



Starlight U.S. Multi-Family (No. 1) Core Plus Fund to Sell Entire Portfolio Comprising 2,219 Class “A” Institutional Quality Multi-Family Units for Approximately US\$600.0 Million

Transaction provides all cash consideration to Unitholders and represents a Cumulative Pre-Tax Internal Rate of Return (IRR) equal to approximately 28.8% for all Unitholders

Toronto, Ontario – September 10, 2021 – Starlight U.S. Multi-Family (No. 1) Core Plus Fund (TSX-V: SCPO) (the “Fund”) today announced that it has entered into an acquisition agreement (the “Acquisition Agreement”) with Sherrin U.S. Multi-Family (No. 1) Holding LP (the “Purchaser”), pursuant to which the Purchaser will acquire the Fund’s portfolio of seven class “A” institutional quality multi-family properties totaling 2,219 units located in the United States (the “Fund Portfolio”) in a transaction (the “Transaction”) that will provide all-cash consideration to unitholders of the Fund (“Unitholders”).

The Transaction is valued at approximately US\$600.0 million and includes gross cash consideration of approximately US\$269.6 million payable to the Fund, with the Purchaser also indirectly assuming all of the Fund’s existing debt, estimated to be approximately US\$333.8 million at closing of the Transaction, less the amount of the Fund’s working capital, estimated to be approximately US\$1.0 million at closing of the Transaction and less the amount of the Fund’s capital expenditures up to closing of the Transaction, estimated to be approximately US\$2.4 million. In connection with the Transaction, the Fund expects to distribute the net proceeds from the sale of the Fund Portfolio, after payment of applicable taxes, to Unitholders and cancel the issued and outstanding limited partnership units of the Fund (“Units”), in accordance with the second amended and restated limited partnership agreement of the Fund, as further amended prior to closing of the Transaction.

As detailed below, the consideration per Unit to be received by Unitholders in connection with the Transaction represents a significant and attractive cumulative pre-tax internal rate of return (“IRR”) for Unitholders and a significant premium to the Fund’s targeted 12% pre-tax internal rate of return at or before the end of the Fund’s targeted three-year investment horizon.

Class of Units	Issue Price per Unit	Pre-US Tax Expected Consideration ¹	Target IRR	Pre-US Tax Expected IRR	Post-US Tax Expected Consideration ¹
Class A	C\$10.00	C\$13.44	12.0%	28.2%	C\$12.31
Class C	C\$10.00	C\$14.22	12.0%	28.1%	C\$13.03
Class D	C\$10.00	C\$13.44	12.0%	28.2%	C\$12.31
Class E	US\$10.00	US\$14.54	12.0%	31.7%	US\$13.31
Class F	C\$10.00	C\$13.88	12.0%	28.1%	C\$12.72
Class I	C\$10.00	C\$14.79	12.0%	31.1%	C\$13.60
Class U	US\$10.00	US\$14.07	12.0%	31.7%	US\$12.88

The consideration payable to Unitholders before deducting applicable taxes required to be withheld in respect of the Transaction is expected to be C\$13.44 per Class A Unit (based on the Bank of Canada average daily exchange rate on September 9, 2021 of US\$1.00 to C\$1.2654, with the actual rate of exchange to be determined in connection with the closing of the Transaction), representing a premium of 32.2% to the 20-day VWAP of the Class A Units on the TSX Venture Exchange (“TSX-V”) for the period ending on September 9, 2021 and a premium of 29.2% of the trading price of the Class A Units on September 9, 2021, in each case the last full trading day immediately prior to the announcement of the Transaction.

Daniel Drimmer, Chief Executive Officer and Director of the general partner of the Fund, is a limited partner of the Purchaser. The Transaction has received unanimous approval of an independent special committee (the “Special Committee”) of the board of directors of Starlight U.S. Multi-Family (No. 1) Core Plus GP, Inc., the general partner of the Fund (the “Fund GP”), and the board of directors (with Mr. Drimmer recusing himself) of the Fund GP (the “Fund GP Board”).

“Under the direction of Starlight’s asset management team, the income and value of the underlying assets in the Fund have grown significantly, exceeding our pre-tax targeted IRR for Unitholders”, explained Evan Kirsh, President of the Fund GP. Mr. Kirsh continued, “Given the progress in the Fund’s business plan and the favourable real estate market conditions in the regions where the properties comprising the Fund Portfolio are located, entering into the proposed transaction at this time is a compelling opportunity for Unitholders to realize a significant return on their initial investment in excess of the targeted amount.”

Other Benefits of the Transaction for Unitholders

- **Cash Consideration and Immediate Liquidity:** The consideration to be received by Unitholders is payable entirely in cash and provides Unitholders with certainty of value and

¹ The consideration that holders of Canadian dollar denominated Units will be entitled to receive will ultimately be subject to the actual applicable rate(s) of exchange to be determined in connection with closing of the Transaction. The estimated distribution amounts set out in this news release are based on the Bank of Canada average daily exchange rate on September 9, 2021 of US\$1.00 to C\$1.2654. Each Unitholder will be allocated their portion of the foreign tax paid by the Fund in relation to the sale of the U.S. real property interests in accordance with the second amended and restated limited partnership agreement of the Fund. In addition, in the event the aggregate amount of the Fund’s indebtedness, less its working capital and capital expenditures, in each case as at the closing of the Transaction, is less than approximately US\$330.4 million (the “Purchase Price Deduction”), the Fund may make one or more special distributions to Unitholders to account for the difference between the estimated Purchase Price Deduction and the actual Purchase Price Deduction.

immediate liquidity, while removing the risks associated with the Fund remaining an independent public entity with a finite time horizon.

- **Well Capitalized Purchaser and High Likelihood of Completion:** At closing of the Transaction, the limited partners of the Purchaser will include credible and reputable global institutional investors, each of whom has delivered to the Fund equity commitments to fund the Purchaser. As security for its obligations, the Purchaser has paid a US\$15 million deposit towards the purchase price. The Transaction is not subject to any due diligence and the Special Committee and the Fund GP Board believe that the few closing conditions that are outside of the control of the Fund are reasonable, such that the likelihood of the Transaction being completed is high.
- **Permitted Fund Distributions:** Under the Acquisition Agreement, Unitholders of the Fund will continue to be permitted to receive monthly distributions, in the case of the Class A units, Class C Units, Class D Units, Class F Units and Class I Units, C\$0.03750 per Unit and, in the case of the Class E Units and Class U Units, US\$0.03750 per Unit, consistent with past practice.

Summary of Transaction Terms

The net proceeds of the Transaction, after deducting applicable taxes required to be withheld in respect of the Transaction, will be distributed as a special distribution to Unitholders as part of the cancellation of issued and outstanding Units, other than the Units beneficially owned and controlled by Daniel Drimmer. Any United States taxes paid from the Fund's proceeds of disposition are generally expected to be recognized as having been paid by the Unitholders for purposes of the foreign tax credit and foreign tax deduction rules in the *Income Tax Act* (Canada), subject to the detailed rules and limitations therein.

In connection with the proposed Transaction, the accumulated value of the carried interest owing to certain members of management based on the Transaction value will be extinguished in exchange for a pro rata interest in the proceeds of disposition of the Fund Portfolio, with a portion of such interest being contributed to the Purchaser in exchange for additional limited partnership units of the Purchaser.

The Acquisition Agreement provides for, among other things, customary representations, warranties and covenants, including customary non-solicitation covenants from the Fund and a "fiduciary out" that allows the Fund GP Board to accept a superior proposal in certain circumstances, subject to a "right to match" in favor of the Purchaser and payment of a US\$10,000,000 termination fee to the Purchaser. The foregoing summary is qualified in its entirety by the provisions of the Acquisition Agreement, a copy of which will be filed on SEDAR at www.sedar.com.

The Transaction is expected to close in mid to late October 2021, subject to the satisfaction or waiver of certain closing conditions including: Unitholder approval of the Transaction as described below, Fund lender consents, approval of the Transaction from the TSX-V and certain other customary closing conditions.

Following closing of the Transaction, the Class A Units are expected to be delisted from the TSX-V and the Fund will apply to cease to be a reporting issuer in each of the provinces of Canada in which it is presently a reporting issuer.

Required Approvals and Voting Support

The Fund will be holding a special meeting of Unitholders (the “Meeting”) to seek approval of the Transaction. The Fund will mail a management information circular and certain related documents to Unitholders in connection with the Meeting, copies of which will be filed on SEDAR at www.sedar.com. It is anticipated that the Meeting will take place in October, 2021.

Unitholders must approve the Transaction by at least (i) a majority of the votes cast by Unitholders present virtually or represented by proxy, voting as a single class, at the Meeting, and (ii) subject to receipt of exemptive relief from the Canadian Securities Administrators (“CSA”), a majority of the votes attached to the Units held by Unitholders present virtually or represented by proxy, voting as a single class, at the Meeting, excluding for this purpose votes cast by Unitholders that are required to be excluded pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”), provided that if such exemptive relief is not obtained, the Unitholders will vote on a class by class basis in respect of (ii). Votes cast by Daniel Drimmer and the directors and senior officers of the Fund GP will be excluded for purposes of the majority of minority vote described above.

MI 61-101 requires approval of the Transaction to be received from a majority of the votes attached to the Units voted by disinterested unitholders voting separately on a class-by-class basis at the Meeting. However, the Fund has applied to the CSA for exemptive relief from the requirement that the Fund obtain approval separately for each class of Units on the basis that, among other reasons: (i) the Fund’s second amended and restated limited partnership agreement provides that Unitholders vote as a single class unless the nature of the business to be transacted at the meeting affects holders of one class of Units in a manner materially different from its effect on holders of another class of Units, and the Fund’s manager and the Fund GP have determined that the Transaction does not affect holders of one class of Units in a manner materially different from its effect on holders of another class of Units; (ii) since the relative returns as between classes within the Fund are to be determined in accordance with the terms established in the second amended and restated limited partnership agreement of the Fund that were set at the time of the Fund’s initial public offering when investors selected their preferred class and purchased their Units, the interests of the holders of each class of Units are aligned in respect of the Transaction; (iii) negotiation of the Transaction was overseen by the Special Committee; (iv) both the Special Committee and the Fund GP Board have received the Fairness Opinion (as defined herein); (v) the Fund GP Board believes that providing a class vote would provide disproportionate power to a potentially small number of Unitholders; and (vi) to the best of the knowledge of the manager of the Fund and the Fund GP, there is no reason to believe that the Fund’s unitholders of any particular class would not approve the Transaction. There can be no assurance that the requested relief will be granted by the CSA.

Fund GP Board Process and Recommendation

The Fund GP Board constituted the Special Committee to oversee negotiation of the Transaction for the Fund.

In connection with such process, CIBC World Markets Inc. has provided an opinion (the “Fairness Opinion”) to the Special Committee and the Fund GP Board to the effect that, as of the date of such opinion and based upon and subject to the limitations, qualifications, assumptions and other matters set out therein, the consideration to be received by the Fund for its interests in the Fund Portfolio pursuant to the Acquisition Agreement is fair, from a financial point of view, to the Fund. Based on the Fairness Opinion, the reasons set out above and other considerations, the Special

Committee concluded that the Transaction is in the best interests of the Fund and Unitholders and, accordingly, unanimously recommended that the Fund GP Board approve the Transaction and related matters and unanimously recommend that Unitholders vote **IN FAVOUR** of the Transaction and related matters.

Based on the Fairness Opinion, the reasons set out above and other considerations, the Fund GP Board unanimously concluded (with Daniel Drimmer declaring his interest and recusing himself from consideration and voting) that the Transaction is in the best interests of the Fund and Unitholders and, accordingly, unanimously approved the Transaction and related matters and unanimously recommends that Unitholders vote **IN FAVOUR** of the Transaction and related matters.

The Fund GP Board and executive officers of the Fund GP have also entered into support agreements, agreeing to vote their Units (which collectively represent approximately 2.82% of outstanding Units) **IN FAVOUR** of the Transaction.

Transaction Advisors

CIBC World Markets Inc. is acting as financial advisor to the Fund and has provided a fairness opinion to the Special Committee and the Fund GP Board in connection with the Transaction. Blake, Cassels & Graydon LLP is counsel to the Fund and Wildeboer Dellelce LLP is counsel to the Special Committee.

Davies Ward Phillips & Vineberg LLP and Baker and McKenzie LLP are acting as legal advisors to the Purchaser in connection with the Transaction.

About Starlight U.S. Multi-Family (No. 1) Core Plus Fund

The Fund is a limited partnership formed under the *Limited Partnerships Act* (Ontario) for the primary purpose of indirectly acquiring, owning and operating a portfolio of value-add, income producing rental properties in the U.S. multi-family real estate market. The Fund currently owns seven class "A" institutional quality multi-family properties totaling 2,219 units located in the United States, with an average year of construction of 2003.

For the Fund's complete consolidated financial statements and management's discussion and analysis ("MD&A") for the second quarter ended June 30, 2021 and any other information relating to the Fund, please visit www.sedar.com. Further details regarding the Fund's unit performance and distributions, market conditions where the Fund's properties are located, performance by the Fund's properties and a capital investment update are also available in the Fund's August 2021 Newsletter which is available on the Fund's profile at www.starlightus.com.

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This press release contains forward-looking statements and information relating to expected future events and the Fund's financial and operating results and projections, including statements regarding the Fund's

growth and investment opportunities and performance goals and expectations of its investees, including, in particular, targeted returns, that involve risks and uncertainties. Such forward-looking information is typically indicated by the use of words such as “will”, “may”, “expects” or “intends”.

The forward-looking statements and information contained in this press release include, without limitation, statements regarding the Transaction; the meeting date for the meeting; the expected timing for closing the Transaction; the timing and quantum of the proposed distribution of net proceeds of the Transaction to Unitholders; the estimated Purchase Price Deduction; the timing and quantum of expected investment returns and performance; the tax treatment of the U.S. taxes required to be withheld from the Fund's proceeds of disposition; and the benefits of the Transaction to the Unitholders generally. Such forward-looking information and statements involve risks and uncertainties and are based on Fund management's current expectations, intentions and assumptions in light of its understanding of relevant current market conditions, investee business plans, and the Fund's prospects. If unknown risks arise, or if any of the assumptions underlying the forward-looking information and statements prove incorrect, actual results may differ materially from management expectations as projected in such forward-looking information and statements. Examples of such risks and uncertainties include, but are not limited to, the occurrence of any event, change or other circumstances that could give rise to the termination of the Acquisition Agreement; the outcome of any legal proceedings that may be instituted against the Purchaser or the Fund related to the Acquisition Agreement; the inability to complete the Transaction due to the failure to satisfy the conditions to closing of the Transaction (including the failure to obtain the required vote of the Unitholders, the failure to obtain the required consents from the Fund's lenders or the failure to obtain required regulatory consents); the possibility of not receiving the requested relief from the CSA; the disruption of management's attention from the Fund's ongoing business operations due to the Transaction; the effect of the announcement of the Transaction on the Fund's relationships with its customers, operating results and business generally; unexpected expenses that arise prior to closing of the Transaction that reduces distributions to Unitholders; the effects of local and national economic, credit and capital market conditions, including changes in interest rates, foreign exchange rates, government regulations or in tax laws; and other risk factors described in the Fund's continuous disclosure materials from time to time, available on SEDAR at www.sedar.com. Accordingly, although management believes that the Fund's anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information. The Fund disclaims any intention or obligation to update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless required by applicable law.

This press release may contain information and statistics regarding the markets in which the Purchaser, the Fund and their respective investees operate. Some of this information has been obtained from market research, publicly available information and industry publications. This information has been obtained from sources believed to be reliable, but the accuracy or completeness of such information has not been independently verified by the Fund and cannot be guaranteed.

Neither the TSX-V nor its Regulation Services Provider (as that term is defined in policies of the TSX-V) accepts responsibility for the adequacy or accuracy of this release.