REIT may not be able to resolve any such conflicts and, even if it does, the resolution may be less favourable to the REIT than if it were dealing with a party that was not owned by holders of a significant interest in the REIT. The ROFO Agreement, the Management Agreement, the Services Agreement and the Non-Competition and Non-Solicitation Agreement may be amended upon agreement between the parties, subject to applicable law and approval of the independent Trustees. Because of the Retained Interest Holders'

significant effective interest in the REIT, the REIT may not have the leverage to negotiate any required amendments to these agreements on terms as favourable to the REIT as those the REIT could secure with a party that was not controlled by a significant effective Unitholder of the REIT. There can be no assurance that actual or potential conflicts of interest will be resolved in favour of the REIT.

See "Arrangements with Empower" and "Executive Compensation — Employment Agreements".

Assumption of Liabilities

As a result of the Acquisition, the REIT will assume liabilities arising out of or related to the business, operations or assets acquired by the REIT, including the Initial Communities, FCLLC and the SSK Entities. The REIT may assume unknown liabilities that could be significant. The allocation of value for assets and liabilities between the Retained Interest Holders and the REIT may not reflect the allocation that would have been reached between the REIT and a party that was not in a position to exercise significant influence over it. See "The Acquisition".

Limited Recourse Against the Retained Interest Holders or any Other Person Providing Representations and Warranties under the Contribution Agreement, the Merger Agreement or the Indemnity Agreement

Purchasers under this prospectus will not have a direct statutory right or any other rights against the Retained Interest Holders or any other person providing covenants, representations and warranties under the Contribution Agreement, the Merger Agreement and the Indemnity Agreement, or their respective securityholders. Pursuant to the Contribution Agreement, the Merger Agreement and the Indemnity Agreement, the applicable parties thereof will provide certain covenants, representations and warranties to the REIT (see "The Acquisition — Contribution Agreement, "The Acquisition — Merger Agreement" and "The Acquisition — Indemnity Agreement"). The sole remedy of the REIT in respect of the Acquisition will be through the REIT's bringing an action against the Promoter and Legacy Holdings for breaches of their and FCLLC's covenants, representations and warranties provided pursuant to the Contribution Agreement, the Merger Agreement and the Indemnity Agreement pursuant to limited indemnities provided by the Promoter and Legacy Holdings on a joint and several basis in favour of the REIT pursuant to the Indemnity Agreement (see "The Acquisition — Indemnity Agreement"). While the REIT is indemnified for breaches of covenants, representations and warranties contained in the Contribution Agreement, the Merger Agreement and the Indemnity Agreement, recourse for such breaches may be limited due to qualifications related to knowledge of the applicable party (or parties) providing such covenants, representations and warranties, contractual and time limits on recourse under applicable laws, and the ability of the Promoter and Legacy Holdings to satisfy third party claims. The aggregate maximum liability of Legacy Holdings and the Promoter pursuant to the Indemnity Agreement will be limited to the value of the Class B Units held by Legacy Holdings attributable to the former Series A-2 unitholders of FCLLC based on their respective limited liability company interests in Legacy Holdings on completion of the Acquisition and the Units and Class B Units received by such individuals pursuant to the Acquisition, estimated to be an aggregate of $59.2 million at Closing (based on the Offering Price), representing approximately 73% of the $81.1 million estimated net proceeds of the Offering, assuming the Over-Allotment Option is not exercised and assuming completion of the Acquisition upon Closing. Although Legacy Holdings and the former Series A-2 unitholders of FCLLC, as applicable, will pledge to the REIT, for a period of 18 months following the Closing, Class B Units, including Units for which the Class B Units are redeemed, and Units having a value (using the Offering Price) described under "The Acquisition — Indemnity Agreement", no assurance can be given that the REIT will recover from the Promoter and Legacy Holdings for any breach of the covenants, representations and warranties to be made under the Indemnity Agreement that survive for periods longer than 18 months following the Closing or that the assets of the Promoter and Legacy Holdings will be sufficient to satisfy such obligations, including if the value of the pledged securities declines. Further, in respect of the covenants, representations and warranties provided under the Merger Agreement, only those provided by the Promoter will survive Closing, and, as such, no indemnity will be provided for any other covenants, representations and warranties thereunder. The inability to recover fully any significant liabilities incurred with respect to breaches of covenants, representations and warranties under the Contribution Agreement, the Merger Agreement and the Indemnity Agreement may have adverse effects on the REIT's financial position. See "The Acquisition", "Purchasers' Statutory Rights" and "Promoter".

Risk Factors Related to the Offering and Structure of the REIT

Reliance on Flagship Operating, LLC

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

Return on Investment and Cash Distributions are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by the REIT's properties. The ability of the REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT, and will be subject to various factors, including financial performance, obligations under the Credit Facilities, fluctuations in working capital, the sustainability of income derived from the tenants of the REIT's properties and any capital expenditure requirements. The Units are equity securities of the REIT and are not traditional fixed income securities. Unlike fixed-income securities, there is no obligation of the REIT to distribute to Unitholders any fixed amount and there is no promise to return the initial purchase price of a Unit on a certain date in the future, and reductions in, or suspensions of, cash distributions may occur at any time that would reduce the yield based on the Offering Price. 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. See "Certain Canadian Federal Income Tax Considerations". Therefore, the rate of return over a defined period for a Unitholder may not be comparable to the rate of return on a fixed income security that provides a "return on capital" over the same period.

Potential Volatility of Unit Prices

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

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

protracted period of time, the REIT's operations could be materially adversely impacted and the trading price of the Units may be materially adversely affected.

Restrictions on Redemptions

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

Nature of Investment

The Units represent a fractional interest in the REIT and do not represent a direct investment in the REIT's assets and should not be viewed by investors as direct securities of the REIT's assets. A holder of a Unit does not hold a share of a body corporate. As holders of Units, the Unitholders will 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 CBCA 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 no or limited experience managing a publicly traded entity. The REIT's executive officers may not successfully or efficiently manage the REIT, which is subject to significant regulatory oversight and reporting obligations under Canadian securities laws. In particular, these new obligations will require substantial attention from management and could divert their attention away from the day-to-day management of the REIT and its business.

Availability of Cash Flow

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

Dilution

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

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

Absence of a Prior Public Market

There is currently no public market for the Units. The Offering Price of the Units offered hereunder has been determined by negotiation between the REIT, the Promoter and the Underwriters. The REIT cannot predict at what price the Units will trade upon Closing and there can be no assurance that an active trading market will develop after Closing or, if developed, that such a market will be sustained at the price level of the Offering. In addition, if an active public market does not develop or is not maintained, investors may have difficulty selling their Units.

Structural Subordination of Units

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

Limited Control

Unitholders will 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 will be conducted to seek to minimize such risk wherever possible.

Enforceability of Judgments Against Foreign Subsidiaries

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

Financial Reporting and Other Public Company Requirements

As a result of the Offering, the REIT will become 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 will place significant demands on the REIT's management, administrative, operational and accounting resources. In order to meet such requirements, the REIT will need to establish systems, implement

financial and management controls, reporting systems and procedures and hire accounting and finance staff. If the REIT is unable to accomplish any such necessary objectives in a timely and effective fashion, the REIT's ability to comply with its financial reporting requirements and other rules that apply to reporting issuers could be impaired. Moreover, 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 Tax Act and is treated as a domestic corporation in the U.S. under the Code. As a result, the REIT is generally taxable on its worldwide income in both Canada and the U.S. However, in both jurisdictions, the REIT generally will not be subject to tax on the portion of its income that it distributes to Unitholders (subject to certain limitations and exceptions). Management of the REIT is of the view that the status of the REIT as taxable in both Canada and the U.S. is not likely to give rise to any material adverse consequences in the future as it is not anticipated that the REIT will be subject to material federal income tax in either Canada or the U.S. Nevertheless, the REIT's status as taxable on its worldwide income in both Canada and the U.S. could, in certain circumstances, have a material adverse effect on the REIT and the Unitholders. As a result of the REIT being resident in both Canada and the U.S., withholding taxes of both Canada and the U.S. will be relevant to distributions by the REIT and could result in double taxation to certain investors and other consequences. Accordingly, potential investors should carefully review both the "Certain Canadian Federal Income Tax Considerations" and the "Certain U.S. Federal Income Tax Consequences" sections.

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

(iii) *Application of the SIFT Rules* — The SIFT Rules in the Tax Act will apply to a trust that is a SIFT trust. 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. An executive officer of the REIT has advised counsel that the REIT has not owned and does not currently intend to own any non-portfolio property, nor has it carried on or does it currently intend to carry on a business in Canada.

In the event that the SIFT Rules were to apply to the REIT, the impact to a particular Unitholder will depend on the status of such Unitholder and, in part, on the amount of income distributed which would not be deductible by the REIT in computing its income in a particular year and what portions of the REIT's

distributions constitute "non-portfolio earnings", other income and returns of capital. The likely effect of the SIFT Rules on the market for Units and on the REIT's ability to finance future acquisitions through the issue of Units or other securities is uncertain. If the SIFT Rules were to apply to the REIT, they could adversely affect the marketability of the Units, the amount of cash available for distribution and the after-tax return to investors.

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

(v) A Unitholder that is an Exempt Plan will not be entitled to a foreign tax credit or deduction under the Tax Act in respect of any U.S. tax paid by the Exempt Plan (including any U.S. withholding tax imposed on distributions paid to an Exempt Plan). Accordingly, any such U.S. tax will reduce such a Unitholder's after-tax return. Such Unitholders should consult with their own tax advisors in regards to U.S. tax payable in respect of an investment in Units and, in particular, whether an exemption from U.S. withholding tax on distributions may be available under Article XXI of the Treaty.

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

(vii) *Non-Residents of Canada* — The Tax Act may impose Canadian withholding or other taxes on distributions made by the REIT to Unitholders who 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.

(viii) *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 converted to Canadian currency using the daily exchange rate quoted by the Bank of Canada on the day such amount first arose, or using such other rate of exchange as is acceptable to the 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.

(ix) *Changes in Law* — There can be no assurance that Canadian federal income tax laws, the judicial interpretation *thereof*, the terms of the Treaty, or the administrative policies and assessing practices of the

CRA will not be changed in a manner that adversely affects the REIT or Unitholders. Any such change could increase the amount of tax payable by the REIT or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of such distributions.

U.S. Tax Risks

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

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

(iii) *Annual Distribution Requirement* — To qualify as a real estate investment trust for U.S. federal income tax purposes, the REIT generally must distribute annually to its Unitholders a minimum of 90% of its net taxable income, determined without regard to the dividends-paid deduction and excluding net capital gains. The REIT is subject to regular corporate income taxes on any undistributed real estate investment trust taxable income each year. Additionally, the REIT is subject to a 4% non-deductible excise tax on any amount by which distributions paid by the REIT in any calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income (except to the extent the REIT elects to retain and subject all or any portion of such amount to U.S. federal corporate income tax) and 100% of its undistributed income from previous years. Payments the REIT makes to its Unitholders that are treated as a redemption of Units for U.S. federal income tax purposes are not taken into account for purposes of

these distribution requirements. Compliance with the real estate investment trust distribution requirements may hinder the REIT's ability to grow, which could adversely affect the value of its Units. Furthermore, the REIT might have difficulty meeting, or might be unable to meet, these distribution requirements in certain circumstances. The requirement to distribute most of its taxable income might cause the REIT to: (i) sell assets in adverse market conditions, (ii) borrow on unfavourable terms, (iii) distribute amounts that otherwise would be used to make future acquisitions or capital expenditures or (iv) make a taxable distribution of its Units as part of a distribution in which Unitholders may elect to receive Units or cash, in order to comply with real estate investment trust requirements. These alternatives could adversely affect the REIT's economic performance.

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

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

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

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

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

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

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

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

(xii) In addition, the Units would be considered "regularly traded on an established securities market" for a calendar quarter if the established securities market is located in the United States and the Units are regularly quoted by more than one broker or dealer making a market in the Units through an interdealer quotation system in the United States. The REIT intends for its Units to be traded through an interdealer quotation system in the United States in a manner that would be considered "regularly traded on an established securities market" for purposes of this exception. Investors are cautioned that no assurances can be given that at least two brokers or dealers will be regularly quoting the Units on the OTC Link ATS

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

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

(xiv) *Recent Legislation* — In recent years, numerous legislative, judicial and administrative changes have been made to the U.S. federal income tax laws applicable to investments in real estate and real estate

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

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

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

The following individuals and company reside outside of Canada or are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction. The individuals and company named below have each appointed the following agent for service of process:

Name of Person or Company	Name and Address of Agent
Peter Bynoe, Eddie Carlisle, Kurtis Keeney and Nathaniel Smith	Blakes Extra-Provincial Services Inc., 199 Bay Street, Suite 4000, Toronto, Ontario, M5L 1A9, Canada
MHC Management, LLC, d/b/a SSK Communities	Blakes Extra-Provincial Services Inc., 199 Bay Street, Suite 4000, Toronto, Ontario, M5L 1A9, Canada
Flagship Operating, LLC	Blakes Extra-Provincial Services Inc., 199 Bay Street, Suite 4000, Toronto, Ontario, M5L 1A9, Canada

Purchasers are advised that it may not be possible for investors to enforce judgements obtained in Canada against any person or company that resides outside of Canada or is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction, even if the party has appointed an agent for service of process.

MATERIAL CONTRACTS

The following are the only material agreements of the REIT that will be in effect on Closing (other than certain agreements entered into in the ordinary course of business):

(a) the Declaration of Trust (see "Declaration of Trust and Description of REIT Units");

(b) the Contribution Agreement (see "The Acquisition — Contribution Agreement");

(c) the Merger Agreement (see "The Acquisition — Merger Agreement");

(d) the Indemnity Agreement (see "The Acquisition — Indemnity Agreement");

(e) the Investor Rights Agreement (see "Retained Interest Holders — Investor Rights Agreement");

(f) the Operating Agreement (see "Flagship Operating, LLC");

(g) the ROFO Agreement (see "Arrangements with Empower — ROFO Agreement");

(h) the Non-Competition and Non-Solicitation Agreement (see "Arrangements with Empower — Non-Competition and Non-Solicitation Agreement"); and

(i) the Underwriting Agreement (see "Plan of Distribution").

Copies of the foregoing documents will be available following Closing on SEDAR.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this prospectus, there are no material interests, direct or indirect, of any Trustee or executive officer of the REIT, any Unitholder that beneficially owns, controls or directs (directly or indirectly) more than 10% of the aggregate votes attached to the Units, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect the REIT or any of its subsidiaries.

PROMOTER

MHC Management, LLC, d/b/a SSK Communities, which manages FCLLC and the SSK Entities, which, in turn, currently directly or indirectly own the Initial Portfolio, has taken the initiative in founding and organizing the REIT (including being the initial Unitholder of the REIT) as well as Legacy Holdings (a significant Retained Interest Holder which will also act as designee for all Retained Interest Holders). Further, its securityholders, being the REIT's President and Chief Executive Officer, the REIT's Chief Investment Officer and the Specified Non-Management Investor, are the only vendors who have ownership interests in both FCLLC and the SSK Entities, and none of the other vendors have ownership interests in both FCLLC and the SSK Entities. Additionally, the Promoter will be party to both the Contribution Agreement and the Merger Agreement, pursuant to the which the Acquisition is being effected; and, pursuant to the Indemnity Agreement, the Promoter and Legacy Holdings will indemnify the REIT (and its indirect subsidiary, Flagship Operating, LLC) for breaches of their and FCLLC's covenants, representations and warranties provided pursuant to the Contribution Agreement, the Merger Agreement and the Indemnity Agreement (including that the prospectus does not contain a misrepresentation). As such, MHC Management, LLC may therefore be considered a promoter of the REIT for the purposes of applicable securities legislation. The Promoter will not be the manager of, or otherwise be involved with, the REIT and its business following Closing.

Additionally, the REIT has been notified by the Ontario Securities Commission, as principal regulator, that it is of the view that Kurtis Keeney and Nathaniel Smith are promoters of the REIT within the meaning of applicable securities laws. See also "Exemptions from Certain Provisions of National Instrument 41-101".

PRINCIPAL UNITHOLDERS

On completion of the Acquisition, the Retained Interest Holders are expected to own an aggregate of 5,432,940 Class B Units and 38,685 Units, together representing an approximate 46.7% effective interest in the REIT, or an approximate 43.2% effective interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). See "The Acquisition", "Retained Interest Holders" and "Plan of Distribution". The Retained Interest Holders will be party to the Investor Rights Agreement which, among other things, will give the Retained Interest Holders certain nomination rights, consent rights, the Piggy-Back Registration Right, the Demand Registration Right, pre-emptive rights, drag-along rights and tag-along rights. See "Retained Interest Holders — Investor Rights Agreement".

To the knowledge of the Trustees and management of the REIT, no person or company will own, direct or control, directly or indirectly, 10% or more of the voting securities of the REIT on Closing.

Legacy SSK Portfolio

Management's Discussion & Analysis of Financial Condition and Results of Operations

For the Years Ended December 31, 2019, 2018 and 2017
and for the Three and Six Months Ended June 30, 2020 and 2019

INTRODUCTION

This management's discussion and analysis ("**MD&A**") of the financial condition and results of operations of Legacy SSK Portfolio (the "**Portfolio**") is for the years ended December 31, 2019, 2018 and 2017 and for the three and six months ended June 30, 2020 and 2019, and is prepared based on information available as of the date of this prospectus. It is supplemental to, and should be read in conjunction with, the Portfolio's audited combined carve-out financial statements and notes thereto for the years ended December 31, 2019, 2018 and 2017 (the "**Annual Financial Statements**") and the unaudited condensed interim financial statements for the periods ended June 30, 2020 and 2019 (the "**Q2 Financial Statements**"). The Portfolio's financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All monetary amounts herein are expressed in thousands of US dollars unless otherwise specified.

This MD&A provides information that the management of the Portfolio believes is helpful to understand the results of operations and financial condition of the Portfolio. The objective is to present readers with a view of the Portfolio from management's perspective by interpreting the material trends and activities that have affected the operating results, liquidity and financial position of the Portfolio.

Forward-Looking Information

Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities laws. See "Forward-looking Statements".

Non-IFRS Measures

This MD&A refers to certain non-IFRS financial measures including Funds from Operations ("**FFO**"), Adjusted Funds from Operations ("**AFFO**"), Net Operating Income ("**NOI**"), Gross Book Value, Debt to Gross Book Value Ratio, NOI margin and Same Community results. See "Non-IFRS Financial Measures".

PORTFOLIO OVERVIEW

The Portfolio is not a legal entity. It represents (i) for the period up until May 24, 2018, a portfolio of 31 MHCSs and certain rental manufactured homes; and (ii) from May 24, 2018 onwards, a portfolio of 17 properties and a portion of such rental manufactured homes. For all periods presented, the Portfolio was under the management of the same principals and therefore is considered to be under common management. As of June 30, 2020, the Portfolio's assets consisted of residential MHCs operating in Indiana, Kentucky, and Ohio with a total of 3,530 lots. On May 24, 2018, 14 MHCs and a portion of the Portfolio's rental manufactured homes were transferred to Flagship Communities, LLC as a result of disposition of 100 percent of the outstanding membership interests of the following entities: Alexandria MHC, LLC; Campbell 27, LLC; Carrollton MHC, LLC; Florence MHP, LLC; Walton MHC, LLC; Owensboro MHC, LLC; Paducah MHC, LLC; Valley Station 1, LLC; Vanderburgh MHC, LLC; Cincy MHP, LLC; Charlie's Homes, LLC; V-Station, LLC; and Evansville MHC, LLC (the "**MHC Entities**"). The credit risk in respect of the Portfolio, therefore, is concentrated in the MHC industry. The Portfolio's head office is located at 467 Erlanger Road, Erlanger, Kentucky, 41018, United States.

ACCOUNTING POLICIES

The Portfolio's accounting policies are described in the Annual Financial Statements. In applying these policies, in certain cases it is necessary to use estimates, which management determines using information available to the Portfolio at the time. Management reviews key estimates on a quarterly basis to determine their appropriateness and any change to these estimates is applied prospectively in compliance with IFRS. Significant estimates are made with respect to the fair value of investment properties.

FINANCIAL PERFORMANCE MEASURES

TOTAL PROPERTY PORTFOLIO METRICS

Review and Comparison of Operational Results for the Three and Six Months Ended June 30, 2020 and 2019

	Three months ended June 30,			
	2020	2019	Variance	%
Rental revenue	$ 3,526	$ 3,328	$ 198	6%
Property operating expenses	(820)	(904)	84	(9%)
General and administrative expenses	(175)	(156)	(19)	12%
Depreciation	(9)	(9)	0	(8%)
Fair value gain on investment properties	307	4,781	(4,474)	(94%)
Loss on extinguishment of mortgages payable	(13,206)	—	(13,206)	n.a.
Interest expense	(1,145)	(1,261)	116	(9%)
Transaction costs	(44)	—	(44)	n.a.
Net income (loss) and comprehensive income (loss)	**$(11,566)**	**$ 5,779**	**$(17,345)**	**(300%)**

	Six months ended June 30,			
	2020	2019	Variance	%
Rental revenue	$ 7,097	$ 6,670	$ 427	6%
Property operating expenses	(1,826)	(1,855)	29	(2%)
General and administrative expenses	(353)	(335)	(18)	6%
Depreciation	(25)	(22)	(3)	16%
Fair value gain on investment properties	223	9,701	(9,478)	(98%)
Loss on extinguishment of mortgages payable	(13,206)	—	(13,206)	n.a.
Interest expense	(2,374)	(2,517)	143	(6%)
Transaction costs	(44)	—	(44)	n.a.
Net income (loss) and comprehensive income (loss)	**$(10,508)**	**$11,642**	**$(22,150)**	**(190%)**

Rental revenue

Rental revenue includes rents from tenants under leases, operating cost recoveries, and miscellaneous fees including late fees. Recoveries from tenants are recognized as revenue in the period in which the applicable costs are incurred.

During the three and six months ended June 30, 2020 and June 30, 2019, lot and home rental revenue accounted for approximately 90% of the total revenue of the Portfolio. The remaining revenue was primarily comprised of operating cost recoveries from utilities (water, sewer, electric and garbage). Miscellaneous fees accounted for less than 5% of total revenue during the three and six months ended June 30, 2020 and June 30, 2019.

During the three months ended June 30, 2020, rental revenue increased by $198 or 6% compared to the same period in 2019. Approximately two-thirds of this increase was attributable to lot rent increases, with the remaining increase attributable to increased occupancy across the Portfolio and, to a lesser degree, increases in operating cost recoveries.

During the six months ended June 30, 2020, rental revenue increased by $427 or 6% compared to the same period in 2019. Again, the increase was primarily the result of lot rental rate increases and occupancy growth compared to the same period in 2019. Approximately two-thirds of this increase was attributable to lot rent increases, with the remaining increase attributable to increased occupancy across the Portfolio and, to a lesser degree, increases in operating cost recoveries.

Property operating expenses

Operating expenses are primarily comprised of utilities (representing approximately 35% of operating expenses), property management staffing fees (representing approximately 25% of operating expenses) and property taxes (representing approximately 25% of operating expenses). Property operating expenses incurred for the investment properties were part of normal routine operations and there were no unusual or unexpected property operating expenses incurred throughout the presented periods for the investment properties.

During the three months ended June 30, 2020, property operating expenses decreased by $84 or 9% compared to the same period in 2019. The decrease was primarily the result of lower utility spending at the investment properties.

During the six months ended June 30, 2020, property operating expenses decreased by $29 or 2% compared to the same period in 2019. The decrease was primarily the result of lower utility spending in the six months ended June 30, 2020.

General and administrative expenses

General and administrative expenses are related to management fees as well as other corporate overhead expenses, such as legal and professional fees. Management fees are paid to a related party, MHC Management, LLC, based on a percentage of rental revenue collected at the investment properties.

During the three months ended June 30, 2020, general and administrative expenses increased by $19 or 12% compared to the same period in 2019. The increase was primarily the result of higher rental revenue over this period resulting in increased management fees and increased spending on legal fees.

During the six months ended June 30, 2020, property operating expenses increased by $18 or 6% compared to the same period in 2019. This increase was primarily the result of higher revenue during the six months ended June 30, 2020 resulting in higher management fees.

Fair value adjustment to investment properties

In accordance with IFRS, management has elected to use the fair value model to account for investment properties resulting in a fair value gain of $307 and $223 for the three and six months ending June 30, 2020, respectively. Fair value adjustments were determined based on the movement of parameters such as changes in NOI and capitalization rates. The increase in fair value for the six months ended June 30, 2020 was primarily due to capital improvements done at the properties during this period.

Loss on extinguishment of mortgages payable

During the three and six months ended June 30, 2020, loss on extinguishment of debt by the Portfolio was $13,206. This expense was due to a large refinancing transaction. In May 2020, eight of the existing properties were refinanced through a fixed rate credit facility with Fannie Mae. Five of these investment properties had existing debt that required defeasance to be paid at time of prepayment.

Interest Expense

Interest expense, consisting of interest expense on Indebtedness and amortization of deferred financing costs, decreased by $116 or 9% for the three months ending June 30, 2020 compared to the same period in 2019, primarily due to lower interest rates on debt refinanced in the fourth quarter of 2019. For similar reasons, interest expense decreased $143 or 6% over the six months ending June 30, 2020 compared to the same period in 2019.

Net income (loss) and comprehensive income (loss)

Net loss and comprehensive loss was $10,508 for the six months ended June 30, 2020, compared to net income and comprehensive income of $11,642 for the same period in 2019. Net loss and comprehensive loss was $11,566 for the three months ended June 30, 2020, compared to net income and comprehensive income of

$5,779 for the same period in 2019. As discussed above, the decrease over both periods was primarily due to the following components of net income and comprehensive income:

- An increase in revenue of $198 and $427 for the three and six month periods ending June 30, 2020, respectively, primarily as a result of increased lot rental rates and increased occupancy;
- A decrease in operating expenses of $84 and $29 for the three and six month periods ending June 30, 2020, respectively, which was primarily due to a decrease in utility spending at the investment properties;
- An increase in general and administrative expenses of $19 and $18 for the three and six month periods ending June 30, 2020, respectively, which was primarily the result of increased rental revenues driving higher management fees;
- A decrease in the gain on fair value of investment properties of $4,474 and $9,478 for the three and six month periods ending June 30, 2020, respectively;
- An increase in the loss on extinguishment of debt of $13,206 for the three and six month periods ending June 30, 2020, which was due to defeasance payments made on five loans that were refinanced in May, 2020.
- A decrease in interest expense of $116 and $143 for the three and six month periods ending June 30, 2020 respectively.

Review of Selected Financial and Operating Information as of and for the Three and Six Months Ended June 30, 2020 and 2019

The following tables highlight selected financial information of the Portfolio as of and for the three and six months ended June 30, 2020. This information has been compiled from, and should be read in conjunction with, the Q2 Financial Statements. Additionally, presented below is a summary of the unaudited FFO, AFFO and NOI for the three and six months ended June 30, 2020 and 2019, with additional detail provided in the section entitled "*Funds from Operations, Adjusted Funds from Operations and Net Operating Income*".

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Number of investment properties	17	17	17	17
Number of lots	3,530	3,530	3,530	3,530
NOI[(1)]	$2,706	$2,423	$5,271	$4,815
NOI margin[(1)]	77%	73%	74%	72%

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

	Three months ended June 30,	
	2020	2019
	(unaudited)	(unaudited)
Funds from Operations (FFO)[(1)]	$1,342	$1,007
Adjusted Funds from Operations (AFFO)[(1)]	$ 824	$ 855
Net Operating Income (NOI)[(1)]	2,706	2,423
NOI margin[(1)]	77%	73%

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

	Six months ended June 30,	
	2020	2019
	(unaudited)	(unaudited)
Funds from Operations (FFO)[1]	$2,500	$1,963
Adjusted Funds from Operations (AFFO)[1]	1,830	1,724
Net Operating Income (NOI)[1]	5,271	4,815
NOI margin[1]	74%	72%

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

	As of June 30, 2020	As of December 31, 2019
Total current assets	$ 6,217	$ 4,840
Investment properties	187,627	186,181
Total mortgages payable	110,474	92,096

Funds from Operations, Adjusted Funds from Operations, and Net Operating Income for the Three and Six Months Ended June 30, 2020 and 2019

Set out below is a reconciliation of the unaudited FFO, AFFO and NOI for the three and six months ended June 30, 2020 and 2019:

FFO and AFFO

	Three months ended June 30,	
	2020	2019
Net income and comprehensive income	$(11,566)	$ 5,779
Fair value adjustments to investment properties	(307)	(4,781)
Loss on extinguishment of mortgages payable	13,206	—
Depreciation	9	9
Funds from Operations ("FFO")[1]	**$ 1,342**	**$ 1,007**
Maintenance capital expenditures	(518)	(152)
Adjusted Funds from Operations ("AFFO")[1]	**$ 824**	**$ 855**

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

	Six months ended June 30,	
	2020	2019
Net income and comprehensive income	$(10,508)	$11,642
Fair value adjustments to investment properties	(223)	(9,701)
Loss on extinguishment of mortgages payable	13,206	—
Depreciation	25	22
	—	
Funds from Operations ("FFO")[(1)]	**$ 2,500**	**$ 1,963**
Maintenance capital expenditures	(670)	(239)
Adjusted Funds from Operations ("AFFO")[(1)]	**$ 1,830**	**$ 1,724**

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

NOI AND NOI Margin

Set out below is a reconciliation of the unaudited NOI and NOI margin for the periods presented:

	Three months ended June 30,	
	2020	2019
Total revenue	$3,526	$3,328
Property operating expenses	820	905
Net Operating Income ("NOI")[(1)]	**$2,706**	**$2,423**
NOI margin[(1)]	**77%**	**73%**

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

	Six months ended June 30,	
	2020	2019
Total revenue	$7,097	$6,670
Property operating expenses	1,826	1,855
Net Operating Income ("NOI")[(1)]	**$5,271**	**$4,815**
NOI margin[(1)]	**74%**	**72%**

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

Financial Statement Analysis as of and for the period ended June 30, 2020

The following table highlights selected financial information for the Portfolio as of June 30, 2020. This information has been compiled from, and should be read in conjunction with, the Q2 Financial Statements.

	As of June 30, 2020	As of December 31, 2019	Variance	%
Total current assets	$ 6,217	$ 4,840	$ 1,377	28%
Investment properties	$187,627	$186,181	$ 1,446	1%
Total mortgages payable	$110,474	$ 92,096	$18,378	20%

Total Current Assets

Total current assets are composed of cash and cash equivalents, accounts receivables, amounts due from related parties along with prepaid assets and other current assets.

Total current assets increased by $1,377 (28%) during the six months ended June30, 2020 mainly due to an increase in amounts due from related parties.

Investment Properties

Investment properties were $187,627 as of June 30, 2020, representing an increase of $1,446 (1%) compared to investment properties as of December 31, 2019. The increase was primarily due to additions to capital expenditures and fair value increases during the period. Changes to the investment properties are summarized as follows:

	At June 30, 2020	As at December 31, 2019
Balance, beginning of period	$186,181	$165,633
Acquisitions or additions	1,223	816
Fair value gain on investment properties	223	19,732
Balance, end of period	**$187,627**	**$186,181**

The Portfolio used a combination of internal valuation methodologies and external appraisals to value the investment properties. The estimated fair value of the investment properties was determined using the direct capitalization income method. The direct capitalization income method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is divided by an overall capitalization rate. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over an investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

A significant increase (decrease) in estimated rents or occupancy rates per annum in isolation would result in a significantly higher (lower) fair value. A significant increase (decrease) in capitalization rate estimates in isolation would result in significantly lower (higher) fair value. Generally, a change in estimated rents is accompanied by a directionally similar change in the rent growth per annum assumption and an opposite change in future vacancy rate estimates.

The high, low and overall weighted average of capitalization rates and their sensitivity to change 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 dollar and percentage terms:

Capitalization Rates	June 30, 2020
High	5.75%
Low	5.75%
Weighted Average	5.75%
Sensitivity of carrying value of investment properties to a 25 bps change in weighted average capitalization rates (%)	
0.025	4.17%
−0.025	−4.56%
Sensitivity of carrying value of investment properties to a 25 bps change in weighted average capitalization rates ($)	
0.025	$(7,826)
−0.025	$ 8,557

Mortgages Payable

Mortgages payable increased by $18,378 to $110,474 as of June 30, 2020 compared to mortgages payable as of December 31, 2019. This increase was due to the refinancing in May 2020 of eight of the investment properties, which increased leverage on these investment properties by approximately $19,100.

The mortgages payable balances as of June 30, 2020, excluding unamortized deferred financing costs, are due as follows:

2020	$ 516
2021	1,967
2022	983
2023	1,036
2024	1,078
2025	1,141
Thereafter	$105,403

Operating, Investing and Financing Activities

The following table highlights the Portfolio's cash flows for the six months ended June 30, 2020:

	June 30, 2020
Cash flows provided by (used in):	
Operating activities	$ 1,360
Investing activities	(1,254)
Financing activities	(106)
Increase (decrease) in cash	**$ —**

Operating activities for the six month period ended June 30, 2020

Operating activities for the six months ended June 30, 2020 generated a net cash inflow of $1,360, which was largely due to cash inflows from normal business operations.

Investing activities for the six month period ended June 30, 2020

Investing activities for the six months ended June 30, 2020 generated a net cash outflow of $1,254, which was largely due to capital expenditures to investment properties of $1,223 and expenditures on property and equipment of $31.

Financing activities for the six month period ended June 30, 2020

Financing activities for the six months ended June 30, 2020 generated a net cash outflow of $106, which was largely due to principal payments of mortgages payable of $45,116 net of proceeds from mortgages payable of $51,327.

DEBT TO GROSS BOOK VALUE RATIO

Below is a reconciliation of the Debt to Gross Book Value Ratio as of June 30, 2020:

	As of June 30, 2020
Indebtedness (current portion)	$ 1,029
Indebtedness (non-current portion)	109,445
Total Indebtedness	110,474
Gross Book Value[(1)]	**195,511**
Debt to Gross Book Value Ratio[(1)]	**57%**

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

TOTAL PROPERTY PORTFOLIO METRICS

Review of Selected Financial and Operating Information as of and for the Years Ended December 31, 2019, 2018 and 2017

	Year ended December 31		
	2019	2018	2017
Rental revenue	**$15,075**	$17,677	$23,783
Property operating expenses	**(4,489)**	(6,855)	(9,312)
General and administrative expenses	**(895)**	(1,066)	(1,002)
Depreciation	**(48)**	(46)	(100)
Fair value gain on investment properties	**19,732**	21,632	28,163
Gain on disposal of investment properties	**—**	—	581
Loss on extinguishment of mortgages payable	**(146)**	(588)	—
Interest expense	**(6,201)**	(8,357)	(6,882)
Net income and comprehensive income	**$23,028**	$22,397	$35,231

	As of December 31		
	2019	2018	2017
Total current assets	$ 4,840	$ 3,189	$ 1,711
Investment properties	$186,181	$165,633	$239,830
Total mortgages payable	$ 92,096	$ 89,589	$115,116

	Year ended December 31		
	2019	2018	2017
	(unaudited)	(unaudited)	(unaudited)
Funds from Operations (FFO)[(1)]	$ 3,490	$ 1,399	$ 6,587
Adjusted Funds from Operations (AFFO)[(1)]	$ 2,967	$ 1,192	$ 6,097
Net Operating Income (NOI)[(1)]	$10,586	$10,822	$14,471
NOI Margin[(1)]	70%	61%	61%

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

The following tables highlight selected financial information of the Portfolio as of and for the years ended December 31, 2019, 2018 and 2017. This information has been compiled from, and should be read in conjunction with, the Annual Financial Statements. Additionally, presented below is a summary of the unaudited FFO,

AFFO and NOI for the years ended December 31, 2019, 2018 and 2017, with additional detail provided in "*Funds from Operations, Adjusted Funds from Operations, and Net Operating Income*".

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Number of investment properties	17	17	31
Number of lots	3,530	3,530	6,856
NOI[(1)]	$10,586	$10,822	$14,471
NOI margin[(1)]	70%	61%	61%

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

SAME COMMUNITY METRICS

Same Community results represent the performance of investment properties owned throughout the comparative periods. Measures including NOI, NOI margin and revenue and other measures, when presented on a Same Community basis, are non-IFRS measures and key financial and operational performance indicators to analyze the Portfolio's ability to generate increased cash flow without including the impact of dispositions. Same property NOI is a significant performance indicator when predicting future growth. The Portfolio will continue to strive to increase same property NOI for its existing properties over the long term.

Dispositions

On May 24, 2018, the Portfolio disposed 14 MHCs. These communities were located in Kentucky and Indiana and contained 3,326 lots. Details of the Portfolio's disposition activity during 2018 is outlined in the following table:

State	# of MHCs	Closing Date	% Sold	Rental Sites
Kentucky	12	May 24, 2018	100%	2,236
Indiana	2	May 24, 2018	100%	1,090
Total Dispositions	14			3,326

Same Community Net Operating Income

Same Community NOI for the properties acquired and owned throughout the year ended December 31, 2019 increased compared to the same period in 2018 by 9.5% Additionally, Same Community NOI for the year ended December 31, 2018 increased by 8.7% compared to the same period in 2017. Additional Same Community metrics are summarized in the table below. See "Non-IFRS Measures".

Same Community	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Revenue	$15,075	$13,818	$13,125
NOI[(1)]	$10,586	$ 9,593	$ 8,664
NOI Margin[(1)]	70%	69%	66%
Occupancy rate	80.5%	78.4%	78.0%
Average monthly lot rent	$ 358	$ 349	$ 338

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

Review and Comparison of Operational Results for the Years Ended December 31, 2019 and 2018 (Total Portfolio)

	Year ended December 31			
	2019	2018	Variance	%
Rental revenue	**$15,075**	$17,677	$(2,602)	(15%)
Property operating expenses	**(4,489)**	(6,855)	2,366	(35%)
General and administrative expenses	**(895)**	(1,066)	171	(16%)
Depreciation	**(48)**	(46)	(2)	3%
Fair value gain on investment properties	**19,732**	21,632	(1,900)	(9%)
Loss on extinguishment of mortgages payable	**(146)**	(588)	442	(75%)
Interest expense	**(6,201)**	(8,357)	2,156	(26%)
Net income and comprehensive income	**$23,028**	$22,397	$ 631	3%

Rental revenue

Year Ended December 31			
2019	2018	Variance	%
$15,075	$17,677	($2,602)	(15%)

Rental revenue includes rents from tenants under leases, operating cost recoveries, and miscellaneous fees including late fees. Recoveries from tenants are recognized as revenue in the period in which the applicable costs are incurred.

During the twelve months ended December 31, 2019 and December 31, 2018, lot and home rental revenue accounted for approximately 90% of the total revenue of the Portfolio. The remaining revenue was primarily comprised of cost recoveries from utilities (water, sewer, electric and garbage). Miscellaneous fees accounted for less than 5% of total revenue during the twelve months ended December 31, 2019 and December 31, 2018.

During the year ended December 31, 2019, total portfolio rental revenue decreased by $2,602 or 15% compared to the year ended December 31, 2018. The disposition of 14 Initial Communities in May 2018 accounted for a decline in rental revenue of $3,859. This decline was partially off-set by an increase in Same Community revenue growth from the investment properties remaining in the Portfolio. See “Non-IFRS Measures”.

Same Community rental revenue for the year ended December 31, 2019 was $15,075, representing an increase of $1,257 (9%) compared to the year ended December 31, 2018. The increase was primarily due to an increase in monthly lot rent and occupancy increases within the investment properties. During the year ended December 31, 2019, average monthly lot rent increased by $9 (2.6%) to $358 from $349 as of December 31, 2018 while occupancy increased by 2.1% to 80.5% from 78.4% as of December 31, 2018. Other income also increased during the year ended December 31, 2018 as a result of an increase in operating cost recoveries. See “Non-IFRS Measures”.

Property operating expenses

Year Ended December 31			
2019	2018	Variance	%
$4,489	$6,855	2,366	(35%)

Operating expenses are primarily comprised of utilities (representing approximately 35% of operating expenses), property management staffing fees (representing approximately 20% of operating expenses) and property taxes (representing approximately 15% of operating expenses). Property operating expenses incurred for the investment properties were part of normal routine operations and there were no unusual or unexpected property operating expenses incurred throughout the presented periods for the investment properties.

Property operating expenses for the year ended December 31, 2019 were $4,489, representing a decrease of $2,366 (35%) compared to the year ended December 31, 2018. The disposition of 14 Initial Communities in May 2018 accounted for a decrease of $1,915.

Same Community operating expenses for the year ended December 31, 2019 were $4,489, representing an increase of $264 (6%) compared to the year ended December 31, 2018. This increase in operating expenses was primarily due to increases in property taxes and insurance expense. See "Non-IFRS Measures".

General and administrative expenses

Year Ended December 31			
2019	2018	Variance	%
$895	1,066	171	(16%)

General and administrative expenses are related to management fees as well as other corporate overhead expenses such as legal and professional fees. Management fees are paid to a related party, MHC Management, LLC, based on a percentage of rental revenue collected at the investment properties.

General and administrative expenses for the year ended December 31, 2019 decreased by $171 (16%) compared to the year ended December 31, 2018. The disposition of 14 Initial Communities in May 2018 accounted for a decrease of $170.

Same Community general and administrative expenses for the year ended December 31, 2019 was $895, representing a decrease of $2 compared to the year ended December 31, 2018. See "Non-IFRS Measures".

Fair value adjustment to investment properties

Year Ended December 31			
2019	2018	Variance	%
$19,732	$21,632	$(1,900)	(9%)

In accordance with IFRS, management has elected to use the fair value model to account for investment properties resulting in a fair value gain of $19,732 for the year ended December 31, 2019 compared to $21,632 for the year ended December 31, 2018. Fair value adjustments were determined based on parameters including changes in stabilized NOI, capitalization rates and other factors. The increase in fair value for the year ended December 31, 2019 was primarily due to changes in capitalization rates as a result of market conditions and property-level stabilized NOI increases compared to the year ended December 31, 2018.

Loss on extinguishment of mortgages payable

Year Ended December 31			
2019	2018	Variance	%
$146	$588	$(442)	(75%)

The loss on extinguishment of mortgages payable was $146 for the year ended December 31, 2019, representing a decrease of $442 (75%) compared to the year ended December 31, 2018. During the year ended December 31, 2019, the Portfolio recorded a loss on the extinguishment of mortgages payable of $146, which related to the amount the Portfolio paid to retire its debt in excess of its carrying value and from recognizing unamortized deferred financing costs in profit or loss at the time of the debt extinguishment. The majority of losses on extinguishment of mortgage payable for the year ended December 31, 2018 were related to the retirement of debt for the 14 Initial Communities disposed of. The unamortized deferred financing costs on the disposed assets were expensed in the year ended December 31, 2018.

Interest Expense

Year Ended December 31			
2019	2018	Variance	%
$6,201	$8,357	$(2,156)	(26%)

Interest expense, consisting of interest expense on Indebtedness and amortization of deferred financing costs, decreased by $2,156 or 26% to $6,201 for the year ended December 31, 2019 compared to $8,357 for the year ended December 31, 2018.

The disposition of 14 Initial Communities in May 2018 accounted for a decrease of $2,408 in interest expense on Indebtedness compared to the year ended December 31, 2017. Same Community interest expense for the year ended December 31, 2018 increased by $252 compared to the year ended December 31, 2017 as a result of increased leverage from a debt refinancing that was completed in mid-2018. See "Non-IFRS Measures".

Net income and comprehensive income

Year Ended December 31			
2019	2018	Variance	%
23,028	22,397	631	3%

Net income and comprehensive income was $23,028 for the year ended December 31, 2019, representing an increase of $631 (3%) compared to the year ended December 31, 2018. As discussed above, this increase was primarily due to the following:

- a decrease in rental revenue of $2,602 for the year ended December 31, 2019, which was primarily due to the disposition of 14 Initial Communities in May 2018 that contributed $3,859 to revenue for the year ended December 31, 2018, partially offset by increases in Same Community occupancy and rental rates;
- a decrease in operating expenses of $2,366, which was primarily due to the to the disposition of 14 Initial Communities in May 2018 that accounted for $1,915 in operating expenses for the year ended December 31, 2018;
- a decrease in general and administrative expenses of $171 compared to the year ended December 31, 2018;
- a decrease in fair value of investment properties of $1,900 compared to the year ended December 31, 2018;
- a decrease of $442 in loss on extinguishment of debt due to reduced refinancing activity during the year ended December 31, 2019; and
- a decrease in interest expense of $2,156 primarily due to the disposition of 14 Initial Communities in May 2018, which accounted for $2,408 of interest expense for the year ended December 31, 2018.

Review and Comparison of Operational Results for the Years Ended December 31, 2018 and 2017 (Total Portfolio)

	Year ended December 31			
	2018	2017	Variance	%
Rental revenue	$17,677	$23,783	$ (6,106)	(26%)
Property operating expenses	(6,855)	(9,312)	2,457	(26%)
General and administrative expenses	(1,066)	(1,002)	(64)	6%
Depreciation	(46)	(100)	54	(54%)
Fair value gain on investment properties	21,632	28,163	(6,531)	(23%)
Gain on disposal of investment properties	—	581	(581)	(100%)
Loss on extinguishment of mortgages payable	(588)	—	(588)	n.a.
Interest expense	(8,357)	(6,882)	(1,475)	21%
Net income and comprehensive income	**$22,397**	**$35,231**	**$(12,834)**	(36%)

Rental revenue

Year Ended December 31			
2018	2017	Variance	%
$17,677	$23,783	$(6,106)	(26%)

Rental revenue includes rents from tenants under leases, operating cost recoveries, and miscellaneous fees including late fees. Recoveries from tenants are recognized as revenue in the period in which the applicable costs are incurred.

During the twelve months ended December 31, 2018 and December 31, 2017, lot and home rental revenue accounted for approximately 90% of the total revenue of the Portfolio. The remaining revenue was primarily comprised of cost recoveries from utilities (water, sewer, electric and garbage). Miscellaneous fees accounted for less than 5% of total revenue during the twelve months ended December 31, 2018 and December 31, 2017.

During the year ended December 31, 2018, rental revenue decreased by $6,106 or 26% compared to the year ended December 31, 2017. The disposition of 14 Initial Communities in May 2018 accounted for a decrease of $6,798. This decrease was partially offset by an increase in Same Community revenue growth from the properties remaining in the portfolio.

Same Community revenue for the year ended December 31, 2018 was $13,818, representing an increase of $692 (5%) compared to the year ended December 31, 2017. The increase was primarily due to an increase in monthly lot rent and occupancy increases within the investment properties. Over this period, average monthly lot rent increased by $11 (3.3%) to $349 from $338 for the year ended December 31, 2017 while occupancy increased by 0.4% to 78.4% from 78.0% for the year ended December 31, 2017. Other income also increased over during the year ended December 31, 2018 due to an increase in operating cost recoveries. See "Non-IFRS Measures".

Property operating expenses

Year Ended December 31			
2018	2017	Variance	%
$6,855	$9,312	$2,457	(26%)

Operating expenses are primarily comprised of utilities (representing approximately 35% of operating expenses), property management staffing fees (representing approximately 20% of operating expenses) and property taxes (representing approximately 15% of operating expenses). Property operating expenses incurred for the investment properties were part of normal routine operations and there were no unusual or unexpected property operating expenses incurred throughout these presented periods for the investment properties.

Property operating expenses for the year end December 31, 2018 were $6,855, representing a decrease of $2,457 (26%) compared to the year ended December 31, 2017. The primary driver of the decrease was the disposition of 14 Initial Communities in May 2018.

Same Community operating expenses for year ended December 31, 2018 were $4,225, representing a decrease of $236 (5%) compared to the year ended December 31, 2017. The decrease in operating expenses was primarily due to lower utility expenses and ground maintenance costs. See "Non-IFRS Measures".

General and administrative expenses

Year Ended December 31			
2018	2017	Variance	%
$1,066	$1,002	$(64)	6%

General and administrative expenses are related to management fees as well as other corporate overhead expenses such as legal and professional fees. Management fees are paid to a related party, MHC Management, LLC based on a percentage of rental revenue collected at the investment properties.

General and administrative expenses for the year ended December 31, 2018 were $1,066, representing a decrease of $64 (6%) compared to the year ended December 31, 2017. The disposition of 14 Initial Communities in May 2018 was the primary cause of the decrease.

Fair value adjustment to investment properties

Year Ended December 31			
2018	2017	Variance	%
$21,632	$28,163	$(6,531)	(23%)

In accordance with IFRS, management has elected to use the fair value model to account for investment properties resulting in a fair value gain of $21,632 for the year ended December 31, 2018 compared to $28,163 for the year ended December 31, 2017. Fair value adjustments were determined based on parameters including changes in stabilized NOI, capitalization rates and other factors. The increase in fair value for the year ended December 31, 2018 was primarily due to changes in capitalization rates as a result of changing market conditions and property level stabilized NOI increases compared to the year ended December 31, 2017.

Loss on extinguishment of mortgages payable

Year Ended December 31			
2018	2017	Variance	%
$588	$0	$588	n.a.

During the year ended December 31, 2018, in connection with the disposition of 14 Initial Communities on May 24, 2018, the Portfolio retired its existing mortgages payable on the investment properties disposed of and recorded a loss on the extinguishment of mortgages payable of $588. The loss is related to the amount the Portfolio paid to retire the debt in excess of its carrying value and from recognizing unamortized deferred financing costs in profit or loss at the time of debt extinguishment. No gain or loss on extinguishment of mortgages payable was recorded for the year ended December 31, 2017.

Interest Expense

Year Ended December 31			
2018	2017	Variance	%
$8,357	$6,882	$1,475	21%

Interest expense, consisting of interest expense on Indebtedness, amortization of deferred financing costs, and amortization of issuance (premium) discounts Interest expense, increased by $1,475 or 21.4% to $8,357 for the year ended December 31, 2018 compared to $6,882 for the year ended December 31, 2018 primarily due to interest expense paid to related parties paid during the year ended December 31, 2018.

Net income and comprehensive income

Year Ended December 31			
2018	2017	Variance	%
$22,397	$35,231	$(12,834)	(36%)

Net income and comprehensive income was $22,397 for the year ended December 31, 2018, representing a decrease of $12,834 (36%) compared to the year ended December 31, 2017. As discussed above, this decrease was primarily due to the following:

- a decrease in rental revenue of $6,106 primarily due to the disposition of 14 Initial Communities in May 2018 that contributed $6,798 of revenue during the year ended December 31, 2018 partially offset by an increase in Same Community occupancy and rental rates;
- a decrease in operating expenses of $2,457 primarily due to the to the disposition of 14 Initial Communities in May 2018 together with decreased spending on utilities and grounds maintenance;
- an increase in general and administrative expenses of $64 during the year ended December 31, 2018 compared to the year ended December 31, 2017;
- a decrease in fair value of investment properties of $6,531 during the year ended December 31, 2018 compared to the year ended December 31, 2017;
- an increase of $588 in loss on extinguishment of debt due to the retirement of existing mortgages payable on the investment properties disposed of during the year ended December 31, 2018; and
- an increase in interest expense of $1,475 primarily related to interest expense to related parties paid during the year ended December 31, 2018.

Funds from Operations, Adjusted Funds from Operations, and Net Operating Income for the Years Ended December 31, 2019, 2018 and 2017

Set out below is a reconciliation of the unaudited FFO, AFFO and NOI for the year ended December 31, 2019, 2018 and 2017:

FFO and AFFO

	Year ended December 31		
	2019	2018	2017
Net income and comprehensive income	$ 23,028	$ 22,397	$ 35,231
Fair value adjustments to investment properties	(19,732)	(21,632)	(28,163)
Gain on disposition of properties	—	—	(581)
Loss on extinguishment of debt	146	588	—
Depreciation	48	46	100
Funds from Operations (“FFO”)[1]	**$ 3,490**	**$ 1,399**	**$ 6,587**
Maintenance capital expenditures	(523)	(207)	(490)
Adjusted Funds from Operations (“AFFO”)[1]	**$ 2,967**	**$ 1,192**	**$ 6,097**

Note:

(1) Non-IFRS measure. See “Non-IFRS Measures”.

Total Portfolio — NOI AND NOI Margin

Set out below is a reconciliation of the unaudited NOI and NOI margin for the periods presented:

	Year ended December 31		
	2019	2018	2017
Total revenue	$15,075	$17,677	$23,783
Property operating expenses	4,489	6,855	9,312
Net operating income ("NOI")[(1)]	$10,586	$10,822	$14,471
NOI margin[(1)]	70%	61%	61%

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

Same Community results represent the performance of investment properties owned as of January 1, 2017 and throughout the comparative periods, which removes the impact of acquisitions and dispositions. Set out below is an analysis of the Same Community figures for the years ended December 31, 2019, 2018, and 2017:

Same Community — NOI and NOI margin

	Year ended December 31		
	2019	2018	2017
Total revenue	$15,075	$13,818	$13,125
Property operating expenses	4,489	4,225	4,461
Net operating income ("NOI")[(1)]	$10,586	$ 9,593	$ 8,664
NOI Margin[(1)]	70%	69%	66%

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

Financial Statement Analysis as of and for the Years Ended December 31, 2019, 2018 and 2017

The following table highlights selected financial information for the Portfolio as of December 31, 2019, 2018 and 2017. This information has been compiled from, and should be read in conjunction with, the Annual Financial Statements.

	As of December 31			
	2019	2018	Variance	%
Total current assets	$ 4,840	$ 3,189	$ 1,651	52%
Investment properties	$186,181	$165,633	$20,548	12%
Total mortgages payable	$ 92,096	$ 89,589	$ 2,507	3%

	As of December 31			
	2018	2017	Variance	%
Total current assets	$ 3,189	$ 1,711	$ 1,478	86%
Investment properties	$165,633	$239,830	$(74,197)	(31%)
Total mortgages payable	$ 89,589	$115,116	$(25,527)	(22%)

Total Current Assets

Total current assets are composed of cash and cash equivalents, accounts receivables, amounts due from related parties, prepaid assets and other current assets.

Total current assets increased by $1,651 (52%) for the year ended December 31, 2019 compared to the year ended December 31, 2018 mainly due to an increase in amounts due from related parties.

Total current assets increased by $1,478 (86%) for the year ended December 31, 2018 compared to the year ended December 31, 2017 mainly due to an increase in amounts due from related parties net of decreases in cash and cash equivalents, and other assets and accounts receivables.

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 Portfolio used a combination of internal valuation methodologies and external appraisals to value the investment properties. The estimated fair value of the investment properties was determined using the direct capitalization income method. The direct capitalization income method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is divided by an overall capitalization rate. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over an investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

A reconciliation of the carrying value for investment properties at the beginning and end of the period is set out below:

	As at December 31, 2019	As at December 31, 2018	As at December 31, 2017
Balance, beginning of year	$165,633	$239,830	$205,667
Additions	816	2,587	6,000
Dispositions	—	(98,416)	—
Fair value gain on investment properties	19,732	21,632	28,163
Balance, end of year	**$186,181**	**$165,633**	**$239,830**

Investment properties was $186,181 as at December 31, 2019, which increased by $20,548 (12%) from 2018, which was due to the fair value gain and capital expenditures at existing investment properties during the year.

Investment properties were $165,633 for the year ended December 31, 2018, representing a decrease of $74,197 (31%) compared to the year ended December 31, 2017. This decrease was mainly the result of the dispositions of $98,416, which relate to the disposal of 14 Initial Communities on May 24, 2018. This decrease was partially offset by the fair value gain on the communities remaining in the portfolio. On May 24, 2018, the Portfolio disposed of 100 percent of the outstanding membership interests of the MHC Entities. Prior to May 24, 2018, the MHC Entities were limited liability companies under the same common control. The consideration for the disposition of the MHC Entities consisted of cash and Series A-2 units in the acquiring entity totaling approximately $98,094.

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. Generally, a change in estimated rents is accompanied by a directionally similar change in the rent growth per annum assumption and an opposite change in future vacancy rate estimates.

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

Capitalization Rates	As at December 31, 2019	As at December 31, 2018	As at December 31, 2017
High	5.75%	7.50%	9.00%
Low	5.75%	5.50%	6.25%
Weighted Average	5.75%	6.18%	6.88%
Sensitivity of carrying value of investment properties to a 25 bps change in weighted average capitalization rate (%)			
0.025	4.17%	3.89%	3.56%
−0.025	(4.56%)	(4.25%)	(3.74%)
Sensitivity of carrying value of investment properties to a 25 bps change in weighted average capitalization rate ($)			
0.025	$(7,617)	$(6,293)	$(8,205)
−0.025	$ 8,329	$ 6,880	$ 8,612

Mortgages Payable

Mortgages payable were $92,096 as of December 31, 2019, representing an increase of $2,507 (3%) compared to the year ended December 31, 2018. The increase was primarily due to the refinancing of one investment property.

Mortgages payable were $89,589 as of December 31, 2018, representing a decrease of $25,527 (22%) compared to the year ended December 31, 2017. This was the mainly due to the repayment of mortgages in respect of properties that were disposed of during the year ended December 31, 2018.

Mortgages payable as at December 31, 2019, excluding unamortized deferred financing costs, were as follows:

2020	$ 3,743
2021	2,633
2022	1,783
2023	1,879
2024	1,969
Thereafter	$81,613

As of December 31, 2019, the weighted average maturity for the Portfolio's debt is 7.52 years and the weighted average interest rate is 5.20%

The Portfolio's mortgages payable contains customary representations, warranties, and events of default, which require the Portfolio to comply with affirmative and negative covenants. As at December 31, 2019, 2018 and 2017, the Portfolio was in compliance with all financial covenants relating to its mortgages payable.

Operating, Financing and Investing Activities

The following table highlights the Portfolio's cash flows for the years ended December 31, 2019, 2018 and 2017:

	Year ended December 31		
	2019	**2018**	**2017**
Cash flows provided by (used in):			
Operating activities	$1,279	$ (871)	$12,161
Investing activities	(988)	30,026	(5,076)
Financing activities	(325)	(30,053)	(6,249)
Increase (decrease) in cash	**$ (34)**	**$ (898)**	**$ 836**

Operating activities for the year ended December 31, 2019

Operating activities for the year ended December 31, 2019 generated a net cash inflow of $1,279, which was largely due to cash inflows from normal business operations.

Investing activities for the year ended December 31, 2019

Investing activities for the year ended December 31, 2019 generated a net cash outflow of $988, which was largely due to additions to investment properties of $815,809 and capital expenditures on property and equipment of $172.

Financing activities for the year ended December 31, 2019

Financing activities for the year ended December 31, 2019 generated a net cash outflow of $325, which was largely due to proceeds from the issuance of mortgages of $13,105 and contributions from members of $965. These inflows were partially offset by $10,675 of principal payments on outstanding mortgages, mortgage issuance costs of $371 and distributions paid to members of $3,691.

DEBT TO GROSS BOOK VALUE RATIO

Set out below is a reconciliation of the Debt to Gross Book Value Ratio as of December 31, 2019, 2018 and 2017:

	As of December 31		
	2019	**2018**	**2017**
Indebtedness (current portion)	5,743	12,711	2,042
Indebtedness (non-current portion)	86,353	76,878	113,074
Total Indebtedness	92,096	89,589	115,116
Gross Book Value[(1)]	**$192,148**	**$169,754**	**$242,552**
Debt to Gross Book Value Ratio[(1)]	**48%**	**53%**	**47%**

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and capital resources are used to fund capital investments in the investment properties, development and acquisition activities, and to fulfill mortgage obligations. The principal source of liquidity is NOI generated from property operations.

The Portfolio 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;

existing cash and cash equivalents on hand; and available borrowing capacity under existing credit facilities. However, the Portfolio'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 Portfolio's control.

The Portfolio's future capital expenditures are outlined elsewhere in this prospectus under the headings "Assessments and Valuations of the Initial Portfolio — Property Condition Assessments" and "Assessments and Valuations of the Initial Portfolio — Rental Home Inspections." All itemized capital expenditures summarized in those sections will be accounted for as capital additions and will be funded using in place reserves as well as cash flow generated from operations.

CONTRACTUAL COMMITMENTS AND CONTINGENCIES

The Portfolio is subject to claims and litigation in the ordinary course of business. Management does not believe that any such claim or litigation will have a material adverse effect on the business, assets, or results of operations of the Portfolio.

RELATED PARTY TRANSACTIONS

The following is a description of transactions between the Portfolio and related parties:

Accounts Payable and Receivable

As at June 30, 2020, the Portfolio had accounts receivable due from related parties totaling $5,951 (December 31, 2019 — $4,470). These amounts are due to MHC Management, LLC and its affiliates. MHC Management, LLC is owned by three persons who collectively own a majority interest in the Portfolio. These receivables are due to a cash management arrangement where funds are moved between entities to meet liquidity needs. They are all related to the normal course of operations and are non-interest bearing and have no formal terms of repayment.

As at December 31, 2019, 2018 and 2017, the Portfolio had accounts receivable due from related parties totaling $4,470, $2,871, and $6,978 respectively. These amounts are due to MHC Management, LLC and its affiliates. These receivables are due to a cash management arrangement where funds are moved between entities to meet liquidity needs. They are all related to the normal course of operations and are non-interest bearing and have no terms of repayment.

Other Services

For the six months ended June 30, 2020, $227 of services were provided by these affiliates of the Portfolio compared to $159 for the six months ended June 30, 2019. The services included HVAC, paving/concrete repair, mobile home transportation, legal and landscape services.

For the years ended December 31, 2019, 2018 and 2017, the Portfolio incurred expenses from affiliates of $258, $2,373, and $247 respectively.

These affiliates are considered related parties as they are directors (or related to directors) or employees of the Portfolio. See the table below for description of the related party service providers.

Company Name	Ownership & Control	Description of Services	Six Months Ended June 30, 2020	Year End December 31, 2019 Spend	Year End December 31, 2018 Spend	Year End December 31, 2017 Spend
Call Now HVAC	50% owned by owners of majority interest in the Portfolio (Kurtis Keeney, Nathaniel Smith, Dennis Williams). Managing member is a non-related party.	Provides HVAC services for the communities including installing new air conditioner units as well as services existing units.	$115	$103	$ 90	$181
KOI	50% owned by the managing members of all entities in the Portfolio (Kurtis Keeney) and 50% by an immediate family member. Employees include other immediate family members of such managing member.	Provides black top and concrete services for the communities as well as a number of other maintenance services.	$ 86	$142	$ 4	—
Quality MH Transport	100% owned by owners of a majority interest in the Portfolio (Kurtis Keeney, Nathaniel Smith, Dennis Williams).	Provides transportation services for manufactured homes to the various parks within the Portfolio from the factory. Also assists in moving preowned homes in or out of various parks.	—	$ 3	—	$ 18
BG3	100% owned by brother of the managing member of all entities in the Portfolio (Kurtis Keeney).	Provides Landscaping services for various investment properties.	$ 20	$ 10	$ 7	
Adams, Stepner, Woltermann & Dusing, PLLC	Owner with a significant ownership interest in the Portfolio (Dennis Williams) is a former partner and is currently compensated for any work that he completes on behalf of Adams, Stepner, Woltermann & Dusing, PLLC.	Law firm that helps the Portfolio with various legal matters such as loan closings, acquisition diligence, contract reviews, etc.	$ 2	—	$ 2	$ 12
JDK	100% owned by the brother of the managing member of all entities in the Portfolio (Kurtis Keeney).	IT and Desktop Support.	$ 4	—	—	—
MH Acceptance	100% owned by owners of a majority interest in the Portfolio (Kurtis Keeney, Nathaniel Smith, Dennis Williams).	Provided funding to Portfolio, spend is interest on related funding.		—	$2,270	$ 36

Management Fees

For the six months ended June 30, 2020, the Portfolio incurred expenses related to management fees of $312 from MHC Management, LLC. For the six months ended June 30, 2019 total management fees were $283.

For the years ended December 31, 2019, 2018 and 2017, the Portfolio incurred expenses related to management fees from MHC Management, LLC of $750, $770 and $903, respectively.

FUTURE ACCOUNTING PRONOUNCEMENTS

Conceptual Framework

On March 29, 2018, the International Accounting Standards Board issued its revised Conceptual Framework for Financial Reporting. The revised Conceptual Framework does not constitute a substantial revision from the previously effective guidance but does provide additional guidance on topics not previously covered such as presentation and disclosure. This amendment was effective on January 1, 2020. The Portfolio intends to adopt this amendment in its audited combined carve-out financial statements for year ending December 31, 2020. The adoption of the revised Conceptual Framework for Financial Reporting is not expected to have a material impact on the combined carve-out financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

The Portfolio has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

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

The fair value of investment properties is dependent on available comparable transactions, future cash flows over the holding period and discount rates and capitalization rates applicable to those assets. The review of anticipated cash flows involves assumptions relating to occupancy and rental rates. In addition to reviewing anticipated cash flows, management assesses changes in the business climate and other factors which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

FINANCIAL RISK MANAGEMENT

The Portfolio's activities expose it to credit risk, market risk and liquidity risk. Risk management is carried out by the Chief Financial Officer under policies approved by senior executive management.

(a) Credit risk is the risk that (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents of the investment properties may experience financial difficulty and be unable to meet their rental obligations to the Portfolio. Management mitigates the risk of credit loss with respect to residents by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, and geographically diversifying the location of its properties. Management monitors its collections and takes measures to collect all amounts past due. Subsequent recoveries of amounts previously written-off are credited in the combined carve-out statements of comprehensive income.

(b) Liquidity risk

The Portfolio is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Portfolio constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. All of the Portfolio's financial liabilities are due within one year except for mortgages payable.

The Portfolio has managed its liquidity and capital resources during the period of ownership to ensure adequate liquidity for operating, capital, and investment activities. The Portfolio has funded its obligations with cash flow from operating activities, credit facilities, financing, mortgage debt secured by investment properties and equity issuances. Cash flow projections are updated on a regular basis to ensure there will be adequate liquidity to maintain operating, capital, and investment activities.

Management believes that future cash flows from operations and mortgage refinancing will provide sufficient funds to support these financial liabilities.

Management expects that the REIT will have sufficient working capital to operate the REIT's business during the Forecast Period. At Closing, the REIT expects to have approximately $10 million in cash available to it from the proceeds of the Offering, or approximately $23 million if the Over-Allotment Option is exercised in full. Further, the net assets to be acquired by the REIT pursuant to the Acquisition includes approximately $2 million in cash and cash equivalents. In addition, the REIT intends to adopt an AFFO payout ratio of approximately 65% for the Forecast Period, which management of the REIT believes will allow the REIT to meet its internal funding needs.

(c) Interest rate risk

There is interest rate risk associated with the investment properties' fixed rate mortgages payable due to the expected requirement to refinance such mortgages payable in the year of maturity. To manage exposure to interest rate risk, management endeavours to manage maturities of fixed rate mortgages payable, and match the nature of the mortgage payable with the cash flow characteristics of the underlying asset. This risk is also reduced through management's current strategy of having the majority of its mortgages payable in fixed term arrangements. As such, the Portfolio's cash flows are not significantly impacted by a change in market interest rates.

SUBSEQUENT EVENTS

During the first quarter of 2020 there was a global outbreak of COVID-19 (coronavirus disease),which has had a significant impact on businesses through the restrictions put in place by federal, state and local governments in the United States regarding travel, business operations and isolation/quarantine orders. At this time, the economic impact on the Portfolio of the COVID-19 pandemic and government measures to contain it has not been material. The majority of the Portfolio's assets are located in markets that, as yet, have not been affected as adversely by the pandemic as some more populous cities and states. However, the ultimate extent of the impact the COVID-19 pandemic may have on the Portfolio will depend on future developments that are highly uncertain and that cannot be predicted with confidence, such as the timing and extent of the spread of COVID-19, including in the markets in which the Portfolio operates; any intensification of the pandemic or government measures to contain it; and any changes in levels of governments financial support to individuals affected by the COVID-19 pandemic and related economic downturn. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the COVID-19 pandemic, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by the federal, state and municipal governments in the United States.

On July 15, 2020, the Portfolio refinanced two investment properties with Fannie Mae in the amount of $6,240. This new debt has a term of 144 months with a 30 year amortization period, of which 96 months will be interest only at a fixed rate of 2.93%. In association of this new debt, $4,493 of debt was retired.

The Portfolio is contemplating selling interests in the Portfolio to a to-be-formed REIT, through an initial public offering.

FLAGSHIP COMMUNITIES, LLC

Management's Discussion & Analysis of Financial Condition and Results of Operations

For the Year Ended December 31, 2019, for the Period from March 11, 2018 (Date of Incorporation) to December 31, 2018 and for the Three and Six Months Ended June 30, 2020 and 2019

INTRODUCTION

This management's discussion and analysis ("**MD&A**") of the financial condition and results of operations of Flagship Communities, LLC (the "**Company**") is for the year ended December 31, 2019, for the period from March 11, 2018 (date of incorporation) to December 31, 2018, and for the three and six months ended June 30, 2020 and 2019 and is prepared based on information available as of the date of this prospectus. It is supplemental to, and should be read in conjunction with, the Company's audited consolidated carve-out financial statements and notes thereto for the year ended December 31, 2019 and period from March 11, 2018 (date of incorporation) to December 31, 2018 (the "**Annual Financial Statements**") and the unaudited interim condensed consolidated financial statements and notes thereto for the three and six months ended June 30, 2020 and 2019 (the "**Q2 Financial Statements**").

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All monetary amounts herein are expressed in thousands of US dollars unless otherwise specified.

This MD&A provides information that the management of the Company believes is helpful to understand the results of operations and financial condition of the Company. The objective is to present readers with a view of the Company from management's perspective by interpreting the material trends and activities that have affected the operating results, liquidity and financial position of the Company.

Forward-Looking Information

Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities laws. See "Forward-looking Statements".

Non-IFRS Measures

This MD&A refers to certain non-IFRS financial measures, including Funds from Operations ("**FFO**"), Adjusted Funds from Operations ("**AFFO**"), Net Operating Income ("**NOI**"), Gross Book Value, Debt to Gross Book Value Ratio, NOI margin and Same Community results. See "Non-IFRS Financial Measures".

COMPANY OVERVIEW

The Company formerly known as MID-A, LLC, was formed as a Delaware limited liability company on March 11, 2018 primarily for the purpose of engaging in the acquisition, development, redevelopment, repositioning, leasing, ownership, and operation of real estate investments and providing property-related services with respect to these projects. The Company leases individual parcels of land ("**lots**") with utility access on which residents place manufactured homes. In addition to leasing lots, the Company has a small fleet of rental homes that are available for rental to residents. The Company began operations on May 24, 2018, focusing its operations on land leases and manufactured home rentals. On May 24, 2018, the Company commenced operations by acquiring 100 percent of the outstanding membership interests of the following entities: Alexandria MHC, LLC; Campbell 27, LLC; Carrollton MHC, LLC; Florence MHP, LLC; Walton MHC, LLC; Owensboro MHC, LLC; Paducah MHC, LLC; Valley Station 1, LLC; Vanderburgh MHC, LLC; Cincy MHP, LLC; Charlie's Homes, LLC; V-Station, LLC; and Evansville MHC, LLC (collectively, the "**MHC Entities**"). As of December 31, 2019, the Company's assets consisted of residential MHCs operating in Indiana, Kentucky, Ohio, and Tennessee with a total of 4,648 lots. The Company's credit risk, therefore, is concentrated in the residential and manufactured housing communities industry. The Company's head office is located at 467 Erlanger Road, Erlanger Kentucky 41018 United States.

ACCOUNTING POLICIES

The Company's accounting policies are described in the Annual Financial Statements. In applying these policies, in certain cases it is necessary to use estimates, which management determines using information available to the Company at the time. Management reviews key estimates on a quarterly basis to determine their appropriateness and any change to these estimates is applied prospectively in compliance with IFRS. Significant estimates are made with respect to the fair value of investment properties and share-based payment transactions.

Property Acquisitions

The Company acquired 14 MHCs on May 24, 2018. These MHCs were located in Kentucky and Indiana and contained 3,326 lots. Over the remainder of 2018, the Company completed the acquisition of 5 additional properties containing 451 lots. In 2019, the Company completed the acquisition of 7 additional properties containing 871 lots. During the six months ending June 30, 2020, the Company acquired 2 additional properties containing 77 lots. See the table below regarding the Company's acquisition activity over the reporting period.

Initial 2018 Acquisition

State	# of Parks	Lots	Acquisition Date	% Purchased
Kentucky	12	2,236	May-18	100%
— Mosby's Pointe				
— Autumn Lake Pointe				
— Logans Pointe North				
— Logans Pointe South				
— Mills Pointe				
— Johnsontown Pointe				
— Westridge Pointe				
— Derby Hills Pointe				
— Oakview Pointe				
— Campbell Pointe				
— Deer Trace Pointe				
— Riverbend Pointe				
Indiana	2	1,090	May-18	100%
— Grandin Pointe				
— Waterford Pointe				
Total Initial Acquisition	14	3,326		
Subsequent 2018 Acquisitions				
Kentucky	1	71	Sep-18	100%
— Hillcrest Pointe				
Indiana	4	380	Nov-18	100%
— Pinecrest Pointe				
— Summit View Pointe				
— Heritage Hills Pointe East				
— Heritage Hills Pointe West				
Total at 12/31/2018	19	3,777		
2019 Acquisitions				
Kentucky	1	70	Jun-19	100%
— Aspen Point				
Kentucky	1	70	Dec-19	100%
— Southwood Pointe				
Ohio	1	125	Mar-19	100%
— Harmony Pointe				
Indiana	1	167	Jun-19	100%
— Carolina Pointe				
Indiana	1	84	Aug-19	100%
— Seven Oaks Pointe				
Indiana	1	191	Oct-19	100%
— Tannehill Pointe				
Tennessee	1	164	Nov-19	100%
— Crestmore Pointe				
Total at 12/31/2019	26	4,648		
2020 Acquisitions				
Ohio	1	34	Jan-20	100%
— Candlelight Pointe				
Ohio	1	43	Jun-20	100%
— Redwood Pointe				
Total at 06/30/2020	28	4,725		

FINANCIAL PERFORMANCE MEASURES

Review of Selected Financial and Operating Information as of and for the three and six months ended June 30, 2020 and 2019

The following tables highlight selected financial information of the Company as of and for the three and six months ended June 30, 2020 and 2019. This information has been compiled from, and should be read in conjunction with the Q2 Financial Statements. Additionally, presented below is a summary of the unaudited FFO, AFFO and NOI for the three and six months ended June 30, 2020 and 2019, with additional detail provided in "Funds from Operations, Adjusted Funds from Operations and Net Operating Income".

	Three months ended June 30,	
	2020	**2019**
Rental revenue	$ 4,858	$ 3,753
Property operating expenses	(1,857)	(1,599)
General and administrative expenses	(277)	(232)
Depreciation	(12)	(2)
Share-based compensation	(8)	(5)
Fair value gain on investment properties	211	4,843
Other income (expense)	(6)	—
Transaction costs	(382)	(12)
Interest expense	(845)	(1,078)
Net income and comprehensive income	$ 1,682	$ 5,668

	Six months ended June 30,	
	2020	**2019**
Rental revenue	$ 9,341	$ 7,207
Property operating expenses	(3,942)	(3,023)
General and administrative expenses	(555)	(472)
Depreciation	(23)	(4)
Share-based compensation	(15)	(8)
Fair value gain on investment properties	134	10,026
Other income (expense)	543	—
Transaction costs	(821)	(71)
Interest expense	(1,962)	(2,074)
Net income and comprehensive income	$ 2,700	$11,581

	Three months ended June 30,	
	2020	2019
	(unaudited)	(unaudited)
Funds from Operations (FFO)[1]	$1,497	$ 831
Adjusted Funds from Operations (AFFO)[1]	$1,267	$ 750
Net Operating Income (NOI)[1]	$3,001	$2,154
NOI margin[1]	62%	57%

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

	Six months ended June 30,	
	2020	2019
	(unaudited)	(unaudited)
Funds from Operations (FFO)[1]	$2,061	$1,567
Adjusted Funds from Operations (AFFO)[1]	$1,724	$1,414
Net Operating income (NOI)[1]	$5,399	$4,183
NOI margin[1]	58%	58%

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

	As of June 30, 2020	As of December 31, 2019
Total current assets	$ 4,418	$ 5,450
Investment properties	$198,149	$194,827
Total mortgages payable	$ 98,620	$ 97,260

Review and Comparison of Operational Results for the Three and Six Months ended June 30, 2020 and 2019

	Three months ended June 30,			
	2020	2019	Variance	%
Rental revenue	$ 4,858	$ 3,753	$ 1,105	29%
Property operating expenses	(1,857)	(1,599)	(258)	16%
General and administrative expenses	(277)	(232)	(45)	19%
Depreciation	(12)	(2)	(10)	405%
Share-based compensation	(8)	(5)	(3)	69%
Fair value gain on investment properties	211	4,843	(4,632)	(96%)
Other income (expense)	(6)	—	(6)	n.a.
Transaction costs	(382)	(12)	(370)	3031%
Interest expense	(845)	(1,078)	233	(22%)
Net income and comprehensive income	$ 1,682	$ 5,668	$(3,985)	−70%

	Six months ended June 30,			
	2020	2019		
Rental revenue	$ 9,341	$ 7,207	$ 2,134	30%
Property operating expenses	(3,942)	(3,023)	(919)	30%
General and administrative expenses	(555)	(472)	(83)	40%
Depreciation	(23)	(4)	(19)	523%
Share-based compensation	(15)	(8)	(7)	75%
Fair value gain on investment properties	134	10,026	(9,892)	(99%)
Other income (expense)	543	—	543	100%
Transaction costs	(821)	(71)	(750)	1054%
Interest expense	(1,962)	(2,074)	112	(5%)
Net income and comprehensive income	$ 2,700	$11,581	$(8,881)	(77%)

Rental revenue

Rental revenue includes rents from tenants under leases, operating cost recoveries, and miscellaneous fees including late fees. Recoveries from tenants are recognized as revenue in the period in which the applicable costs are incurred.

During the three and six months ended June 30, 2020 and June 30, 2019, lot and home rental revenue accounted for approximately 85% of the total revenue of the Company. The remaining revenue was primarily comprised of operating cost recoveries from utilities (water, sewer, electric and garbage). Miscellaneous fees accounted for less than 5% of total revenue during the three and six months ended June 30, 2020 and June 30, 2019.

Rental revenue was $4,858 for the three months ended June 30, 2020, representing an increase of $1,105 (29%) as compared to the same period in 2019. The Company acquired six investment properties subsequent to June 30, 2019 that contributed to $510 in revenue during the three months ended June 30, 2020. In addition to revenue from these acquired properties, Same Community rental rates and occupancy increased during the three months ended June 30, 2020.

Rental revenue was $9,341 for the six months ended June 30, 2020, representing an increase of $2,134 (30%) as compared to the same period in 2019. The six investment properties acquired by the Company subsequent to June 30, 2019 mentioned above accounted for an increase of $1,004 in revenue during the six months ended June 30, 2020 as compared to the same period in 2019. Increases in rental rates, occupancy and utility submetering revenue accounted for the remaining increase.

Property operating expenses

Operating expenses are primarily comprised of utilities (representing approximately 35% of operating expenses), property management staffing fees (representing approximately 25% of operating expenses) and property taxes (representing approximately 25% of operating expenses). Property operating expenses incurred for the investment properties were part of normal routine operations and there were no unusual or unexpected property operating expenses incurred throughout the presented periods for the investment properties.

Property operating expenses were $1,857 for the three months ended June 30, 2020, representing an increase of $258 (16%) as compared to the same period in 2019. The increase is primarily the result of the 6 investment properties acquired by the Company subsequent to June 30, 2019 mentioned above, which accounted for $157 during the three months ended June 30, 2020.

Property operating expenses were $3,942 for the six months ended June 30, 2020, representing an increase of $919 (30%) as compared to the same period in 2019. The 6 investment properties acquired by the Company subsequent to June 30, 2019 mentioned above accounted for $389 of this increase. Higher staffing levels during the six months ended June 30, 2020 as well as higher spending on repairs and maintenance drove the balance of the increase.

Fair Value Adjustment to Investment Properties

In accordance with IFRS, management has elected to use the fair value model to account for investment properties, resulting in a fair value gain of $211 and $134 for the three and six months ended June 30, 2020, respectively, as compared to a fair value gain of $4,843 and $10,026 for the three and six months ended June 30, 2019, respectively. Fair value adjustments were determined based on the movement of parameters including changes in stabilized NOI, capitalization rates and other factors. The increases in fair value for the three and six months ended June 30, 2019 was primarily due to changes in capitalization rates during the periods as a result of market conditions and property level stabilized NOI increases as compared to the same periods in 2019.

Other Income

Other income is composed of income generated from licensing and revenue sharing with telecommunications companies at various investment properties.

For the three months ended June 30, 2020, the Company had miscellaneous other expense of $6 as compared to $0 for the same period in 2019. For the six months ended June 30, 2020, the Company received $543 as compared to $0 for the same period in 2019. This increase was due to a number of lump sum licensing payments received by the Company during the three months ended June 30, 2020.

Transaction Costs

Transactions costs are costs related to the initial public offering of Flagship Communities Real Estate Investment Trust (the "**IPO**"), which primarily consist of expenses related to travel and consulting, legal and accounting work completed in preparation for the IPO.

Transaction costs during the three and six months ended June 30, 2020 were $382 and $821, respectively. These costs resulted from significant work undertaken in respect of the IPO in 2020.

Interest Expense

Interest expense, which consists of interest expense on Indebtedness and amortization of deferred financing cost decreased by $233 and $112 for the three and six months ended June 30, 2020, respectively, as compared to the same period in 2019. This decrease was primarily the result of lower interest rates on floating rate debt during the three and six months ended June 30, 2019 compared to the same period in 2019.

Net income and comprehensive income

Net income and comprehensive income was $2,700 for the six months ended June 30, 2020, representing a decrease of $8,881 (77%) compared to the same period in 2019. As discussed above, this increase was primarily due to the following:

- an increase in revenue of $2,134, which was primarily due to property acquisitions, increased rental rates, growing occupancy and increased utility submetering revenue;
- an increase in operating expenses of $919, which was primarily due to property acquisitions, higher staffing levels and increased repair and maintenance expenses;
- a decrease in the fair value of investment properties of $9,892 compared to the same period in 2019;
- an increase in other income of $543 due to telecommunication licensing revenues;
- an increase in transaction costs of $750 related to work completed in respect of the IPO; and
- a decrease in interest expense of $112 due to lower interest rates on floating rate debt as compared to the same period in 2019.

BUSINESS PERFORMANCE MEASURES

The following table highlights certain key business performance measures as of and for the three and six months ended June 30, 2020 and 2019.

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Number of investment properties	28	22	28	22
Number of lots	4,725	4,139	4,725	4,139
Average Monthly Lot Rent	$ 336	$ 326	$ 335	$ 326
Average Occupancy Rate	76.0%	72.6%	75.4%	71.6%
NOI[(1)]	$3,001	$2,154	$5,399	$4,183
NOI margin[(1)]	62%	57%	58%	58%

Note:

(1) Non-IFRS measure. See “Non-IFRS Measures”.

Funds from Operations, Adjusted Funds from Operations, and Net Operating Income for the Three and Six Months ended June 30, 2020 and 2019

Set out below is a reconciliation of the unaudited FFO, AFFO and NOI for the three and six months ended June 30, 2020 and 2019:

FFO and AFFO

	Three months ended June 30,	
	2020	2019
Net income and comprehensive income	$1,682	$ 5,667
Fair value adjustments to investment properties	(211)	(4,843)
Other expense	6	—
Depreciation	12	2
Share-based compensation	8	5
Funds from Operations (“FFO”)[(1)]	**$1,497**	**$ 831**
Maintenance capital expenditures	(230)	(81)
Adjusted Funds from Operations (“AFFO”)[(1)]	**$1,267**	**$ 750**

Note:

(1) Non-IFRS measure. See “Non-IFRS Measures”.

	Six months ended June 30,	
	2020	2019
Net income and comprehensive income	$2,700	$ 11,580
Fair value adjustments to investment properties	(134)	(10,026)
Other income	(543)	—
Depreciation	23	4
Share-based compensation	15	8
Funds from Operations ("FFO")[(1)]	**$2,061**	**$ 1,567**
Maintenance capital expenditures	(337)	(153)
Adjusted Funds from Operations ("AFFO")[(1)]	**$1,724**	**$ 1,414**

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

NOI and NOI Margin

Set out below is a reconciliation of the unaudited NOI and NOI margin for the periods presented:

	Three months ended June 30,	
	2020	2019
Total revenue	$ 4,858	$ 3,753
Property operating expenses	(1,857)	(1,599)
Net Operating Income ("NOI")[(1)]	**$ 3,001**	**$ 2,154**
NOI margin[(1)]	**62%**	**57%**

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

	Six months ended June 30,	
	2020	2019
Total revenue	$ 9,341	$ 7,207
Property operating expenses	(3,942)	(3,023)
Net Operating Income ("NOI")[(1)]	**$ 5,399**	**$ 4,183**
NOI margin[(1)]	**58%**	**58%**

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

Financial Statement Analysis as of June 30, 2020

The following table highlights selected financial information for the Company as of June 30, 2020. This information has been compiled from, and should be read in conjunction with, the Q2 Financial Statements.

	As of June 30, 2020	As of December 31, 2019 (audited)	Variance	%
Total current assets	$ 4,418	$ 5,450	$(1,032)	(19%)
Investment properties	$198,149	$194,827	$ 3,322	2%
Total mortgages payable	$ 98,620	$ 97,260	$ 1,360	1%

Total Current Assets

Total current assets are composed of cash and cash equivalents, accounts receivables, amounts due from related parties, prepaid assets and other current assets.

Total current assets decreased by $1,032 (19%) during the six months ended June 30, 2020 primarily due to a decrease in amounts due from related parties and cash and cash equivalents.

Investment Properties

A property is determined to be an investment property when it is held either to earn rental income, capital appreciation or both. Investment properties include land, buildings, land improvements, building improvements and certain intangibles such as in-place leases and non-competes, if any. Investment properties are initially valued at cost and are subsequently measured at fair value. Fair value is determined through a combination of internal management valuations as well as external appraisers. The fair value of each investment property is based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the balance sheet date, less future estimated cash outflows in respect of such properties.

The direct capitalization income method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is divided by an overall capitalization rate. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over an investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

A reconciliation of the carrying value for investment properties at the beginning and end of the six months ended June 30, 2020 is set out below:

	As at June 30, 2020	As at December 31, 2019
Balance, beginning of period	$194,827	$141,449
Acquisitions	1,855	25,995
Other additions	1,332	2,160
Transferred in intercompany	—	(233)
Fair value gain/loss on investment properties	134	25,456
Balance, end of period	**198,149**	**194,827**

Investment properties were $198,149 as of June 30, 2020, representing an increase of $3,322 (2%) compared to investment properties as of December 31, 2019. This was mainly due to acquisitions totaling $1,855 and other cost additions during the period in the amount of $1,332.

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. Generally, a change in estimated rents is accompanied by a directionally similar change in the rent growth per annum assumptions and an opposite change in future vacancy rate estimates.

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

Capitalization Rates	As of June 30, 2020
High	7.00%
Low	5.75%
Weighted Average	
Sensitivity of carrying value of investment properties to a 25 bps change in weighted average capitalization rate (%)	5.76%
0.025	4.14%
−0.025	(4.56)%
Sensitivity of carrying value of investment properties to a 25 bps change in weighted average capitalization rate ($)	
0.025	$(8,198)
−0.025	$ 9,028

The fair values of investment properties are most sensitive to changes in capitalization rates.

Acquisitions of Investment Properties for the Six Months Ended June 30, 2020

Acquisition of Dry Fork MHC, LLC and North Bend MHC, LLC

During the six months ended June 30, 2020, the Company acquired 100 percent of the outstanding common shares of Dry Fork MHC, LLC and North Bend MHC, LLC (the "2020 Acquisitions") primarily for the purpose of improving the asset quality and continuing the land lease model.

The consideration for the 2020 Acquisitions consisted of cash totaling approximately $1,855. Acquisition costs were capitalized and totaled $135 for the period ended June 30, 2020.

Mortgages Payable

Mortgages payable were $98,620 as of June 30, 2020, representing an increase of $1,360 (1%) from December 31, 2019. This was the mainly due the debt incurred in connection with the 2020 Acquisitions.

Mortgages payable balances as of June 30, 2020, excluding unamortized deferred financing costs, are due as follows:

2020	$ 111
2021	7,963
2022	7,747
2023	22,312
2024	14,043
2025	14,750
Thereafter	33,055

The Company's mortgages payable contain customary representations, warranties, and events of default, and require the Company to comply with affirmative and negative covenants. As of June 30, 2020, the Company was in compliance with all financial covenants relating to its mortgages payable.

Operating, Financing and Investing Activities

The following table highlights the Company's cash flows for the six months ended June 30, 2020 and 2019:

	Six months ended June 30,	
	2020	**2019**
Cash flows provided by (used in):		
Operating activities	$ 2,986	$ 1,746
Investing activities	(3,443)	(11,556)
Financing activities	(340)	9,251
Increase (decrease) in cash	**$ (797)**	**$ (559)**

Operating activities for the six months ended June 30, 2020

Operating activities for the six months ended June 30, 2020 generated a net cash inflow of $2,986, which was largely due to cash inflows from normal business operations.

Investing activities for the six months ended June 30, 2020

Investing activities for the six months ended June 30, 2020 generated a net cash outflow of $3,443, which was largely due to the net cash spent to fund the 2020 Acquisitions of $1,855 and additions to investment properties of $1,332.

Financing activities for the six months ended June 30, 2020

Financing activities for the six months ended June 30, 2020 generated a net cash outflow of $340, which was largely due to proceeds from the issuance of mortgages of $1,546 partially offset by distributions paid to members of $1,606.

DEBT TO GROSS BOOK VALUE RATIO

Below is a reconciliation of the Debt to Gross Book Value Ratio as of June 30, 2020:

	As of June 30, 2020
Indebtedness (current portion)	$ 216
Indebtedness (non-current portion)	98,404
Total Indebtedness	98,620
Gross Book Value[(1)]	**204,731**
Debt to Gross Book Value[(1)]	**48%**

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

FINANCIAL PERFORMANCE MEASURES

Review of Selected Financial and Operating Information of the Company as of and for the Year Ended December 31, 2019 and for the Period from March 11, 2018 (Date of Incorporation) to December 31, 2018

The following tables highlight selected financial information of the Company as of and for the year ended December 31, 2019 and for the period from March 11, 2018 (date of incorporation) to December 31, 2018. This information has been compiled from and should be read in conjunction with the Annual Financial Statements. Additionally, presented below is a summary of the unaudited FFO, AFFO and NOI for the year ended December 31, 2019 and for the period from March 11, 2018 (date of incorporation) to December 31, 2018, with

additional detail provided in "*Funds from Operations, Adjusted Funds from Operations and Net Operating Income*".

	For the year ended December 31, 2019	For the period from March 11, 2018 (date of incorporation) to December 31, 2018
Rental revenue	$15,440	$ 7,269
Property operating expenses	(6,530)	(3,057)
General and administrative expenses	(1,011)	(530)
Depreciation	(16)	(1)
Share-based compensation	(19)	(9)
Fair value gain on investment properties	25,456	14,800
Transaction costs	(175)	(5,168)
Bargain purchase gain	—	18,467
Interest expense	(4,245)	(2,136)
Net income and comprehensive income	**$28,900**	**$29,634**

	For the year ended December 31, 2019	For the period from March 11, 2018 (date of incorporation) to December 31, 2018
	(unaudited)	(unaudited)
Funds from Operations (FFO)[(1)]	$3,480	$1,545
Adjusted Funds from Operations (AFFO)[(1)]	$2,675	$1,297
Net Operating Income (NOI)[(1)]	$8,910	$4,212
NOI margin[(1)]	58%	58%

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

	As of December 31	
	2019	2018
Total current assets	$ 5,450	$ 4,171
Investment properties	$194,828	$141,450
Total mortgages payable	$ 97,260	$ 77,470

Review and Comparison of Operational Results of the Company for the Year Ended December 31, 2019 and for the Period from March 11, 2018 (Date of Incorporation) to December 31, 2018

	For the year ended December 31, 2019	For the period from March 11, 2018 (date of incorporation) to December 31, 2018	Variance	%
Rental revenue	$15,440	$ 7,269	$ 8,171	112%
Property operating expenses	(6,530)	(3,057)	(3,473)	114%
General and administrative expenses	(1,011)	(530)	(480)	91%
Depreciation	(16)	(1)	(15)	2455%
Share-based compensation	(19)	(9)	(10)	128%
Fair value gain on investment properties	25,456	14,800	10,656	72%
Transaction costs	(175)	(5,168)	4,994	(97%)
Bargain purchase gain	—	18,467	(18,467)	(100%)
Interest expense	(4,245)	(2,136)	(2,109)	99%
Net income and comprehensive income	$28,900	$29,634	$ (734)	(2%)

Rental revenue

Year Ended December 31			
2019	2018	Variance	%
$15,440	$7,269	$8,171	112%

Rental revenue includes rents from tenants under leases, property tax and operating cost recoveries, and miscellaneous fees including late fees. Recoveries from tenants are recognized as revenue in the period in which the applicable costs are incurred.

During the twelve months ending December 31, 2019 and the period from March 11, 2018 (date of incorporation) to December 31, 2018, lot and home rental revenue accounted for approximately 80% of the total revenue of the Company. Cost recoveries (water, sewer, electric and garbage) accounted for approximately 15% of the total revenue of the portfolio, while miscellaneous fees accounted for approximately 5% of the total revenue of the Company during the twelve months ending December 31, 2019 and the period from March 11, 2018 (date of incorporation) to December 31, 2018.

Rental revenue was $15,440 for the year ended December 31, 2019, representing an increase of $8,171 (112%) as compared to the same period in 2018. This is primarily a result of comparing partial year 2018 revenue to full year revenue in 2019. In addition, the Company acquired seven investment properties during 2019 that accounted for an additional $1,345 of rental revenue in 2019.

An additional driver of the increased revenue was the increase in average lot rent across the Company's investment properties. The average lot rent on these properties in 2019 increased by $11 (3.5%) from $323 to $334. This coupled with an increase in Same Community occupancy of 1.4% during the year drove revenue growth over this period. See "Non-IFRS Measures".

Property operating expenses

Year Ended December 31			
2019	2018	Variance	%
$6,530	$3,057	$3,473	114%

Operating expenses are primarily comprised of utilities (representing approximately 35% of operating expenses), property management staffing fees (representing approximately 25% of operating expenses) and property taxes (representing approximately 15% of operating expenses).

Property operating expenses for the year ended December 31, 2019 were $6,530, representing an increase of $3,473 (114%) compared to the period from March 11, 2018 (date of incorporation) to December 31, 2018. The increase is primarily a result of comparing partial year 2018 property operating expenses to full year property operating expenses in 2019. In addition, the Company acquired seven investment properties during 2019 that accounted for an additional $558 of property operating expenses in 2019.

General and Administrative Expenses

Year Ended December 31			
2019	2018	Variance	%
$1,011	$530	$480	91%

General and administrative expenses are made up of management fees for corporate overhead as well as other expenses such as legal and professional fees. The Company incurs expenses related to management fees from MHC Management, LLC, an entity with common control, based on approximately 5 percent of rents at the rental and utility income level.

Management fees for the year ended December 31, 2019 was $845, an increase of $440 (109%) from 2018. Management fees are directly tied to rental revenue. The increase in management fees is a product of higher revenue.

Fair value adjustment to investment properties

Year Ended December 31			
2019	2018	Variance	%
$25,456	$14,800	$10,656	72%

In accordance with IFRS, management has elected to use the fair value model to account for investment properties resulting in a fair value gain of $25,456 for the year ended December 31, 2019 compared to $14,800 for the period from March 11, 2018 (date of incorporation) to December 31, 2018. Fair value adjustments were determined based on parameters including changes in stabilized NOI, capitalization rates, and other factors. The increase in fair value for the year ended December 31, 2019 was primarily due to changes in capitalization rates during the periods as a result of market conditions and property level stabilized NOI increases compared to the period March 11, 2018 (date of incorporation) to December 31, 2018.

Transaction costs

Year Ended December 31			
2019	2018	Variance	%
$175	5,168	($4,994)	(97%)

Transaction costs were $175 for the year ended December 31, 2019, representing a decrease of $4,994 (97%) compared to the period from March 11, 2018 (date of incorporation) to December 31, 2018. The decrease primarily resulted from the incurrence of $4,950 of transaction expenses by the Company in connection with the acquisition of 14 MHC properties, which was accounted for as a business combination.

Bargain purchase gain

Year Ended December 31			
2019	2018	Variance	%
—	$18,467	($18,467)	(100)

The Company had a bargain purchase gain of $18,467 for the period from March 11, 2018 (date of incorporation) to December 31, 2018. The bargain purchase gain resulted from the acquisition by the Company of the 14 Initial Communities on May 24, 2018, which accounted for $15,784 of bargain purchase gain, and the acquisition of certain properties in November of 2018, which accounted for the remainder. In 2019, acquisitions were treated as asset acquisitions resulting in no bargain purchase gains being recorded in the statement of income and comprehensive income.

Interest Expense

Year Ended December 31			
2019	2018	Variance	%
$4,245	$2,136	$2,109	99%

Interest expense, consisting of interest expense on Indebtedness and amortization of deferred financing costs, increased by $2,109 or 99% to $4,245 for the year ended December 31, 2019 compared to $2,136 for the period from March 11, 2018 (date of incorporation) to December 31, 2018. The increase was primarily a result of comparing partial year 2018 interest expense to full year interest expense in 2019. Additionally, seven new properties were acquired in 2019 that accounted for $386 of interest expense.

Net income and comprehensive income

Year Ended December 31			
2019	2018	Variance	%
$28,900	29,634	($734)	(3%)

Net income and comprehensive income was $28,900 for the year ended December 31, 2019, a decrease of $734 (3%) compared to the period from March 11, 2018 (date of incorporation) to December 31, 2018. As discussed above, this increase was primarily due to the following components of net income and comprehensive income:

- an increase in revenue of $8,171, which was primarily a result of comparing partial year 2018 revenue to full year 2019 revenue as well as an increase in average rental rates and occupancy at the investment properties;
- an increase in operating expenses of $3,473, which was primarily a result of comparing partial year 2018 operating expenses to full year 2019 operating expenses as well as the acquisition of seven additional properties during 2019;
- an increase in general and administrative expenses of $480 due to by higher management fees
- an increase in fair value of investment properties of $10,656;
- a decrease in transaction costs of $4,994 due to the acquisition of certain properties in 2018;
- a decrease in bargain purchase gain of $18,467; and
- an increase in interest expense of $2,109, which was primarily a result of comparing partial year 2018 interest expense to full year 2019 interest expense.

BUSINESS PERFORMANCE MEASURES

The following table highlights certain key business performance measures as of and for the years ended December 31, 2019 and 2018.

	Year ended December 31, 2019	Period from March 11, 2018 (date of formation) to December 31, 2018
Number of investment properties	19	26
Net Operating Income (NOI)*	$ 8,910	$ 4,212
Number of lots	4,648	3,777
Average Monthly Lot Rent (Total Portfolio)	$ 321	$ 323
Average Monthly Lot Rent (Same Community)*,**	$ 334	$ 323
Average Occupancy Rate (Total Portfolio)	78.1%	69.7%
Average Occupancy Rate (Same Community)*,**	71.5%	69.7%

* Same Community metrics compare the metric for properties that were owned as of December 31, 2019 and 2018.

** Non-IFRS measure. See "Non-IFRS Measures".

Funds from Operations, Adjusted Funds from Operations, and Net Operating Income for the Year Ended December 31, 2019 and for the Period from March 11, 2018 (Date of Incorporation) to December 31, 2018

Set out below is a reconciliation of the unaudited FFO, AFFO and NOI for the year ended December 31, 2019 and period from March 11, 2018 (date of incorporation) to December 31, 2018:

FFO and AFFO

	For the year ended December 31, 2019	For the period from March 11, 2018 (date of incorporation) to December 31, 2018
Net income and comprehensive income	28,900	29,634
Fair value adjustments to investment properties	(25,456)	(14,800)
Bargain purchase gain	—	(18,467)
Depreciation	16	1
Transaction Expenses		5,168
Share-based compensation	19	9
Funds from Operations ("FFO")[(1)]	**$ 3,480**	**$ 1,545**
Maintenance capital expenditures	(805)	(248)
Adjusted Funds from Operations ("AFFO")[(1)]	**$ 2,675**	**$ 1,297**

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

FFO was $3,480 for the year ended December 31, 2019, which increased by $1,935 compared to the period from March 11, 2018 (date of incorporation) to December 31, 2018. This was primarily the result of comparing partial year 2018 FFO to full year 2019 FFO.

AFFO was $2,675 for the year ended December 31, 2019, which increased by $1,377 as compared to the period from March 11, 2018 (date of incorporation) to December 31, 2018. This was primarily the result of comparing partial year 2018 AFFO to full year 2019 AFFO.

See "Non-IFRS Measures".

NOI AND NOI Margin

Set out below is a reconciliation of the unaudited NOI and NOI margin for the periods presented:

	For the year ended December 31, 2019	For the period from March 11, 2018 (date of incorporation) to December 31, 2018
Total revenue	$15,440	$7,269
Property operating expenses	6,530	3,057
Net Operating Income ("NOI")[(1)]	**$ 8,910**	**$4,212**
NOI margin[(1)]	**58%**	**58%**

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

NOI was $8,910 for the year ended December 31, 2019, representing an increase of $4,697 (112%) compared to the period from March 11, 2018 (date of incorporation) to December 31, 2018. The increase was primarily a result of comparing partial year 2018 NOI to full year 2019 NOI. NOI margin was consistent between the year ended December 31, 2019 and the period from March 11, 2018 (date of incorporation) to December 31, 2018. See "Non-IFRS Measures".

Financial Statement Analysis as of December 31, 2019 and 2018

The following table highlights selected financial information for the Company as of December 31, 2019, and 2018. This information has been compiled from, and should be read in conjunction with, the consolidated carve-out financial statements of the Company and the notes thereto included elsewhere in this prospectus.

	As of December 31	
	2019	2018
Total current assets	$ 5,450	$ 4,171
Investment properties	$194,828	$141,450
Total mortgages payable	$ 97,260	$ 77,470

Total Current Assets

Total current assets are composed of cash and cash equivalents, accounts receivables, amounts due from related parties, prepaid assets and other current assets.

Total current assets increased by $1,279 (31%) from 2018 to 2019 mainly due to an increase in amounts due from related parties.

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, building improvements and certain intangibles such as in-place leases and non-competes, if any. Investment properties are initially valued at cost and are subsequently measured at fair value. Fair value is determined through a combination of internal management valuations as well as external appraisers using the direct capitalization income method. The fair value of each investment property is based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the balance sheet date, less future estimated cash outflows in respect of such properties.

The direct capitalization income method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is divided by an overall capitalization rate. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over an investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

A reconciliation of the carrying value for investment properties at the beginning and end of the periods noted is set out below:

	As at December 31, 2019	As at December 31, 2018
Balance, beginning of period	$141,450	$ —
Acquisitions	25,995	125,648
Other additions	2,160	1,130
Transferred to intercompany	(233)	(128)
Fair value gain on investment properties	25,456	14,800
Balance, end of year	**$194,828**	**$141,450**

On May 24, 2018, the Company began operations by acquiring the MHC Entities for $114,200. During the period ended December 31, 2018, the Company acquired additional properties, including Independence MHC, LLC for $2,204 and Chandler MHC, LLC; Warrick County MHC, LLC; South Warrick MHC, LLC; and Newburgh MHC, LLC collectively totalling $6,466. Other cost additions during the period were $1,130. During the year ended December 31, 2019, acquisitions totalled $25,995. Other cost additions during the year were $2,160. For the period ended December 31, 2018 and year ended December 31, 2019, the Company transferred

$128 and $233, respectively, of mobile homes assets to inventory, which is part of the homes sales division carved out of the financial statements.

Investment properties were $194,828 as of December 31, 2019, representing an increase of $53,378 (38%) from December 31, 2018. This increase was mainly due to acquisitions of investment properties in 2019 of $25,995 (see below) and an increase in fair value gain on investment properties during the year.

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. Generally, a change in estimated rents is accompanied by a directionally similar change in the rent growth per annum assumption and an opposite change in future vacancy rate estimates.

The key metric of the high, low, and overall weighted average capitalization rates and their sensitivity to a change, 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 dollar and percentage terms:

Capitalization Rates	December 31, 2019	December 31, 2018
High	5.75%	7.50%
Low	5.75%	6.00%
Weighted Average	5.75%	6.30%
Sensitivity of carrying value of investment properties to a 25 bps change in weighted average capitalization rate (%)		
0.025	4.14%	3.83%
−0.025	(4.56%)	(4.15%)
Sensitivity of carrying value of investment properties to a 25 bps change in weighted average capitalization rate ($)		
0.025	$(8,073)	$(5,424)
−0.025	$ 8,876	$ 5,874

Acquisitions of Investment Properties During the Year ended December 31, 2019 and During the Period from March 11, 2018 (Date of Incorporation) to December 31, 2018

Acquisition of MHC Entities

On May 24, 2018, the Company commenced operations by acquiring 100 percent of the outstanding membership interests of the MHC Entities. Prior to May 24, 2018, the MHC Entities were LLCs under the same common control.

The consideration transferred for the acquisition of the MHC Entities consisted of cash and Series A-2 units of the Company totaling approximately $98,094.

Acquisition of Independence MHC, LLC

On September 27, 2018, the Company acquired 100 percent of the outstanding membership interest of Independence MHC, LLC primarily for the purpose of improving the asset quality and continuing the land lease model.

The consideration for the acquisition of the Independence MHC, LLC consisted of cash totaling approximately $2,204. Transaction expenses for this acquisition totaled $78 and are included in the Company's consolidated statement of operations.

Acquisition of Chandler MHC, LLC; Warrick County MHC, LLC; South Warrick MHC, LLC; and Newburgh MHC, LLC

On November 6, 2018, the Company acquired 100 percent of the outstanding common shares of Chandler MHC, LLC; Warrick County MHC, LLC; South Warrick MHC, LLC; and Newburgh MHC, LLC (collectively

the "Evansville Four") primarily for the purpose of improving the asset quality and continuing the land lease model.

The consideration for the acquisition of the Evansville Four consisted of cash totaling approximately $6,466. Transaction expenses for this acquisition totaled $159 and are included in the Company's consolidated statement of operations.

The fair value of financial assets includes accounts receivable with a fair value of $128, which is the gross amount due, all of which is expected to be collectible. The bargain purchase gain resulted from the prior owner exiting the manufactured housing industry, which resulted in a quick sale at a time when the Company was in the market for acquiring additional properties.

The Company treated this acquisition as a business combination as it chose not to apply the concentration test as per IFRS 3 amendment.

Acquisition of West Carrollton MHC, LLC, 2850 Allen, LLC, Dry Ridge MHC, LLC, Harrison MHC, LLC, Bartholomew MHC, LLC, Hamblen MHC, LLC, and McCracken MHC, LLC

During 2019, the Company acquired 100 percent of the outstanding common shares of West Carrollton MHC, LLC, 2850 Allen, LLC, Dry Ridge MHC, LLC, Harrison MHC, LLC, Bartholomew MHC, LLC, Hamblen MHC, LLC, and McCracken MHC, LLC (collectively, the "2019 Acquisitions") primarily for the purpose of improving the asset quality and continuing the land lease model.

The consideration for the 2019 Acquisitions consisted of cash totaling approximately $25,995. Acquisition costs were capitalized and totaled $1,434 for the year ended December 31, 2019.

Mortgages Payable

Mortgages payable balance was $97,260 as of December 31, 2019, representing an increase of $19,790 (26%) compared to the period from March 11, 2018 (date of incorporation) to December 31, 2018. This was the mainly due to the acquisition of investment properties during the year ended December 31, 2019.

The mortgages payable balances as of December 31, 2019, excluding unamortized deferred financing costs, are due as follows:

2020	$ 1,292
2021	10,027
2022	9,623
2023	16,331
2024	13,783
Thereafter	47,445

As of December 31, 2019 the Company's mortgages payable had a weighted average maturity of 7.59 years and a weighted average interest rate of 4.21%

The Company's mortgages payable contain customary representations, warrants, and events of default, which require the Company to comply with affirmative and negative covenants. As at December 31, 2019, the Company was in compliance with all financial covenants relating to its mortgages payable.

Operating, Financing and Investing Activities

The following table highlights the Company's cash flows for the year ended December 31, 2019 and for the period from March 11, 2018 (date of incorporation) to December 31, 2018:

	For the year ended December 31, 2019	For the period from March 11, 2018 (date of incorporation) to December 31, 2018
Cash flows provided by (used in):		
Operating activities	$ 3,227	$ (4,364)
Investing activities	(28,396)	(98,084)
Financing activities	26,010	104,240
Increase in cash	**$ 841**	**$ 1,792**

Operating activities for the year ended December 31, 2019

Operating activities for the year generated a net cash inflow of $3,227. This cash flow from operating activities was largely due to cash inflows from normal business operations (net income adjusted for non-cash items and financing activities).

Investing activities for the year ended December 31, 2019

Investing activities for the period generated a net cash outflow of $28,396. This was largely due to the net cash spent to acquire properties during the year of $25,995 and additions to investment properties of $2,160.

Financing activities for the year ended December 31, 2019

Financing activities for the period generated a net cash inflow of $26,010. This was largely due to proceeds from the issuance of mortgages of $19,789 and contributions from members of $9,000. These inflows were partially offset by $112 of principal payments of mortgages payable, $78 of mortgages payable issuance costs and distributions paid to members of $2,589.

DEBT TO GROSS BOOK VALUE RATIO

Below is a reconciliation of the Debt to Gross Book Value Ratio as of December 31, 2019 and 2018:

	As of December 31	
	2019	2018
Indebtedness (current portion)	1,294	75
Indebtedness (non-current portion)	95,966	77,394
Total Indebtedness	97,260	77,469
Gross Book Value[(1)]	**201,496**	**146,095**
Debt to Gross Book Value Ratio[(1)]	**48%**	**53%**

Note:

(1) Non-IFRS measure. See "Non-IFRS Measures".

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and capital resources are used to fund capital investments in the investment properties, development and acquisition activities and to fulfill mortgage obligations. The principal source of liquidity is NOI generated from property operations. As of June 30, 2020, the Company had cash balance of $1,835 (December 31, 2019 — $2,632).

The Company 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; existing cash and cash equivalents on hand; and available borrowing capacity under existing credit facilities. However, the Company'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 Company's control.

The Company's future capital expenditures are outlined elsewhere in this prospectus under the headings "Assessments and Valuations of the Initial Portfolio — Property Condition Assessments" and "Assessments and Valuations of the Initial Portfolio — Rental Home Inspections." All itemized capital expenditures summarized in those sections will be accounted for as capital additions and will be funded using in place reserves as well as cash flow generated from operations.

CONTRACTUAL COMMITMENTS AND CONTINGENCIES

The Company is subject to claims and litigation in the ordinary course of business. Management does not believe that any such claim or litigation will have a material adverse effect on the business, assets, or results of operations of the Company.

RELATED PARTY TRANSACTIONS

The following is a description of transactions between the Company and related parties:

Accounts Payable and Receivable

At June 30, 2020, the Company had accounts receivable from related parties, totaling $2,031.

At December 31, 2019 and 2018 the Company had accounts payable and accrued liabilities due to SSK Management, an entity with common control, totaling $0 and $61, respectively. Accounts payable with all other related parties at December 31, 2019 and 2018 were $0 and $2 respectively.

At December 31, 2019 and 2018, the Company had accounts receivable from related parties, totaling $2,382 and $2,056 respectively. These accounts receivables are related to the normal course of operations, are non-interest bearing and have no terms of repayment.

Other Services

For the six months ended June 30, 2020, the Company incurred expenses from affiliates totaling $134 compared to $159 for the same period in 2019.

For the year ending December 31, 2019 and for the period from March 11, 2018 (date of incorporation) to December 31, 2018, the Company incurred expenses from affiliates totaling $740 and $282, respectively.

The services provided by these affiliates include HVAC, paving/concrete repair, mobile home transportation, legal and landscape services. These affiliates are considered related parties as they are directors

(or related to directors) or employees of the Company. See the table below for description of the related party service providers.

Company Name	Ownership & Control	Description of Services	Six Months Ended June 30, 2020	Year End December 31, 2019 Spend	Period from March 11, 2018 (date of incorporation) to December 31, 2018 Spend
Call Now HVAC	50% owned by minority owners of the Company (Kurtis Keeney, Nathaniel Smith, Dennis Williams). Managing member is a non-related party.	Provides HVAC services for the communities including installing new air conditioner units as well as servicing existing units.	$10	$283	$131
KOI	50% owned by a minority owner of the Company (Kurtis Keeney) and 50% by an immediate family member. Employees include other immediate family members of such managing member.	Provides black top and concrete services for the parks as well as a number of other maintenance services.	$51	$176	$130
Quality MH Transport	100% owned by minority owners of the Company (Kurtis Keeney, Nathaniel Smith, Dennis Williams).	Provides transportation services for manufactured homes to the various communities within the Company from the factory. Also assists in moving preowned homes in or out of various parks.	$17	$ 32	$ 14
BG3	100% owned by brother of a minority interest holder (Kurtis Keeney).	Provides Landscaping services for various investment communities.	$50	$ 39	—
Adams, Stepner, Woltermann & Dusing, PLLC	Minority owner of the Company (Dennis Williams) is a former partner and is currently compensated for any work that he completes on behalf of Adams, Stepner, Woltermann & Dusing, PLLC.	Law firm that helps the Company with various legal matters such as loan closings, acquisition diligence, contract reviews, etc.	—	$210	$ 6
JDK	100% owned by the brother of a minority interest holder (Kurtis Keeney).	IT and Desktop Support.	$ 6		

Management Fees

For the six months ended June 30, 2020 and June 30, 2019, the Company incurred expenses related to management fees from MHC Management, LLC in the amount of $500 and $397 respectively. MHC Management, LLC is a property management company owned by the three minority shareholders of the Company (Kurtis Keeney, Nathaniel Smith, Dennis Williams) who each own 7% of the Company. These fees are based on approximately five percent of gross revenue at the property level.

For the year ended December 31, 2019 and for the period from March 11, 2018 (date of incorporation) through December 31, 2018, the Company incurred expenses related to management fees from MHC Management, LLC, of $845 and $405, respectively. These fees are based on approximately five percent of gross revenue at the property level. As at December 31, 2019 and 2018, the Company had accrued management fees of $77 and $58, respectively.

FUTURE ACCOUNTING PRONOUNCEMENTS

Conceptual Framework

On March 29, 2018, the International Accounting Standards Board issued its revised Conceptual Framework for Financial Reporting. The revised Conceptual Framework does not constitute a substantial

revision from the previously effective guidance but does provide additional guidance on topics not previously covered such as presentation and disclosure. This amendment was effective on January 1, 2020. The Company intends to adopt this amendment in its audited consolidated carve-out financial statements for year ending December 31, 2020. The adoption of the revised Conceptual Framework for Financial Reporting is not expected to have a material impact on such financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

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

The fair value of investment properties is dependent on available comparable transactions, future cash flows over the holding period and discount rates and capitalization rates applicable to those assets. The review of anticipated cash flows involves assumptions relating to occupancy and rental rates. In addition to reviewing anticipated cash flows, management assesses changes in the business climate and other factors which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to credit risk, market risk and liquidity risk. Risk management is carried out by the Chief Financial Officer under policies approved by senior executive management.

(a) Credit risk is the risk that (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents of the investment properties may experience financial difficulty and be unable to meet their rental obligations to the Company. Management mitigates the risk of credit loss with respect to residents by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, and geographically diversifying the location of its properties. Management monitors its collection experience on a monthly basis and takes measures to collect all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the combined carve-out statements of comprehensive income.

(b) Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. All of the Company's financial liabilities are due within one year except for mortgages payable.

The Company has managed its liquidity and capital resources during the period of ownership to ensure adequate liquidity for operating, capital, and investment activities. The Company has funded its obligations with cash flow from operating activities, credit facilities, financing, mortgage debt secured by investment properties and equity issuances. Cash flow projections are updated on a regular basis to ensure there will be adequate liquidity to maintain operating, capital, and investment activities. Management believes that future cash flows from operations and mortgage refinancing will provide sufficient funds to support these financial liabilities.

Management expects that the REIT will have sufficient working capital to operate the REIT's business during the Forecast Period. At Closing, the REIT expects to have approximately $10 million in cash available to it from the proceeds of the Offering, or approximately $23 million if the Over-Allotment

Option is exercised in full. Further, the net assets to be acquired by the REIT pursuant to the Acquisition includes approximately $2 million in cash and cash equivalents. In addition, the REIT intends to adopt an AFFO payout ratio of approximately 65% for the Forecast Period, which management of the REIT believes will allow the REIT to meet its internal funding needs.

(c) Interest rate risk

There is interest rate risk associated with the investment properties' fixed rate mortgages payable due to the expected requirement to refinance such mortgages payable in the year of maturity. To manage exposure to interest rate risk, management endeavours to manage maturities of fixed rate mortgages payable and match the nature of the mortgage payable with the cash flow characteristics of the underlying asset. This risk is also reduced through management's current strategy of having the majority of its mortgages payable in fixed term arrangements. As such, the Company's cash flows are not significantly impacted by a change in market interest rates.

SUBSEQUENT EVENTS

During the first quarter of 2020 there was a global outbreak of COVID-19 (coronavirus disease),which has had a significant impact on businesses through the restrictions put in place by federal, state and local governments in the United States regarding travel, business operations and isolation/quarantine orders. At this time, the economic impact on the Company of the COVID-19 pandemic and government measures to contain it has not been material. The majority of the Company's assets are located in markets that, as yet, have not been affected as adversely by the pandemic as some more populous cities and states. However, the ultimate extent of the impact the COVID-19 pandemic may have on the Company will depend on future developments that are highly uncertain and that cannot be predicted with confidence, such as the timing and extent of the spread of COVID-19, including in the markets in which the Company operates; any intensification of the pandemic or government measures to contain it; and any changes in levels of government financial support to individuals affected by the COVID-19 pandemic and related economic downturn. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the COVID-19 pandemic, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by the federal, state and municipal governments in the United States.

On July 31, 2020 the Company completed the refinancing of 19 of its investment properties with Freddie Mac. The amount of this new debt was $99,045 with a term of 120 months, with payments for the first 120 months of the term being interest only, at a fixed rate of 3.21%. The Company retired $86,120 of current debt on these investment properties upon completion of the refinancing.

The Company is contemplating selling interests in the Company to a to-be-formed REIT, through an initial public offering.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

None of the REIT or its subsidiaries is involved in any outstanding, threatened or pending litigation that would have a material adverse effect on the REIT.

Regulatory Actions

The REIT is not aware of any penalties or sanctions imposed by a court or securities regulatory authority or other regulatory body against the REIT, nor has the REIT entered into any settlement agreements relating to provincial or territorial securities legislation before a court or with a securities regulatory authority.

LEGAL MATTERS AND INTERESTS OF EXPERTS

The matters referred to under "Eligibility for Investment" and "Certain Canadian Federal Income Tax Considerations", as well as certain other Canadian legal matters relating to the issue and sale of the Units, will be passed upon on behalf of the REIT by Blake, Cassels & Graydon LLP, certain U.S. legal matters on behalf of the REIT by Adams, Stepner, Woltermann & Dusing, PLLC, and certain Canadian and U.S. legal matters on behalf of the Underwriters by Torys LLP.

The matters referred to under "Certain U.S. Federal Income Tax Considerations" will be passed upon on behalf of the REIT by Taft Stettinius & Hollister LLP and on behalf of the Underwriters by Torys LLP.

Certain information relating to the Appraisal has been based upon reports prepared by the Appraiser.

As at the date of this prospectus, the partners and associates of Blake, Cassels & Graydon LLP, Taft Stettinius & Hollister LLP and Torys LLP and the "designated professionals" of the Appraiser, in each case, beneficially own, directly and indirectly, less than 1% of the outstanding securities or other property of the REIT, its associates or its affiliates.

AUDITORS AND TRANSFER AGENT AND REGISTRAR

The REIT's auditor is MNP LLP, Chartered Professional Accountants, located in Toronto, Ontario. MNP LLP has advised the REIT that it is independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

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

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if this prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

EXEMPTIONS FROM CERTAIN PROVISIONS OF NATIONAL INSTRUMENT 41-101

Pursuant to an application made to the Ontario Securities Commission, as principal regulator, the REIT has applied for an exemption as contemplated by Part 19 of National Instrument 41-101 — *General Prospectus Requirements*, from the requirements in Item 32.2(1) of Form 41-101F1 in respect of 14 Initial Communities (the "**Recently Acquired Properties**"), so that the REIT is not required to include financial statements for the Recently Acquired Properties for periods prior to the date financial statements are available to the REIT

following the applicable date of acquisition by FCLLC, as more specifically set out in the table below. The Recently Acquired Properties were acquired by FCLLC within the last three years. The exemption requested will be evidenced by the issuance of a receipt for the final prospectus qualifying the Offering.

Recently Acquired Property	Periods for which financial statements are not included in this prospectus[1]
Hillcrest Pointe	January 2017 – September 2018
Harmony Pointe	January 2017 – March 2019
Heritage Hills Pointe East	January 2017 – November 2018
Heritage Hills Pointe West	January 2017 – November 2018
Pinecrest Pointe	January 2017 – November 2018
Summit View Pointe	January 2017 – November 2018
Carolina Pointe	January 2017 – May 2019
Aspen Pointe	January 2017 – May 2019
Seven Oaks Pointe	January 2017 – August 2019
Candlelight Pointe	January 2017 – January 2020
Redwood Pointe	January 2017 – June 2020
Southwood Pointe	January 2017 – December 2019
Tannehill Pointe	January 2017 – October 2019
Crestmore Pointe	January 2017 – November 2019

Note:

(1) Includes the month in which financial statements are first available following the acquisition of the Recently Acquired Property where financial statements include only part of such month.

The REIT's application for relief was granted based on the following submissions:

- Prior to acquisition by FCLLC, the Recently Acquired Properties were owned and managed by different arm's length vendors. The REIT does not possess, does not have access to and is not entitled to obtain access to, sufficient financial information for the Recently Acquired Properties for any period prior to acquisition by FCLLC. FCLLC or the Promoter, as applicable, has, without success, made every reasonable effort to obtain access to, or copies of, historical accounting records in respect of the Recently Acquired Properties for the period from January 1, 2017 to the respective acquisition date for each Recently Acquired Property.
- In making the investment decision to acquire each of the Recently Acquired Properties, audited historical financial statements for the applicable periods set out in the table above were not relevant to the investment decision made by FCLLC. Accordingly, given that such audited financial statements were not considered relevant to the investment decision to acquire the Recently Acquired Properties, the REIT does not believe that such financial statements are material to the investment decision to be made by a potential investor in the Offering, particularly when compared with the financial and other information the REIT is providing in this prospectus.
- In determining that the missing financial information for the Recently Acquired Properties is not material to the investment decision to be made by a potential investor in the Offering, the REIT considered the period of time for which such financial information is not included in this prospectus, and the percentage (as compared to the Initial Portfolio as a whole) of missing information weighted by (a) net operating income, (b) revenues, and (c) appraised asset value.
- Based on the foregoing, the REIT does not believe that the financial statements for the Recently Acquired Properties for the time periods prior to the first availability of financial statements following acquisition by FCLLC are necessary or required for this prospectus to contain full, true and plain disclosure of all material facts with respect to the securities being offered.

Additionally, the REIT has been notified by the Ontario Securities Commission, as principal regulator, that it is of the view that Kurtis Keeney and Nathaniel Smith are promoters of the REIT within the meaning of

applicable securities laws. Pursuant to subsection 58(5) of the Securities Act, the Director has consented to Mr. Keeney and Mr. Smith not signing a certificate as a promoter for this prospectus. Further, the REIT has been advised by the Ontario Securities Commission that the issuance of a receipt for the prospectus will evidence the granting of such consent. Neither the REIT nor Mr. Keeney nor Mr. Smith agrees or admits that Mr. Keeney and Mr. Smith are promoters of the REIT.

INDEX TO FINANCIAL STATEMENTS

	Page
Flagship Communities Real Estate Investment Trust	
Unaudited pro forma consolidated financial statements as at and for the six month period ended June 30, 2020 and for the year ended December 31, 2019	F-2
Independent Auditor's Report	F-15
Audited financial statements as at and for the one-day period ended August 12, 2020 (date of formation)	F-17
Legacy SSK Portfolio	
Independent Auditor's Report	F-26
Audited combined carve-out financial statements for the years ended December 31, 2019, 2018 and 2017	F-28
Unaudited combined carve-out financial statements as at and for the six months ended June 30, 2020 and 2019	F-45
Flagship Communities, LLC	
Independent Auditor's Report	F-58
Audited consolidated carve-out financial statements for the year ended December 31, 2019 and period from March 11, 2018 (date of incorporation) to December 31, 2018	F-60
Unaudited consolidated carve-out financial statements as at and for the six months ended June 30, 2020 and 2019	F-79

FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in US Dollars)

As at and for the six month period ended June 30, 2020 and for the year ended December 31, 2019

(Unaudited)

FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020
(Unaudited)
(Expressed in US Dollars)

	REIT	Legacy SSK Portfolio	Flagship Communities, LLC	Note 3	Pro forma adjustments	Pro forma balance
Current Assets						
Cash and cash equivalents	$ —	$ —	$ 1,835,054	(a)(i)	257,458	$
				(b)	81,122,120	
				(c)	(57,694,262)	
				(d)	(13,700,482)	11,819,887
Accounts receivables, net	—	119,807	274,112			393,919
Due from related parties	—	5,950,674	2,030,636	(a)(iii)	(7,981,310)	—
Prepaids and other assets	—	146,220	278,156			424,376
Total current assets	—	6,216,701	4,417,958		2,003,523	12,638,182
Investment properties	—	187,626,686	198,148,612	(c)	26,910,702	412,686,000
Property and equipment, net	—	241,244	480,265			721,509
Escrows	—	1,426,023	1,684,472	(a)(ii)	9,781,411	12,891,906
	—	189,293,953	200,313,349		36,692,113	426,299,415
Total Assets	$ —	$195,510,654	$204,731,307		$ 38,695,636	$438,937,597
Current Liabilities						
Bank overdraft	$ —	$ 134,039	$ —			$ 134,039
Trade and other payables	—	542,576	544,537			1,087,113
Other liabilities	—	1,929,812	2,344,562	(a)(ii)	9,070,000	13,344,374
Mortgages payable, net	—	1,028,949	216,025			1,244,974
Total current liabilities	—	3,635,376	3,105,124		9,070,000	15,810,500
Mortgages payable, net	—	109,444,826	98,404,172	(a)(i)	1,717,077	
				(a)(ii)	10,280,355	
				(c)	7,115,261	
				(d)	(13,523,666)	213,438,025
Class B Units	—	—	—	(c)	82,074,375	82,074,375
	—	109,444,826	98,404,172		87,663,402	295,512,400
Total Liabilities	—	113,080,202	101,509,296		96,733,402	311,322,900
Unitholders' Equity						
Net assets	—	82,430,452	103,222,011	(c)	(82,430,452)	
				(c)	(103,222,011)	—
Unitholder's equity	—	—	—	(b)	93,750,000	
				(b)	(12,627,880)	
				(c)	46,669,394	
				(d)	(176,816)	127,614,697
Total Unitholders' Equity	—	82,430,452	103,222,011		(58,037,766)	127,614,697
Total Liabilities and Unitholders' Equity	$ —	$195,510,654	$204,731,307		$ 38,695,636	$438,937,597

See accompanying notes to the pro forma consolidated financial statements.

FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

PRO FORMA CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the six months ended June 30, 2020
(Unaudited)
(Expressed in US Dollars)

	REIT	Legacy SSK Portfolio	Flagship Communities, LLC	Note 3	Pro forma adjustments	Pro forma balance
Revenues						
Rental revenue	$ —	$ 7,096,646	$9,341,218			$16,437,864
Property operating expenses	—	1,826,474	3,942,041			$ 5,768,515
Net operating income	—	5,270,172	5,399,177		—	10,669,349
Other Expenses/(Income)						
General and administrative	—	353,408	555,139	(h)	1,596,503	2,505,050
Depreciation and amortization	—	25,291	23,415			48,706
Share-based compensation	—	—	14,693			14,693
Fair value gain on investment properties	—	(223,081)	(134,094)	(i)	357,175	—
Other expense (income)	—	—	(542,650)			(542,650)
Loss on extinguishment of mortgages payable	—	13,205,714	—	(a)(i)	1,459,619	
				(a)(ii)	498,944	
				(d)	176,816	15,341,093
Interest expense	—	2,373,807	1,961,836	(f)(i)	(358,200)	
				(f)(ii)	(514,579)	
				(f)(iii)	120,000	3,582,864
Distribution on Class B Units	—	—	—	(g)	1,385,400	1,385,400
Transaction costs	—	44,005	821,021			865,026
Bargain purchase gain	—	—	—	(c)	(46,669,394)	(46,669,394)
Net income (loss) and comprehensive income (loss)	$ —	$(10,508,972)	$2,699,817		$ 41,947,716	$34,138,561

See accompanying notes to the pro forma consolidated financial statements.

FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

PRO FORMA CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the year ended December 31, 2019
(Unaudited)
(Expressed in US Dollars)

	REIT	Legacy SSK Portfolio	Flagship Communities, LLC	Note 3	Pro forma adjustments	Pro forma balance
Revenues						
Rental revenue	$ —	$ 15,074,699	$ 15,439,609			$ 30,514,308
Property operating expenses	—	4,488,536	6,529,691			11,018,227
Net operating income	—	10,586,163	8,909,918		—	19,496,081
Other Expenses/(Income)						
General and administration	—	894,817	1,010,613	(h)	3,104,670	5,010,100
Depreciation and amortization	—	47,548	15,507			63,055
Share-based compensation	—	—	19,482			19,482
Fair value gain on investment properties	—	(19,732,381)	(25,455,799)	(i)	45,188,180	—
Transaction costs	—	—	174,656			174,656
Loss on extinguishment of mortgages payable	—	146,371	—	(a)(i)	1,459,619	
				(a)(ii)	498,944	
				(d)	176,816	2,281,750
Interest expense	—	6,200,822	4,244,544	(f)(i)	(2,473,174)	
				(f)(ii)	(1,029,157)	
				(f)(iii)	240,000	7,183,035
Distribution on Class B Units	—	—	—	(g)	2,770,799	2,770,799
Bargain purchase gain	—	—	—	(c)	(46,669,394)	(46,669,394)
Net income and comprehensive income	$ —	$ 23,028,986	$ 28,900,915		$ (3,267,303)	$ 48,662,598

See accompanying notes to the pro forma consolidated financial statements.

1. Basis of presentation

Flagship Communities Real Estate Investment Trust (the "REIT") is a newly created, unincorporated, open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario. The registered office of the REIT is located at 199 Bay Street, Suite 4000, Toronto, Ontario, M5V 1A9. 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 manufactured housing communities ("MHCs") located in the United States. In connection with the completion of the initial public offering (the "Offering") of trust units of the REIT (the "Units), the REIT will indirectly acquire a 100% interest in a portfolio of 45 MHCs with 8,255 lots located in Kentucky, Indiana, Ohio and Tennessee (the "Initial Communities"), together with a fleet of approximately 600 manufactured homes for lease to residents of the Initial Communities and the REIT's head office property in Erlanger, Kentucky (collectively, the "Initial Portfolio").

These pro forma consolidated financial statements have been prepared from (i) the unaudited condensed combined interim carve-out balance sheet as at June 30, 2020, the audited combined carve-out statement of income and comprehensive income for the year ended December 31, 2019 and the unaudited condensed combined interim carve-out statement of income and comprehensive income for the six month period ended June 30, 2020 of the Legacy SSK Portfolio; and (ii) the unaudited consolidated combined interim carve-out balance sheet as at June 30, 2020, the audited consolidated carve-out statement of income and comprehensive income for the year ended December 31, 2019, and the unaudited condensed consolidated interim carve-out statement of income and comprehensive income for the six month period ended June 30, 2020 of Flagship Communities, LLC. These financial statements are included elsewhere in this long form prospectus (the "Prospectus").

These pro forma consolidated financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB") and incorporate the principal accounting principles expected to be used to prepare the REIT's consolidated financial statements.

These pro forma consolidated financial statements are presented in US dollars.

The pro forma consolidated balance sheet gives effect to the transactions in Note 3 as if they had occurred on June 30, 2020. The pro forma consolidated statement of income and comprehensive income gives effect to the transactions in Note 3 for the year ended December 31, 2019 and the six month period ended June 30, 2020 as if they had occurred on January 1, 2019 and January 1, 2020, respectively.

These pro forma consolidated financial statements are not necessarily indicative of the results that would have actually occurred had the transactions been consummated at the dates indicated, nor are they necessarily indicative of future operating results or the financial position of the REIT.

2. Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of the REIT and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting periods as the REIT using consistent accounting policies. All intercompany balances, transactions and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

(ii) Business combination

In accordance with IFRS 3 — Business Combinations, a business combination must involve the acquisition of a business, which generally has three elements: inputs, processes and outputs. On October 22, 2018, the IASB issued a narrow scope amendment to IFRS 3. This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. This amendment is effective on January 1, 2020 and is to be applied prospectively. The REIT adopted the amendment to IFRS 3.

(iii) Investment properties

A property is determined to be an investment property when it is held either to earn rental income, capital appreciation or both. Investment properties include land, buildings, land improvements, building improvements and certain intangibles such as in-place leases and non-competes, if any. Investment properties are initially valued at cost, and subsequently are measured at fair value. Unrealized gains and losses arising from changes in fair value are included in the statement of income and comprehensive income in the applicable period. Fair values are determined through a combination of internal management valuations as well as external appraisers. The fair value of each investment property is based upon, among other things, rental income from current leases and assumptions about rental

2. Summary of significant accounting policies (Continued)

income from future leases reflecting market conditions at the balance sheet date, less future estimated cash outflows in respect of such properties.

The acquisition of investment properties is initially measured at cost including directly attributable acquisition costs, except when acquired through a business combination, where such costs are expensed as incurred. Costs incurred for the acquisition, development, and construction of properties are capitalized to the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably. To the extent such costs exceed the estimated fair value of such property, the excess would be expensed. All repairs and maintenance costs are expensed as incurred.

(iv) Cash and cash equivalents

The REIT considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

(v) Escrows

Escrows for real estate taxes and insurance are maintained under the control of the mortgagor for the payment of taxes and insurance on behalf of the REIT.

(vi) Revenue recognition

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and as such accounts for its leases with tenants as operating leases. Revenue from investment properties include rents from tenants under leases, property tax and operating cost recoveries, lease cancellation fees, late fees, and other ancillary revenues. Recoveries from tenants are recognized as revenue in the period in which the applicable costs are incurred. Lease cancellation fees are recognized as revenue once an agreement is completed with the tenant to terminate the lease and the collectability is reasonably assured. Revenue is measured at the transaction price agreed under the contract, and is recognized at the point in time in which control over the property has been transferred. Customer deposits received are held in trust.

The REIT adopted IFRS 15 Revenue from Contracts with Customers and it introduced a single model for recognizing revenue from contracts with customers. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

(vii) Deferred Finance Changes

The REIT measures its debt at amortized cost using the effective interest method. All interest-related charges are reported in the consolidated statements of income and comprehensive income and are included within interest expense, except for those interest-related charges capitalized to qualifying properties under development or rental properties. Mortgages payable are netted against the transaction costs, and the effective interest method of amortization is applied to the premiums, discounts and transaction costs.

(viii)Financial instruments

Classification

On initial recognition, the REIT determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss (“FVTPL”)
3. Measured at fair value through other comprehensive income

The classification under IFRS 9 — Financial Instruments (“IFRS 9”) is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those

2. Summary of significant accounting policies (Continued)

cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met:

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

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the REIT may irrevocably elect, on initial recognition, to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives), or if the REIT has chosen to evaluate them at FVTPL.

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

Financial Instrument	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Accounts receivables	Amortized cost
Due from related parties	Amortized cost
Bank overdraft	Amortized cost
Trade and other payables	Amortized cost
Other liabilities	Amortized cost
Due to related parties	Amortized cost
Class B Units	FVTPL
Mortgages payable	Amortized cost

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 or 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 statements of income and comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the statements of 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.

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 statements of 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 account receivables was computed using a provision matrix based on historical

2. Summary of significant accounting policies (Continued)

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 statement of 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 statement of 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 and losses from the derecognition are recognized in the statements of income and comprehensive income.

Financial liabilities — The REIT derecognizes a financial liability when the obligation specified in the contract is discharged, canceled or expired. 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 statements of income and comprehensive income.

(ix) Class B units

Units of the REIT's operating subsidiary, Flagship Operating, LLC, will consist of outstanding Class A units (the "Class A Units") and Class B units (the "Class B Units"). All of the Class A Units will be indirectly held by the REIT. The holders of Class B Units will be entitled to receive distributions from Flagship Operating, LLC proportionately to the distributions made by the REIT to holders of Units. The Class B Units will be redeemable by the holder thereof for cash or Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by Flagship Operating, LLC and as directed by the REIT in its sole discretion, subject to certain limitations and restrictions, and therefore are considered a puttable instrument. As a result, the Class B Units have been classified as financial liabilities and are measured at FVTPL. The fair value of the Class B Units is measured every period by reference to the traded value of the Units, with changes in measurement recorded in the statement of income and comprehensive income. Distributions on Class B Units are recorded as finance cost in the consolidated statements of income and comprehensive income in the period in which they become payable.

(x) Leases

The REIT adopted IFRS 16 — Leases and this standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17 — Leases, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

(xi) Income taxes

(i) Canadian mutual fund status

The REIT is a mutual fund trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a mutual fund trust that is not a Specified Investment Flow-Through Trust ("SIFT") pursuant to the Income Tax Act (Canada) is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to unitholders. The REIT intends to continue to qualify as a mutual fund trust that is not a SIFT trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

(ii) U.S. REIT status

The REIT is classified as a U.S. corporation for U.S. federal income tax purposes under current Treasury Regulations. Further, pursuant to section 7874 of the United States Internal Revenue Code of 1986, as amended (the "Code") the REIT is treated as a U.S. corporation for all purposes under the Code and, as a result, it is permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding it is organized as a Canadian entity. In general, a company that elects

2. Summary of significant accounting policies (Continued)

real estate investment trust status, distributes at least 90% of its real estate investment trust taxable income to its shareholders in any taxable year, and complies with certain other requirements is not subject to U.S. federal income taxation to the extent of the income it distributes. If it fails to qualify as a real estate investment trust in any taxable year, it will be subject to U.S. federal income tax at regular corporate income tax rates on its taxable income. Even if it qualifies for taxation as a real estate investment trust, it may be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed income. The REIT has reviewed the real estate investment trust requirements and has determined that it qualifies as a real estate investment trust under the Code. Accordingly, no provision for U.S. federal income or excise taxes has been made with respect to the income of the REIT.

(iii) Current taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(iv) Deferred taxes

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (a) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and (b) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(xii) Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities reported in these pro forma consolidated financial statements:

(xiii) Investment property valuations

Investment properties, which are carried on the pro forma consolidated balance sheet at fair value, are valued by a combination of internal management and external appraisers. The valuations are based on a number of assumptions, such as appropriate discount rates and estimates of future rental income, operating expenses and capital expenditures. The valuation of investment properties is one of the principal estimates and uncertainties of the REIT.

(xiv) Fair value of financial liabilities

The REIT will record changes in the value of the Class B Units based on changes in price of the underlying Units. No such changes have been estimated in these pro forma consolidated financial statements as such future fluctuations in price are not known. Changes related to these adjustments will flow through finance costs in the pro forma consolidated statements of income and comprehensive income.

3. Pro forma adjustments

The pro forma adjustments to the pro forma consolidated financial statements have been prepared to account for the impact of the acquisition transaction contemplated in the Prospectus as described below:

(a) Initial transactions:

The pro forma consolidated financial statements reflect that prior to the Closing, Flagship Communities, LLC and the SSK Entities:

(i) refinanced $4,492,691 mortgages payable related to two of the Initial Communities owned by applicable SSK Entities with $6,420,000 fixed rate mortgages bearing interest at the rate of 2.93% per annum and incurred financing costs of $1,669,851 including prepayment penalties and related costs;

(ii) refinanced $86,005,995 mortgages payable related to 19 of the Initial Communities owned and controlled by Flagship Communities LLC with $99,045,000 fixed rate mortgages bearing interest at the rate of 3.21% per annum. Financing costs of $3,257,594, including prepayment penalties and related costs were incurred. Net proceeds of $9,781,411 were held in escrow in association with the repayment of certain other liabilities of $9,070,000; and

(iii) settlement of due from related parties through a reduction of divisional equity.

(b) Initial public offering

The pro forma consolidated financial statements assume that on closing, the REIT will raise gross proceeds of approximately $93,750,000 (excluding any exercise of the over-allotment option) pursuant to the Offering through the issuance of 6,250,000 Units at a price of $15.00 per Unit. Costs relating to the Offering including underwriters' fees and other costs directly associated with the Offering are expected to be approximately $12,627,880 and are charged directly to unitholders' equity.

(c) Indirect acquisition of the Initial Portfolio

The Initial Communities are currently indirectly owned by FCLLC and by the SSK Entities. Following certain pre-Closing reorganization transactions, upon Closing, FCLLC will merge with and into a limited liability company subsidiary of the REIT, Flagship Operating LLC, and the SSK Entities will be contributed to Flagship Operating LLC. As a result, upon completion of the merger and contribution, and certain related transactions, all of the Initial Communities and the remaining assets comprising the Initial Portfolio will be indirectly held by the REIT through its indirect ownership of Flagship Operating LLC. The pro forma consolidated financial statements assume the completion of these transactions upon Closing.

The acquisition is determined to be accounted for as a business combination. The identifiable net assets acquired based on preliminary allocations, are as follows:

Investment properties	$ 412,686,000
Cash and cash equivalents	1,958,473
Accounts receivables	393,919
Prepaid and other assets	424,376
Property and equipment	721,509
Escrows	12,891,906
Mortgages payable—assumed at indirect acquisition of the Initial Portfolio	(214,682,999)
Mortgages payable—portion to be repaid using net proceeds from offering	(13,523,666)
Trade and other payables	(1,087,113)
Other liabilities	(13,344,374)
	186,438,031
Excess of fair value of net assets acquired over consideration	(46,669,394)
Net assets acquired	$ 139,768,637
Consideration by the REIT consists of the following:	
Retained interest (Units & Class B Units)	82,074,375
Cash	57,694,262
	$ 139,768,637

3. Pro forma adjustments (Continued)

The actual calculation and allocation of the purchase price for the investment properties outlined above will be based on the assets purchased and liabilities assumed on the effective date of the acquisition and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the above amounts and the variation may be material.

(d) Mortgages payable

The net assets acquired include mortgages payable on 38 of the Initial Communities with an outstanding principal balance of $214,682,999, including a mark-to-market adjustment of $7,115,261 after factoring in the repayment of $13,523,666 of debt using a portion of the net proceeds from the Offering. A financing cost of $176,816 will be incurred upon debt repayment which include prepayment penalty and related costs. The mortgages payable have a weighted average interest rate of 3.50% per annum. The mortgages are generally secured by the properties held by the REIT.

(e) Sources and uses of cash

The REIT's sources and uses of cash after the completion of the transactions contemplated in the Offering are as follows:

Sources	
Proceeds from the Offering	$93,750,000
	$93,750,000
Uses	
Unit issue costs	$12,627,880
Purchase of net assets	57,694,262
Repayment of mortgages payable	13,700,482
Cash from Offering proceeds	9,727,375
	$93,750,000

(f) Finance costs

Certain of the existing mortgages will be repaid or refinanced on Closing. The REIT is expected to incur the following finance costs:

(i) A $2,473,174 net decrease for the year ended December 31, 2019 and $358,200 for the six month period ended June 30, 2020 in interest expense and amortization of deferred financing costs related to the refinancing of $90,498,686 mortgages payable related to certain of the Initial Communities with $105,465,000 in new mortgages and the repayment of $13,429,663 mortgages payable outstanding prior to Closing with proceeds of the Offering;

(ii) A decrease of $1,029,157 for the year ended December 31, 2019 and $514,579 for the six month period ended June 30, 2020 for amortization of mark-to market adjustment; and

(iii) A $240,000 increase for the year ended December 31, 2019 and $120,000 for the six month period ended June 30, 2020 in interest expense related to floorplan financing

(g) Class B Units

The pro forma consolidated financial statements assume that distributions will be declared by the REIT in respect of the Units on a monthly basis with an annual distribution of approximately $0.51 per Unit, with a corresponding equal amount payable to holders of the Class B Units. Distributions on Class B Units of $2,770,799 have been recorded for the year ended December 31, 2019 and $1,385,400 for the six month period ended June 30, 2020. The Class B Units are anticipated to represent approximately a 46.3% interest in the REIT on a fully redeemed basis.

The pro forma consolidated financial statements do not adjust for changes in the fair value of the Class B Units as a pro forma assumption for such a change is a prediction rather than an objectively determinable pro forma adjustment. The actual REIT financial statements will include fair value changes and the effects may have a material impact on the financial results. For illustrative purposes, a 10% change in market value of a REIT Unit, for which Class B Units may be redeemed, would result in a fair value change of approximately $8,149,410.

(h) General and administrative expenses

General and administrative expenses include but are not limited to legal and audit fees, insurance costs, travel and entertainment expenses, trustee fees and employee and executive compensation. General and administrative expenses, have increased by

3. Pro forma adjustments (Continued)

$3,104,670 for the year ended December 31, 2019 and by $1,596,503 for the six month period ended June 30, 2020 to reflect management's best estimate of additional expenses of the REIT.

(i) Fair value adjustment on investment properties

For the purpose of the pro forma consolidated statements of income and comprehensive income for the year ended December 31, 2019 and the six month period ended June 30, 2020, the acquisition of the Initial Communities was assumed to occur on January 1, 2019 and January, 2020, respectively. Accordingly, the change in fair value of investment properties that was previously recognized has been reversed.

Subsequent to initial recognition, investment properties will be adjusted to their fair values at each reporting period with changes in fair value recorded in net income and comprehensive income. For the purposes of the pro forma consolidated statements of income and comprehensive income no changes in fair value of the investment properties have been assumed from that which was recorded in the year ended December 31, 2019 or six month period ended June 30, 2020. Future changes in fair value may differ materially from that recorded historically.

(j) Income taxes

The REIT intends to meet the real estate investment trust requirements under the Code, to not be a SIFT trust pursuant to the Income Tax Act (Canada), and to make the necessary distributions to not be subject to Canadian or U.S. federal income tax. Accordingly, in the pro forma consolidated financial statements, the REIT has not recorded a provision for current income taxes or deferred income taxes in respect of the assets, liabilities and earnings of the REIT.

4. Unitholder's equity

The REIT is authorized to issue an unlimited number of Units. Units are ordinary units of the REIT, each of which represents a unitholders' proportionate undivided beneficial interest and voting rights in the REIT. On Closing, the REIT anticipates issuing 6,250,000 Units at a price of $15.00 per unit, net of issue costs of $12,627,880.

5. Commitments and contingencies

The REIT has agreed to indemnify the underwriters and their directors, officers, employees and agents against certain liabilities, including, without restriction, civil liabilities under Canadian securities legislation, and to contribute to any payments that the underwriters may be required to make in respect thereof. The REIT has also agreed to indemnify in certain circumstances and subject to certain conditions, its trustees and officers.

The REIT may be subject to claims and legal actions that arise in the ordinary course of business. It is the opinion of the management that any ultimate liability that may arise from such matters would not have a significant adverse effect on the consolidated statements of forecasted net income and comprehensive income.

FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

FINANCIAL STATEMENTS

AS AT AND FOR THE ONE-DAY PERIOD ENDED AUGUST 12, 2020 (DATE OF FORMATION)

(In US Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Unitholder of Flagship Communities Real Estate Investment Trust:

Opinion

We have audited the financial statements of Flagship Communities Real Estate Investment Trust (the "REIT"), which comprise the statement of financial position as at August 12, 2020 (date of formation), and the statements of income and comprehensive income, changes in unitholder's equity, and cash flows for the one-day period ended August 12, 2020 (date of formation) and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the REIT as at August 12, 2020, and its financial performance and its cash flows for the one-day period August 12, 2020 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the REIT in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the REIT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the REIT or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the REIT's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the REIT's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, disclosures, and whether the financial statements represent the underlying transactions in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Ontario
September 28, 2020

Chartered Professional Accountants
Licensed Public Accountants

FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

STATEMENT OF FINANCIAL POSITION

As at August 12, 2020 (date of formation)

(Expressed in US dollars)

Asset	
Cash	$10
Total Asset	**$10**
Unitholder's equity	
Units (Note 5)	$10
Total unitholder's equity	**$10**

See accompanying notes to the financial statements.

FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

For the one-day period ended August 12, 2020 (date of formation)

(Expressed in US dollars)

Revenue	
Revenue	$—
	—
Expenses	
Expenses	$—
	—
Net income and comprehensive income for the period	**$—**

See accompanying notes to the financial statements.

FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

STATEMENT OF CHANGES IN UNITHOLDER'S EQUITY

For the one-day period ended August 12, 2020 (date of formation)

(Expressed in US dollars)

	Number of Units	Unit capital
Unitholder's equity, beginning of period	—	$ —
Issuance of units on formation (Note 5)	1	**10**
Unitholder's equity, end of period	1	**$ 10**

See accompanying notes to the financial statements.

FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

STATEMENT OF CASH FLOWS

For the one-day period ended August 12, 2020 (date of formation)

(Expressed in US dollars)

Operating activities	
Net income for the period	$—
Cash provided by operating activities	—
Financing activities	
Issuance of units on formation (Note 5)	$ 10
Cash provided by financing activities	10
Increase in cash during the period	10
Cash, beginning of period	—
Cash, ending of period	**$ 10**

See accompanying notes to the financial statements.

1. Nature of Operations

Flagship Communities Real Estate Investment Trust (the "REIT") is a newly created, unincorporated, open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario. The registered office of the REIT is located at 199 Bay Street, Suite 4000, Toronto, ON, M5L 1A9. 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 manufactured housing communities ("MHCs") located in the United States. In connection with the completion of the initial public offering (the "Offering") of trust units of the REIT (the "Units"), the REIT will indirectly acquire a 100% interest in a portfolio of 45 MHCs with 8,255 lots located in Kentucky, Indiana, Ohio and Tennessee (the "Initial Communities"), together with a fleet of approximately 600 manufactured homes for lease to residents of the Initial Communities and the REIT's head office property in Erlanger, Kentucky (collectively, the "Initial Portfolio").

The REIT has not carried on any operations to date.

These financial statements were approved by the Board of Trustees of the REIT and authorized for issue on September 25, 2020.

2. Basis of Presentation

The financial statements are presented in US dollars. The financial statements are prepared on a historical cost basis except for certain financial instruments classified as fair value through profit or loss ("FVPTL"), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these financial statements.

3. Statement of Compliance

The financial statements have been prepared in accordance with the International Financial Reporting

Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee.

4. Significant Accounting Policies

Cash and cash equivalents

The REIT considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Unitholder's equity

Units of the REIT's operating subsidiary, Flagship Operating, LLC, will consist of outstanding Class A units (the "Class A Units") and Class B units (the "Class B Units"). All of the Class A Units will be held by the REIT. The holders of Class B Units will be entitled to receive distributions from Flagship Operating, LLC proportionately to the distributions made by the REIT to holders of Units. The Class B Units will be redeemable by the holder thereof for cash or Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by Flagship Operating, LLC and as directed by the REIT in its sole discretion, subject to certain limitations and restrictions, and therefore are considered a puttable instrument. As a result, the Class B Units have been classified as financial liabilities and are measured at fair value through profit or loss ("FVTPL"). The fair value of the Class B Units is measured every period by reference to the traded value of the Units, with changes in measurement recorded in the statement of income and comprehensive income. Distributions on Class B Units are recorded as finance cost in the statement of income and comprehensive income in the period in which they become payable.

Financial Instruments

Classification

On initial recognition, the REIT determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss (FVTPL)
3. Measured at fair value through other comprehensive income

4. Significant Accounting Policies (Continued)

The classification under IFRS 9 — Financial Instrument (“IFRS 9”) is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met:

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

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the REIT may irrevocably elect, on initial recognition, to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives), or if the REIT has chosen to evaluate them at FVTPL.

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

Financial Instrument	Classification under IFRS 9
Cash	Amortized cost
Class B Units	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 or 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 statements of income and comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the statements of 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.

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 statements of 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 account receivables 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.

4. Significant Accounting Policies (Continued)

Impairment losses, if incurred, would be recorded in general and administrative expenses in the statement of 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 statement of 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 and losses from the derecognition are recognized in the statements of income and comprehensive income.

Financial liabilities — The REIT derecognizes a financial liability when the obligation specified in the contract is discharged, canceled or expired. 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 statements of income and comprehensive income.

Estimates

The preparation of financial statements in conformity with IFRS accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates used in the financial statements.

5. Unitholder's Equity

The REIT is authorized to issue an unlimited number of Units. On August 12, 2020, in connection with the organization of the REIT, the REIT issued one Unit for proceeds of $10.

6. Subsequent events

(a) Initial public offering

The REIT will enter into an underwriting agreement and file a long-form prospectus for the purpose of completing the Offering, which is expected to close on October 7, 2020. The REIT expects to raise gross proceeds of $93,750,000 (excluding any exercise of the over-allotment option) pursuant to the Offering through the issuance of 6,250,000 Units at a price of $15.00 per Unit. Costs relating to the Offering including underwriters' fees and other costs directly associated with the Offering are expected to be approximately $12,627,880 and are charged directly to unitholder's equity.

(b) Indirect acquisition of the Initial Portfolio

The Initial Communities are currently indirectly owned by FCLLC and by the SSK Entities. Following certain pre-Closing reorganization transactions, upon Closing, FCLLC will merge with and into a limited liability company subsidiary of the REIT, Flagship Operating, LLC and the SSK Entities will be contributed to Flagship Operating, LLC. As a result, upon completion of the merger and contribution, and certain related transactions, all of the Initial Communities and the remaining assets comprising the Initial Portfolio will be indirectly held by the REIT through its indirect ownership of Flagship Operating, LLC. These financial statements assume the completion of these transaction upon Closing.

6. Subsequent events (Continued)

The acquisition is determined to be accounted for as a business combination. The identifiable net assets acquired based on preliminary allocations, are as follows:

Investment properties	$ 412,686,000
Cash and cash equivalents	1,958,473
Accounts receivables	393,919
Prepaid and other assets	424,376
Property and equipment	721,509
Escrows	12,891,906
Mortgages payable — assumed at indirect acquisition of the Initial Portfolio	(214,682,999)
Mortgages payable — portion to be repaid using net proceeds from offering	(13,523,666)
Trade and other payables	(1,087,113)
Other liabilities	(13,344,374)
	186,438,031
Excess of fair value of net assets acquired over consideration	(46,669,394)
Net assets acquired	$ 139,768,637
Consideration by the REIT consists of the following:	
Retained interest (Units & Class B Units)	82,074,375
Cash	57,694,262
	$ 139,768,637

The actual calculation and allocation of the purchase price for the investment properties outlined above will be based on the assets purchased and liabilities assumed on the effective date of the acquisition and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the above amounts and the variation may be material.

(c) Mortgages payable

The net assets acquired include mortgages payable on 38 of the Initial Communities with an outstanding principal balance of $214,682,999, including a mark-to-market adjustment of $7,115,261 after factoring in the repayment of $13,523,666 of debt using a portion of the net proceeds from the Offering. A financing cost of $176,816 will be incurred upon debt repayment which include prepayment penalty and related costs. The mortgages payable have a weighted average interest rate of 3.50% per annum. The mortgages are generally secured by the properties held by the REIT.

(d) Sources and uses of cash

The REIT's sources and uses of cash after the completion of the transactions contemplated in the Offering are as follows:

Sources	
Proceeds from the Offering	$93,750,000
	$93,750,000
Uses	
Unit issue costs	$12,627,880
Purchase of net assets	57,694,262
Repayment of mortgages payable	13,700,482
Cash from Offering proceeds	9,727,375
	$93,750,000

LEGACY SSK PORTFOLIO

COMBINED CARVE-OUT AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 and 2017
(In US Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Members of Legacy SSK Portfolio:

Opinion

We have audited the combined carve-out financial statements of Legacy SSK Portfolio (the "Portfolio"), which comprise the combined carve-out statements of financial position as at December 31, 2019, December 31, 2018 and December 31, 2017, and the combined carve-out statements of net income and comprehensive income, changes in divisional equity and cash flows for the years then ended, and notes to the combined carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined carve-out financial statements present fairly, in all material respects, the combined carve-out financial position of the Portfolio as at December 31, 2019, December 31, 2018 and December 31, 2017, and its combined carve-out financial performance and its combined carve-out cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Carve-Out Financial Statements section of our report. We are independent of the Portfolio in accordance with the ethical requirements that are relevant to our audits of the combined carve-out financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the combined carve-out financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the combined carve-out financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the combined carve-out financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Combined Carve-Out Financial Statements

Management is responsible for the preparation and fair presentation of the combined carve-out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of combined carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined carve-out financial statements, management is responsible for assessing the Portfolio's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Portfolio or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Portfolio's financial reporting process.

Auditor's Responsibilities for the Audit of the Combined Carve-Out Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined carve-out financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Portfolio's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Portfolio's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Portfolio to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined carve-out financial statements, including the disclosures, and whether the combined carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Portfolio to express an opinion on the combined carve-out financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Toronto, Ontario
September 28, 2020

Chartered Professional Accountants
Licensed Public Accountants

LEGACY SSK PORTFOLIO

COMBINED CARVE-OUT STATEMENTS OF FINANCIAL POSITION

As at
(Expressed in US dollars)

	Note	December 31, 2019	December 31, 2018	December 31, 2017
Current Assets				
Cash and cash equivalents		**$ —**	$ 34,089	$ 932,805
Accounts receivables	**4**	**124,944**	97,708	297,685
Due from related parties	**10**	**4,470,339**	2,870,835	—
Prepaids and other assets	**5**	**244,628**	186,787	480,632
Total current assets		**4,839,911**	3,189,419	1,711,122
Investment properties	**6**	**186,180,804**	165,632,614	239,830,288
Property and equipment, net	**7**	**235,190**	117,704	275,001
Escrows	**8**	**892,427**	814,378	735,622
		187,308,421	166,564,696	240,840,911
Total Assets		**$192,148,332**	$169,754,115	$242,552,033
Current Liabilities				
Bank overdraft		**$ 340,791**	$ —	$ —
Trade and other payables		**554,674**	1,403,477	1,851,495
Other liabilities	**9**	**1,250,750**	1,160,547	1,989,695
Due to related parties	**10**	**—**	—	6,977,603
Mortgages payable, net	**11**	**5,743,094**	12,710,601	2,041,949
Total current liabilities		**7,889,309**	15,274,625	12,860,742
Mortgages payable, net	**11**	**86,353,094**	76,878,336	113,073,670
Total liabilities		**94,242,403**	92,152,961	125,934,412
Divisional Equity	**12**	**97,905,929**	77,601,154	116,617,621
Total Liabilities and Divisional Equity		**$192,148,332**	$169,754,115	$242,552,033

Subsequent events (Note 17)

The accompanying notes are an integral part of these combined carve-out financial statements.

LEGACY SSK PORTFOLIO

COMBINED CARVE-OUT STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

For the years ended December 31, 2019, 2018 and 2017
(Expressed in US dollars)

	Note	2019	2018	2017
Rental revenue		**$ 15,074,699**	$ 17,676,833	$ 23,782,838
Property operating expenses		**4,488,536**	6,855,447	9,311,913
Net operating income		**10,586,163**	10,821,386	14,470,925
Other Expenses/(Income)				
General and administrative	**10**	**894,817**	1,066,488	1,002,261
Depreciation	**7**	**47,548**	46,179	100,297
Fair value gain on investment properties	**6**	**(19,732,381)**	(21,632,463)	(28,162,794)
Gain on disposal of investment properties	**6**	**—**	—	(580,895)
Loss on extinguishment of mortgages payable	**11**	**146,371**	588,405	—
Interest expense		**6,200,822**	8,357,074	6,881,766
Net income and comprehensive income		**$ 23,028,986**	$ 22,395,703	$ 35,230,290

The accompanying notes are an integral part of these combined carve-out financial statements.

LEGACY SSK PORTFOLIO

COMBINED CARVE-OUT STATEMENTS OF CHANGES IN DIVISIONAL EQUITY

For the years ended December 31, 2019, 2018, and 2017
(Expressed in US dollars)

	Note	Divisional Equity
Balance at January 1, 2017		$ 81,075,519
Contributions	12	3,378,483
Distributions	12	(3,066,671)
Net income and comprehensive income		35,230,290
Balance at December 31, 2017		$116,617,621
Contributions	12	723,313
Distributions	12	(62,135,483)
Net income and comprehensive income		22,395,703
Balance at December 31, 2018		$ 77,601,154
Contributions	12	965,304
Distributions	12	(3,689,515)
Net income and comprehensive income		23,028,986
Balance at December 31, 2019		**$ 97,905,929**

The accompanying notes are an integral part of these combined carve-out financial statements.

LEGACY SSK PORTFOLIO

COMBINED CARVE-OUT STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019, 2018 and 2017
(Expressed in US dollars)

	2019	2018	2017
Cash flow provided by (used in) operating activities			
Net income and comprehensive income	**$ 23,028,986**	$ 22,395,703	$ 35,230,290
Add (deduct) items not involving cash:			
Depreciation	**47,548**	46,179	100,297
Amortization of loan costs	**301,010**	327,519	410,593
Loss on extinguishment of mortgages payable	**146,371**	588,405	—
Fair value gain on investment properties	**(19,730,682)**	(13,578,148)	(21,725,135)
Gain on disposal of investment properties	**—**	—	(580,895)
Disposal of property and equipment	**6,810**	171,216	—
Disposal of investment properties	**—**	—	(419,105)
Change in non-cash working capital:			
Accounts receivables	**(27,236)**	33,168	83,356
Due to/from related parties	**(1,599,504)**	(9,848,438)	(1,650,800)
Prepaids and other assets	**(57,841)**	(832,751)	(94,179)
Escrows	**(78,049)**	(78,756)	222,565
Trade and other payables	**(848,803)**	734,167	463,701
Other liabilities	**90,203**	(829,148)	120,743
	1,278,813	(870,884)	12,161,431
Cash flow provided by (used in) financing activities			
Bank overdraft	**340,791**	—	—
Contributions from members	**965,304**	723,313	3,378,483
Distributions to members	**(3,691,214)**	(4,766,807)	(9,504,330)
Proceeds from mortgages payable	**13,105,000**	32,678,726	26,077,057
Mortgages payable issuance costs	**(370,605)**	(520,333)	(535,498)
Repayment of mortgages payable	**(10,674,525)**	(58,168,273)	(25,665,107)
	(325,249)	(30,053,374)	(6,249,395)
Cash flow provided by (used in) investing activities			
Proceeds from disposal of MHC entities	**—**	32,671,404	—
Proceeds from disposal of investment properties	**—**	—	1,000,000
Additions to investment properties	**(815,809)**	(2,585,764)	(6,000,490)
Purchase of property and equipment	**(171,844)**	(60,098)	(75,941)
	(987,653)	30,025,542	(5,076,431)
Increase (decrease) in cash and cash equivalents	**(34,089)**	(898,716)	835,605
Cash and cash equivalents, beginning of period	**34,089**	932,805	97,200
Cash and cash equivalents, ending of period	**$ —**	$ 34,089	$ 932,805
Non cash transactions:			
Disposal of MHC entities included in distributions	**$ —**	$ 65,422,991	$ —
Fair value adjustments included in distributions	**$ 1,699**	$ 8,054,315	$ 6,437,659

The accompanying notes are an integral part of these combined financial statements.

1. Nature of Operations

The Legacy SSK Portfolio as presented in these combined carve-out financial statements is not a legal entity (the "Portfolio"). It represents (i) for the period up until May 24, 2018, a portfolio of 31 MHCs and certain rental manufactured homes and (ii) from May 24, 2018 onwards, a portfolio of 17 properties and a portion of such rental manufactured homes. For all periods presented in these combined financial statements, the Portfolio was under the management of the same principals and therefore is considered to be under common management. As of December 31, 2019, the Portfolio's tenant base consists of residential MHCs operating in Indiana, Kentucky, Ohio, and Tennessee with a total of 3,524 lots. On May 24, 2018, 14 properties and a portion of the manufactured homes were transferred to Flagship Communities, LLC. (Note 13). The credit risk in respect of the Portfolio, therefore, is concentrated in the MHC industry. The Portfolio's head office is located at 467 Erlanger Road, Erlanger Kentucky, 41018.

These combined carve-out financial statements were approved on September 25, 2020.

2. Basis of Presentation

(a) Statement of compliance and carve-out

The combined carve-out financial statements are prepared in accordance with a financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107, Acceptable Accounting Principles and Auditing Standards ("subsection 3.11(6)"), for carve-out financial statements. Subsection 3.11(6) requires the Portfolio to select from a specified list of financial reporting frameworks.

These combined carve-out financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below have been applied consistently to all periods presented. The carve-out financial statements were prepared for the purposes of exclusion of certain operational assets and liabilities of the Portfolio. The Portfolio has also presented transactions that would generally be included in members' equity section as other divisional equity. The assets and liabilities, and associated accounts that have not been presented as part of the carve-out financial statements are those related to the Beechwood Austin entity.

(b) Basis of presentation

These combined carve-out financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment properties that are measured at fair value, as detailed in the Portfolio's accounting policies. The Portfolio's interests in its investment properties are held in specific limited liability entities, which are under common control.

(c) Functional and presentation currency

The Portfolio and its subsidiaries' functional currency is the US dollar. These combined carve-out financial statements are presented in US dollars.

(d) Principles of combination

The Portfolio combines its interest in entities which are under common control. Control is defined by the power to govern an entity's financial and operating policies so as to be able to obtain benefits from its activities. All intercompany balances and

2. Basis of Presentation (Continued)

transactions have been eliminated on combination. The entities of the Portfolio that have been combined are as follows as at December 31, 2019, 2018 and 2017:

Legal Entity	Park Name	2019	2018	2017
South Louis MHP, LLC	Whispering Oaks Pointe	Yes	Yes	Yes
SSK Company, LLC	Asbury Pointe, Heartland Pointe	Yes	Yes	Yes
SSK Company Louisville, LLC	Ashley Pointe	Yes	Yes	Yes
Middletown SSK, LLC	Applewood Pointe	Yes	Yes	Yes
Indiana MHC SSK, LLC	Amberly Pointe, Berkshire Pointe	Yes	Yes	Yes
Fairdale SSK, LLC	Barrington Pointe, Copperstone Pointe	Yes	Yes	Yes
Sellersburg SSK, LLC	Indian Oaks Pointe	Yes	Yes	Yes
Indianapolis LLC	Adams Pointe	Yes	Yes	Yes
Richmond MHP, LLC	Bradbury Pointe	Yes	Yes	Yes
Williamstown MHC, LLC	Cherry Hill Pointe, Indian Hill Pointe	Yes	Yes	Yes
550 Rosewood, LLC	Rosewood Pointe	Yes	Yes	Yes
SKW2, LLC	Country Living Pointe	Yes	Yes	Yes
Ft. Mitchell MHC, LLC	Beechwood Ft. Mitchell	Yes	Yes	Yes
Declaration Homes LLC	N/A	Yes	Yes	Yes
Florence MHC, LLC	Mosbys Pointe	No	No(1)	Yes
Valley Station 1, LLC	Autumn Lake Pointe	No	No(1)	Yes
V-Station, LLC	Logan's North Pointe, Mills Pointe, Johnsontown Pointe	No	No(1)	Yes
Cincy MHP, LLC	Logan's South Pointe, Charlie's Homes	No	No(1)	Yes
Evansville MHC, LLC	Grandin Pointe	No	No(1)	Yes
Vanderburgh MHC, LLC	Waterford Pointe	No	No(1)	Yes
Owensboro MHC, LLC	Riverbend Pointe	No	No(1)	Yes
Carrollton MHC, LLC	Oakview Pointe	No	No(1)	Yes
Alexandria MHC, LLC	Derby Hills Pointe	No	No(1)	Yes
Campbell 27, LLC	Campbell Pointe	No	No(1)	Yes
Paducah MHC, LLC	Westridge Pointe	No	No(1)	Yes
Walton MHC, LLC	Deer Trace Pointe	No	No(1)	Yes

(1) The results of these entities through May 24, 2018 were combined during the year ended December 31, 2018. These entities were disposed of on May 24, 2018 (Note 13).

(e) Use of estimates, judgments and assumptions

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

Estimates

Investment properties — The fair value of investment properties is dependent on available comparable transactions, future cash flows over the holding period and discount rates and capitalization rates applicable to those assets. The review of anticipated cash flows involves assumptions relating to occupancy and rental rates. In addition to reviewing anticipated cash flows, management assesses changes in the business climate and other factors which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

3. Significant Accounting Policies

A summary of the significant accounting policies, which have been applied consistently to all periods presented in the accompanying combined carve-out financial statements are set out below:

Cash and Cash Equivalents

The Portfolio considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Bank Overdraft

The Portfolio's bank overdraft is included as a liability in the Combined Carve-Out Statements of Financial Position. The negative cash balance is the cumulative effect of all outstanding cheques at year end due to timing differences.

Investment Properties

A property is determined to be an investment property when it is held either to earn rental income, capital appreciation or both. Investment properties include land, buildings, land improvements, building improvements and certain intangibles such as in-place leases and non-competes, if any. Investment properties are initially valued at cost, and subsequently are measured at fair value. Unrealized gains and losses arising from changes in fair value are included in the Combined Carve-Out Statements of Net Income and Comprehensive Income in the applicable period. Fair values are determined through a combination of internal management valuations as well as external appraisers. The fair value of each investment property is based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the balance sheet date, less future estimated cash outflows in respect of such properties.

The acquisition of investment properties is initially measured at cost including directly attributable acquisition costs, except when acquired through a business combination, where such costs are expensed as incurred. Costs incurred for the acquisition, development, and construction of properties are capitalized to the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably. To the extent such costs exceed the estimated fair value of such property, the excess would be expensed. All repairs and maintenance costs are expensed as incurred.

Acquisition of Investment Properties

Per IFRS 3 — *Business Combinations*, a business combination must involve the acquisition of a business, which generally has three elements: inputs, processes and outputs.

On October 22, 2018, the IASB issued a narrow scope amendment to IFRS 3. This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. This amendment is effective on January 1, 2020 and is to be applied prospectively. The Portfolio adopted the amendment to IFRS 3 in its combined financial statements for the annual period beginning January 1, 2017.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. The straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives. Property and equipment consist of maintenance and office equipment, and vehicles. Costs of maintenance and repairs are charged to expense when incurred.

Depreciation is calculated on a straight line basis over the expected useful life of the asset as follows:

Office and maintenance equipment	– 5 to 10 years
Vehicles	– 10 years

Escrows

Escrows for real estate taxes and insurance are maintained under the control of the mortgagor for the payment of taxes and insurance on behalf of the Portfolio.

3. Significant Accounting Policies (Continued)

Deferred Finance Charges

The Portfolio measures its debt at amortized cost using the effective interest method. All interest-related charges are reported in the Combined Carve-Out Statements of Net Income and Comprehensive Income and are included within interest expense, except for those interest-related charges capitalized to qualifying properties under development or rental properties. Mortgages payables are netted against the transaction costs, and the effective interest method of amortization is applied to the premiums, discounts and transaction costs.

Revenue Recognition

The Portfolio has retained substantially all of the risks and benefits of ownership of its investment properties and as such accounts for its leases with tenants as operating leases. Revenue from investment properties include rents from tenants under leases, property tax and operating cost recoveries, lease cancellation fees, and late fees. Recoveries from tenants are recognized as revenue in the period in which the applicable costs are incurred. Lease cancellation fees are recognized as revenue once an agreement is completed with the tenant to terminate the lease and the collectability is reasonably assured. Revenue is measured at the transaction price agreed under the contract, and is recognized at the point in time in which control over the property has been transferred. Customer deposits received are held in trust. Payments made in advance of scheduled due dates are included in unearned revenue.

The Portfolio adopted IFRS 15 *Revenue from Contracts with Customers*, effective on January 1, 2017. IFRS 15 supersedes previous accounting standards for revenue, including IAS 18, *Revenue* (IAS 18) and IFRIC 13, *Customer loyalty programmes* (IFRIC 13).

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

Financial instruments

Effective January 1, 2017, the Portfolio adopted IFRS 9 *Financial Instruments*.

Classification

On initial recognition, the Portfolio determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss (FVTPL)
3. Measured at fair value through other comprehensive income (FVOCI)

The classification under IFRS 9 is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met:

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

3. Significant Accounting Policies (Continued)

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the Portfolio may irrevocably elect, on initial recognition, to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives), or if the Portfolio has chosen to evaluate them at FVTPL.

The Portfolio has assessed the classification and measurement of its financial instruments under IFRS 9 as follows:

Financial Instrument	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Accounts receivables	Amortized cost
Due from related parties	Amortized cost
Bank overdraft	Amortized cost
Trade and other payables	Amortized cost
Other liabilities	Amortized cost
Due to related parties	Amortized cost
Mortgages payable	Amortized cost

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 or 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 Combined Carve-Out Statements of Net Income and Comprehensive Income. Income arising in the form of interest, dividends, or similar, is recognized through the Combined Carve-Out Statements of Net Income and Comprehensive Income when the right to receive payment is established, the economic benefits will flow to the Portfolio, and the amount can be measured reliably.

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 Combined Carve-Out Statements of Net Income and Comprehensive Income when the right to receive payment is established, the economic benefits will flow to the Portfolio, 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 account receivables 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 Combined Carve-Out 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

3. Significant Accounting Policies (Continued)

previously recognized impairment loss would be reversed through the Combined Carve-Out 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 Portfolio 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 and losses from the de-recognition are recognized in the Combined Carve-Out Statements of Net Income and Comprehensive Income.

Financial liabilities — The Portfolio derecognizes a financial liability when the obligation specified in the contract is discharged, canceled or expired. 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 Combined Carve-Out Statements of Net Income and Comprehensive Income.

Leases

On January 13, 2016, the IASB issued IFRS 16 *Leases*. The new standard is effective for annual periods beginning January 1, 2019. The Portfolio adopted IFRS 16 on January 1, 2017. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The adoption of IFRS 16 had no material effect on the Portfolio's financial statements.

Income Taxes

The individual entities are treated as partnerships for U.S. federal income tax purposes. Consequently, U.S. federal income taxes are not payable or provided for by the Portfolio or the individual entities. The members of individual entities are taxed individually on their pro rata ownership share of the individual entities' earnings. The individual entities' net income or loss is allocated among the members in accordance with the individual entities' operating agreements.

Future Accounting Pronouncements

Conceptual Framework

On March 29, 2018, the IASB issued its revised Conceptual Framework for Financial Reporting. The revised Conceptual Framework does not constitute a substantial revision from the previously effective guidance, but does provide additional guidance on topics not previously covered such as presentation and disclosure. This amendment is effective on January 1, 2020. The Portfolio intends to adopt this amendment in its Combined Carve-Out Financial Statements for the annual period beginning January 1, 2020. The adoption of the revised Conceptual Framework for Financial Reporting is not expected to have a material impact on the Combined Carve-Out Financial Statements.

4. Accounts receivables

	December 31, 2019	December 31, 2018	December 31, 2017
Tenant receivables	**$124,944**	$97,708	$219,385
Other	**—**	—	78,300
Total	**$124,944**	$97,708	$297,685

Tenant receivables include minimum rent, annual common area maintenance, property tax recovery billings and other recoverable charges. The tenant receivables are shown net of bad debt expenses. Bad debts are estimated losses resulting from the inability of

4. Accounts receivables (Continued)

tenants to meet obligations under lease agreements. The Portfolio actively reviews receivables and determines the potentially uncollectible accounts on a per-tenant basis. An accounts receivable is written down to its estimated realizable value when the Portfolio has reason to believe that the tenant will not be able to fulfill its obligations under the lease agreement.

5. Prepaids and other assets

The Portfolio's prepaids and other assets mainly consist of prepaid insurance related to general and liability coverage.

6. Investment properties

Changes to the investment properties are summarized as follows:

	As at December 31, 2019	As at December 31, 2018	As at December 31, 2017
Balance, beginning of year	$165,632,614	$239,830,288	$205,667,004
Additions	815,809	2,585,764	6,000,490
Dispositions	—	(98,415,901)	—
Fair value gain on investment properties	19,732,381	21,632,463	28,162,794
Balance, end of year	**$186,180,804**	**$165,632,614**	**$239,830,288**

For the year ended December 31, 2018, the Portfolio had dispositions of $98,415,901, which relate to the disposal of MHC Entities' investment properties on May 24, 2018 (Note 13).

During the year ended December 31, 2017, the Portfolio received cash proceeds of $1,000,000, which relate to dispositions of investment properties resulting in a gain on sale of $580,895.

The Portfolio 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 method. The direct capitalization method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over an investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

A significant change in occupancy rates, rents or capitalization rates per annum would result in a significant change in the fair value. Generally a change in estimated rent is accompanied by a directionally similar change in rent growth per annum assumption and an opposite change in future vacancy rate estimates. The key metrics of the capitalization rates applicable to the Portfolio are as follows:

Capitalization Rates	December 31, 2019	December 31, 2018	December 31, 2017
High	5.75%	7.50%	9.00%
Low	5.75%	5.50%	6.25%
Weighted Average	5.75%	6.18%	6.88%
% Change			
+0.025	4.17%	3.89%	3.56%
−0.025	(4.56%)	(4.25%)	(3.74%)
$ Change			
+0.025	$(7,617,218)	$(6,293,390)	$(8,204,787)
−0.025	$ 8,329,107	$ 6,880,062	$ 8,611,813

The fair values of investment properties are most sensitive to changes in capitalization rates.

7. Property and Equipment, net

	Office and maintenance equipment	Vehicles	Total
Cost			
At January 1, 2017	**$1,255,893**	**$22,911**	**$1,278,804**
Additions	75,941	—	75,941
Disposals	(2,539)	(5,709)	(8,248)
At December 31, 2017	**1,329,295**	**17,202**	**1,346,497**
Additions	60,098	—	60,098
Disposals	(413,744)	—	(413,744)
At December 31, 2018	**975,649**	**17,202**	**992,851**
Additions	171,844	—	171,844
Disposals	(106,714)	—	(106,714)
At December 31, 2019	**$1,040,779**	**$17,202**	**$1,057,981**
Accumulated depreciation			
At January 1, 2017	**$ 957,813**	**$22,911**	**$ 980,724**
Additions	100,297	—	100,297
Disposals	(3,816)	(5,709)	(9,525)
At December 31, 2017	**1,054,294**	**17,202**	**1,071,496**
Additions	46,179	—	46,179
Disposals	(242,528)	—	(242,528)
At December 31, 2018	**857,945**	**17,202**	**875,147**
Additions	47,548	—	47,548
Disposals	(99,904)	—	(99,904)
At December 31, 2019	**$ 805,589**	**$17,202**	**$ 822,791**
Net book value			
At December 31, 2017	$ 275,001	$ —	$ 275,001
At December 31, 2018	$ 117,704	$ —	$ 117,704
At December 31, 2019	**$ 235,190**	**$ —**	**$ 235,190**

The disposals during the years ended December 31, 2019, 2018 and 2017 were all expensed, resulting in no gains or losses on disposals related to these assets.

8. Escrows

Escrows for real estate taxes and insurance are maintained under the control of the mortgagor for the payment of taxes and insurance on behalf of the Portfolio. For the years ended December 31, 2019, 2018 and 2017, the Portfolio had escrow balances of $892,427, $814,378, and $735,622, respectively.

9. Other Liabilities

	December 31, 2019	December 31, 2018	December 31, 2017
Accruals	**$ 318,200**	$ 289,880	$ 530,490
Tenant security deposits	**765,119**	707,865	1,140,597
Unearned revenue	**167,431**	162,802	318,608
Total	**$1,250,750**	$1,160,547	$1,989,695

10. Related Party Transactions

The following is a description of transactions between the Portfolio and related parties:

Accounts Payable and Receivable

As at December 31, 2019, the Portfolio had amounts receivable due from related parties of $4,470,339 (2018 — $2,870,835, 2017 — amounts payable due to related parties of $6,977,603). The receivables and payables from related parties are related to the normal course of operations, are non-interest bearing and have no terms of repayment.

Other Services

For the years ended December 31, 2019, 2018 and 2017, the Portfolio incurred expenses from affiliates of $257,504, $2,373,187 and $246,765, respectively. The services provided by these affiliates include HVAC, paving/concrete repair, mobile home transportation, legal and landscape services. These affiliates are considered related parties as they are directors (or related to directors) or employees of the Portfolio.

Management Fees

For the years ended December 31, 2019, 2018 and 2017, the Portfolio incurred expenses related to management fees from MHC Management, LLC, an entity with common ownership of $750,205, $769,780 and $903,067, respectively. Management fees are included in the general and administrative expenses in the Combined Carve-Out Statements of Net Income and Comprehensive Income.

11. Mortgages payable, net

Mortgages payable are shown net of unamortized deferred financing costs. The balances are as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Mortgages payable	**$93,620,593**	$ 91,065,608	$116,801,556
Unamortized deferred financing costs	**(1,524,405)**	(1,476,671)	(1,685,937)
Total mortgages payable	**92,096,188**	89,588,937	115,115,619
Less: current portion	**(5,743,094)**	(12,710,601)	(2,041,949)
Amount classified as non-current portion	**$86,353,094**	$ 76,878,336	$113,073,670

The Portfolio's weighted average contractual annual interest rate on its mortgages payable as of December 31, 2019 was approximately 5.20% (2018 — 5.31%, 2017 — 5.63%), which excludes the impact of the amortization of deferred financing costs.

The mortgages payable balances as at December 31, 2019, excluding unamortized deferred financing costs, are due as follows:

2020	$ 3,743,094
2021	2,633,452
2022	1,782,926
2023	1,878,567
2024	1,969,442
Thereafter	$81,613,112

During the year ended December 31, 2019, the Portfolio recorded a loss on extinguishment of mortgages payable of $146,371 related to the amount the Portfolio paid to retire its debt in excess of its carrying value and from recognizing unamortized deferred financing costs in profit or loss at the time of debt extinguishment.

During the year ended December 31, 2018, in connection with the disposition of the MHC Entities on May 24, 2018 (Note 13), the Portfolio retired its existing mortgages payable on the investment properties disposed of and recorded a loss on extinguishment of mortgages payable of $588,405. The loss on extinguishment is related to the amount the Portfolio paid to retire the debt in excess of its carrying value and from recognizing unamortized deferred financing costs in profit or loss at the time of debt extinguishment.

11. Mortgages payable, net (Continued)

No gain or loss on extinguishment of mortgages payable was recorded for the year ended December 31, 2017.

The Portfolio's mortgages payable contains customary representations, warranties, and events of default, which require the Portfolio to comply with affirmative and negative covenants. As at December 31, 2019, 2018 and 2017, the Portfolio was in compliance with all financial covenants relating to its mortgages payable.

12. Divisional Equity

During the years ended December 31, 2019, 2018 and 2017, members funded capital contributions to the Portfolio totaling $965,304, $723,313 and $3,378,483, respectively. During the years ended December 31, 2019, 2018 and 2017, the Portfolio made distributions to members of $3,689,515, $62,135,483 and $3,066,671, respectively.

The distributions for the year ended December 31, 2019 include fair value adjustments related to investment properties, which decreased the amount of distributions by $1,699. Actual cash distributions were $3,691,214 for the year ended December 31, 2019.

On May 24, 2018, the Portfolio disposed of 100 percent of the outstanding membership interests of its MHC Entities (Note 13). This transaction was included in distributions in the amount of $65,422,991 during the year ended December 31, 2018. Distributions also include fair value adjustments related to investment properties, which decreased the amount of distributions by $8,054,315. Actual cash distributions were $4,766,807 for the year ended December 31, 2018.

The distributions for the year ended December 31, 2017 include fair value adjustments related to investment properties, which decreased the amount of distributions by $6,437,659. Actual cash distributions were $9,504,330 for the year ended December 31, 2017.

13. Dispositions

On May 24, 2018, the Portfolio disposed of 100 percent of the outstanding membership interests of Alexandria MHC, LLC; Campbell 27, LLC; Carrollton MHC, LLC; Florence MHC, LLC; Walton MHC, LLC; Owensboro MHC, LLC; Paducah MHC, LLC; Valley Station 1, LLC; Vanderburgh MHC, LLC; Cincy MHP, LLC; V-Station, LLC; and Evansville MHC, LLC (collectively, the "MHC Entities"). Prior to May 24, 2018, the MHC Entities were limited liability companies under common control.

The consideration as part of the disposition of the MHC Entities consisted of cash and Series A-2 units from the purchasers totaling approximately $98,094,395.

The following table summarizes the disposition date fair values of the assets and liabilities disposed of:

	2018
Accounts receivable	$ 166,809
Prepaids and other assets	1,126,595
Investment properties (Note 6)	98,415,901
Accounts payable and accrued liabilities	(1,182,184)
Long term debt	(432,726)
Total fair value of assets disposed of	**$98,094,395**
Series A-2 units rollover equity	$ 9,832,884
Cash	88,261,511
Total consideration received	**$98,094,395**

In connection with this transaction, the Portfolio included $65,422,991 in distributions for the year ended December 31, 2018 (Note 12).

The fair value of financial assets includes accounts receivable with a fair value of $166,809, which is the gross amount due, of which all is expected to be collectible.

14. Commitment and Contingencies

The Portfolio is subject to claims and litigation in the ordinary course of business. Management does not believe that any such claim or litigation will have a material adverse effect on the business, assets, or results of operations of the Portfolio. There was no litigation or claims during the years ended December 31, 2019, 2018 and 2017.

15. Capital Management

The Portfolio defines its capital as the aggregate of mortgages payable and divisional equity. The Portfolio's primary objectives when managing capital are to meet its repayment obligations under its mortgage facility and to ensure there are sufficient funds available to finance operations and to meet capital commitments. There have been no changes to the Portfolio's objectives and what it manages as capital for the years ended December 31, 2019, 2018 and 2017. The Portfolio is not subject to externally imposed capital requirements aside from covenants contained within the mortgages payable, with which the Portfolio is in full compliance.

16. Financial Instruments and Risk Management

Financial Instruments

The carrying values of the Portfolio's short-term financial assets and liabilities approximate their fair values due to their short periods to maturity.

Fair Value Hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

Level 1 — quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 — inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data

Level 3 — inputs for assets and liabilities not based upon observable market data

The following table summarizes information about financial assets and liabilities measured at fair value on a recurring basis in the combined statement of financial position and categorized by level of significance of the inputs used in making the measurements:

As at December 31, 2019

		Carrying Value		Fair Value
	FVTPL	**FVTOCI**	**Amortized Cost**	**Total**
Financial Assets and Liabilities				
Cash and cash equivalents			**—**	**—**
Accounts receivables	**—**	**—**	**124,944**	**124,944**
Due from related parties	**—**	**—**	**4,470,339**	**4,470,339**
Bank overdraft	**—**	**—**	**(340,791)**	**(340,791)**
Trade and other payables	**—**	**—**	**(554,674)**	**(554,674)**
Other liabilities	**—**	**—**	**(1,250,750)**	**(1,250,750)**
Mortgages payable, net	**—**	**—**	**(92,096,188)**	**(106,588,155)**

16. Financial Instruments and Risk Management (Continued)

As at December 31, 2018

	Carrying Value			Fair Value
	FVTPL	**FVTOCI**	**Amortized Cost**	**Total**
Financial Assets and Liabilities				
Cash and cash equivalents	—	—	34,089	34,089
Accounts receivables	—	—	97,708	97,708
Due from related parties	—	—	2,870,835	2,870,835
Trade and other payables	—	—	(1,403,477)	(1,403,477)
Other liabilities	—	—	(1,160,547)	(1,160,547)
Mortgages payable, net	—	—	(89,588,937)	(89,134,702)

As at December 31, 2017

	Carrying Value			Fair Value
	FVTPL	**FVTOCI**	**Amortized Cost**	**Total**
Financial Assets and Liabilities				
Cash and cash equivalents	—	—	932,805	932,805
Accounts receivables	—	—	297,685	297,685
Trade and other payables	—	—	(1,851,495)	(1,851,495)
Other liabilities	—	—	(1,989,695)	(1,989,695)
Due to related parties	—	—	(6,977,603)	(6,977,603)
Mortgages payable, net	—	—	(115,115,619)	(118,559,527)

The fair value of the mortgages payable as at December 31, 2019, 2018 and 2017 was estimated by discounting expected cash flows using rates available for debt of similar terms and maturities at the end of each respective year.

Financial Risk Factors

The Portfolio's risk exposure and the impact on the Portfolio's financial instruments are summarized below:

(a) Credit risk

Financial instruments that potentially subject the Portfolio to significant concentrations of credit risk consist principally of cash and cash equivalents, accounts receivables and amounts due from related parties. The Portfolio's cash and cash equivalents are held at major US banks. The Portfolio regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

(b) Liquidity risk

The Portfolio is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Portfolio constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. All of the Portfolio's financial liabilities are due within one year except for mortgages payable.

	Carrying Amount	**Contractual cash flows**	**Within 1 year**	**1 to 2 years**	**2 to 5 years**
Trade and other payables	$ 554,674	$ 554,674	$ 554,674	$ —	$ —
Bank overdraft	340,791	340,791	340,791	—	—
Other liabilities	1,250,750	1,250,750	1,250,750	—	—
Mortgages payable, net	92,096,188	127,242,780	8,490,415	13,489,646	105,262,719
	$94,242,403	$129,388,995	$10,636,630	$13,489,646	$105,262,719

c) Interest rate risk

16. Financial Instruments and Risk Management (Continued)

The Portfolio is subject to interest rate risk from its mortgages payable. Mortgages owed by the Portfolio are comprised of both fixed rate instruments and instruments with variable interest rates. As at December 31, 2019, 2018 and 2017, the Portfolio had variable rate credit facilities in the amount of $362,604, $394,598 and $428,957, respectively. A 1% change in prevailing interest rates would change the annualized interest charges incurred by $3,626, $3,946 and $4,290, respectively.

17. Subsequent Events

On May 15, 2020, the Portfolio entered into a credit facility with Fannie Mae in the amount of $63,568,000. This new debt has a term of 144 months (30 year amortization period), of which 96 months is interest only at a fixed interest rate of 2.97% per annum. In association with this new debt, $42,468,853 of debt was retired.

On July 15, 2020, the Portfolio refinanced two investment properties with Fannie Mae in the amount of $6,240,000. This new debt has a term of 144 months (30 year amortization period), of which 96 months is interest only at a rate of 2.93%. In association with this new debt, $4,492,641 of debt was retired.

The Portfolio is contemplating selling interests of the Portfolio in a to-be-formed REIT, through an initial public offering.

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus disease), which has had a significant impact on businesses through the restrictions put in place by federal, state and local governments in the United States regarding travel, business operations and isolation/quarantine orders. At this time, the economic impact on the Portfolio of the COVID-19 pandemic and government measures to contain it has not been material. The majority of the Portfolio's assets are located in markets that, as yet, have not been affected as adversely by the pandemic as some more populous cities and states. However, the ultimate extent of the impact the COVID-19 pandemic may have on the Portfolio will depend on future developments that are highly uncertain and that cannot be predicted with confidence, such as the timing and extent of the spread of COVID-19, including in the markets in which the Portfolio operates; any intensification of the pandemic or government measures to contain it; and any changes in levels of governments financial support to individuals affected by the COVID-19 pandemic and economic downturn. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the pandemic, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by the federal, state and municipal governments.

LEGACY SSK PORTFOLIO

CONDENSED COMBINED INTERIM CARVE-OUT FINANCIAL STATEMENTS
(In US Dollars)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2020 AND 2019
(Unaudited)

LEGACY SSK PORTFOLIO

CONDENSED COMBINED INTERIM CARVE-OUT STATEMENTS OF FINANCIAL POSITION

(Unaudited)

As at
(Expressed in US dollars)

	Note	June 30, 2020	December 31, 2019 (Audited)
Current Assets			
Accounts receivables	**4**	**$ 119,807**	$ 124,944
Due from related parties	**10**	**5,950,674**	4,470,339
Prepaids and other assets	**5**	**146,220**	244,628
Total current assets		**6,216,701**	4,839,911
Investment properties	**6**	**187,626,686**	186,180,804
Property and equipment, net	**7**	**241,244**	235,190
Escrows	**8**	**1,426,023**	892,427
		189,293,953	187,308,421
Total Assets		**$195,510,654**	$192,148,332
Current Liabilities			
Bank overdraft		**$ 134,039**	$ 340,791
Trade and other payables		**542,576**	554,674
Other liabilities	**9**	**1,929,812**	1,250,750
Mortgages payable, net	**11**	**1,028,949**	5,743,094
Total current liabilities		**3,635,376**	7,889,309
Mortgages payable, net	**11**	**109,444,826**	86,353,094
Total liabilities		**113,080,202**	94,242,403
Divisional Equity	**12**	**82,430,452**	97,905,929
Total Liabilities and Divisional Equity		**$195,510,654**	$192,148,332

Subsequent events (Note 16)

The accompanying notes are an integral part of these condensed combined interim carve-out financial statements.

LEGACY SSK PORTFOLIO

CONDENSED COMBINED INTERIM CARVE-OUT STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

For the three and six month periods ended June 30, 2020 and 2019
(Expressed in US dollars)

	Note	Three months ended,		Six months ended,	
		2020	**2019**	**2020**	**2019**
Rental revenue		**$ 3,525,942**	$ 3,327,960	**$ 7,096,646**	$ 6,670,456
Property operating expenses		**820,309**	904,661	**1,826,474**	1,855,381
Net operating income		**2,705,633**	2,423,299	**5,270,172**	4,815,075
Other Expenses/(Income)					
General and Administrative	**10**	**175,346**	156,090	**353,408**	334,695
Depreciation	**7**	**8,591**	9,351	**25,291**	21,888
Fair value gain on investment properties	**6**	**(307,403)**	(4,780,836)	**(223,081)**	(9,700,763)
Loss on extinguishment of mortgages payable	**11**	**13,205,714**	—	**13,205,714**	—
Interest expense		**1,145,413**	1,260,828	**2,373,807**	2,516,666
Transaction costs		**44,005**	—	**44,005**	—
Net income (loss) and comprehensive income (loss)		**$(11,566,033)**	$ 5,777,866	**$(10,508,972)**	$11,642,589

The accompanying notes are an integral part of these combined carve-out financial statements.

LEGACY SSK PORTFOLIO

CONDENSED COMBINED INTERIM CARVE-OUT STATEMENTS OF CHANGES IN DIVISIONAL EQUITY (UNAUDITED)

For the six month periods ended June 30, 2020 and 2019
(Expressed in US dollars)

	Note	Divisional Equity
Balance at January 1, 2019 (Audited)		$ 77,601,154
Contributions	12	166,055
Distributions	12	(1,165,989)
Net income and comprehensive income		11,642,589
Balance at June 30, 2019		**$ 88,243,809**
Balance at January 1, 2020 (Audited)		$ 97,905,929
Distributions	12	(4,966,505)
Net loss and comprehensive loss		(10,508,972)
Balance at June 30, 2020		**$ 82,430,452**

The accompanying notes are an integral part of these condensed combined interim carve-out financial statements.

LEGACY SSK PORTFOLIO

CONDENSED COMBINED INTERIM CARVE-OUT STATEMENTS OF CASH FLOWS (UNAUDITED)

For the six month periods ended June 30, 2020 and 2019
(Expressed in US dollars)

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Cash flow provided by (used in) operating activities		
Net income (loss) and comprehensive income (loss)	$(10,508,972)	$11,642,589
Add (deduct) items not involving cash:		
Depreciation	25,291	21,888
Amortization of loan costs	104,143	114,877
Loss on extinguishment of mortgages payable	13,205,714	—
Fair value gain on investment properties	(223,081)	(9,700,763)
Change in non-cash working capital:		
Accounts receivables	5,137	(36,317)
Due from related parties	(1,480,336)	(120,576)
Prepaids and other assets	98,408	151,753
Escrows	(533,596)	(337,439)
Trade and other payables	(12,097)	(186,596)
Other liabilities	679,062	269,722
	1,359,673	1,819,138
Cash flow provided by (used in) financing activities		
Bank overdraft	(206,752)	105,761
Contributions from members	—	166,055
Distributions to members	(4,966,505)	(1,165,989)
Proceeds from mortgages payable	51,326,528	2,050,000
Mortgages payable issuance costs	(1,142,890)	(78,653)
Repayment of mortgages payable	(45,115,908)	(2,437,130)
	(105,527)	(1,359,956)
Cash flow provided by (used in) investing activities		
Additions to investment properties	(1,222,801)	(442,501)
Purchase of property and equipment	(31,345)	(50,770)
	(1,254,146)	(493,271)
Increase (decrease) in cash and cash equivalents	—	(34,089)
Cash and cash equivalents, beginning of period	—	34,089
Cash and cash equivalents, ending of period	$ —	$ —

The accompanying notes are an integral part of these condensed combined interim financial statements.

1. Nature of Operations

The Legacy SSK Portfolio as presented in these combined carve-out financial statements is not a legal entity (the "Portfolio"). It represents a portfolio of 17 properties and certain rental manufactured homes. For all periods presented in these condensed combined interim financial statements, the Portfolio was under the management of the same principals and therefore is considered to be under common management. As of June 30, 2020, the Portfolio's tenant base consists of residential MHCs operating in Indiana, Kentucky, Ohio, and Tennessee with a total of 3,530 lots (December 31, 2019 — 3,524 lots). The credit risk in respect of the Portfolio, therefore, is concentrated in the MHC industry. The Portfolio's head office is located at 467 Erlanger Road, Erlanger Kentucky, 41018.

These condensed combined interim carve-out financial statements were approved by the Portfolio's Managing Member, Kurtis Keeney on September 25, 2020.

2. Basis of Presentation

(a) Statement of compliance and carve-out

The condensed combined interim carve-out financial statements are prepared in accordance with a financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107, Acceptable Accounting Principles and Auditing Standards ("subsection 3.11(6)"), for carve-out financial statements. Subsection 3.11(6) requires the Portfolio to select from a specified list of financial reporting frameworks.

The Portfolio's condensed combined interim carve-out financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". Accordingly, these condensed combined interim carve-out financial statements do not include all information required for full annual financial statements and should be read in conjunction with the audited combined carve-out financial statements of the Portfolio for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The condensed combined interim carve-out financial statements were prepared for the purposes of exclusion of certain operational assets and liabilities of the Portfolio. The Portfolio has also presented transactions that would generally be included in members' equity section as other divisional equity. The assets and liabilities, and associated accounts that have not been presented as part of the condensed combined interim carve-out financial statements are those related to the Beechwood Austin entity.

(b) Basis of presentation

These condensed combined interim carve-out financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment properties that are measured at fair value, as detailed in the Portfolio's accounting policies. The Portfolio's interests in its investment properties are held in specific limited liability entities, which are under common control.

(c) Functional and presentation currency

The Portfolio and its subsidiaries' functional currency is the US dollar. These condensed combined interim carve-out financial statements are presented in US dollars.

(d) Principles of combination

The Portfolio combines its interest in entities which are under common control. Control is defined by the power to govern an entity's financial and operating policies so as to be able to obtain benefits from its activities. All intercompany balances and

2. Basis of Presentation (Continued)

transactions have been eliminated on combination. The entities of the Portfolio that have been combined are as follows as at June 30, 2020 and December 31, 2019:

Legal Entity	Park Name	2020	2019
South Louis MHP, LLC	Whispering Oaks Pointe	Yes	Yes
SSK Company, LLC	Asbury Pointe, Heartland Pointe	Yes	Yes
SSK Company Louisville, LLC	Ashley Pointe	Yes	Yes
Middletown SSK, LLC	Applewood Pointe	Yes	Yes
Indiana MHC SSK, LLC	Amberly Pointe, Berkshire Pointe	Yes	Yes
Fairdale SSK, LLC	Barrington Pointe, Copperstone Pointe	Yes	Yes
Sellersburg SSK, LLC	Indian Oaks Pointe	Yes	Yes
Indianapolis LLC	Adams Pointe	Yes	Yes
Richmond MHP, LLC	Bradbury Pointe	Yes	Yes
Williamstown MHC, LLC	Cherry Hill Pointe, Indian Hill Pointe	Yes	Yes
550 Rosewood, LLC	Rosewood Pointe	Yes	Yes
SKW2, LLC	Country Living Pointe	Yes	Yes
Ft. Mitchell MHC, LLC	Beechwood Ft. Mitchell	Yes	Yes
Declaration Homes LLC	N/A	Yes	Yes

(e) Use of estimates, judgments and assumptions

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

Estimates

Investment properties — The fair value of investment properties is dependent on available comparable transactions, future cash flows over the holding period and discount rates and capitalization rates applicable to those assets. The review of anticipated cash flows involves assumptions relating to occupancy and rental rates. In addition to reviewing anticipated cash flows, management assesses changes in the business climate and other factors which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

3. Significant Accounting Policies

These condensed combined interim carve-out financial statements follow the same accounting policies as described in the combined carve-out financial statements for the year ended December 31, 2019 with the exception of the following new accounting amendments that was issued by the IASB and is applicable to the period:

Accounting Policies Adopted During the Period

Beginning on January 1, 2020, the Portfolio adopted certain IFRS amendments as disclosed below:

Conceptual Framework

Beginning January 1, 2020, the Portfolio adopted the revised Conceptual Framework for Financial Reporting (“revised conceptual framework”). The revised conceptual framework does not constitute a substantial revision from the previously effective guidance, but does provide additional guidance on topics not previously covered such as presentation and disclosure. The adoption of the revised conceptual framework did not have a material impact on the condensed combined interim financial statements.

4. Accounts receivables

	As at June 30, 2020	As at December 31, 2019
		(Audited)
Tenant receivables	**$118,612**	$124,944
Other	**1,195**	—
Total	**$119,807**	$124,944

Tenant receivables include minimum rent, annual common area maintenance, property tax recovery billings and other recoverable charges. The tenant receivables are shown net of bad debt expenses. Bad debts are estimated losses resulting from the inability of tenants to meet obligations under lease agreements. The Portfolio actively reviews receivables and determines the potentially uncollectible accounts on a per-tenant basis. An accounts receivable is written down to its estimated realizable value when the Portfolio has reason to believe that the tenant will not be able to fulfill its obligations under the lease agreement.

5. Prepaids and other assets

The Portfolio's prepaids and other assets mainly consist of prepaid insurance related to general and liability coverage.

6. Investment properties

Changes to the investment properties are summarized as follows:

	As at June 30, 2020	As at December 31, 2019
		(Audited)
Balance, beginning of period	**$186,180,804**	$165,632,614
Additions	**1,222,801**	815,809
Fair value gain on investment properties	**223,081**	19,732,381
Balance, end of period	**$187,626,686**	$186,180,804

The Portfolio 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 method. The direct capitalization method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over an investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

A significant change in occupancy rates, rents or capitalization rates per annum would result in a significant change in the fair value. Generally, a change in estimated rent is accompanied by a directionally similar change in rent growth per annum assumption and an opposite change in future vacancy rate estimates. The key metrics of the capitalization rates applicable to the Portfolio are as follows:

Capitalization Rates	June 30, 2020	December 31, 2019
High	5.75%	5.75%
Low	5.75%	5.75%
Weighted Average	5.75%	5.75%
% Change		
+0.025	4.17%	4.17%
−0.025	(4.56%)	(4.56%)
$ Change		
+0.025	($7,826,050)	($7,617,218)
−0.025	$8,557,457	$8,329,107

The fair values of investment properties are most sensitive to changes in capitalization rates.

7. Property and Equipment, net

	Office and maintenance equipment	Total
Cost		
At January 1, 2020 (Audited)	$1,040,779	$1,040,779
Additions	31,345	31,345
At June 30, 2020	**$1,072,124**	**$1,072,124**
Accumulated depreciation		
At January 1, 2020 (Audited)	$ 805,589	$ 805,589
Additions	25,291	25,291
At June 30, 2020	**$ 830,880**	**$ 830,880**
Net book value		
At December 31, 2019	$ 235,190	$ 235,190
At June 30, 2020	**$ 241,244**	**$ 241,244**

8. Escrows

Escrows for real estate taxes and insurance are maintained under the control of the mortgagor for the payment of taxes and insurance on behalf of the Portfolio. As at June 30, 2020, the Portfolio had escrow balances of $1,426,023 (December 31, 2019 — $892,427).

9. Other Liabilities

	As at June 30, 2020	As at December 31, 2019
		(Audited)
Accruals	**$ 880,039**	$ 318,200
Tenant security deposits	**795,567**	765,119
Unearned revenue	**254,206**	167,431
Total	**$1,929,812**	$1,250,750

10. Related Party Transactions

The following is a description of transactions between the Portfolio and related parties:

Accounts Payable and Receivable

As at June 30, 2020, the Portfolio had amounts receivable due from related parties of $5,950,674 (December 31, 2019 — $4,470,339). The receivables from related parties are related to the normal course of operations, are non-interest bearing and have no terms of repayment.

Other Services

For the six month period ended June 30, 2020, $226,729 (2019 — $158,967) of services were provided by affiliates, which services include HVAC, paving/concrete repair, mobile home transportation, legal and landscape services. These affiliates are considered related parties as they are directors (or related to directors) or employees of the Portfolio.

10. Related Party Transactions (Continued)

Management Fees

For the six month period ended June 30, 2020, the Portfolio incurred expenses related to management fees from MHC Management, LLC, an entity with common ownership of $312,484 (2019 — $283,852). Management fees are included in general and administrative expenses in the Condensed Combined Interim Carve-Out Statements of Net Income and Comprehensive Income.

11. Mortgages payable, net

Mortgages payable are shown net of unamortized deferred financing costs. The balances are as follows:

	As at June 30, 2020	As at December 31, 2019
		(Audited)
Mortgages payable	**$112,124,492**	$93,620,593
Unamortized deferred financing costs	**(1,650,717)**	(1,524,405)
Total mortgages payable	**110,473,775**	92,096,188
Less: current portion	**(1,028,949)**	(5,743,094)
Amount classified as non-current portion	**$109,444,826**	$86,353,094

The Portfolio's weighted average contractual annual interest rate on its mortgages payable as of June 30, 2020 was approximately 4.04% (December 31, 2019 — 5.20%), which excludes the impact of the amortization of deferred financing costs.

The mortgages payable balances as at June 30, 2020, excluding unamortized deferred financing costs, are due as follows:

2020	$ 515,962
2021	1,967,176
2022	983,068
2023	1,035,661
2024	1,077,736
2025	1,141,738
Thereafter	$105,403,150

During the six month period ended June 30, 2020, the Portfolio recorded a loss on extinguishment of mortgages payable of $13,205,714 (2019 — $Nil) related to the amount the Portfolio paid to retire its debt in excess of its carrying value and from recognizing unamortized deferred financing costs in profit or loss at the time of debt extinguishment.

During the year ended December 31, 2019, the Portfolio recorded a loss on extinguishment of mortgages payable of $146,371 related to the amount the Portfolio paid to retire its debt in excess of its carrying value and from recognizing unamortized deferred financing costs in profit or loss at the time of debt extinguishment.

The Portfolio's mortgages payable contain customary representations, warranties, and events of default, which require the Portfolio to comply with affirmative and negative covenants. As at June 30, 2020, the Portfolio was in compliance with all financial covenants relating to its mortgages payable.

12. Divisional Equity

During the six month period ended June 30, 2020, members funded capital contributions to the Portfolio of $Nil (2019 — $166,055). During the six month period ended June 30, 2020, the Portfolio made distributions to members of $4,966,505 (2019 — $1,165,989).

13. Commitment and Contingencies

The Portfolio is subject to claims and litigation in the ordinary course of business. Management does not believe that any such claim or litigation will have a material adverse effect on the business, assets, or results of operations of the Portfolio. There was no litigation or claims during the six month periods ended June 30, 2020 and 2019.

14. Capital Management

The Portfolio defines its capital as the aggregate of mortgages payable and divisional equity. The Portfolio's primary objectives when managing capital are to meet its repayment obligations under its mortgage facility and to ensure there are sufficient funds available to finance operations and to meet capital commitments. There have been no changes to the Portfolio's objectives and what it manages as capital for the six month periods ended June 30, 2020 and 2019. The Portfolio is not subject to externally imposed capital requirements aside from covenants contained within the mortgages payable, with which the Portfolio is in full compliance.

15. Financial Instruments and Risk Management

Financial Instruments

The carrying values of the Portfolio's short-term financial assets and liabilities approximate their fair values due to their short periods to maturity.

Fair Value Hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

Level 1 — quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 — inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data

Level 3 — inputs for assets and liabilities not based upon observable market data

The following table summarizes information about financial assets and liabilities measured at fair value on a recurring basis in the combined statement of financial position and categorized by level of significance of the inputs used in making the measurements:

As at June 30, 2020	FVTPL	Carrying Value FVTOCI	Amortized Cost	Fair Value Total
Financial Assets and Liabilities				
Cash and cash equivalents			—	—
Accounts receivables	—	—	119,807	119,807
Due from related parties	—	—	5,950,674	5,950,674
Bank overdraft	—	—	(134,039)	(134,039)
Trade and other payables	—	—	(542,576)	(542,576)
Other liabilities	—	—	(1,929,812)	(1,929,812)
Mortgages payable, net	—	—	(110,473,775)	(125,080,743)

As at December 31, 2019	FVTPL	Carrying Value FVTOCI	Amortized Cost	Fair Value Total
Financial Assets and Liabilities				
Cash and cash equivalents			—	—
Accounts receivables	—	—	124,944	124,944
Due from related parties	—	—	4,470,339	4,470,339
Bank overdraft	—	—	(340,791)	(340,791)
Trade and other payables	—	—	(554,674)	(554,674)
Other liabilities	—	—	(1,250,750)	(1,250,750)
Mortgages payable, net	—	—	(92,096,188)	(106,588,155)

The fair value of the mortgages payable as at June 30, 2020 was estimated by discounting expected cash flows using rates available for debt of similar terms and maturities at the end of each respective year.

15. Financial Instruments and Risk Management (Continued)

Financial Risk Factors

The Portfolio's risk exposure and the impact on the Portfolio financial instruments are summarized below:

(a) Credit risk

Financial instruments that potentially subject the Portfolio to significant concentrations of credit risk consist principally of cash and cash equivalents, accounts receivables and amounts due from related parties. The Portfolio's cash and cash equivalents are held at major US banks. The Portfolio regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

(b) Liquidity risk

The Portfolio is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Portfolio constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. All of the Portfolio's financial liabilities are due within one year except for mortgages payable.

	Carrying Amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	5+ years
Bank overdraft	$ 134,039	$ 134,039	$ 134,039	$ —	$ —	$ —
Trade and other payables	542,576	542,576	542,576	—	—	—
Other liabilities	1,929,812	1,929,812	1,929,812	—	—	—
Mortgages payable	110,473,775	152,711,136	2,752,259	11,565,231	15,667,487	122,726,159
	$113,080,202	$155,317,563	$5,358,686	$11,565,231	$15,667,487	$122,726,159

(c) Interest rate risk

The Portfolio is subject to interest rate risk from its mortgages payable. Mortgages owed by the Portfolio are comprised of both fixed rate instruments and instruments with variable interest rates. As at June 30, 2020, the Portfolio has variable rate credit facilities in the amount of $Nil (December 31, 2019 — $362,604). A 1% change in prevailing interest rates would change the annualized interest charges incurred by $Nil (2019 — $3,626).

16. Subsequent Events

On July 15, 2020, the Portfolio refinanced two investment properties with Fannie Mae in the amount of $6,240,000. This new debt has a term of 144 months (30 year amortization period), of which 96 months is interest only at a fixed interest rate of 2.93%. In association with this new debt, $4,492,641 of debt was retired.

The Portfolio is contemplating selling interests of the Portfolio in a to-be-formed REIT, through an initial public offering.

Subsequent to quarter-end, there was a global outbreak of COVID-19 (coronavirus disease), which has had a significant impact on businesses through the restrictions put in place by federal, state and local governments in the United States regarding travel, business operations and isolation/quarantine orders. At this time, the economic impact on the Portfolio of the COVID-19 pandemic and government measures to contain it has not been material. The majority of the Portfolio's assets are located in markets that, as yet, have not been affected as adversely by the pandemic as some more populous cities and states. However, the ultimate extent of the impact the COVID-19 pandemic may have on the Portfolio will depend on future developments that are highly uncertain and that cannot be predicted with confidence, such as the timing and extent of the spread of COVID-19, including in the markets in which the Portfolio operates; any intensification of the pandemic or government measures to contain it; and any changes in levels of governments financial support to individuals affected by the COVID-19 pandemic and economic downturn. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the pandemic, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by the federal, state and municipal governments.

FLAGSHIP COMMUNITIES, LLC

CONSOLIDATED CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019
AND PERIOD FROM MARCH 11, 2018
(DATE OF INCORPORATION)
TO DECEMBER 31, 2018
(In US Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Members of Flagship Communities, LLC:

Opinion

We have audited the consolidated carve-out financial statements of Flagship Communities, LLC and its subsidiaries (the "Company"), which comprise the consolidated carve-out statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated carve-out statements of net income and comprehensive income, changes in divisional equity and cash flows for the year ended December 31, 2019 and for the period from March 11, 2018 (date of incorporation) to December 31, 2018, and notes to the consolidated carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated carve-out financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated carve-out financial performance and its consolidated carve-out cash flows for the year ended December 31, 2019 and for the period from March 11, 2018 to December 31, 2018, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Carve-Out Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated carve-out financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated carve-out financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated carve-out financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated carve-out financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Carve-Out Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated carve-out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated carve-out financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Carve-Out Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated carve-out financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated carve-out financial statements, including the disclosures, and whether the consolidated carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated carve-out financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Toronto, Ontario
September 28, 2020

Chartered Professional Accountants
Licensed Public Accountants

FLAGSHIP COMMUNITIES, LLC

CONSOLIDATED CARVE-OUT STATEMENTS OF FINANCIAL POSITION

As at
(Expressed in US dollars)

	Note	December 31, 2019	December 31, 2018
Current Assets			
Cash and cash equivalents		**$ 2,632,346**	$ 1,792,145
Accounts receivables, net	**4**	**302,900**	211,350
Due from related parties	**14**	**2,381,599**	2,055,554
Prepaids and other assets	**5**	**132,776**	112,101
Total current assets		**5,449,621**	4,171,150
Investment properties	**6**	**194,827,109**	141,449,272
Property and equipment, net	**7**	**247,980**	21,661
Escrows	**8**	**971,209**	452,972
		196,046,298	141,923,905
Total Assets		**$201,495,919**	$146,095,055
Current Liabilities			
Trade and other payables		**$ 14,115**	$ 303,798
Other liabilities	**9**	**2,107,928**	1,539,485
Mortgages payable, net	**10**	**1,293,908**	75,301
Total current liabilities		**3,415,951**	1,918,584
Mortgages payable, net	**10**	**95,966,022**	77,394,361
Total liabilities		**99,381,973**	79,312,945
Divisional Equity			
Members' equity	**11**	**102,085,931**	66,773,577
Contributed surplus	**12**	**28,015**	8,533
Total Divisional Equity		**102,113,946**	66,782,110
Total Liabilities and Divisional Equity		**$201,495,919**	$146,095,055

Subsequent events (Note 18)

The accompanying notes are an integral part of these consolidated carve-out financial statements.

FLAGSHIP COMMUNITIES, LLC

CONSOLIDATED CARVE-OUT STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

For the year ended December 31, 2019 and period from March 11, 2018 (date of incorporation) to December 31, 2018 (Expressed in US dollars)

	Note	For the year ended December 31, 2019	For the period from March 11, 2018 (date of incorporation) to December 31, 2018
Revenues:			
Rental revenue		**$ 15,439,609**	$ 7,269,198
Property operating expenses		**6,529,691**	3,056,737
Net operating income		**8,909,918**	4,212,461
Other Expenses/(Income)			
General and Administrative	**14**	**1,010,613**	530,477
Depreciation	**7**	**15,507**	607
Share-based compensation	**12**	**19,482**	8,533
Fair value gain on investment properties	**6**	**(25,455,799)**	(14,800,077)
Transaction costs		**174,656**	5,168,409
Bargain purchase gain	**13**	**—**	(18,467,258)
Interest expense		**4,244,544**	2,136,437
Net income and comprehensive income		**$ 28,900,915**	$ 29,635,333

The accompanying notes are an integral part of these consolidated carve-out financial statements.

FLAGSHIP COMMUNITIES, LLC

CONSOLIDATED CARVE-OUT STATEMENTS OF CHANGES IN DIVISIONAL EQUITY

For the year ended December 31, 2019 and period from March 11, 2018
(date of incorporation) to December 31, 2018
(Expressed in US dollars)

	Note	Contributed Surplus	Members' Equity	Total Divisional Equity
Balance at March 11, 2018 (date of corporation)		$ —	$ —	$ —
Distributions	**11**	—	(694,640)	(694,640)
Redemptions	**11**	—	(3,395,836)	(3,395,836)
Contributions	**11**	—	31,395,836	31,395,836
Series A-2 rollover equity	**11**	—	9,832,884	9,832,884
Share-based compensation	**12**	8,533	—	8,533
Net income and comprehensive income		—	29,635,333	29,635,333
Balance at December 31, 2018		$ 8,533	$ 66,773,577	$ 66,782,110
Contributions	**11**	—	9,000,000	9,000,000
Distributions	**11**	—	(2,588,561)	(2,588,561)
Share-based compensation	**12**	19,482	—	19,482
Net income and comprehensive income		—	28,900,915	28,900,915
Balance at December 31, 2019		**$28,015**	**$102,085,931**	**$102,113,946**

The accompanying notes are an integral part of these consolidated carve-out financial statements.

FLAGSHIP COMMUNITIES, LLC

CONSOLIDATED CARVE-OUT STATEMENTS OF CASH FLOWS

For the year ended December 31, 2019 and period from March 11, 2018 (date of incorporation) to December 31, 2018 (Expressed in US dollars)

	2019	2018
Cash flow provided by (used in) operating activities		
Net income and comprehensive income	**$ 28,900,915**	$ 29,635,333
Add (deduct) items not involving cash		
Depreciation	**15,507**	607
Amortization of loan costs	**191,657**	102,098
Share-based payments	**19,482**	8,533
Fair value gain on investment properties	**(25,455,799)**	(14,800,077)
Transfer of investment properties to intercompany	**232,620**	128,132
Bargain purchase gain	**—**	(18,467,258)
Change in non-cash working capital		
Accounts receivables	**(91,550)**	111,688
Due from related parties	**(326,045)**	(2,055,554)
Prepaids and other assets	**(20,675)**	1,014,495
Escrows	**(518,237)**	(452,972)
Trade and other payables	**(289,683)**	(1,128,431)
Other liabilities	**568,443**	1,539,485
	3,226,635	(4,363,921)
Cash flow provided by financing activities		
Contributions from members	**9,000,000**	31,395,836
Distributions to members	**(2,588,561)**	(694,640)
Redemptions by members	**—**	(3,395,836)
Proceeds from mortgages payable	**19,789,248**	78,390,830
Mortgages payable issuance costs	**(78,113)**	(1,440,572)
Repayment of mortgages payable	**(112,524)**	(15,421)
	26,010,050	104,240,197
Cash flow (used in) investing activities		
Cash paid for acquisitions	**(25,994,952)**	(96,932,093)
Additions to investment properties	**(2,159,706)**	(1,129,770)
Purchase of property and equipment	**(241,826)**	(22,268)
	(28,396,484)	(98,084,131)
Increase in cash and cash equivalents	**840,201**	1,792,145
Cash and cash equivalents, beginning of period	**1,792,145**	—
Cash and cash equivalents, ending of period	**$ 2,632,346**	$ 1,792,145
Non cash transactions:		
Series A-2 Units issued to owners	**$ —**	$ 9,832,884

The accompanying notes are an integral part of these consolidated carve-out financial statements.

1. Nature of Operations

Flagship Communities, LLC (the "Company"), f/k/a MID-A, LLC, was formed as a Delaware limited liability company on March 11, 2018 primarily for the purpose of engaging in the acquisition, development, redevelopment, repositioning, leasing, ownership, and operation of real estate investments and providing property-related services with respect to these projects. The Company began operations on May 24, 2018, focusing its operations on land leases, the sale of manufactured homes, and manufactured home rentals (Note 13). As of December 31, 2019, the Company's tenant base consisted of MHCs operating in Indiana, Kentucky, Ohio, and Tennessee with a total of 4,648 lots. The Company's credit risk, therefore, is concentrated in the MHC industry. The Company's head office is located at 467 Erlanger Road, Erlanger Kentucky, 41018.

These consolidated carve-out financial statements were authorized for issue by the Company's board of directors (the "Board") on September 25, 2020.

2. Basis of Presentation

(a) Statement of compliance and carve-out

The consolidated carve-out financial statements are prepared in accordance with a financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107, Acceptable Accounting Principles and Auditing Standards ("subsection 3.11(6)"), for carve-out financial statements. Subsection 3.11(6) requires the Company to select from a specified list of financial reporting frameworks.

These consolidated carve-out financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below have been applied consistently to all periods presented. The consolidated carve-out financial statements were prepared for the purposes of exclusion of certain operational assets and liabilities of the Company. The Company has also presented transactions that would generally be included in members' equity section as other divisional equity. The assets and liabilities, and associated accounts that have not been presented as part of the consolidated carve-out financial statements are:

AHS II — This entity includes the Home Sales Division consisting of mobile homes inventory.
Baker St. LLC — This entity includes lease to own sales and loan receivables.

(b) Basis of presentation

These consolidated carve-out financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment properties that are measured at fair value, as detailed in the Company's accounting policies.

(c) Functional and presentation currency

The Company and its subsidiaries' functional currency is the US dollar. These consolidated carve-out financial statements are presented in US dollars.

(d) Principles of consolidation

The Company consolidates its interest in entities which it has common control. Control is defined by the power to govern an entity's financial and operating policies so as to be able to obtain benefits from its activities. All intercompany balances and

2. Basis of Presentation (Continued)

transactions have been eliminated on consolidation. The principal wholly-owned subsidiaries of the Company that have been consolidated are as follows as at December 31, 2019 and 2018:

Legal Entity	Park Name	2019	2018
Florence MHC, LLC	Mosbys Pointe	Yes	Yes[1]
Valley Station 1, LLC	Autumn Lake Pointe	Yes	Yes[1]
V-Station, LLC	Logan's North Pointe, Mills Pointe, Johnsontown Pointe	Yes	Yes[1]
Cincy MHP, LLC	Logan's South Pointe	Yes	Yes[1]
Charlie's Homes LLC	N/A	Yes	Yes[1]
Evansville MHC, LLC	Grandin Pointe	Yes	Yes[1]
Vanderburgh MHC, LLC	Waterford Pointe	Yes	Yes[1]
Owensboro MHC, LLC	Riverbend Pointe	Yes	Yes[1]
Carrollton MHC, LLC	Oakview Pointe	Yes	Yes[1]
Alexandria MHC, LLC	Derby Hills Pointe	Yes	Yes[1]
Campbell 27, LLC	Campbell Pointe	Yes	Yes[1]
Paducah MHC, LLC	Westridge Pointe	Yes	Yes[1]
Walton MHC, LLC	Deer Trace Pointe	Yes	Yes[1]
Independence MHC, LLC	Hillcrest Pointe	Yes	Yes
South Warrick MHC, LLC	Summit View Pointe	Yes	Yes
Chandler MHC, LLC	Pinecrest Pointe	Yes	Yes
Newburgh MHC, LLC	Heritage East Pointe	Yes	Yes
Warrick County MHC, LLC	Heritage West Pointe	Yes	Yes
2850 Allen, LLC	Carolina Pointe	Yes	No
West Carrollton MHC, LLC	Harmony Pointe	Yes	No
Dry Ridge MHC, LLC	Aspen Pointe	Yes	No
Harrison MHC, LLC	Seven Oaks Pointe	Yes	No
Bartholomew MHC, LLC	Tannehill Pointe	Yes	No
Hamblen MHC LLC	Crestmore Pointe	Yes	No
McCracken MHC, LLC	Southwood Pointe	Yes	No

(1) Entities acquired on May 24, 2018 (Note 13)

(e) Use of estimates, judgments and assumptions

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

Estimates

Investment properties — The fair value of investment properties is dependent on available comparable transactions, future cash flows over the holding period and discount rates and capitalization rates applicable to those assets. The review of anticipated cash flows involves assumptions relating to occupancy and rental rates. In addition to reviewing anticipated cash flows, management assesses changes in the business climate and other factors which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

Unit awards — The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the unit option, volatility and dividend yield and making assumptions about them.

2. Basis of Presentation (Continued)

Judgements

Business combinations — When the Company acquires new investment properties, the Company reviews each acquisition in accordance with IFRS 3 to determine if it qualifies as an asset or business acquisition. It reviews each acquisition to determine if inputs, processes and outputs have been acquired to ensure each such acquisition is accounted for appropriately.

3. Significant Accounting Policies

A summary of the significant accounting policies, which have been applied consistently to all periods presented in the accompanying consolidated carve-out financial statements are set out below:

Cash and Cash Equivalents

The Company considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Investment Properties

A property is determined to be an investment property when it is held either to earn rental income, capital appreciation or both. Investment properties include land, buildings, land improvements, building improvements and certain intangibles such as in-place leases and non-competes, if any. Investment properties are initially valued at cost, and subsequently are measured at fair value. Unrealized gains and losses arising from changes in fair value are included in the Consolidated Carve-Out Statements of Net Income and Comprehensive Income in the applicable period. Fair values are determined through a combination of internal management valuations as well as external appraisers. The fair value of each investment property is based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the balance sheet date, less future estimated cash outflows in respect of such properties.

The acquisition of investment properties is initially measured at cost including directly attributable acquisition costs, except when acquired through a business combination, where such costs are expensed as incurred. Costs incurred for the acquisition, development, and construction of properties are capitalized to the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably. To the extent such costs exceed the estimated fair value of such property, the excess would be expensed. All repairs and maintenance costs are expensed as incurred.

Acquisition of Investment Properties

Per IFRS 3 — *Business Combinations*, a business combination must involve the acquisition of a business, which generally has three elements: inputs, processes and outputs. During the period from March 11, 2018 (date of incorporation) to December 31, 2018, the Company recorded the acquisitions of income-producing real estate or real estate that will be used for the production of income as business combinations. All assets acquired and liabilities assumed in a business combination were measured at their acquisition date fair values. Acquisition costs were expensed as incurred.

On October 22, 2018, the IASB issued a narrow scope amendment to IFRS 3. This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. This amendment is effective on January 1, 2020 and is to be applied prospectively. The Company adopted the amendment to IFRS 3 in its consolidated carve-out financial statements on March 11, 2018 (date of incorporation). However, the Company elected to apply the concentration test and treated all acquisitions as asset acquisitions in 2019.

During the year ended December 31, 2019, the Company recorded all acquisitions of income-producing real estate or real estate that will be used for the production of income as an asset acquisition as a result of the concentration test, as substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or group of similar identifiable assets. The Company elected to apply the concentration test and treated all acquisitions in 2019 as asset acquisitions. All assets acquired and liabilities assumed in an asset acquisition were recorded at cost and allocated to assets and liabilities based on their relative fair values. Acquisition costs are capitalized and amortized over the life of the assets.

3. Significant Accounting Policies (Continued)

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation. The straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives. Property and equipment consist of maintenance and office equipment. Costs of maintenance and repairs are charged to expense when incurred.

Depreciation is calculated on a straight-line basis over the expected useful life of the asset as follows:

Office equipment	— 5 to 10 years
Maintenance equipment	— 5 to 10 years

Impairment of non-financial assets

Intangible assets with a finite useful life are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Escrows

Escrows for real estate taxes and insurance are maintained under the control of the mortgagor for the payment of taxes and insurance on behalf of the Company.

Deferred Finance Charges

The Company measures its debt at amortized cost using the effective interest method. All interest-related charges are reported in the Consolidated Carve-Out Statements of Net Income and Comprehensive Income and are included within Interest expense, except for those interest-related charges capitalized to qualifying properties under development or rental properties. Mortgages payables are netted against the transaction costs, and the effective interest method of amortization is applied to the premiums, discounts and transaction costs.

Revenue Recognition

The Company has retained substantially all of the risks and benefits of ownership of its investment properties and as such accounts for its leases with tenants as operating leases. Revenue from investment properties include rents from tenants under leases, property tax and operating cost recoveries, lease cancellation fees, and late fees. Recoveries from tenants are recognized as revenue in the period in which the applicable costs are incurred. Lease cancellation fees are recognized as revenue once an agreement is completed with the tenant to terminate the lease and the collectability is reasonably assured. Revenue is measured at the transaction price agreed under the contract, and is recognized at the point in time in which control over the property has been transferred. Customer deposits received are held in trust. Payments made in advance of scheduled due dates are included in unearned revenue.

The Company adopted IFRS 15 *Revenue from Contracts with Customers*, effective on March 11, 2018 (date of incorporation). IFRS 15 supersedes previous accounting standards for revenue, including IAS 18, *Revenue* (IAS 18) and IFRIC 13, *Customer loyalty programmes* (IFRIC 13).

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

3. Significant Accounting Policies (Continued)

Financial instruments

The Company adopted IFRS 9 *Financial Instruments* on March 11, 2018 (date of incorporation).

Classification

On initial recognition, the Company determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss (FVTPL)
3. Measured at fair value through other comprehensive income (FVOCI)

The classification under IFRS 9 is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met:

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

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the Company may irrevocably elect, on initial recognition, to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives), or if the Company has chosen to evaluate them at FVTPL.

The Company has assessed the classification and measurement of its financial instruments under IFRS 9 as follows:

Financial Instrument	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Accounts receivables	Amortized cost
Due from related parties	Amortized cost
Trade and other payables	Amortized cost
Other liabilities	Amortized cost
Mortgages payable	Amortized cost

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 or 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 Carve-Out Statements of Net Income and Comprehensive Income. Income arising in the form of interest, dividends, or

3. Significant Accounting Policies (Continued)

similar, is recognized through the Consolidated Carve-Out Statements of Net Income and Comprehensive Income when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

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 Carve-Out Statements of Net Income and Comprehensive Income when the right to receive payment is established, the economic benefits will flow to the Company, 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 account receivables 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 Carve-Out 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 Carve-Out 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 Company 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 and losses from the derecognition are recognized in the Consolidated Carve-Out Statements of Net Income and Comprehensive Income.

Financial liabilities — The Company derecognizes a financial liability when the obligation specified in the contract is discharged, canceled or expired. 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 Carve-Out Statements of Net Income and Comprehensive Income.

Leases

On January 13, 2016, the IASB issued IFRS 16 *Leases*. The new standard is effective for annual periods beginning January 1, 2019. The Company adopted IFRS 16 on March 11, 2018 (date of incorporation). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The adoption of IFRS 16 had no material effect on the Company's consolidated carve-out financial statements.

Income Taxes

The Company is treated as a partnership for U.S. federal income tax purposes. Consequently, U.S. federal income taxes are not payable or provided for by the Company. Members are taxed individually on their pro rata ownership share of the Company's earnings. The Company's net income or loss is allocated among the members in accordance with the Company's operating agreement.

Unit Awards

The Company records stock-based compensation related to units granted using the estimated fair value of the units at the date of grant. The estimated fair value is expensed as grantee benefits over the period in which grantee unconditionally become entitled to the award.

3. Significant Accounting Policies (Continued)

The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related services and non-market performance conditions at the vesting date. The corresponding charge is to contributed surplus. The Company estimates the fair value of units using a third-party valuator, or recent financings completed by the Company.

Future Accounting Pronouncements

Conceptual Framework

On March 29, 2018, the IASB issued its revised Conceptual Framework for Financial Reporting. The revised Conceptual Framework does not constitute a substantial revision from the previously effective guidance, but does provide additional guidance on topics not previously covered such as presentation and disclosure. This amendment is effective on January 1, 2020. The Company intends to adopt this amendment in its consolidated financial statements for the annual period beginning January 1, 2020. The adoption of the revised Conceptual Framework for Financial Reporting is not expected to have a material impact on the consolidated carve-out financial statements.

4. Accounts receivables, net

	December 31, 2019	December 31, 2018
Tenant receivables	**$264,570**	$213,182
Allowance for credit losses	**(40,772)**	(34,463)
Other	**79,102**	32,631
Total	**$302,900**	$211,350

Tenant receivables include minimum rent, annual common area maintenance, property tax recovery billings and other recoverable charges. An allowance for credit losses is maintained for estimated losses resulting from the inability of tenants to meet obligations under lease agreements. The Company actively reviews receivables and determines the potentially uncollectible accounts on a per-tenant basis. An accounts receivable is written down to its estimated realizable value when the Company has reason to believe that the tenant will not be able to fulfill its obligations under the lease agreement.

5. Prepaids and other assets

The Company's prepaids and other assets mainly consist of prepaid insurance related to general and liability coverage.

6. Investment Properties

Changes to the investment properties are summarized as follow:

	As at December 31, 2019	As at December 31, 2018
Balance, beginning of period	$141,449,272	$ —
Acquisitions (Note 13)	25,994,952	125,647,557
Other additions	2,159,706	1,129,770
Transferred to intercompany	(232,620)	(128,132)
Fair value gain on investment properties	25,455,799	14,800,077
Balance, end of year	**$194,827,109**	**$141,449,272**

On May 24, 2018, the Company began operations by acquiring the MHC Entities for $114,200,000 (Note 13). During the period ended December 31, 2018, the Company acquired additional properties, Independence MHC for $2,543,931, and Evansville Four for $8,903,626. Other cost additions during the period were $1,129,770. During the year ended December 31, 2019, acquisitions totalled $25,994,952. Other cost additions during the year were $2,159,706. For the period ended December 31, 2018 and year ended

6. Investment Properties (Continued)

December 31, 2019, the Company transferred $128,132 and $232,620, respectively, of mobile homes assets to inventory, which is part of the homes sales division carved out of the financial statements. They were included as due from related parties.

The Company 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 method. The direct capitalization method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over an investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

A significant change in occupancy rates, rents or capitalization rates per annum would result in a significant change in the fair value. Generally a change in estimated rent is accompanied by a directionally similar change in rent growth per annum assumption and an opposite change in future vacancy rate estimates.

The key metrics of the capitalization rates applicable to the Company are as follows:

Capitalization Rates	**December 31, 2019**	**December 31, 2018**
High	5.75%	7.50%
Low	5.75%	6.00%
Weighted Average	5.75%	6.30%
% Change		
+0.025	4.14%	3.83%
−0.025	(4.56)%	(4.15)%
$ Change		
+0.025	$(8,073,465)	$(5,424,493)
−0.025	$ 8,876,639	$ 5,874,451

The fair values of investment properties are most sensitive to changes in capitalization rates.

7. Property and Equipment

	Equipment — Office	**Equipment — Maintenance**	**Total**
Cost			
At March 11, 2018 (date of incorporation)	$ —	$ —	$ —
Additions	7,942	14,326	22,268
At December 31, 2018	7,942	14,326	22,268
Additions	12,681	229,145	241,826
At December 31, 2019	**$ 20,623**	**$ 243,471**	**$ 264,094**
Accumulated depreciation			
At March 11, 2018 (date of incorporation)	$ —	$ —	$ —
Additions	354	253	607
At December 31, 2018	354	253	607
Additions	1,466	14,041	15,507
At December 31, 2019	**$ 1,820**	**$ 14,294**	**$ 16,114**
Net book value			
At March 11, 2018 (date of incorporation)	$ —	$ —	$ —
At December 31, 2018	$ 7,588	$ 14,073	$ 21,661
At December 31, 2019	**$ 18,803**	**$ 229,117**	**$ 247,980**

8. Escrows

Escrows for real estate taxes and insurance are maintained under the control of the mortgagor for the payment of taxes and insurance on behalf of the Company. As at December 31, 2019 and 2018, the Company had escrow balances of $971,209 and $452,972, respectively.

9. Other Liabilities

	December 31, 2019	December 31, 2018
Accruals	**$ 798,166**	$ 570,553
Tenant security deposits	**702,146**	556,921
Other	**351,728**	204,758
Unearned revenue	**255,888**	207,253
Total	**$2,107,928**	$1,539,485

10. Mortgages Payable, net

Mortgages payable are shown net of unamortized deferred financing costs. The balances are as follows:

	As at December 31, 2019	As At December 31, 2018
Mortgages payable	**$98,501,736**	$78,808,143
Unamortized deferred financing costs	**(1,241,806)**	(1,338,481)
Total mortgages payable	**97,259,930**	77,469,662
Less: current portion	**(1,293,908)**	(75,301)
Amount classified as non-current portion	**$95,966,022**	$77,394,361

The Company's weighted average contractual annual interest rate on its mortgages payable as of December 31, 2019 was approximately 4.21% (2018 — 4.79%), which excludes the impact of the amortization of deferred financing costs.

The mortgages payable balances as at December 31, 2019, excluding unamortized deferred financing costs, are due as follows:

2020	$ 1,291,631
2021	10,027,156
2022	9,623,436
2023	16,331,454
2024	13,782,705
Thereafter	47,445,354

The Company's mortgages payable contains customary representations, warranties, and events of default, which require the Company to comply with affirmative and negative covenants. As at December 31, 2018 and 2019, the Company was in compliance with all financial covenants relating to its mortgages payable.

11. Members' Equity

The Company is operating under the operating agreement dated May 24, 2018. The key terms of that agreement are included below. The Company consists of one Series A-1 member (the "Original Member"), three Series A-2 members (the "Rollover Members"), and the option of issuing Series B units.

The Company has authorized the granting of up to 2,000 Series B units. Series B units have no participation in profits, but upon disposition of the Company, the Series B units shall receive up to 20% of the proceeds of disposition above the Series A holders receiving a 1.5 times return on investment inclusive of the preferred return. If the disposition of the Company results in greater than a 2 times return on investment inclusive of the preferred return, then the Series B units shall receive up to 30% of the proceeds of disposition.

11. Members' Equity (Continued)

On May 24, 2018, the members funded capital contributions to the Company totaling $41,228,720, including $9,832,884 of rollover equity. The contributions consisted of 1,569,792 Series A-1 units and 491,643 Series A-2 units. On June 8, 2018, the Original Member redeemed 169,792 Series A-1 units for $3,395,836. At various dates throughout the year ended December 31, 2019, the members funded capital contributions to the Company totaling $9,000,000.

	Series A-1 units	Series A-2 units	Total units
Balance, March 11, 2018 (date of incorporation)	—	—	—
Granted	1,569,792	491,643	2,061,435
Redeemed[(1)]	(169,792)	—	(169,792)
Balance, December 31, 2018	1,400,000	491,643	1,891,643
Issued	450,000	—	450,000
Balance, December 31, 2019	**1,850,000**	**491,643**	**2,341,643**

(1) For a period of 180 days from the date of the initial investment, the majority holder of the Company had the right to redeem Series A-1 units to reduce excess cash on the statement of financial position at the same value contributed by such majority holder. The majority holder exercised this right.

Distributions generally will be distributed as follows:

(a) First, the Company may, at the discretion of the Board, make distributions to the members intended to be sufficient to enable them to pay, on a quarterly basis, all or any portion of any federal, state, or local taxes.

(b) Second, to Series A-1 members, pro rata, a quarterly preference amount (Series A Accrued Preference Amounts) equal to the capital contributions contributed in respect to the Series A-1 units multiplied by 2.5 percent. As of December 31, 2019 and 2018, the total unpaid preferred return was $0 and $490,000, respectively.

(c) Third, to Series A-2 members in proportion to the Series A Accrued Preference Amounts attributable to the Series A-2 Units.

(d) Thereafter, 100 percent to the holders of the outstanding Series A Units, in proportion to the number of Series A Units held by each such holder.

Allocation of profits and losses, after satisfactorily eliminating any member capital account deficits, shall generally be allocated in the same manner as liquidating distributions.

As a result, $694,640 was distributed to Series A1 members during the period ended December 31, 2018. $2,042,335 was distributed to Series A1 members and $546,226 was distributed to Series A2 members during the year ended December 31, 2019.

12. Unit Awards

The Company permits the granting of Series B Units for up to 2,000 total units. During the period from March 11, 2018 (date of incorporation) to December 31, 2018, the Company granted 1,610 Series B-1 awards to three grantees with no exercise price. During the year ended December 31, 2019, the Company granted 160 Series B-1 awards to nine grantees. These unit awards generally vest based on five years of continuous service to an entity under common ownership, and all unvested units will be forfeited if at any time service of the grantee is terminated. As of December 31, 2019, approximately 322 of the Series B-1 units were vested. As of December 31, 2018, none of the Series B-1 units were vested. There were no forfeitures of Series B-1 units during the year ended December 31, 2019 and the period from March 11, 2018 (date of incorporation) through December 31, 2018.

The fair value of each unit award is estimated on the date of grant using a Black-Scholes option valuation model. Expected volatilities are based on historical volatility of comparable companies. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

For the year ended December 31, 2019 and the period from March 11, 2018 (date of incorporation) through December 31, 2018, the Company recognized compensation costs of $19,482 and $8,533, respectively. As of December 31, 2019 and 2018, the total future

12. Unit Awards (Continued)

expense to be realized on unvested awards is $54,585 and $23,667, respectively. When calculating the amount of annual compensation expense, the Company has elected not to estimate forfeitures and instead accounts for forfeitures as they occur.

	Issued and outstanding	Number vested
Balance, March 11, 2018 (date of incorporation)	1,610	—
Granted	—	—
Balance, December 31, 2018	1,610	—
Granted	160	—
Balance, December 31, 2019	1,770	322

13. Acquisitions of Investment Properties

Acquisition of MHC Entities

On May 24, 2018, the Company started operations by acquiring 100 percent of the outstanding membership interests of Alexandria MHC, LLC; Campbell 27, LLC; Carrollton MHC, LLC; Florence MHC, LLC; Walton MHC, LLC; Owensboro MHC, LLC; Paducah MHC, LLC; Valley Station 1, LLC; Vanderburgh MHC, LLC; Cincy MHP, LLC; Charlie's Homes, LLC; V-Station, LLC; and Evansville MHC, LLC (collectively, the "MHC Entities"). Prior to May 24, 2018, the MHC Entities were limited liability companies under common control.

The consideration transferred as part of the acquisition of the MHC Entities consisted of cash and Series A-2 units to the former owners (see Note 11) totaling approximately $98,094,395.

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed:

	2018
Accounts receivable	$ 166,809
Prepaids and other assets	1,126,595
Investment properties	114,200,000
Accounts payable and accrued liabilities	(1,182,184)
Long term debt	(432,726)
Total identifiable assets	113,878,494
Bargain purchase gain	(15,784,099)
Total	$ 98,094,395

The fair value of financial assets includes accounts receivables with a fair value of $166,809, which is the gross amount due, all of which is expected to be collectible. The Company purchased the portfolio of MHC Entities at a bargain purchase gain based on two main factors. There was approximately a four month lag between the price negotiation date and the closing date. During this time, as prices increased across all properties, and because the sale was of a portfolio of organizations, rather than a single property, the Company was able to acquire the MHC Entities at a bargain purchase gain.

Total consideration given consists of the following:

Series A-2 units rollover equity	$ 9,832,884
Cash paid	88,261,511
Total consideration	$98,094,395

The Company treated this acquisition as a business combination as it chose not to apply the concentration test as per IFRS 3 amendment.

13. Acquisitions of Investment Properties (Continued)

Acquisition of Independence MHC, LLC

On September 27, 2018, the Company acquired 100 percent of the outstanding ownership of Independence MHC, LLC primarily for the purpose of repositioning and leasing properties.

The consideration transferred as part of the acquisition of the Independence MHC, LLC consisted of cash totaling approximately $2,204,435. Transaction expenses for this acquisition totaled $78,474 and are included in the consolidated statement of operations.

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed:

	2018
Accounts receivable	$ 27,930
Investment properties	2,543,931
Accounts payable and accrued liabilities	(43,887)
Total identifiable assets	2,527,974
Bargain purchase gain	(323,539)
Total	$2,204,435

The fair value of financial assets includes accounts receivable with a fair value of $27,930, which is the gross amount due, all of which is expected to be collectible. The bargain purchase gain resulted from the prior owner exiting the manufactured housing industry, which resulted in a quick sale at a time when the Company was in the market for acquiring additional properties.

The Company treated this acquisition as a business combination as it chose not to apply the concentration test as per IFRS 3 amendment.

Acquisition of Chandler MHC, LLC; Warrick County MHC, LLC; South Warrick MHC, LLC; and Newburgh MHC, LLC

On November 6, 2018, the Company acquired 100 percent of the outstanding common shares of Chandler MHC, LLC; Warrick County MHC, LLC; South Warrick MHC, LLC; and Newburgh MHC, LLC (collectively, the "Evansville Four") primarily for the purpose of repositioning and leasing properties.

The consideration transferred as part of the acquisition of the Evansville Four consisted of cash totaling approximately $6,466,147. Transaction expenses for this acquisition totaled $159,348 and are included in the consolidated statement of operations.

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed:

	2018
Accounts receivable	$ 128,299
Investment properties	8,903,626
Accounts payable and accrued liabilities	(206,158)
Total identifiable assets	8,825,767
Bargain purchase gain	(2,359,620)
Total	$ 6,466,147

The fair value of financial assets includes accounts receivable with a fair value of $128,299, which is the gross amount due, all of which is expected to be collectible. The bargain purchase gain resulted from the prior owner exiting the manufactured housing industry, which resulted in a quick sale at a time when the Company was in the market for acquiring additional properties.

The Company treated this acquisition as a business combination as it chose not to apply the concentration test as per IFRS 3 amendment.

13. Acquisitions of Investment Properties (Continued)

Acquisition of West Carrollton MHC, LLC, 2850 Allen, LLC, Dry Ridge MHC, LLC, Harrison MHC, LLC, Bartholomew MHC, LLC, Hamblen MHC, LLC, and McCracken MHC, LLC

Throughout 2019, the Company acquired 100 percent of the outstanding common shares of West Carrollton MHC, LLC, 2850 Allen, LLC, Dry Ridge MHC, LLC, Harrison MHC, LLC, Bartholomew MHC, LLC, Hamblen MHC, LLC, and McCracken MHC, LLC (collectively, the "2019 Acquisitions") primarily for the purpose of repositioning and leasing properties.

The consideration transferred as part of the acquisition of the 2019 Acquisitions consisted of cash totaling approximately $25,994,952. Acquisition costs were capitalized and totaled $1,434,170 for the year ended December 31, 2019.

The following table presents certain additional information regarding the Company's acquisitions. The amounts recognized as major assets as of the acquisition date are as follows:

	2019
Investment properties	$25,994,952
Total	$25,994,952

The 2019 Acquisitions qualified as business combinations under IFRS 3, however, the Company treated these acquisitions as asset acquisitions, as it chose to apply the concentration test per IFRS 3 amendment.

14. Related party transactions

The following is a description of transactions between the Company and related parties:

Accounts Payable and Receivable

At December 31, 2019 and 2018, the Company had accounts payable and accrued liabilities due to SSK Management, LLC, an entity with common ownership, totaling $0 and $61,209, respectively. Accounts payable with all other related parties at December 31, 2019 and 2018 was $0 and $2,186, respectively.

At December 31, 2019 and 2018, the Company had amounts receivable from related parties, totaling $2,381,599 and $2,055,554, respectively. The receivables are related to the normal course of operations, are non-interest bearing and have no terms of repayment.

Other Services

For the year ended December 31, 2019 and for the period from March 11, 2018 (date of incorporation) to December 31, 2018, the Company incurred expenses from affiliates totaling $739,953 and $281,787, respectively. The services provided by these affiliates include HVAC, paving/concrete repair, mobile home transportation, legal and landscape services. These affiliates are considered related parties as they are directors (or related to directors) or employees of the Company.

Management Fees

For the year ended December 31, 2019 and for the period from March 11, 2018 (date of incorporation) through December 31, 2018, the Company incurred expenses related to management fees from MHC Management, LLC, an entity with common ownership, of $844,935 and $404,920, respectively, based on approximately 5.0 percent of rents at the rental and utility income level. At December 31, 2019 and 2018, the Company had accrued management fees of $76,938 and $58,138, respectively. Management fees are included in the general and administrative expenses in the Consolidated Carve-Out Statements of Net Income and Comprehensive Income.

15. Commitment and Contingencies

The Company is subject to claims and litigation in the ordinary course of business. Management does not believe that any such claim or litigation will have a material adverse effect on the business, assets, or results of operations of the Company.

16. Capital Management

The Company defines its capital as the aggregate of mortgages payable and divisional equity. The Company's primary objectives when managing capital are to meet its repayment obligations under its mortgage facility and to ensure there are sufficient funds available to finance operations and to meet capital commitments. There have been no changes to the Company's objectives and what it manages as capital for the year ended December 31, 2019 and for the period from March 11, 2018 (date of incorporation) to December 31, 2018. The Company is not subject to externally imposed capital requirements aside from covenants contained within the mortgages payable, with which the Company is in full compliance.

17. Financial Instruments and Risk Management

Financial Instruments

The carrying values of the Company's short-term financial assets and liabilities approximate their fair values due to their short periods to maturity.

Fair Value Hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

Level 1 — quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 — inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data

Level 3 — inputs for assets and liabilities not based upon observable market data

The following table summarizes the categories and fair values of the Company's financial instruments.

As at December 31, 2019	**$**			
	Carrying Value			**Fair Value Total**
	FVTPL	**FVTOCI**	**Amortized Cost**	
Financial Assets and Liabilities				
Cash and cash equivalents	**—**	**—**	**2,632,346**	**2,632,346**
Accounts receivables, net	**—**	**—**	**302,900**	**302,900**
Due from related parties	**—**	**—**	**2,381,599**	**2,381,599**
Trade and other payables	**—**	**—**	**(14,115)**	**(14,115)**
Other liabilities	**—**	**—**	**(2,107,928)**	**(2,107,928)**
Mortgages payable, net	**—**	**—**	**(97,259,930)**	**(103,783,195)**

As at December 31, 2018	**$**			
	Carrying Value			**Fair Value Total**
	FVTPL	**FVTOCI**	**Amortized Cost**	
Financial Assets and Liabilities				
Cash and cash equivalents	—	—	1,792,145	1,792,145
Accounts receivables	—	—	211,350	211,350
Due from related parties	—	—	2,055,554	2,055,554
Trade and other payables	—	—	(303,798)	(303,798)
Other liabilities	—	—	(1,539,485)	(1,539,485)
Mortgages payable, net	—	—	(77,469,662)	(74,039,397)

The fair value of the mortgages payable as at December 31, 2019 and 2018 was estimated by discounting expected cash flows using rates available for debt of similar terms and maturities at the end of each respective year.

17. Financial Instruments and Risk Management (Continued)

Financial Risk Factors

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, accounts receivables and amounts due from related parties. The Company's cash and cash equivalents are held at major US banks. The Company regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

(b) Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. All of the Company's financial liabilities are due within one year except for mortgages payable.

	Carrying Amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years
Trade and other payables	$ 14,115	$ 14,115	$ 14,115	$ —	$ —
Other liabilities	2,107,928	2,107,928	2,107,928	—	—
Mortgages payable	97,259,930	119,448,237	5,485,701	27,190,927	86,771,608
	$99,381,973	$121,570,280	$7,607,744	$27,190,927	$86,771,608

(c) Interest rate risk

The Company is subject to interest rate risk from its mortgages payable. Mortgages owed by the Company are comprised of both fixed rate instruments and instruments with variable interest rates. As at December 31, 2019, the Company had variable rate credit facilities in the amount of $82,173,000 (2018 — $69,884,000). A 1% change in prevailing interest rates would change the annualized interest charges incurred by $821,730 (2018 — $698,840).

18. Subsequent Events

On January 8, 2020, the Company completed the acquisition of Candlelight Mobile Home Park (Dry Fork MHC, LLC). This is a 34 Lot, all age community in Cincinnati, Ohio. Total contract price was $1,015,000 of which $761,250 was funded with debt proceeds and $253,750 funded with cash.

On June 3, 2020, the Company completed the acquisition of Redwood Mobile Home Park (North Bend MHC, LLC). This is a 43 Lot, all age community in Cincinnati, Ohio. Total contract price was $840,000 of which $630,000 was funded with debt proceeds and $210,000 funded with cash.

On July 31, 2020, the Company completed the refinancing of 19 of its investment properties with Freddie Mac. The amount of this new debt was $99,045,000 with a term of 120 months (120 months interest only) at a fixed interest rate of 3.21%. The Company retired $86,119,975 of current debt on these investment properties upon completion of the refinancing.

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus disease), which has had a significant impact on businesses through the restrictions put in place by federal, state and local governments in the United States regarding travel, business operations and isolation/quarantine orders. At this time, the economic impact on the Company of the COVID-19 pandemic and government measures to contain it has not been material. The majority of the Company's assets are located in markets that, as yet, have not been affected as adversely by the pandemic as some more populous cities and states. However, the ultimate extent of the impact the COVID-19 pandemic may have on the Company will depend on future developments that are highly uncertain and that cannot be predicted with confidence, such as the timing and extent of the spread of COVID-19, including in the markets in which the Company operates; any intensification of the pandemic or government measures to contain it; and any changes in levels of governments financial support to individuals affected by the COVID-19 pandemic and economic downturn. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the pandemic, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by the federal, state and municipal governments.

FLAGSHIP COMMUNITIES, LLC

CONDENSED CONSOLIDATED INTERIM CARVE-OUT FINANCIAL STATEMENTS
(In US Dollars)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2020 AND 2019
(Unaudited)

FLAGSHIP COMMUNITIES, LLC

CONDENSED CONSOLIDATED INTERIM CARVE-OUT STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

As at

(Expressed in US dollars)

	Note	June 30, 2020	December 31, 2019
			(Audited)
Current Assets			
Cash and cash equivalents		**$ 1,835,054**	$ 2,632,346
Accounts receivables, net	**4**	**274,112**	302,900
Due from related parties	**14**	**2,030,636**	2,381,599
Prepaids and other assets	**5**	**278,156**	132,776
Total current assets		**4,417,958**	5,449,621
Investment properties	**6**	**198,148,612**	194,827,109
Property and equipment, net	**7**	**480,265**	247,980
Escrows	**8**	**1,684,472**	971,209
		200,313,349	196,046,298
Total Assets		**$204,731,307**	$201,495,919
Current Liabilities			
Trade and other payables		**$ 544,537**	$ 14,115
Other liabilities	**9**	**2,344,562**	2,107,928
Mortgages payable, net	**10**	**216,025**	1,293,908
Total current liabilities		**3,105,124**	3,415,951
Mortgages payable, net	**10**	**98,404,172**	95,966,022
Total liabilities		**101,509,296**	99,381,973
Divisional Equity			
Members' equity	**11**	**103,179,303**	102,085,931
Contributed surplus	**12**	**42,708**	28,015
Total Divisional Equity		**103,222,011**	102,113,946
Total Liabilities and Divisional Equity		**$204,731,307**	$201,495,919

Subsequent events (Note 18)

The accompanying notes are an integral part of these condensed consolidated interim carve-out financial statements.

FLAGSHIP COMMUNITIES, LLC

CONDENSED CONSOLIDATED INTERIM CARVE-OUT STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

(Unaudited)

For the three and six month periods ended June 30, 2020 and 2019
(Expressed in US dollars)

	Note	Three months ended, 2020	Three months ended, 2019	Six months ended, 2020	Six months ended, 2019
Rental revenue		**$4,858,007**	$ 3,753,010	**$9,341,218**	$ 7,206,589
Property operating expenses		**1,857,084**	1,599,229	**3,942,041**	3,023,428
Net operating income		**3,000,923**	2,153,781	**5,399,177**	4,183,161
Other Expenses/(Income)					
General and Administrative	**14**	**$ 276,989**	$ 232,459	**$ 555,139**	$ 471,608
Depreciation	**7**	**11,850**	2,346	**23,415**	3,757
Share-based compensation	**12**	**7,951**	4,704	**14,693**	8,383
Fair value gain on investment properties	**6**	**(210,605)**	(4,842,764)	**(134,094)**	(10,025,696)
Other expense (income)		**5,850**	—	**(542,650)**	—
Transaction costs		**381,865**	12,195	**821,021**	71,153
Interest expense		**844,530**	1,077,655	**1,961,836**	2,073,530
Net income and comprehensive income		**$1,682,493**	$ 5,667,186	**$2,699,817**	$ 11,580,426

The accompanying notes are an integral part of these condensed consolidated interim carve-out financial statements.

FLAGSHIP COMMUNITIES, LLC

CONDENSED CONSOLIDATED INTERIM CARVE-OUT STATEMENTS OF CHANGES IN DIVISIONAL EQUITY (UNAUDITED)

For the six month periods ended June 30, 2020 and 2019

(Expressed in US dollars)

	Note	Contributed Surplus	Members' Equity	Total Divisional Equity
Balance at January 1, 2019 (Audited)		**$ 8,533**	**$ 66,773,577**	**$ 66,782,110**
Contributions	**11**	—	1,900,000	1,900,000
Distributions	**11**	—	(1,186,903)	(1,186,903)
Share-based compensation	**12**	8,383	—	8,383
Net income and comprehensive income		—	11,580,426	11,580,426
Balance at June 30, 2019		**$16,916**	**$ 79,067,100**	**$ 79,084,016**
Balance at January 1, 2020 (Audited)		**$28,015**	**$102,085,931**	**$102,113,946**
Distributions	**11**	—	(1,606,445)	(1,606,445)
Share-based compensation	**12**	14,693	—	14,693
Net income and comprehensive income		—	2,699,817	2,699,817
Balance at June 30, 2020		**$42,708**	**$103,179,303**	**$103,222,011**

The accompanying notes are an integral part of these condensed consolidated interim carve-out financial statements.

Flagship Communities, LLC

Condensed Consolidated Interim Carve-Out Statements of Cash Flows (Unaudited)

For the six month periods ended June 30, 2020 and 2019

(Expressed in US dollars)

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Cash flow provided by (used in) operating activities		
Net income and comprehensive income	**$ 2,699,817**	$ 11,580,426
Add (deduct) items not involving cash		
Depreciation	**23,415**	3,757
Amortization of loan costs	**93,668**	95,828
Share-based payments	**14,693**	8,383
Fair value gain on investment properties	**(134,094)**	(10,025,696)
Transfer of investment properties to intercompany	**—**	47,800
Change in non-cash working capital		
Accounts receivables	**28,788**	(50,730)
Due from related parties	**350,963**	221,763
Prepaids and other assets	**(145,380)**	(208,771)
Escrows	**(713,263)**	(318,168)
Trade and other payables	**530,422**	(27,751)
Other liabilities	**236,634**	419,600
	2,985,663	1,746,441
Cash flow provided by financing activities		
Contributions from members	**—**	1,900,000
Distributions to members	**(1,606,445)**	(1,186,903)
Proceeds from mortgages payable	**1,545,953**	8,648,110
Mortgages payable issuance costs	**(198,713)**	(78,113)
Repayment of mortgages payable	**(80,641)**	(32,126)
	(339,846)	9,250,968
Cash flow (used in) investing activities		
Cash paid for acquisitions	**(1,855,000)**	(10,726,075)
Additions to investment properties	**(1,332,409)**	(728,273)
Purchase of property and equipment	**(255,700)**	(101,905)
	(3,443,109)	(11,556,253)
Increase in cash and cash equivalents	**(797,292)**	(558,844)
Cash and cash equivalents, beginning of period	**2,632,346**	1,792,145
Cash and cash equivalents, ending of period	**$ 1,835,054**	$ 1,233,301

The accompanying notes are an integral part of these condensed consolidated interim carve-out financial statements.

1. Nature of Operations

Flagship Communities, LLC (the "Company"), f/k/a MID-A, LLC, was formed as a Delaware limited liability company on March 11, 2018 primarily for the purpose of engaging in the acquisition, development, redevelopment, repositioning, leasing, ownership, and operation of real estate investments and providing property-related services with respect to these projects. The Company began operations on May 24, 2018, focusing its operations on land leases, the sale of manufactured homes, and manufactured home rentals. As of June 30, 2020, the Company's tenant base consisted of residential MHCs operating in Indiana, Kentucky, Ohio, and Tennessee with a total of 4,725 lots (December 31, 2019 — 4,648 lots). The Company's credit risk, therefore, is concentrated in the MHC industry. The Company's head office is located at 467 Erlanger Road, Erlanger Kentucky, 41018.

2. Basis of Presentation

(a) Statement of compliance and carve-out

The condensed consolidated interim carve-out financial statements are prepared in accordance with a financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107, Acceptable Accounting Principles and Auditing Standards ("subsection 3.11(6)"), for carve-out financial statements. Subsection 3.11(6) requires the Company to select from a specified list of financial reporting frameworks.

The Company's condensed consolidated interim carve-out financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". Accordingly, these condensed consolidated interim carve-out financial statements do not include all information required for full annual financial statements and should be read in conjunction with the audited consolidated carve-out financial statements of the Company for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The condensed consolidated interim carve-out financial statements were prepared for the purposes of exclusion of certain operational assets and liabilities of the Company. The Company has also presented transactions that would generally be included in members' equity section as other divisional equity. The assets and liabilities, and associated accounts that have not been presented as part of the condensed consolidated interim carve-out financial statements are:

AHS II — This entity includes the Home Sales Division consisting of mobile homes inventory.
Baker St. LLC — This entity includes lease to own sales and loan receivables.
Northshore Estates — This entity is an MHC community purchased in June 2020 in Lakeside Marblehead, OH.

(b) Basis of presentation

These condensed consolidated interim carve-out financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment properties that are measured at fair value, as detailed in the Company's accounting policies.

(c) Functional and presentation currency

The Company and its subsidiaries' functional currency is the US dollar. These condensed consolidated interim carve-out financial statements are presented in US dollars.

(d) Principles of consolidation

The Company consolidates its interest in entities which it has common control. Control is defined by the power to govern an entity's financial and operating policies so as to be able to obtain benefits from its activities. All intercompany balances and

2. Basis of Presentation (Continued)

transactions have been eliminated on consolidation. The principal wholly-owned subsidiaries of the Company that have been consolidated are as follows as at June 30, 2020 and December 31, 2019:

Legal Entity	Park Name	2020	2019
Florence MHC, LLC	Mosbys Pointe	Yes	Yes
Valley Station 1, LLC	Autumn Lake Pointe	Yes	Yes
V-Station, LLC	Logan's North Pointe, Mills Pointe, Johnsontown Pointe	Yes	Yes
Cincy MHP, LLC	Logan's South Pointe	Yes	Yes
Charlie's Homes LLC	N/A	Yes	Yes
Evansville MHC, LLC	Grandin Pointe	Yes	Yes
Vanderburgh MHC, LLC	Waterford Pointe	Yes	Yes
Owensboro MHC, LLC	Riverbend Pointe	Yes	Yes
Carrollton MHC, LLC	Oakview Pointe	Yes	Yes
Alexandria MHC, LLC	Derby Hills Pointe	Yes	Yes
Campbell 27, LLC	Campbell Pointe	Yes	Yes
Paducah MHC, LLC	Westridge Pointe	Yes	Yes
Walton MHC, LLC	Deer Trace Pointe	Yes	Yes
Independence MHC, LLC	Hillcrest Pointe	Yes	Yes
South Warrick MHC, LLC	Summit View Pointe	Yes	Yes
Chandler MHC, LLC	Pinecrest Pointe	Yes	Yes
Newburgh MHC, LLC	Heritage East Pointe	Yes	Yes
Warrick County MHC, LLC	Heritage West Pointe	Yes	Yes
2850 Allen, LLC	Carolina Pointe	Yes	Yes
West Carrollton MHC, LLC	Harmony Pointe	Yes	Yes
Dry Ridge MHC, LLC	Aspen Pointe	Yes	Yes
Harrison MHC, LLC	Seven Oaks Pointe	Yes	Yes
Bartholomew MHC, LLC	Tannehill Pointe	Yes	Yes
Hamblen MHC LLC	Crestmore Pointe	Yes	Yes
McCracken MHC, LLC	Southwood Pointe	Yes	Yes
Dry Fork MHC, LLC	Candlelight	Yes(1)	No
North Bend MHC, LLC	Redwood	Yes(1)	No

(1) Entities acquired in 2020 (Note 13)

(e) Use of estimates, judgments and assumptions

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

Estimates

Investment properties — The fair value of investment properties is dependent on available comparable transactions, future cash flows over the holding period and discount rates and capitalization rates applicable to those assets. The review of anticipated cash flows involves assumptions relating to occupancy and rental rates. In addition to reviewing anticipated cash flows, management assesses changes in the business climate and other factors which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

Unit awards — The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining

2. Basis of Presentation (Continued)

the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the unit option, volatility and dividend yield and making assumptions about them.

Judgements

Business combinations — When the Company acquires new investment properties, the Company reviews each acquisition in accordance with IFRS 3 to determine if it qualifies as an asset or business acquisition. It reviews each acquisition to determine if inputs, processes and outputs have been acquired to ensure each such acquisition is accounted for appropriately.

3. Significant Accounting Policies

These condensed consolidated interim carve-out financial statements follow the same accounting policies as described in the consolidated carve-out financial statements for the year ended December 31, 2019 with the exception of the following new accounting amendments that was issued by the IASB and is applicable to the period:

Accounting Policies Adopted During the Period

Beginning on January 1, 2020, the Company adopted certain IFRS amendments as disclosed below:

Conceptual Framework

Beginning January 1, 2020, the Company adopted the revised Conceptual Framework for Financial Reporting (“revised conceptual framework”). The revised conceptual framework does not constitute a substantial revision from the previously effective guidance, but does provide additional guidance on topics not previously covered such as presentation and disclosure. The adoption of the revised conceptual framework did not have a material impact on the condensed consolidated interim carve-out financial statements.

4. Accounts receivables, net

	As at June 30, 2020	As at December 31, 2019
		(Audited)
Tenant receivables	**$233,267**	$264,570
Allowance for credit losses	**(24,599)**	(40,772)
Other	**65,444**	79,102
Total	**$274,112**	$302,900

Tenant receivables include minimum rent, annual common area maintenance, property tax recovery billings and other recoverable charges. An allowance for credit losses is maintained for estimated losses resulting from the inability of tenants to meet obligations under lease agreements. The Company actively reviews receivables and determines the potentially uncollectible accounts on a per-tenant basis. An accounts receivable is written down to its estimated realizable value when the Company has reason to believe that the tenant will not be able to fulfill its obligations under the lease agreement.

5. Prepaids and other assets

The Company’s prepaids and other assets mainly consist of prepaid insurance related to general and liability coverage.

6. Investment Properties

Changes to the investment properties are summarized as follow:

	As at June 30, 2020	As at December 31, 2019
		(Audited)
Balance, beginning of period	**$194,827,109**	$141,449,272
Acquisitions (Note 13)	**1,855,000**	25,994,952
Other additions	**1,332,409**	2,159,706
Transferred to intercompany	**—**	(232,620)
Fair value gain on investment properties	**134,094**	25,455,799
Balance, end of period	**$198,148,612**	$194,827,109

During the period ended June 30, 2020, acquisitions totalled $1,855,000 (Note 13). Other cost additions during the period were $1,332,409.

During the year ended December 31, 2019, acquisitions totalled $25,994,952. Other cost additions during the year were $2,159,706. During the year ended December 31, 2019, the Company transferred $232,620, of mobile homes assets to inventory, which is part of the homes sales division carved out of the financial statements. They were included as due from related parties.

The Company 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 method. The direct capitalization method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over an investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

A significant change in occupancy rates, rents or capitalization rates per annum would result in a significant change in the fair value. Generally, a change in estimated rent is accompanied by a directionally similar change in rent growth per annum assumption and an opposite change in future vacancy rate estimates.

The key metrics of the capitalization rates applicable to the Company are as follows:

Capitalization Rates	June 30, 2020	December 31, 2019
High	7.00%	5.75%
Low	5.75%	5.75%
Weighted Average	5.76%	5.75%
% Change		
+0.025	4.14%	4.14%
−0.025	(4.56)%	(4.56)%
$ Change		
+0.025	$(8,197,768)	$(8,073,465)
−0.025	$ 9,027,523	$ 8,876,639

The fair values of investment properties are most sensitive to changes in capitalization rates.

7. Property and Equipment

	Equipment - Office	Equipment - Maintenance	Total
Cost			
At January 1, 2020 (Audited)	$20,623	$243,471	$264,094
Additions	40,837	214,863	255,700
At June 30, 2020	**$61,460**	**$458,334**	**$519,794**
Accumulated depreciation			
At January 1, 2020 (Audited)	$ 1,820	$ 14,294	$ 16,114
Additions	3,237	20,178	23,415
At June 30, 2020	**$ 5,057**	**$ 34,472**	**$ 39,529**
Net book value			
At January 1, 2020 (Audited)	$18,803	$229,177	$247,980
At June 30, 2020	**$56,403**	**$423,862**	**$480,265**

8. Escrows

Escrows for real estate taxes and insurance are maintained under the control of the mortgagor for the payment of taxes and insurance on behalf of the Company. As at June 30, 2020, the Company had escrow balances of $1,684,472 (December 31, 2019 — $971,209).

9. Other Liabilities

	As at June 30, 2020	As at December 31, 2019
		(Audited)
Accruals	**$ 932,725**	$ 798,166
Tenant security deposits	**811,548**	702,146
Other	**207,119**	351,728
Unearned revenue	**393,170**	255,888
Total	**$2,344,562**	$2,107,928

10. Mortgages Payable, net

Mortgages payable are shown net of unamortized deferred financing costs. The balances are as follows:

	June 30, 2020	December 31, 2019
		(Audited)
Mortgages payable	**$99,980,510**	$98,501,736
Unamortized deferred financing costs	**(1,360,313)**	(1,241,806)
Total mortgages payable	**98,620,197**	97,259,930
Less: current portion	**(216,025)**	(1,293,908)
Amount classified as non-current portion	**$98,404,172**	$95,966,022

The Company's weighted average contractual annual interest rate on its mortgages payable as of June 30, 2020 was approximately 2.90% (December 31, 2019 — 4.21%), which excludes the impact of the amortization of deferred financing costs.

10. Mortgages Payable, net (Continued)

The mortgages payable balances as at June 30, 2020, excluding unamortized deferred financing costs, are due as follows:

2020	$ 110,644
2021	7,962,829
2022	7,747,362
2023	22,312,034
2024	14,042,874
2025	14,749,740
Thereafter	33,055,027

The Company's mortgages payable contain customary representations, warranties, and events of default, which require the Company to comply with affirmative and negative covenants. As at June 30, 2020, the Company was in compliance with all financial covenants relating to its mortgages payable.

11. Members' Equity

The Company is operating under the operating agreement dated May 24, 2018. The key terms of that agreement are included below. The Company consists of one Series A-1 member (the "Original Member"), three Series A-2 members (the "Rollover Members"), and the option of issuing Series B units.

The Company has authorized the granting of up to 2,000 Series B units. Series B units have no participation in profits, but upon disposition of the Company, the Series B units shall receive up to 20% of the proceeds of disposition above the Series A holders receiving a 1.5 times return on investment inclusive of the preferred return. If the disposition of the Company results in greater than a 2 times return on investment inclusive of the preferred return, then the Series B units shall receive up to 30% of the proceeds of disposition.

During the six month period ended June 30, 2020, the members funded capital contributions to the Company of $Nil (2019 — $1,900,000).

	Series A-1 units	Series A-2 units	Total units
Balance, January 1, 2019	1,400,000	491,643	1,891,643
Issued	95,000		95,000
Balance, June 30, 2019	**1,495,000**	**491,643**	**1,986,643**
Balance, January 1, 2020	1,850,000	491,643	2,341,643
Issued	—	—	—
Balance, June 30, 2020	**1,850,000**	**491,643**	**2,341,643**

Distributions generally will be distributed as follows:

(a) First, the Company may, at the discretion of the Board, make distributions to the members intended to be sufficient to enable them to pay, on a quarterly basis, all or any portion of any federal, state, or local taxes.

(b) Second, to Series A-1 members, pro rata, a quarterly preference amount (Series A Accrued Preference Amounts) equal to the capital contributions contributed in respect to the Series A-1 units multiplied by 2.5 percent. For the six month period ended June 30, 2020, the total unpaid preferred return was $2,638,891 (2019 — $1,467,251).

(c) Third, to Series A-2 members in proportion to the Series A Accrued Preference Amounts attributable to the Series A-2 Units.

(d) Thereafter, 100 percent to the holders of the outstanding Series A Units, in proportion to the number of Series A Units held by each such holder.

Allocation of profits and losses, after satisfactorily eliminating any member capital account deficits, shall generally be allocated in the same manner as liquidating distributions.

11. Members' Equity (Continued)

$1,262,289 was distributed to Series A1 members and $344,156 was distributed to Series A2 members during the six month period ended June 30, 2020 (2019 — $984,828 and $202,075, respectively).

12. Unit Awards

The Company permits the granting of Series B Units for up to 2,000 total units. During the six month period ended June 30, 2020, the Company did not grant any Series B Units (2019 — 65). These unit awards generally vest based on five years of continuous service to an entity under common ownership, and all unvested units will be forfeited if at any time service of the grantee is terminated. As of June 30, 2020, approximately 657 of the Series B-1 units were vested (December 31, 2019 — 322). There were no forfeitures of Series B-1 units during the six month periods ended June 30, 2020 and 2019.

The fair value of each unit award is estimated on the date of grant using a Black-Scholes option valuation model. Expected volatilities are based on historical volatility of comparable companies. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

For the six months ended June 30, 2020, the Company recognized compensation costs of $14,693 (2019 — $8,383). As of June 30, 2020, the total future expense to be realized on unvested awards is $39,892 (December 31, 2019 — $54,585). When calculating the amount of annual compensation expense, the Company has elected not to estimate forfeitures and instead accounts for forfeitures as they occur.

	Issued and outstanding	Number vested
Balance, January 1, 2019	1,610	—
Granted	65	
Balance, June 30, 2019	1,675	—
Balance, January 1, 2020	1,770	322
Granted	—	
Balance, June 30, 2020	1,770	657

13. Acquisitions of Investment Properties

Acquisition of West Carrollton MHC, LLC, 2850 Allen, LLC, Dry Ridge MHC, LLC, Harrison MHC, LLC, Bartholomew MHC, LLC, Hamblen MHC, LLC, and McCracken MHC, LLC

During the year ended December 31, 2019, the Company acquired 100 percent of the outstanding common shares of West Carrollton MHC, LLC, 2850 Allen, LLC, Dry Ridge MHC, LLC, Harrison MHC, LLC, Bartholomew MHC, LLC, Hamblen MHC, LLC, and McCracken MHC, LLC (collectively, the "2019 Acquisitions") primarily for the purpose of repositioning and leasing properties.

The consideration transferred as part of the acquisition of the 2019 Acquisitions consisted of cash totaling approximately $25,994,952. Acquisition costs were capitalized and totaled $1,434,170 for the year ended December 31, 2019.

The following table presents certain additional information regarding the Company's acquisitions. The amounts recognized as major assets as of the acquisition date are as follows:

	2019
Investment properties	$25,994,952
Total	**$25,994,952**

The 2019 Acquisitions qualified as business combinations under IFRS 3, however, the Company treated these acquisitions as asset acquisitions, as it chose to apply the concentration test per IFRS 3 amendment.

13. Acquisitions of Investment Properties (Continued)

Acquisition of Dry Fork MHC, LLC and North Bend MHC, LLC

During the six months ended June 30, 2020, the Company acquired 100 percent of the outstanding common shares of Dry Fork MHC, and North Bend MHC, LLC (collectively, the "2020 Acquisitions") primarily for the purpose of repositioning and leasing properties.

The consideration transferred as part of the acquisition of the 2020 Acquisitions consisted of cash totaling approximately $1,855,000. Acquisition costs were capitalized and totaled $135,283 for the six month period ended June 30, 2020.

The following table presents certain additional information regarding the Company's acquisitions. The amounts recognized as major assets of the acquisition date are as follows:

	2020
Investment properties	$1,855,000
Total	**$1,855,000**

The 2020 Acquisitions qualified as business combinations under IFRS 3, however, the Company treated these acquisitions as asset acquisitions, as it chose to apply the concentration test per IFRS 3 amendment.

14. Related party transactions

The following is a description of transactions between the Company and related parties:

Accounts Payable and Receivable

At June 30, 2020, the Company had amounts receivable from related parties, totaling $2,030,636 (December 31, 2019 — $2,381,599). The receivables are related to the normal course of operations, are non-interest bearing and have no terms of repayment.

Other Services

For the six month period ended June 30, 2020, the Company incurred expenses from affiliates totaling $134,426 (2019 — $87,853). The services provided by these affiliates include HVAC, paving/concrete repair, mobile home transportation, legal and landscape services. These affiliates are considered related parties as they are directors (or related to directors) or employees of the Company.

Management Fees

For the six month period ended June 30, 2020, Company incurred expenses related to management fees from MHC Management, LLC, an entity with common ownership, of $499,667 (2019 — $397,131), based on approximately 5.0 percent of rents at the rental and utility income level. At June 30, 2020, the Company had accrued management fees of $750 (December 31, 2019 — $76,938). Management fees are included in general and administrative expenses in the Condensed Consolidated Interim Carve-Out Statements of Net Income and Comprehensive Income.

15. Commitment and Contingencies

The Company is subject to claims and litigation in the ordinary course of business. Management does not believe that any such claim or litigation will have a material adverse effect on the business, assets, or results of operations of the Company.

16. Capital Management

The Company defines its capital as the aggregate of mortgages payable and divisional equity. The Company's primary objectives when managing capital are to meet its repayment obligations under its mortgage facility and to ensure there are sufficient funds available to finance operations and to meet capital commitments. There have been no changes to the Company's objectives and what it manages as capital for the three and six month periods ended June 30, 2020 and 2019. The Company is not subject to externally imposed capital requirements aside from covenants contained within the mortgages payable, with which the Company is in full compliance.

17. Financial Instruments and Risk Management

Financial Instruments

The carrying values of the Company's short-term financial assets and liabilities approximate their fair values due to their short periods to maturity.

Fair Value Hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

Level 1 — quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 — inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data

Level 3 — inputs for assets and liabilities not based upon observable market data

The following table summarizes the categories and fair values of the Company's financial instruments.

	As at June 30, 2020			
	Carrying Value			Fair Value Total
	FVTPL	FVTOCI	Amortized Cost	
Financial Assets and Liabilities				
Cash and cash equivalents	**$—**	**$—**	**$ 1,835,054**	**$ 1,835,054**
Accounts receivables, net	**—**	**—**	**274,112**	**274,112**
Due from related parties	**—**	**—**	**2,030,636**	**2,030,636**
Trade and other payables	**—**	**—**	**(544,537)**	**(544,537)**
Other liabilities	**—**	**—**	**(2,344,562)**	**(2,344,562)**
Mortgages payable, net	**—**	**—**	**(98,620,197)**	**(99,324,731)**

	As at December 31, 2019			
	Carrying Value			Fair Value Total
	FVTPL	FVTOCI	Amortized Cost	
Financial Assets and Liabilities				
Cash and cash equivalents	$—	$—	$ 2,632,346	$ 2,632,346
Accounts receivables, net	—	—	302,900	302,900
Due from related parties	—	—	2,381,599	2,381,599
Trade and other payables	—	—	(14,115)	(14,115)
Other liabilities	—	—	(2,107,928)	(2,107,928)
Mortgages payable, net	—	—	(97,259,930)	(103,783,195)

The fair value of the mortgages payable as at June 30, 2020 was estimated by discounting expected cash flows using rates available for debt of similar terms and maturities at the end of each respective year.

Financial Risk Factors

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, accounts receivables and amounts due from related parties. The Company's cash and cash equivalents are held at major US banks. The Company regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

17. Financial Instruments and Risk Management (Continued)

(b) Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. All of the Company's financial liabilities are due within one year except for mortgages payable.

	Carrying Amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	5+ years
Trade and other payables	$ 544,537	$ 544,537	$ 544,537	$ —	$ —	$ —
Other liabilities	2,344,562	2,344,562	2,344,562	—	—	—
Mortgages payable	98,620,197	113,581,207	1,586,811	21,274,745	55,865,757	34,853,894
	$101,509,296	$116,470,306	$4,475,910	$21,274,745	$55,865,757	$34,853,894

(c) Interest rate risk

The Company is subject to interest rate risk from its mortgages payable. Mortgages owed by the Company are comprised of both fixed rate instruments and instruments with variable interest rates. As at June 30, 2020, the Company had variable rate credit facilities in the amount of $82,173,000 (December 31, 2019 — $82,173,000). A 1% change in prevailing interest rates would change the annualized interest charges incurred by $821,730 (2019 — $821,730).

18. Subsequent Events

On July 31, 2020, the Company completed the refinancing of 19 of its investment properties with Freddie Mac. The amount of this new debt was $99,045,000 with a term of 120 months (120 months interest only) at a fixed interest rate of 3.21%. The Company retired $86,119,975 of current debt on these investment properties upon completion of the refinancing.

Subsequent to quarter-end, there was a global outbreak of COVID-19 (coronavirus disease), which has had a significant impact on businesses through the restrictions put in place by federal, state and local governments in the United States regarding travel, business operations and isolation/quarantine orders. At this time, the economic impact on the Company of the COVID-19 pandemic and government measures to contain it has not been material. The majority of the Company's assets are located in markets that, as yet, have not been affected as adversely by the pandemic as some more populous cities and states. However, the ultimate extent of the impact the COVID-19 pandemic may have on the Company will depend on future developments that are highly uncertain and that cannot be predicted with confidence, such as the timing and extent of the spread of COVID-19, including in the markets in which the Company operates; any intensification of the pandemic or government measures to contain it; and any changes in levels of governments financial support to individuals affected by the COVID-19 pandemic and economic downturn. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the pandemic, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by the federal, state and municipal governments.

APPENDIX A

FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST
CHARTER OF THE AUDIT COMMITTEE

1. Introduction

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

2. Membership

Number of Members

The Committee shall be composed of three or more members of the Board (the "**Trustees**"), the majority of whom shall be residents of Canada.

Independence of Members

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

Term of Members

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

Committee Chair

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

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

Financial Literacy of Members

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

3. Meetings

Frequency of Meetings

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

Quorum

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum, provided that a majority of the members comprising such quorum shall not be non-residents of Canada.

Calling of Meetings

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

Minutes; Reporting to the Board

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

Attendance of Non-Members

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

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

Meetings Without Management

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

Access to Management and Books and Records

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

4. Responsibilities

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

Financial Reports

(a) **General**

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

(b) **Review of Annual Financial Reports**

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

(c) **Review of Interim Financial Reports**

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

(d) **Review Considerations**

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

(i) meet with management and the auditors to discuss the financial statements and MD&A;

(ii) review the disclosures in the financial statements;

(iii) review the audit report or review report prepared by the external auditors;

(iv) discuss with management, the auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements;

(v) review the accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;

(vi) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under applicable generally accepted accounting principles ("**GAAP**");

(vii) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;

(viii) review management's report on the effectiveness of internal controls over financial reporting;

(ix) review the factors identified by management as factors that may affect future financial results;

(x) review results of the Trust's audit committee whistleblower hotline program; and

(xi) review any other matters, related to the financial statements, that are brought forward by the auditors, management or which are required to be communicated to the Committee under accounting policies, auditing standards or Applicable Requirements.

(e) **Other Financial Disclosures**

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

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

External Auditors

(a) **General**

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

(b) **Nomination and Compensation**

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

(c) **Resolution of Disagreements**

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

(d) **Discussions with Auditors**

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

(e) **Audit Plan**

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

(f) **Quarterly Review Report**

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

(g) **Independence of Auditors**

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

(h) **Requirement for Pre-Approval of Non-Audit Services**

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

(i) **Approval of Hiring Policies**

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

(j) **Financial Executives**

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

Internal Controls

(k) **General**

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

(l) **Establishment, Review and Approval**

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

(i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Trust's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;

(ii) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Trust's periodic regulatory filings;

(iii) any material issues raised by any inquiry or investigation by the Trust's regulators;

(iv) the Trust's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Trust to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and

(v) any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

Risk Management

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

Compliance with Legal and Regulatory Requirements

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

Whistleblower Procedures

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

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

Audit Committee Disclosure

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

Delegation

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

5. Outside Advisors

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

6. No Rights Created

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

7. Charter Review

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

CERTIFICATE OF THE REIT AND THE PROMOTER

Date: September 28, 2020

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

By: (Signed) Kurtis Keeney President and Chief Executive Officer	By: (Signed) Eddie Carlisle Chief Financial Officer

On behalf of the Board of Trustees

By: (Signed) Peter Bynoe Trustee	By: (Signed) Louis Forbes Trustee

MHC MANAGEMENT, LLC, D/B/A SSK COMMUNITIES
(as Promoter)

By: (Signed) Kurtis Keeney Manager	By: (Signed) Nathaniel Smith Member

CERTIFICATE OF OPERATING ENTITY

Date: September 28, 2020

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

FLAGSHIP OPERATING, LLC

By: (Signed) KURTIS KEENEY President and Chief Executive Officer	By: (Signed) EDDIE CARLISLE Chief Financial Officer

On behalf of the Board of Directors

By: (Signed) KURTIS KEENEY Director	By: (Signed) NATHANIEL SMITH Director

CERTIFICATE OF THE UNDERWRITERS

Dated: September 28, 2020

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

CANACCORD GENUITY CORP.	**BMO NESBITT BURNS INC.**
By: (Signed) DAN SHEREMETO Managing Director	By: (Signed) JONATHAN LI Managing Director

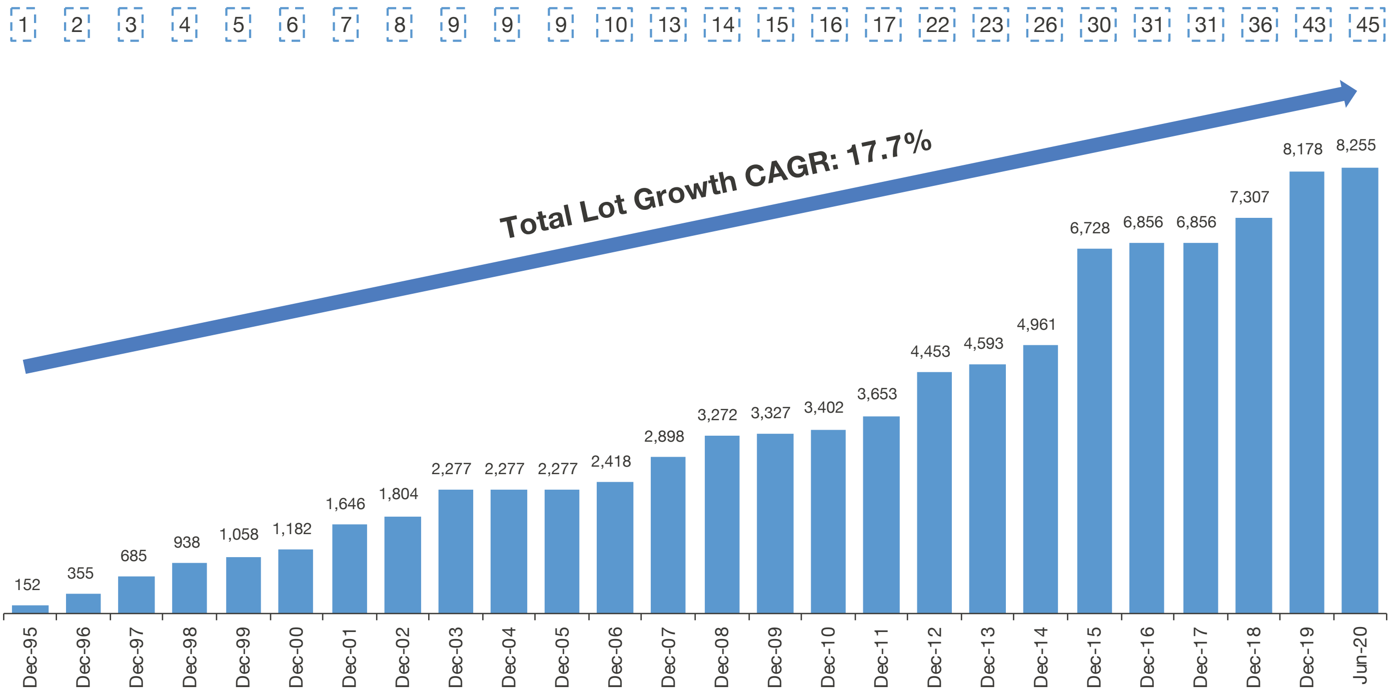
CIBC WORLD MARKETS INC.	**NATIONAL BANK FINANCIAL INC.**	**RBC DOMINION SECURITIES INC.**	**SCOTIA CAPITAL INC.**	**TD SECURITIES INC.**
By: (Signed) JEFF APPLEBY Managing Director	By: (Signed) ADAM CAPLAND Director	By: (Signed) DAVID SWITZER Managing Director	By: (Signed) KARIM KABBARA Director	By: (Signed) ARTEM KAIKOV Vice President

ECHELON WEALTH PARTNERS INC.	**INDUSTRIAL ALLIANCE SECURITIES INC.**
By: (Signed) ROBERT SUTHERLAND Managing Director	By: (Signed) DENNIS KUNDE Managing Director, Investment Banking

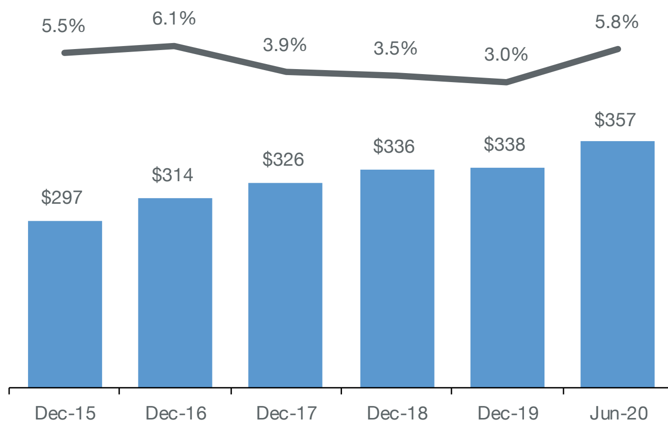
Strong Portfolio Performance

Flagship COMMUNITIES REAL ESTATE INVESTMENT TRUST

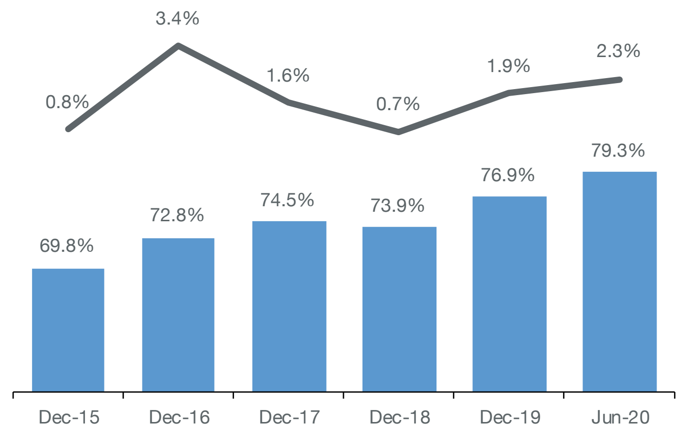
Portfolio Growth



Lot Rent



Occupancy



Consistent Same Community Lot Rent Growth

Stable and Growing Same Community Occupancy

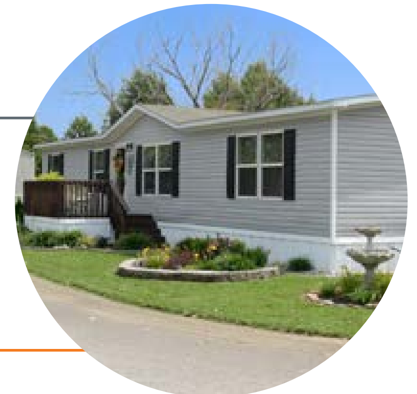
Flagship COMMUNITIES REAL ESTATE INVESTMENT TRUST

Opportunity to Gain Exposure to a Niche Asset Class with a Track Record of Outperformance

Defensive Asset Class with a Favourable Business Model that Outperforms Irrespective of Economic Cycle

Fragmented Industry with High Barriers to Entry and Imbalanced Supply and Demand Dynamics

Contiguous, High Quality Portfolio with Regional Footprint in Stable Markets



Well-Positioned to Capitalize on Strategic Growth Opportunities

Vertically Integrated Platform Led by an Experienced and Aligned Internal Management Team

Stable Cash Yield and Conservative Capital Structure