FRONSAC | Real Estate Investment Trust

Management Discussion & Analysis

–

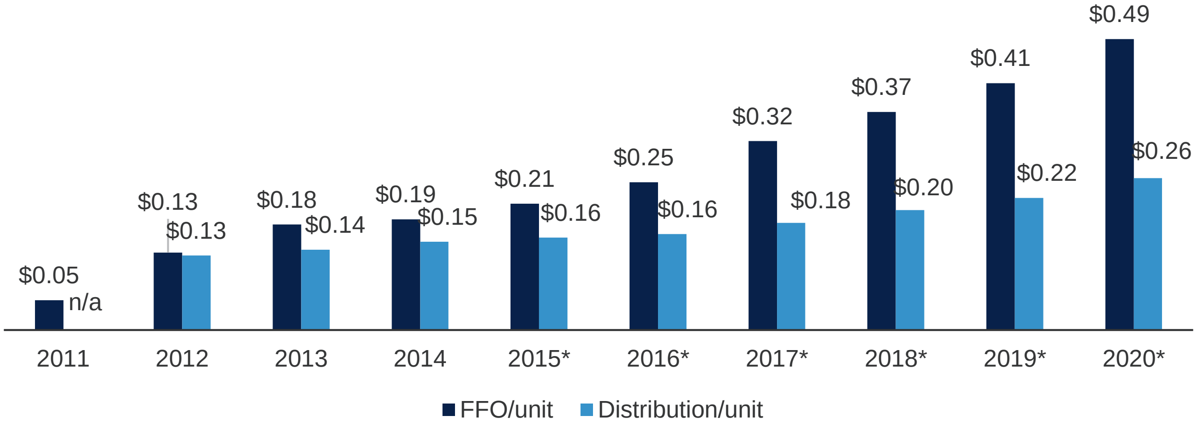
Q1 2021
Period ended March 31st, 2021
Form 51-102F1

SUMMARY OF SELECTED FINANCIAL INFORMATION

	3 months			
Periods ended March 31	**2021**	**2020**	**Δ**	**%**
Financial info				
Property rental income	4,453,791	2,863,606	1,590,185	56%
Total revenue	4,453,791	2,863,606	1,590,185	56%
Net income (loss) and comprehensive income (loss)	223,673	4,118,476	(3,894,803)	(95%)
NOI (1)	3,279,414	2,198,785	1,080,629	49%
FFO (1)	2,433,267	1,462,713	970,554	66%
Recurring FFO (1)(2)	2,433,267	1,462,713	970,554	66%
AFFO (1)	2,236,544	1,349,626	886,918	66%
EBITDA	515,334	4,803,647	(4,288,313)	(89%)
Adjusted EBITDA (1)	3,132,047	2,020,860	1,111,187	55%
Investment properties	187,591,316	137,321,331	50,269,985	37%
Adjusted investment properties (3)	225,561,827	160,828,581	64,733,246	40%
Total assets	208,549,407	155,220,627	53,328,780	34%
Total mortgage/loans/long term debt (4)	106,859,491	71,064,054	35,795,437	50%
(including revolving line of credit)	107,909,491	76,887,604	31,021,887	40%
Total convertible debentures	8,128,852	2,985,538	5,143,314	172%
Total equity	89,408,345	71,358,784	18,049,561	25%
Weighted average units o/s - basic	17,420,614	13,296,639	4,123,975	31%
Amounts on a per unit basis				
FFO	0.140	0.110	0.030	27%
Recurring FFO	0.140	0.110	0.030	27%
AFFO	0.128	0.102	0.027	26%
Distributions	0.075	0.064	0.011	17%
Financial ratios				
Weighted avg. interest rate - fixed loans/mortgages	3.37%	3.83%	(0.46%)	
Debt to gross assets - including converts	56%	51%	5%	
Debt to gross assets - excluding converts	52%	50%	2%	
Interest coverage ratio	2.9x	2.5x	0.4x	
Debt service coverage ratio	1.7x	1.7x	-	
Distributions as a % of FFO per unit	54%	58%	(4%)	
Distributions as a % of Recurring FFO per unit	54%	58%	(4%)	
Distributions as a % of AFFO per unit	58%	63%	(5%)	
Leasing information				
Occupancy	99%	100%	(1%)	
Mix of tenancy based on net revenue				
National	89%	87%	2%	
Regional	9%	8%	1%	
Local	2%	5%	(3%)	
Property type breakdown				
Retail	18	15	3	
Quick Service Restaurants	19	16	3	
Gas/Convenience stores/Quick Service Rest.	20	17	3	
Gas/Convenience stores	17	11	6	
Other	2	2	-	
	76	61	15	
Other				
Average term to maturity – mortgages (years)	6.1	6.1	-	
Average term to maturity – leases (years)	7.9	8.6	(0.7)	
IFRS capitalization rate	6.53%	6.42%	0.11%	

(1) See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"
(2) Recurring FFO excludes "Other revenues" as presented on the Consolidated Financial Statements
(3) Adjusted Investment Properties includes the Trust’s proportionate share of value of investment properties owned through joint ventures; Refer to Note 4 Properties) and Note 5 ([1] value of developed properties, [2] leased properties and [3] properties under development) in Fronsac’s financial statements
(4) Excludes convertible debentures

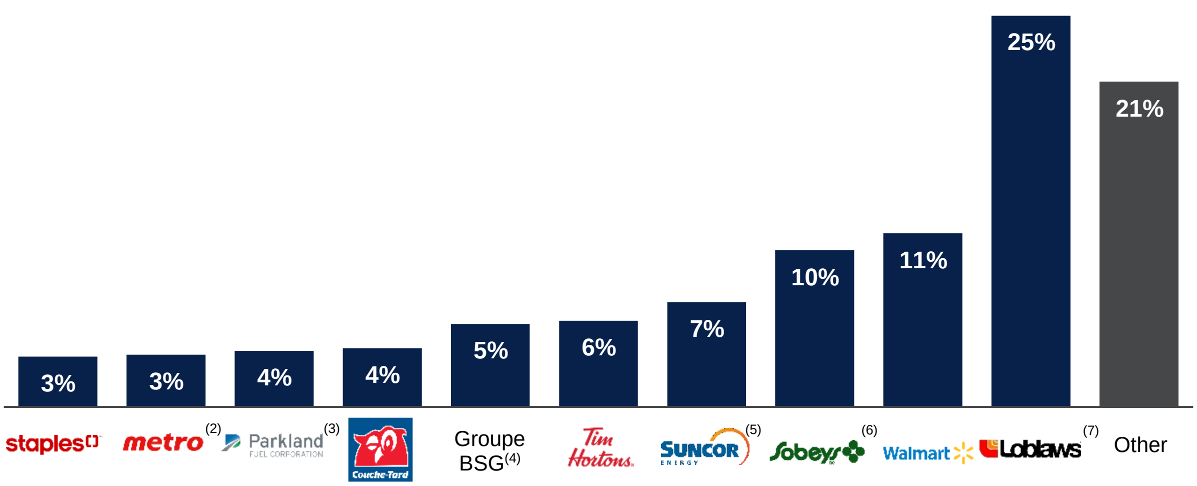
HISTORICAL SELECTED FINANCIAL PERFORMANCE



*Recurring FFO: excludes "Other revenues" as presented in the Consolidated Financial Statements

TENANT OVERVIEW – PERIOD ENDED MARCH 31, 2021

TOP 10 TENANTS (78%)[1]



Notes:

(1) Based on Net Operating Income (''NOI''); Includes the Trust's proportionate share of NOI from properties held through joint ventures
(2) Metro operates grocery stores under the Metro and Super C banners
(3) Parkland Fuel Corporation operates service-stations under the Ultramar and Esso Banners
(4) Groupe BSG is a large regional service-station operator operating under various banners
(5) Suncor operates Pétro-Canada service-stations
(6) Sobeys operates IGA grocery stores and Shell service-stations
(7) Loblaws operates the Pharmaprix pharmacies and the Provigo, Maxi, Independent's and Atlantic Superstore grocery banners

BREAKDOWN OF PROPERTIES & OPERATING SECTORS

#	Address	City/Province	Type	Land	Building	Ownership
1	40-50 Brunet Street	Mont St-Hilaire, Qc	QSR, gas, c-store	69K sf	5,452 sf	100%
2	230 St-Luc Blvd.	St-Jean-sur-Richelieu, Qc	Gas, c-store	65K sf	8,359 sf	100%
3	196 Hôtel-de-Ville Blvd.	Rivière-du-Loup, Qc	Gas, c-store	14K sf	2,400 sf	100%
4	1349-1351 Road 117	Val-David, Qc	QSR, gas, c-store	36K sf	6,088 sf	100%
5	275 Barkoff Street	Trois-Rivières, Qc	Gas, c-store	65K sf	2,400 sf	65%
6	530 Barkoff Street	Cap-de-la-madeleine, Qc	Gas, c-store	30K sf	2,641 sf	50%
7	340-344 Montée du Comté	Les Coteaux, Qc	QSR, gas, c-store	67K sf	8,071 sf	100%
8	1440-50 St-Laurent East Blvd.	Louiseville, Qc	QSR, gas, c-store	115K sf	6,132 sf	50%
9	1460 St-Laurent East Blvd.	Louiseville, Qc	QSR	37K sf	4,841 sf	50%
10	490-494 De L'Atrium Blvd.	Québec City, Qc	Gas, c-store	34K sf	6,574 sf	100%
11	7335 Guillaume Couture Blvd.	Lévis, Qc	QSR	30K sf	2,860 sf	100%
12	1319 Brookdale Avenue	Cornwall, On	QSR	33K sf	3,127 sf	100%
13	4200 Bernard-Pilon Street	St-Mathieu de Beloeil, Qc	Gas, c-store	20K sf	1,200 sf	100%
14	1901 Raymond Blais Street	Sainte-Julie, Qc	Gas, c-store	39K sf	5,150 sf	100%
15	2000 Leonard de Vinci Street	Sainte-Julie, Qc	QSR	86K sf	1,255 sf	100%
16	2050 Leonard de Vinci Street	Sainte-Julie, Qc	Gas	50K sf	5,975 sf	100%
17	2051 Nobel Street	Sainte-Julie, Qc	QSR	27K sf	1,392 sf	100%
18	16920-16930 St-Louis Ave.	St-Hyacinthe, Qc	QSR, gas, c-store	70K sf	6,290 sf	100%
19	3726 Des Forges Blvd.	Trois-Rivières, Qc	QSR	19K sf	3,360 sf	100%
20	2871-2885 Des Prairies St.	Trois-Rivières, Qc	QSR, gas, c-store	60K sf	6,662 sf	100%
21	2350 Chemin des Patriotes	Richelieu, Qc	QSR, gas, c-store	48K sf	4,851 sf	100%
22	4932 Des Sources Blvd.	Pierrefonds, Qc	QSR	19K sf	2,716 sf	100%
23	314 De Montigny Street	St-Jérôme, Qc	QSR	24K sf	2,832 sf	100%
24	288 Valmont Street	Repentigny, Qc	Gas, c-store	22K sf	2,400 sf	100%
25	2439 Ste Sophie Blvd.	Sainte-Sophie, Qc	Gas, c-store	58K sf	4,856 sf	95%
26	2429 Sainte-Sophie Blvd.	Sainte-Sophie , Qc	QSR	45K sf	3,710 sf	95%
27	610 Saint-Joseph Blvd.	Gatineau, Qc	Other	12K sf	3,019 sf	100%
28	513 Des Laurentides Blvd.	Laval, Qc	Other	13K sf	3,372 sf	100%
29	123 St-Laurent East Blvd	St-Eustache, Qc	Gas, c-store	22K sf	3,846 sf	100%
30	4 North Street	Waterloo, Qc	Gas, c-store	14K sf	2,845 sf	100%
31	3355 de la Pérade Street	Quebec City, Qc	Retail	142K sf	28,894 sf	100%
32	2555 Montmorency Blvd	Quebec City, Qc	Retail	110K sf	25,480 sf	100%
33	3592 Laval Street	Lac Mégantic, Qc	Gas, c-store	20K sf	1,777 sf	100%
34	536 Algonquin Blvd.	Timmins, On	QSR	108K sf	2,690 sf	100%
35	1730 Jules Vernes Ave.	Cap Rouge, Qc	QSR	35K sf	4,100 sf	50%
36	235 Montée Paiement	Gatineau, Qc	Retail	149K sf	25,706 sf	100%
37	510 Bethany Ave.	Lachute, Qc	QSR, gas, c-store	113K sf	11,910 sf	50%
38	1337 Iberville Blvd.	Repentigny, Qc	Retail	57K sf	17,050 sf	100%
39	222 St-Jean-Baptiste Blvd.	Mercier, Qc	QSR, gas, c-store	70K sf	9,488 sf	82.5%
40	230 St-Jean-Baptiste Boul.	Mercier, Qc	QSR	33K sf	4,165 sf	82.5%
41	101 Hébert Street	Mont-Laurier, Qc	Retail	350K sf	37,530 sf	100%
42	290 Mgr. Langlois Blvd.	Salaberry-de-Valleyfield, Qc	QSR, gas, c-store	107K sf	10,114 sf	50%
43	510 Portland Street	Dartmouth, NS	QSR	32K sf	4,631 sf	100%
44	20 Frontenac Ouest Blvd.	Thetford Mines, Qc	QSR	30K sf	2,400 sf	100%
45	975 Wilkinson Ave.	Dartmouth, NS	QSR, gas, c-store	85K sf	7,975 sf	50%
46	1501 Jacques Bedard Street	Quebec City, Qc	Retail	152K sf	24,652 sf	100%
47	852 Laure Boulevard	Sept Iles, Qc	QSR	28K sf	3,239 sf	100%
48	87-91 Starrs Road	Yarmouth, NS	Gas, c-store	62K sf	3,335 sf	100%
49	4675 Shawinigan Sud Blvd.	Shawinigan, Qc	QSR, gas, c-store	101K sf	7,126 sf	50%
50	480 Bethany Ave.	Lachute, Qc	Retail	492K sf	75,681 sf	100%
51	484 Bethany Ave.	Lachute, Qc	QSR	32K sf	3,037 sf	100%
52	2077 Laurentides Blvd.	Laval, Qc	Retail	31K sf	9,462 sf	100%
53	111-117 Desjardins Bvld.	Maniwaki, Qc	Retail	45K sf	16,085 sf	100%
54	550 Laflèche Boulevard	Baie Comeau, Qc	Retail	102K sf	19,676 sf	100%
55	304 LaSalle Boulevard	Baie Comeau, Qc	QSR	13K sf	3,300 sf	100%
56	35 route 201	Coteau-du-Lac, Qc	QSR, gas, c-store	31K sf	4,500 sf	50%
57	835 Lucien Chenier	Farnham, Qc	QSR, gas, c-store	89K sf	7,000 sf	100%
58	24 Miikana Way	Kenora, On	Retail	534K sf	80,881 sf	100%
59	1410 Principale Street	St-Etienne-des-Grès, Qc	QSR, gas, c-store	26K sf	3,830 sf	75%
60	2505 Saint-Louis Street	Gatineau, Qc	Retail	88K sf	25,389 sf	100%
61	124 Beech Hill Road	Antigonish, NS	QSR, gas, c-store	176K sf	4,040 sf	50%
62	16670 Des Acadiens Blvd.	Bécancour, Qc	QSR, gas, c-store	14K sf	3,600 sf	75%
63	1875 Sainte-Marguerite Street	Trois-Rivières, Qc	Gas, c-store	19K sf	2,400 sf	75%
64	5100 Wilfrid Hamel Blvd.	Quebec City, Qc	Gas, c-store	26K sf	3,077 sf	50%

65	369 St-Charles Street West	Longueuil, Qc	Gas, c-store	15K sf	2,578 sf	50%
66	1305-1375 Sherbrooke St*	Magog, Qc	QSR, gas, c-store	38K sf	8,900 sf	50%
67	250 Saint-Antoine Nord Street	Lavaltrie, Qc	Retail	87K sf	22,794 sf	100%
68	524-534 Saint-Joseph Blvd.*	Drummondville, Qc	QSR	26K sf	7,684 sf	50%
69	570 Saint-Joseph Blvd.*	Drummondville, Qc	QSR	52K sf	3,855 sf	50%
70	491 Seigneuriale Street	Quebec City, Qc	Retail	103K sf	21,303 sf	100%
71	150 St-Alphonse Blvd.	Roberval, Qc	Retail	207K sf	43,378 sf	100%
72	15 McChesney Ave.	Kirkland Lake, ON	Retail	200K sf	45,157 sf	100%
73	394 Westville Road	New Glasgow, NS	Retail	487K sf	90,800 sf	100%
74	1225 Kings Street	Sydney, NS	Retail	155K sf	47,189 sf	100%
75	478 Ch. Knowlton	Lac Brome, Qc	QSR, gas, c-store	51K sf	4,500 sf	100%
76	14 Sunset Road	Pictou, NS	QSR, gas, c-store	129K sf	5,460 sf	50%
77	Laurier Boulevard* **	Terrebonne, Qc	QSR	35K sf	3,885 sf	40%
78	7751-7811 Roi-Rene Blvd.* **	Anjou, Qc	QSR	33K sf	5,800 sf	40%
79	10 700 Ch. Cote-de-Liesse**	Lachine, Qc	Gas	37K sf	395 sf	100%
QSR: Quick Service Restaurant			**Total:**	**6,401K sf**	**932,574 sf**	

* Under development

**Acquired after March 31, 2021

MANAGEMENT'S DISCUSSION & ANALYSIS

SCOPE OF ANALYSIS

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Fronsac Real Estate Investment Trust ("Fronsac" or the "Trust") is intended to provide readers with an assessment of performance and summarize the results of operations and financial condition for the 3-month period ended March 31, 2021. It should be read in conjunction with the Consolidated Financial Statements for the period ended March 31, 2021 and the Consolidated Financial Statements and MD&A for the period ended March 31, 2020. The financial data contained in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts are in Canadian dollars. You can find all copies of Fronsac's recent financial reports on Fronsac's website fronsacreit.com and on sedar.com.

Dated May 20, 2021, this MD&A reflects all significant information available as of that date and should be read in conjunction with the Consolidated Financial Statements for the period ended March 31, 2021 and accompanying notes included in this report.

The audit committee reviewed the contents of this MD&A and the Financial Statements and the Trust's Board of Trustees has approved them.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Securities laws encourage companies to present forward-looking information to provide investors with a better understanding of the Trust's future prospects and help them make informed decisions. This MD&A contains forward-looking statements about the Trust's objectives, strategies, financial position, results of operations, cash flows and operations, which are based on management's current expectations, estimates and assumptions about the markets in which it operates.

Statements based on management's current expectations contain known and unknown inherent risks and uncertainties. Forward-looking statements may include verbs such as "believe," "anticipate," "estimate," "expect," "intend" and "assess" or related expressions, used in the affirmative and negative forms. These statements represent the Trust's intentions, plans, expectations or beliefs and are subject to risks, uncertainties and other factors, many of which are beyond the Trust's control. Actual results may vary from expectations. The reader is cautioned not to place undue reliance on any forward-looking statements.

The outbreak of COVID-19 has resulted in the federal and provincial governments enacting numerous measures such as the implementation of a travel ban, self imposed quarantine periods and social distancing. These measures have caused material disruption to businesses and has resulted in an economic slowdown. These measures have also resulted in material disruptions to global equity and capital markets.

It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and accordingly certain aspects of the Trust's operations could be affected, including rent collection, occupancy rates, demand for retail space, capitalization rates, and the resulting value of the Trust's properties. The full extent and duration of COVID-19 remain uncertain at this time.

Please note that the forward-looking statements contained in this MD&A describe our expectations as at May 20, 2021.

DESCRIPTION OF THE ISSUER'S BUSINESS

Fronsac is an active Trust operating in the Canadian commercial real estate market. The Trust is currently traded on the TSX Venture using the ticker symbol FRO.UN. The Trust owns and rents commercial real estate properties directly and through its wholly owned subsidiaries. Since inception the Trust has made a series of acquisitions and has steadily increased its real estate portfolio.

While always staying focused on **per unit results, Fronsac…**

The principal, registered and head office of the Trust is located at 106 Gun Avenue, Pointe Claire, Qc, H9R 3X3.

On November 10, 2020, the Trust completed a consolidation of units on a basis of one (1) post-consolidation unit for every ten (10) pre-consolidation units. All per unit numbers in this MD&A are shown on a post-consilidation basis.

As at March 31, 2021 the Trust held 76 investment properties, 65 residing in the province of Quebec, 4 in the province of Ontario and 7 in the province of Nova Scotia. The properties are occupied by 5 distinct groups of tenants composed of: (1) retailers, (2) quick service restaurant chains, (3) major oil/gas companies, (4) c-store chains, and (5) others.

The quality of the properties in the portfolio allow Fronsac to maintain a very high occupancy level. As at March 31, 2021, the Trust's occupancy was at 99%.

The Trust management is entirely internalized and no service agreements or asset management agreements are in force between Fronsac and its officers. The Trust therefore ensures that the interests of management and of its employees are aligned with those of the unitholders.

These properties are leased to tenants on a management free basis with triple net leases. Under this type of arrangement, the tenant is responsible for paying real estate taxes, insurance and any general maintenance required, in addition to the base rent already stipulated in the lease terms. These types of leases ensure stable recurring cash flows with an opportunity for growth.

MAJOR EVENTS OF THE QUARTER

On February 1st, 2021, Fronsac announced the acquisition of a property located in Lac Brome, Qc, and a 50% participation in a new development in Chicoutimi, Qc.

> On January 29th, 2021 Fronsac completed the acquisition of a property in Lac Brome, QC which is operated by a service-station under the Esso banner and a fast-food restaurant operated under the Tim Hortons banner. Total consideration paid for the property was $2,840,000 (excluding transaction costs) and was settled in cash.
>
> In partnership with Odacité Immobilier and Benny&Co., Fronsac also announces the development of a new standalone Benny&Co. restaurant in Chicoutimi, Qc. This project will be done through the FBO Simple Limited Partnership in which Fronsac holds a 40% interest. Total costs are expected to be $2,100,000 and construction is set to begin in 2021.

On March 1st, 2021, Fronsac closed on an acquisition of a 50% interest in a service station, fast food combo in Pictou, Nova Scotia. The 50% share was acquired for $2,875,000 (excluding transaction costs).

On March 1st , 2021, Fronsac entered into an agreement to purchase three (3) freestanding Food Basics grocery stores in Hamilton, Keswick and Dunnville, Ontario. The transaction is expected to close during Q2 2021. The purchase price for the 3 properties will be $8,090,000 (excluding transaction costs) and will be settled in cash.

On March 26th, 2021, Fronsac announced that it will make monthly cash distributions of 2.5¢ per unit, representing 30.0¢ per unit on an annualized basis, on April 30th, May 31st and June 30th, 2021 to unitholders of record on April 15th, May 14th and June 15th, 2021, respectively.

On March 26th, 2021, Fronsac announced that it will be acquiring a piece of land in April 2021 in Terrebonne, Quebec. In the summer 2021 the Trust will begin construction of a freestanding Benny&Co. This project will be done through the GMB Frondacite Limited Partnership in which Fronsac holds a 40% interest. Total project costs are estimated to be $2,200,000.

OUTLOOK 2021 & SUBSEQUENT EVENTS

Fronsac is constantly looking for acquisitions of commercial real estate properties that have triple net leases and are management free. These types of acquisitions limit the overhead required to run the business and in turn allow management to focus on adding value through strategic acquisitions that are accretive to the Trust's FFO/AFFO per unit.

On April 2nd, 2021, the GMB Frondacite Limited Partnership, in which Fronsac holds a 40% interest, closed on the previously announced land acquisition in Terrebonne, Qc. Total consideration paid for the land was $700,000 (excluding transaction costs) and was settled in cash.

On April 20th, 2021, the FBO Simple Limited Partnership, in which Fronsac holds a 40% interest, acquired a retail strip located on Roi-René Boulevard in Anjou, Qc. A portion of the property will be demolished, and a Benny&Co. restaurant will be added to the strip. Total costs are expected to be $3,500,000 and construction is set to begin in 2022.

On May 19th, 2021, Fronsac announced that it will acquire a grocery store operated under the Food Basics banner located in Cambridge, On. Total consideration to be paid will be $7,050,000 (excluding transaction costs) and will be settled in cash. The transaction is set to close during Q2 2021.

On May 19th, 2021, Fronsac announced that it will acquire a land leased to a Pétro-Pass cardlock located in the Greater Montreal Area. Total consideration to be paid will be $1,550,000 (excluding transaction costs) and will be settled in cash. The transaction is set to close in Q2 2021.

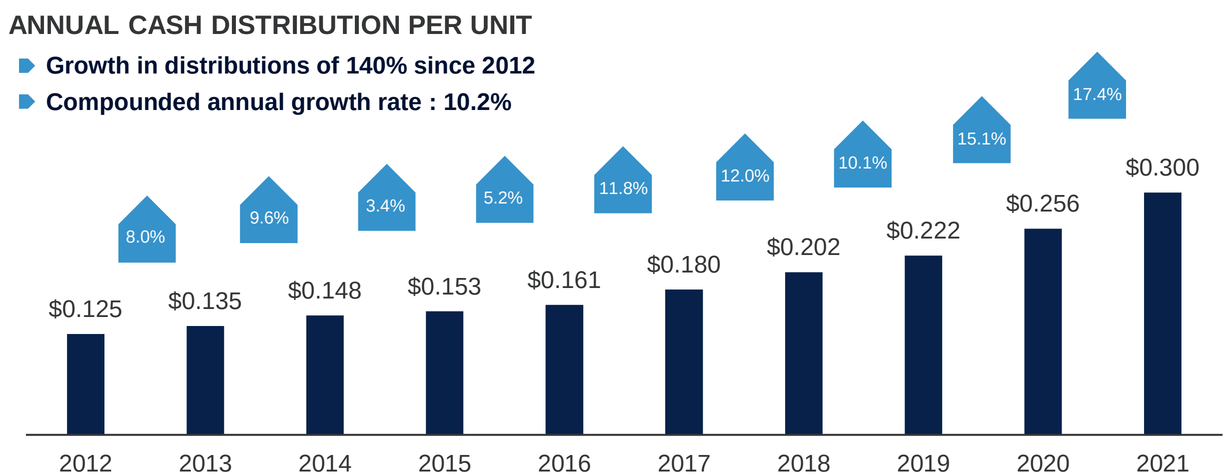
Fronsac is looking for acquisitions that will sustain its growth. The Trust's capital and debt structure puts it in a selective position for other potential acquisitions.

The outbreak of COVID-19 has resulted in the federal and provincial governments enacting numerous measures such as the implementation of a travel ban, selfimposed quarantine periods and social distancing. These measures have caused material disruption to businesses and has resulted in an economic slowdown. These measures have also resulted in material disruptions to global equity and capital markets.

Fronsac's portfolio is mostly comprised of retailers who provide essential services, such as grocery stores and pharmacies, service stations and quick service restaurants. As of today, the Trust's portfolio is comprised of 79 properties with more than 100 tenants. Throughout the COVID-19 crisis, our tenants have remained open to continue to provide these essential services to the communities in which they operate, with some exceptions. Depending on the type of tenant, some have experienced increased traffic, while others have been more susceptible to the governments stay at home initiatives.

It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and accordingly certain aspects of the Trust's operations could be affected, including rent collection, occupancy rates, demand for retail space, capitalization rates, and the resulting value of the Trust's properties. The full extent and duration of COVID-19 remain uncertain at this time.

The Trust believes in a long-term growth strategy through acquiring properties that will increase its funds from operations per unit, distributions per unit and as a result increase total unitholders value.



NON-IFRS FINANCIAL MEASURES

This document contains various non-IFRS financial measures, which are used to explain the financial results of the Trust. The terms explained in this section do not have any standardized IFRS meaning and as such may not be comparable to other issuers.

Funds From Operations (FFO) is not an IFRS financial measure. FFO is an industry term and its calculation is prescribed in publications of the Real Property Association of Canada (REALpac). FFO as calculated by Fronsac may not be comparable to similar titled measures reported by other entities. FFO is an industry standard widely used for measuring operating performance and is exclusive of unrealized changes in the fair value of investment properties, deferred income taxes and gains or losses on property dispositions (see reconciliation to profit for the period attributable to unitholders on page 11). Fronsac considers FFO a meaningful additional measure as it adjusts for certain non-cash items that do not necessarily provide an appropriate picture of a Trust's recurring performance. It more reliably shows the impact on operations of trends in occupancy levels, rental rates, net property operating income and interest costs compared to profit determined in accordance with IFRS. As well, FFO allows some comparability amongst different real estate entities that have adopted different accounting with respect to investment properties (some entities use the cost model and whereas others use the fair value model to account for investment properties).

FFO per unit is not an IFRS financial measure. Fronsac calculates FFO per unit as FFO divided by the weighted average number of units outstanding.

Recurring Funds From Operations (FFO) is not an IFRS financial measure. Fronsac calculates recurring FFO by subtracting from the base FFO material non-recurring revenues and adding material non-recurring charges.

Recurring FFO per unit is not an IFRS financial measure. Fronsac calculates Recurring FFO per unit as recurring FFO divided by the weighted average number of units outstanding.

Adjusted Funds From Operations (AFFO) is an industry term used to help evaluate dividend or distribution capacity. AFFO as calculated by Fronsac may not be comparable to similar titled measures reported by other entities. AFFO primarily adjusts FFO for other non-cash revenues and expenses and operating capital and leasing requirements that must be made merely to preserve the existing rental stream. Most of these expenditures would normally be considered investing activities in the statement of cash flows. Capital expenditures, which generate a new investment or revenue stream, such as the development of a new property or redevelopment of an existing property, would not be included in determining AFFO. AFFO excludes the impact of working capital changes as they are viewed as short-term cash requirements or surpluses. In addition, non-recurring costs that impact operating cash flow may be adjusted.

AFFO per unit is not an IFRS financial measure. Fronsac calculates AFFO per unit as AFFO divided by the weighted average number of units outstanding.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is not an IFRS financial measure. EBITDA, as calculated by Fronsac, may not be comparable to similarly titled measures reported by other entities. EBITDA is used in calculations that measure the Trust's ability to service debt. Its calculation is profit before financial expenses, income tax expense, and amortization.

Adjusted EBITDA is a non-IFRS measure and is used by the Trust to monitor the its ability to satisfy and service its debt and to monitor requirements imposed by the Trust's lenders. Specifically, Adjusted EBITDA is used to monitor the Fronsac's Interest Coverage Ratio and Debt Service Coverage Ratio. Adjusted EBITDA represents earnings before interest, income taxes and fair value gains (losses) on investment properties, while also excluding non-recurring items.

The Interest Coverage Ratio ("Interest Coverage Ratio") is an non-IFRS measure used by management in determining the Trust's ability to service the interest requirements of its outstanding debt. The Trust calculates its Interest Coverage Ratio by dividing Adjusted EBITDA by the Trust's interest obligations for the period. Management uses this ratio to measure and limit the Trust's leverage.

The Debt Service Coverage Ratio ("Debt Coverage Ratio") is a non-IFRS measure. It is determined by the Trust as Adjusted EBITDA divided by the debt service requirements for the period, whereby the debt service requirements reflect principal repayments and interest expensed during the period. Payments related to prepayment penalties or payments upon discharge of a mortgage are excluded from the calculation. The Debt Service Coverage Ratio is a useful measure and is used by the Trust's management to monitor the Trust's ability to meet annual interest and principal payments.

Distributable Income is not an IFRS measure. There is no standardized measure of distributable income Distributable income is presented in this MD&A because Fronsac believes this non IFRS measure is a relevant measure of its ability to earn and distribute cash returns to unitholders Distributable Income as computed by Fronsac may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to distributable income as reported by such entities.

The Distributable Income of Fronsac is calculated based on Fronsac's income determined in accordance with the provisions of the Income Tax Act (as amended, subject to certain adjustments as set out in Fronsac's contract of trust, including that capital gains and capital losses be excluded, net recapture income be excluded, no deduction be made for non capital losses, capital cost allowance, terminal losses, amortization of cumulative eligible capital or amortization of costs of issuing units or financing fees related to the instalment loan, and leasehold improvements be amortized. Distributable Income so calculated may reflect any other adjustments determined by the Trustees in their discretion and may be estimated whenever the actual amount has not been fully determined. Such estimates will be adjusted as of the subsequent distribution date when the amount of Distributable Income has been finally determined.

Adjusted Investment Properties is not an IFRS measures. Adjusted Investment Properties is a combination of the Trust's investment properties as shown on its balance sheet as well as its propoertionate share of the value of the properties owned through joint ventures.

FFO, Recurring FFO, AFFO, EBITDA, Adjusted EBITDA, Interest Coverage Ratio, Debt Service Coverage Ratio, Distributable Income and Adjusted Investment Properties are not defined by IFRS, and therefore should not be considered as alternatives to profit or net income calculated in accordance with IFRS.

ADDITIONAL IFRS FINANCIAL MEASURES USED IN THIS DOCUMENT

Net Property Operating Income (NOI) is an industry term in widespread use. The Trust includes NOI as an additional IFRS measure in its consolidated statement of income and comprehensive income. NOI as calculated by Fronsac may not be comparable to similar titled measures reported by other entities. Fronsac considers NOI a meaningful additional measure of operating performance of property assets, prior to financing considerations. Its calculation is total revenues less total operating expenses as shown in the consolidated statements of income and comprehensive income (property revenues less total property operating costs, including operating ground rents).

FINANCIAL HIGHLIGHTS

	2021	2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Rental income	4,453,791	3,690,482	3,219,366	3,203,394	2,863,606	2,738,295	2,458,451	2,192,484
Net income (loss) to unitholders	223,673	847,652	2,139,737	2,515,312	4,118,476	(997,612)	3,891,506	1,136,505
Net income (loss) per unit Basic	0.013	0.054	0.145	0.171	0.310	(0.085)	0.333	0.013
FFO (1)	2,433,267	1,977,993	1,874,971	1,830,892	1,462,713	1,295,716	1,197,449	1,121,743
FFO per unit	0.140	0.125	0.127	0.125	0.110	0.110	0.102	0.103
Value of adjusted investment properties (000's) (2)	225,562	221,712	171,615	168,805	160,829	134,376	133,413	124,741
Total assets (000's)	208,549	209,706	159,169	157,837	155,221	129,119	126,615	117,063
Mortgages, and other debts (000's)	106,859	107,652	73,912	75,298	71,064	60,383	60,554	61,398
Equity (000's)	89,408	90,206	74,303	72,971	71,359	51,342	53,031	50,499
Weighted avg. units o/s Basic (000's)	17,421	15,794	14,727	14,697	13,297	11,740	11,701	10,928

(1) See appropriate sections for reconciliation to the closest IFRS measure and section "Non-IFRS financial measures"
(2) Adjusted Investment Properties includes the Trust's proportionate share of value of investment properties owned through joint ventures; Refer to Note 4 (Investment Properties) and Note 5 ([1] value of developed properties, [2] leased properties and [3] properties under development) in Fronsac's financial statements

INVESTMENT PROPERTIES

As at March 31	2021	2020	Δ
Investment Properties			
Developed properties	187,591,316	135,456,331	38%
Properties under development	-	-	-
Investment properties held for sale	-	1,865,000	(100%)
	187,591,316	137,321,331	37%
Joint Venture Ownership(1)			
Developed properties	34,685,830	21,632,022	60%
Leased properties	350,000	350,000	-
Properties under development	2,934,681	1,525,228	92%
Adjusted Investment Properties(2)	**225,561,827**	**160,828,581**	**40%**

(1) Represents Fronsac's proportionate share
(2) See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"

RECONCILIATION OF NET INCOME TO FFO

Periods ended March 31	3 months 2021	2020	Δ
Net income (loss) attributable to unitholders	223,673	4,118,476	(3,894,803)
Debenture issuance costs	-	-	-
Δ in value of investment properties	1,450,766	(2,377,881)	3,828,647
Δ in value of investment properties in joint ventures	1,165,947	(404,906)	1,570,853
Unit based compensation	299,171	180,000	119,171
Δ in liability component of convertible debentures	-	(37,788)	37,788
Δ fair value adjustments on derivative financial instruments	(713,377)	(21,900)	(691,477)
Accretion of lease payments	7,087	6,712	375
Income taxes	-	-	-
FFO(1)	2,433,267	1,462,713	66%
FFO per unit	0.140	0.110	27%
Other revenues	-	-	-
Recurring FFO(1)	2,433,267	1,462,713	66%
Recurring FFO per unit	0.140	0.110	27%
Distributions	1,307,150	875,793	431,357
Distributions per unit	0.075	0.064	17%
FFO per unit - after distributions	0.065	0.046	40%
Recurring FFO per unit - after distributions	0.065	0.046	40%
Distributions per unit as a % of			
FFO per unit	54%	58%	(4%)
Recurring FFO per unit	54%	58%	(4%)
Weighted avg. units o/s			
Basic	17,420,614	13,296,639	4,123,975

(1) See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

Periods ended March 31	3 months 2021	2020	Δ
FFO (1)	2,433,267	1,462,713	970,554
Amortization of finance charges included in interest expense	-	-	-
Straight-line rent adjustment(2)	(148,290)	(88,234)	(60,056)
Maintenance/cap-ex on existing properties	(48,433)	(24,853)	(23,580)
Leasing costs on existing properties	-	-	-
Debt extinguishment penalties	-	-	-
AFFO(1)	2,236,544	1,349,626	66%
AFFO per unit	0.128	0.102	26%
Distributions per unit	0.075	0.064	17%
AFFO per unit - after distributions	0.053	0.038	42%
Distributions per unit as a % of			
AFFO per unit	58%	63%	(5%)
Weighted avg. units o/s			
Basic	17,420,614	13,296,639	4,123,975

(1) See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"
(2) Adjusted for proportionate share of equity accounted investments

CASH FLOW AND LIQUIDITY

Periods ended March 31	3 months 2021	3 months 2020	Δ
Cash flow from:			
Operating activities	1,563,002	1,631,932	(68,930)
Investing activities	(4,433,559)	(18,885,478)	14,451,919
Financing activities	(1,064,429)	21,764,019	(22,828,448)
Increase in cash & cash Equivalents	(3,934,986)	4,510,473	(8,445,459)
Cash & cash equivalents - Beginning of period	4,459,706	300,338	4,159,368
Cash & cash equivalents - End of period	524,720	4,810,811	(4,286,091)

The Trust's rental income revenues are used to pay down various working capital obligations. These funds are the primary source to fund mortgage/loan and other debt payments, with the residual used to fund distributions to unit holders.

For the 3-month period ended March 31, 2021, Fronsac has decreased its cash from operating activities compared to the same period in 2020. This decrease is largely due to an increase in deposits on transactions.

Cash spent on investing activities can mainly be attributed to the acquisitions of properties and participations in joint ventures that took place over the course of the period. For more details regarding these acquisitions over the 3-month period ended March 31, 2021, please refer to Note 4 "Investment Properties" and Note 5 "Joint Arrangements" in the Financial Statements.

For the 3-month period ended March 31, 2021, cash derived from financing activities amounted to ($1,064,429) compared to $21,764,019 for the same period in 2020. The decrease in 2021 can be explained by the fact that there were no new mortgages during the period compared to $11,100,000 in mortgages and $16,580,861 in equity issuance for the same period in 2020.

The Trust expects to be able to meet all of its obligations as they become due in the short-term and the long-term. Fronsac expects to have sufficient liquidity as a result of cash on hand, cash flow from operating activities, operating facilities, the ability to refinance properties when required as well as the ability to raise equity and debentures in the capital markets when deemed necessary.

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

	3 months		
Periods ended March 31	**2021**	**2020**	**Δ**
Cash flow provided from operating activities	1,563,002	1,631,932	(68,930)
Net change in non-cash asset and liability items	393,902	(434,634)	828,536
Income taxes	-	-	-
Accretion of lease payments	7,087	6,712	375
Straight line rent adjustment	148,290	88,234	60,056
Δ in accrued interest	9,242	(7,805)	17,047
Debentures issuance costs	-	-	-
Δ in value of investment properties in joint ventures	1,165,947	(404,906)	1,570,853
Income from investment in joint ventures[1]	(859,730)	583,180	(1,442,910)
Accretion of the non-derivative liability component of convertible debentures	5,527	-	5,527
FFO[2]	2,433,267	1,462,713	66%
Accretion of lease payments	(7,087)	(6,712)	(375)
Straight line rent adjustment[3]	(148,290)	(88,234)	(60,056)
Distributions from joint ventures	185,500	10,500	175,000
Periodic mortgage principal repayments	(792,510)	(418,899)	(373,611)
Repayment of long-term-debt	-	-	-
Distributable income	1,670,880	959,368	74%
Distributions to unitholders	(1,307,150)	(875,793)	(431,357)
Cash surplus after distributions	363,730	83,575	280,155

(1) Excludes straight line rent in equity accounted investments
(2) See appropriate sections for reconciliation to the closest IFRS measure and section
(3) Including the proportionate share of equity accounted investments

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Financial position & COVID-19
Fronsac benefits from a solid financial position. The Trust has sufficient liquidity, including cash on hand and undrawn credit facilities, to meet its current obligations, working capital requirements and distributions. As of March 31, 2021, Fronsac had approximately $11 million of cash and availability on its credit facilities.

RESULTS OF OPERATIONS

	3 months		
Periods ended March 31	**2021**	**2020**	**Δ**
Rental Income	4,453,791	2,863,606	1,590,185
Increase/(decrease) in fair values of investment properties	(1,450,766)	2,377,881	(3,828,647)
Financial expenses	298,748	691,883	(393,135)
Administrative expenses	205,432	169,487	35,945
Unit-based compensation	299,171	180,000	119,171
Net income (loss) attributable to unitholders	223,673	4,118,476	(3,894,803)
Net income (loss) per unit Basic	0.013	0.310	(0.30)
FFO[1]	2,433,267	1,462,713	66%
FFO per unit	0.140	0.110	27%
Recurring FFO[2]	2,433,267	1,462,713	66%
Recurring FFO per unit	0.140	0.110	27%
Weighted avg. units o/s Basic	17,420,614	13,296,639	4,123,975

(1) See appropriate sections for reconciliation to the closest IFRS measure and section
(2) Recurring FFO excludes "Other revenues" as presented on the Consolidated Financial Statements

RECONCILIATION OF NET INCOME TO EBITDA

	3 months		
Periods ended March 31	**2021**	**2020**	**Δ**
Net income attributable to unitholders	223,673	4,118,476	(3,894,803)
Financial expenses	298,748	691,883	(393,135)
Accretion of lease payments	(7,087)	(6,712)	(375)
Income taxes	-	-	-
EBITDA	515,334	4,803,647	(4,288,313)
Δ in value of investment properties	1,450,766	(2,377,881)	3,828,647
Δ in value of investment properties in joint ventures	1,165,947	(404,906)	1,570,853
Adjusted EBITDA[1]	3,132,047	2,020,860	55%
Interest expense	1,077,749	803,994	273,755
Principal repayments	792,510	418,899	373,611
Debt service requirements	1,870,259	1,222,893	53%
Interest coverage	2.9x	2.5x	0.6x
Debt service coverage	1.7x	1.7x	0.2x

(1) See appropriate sections for reconciliation to the closest IFRS measure and section

RESULTS OF OPERATIONS FOR THE QUARTER ENDED MARCH 31, 2021

For the quarter ended March 31, 2021, the Trust had rental income of $4,453,791 ($2,863,606 in Q1 2020). This increase in rental income is due to the addition of new properties and the increases in rent of certain existing properties. These rents are composed primarily of fixed monthly rents as well as variable rents based on gross sales for certain tenants.

The change in fair value of investment properties is based on the change in capitalization rates applied to each property's adjusted net operating income as well as post-acquisition adjustments (see page 16 for more details). As at March 31, 2021, the Trust has estimated that a 0.25% decrease in the capitalization rate applied to the overall portfolio would increase the fair value of the investment properties by approximately $7,499,790 ($5,601,869 in Q1 2020) while an increase in the capitalization rate would decrease the fair value of the investment properties by aproximately $6,940,275 ($5,177,486 in Q1 2020). The weighted average capitalization rate used in the calculation of the fair value of investment property is 6.53% (6.42% in Q1 2020) while the range of capitalization rates used is 5.50% to 7.25% (5.75% to 7.25% in Q1 2020). The capitalization rates used in the calculation of the change in fair value of investment properties are provided by a third party firm specializing in the appraisal of commercial properties. The adjusted rental income is adjusted to take into consideration provision for vacancies, administrative fees, structural reserves and discounts on variable income.

The Trust's main operating expenses were financial in nature and were almost entirely made up of interest on mortgages and bank loans, which amounted to $298,748 in Q1 2021 compared to $691,883 for the same period last year. For the quarter ended March 31, 2021, the change in fair value of convertible debentures and warrants decreased financial expenses by $713,377 compared to a decrease of $21,900 in 2020. Excluding this change in fair value, financial expenses for the quarter ended March 31, 2021 were $1,012,125 compared to $713,783 in 2020. This increase in financial expenses is because of an increase in interest expense, which is due to the increase in the number of mortgages.

For the quarter ended March 31, 2021, the Trust recorded recurring FFO of $2,433,267 in comparison to $1,462,713 in Q1 2020. Recurring FFO per unit increased by 27% from $0.110 to $0.140 for the same period last year. The growth in FFO is mainly derived from rental revenues of newly acquired properties net of the increase in financial expenses related to new mortgages on the properties.

CAPITAL STRUCTURE

The real estate business requires capital in order to continue to fund acquisitions, which is a key part to growth and success. The Trust is authorized to issue an unlimited number of trust units. During the 3-month period ended March 31, 2021, the Trust issued units as follows:

On February 15, 2021, announced the issuance of 43,200 units of Fronsac REIT at a price of $6.95 per unit, which equates to $300,240 as partial compensation for the services rendered by certain members of management and the board of trustees during the fiscal year ended on December 31st, 2020.

TRUST UNITS

	# of units	
Units as at January 1, 2021	**17,399,257**	
Units issued (redeemed):		
February 15, 2021 (Units for services)	43,200	
Units as at March 31, 2021	**17,442,457**	
Potential dilutive impact of financial instruments as at Mar. 31, 2021		**Exercise price**
Warrants oustanding	477,041	$6.10 per unit
Options oustanding	10,000	$3.80 per unit
Conversion of convertible debentures (in units)	1,167,596	$7.30 to $8.13 per unit

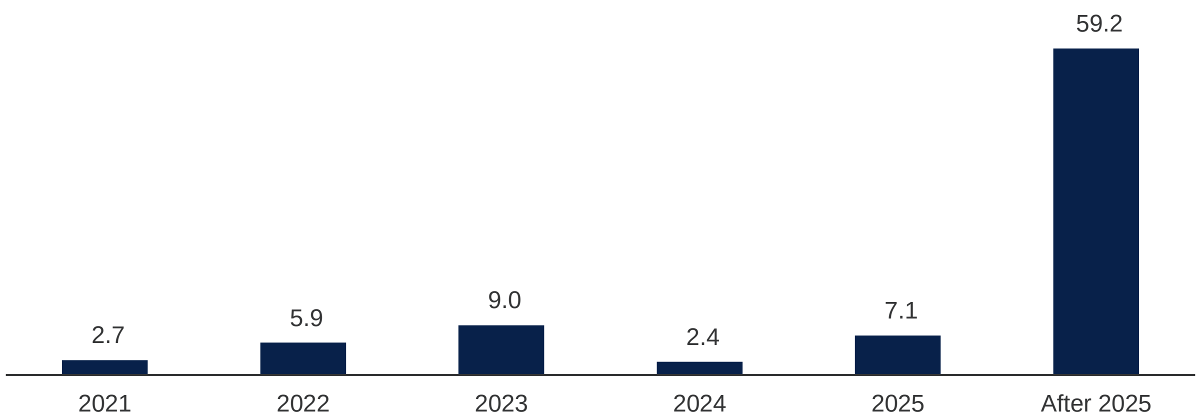
Warrants
The Trust had 477,041 warrants outstanding at the beginning of the period. No warrants were exercised during the 3-month period ending March 31, 2021. The total number of warrants outstanding as of March 31, 2021 is of 477,041.

Convertible debentures
The nominal value of convertible debentures outstanding as of March 31, 2021 is of $9,136,000 and their conversion price range from $7.30 to $8.13 per unit. There was no conversion over the 3-month period ended March 31, 2021.

Options
Over the 3-months period ended March 31, 2021, no options were exercised. The total number of options outstanding as of March 31, 2021 is 10,000 with an exercise price of $3.80.

The total amount of units outstanding as at March 31, 2021 was 17,442,457.

MORTGAGE BALANCES DUE AT MATURITY (in $M)



Maturity	**2021**	**2022**	**2023**	**2024**	**2025**	**After 2025**
Total due ($)	2,707,272	5,850,769	9,038,336	2,378,745	7,126,547	59,208,075
Interest rate:	2.85% - 3.32%	3.21% - 3.85%	2.86% - 4.20%	3.64%	2.64% - 4.98%	2.31% - 4.77%
% of total debt:	3.1%	6.8%	10.5%	2.8%	8.3%	68.6%

Debts are composed of mortgages, loans, convertible debentures and secured credit facilities. As at March 31, 2021, there are 32 mortgages (excluding Fronsac's interest in mortgages held through joint ventures) with Canadian financial institutions with a total carrying value of $106,769,491 ($107,562,001 at December 31, 2020). These mortgages require the Trust to make principal payments of $43,901,924 over the next 5 year and $62,867,567 thereafter. The mortgages outstanding currently have an average term to maturity of 6.1 years (6.1 years at December 31, 2020). Convertible debentures in circulation as at March 31, 2021 have a carrying value of $8,128,852 ($8,134,379 at December 31, 2020). The Trust currently has 3 secured lines of credit with authorized limits of $6,000,000, $4,490,000 and $1,400,000. These lines of credit have a $1,050,000 balance as at March 31, 2021 (Nil at December 31, 2020).

Management believes that Fronsac's blend of debt and equity in its capital base provides stability and reduces risk, while generating an acceptable return on investment. This compliments the long-term business strategy of the Trust, which is to grow its presence in the commercial real estate market in Canada.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Trust's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. The significant estimates and judgments include assessing the nature of an acquisition and whether it represents a business combination or an acquisition of assets and liabilities, whether a joint arrangement structured through a separate vehicle is a joint operation or a joint venture, the assessment of the fair values of investment properties and the assessment of the unit-based compensation and derivative financial instruments where the fair value cannot be derived from active markets.

One significant judgment and key estimate that affects the reported amounts of assets at the date of the consolidated financial statements and the reported amounts of profit or loss during the period, relates to property valuations. Investment properties, which are carried on the consolidated statements of financial position at fair value, are valued by the Trust. The valuation of investment properties is one of the principal estimates and uncertainties of these financial statements. The valuations are based on a number of assumptions, such as appropriate discount rates and capitalization rates and estimates of future rental income, operating expenses and capital expenditures. These investment properties are sensitive to fluctuations in capitalization and discount rates. Investment properties are appraised primarily based on adjusted cash flows obtained from existing tenants, since market participants focus more on expected income. The fair value of investment properties indicated in the consolidated financial statements has been calculated internally using the direct capitalization method based on rental income. This fair value has been calculated by using a capitalization rate, provided by qualified independent professional appraisers, and applied on adjusted rental income. Rental income is adjusted to take into consideration provision for vacancies, administrative fees, structural reserves and discounts on variable income. Inputs used in determining the fair value of investment properties have been considered in order to reflect the Trust's best estimates of the impacts related to COVID-19 based on information available to the Trust as of March 31, 2021.

RISKS AND UNCERTAINTIES

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand for space particularly affect property investments. As at March 31, 2021 the Trust held interests in 76 properties in Quebec, Ontario and Nova Scotia, across 5 market segments. The Trust is exposed to credit risk, interest rate risk and liquidity risk. In order to limit the effects of changes in interest rates on its expenses and cash flows, the Trust constantly follows the evolution of the market interest rate risk and consequently determines the composition of its debts.

Credit Risk

Credit risk comes primarily from the potential inability of customers to discharge their rental obligations. Fronsac strives to obtain rent payments on a monthly basis in order to limit this risk while maintaining a limited receivable balance ($820,587 as at March 31, 2021 compared to $688,113 as at December 31, 2020). The composition of this balance mostly includes major Canadian companies with a small credit risk.

The Trust has a portfolio of loans receivable from joint venture partners. This loans are secure by interests in said joint ventures.

Interest Rate Risk
Interest rate risk affects the Trust through its loans receivable, mortgages, long term debt, convertible debentures and bank loans. These instruments bear fixed and variable interest rates and as such expose the Trust to fair value risk. Lines of credit with a floating interest rate expose the Trust to a cash flow risk. If market conditions warrant, the Trust may attempt to renegotiate its existing debt to take advantage of lower interest rates. The Trust has an ongoing requirement to access debt makers and there is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Trust or on any terms at all. Each change of 1% of the interest rates would have an impact of $270,744 on the financial expenses of the 3-month period.

Liquidity Risk
Liquidity risk is the risk of being unable to honour financial commitments by the deadlines set out under the terms of such commitments. Senior management manages the Trust's cash resources with respect to financial forecasts and anticipated cash flows.

The Trust has cash availability which allows it to control its current liquidity risks, mainly composed of accounts payable, current portion of mortgages and long-term debt and its bank indebtedness.

Lease Roll-over Risk
Lease roll-over risk arises from the possibility that Fronsac may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants. Fronsac's principal management of occupancy risk is the skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space.

Development and Acquisition Risk
The Trust's external growth prospects will depend in large part on identifying suitable acquisition opportunities and conducting necessary due diligence. If the Trust is unable to manage its growth and integrate its acquisitions and developments effectively, its business operating results and financial condition could be adversely affected. Developments and acquisitions may not meet operational or financial expectations due to unexpected costs or market conditions, which could impact the Trust's performance.

Environmental Risk
Fronsac is subject to various laws relating to the environment which deal primarily with the costs of removal and remediation of hazardous substances such petroleum products. Environmental risk is relevant to Fronsac's ability to sell or finance affected assets and could potentially result in liabilities for the costs of removal and remediation of hazardous substances or claims against Fronsac. Management is not aware of any material non-compliance with environmental laws or regulations with regard to Fronsac's portfolio, or of any material pending or threatened actions, investigations or claims against Fronsac relating to environmental matters. Fronsac manages environmental exposures in a proactive manner by conducting thorough due diligence before the acquisition of each property and by taking envrionmental insurance coverage on properties that where risk could potentially arise.

Status of the REIT
Fronsac is required to comply with specific restrictions regarding its activities and the investments held by it in order to maintain its real estate investment trust status ("REIT"). Should Fronsac cease to qualify as a REIT, the consequences could be material and adverse. As well, Fronsac conducts its affairs in order to qualify as a REIT under applicable tax statutes so that it retains its status as a flowthrough vehicle for the particular year. Should Fronsac not meet the conditions to qualify as a REIT in a particular year, it may be subject to tax similar to a corporation, which may have an adverse impact on it and its unitholders, on the value of the units and on its ability to undertake financings and acquisitions. This could also materially reduce its distributable cash. Management believes that it complies with the REIT rules.

Access to Capital
The Trust's growth prospects depends on its ability to access capital, mainly debt and equity. Adverse market conditions could lead to a negative capital markets environment in which the Trust might not be able to issue units, debentures or any other financial instruments in order to raise capital. Access to debt, mainly through mortgages, is also crucial for financing purposes, and the unavailibilty of the debt market would make it harder for Fronsac to acquire real estate assets that satisfy its investment criteria.

COVID-19 Risk
A local, regional, national or international outbreak of a contagious disease, such as COVID-19, could have an adverse effect on local economies and potentially the global economy. The COVID-19 could affect the Trust's ability to collect rent in certain instances.

Management continues to assess the impact of COVID-19 and governments' responses to it on the Trust. Portions of the Trust's financial results incorporate estimates from management that are subject to increased uncertainty due to the market disruptions caused by the COVID-19 pandemic. Areas of increased estimation uncertainty in the Trust's consolidated financial statements include the fair value of its investment properties and the recoverability of amounts receivable.

RELATED PARTY TRANSACTIONS

The loans receivable include an amount of $150,000 (Q4 2020: $150,000) due from officers of the Trust. Interest income on the loan amounts to $1,184 (Q1 2020: $1,117) for which no amount is receivable as at March 31, 2021 (Q4 2020: $0).

During the year ended December 31, 2020, the Trust repaid and cancelled a credit facility it had with a trustee. This person is no longer a trustee since May 2020. Consequently for the period ended March 31, 2021, no interest expense was paid to this former trustee (Q1 2020: $18,400).

Officers and Trustees Compensation

The Trust paid $331,057 as compensation to officers and trustees during the period ended March 31, 2021 (Q1 2020: $256,909).

There were no professional fees paid to an entity controlled by a trustee during the period ended March 31, 2021 (Q1 2020: $7,500).