FRONSAC | Real Estate Investment Trust

Management Discussion & Analysis

–

Q3 2020
Period ended September 30th, 2020
Form 51-102F1

SUMMARY OF SELECTED FINANCIAL INFORMATION

SUMMARY OF SELECTED ANNUAL INFORMATION

Periods ended September 30	9 months 2020	2019	Δ	%
Financial info				
Property rental income	9,286,366	6,650,030	2,636,336	40%
Total revenue	9,296,656	6,650,030	2,646,626	40%
Net income (loss) and comprehensive income (loss)	8,773,525	5,078,881	3,694,644	73%
NOI [1]	7,126,776	5,142,963	1,983,813	39%
FFO [1]	5,149,863	3,319,677	1,830,186	55%
Recurring FFO [1][2]	5,139,573	3,319,677	1,819,896	55%
AFFO [1]	4,747,684	3,276,191	1,471,493	45%
EBITDA [1]	7,074,997	4,887,851	2,187,146	45%
Investment properties [3]	171,615,448	133,413,308	38,202,140	29%
Total assets	159,169,429	126,614,742	32,554,687	26%
Total mortgage/loans/long term debt [4]	73,912,110	60,553,952	13,358,158	22%
(including revolving line of credit)	79,247,110	68,379,232	10,867,878	16%
Total convertible debentures	3,004,263	2,967,498	36,765	1%
Total equity	74,303,173	53,031,403	21,271,770	40%
Weighted average units o/s - basic	142,399,929	109,356,605	33,043,324	30%
Amounts on a per unit basis				
FFO	0.0362	0.0304	0.0058	19%
Recurring FFO	0.0361	0.0304	0.0057	19%
AFFO	0.0333	0.0300	0.0033	11%
Distributions	0.0192	0.0167	0.0025	15%
Financial ratios				
Weighted avg. interest rate - fixed loans/mortgages	3.7%	3.9%	(0.2%)	
Debt to gross assets - including converts	52%	56%	(4%)	
Debt to gross assets - excluding converts	50%	54%	(4%)	
Interest coverage ratio	3.0x	2.6x	0.4x	
Debt service coverage ratio	1.9x	1.7x	0.2x	
Distributions as a % of FFO	53%	55%	(2%)	
Distributions as a % of Recurring FFO	53%	55%	(2%)	
Distributions as a % of AFFO	57%	56%	1%	
Leasing information				
Occupancy	99%	100%	(1%)	
Mix of tenancy based on net revenue				
National	83%	86%	(3%)	
Regional	14%	9%	5%	
Local	3%	5%	(2%)	
Property type breakdown				
Gas/Convenience stores	18	15	3	
Gas/Convenience stores/Quick Service Rest.	17	12	5	
Quick Service Restaurants	17	16	1	
Retail	12	10	2	
Other	2	2	-	
	66	55	11	
Other				
Average term to maturity - mortgages	5.5	4.4	1.1	
Average term to maturity - leases	7.9	8.9	(1.0)	
IFRS capitalization rate	6.43%	6.35%	0.08%	

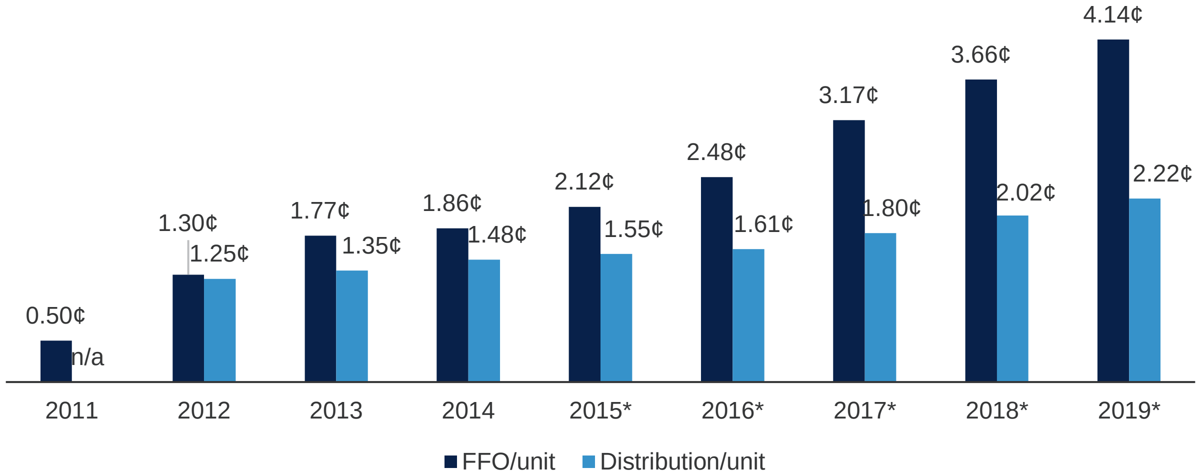
[1] See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"

[2] Recurring FFO excludes "Other income" items as presented on the Consolidated Financial Statements

[3] Includes 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

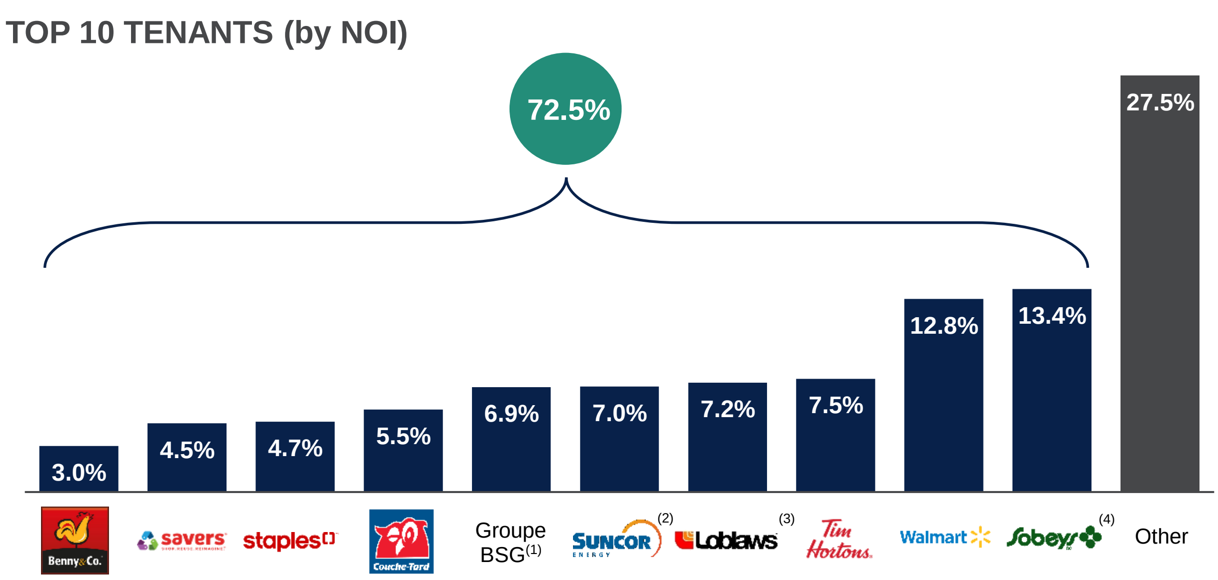
[4] Excludes convertible debentures

HISTORICAL SELECTED FINANCIAL PERFORMANCE



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

TENANT OVERVIEW – PERIOD ENDED SEPTEMBER 30, 2020



Notes:

(1) Groupe BSG is a large regional service-station operator operating under various banners
(2) Suncor operates Pétro-Canada service-stations
(3) Loblaws operates the Pharmaprix pharmacies
(4) Sobeys operates IGA grocery stores and Shell service-stations

BREAKDOWN OF PROPERTIES & OPERATING SECTORS

#	Address	City/Province	Type	Area Land	Area Building	Ownership
1	40-50 Brunet Street	Mont St-Hilaire, Qc	QSR, gas, convenience store	69K sf	5,452 sf	100%
2	230 St-Luc Blvd.	St-Jean-sur-Richelieu, Qc	Gas, convenience store	65K sf	8,359 sf	100%
3	196 Hôtel-de-Ville Blvd.	Rivière-du-Loup, Qc	Gas, convenience store	14K sf	2,400 sf	100%
4	1349-1351 Road 117	Val-David, Qc	QSR, gas, convenience store	36K sf	6,088 sf	100%
5	275 Barkoff Street	Trois-Rivières, Qc	Gas, convenience store	65K sf	2,400 sf	65%
6	530 Barkoff Street	Cap-de-la-madeleine, Qc	Gas, convenience store	30K sf	2,641 sf	50%
7	340-344 Montée du Comté	Les Coteaux, Qc	QSR, gas, convenience store	67K sf	8,071 sf	100%
8	1440-50 St-Laurent East Blvd.	Louiseville, Qc	QSR, gas, convenience 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, convenience 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, convenience store	20K sf	1,200 sf	100%
14	1901 Raymond Blais Street	Sainte-Julie, Qc	Gas, convenience 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, convenience 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 Street	Trois-Rivières, Qc	QSR, gas, convenience store	60K sf	6,662 sf	100%
21	2350 Chemin des Patriotes	Richelieu, Qc	QSR, gas, convenience 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, convenience store	22K sf	2,400 sf	100%
25	2439 Ste Sophie Blvd.	Sainte-Sophie, Qc	Gas, convenience 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, convenience store	22K sf	3,846 sf	100%
30	4 North Street	Waterloo, Qc	Gas, convenience 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, convenience 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, convenience 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, convenience 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, convenience store	107K sf	9,400 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, convenience 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, convenience store	62K sf	3,335 sf	100%
49	4675 Shawinigan Sud Blvd.	Shawinigan, Qc	QSR, gas, convenience 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, convenience store	31K sf	4,500 sf	50%
57	835 Lucien Chenier	Farnham, Qc	QSR, gas, convenience store	89K sf	7,000 sf	100%
58	24 Miikana Way	Kenora, On	Retail	534K sf	80,881 sf	100%
59	1410 Principale	St-Etienne-des-Grès, Qc	QSR, gas, convenience store	26K sf	3,830 sf	75%
60	2505 rue Saint-Louis	Gatineau, Qc	Retail	88K sf	25,389 sf	100%
61	124 Beech Hill Road	Antigonish, NS	QSR, gas, convenience store	176K sf	4,040 sf	50%
62	16670 Des Acadiens Blvd.*	Bécancour, Qc	QSR, gas, convenience store	14K sf	3,600 sf	75%
63	1875 Sainte-Marguerite	Trois-Rivières, Qc	Gas, convenience store	19K sf	2,400 sf	75%
64	5100 Wilfrid Hamel Blvd.*	Quebec City, Qc	Gas, convenience store	26K sf	3,077 sf	50%
65	369 St-Charles West*	Longueuil, Qc	Gas, convenience store	15K sf	2,578 sf	50%
66	1305-1375 Sherbrooke Street*	Magog, Qc	QSR, gas, convenience store	38K sf	8,900 sf	50%
67	250 Saint-Antoine Nord Street**	Lavaltrie, Qc	Retail	87K sf	22,794 sf	100%
			Total:	**4,885K sf**	**652,454 sf**	

QSR: Quick Service Restaurant

* Under development

** Acquired after September 30, 2020

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 9-month period ended September 30, 2020. It should be read in conjunction with the Consolidated Financial Statements for the period ended September 30, 2020 and the Trust's Amended and Restated Consolidated Financial Statements and MD&A for the period ended September 30, 2019. 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 November 4, 2020, 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 September 30, 2020 and accompanying notes included in this report.

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 November 4, 2020.

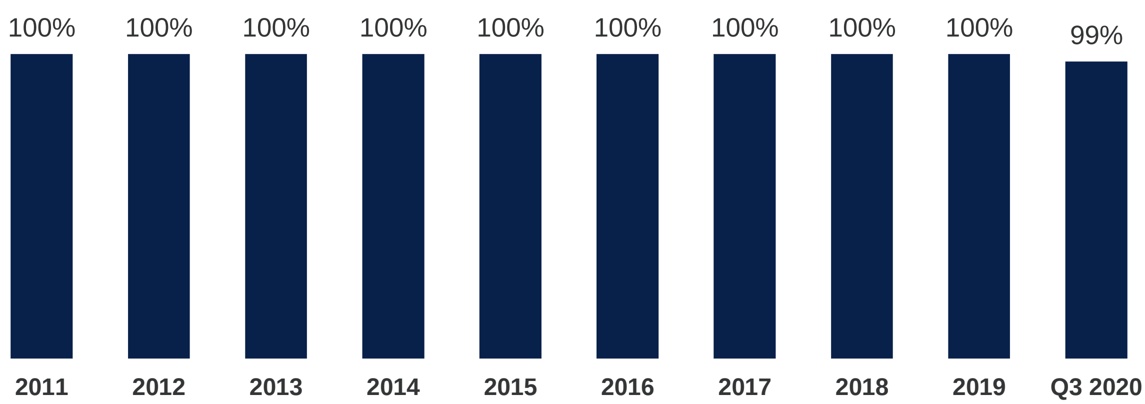
DESCRIPTION OF THE ISSUER'S BUSINESS

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…**

As at September 30, 2020 the Trust held 66 investment properties, 59 residing in the province of Quebec, 3 in the province of Ontario and 4 in the province of Nova Scotia. The occupancy rate for these properties was at 99% throughout the quarter. The properties are occupied by 5 distinct groups of tenants composed of: (1) quick service restaurant chains, (2) major oil/gas companies, (3) convenience store chains, (4) major retailers and (5) others.

HISTORICAL OCCUPANCY RATE



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 July 16, 2020, Fronsac announced the acquisition of a land through a joint venture in which it owns 50%. The land is located on Wilfrid-Hamel Boulevard in Quebec City, Qc. A new Pétro-Canada service-station will be built on the property and total costs are estimated to be $2,500,000 with expected delivery at the end of 2020.

On July 31, 2020, Fronsac sold its property located at 507 Chemin de la Grande Cote in St-Eustache, Qc. Total consideration paid by the purchaser was $1,700,000 and was settled in cash. This property was no longer considered core and did not agree with the long term vision of the Trust.

On August 28 2020, Fronsac acquired a 50% interest in a land located in the heart of Longueuil, Qc, on St-Charles Street West. A Petro-Canada service-station will be built on the land. Total costs are expected to be approximately $2,300,000 and the project is expected to be completed in Q1 2021.

On September 3, 2020, Fronsac acquired a 50% interest in a building located on Sherbrooke Street in Magog, Qc. The property will be demolished, and a new standalone Benny&Co. restaurant will be built. Total costs are expected to be approximately $1,500,000 and construction is set to begin in Q2 2021.

On September 30, 2020, Fronsac acquired a 50% interest in a service-station operated under the Esso banner with a Boni-Soir convenience store and is located next to the above-mentioned restaurant in Magog, Qc. Total consideration paid for the property was $1,050,000 and was settled in cash.

OUTLOOK 2020 & 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.

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.

On October 8, 2020, Fronsac announced that during Q4 2020, it will complete the acquisition of a 50% interest in two buildings located on St-Joseph Boulevard in Drummondville, Qc. The first building is occupied by two quick service restaurants and will be repositioned during 2021. The second building is a standalone restaurant that will be demolished and replaced by a standalone Benny&Co. restaurant starting in 2020. Total costs are expected to be approximately $4,800,000.

Fronsac also announced the addition of another grocery store to its portfolio. The property to be acquired is operated under the Super C banner and is located on the main artery of Lavaltrie, Qc. The transaction since closed on October 30th. Total consideration paid was $3,150,000 and was settled in cash.

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 service stations, quick service restaurants, grocery stores and pharmacies. As of today, the Trust’s portfolio is comprised of 67 properties with just over 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.

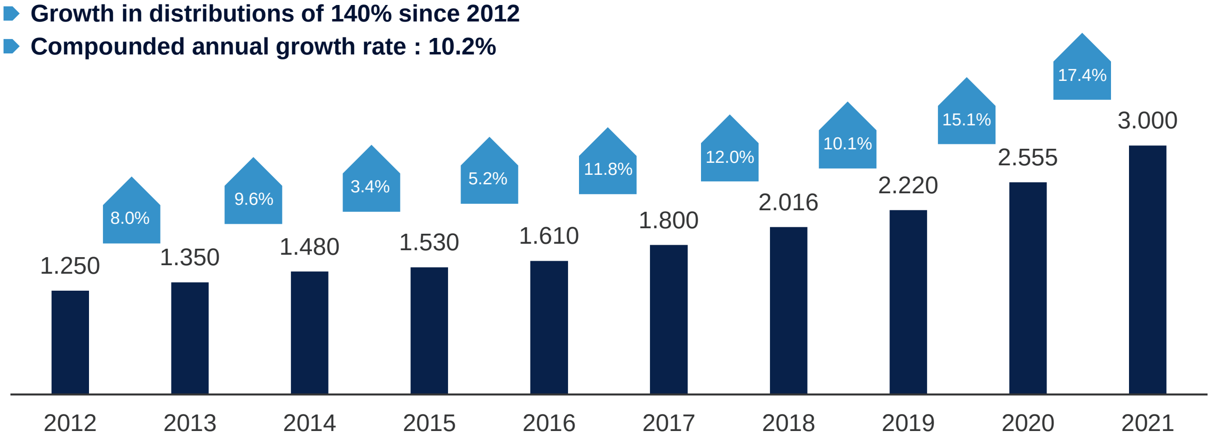
We have entered into rent deferral arrangements with certain tenants whose businesses have been impacted as a result of the COVID-19 pandemic. Deferral requests are being handled on a case-by-case basis and Fronsac did not require the CECRA program for many tenants.

Fronsac does not foresee any major repairs on its commercial properties as their construction is relatively recent and their present condition is excellent.

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.

ANNUAL CASH DISTRIBUTION PER UNIT (¢)

- **Growth in distributions of 140% since 2012**
- **Compounded annual growth rate : 10.2%**



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 10). 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, amortization and unrealized changes in fair value of investment properties.

FFO, Recurring FFO, AFFO and EBITDA are not defined by IFRS, and therefore should not be considered as alternatives to profit or net income calculated in accordance with IFRS.

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.

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

QUARTERLY FINANCIAL INFORMATION

	2020			2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Rental income	3,219,366	3,203,394	2,863,606	2,738,295	2,458,451	2,192,484	1,999,095	1,719,184
Net income (loss) attributable to unitholders	2,139,737	2,515,312	4,118,476	(997,612)	3,891,506	1,136,505	50,870	(4,085,302)
Net income (loss) per unit Basic	0.0145	0.0171	0.0310	(0.0085)	0.0333	0.0013	0.0005	(0.0402)
FFO (1)	1,874,971	1,830,892	1,462,713	1,295,716	1,197,449	1,121,743	1,000,484	923,414
FFO per unit	0.0127	0.0125	0.0110	0.0110	0.0102	0.0103	0.0098	0.0091
Value of investment properties (000's) (2)	171,615	168,805	160,829	134,376	133,413	124,741	107,597	107,175
Total assets (000's)	159,169	157,837	155,221	129,119	126,615	117,063	100,749	98,890
Mortgages, and other debts (000's)	73,912	75,298	71,064	60,383	60,554	61,398	54,979	53,365
Equity (000's)	74,303	72,971	71,359	51,342	53,031	50,499	41,842	41,302
Weighted avg. units o/s Basic (000's)	147,267	146,966	132,966	117,404	117,014	109,280	101,606	101,590

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

(2) Includes 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

RECONCILIATION OF NET INCOME TO FFO

Periods ended September 30	3 months 2020	3 months 2019	Δ	9 months 2020	9 months 2019	Δ
Net income (loss) attributable to unitholders	2,139,737	3,891,506	(1,751,769)	8,773,525	5,078,881	3,694,644
Debenture issuance costs	-	-	-	-	30,660	(30,660)
Δ in value of investment properties	101,944	(2,689,721)	2,791,665	(2,261,029)	(2,047,733)	(213,296)
Δ in value of investment properties in joint ventures	(573,653)	79,560	(653,213)	(998,787)	156,687	(1,155,474)
Unit based compensation	(66,046)	(275)	(65,771)	38,404	181,305	(142,901)
Δ fair value adjustments on derivative financial instruments	85,924	(112,959)	198,883	(602,281)	(107,513)	(494,768)
Accretion of lease payments	6,898	29,338	(22,440)	20,414	29,338	(8,924)
Income taxes	167	-	167	(383)	(1,948)	1,565
Realized loss on sale of an investment property	180,000	-	180,000	180,000	-	180,000
FFO[(1)]	1,874,971	1,197,449	57%	5,149,863	3,319,677	55%
FFO per unit	0.0127	0.0102	24%	0.0362	0.0304	19%
Other revenues	(10,290)	-	(10,290)	(10,290)	-	(10,290)
Recurring FFO[(1)]	1,864,681	1,197,449	56%	5,139,573	3,319,677	55%
Recurring FFO per unit	0.0127	0.0102	24%	0.0361	0.0304	19%
Distributions	940,929	649,344	291,585	2,755,753	1,805,493	950,260
Distributions per unit	0.0064	0.0056	14%	0.0192	0.0167	15%
FFO per unit - after distributions	0.0063	0.0047	35%	0.0170	0.0137	24%
Recurring FFO per unit - after distributions	0.0063	0.0047	34%	0.0169	0.0137	24%
Distributions per unit as a % of						
FFO per unit	50%	54%	(4%)	53%	55%	(2%)
Recurring FFO per unit	50%	54%	(4%)	53%	55%	(2%)
Weighted avg. units o/s Basic	147,266,894	117,014,413	30,252,481	142,399,929	109,356,605	33,043,324

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

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

Periods ended September 30	3 months 2020	3 months 2019	Δ	9 months 2020	9 months 2019	Δ
FFO [(1)]	1,874,971	1,197,449	677,522	5,149,863	3,319,677	1,830,186
Amortization of finance charges included in interest expense	-	-	-	-	-	-
Straight-line rent adjustment[(2)]	(146,853)	-	(146,853)	(350,804)	-	(350,804)
Maintenance/cap-ex on existing properties	(8,132)	(7,574)	(558)	(51,375)	(43,486)	7,889
Leasing costs on existing properties	-	-	-	-	-	-
Debt extinguishment penalties	-	-	-	-	-	-
AFFO[(1)]	1,719,986	1,189,875	45%	4,747,684	3,276,191	45%
AFFO per unit	0.0117	0.0102	15%	0.0333	0.0300	11%
Distributions per unit	0.0064	0.0056	14%	0.0192	0.0167	15%
AFFO per unit - after distributions	0.0053	0.0046	15%	0.0142	0.0133	7%
Distributions per unit as a % of AFFO per unit	55%	55%	-	57%	56%	1%
Weighted avg. units o/s Basic	147,266,894	117,014,413	30,252,481	142,399,929	109,356,605	33,043,324

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

(2) Adjusted for proportionate share of equity accounted investments

CASH FLOW AND LIQUIDITY

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 9-month period ended September 30, 2020, Fronsac has increased its cash from operating activities. These were mostly impacted by the growth in rental revenues, which was partially offset by the increase in financial expenses related to mortgages on new acquisitions.

CASH FLOWS

Periods ended September 30	9 months 2020	2019	Δ
Operating activities	3,823,426	2,548,823	1,274,603
Investing activities	(26,269,483)	(25,429,340)	(840,143)
Financing activities	22,412,865	22,972,334	(559,469)
Increase in cash & cash equivalents	(33,192)	91,817	(125,009)
Cash & cash equivalents -Beginning of period	300,338	174,452	125,886
Cash & cash equivalents - End of period	267,146	266,269	877

Increase in cash spent on investing activities can mainly be attributed to the acquisitions of properties, participations in joint ventures that took place over the course of the period. For more details regarding these acquisitions over the 9-month period ended September 30, 2020, please refer to Note 4 "Investment Properties" and Note 5 "Joint Arrangements" in the Financial Statements.

Cash derived from financing activities amounted to $22,412,865 ($22,972,334 for the same period in 2019). These amounts are the result of the money raised through new mortgages used to fund our acquisitions, the public offering of units of February 2020 and the private placement of May 2019.

Distributable Income and Distributions

	3 months			9 months		
Periods ended September 30	2020	2019	Δ	2020	2019	Δ
Cash flow provided from operating activities	1,122,757	555,454	567,303	3,823,426	2,548,823	1,274,603
Net change in non-cash asset and liability items	328,708	533,956	(205,248)	286,241	438,850	(152,609)
Income taxes	167	-	167	(383)	(1,948)	1,565
Accretion of lease payments	6,898	29,338	(22,440)	20,414	29,338	(8,924)
Straight line rent adjustment	146,853	-	146,853	286,111	-	286,111
Δ in accrued interest	8,653	(12,845)	21,498	(2,765)	(35,695)	32,930
Debentures issuance costs	-	-	-	-	30,660	(30,660)
Δ in value of investment properties in joint ventures	(573,653)	79,560	(653,213)	(998,787)	156,687	(1,155,474)
Income from investment in joint ventures	797,146	11,986	785,160	1,716,543	152,962	1,563,581
Accretion of the non-derivative liability component of convertible debentures	37,442	-	37,442	19,063	-	19,063
FFO[1]	1,874,971	1,197,449	57%	5,149,863	3,319,677	55%
Accretion of lease payments	(6,898)	29,338	(36,236)	(20,414)	29,338	(49,752)
Straight line rent adjustment[2]	(146,853)	-	(146,853)	(350,804)	-	(350,804)
Distributions from joint ventures	82,500	10,500	72,000	103,500	141,500	(38,000)
Periodic mortgage principal repayments	(506,460)	(371,377)	(135,083)	(1,401,000)	(1,062,092)	(338,908)
Repayment of long-term-debt	-	-	-	(15,000)	(15,000)	-
Distributable income	1,297,260	865,910	50%	3,466,145	2,413,423	44%
Distributions to unitholders	(940,929)	(649,344)	(291,585)	(2,755,753)	(1,805,493)	(950,260)
Cash surplus after distributions	356,331	216,566	139,765	710,392	607,930	102,462

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

(2) Adjusted for proportionate share of equity accounted investments

Financial position & COVID-19

Fronsac benefits from a solid financial position following the $18M public offering of February 2020. 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 September 30, 2020, Fronsac had approximately $6.5 million of cash and availability on its credit facilities. The Trust was proactive and has already completed the refinancing of all its long-term mortgage maturities due in 2020.

RESULTS OF OPERATIONS

	3 months			9 months		
Periods ended September 30	**2020**	**2019**	**Δ**	**2020**	**2019**	**Δ**
Rental Income	3,219,366	2,458,451	760,915	9,286,366	6,650,030	2,636,336
Increase/(decrease) in fair values of investment properties	(101,944)	2,689,721	(2,791,665)	2,261,029	2,047,733	213,296
Financial expenses	825,629	562,902	262,727	1,582,085	1,672,626	(90,541)
Administrative expenses	158,184	129,321	28,863	530,334	410,846	119,488
Unit-based compensation	(66,046)	(275)	(65,771)	38,404	181,305	(142,901)
Net income (loss) attributable to unitholders	2,139,737	3,891,506	(1,751,769)	8,773,525	5,078,881	3,694,644
Net income (loss) per unit Basic	0.0145	0.0333	(0.0188)	0.0616	0.0464	0.0152
FFO[1]	1,874,971	1,197,449	57%	5,149,863	3,319,677	55%
FFO per unit	0.0127	0.0102	24%	0.0362	0.0304	19%
Recurring FFO[2]	1,864,681	1,197,449	56%	5,139,573	3,319,677	55%
Recurring FFO per unit	0.0127	0.0102	24%	0.0361	0.0304	19%
Weighted avg. units o/s Basic	147,266,894	117,014,413	30,252,481	142,399,929	109,356,605	33,043,324

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

(2) Recurring FFO excludes "Other revenues" as presented on the Consolidated Financial Statements

RECONCILIATION OF NET INCOME TO EBITDA

	3 months			9 months		
Periods ended June 30	**2020**	**2019**	**Δ**	**2020**	**2019**	**Δ**
Net income (loss) attributable to unitholders	2,139,737	3,891,506	(1,751,769)	8,773,525	5,078,881	3,694,644
Δ in value of investment properties	101,944	(2,689,721)	2,791,665	(2,261,029)	(2,047,733)	(213,296)
Δ in value of investment properties in joint ventures	(573,653)	79,560	(653,213)	(998,787)	156,687	(1,155,474)
Financial expenses	825,629	562,902	262,727	1,582,085	1,672,626	(90,541)
Accretion of lease payments	6,898	29,338	(22,440)	(20,414)	29,338	(49,752)
Income taxes	167	-	167	(383)	(1,948)	1,565
EBITDA[1]	2,500,722	1,873,585	33%	7,074,997	4,887,851	45%
Interest expense	815,137	715,737	99,400	2,338,785	1,852,411	486,374
Principal repayments	506,460	371,377	135,083	1,401,000	1,062,092	338,908
Debt service requirements	1,321,597	1,087,114	22%	3,739,785	2,914,503	28%
Interest coverage	3.1x	2.6x	0.5x	3.0x	2.6x	0.4x
Debt service coverage	1.9x	1.7x	0.2x	1.9x	1.7x	0.2x

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

RESULTS OF OPERATIONS FOR THE QUARTER ENDED SEPTEMBER 30, 2020

For the quarter ended September 30, 2020, the Trust had rental income of $3,219,366 ($2,458,451 in Q3 2019). 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 September 30, 2020, 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 $5.7 million ($4.8 million in Q3 2019) while an increase in the capitalization rate would decrease the fair value of the investment properties by aproximately $5.3 million ($4.4 million in Q3 2019). The weighted average capitalization rate used in the calculation of the fair value of investment property is 6.43% (6.35% in Q3 2019) while the range of capitalization rates used is 5.75% to 7.25% (5.75% to 7.25% in Q3 2019). 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 $825,629 in Q3 2020 compared to $562,902 for the same period last year. 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 September 30, 2020, the Trust recorded recurring FFO of $1,864,681 in comparison to $1,197,449 in Q3 2019. Recurring FFO per unit increased by 24% from 1.02¢ to 1.27¢ 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.

RESULTS OF OPERATIONS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

For the 9-month period ended September 30, 2020, the Trust had rental income of $9,286,366 ($6,650,030 for the same period in 2019). 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).

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 $1,582,085 for the 9-month period ended September 30, 2020 compared to $1,672,626 for the same period last year. The amount is lower for the 9-month period ended September 30, 2020 due to the change in fair value of convertible debentures and warrants. For 2020, the changes in fair value of convertible debentures and warrants represent gains of $270,624 and $331,657, respectively, compared to gains of $78,370 and $28,160 for the same period in 2019. Excluding this impact, financial expenses for the 2020 period are of $2,184,366 compared to $1,779,156 for the 2019 period. The increase in financial expenses in 2020 is mainly because of an increase in interest expense, which is due to the increase in the number of mortgages.

For the 9-month period ended September 30, 2020, the Trust recorded recurring FFO of $5,139,573 in comparison to $3,319,677 for the same period in 2019. Recurring FFO per unit increased by 19% from 3.04¢ to 3.61¢ 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 9-month period ended September 30, 2020, the Trust issued units as follows:

On January 20, 2020, Fronsac announced, that it had entered into acquisition agreements to purchase three commercial properties in Québec and Ontario, and its intention to undertake a public offering of units of Fronsac at a price of $0.62 per Unit for minimum gross proceeds of approximately $15.0 million and maximum gross proceeds of approximately $18.0 million.

On February 13, 2020, Fronsac announced that it had closed its previously-announced public offering (the “Offering”) of Trust units of Fronsac (the “Units”). Under the Offering, an aggregate of 29 million Units were issued, representing the maximum number of Units qualified under Fronsac’s short form prospectus, at a price of $0.62 per Unit for aggregate gross proceeds of approximately $18 million. The Offering was made through a syndicate of agents co-led by Paradigm Capital Inc. and Canaccord Genuity Corp., acting as joint bookrunners, and including Laurentian Bank Securities Inc., Echelon Wealth Partners Inc. and Desjardins Securities Inc.

On March 9, 2020, announced the issuance of 322,000 units of Fronsac REIT at a price of $0.60 per unit, which equates to $193,200 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, 2019.

On March 12, 2020, Fronsac purchased 2,000 units at a price of $0.55 per unit on the TSX Venture through its Normal Course Issuer Bid. The 2,000 units were cancelled in April 2020.

On June 8, 2020, Fronsac announced that it received approval from the TSX Venture Exchange (“TSX”) for the annual renewal of its normal course issuer bid (“NCIB”) from August 1st 2020 to July 31st 2021. Under the renewed NCIB, Fronsac may purchase for cancellation, through the facilities of the TSX, if in the best interest of the Trust, a maximum of 7,347,657 units, which represents approximately 5% of the units in circulation as of June 8, 2020 (146,953,158 units). Over the course of any 30 day period the Trust will not purchase more than 2,939,063 units in total, which represents 2% of the units outstanding as at June 8th, 2020.

All purchases and settlement of said securities will be made by the facilities of the TSX in accordance with its rules and regulations. All units redeemed by the Trust pursuant to the NCIB will be cancelled. National Bank Financial will be handling the offer on behalf of the Trust. The price paid by the Trust for the redemption of these units will be the price of the units at the time of acquisition. The renewed normal course issuer bid began on August 1, 2020 and will expire on July 31, 2021.

For the previous NCIB from August 1, 2019 to July 31, 2020, Fronsac previously sought and received approval from the TSX to repurchase up to 5,828,557 Trust Units (the “Units”). The Trust has purchased 2,000 Units at $0.55 for cancellation over the course of this NCIB.

TRUST UNITS

Units as at January 1, 2020	**117,403,566**
Units issued (redeemed):	
January 14, 2020 (warrants)	204,082
February 13, 2020 (public offering)	29,000,000
February 26, 2020 (warrants)	25,510
March 9, 2020 (units)	322,000
April 8, 2020 (NCIB)	(2,000)
June 19, 2020 (options)	100,000
July 21, 2020 (options)	150,000
August 17, 2020 (options)	200,000
Units as at September 30, 2020	**147,403,158**
Potential dilutive impact of financial instruments as at Sep. 30, 2020	
Warrants oustanding	4,821,428
Options oustanding	100,000
Conversion of convertible debentures	4,295,890

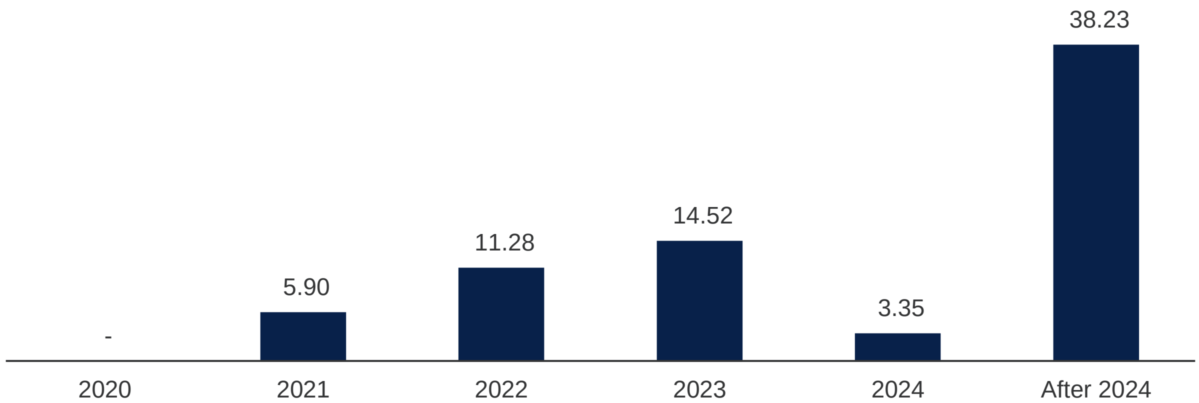
Warrants
The Trust had 5,051,020 warrants. During the 9-month period ending September 30, 2020, 229,592 warrants were exercised, resulting in the issuance of 229,592 units of Fronsac. The total number of warrants outstanding as of September 30, 2020 is of 4,821,428.

Convertible debentures
The nominal value of convertible debentures outstanding as of September 30, 2020 is of $3,136,000 and their conversion price is $0.73 per unit. There was no conversion over the 9-month period ended September 30, 2020.

Options
Over the 9-months period ended September 30, 2020, 450,000 options were exercised at a price of $0.38, resulting in the issuance of 450,000 units. The total number of options outstanding as of September 30, 2020 is 100,000 with an exercise price of $0.38.

The total amount of units outstanding as at September 30, 2020 was 147,403,158.

MORTGAGE BALANCES DUE AT MATURITY (in $M)



Maturity	2020	2021	2022	2023	2024	After 2024
Total due ($):	-	5,895,554	11,282,543	14,520,596	3,353,619	38,231,615
Interest rate:	-	1.77% - 3.32%	3.21% - 6.00%	2.33% - 4.20%	3.64% - 3.74%	2.64% - 4.98%
% of total debt:	-	8.0%	15.4%	19.8%	4.6%	52.2%

Debts are composed of mortgages, loans, convertible debentures and secured credit facilities. As at September 30, 2020, there are 38 mortgages (including Fronsac's interest in mortgages held through joint ventures) with Canadian financial institutions with a total carrying value of $73,822,110 ($60,277,953 at December 31, 2019). These mortgages require the Trust to make principal payments of $30,178,477 over the next 5 year and $43,643,633 thereafter. The mortgages outstanding currently have an average term to maturity of 5.5 years (6.1 years at December 31, 2019). Convertible debentures in circulation as at September 30, 2020 have a carrying value of $3,004,263 ($3,023,326 at December 31, 2019). The Trust currently has 4 secured lines of credit with authorized limits of $6.0M, $4.5M and $1.4M. These lines of credit have a $5.34M balance as at September 30, 2020 ($10.45M at December 31, 2019).

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.

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 September 30, 2020 the Trust held interests in 66 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 ($926K as at September 30, 2020 compared to $517K as at December 31, 2019). The composition of this balance mostly includes major Canadian oil companies and gas companies with a small credit risk. The remainder of receivables represents amounts owing from Government agencies, which pose a minimum credit risk.

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 $173,833 on the financial expenses of the 9-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.

Public Health Risk in Relation to COVID-19
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 is following closely the evolution but the impact on the operations of the Trust is unknown at the at the moment. The impacts will be accounted for when they will be known and when it will be possible to properly measure them.

RELATED PARTY TRANSACTIONS

The loans receivable include an amount of $100,000 (Q4 2019: $100 000) due from an officer of the Trust. Interest income on the loan amounts to $682 (Q3 2019: $1,185) for which no amount is receivable as at September 30, 2020 (Q4 2019: $0).

During the quarter ended March 31, 2020, the Trust repaid and cancelled a credit facility it had with a trustee (Q4 2019: $400,000). As at September 30, 2020, this person is no longer a trustee. Consequently for the quarter ended September 30, 2020, no interest expense was paid to this former trustee (Q3 2019: $4,638) and no amount is payable as at September 30, 2020 (Q4 2019: $0).

A former trustee who rents investment properties from the Trust has not seeked re-election to the Board of Trustees. Since May 25, 2019, the transactions related to this former trustee are deemed to be at arm's length.

For the period of January 1st, 2019 to September 30, 2019 the results include the following transactions with this former trustee:

- Rental income includes an amount of $126,681 from companies controlled by this trustee.
- Interest income includes an amount of $485 from a person related to this trustee.

Officers and Trustees Compensation

The Trust paid $68,455 as compensation to officers during the quarter ended September 30, 2020 (Q3 2019: $57,438).

Administrative fees include an amount of $1,500 (Q3 2019: $7,500) paid as professional fees to a trustee and to an entity controlled by a trustee.