

Condensed Consolidated Interim Financial Statements
(In thousands of U.S. dollars)

STARLIGHT U.S. MULTI-FAMILY (NO. 2)
CORE PLUS FUND

For the three months ended March 31, 2022 and for the period from January 8,
2021 (date of formation) to March 31, 2021 (unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102 – *Continuous Disclosure Obligations*, if an auditor has not performed a review of an entity's condensed consolidated interim financial statements, they must be accompanied by a notice indicating that such condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Starlight U.S. Multi-Family (No. 2) Core Plus Fund have been prepared by and are the responsibility of Starlight U.S. Multi-Family (No. 2) Core Plus Fund's management.

Starlight U.S. Multi-Family (No. 2) Core Plus Fund's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE PLUS FUND

Condensed Consolidated Interim Statement of Financial Position
(In thousands of U.S. dollars)
(Unaudited)

	Note	March 31, 2022	December 31, 2021
ASSETS			
Non-current assets:			
Investment properties	6	\$ 268,084	\$ 255,200
Derivative financial instruments	7	1,780	329
Utility deposits		28	27
Total non-current assets		269,892	255,556
Current assets:			
Tenant receivables	8	323	295
Prepaid expenses and other assets	9	1,443	26
Restricted cash	10	989	844
Cash		4,813	6,445
Total current assets		7,568	7,610
TOTAL ASSETS		\$ 277,460	\$ 263,166
LIABILITIES			
Non-current liabilities:			
Loans payable	11	\$ 91,432	\$ 91,411
Preferred shares – U.S. REIT series A	12	125	125
Provision for carried interest	13(b)	14,313	11,211
Deferred income tax		16,509	14,046
Total non-current liabilities excluding net liabilities attributable to Unitholders		122,379	116,793
Current liabilities:			
Loans payable	11	39,060	39,008
Tenant rental deposits		237	217
Accounts payable and accrued liabilities	14	1,348	1,541
Finance costs payable		262	256
Distributions payable		285	282
Total current liabilities excluding net liabilities attributable to Unitholders		41,192	41,304
TOTAL LIABILITIES		\$ 163,571	\$ 158,097
Net liabilities attributable to Unitholders	13(a)	113,889	105,069
TOTAL LIABILITIES, NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS		\$ 277,460	\$ 263,166

Commitments and contingencies (note 20).

Subsequent events (note 24).

See accompanying notes to the condensed consolidated interim financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family (No. 2) Core Plus GP, Inc., as general partner of Starlight U.S. Multi-Family (No. 2) Core Plus Fund, on May 10, 2022, and signed on its behalf:

Kelly Smith

Director

Harry Rosenbaum

Director

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE PLUS FUND

Condensed Consolidated Interim Statement of Net Income and Comprehensive Income
(In thousands of U.S. dollars)
(Unaudited)

	Note	Three months ended March 31, 2022	January 8, 2021 to March 31, 2021
Revenue from property operations		\$ 3,453	\$ 35
Expenses:			
Property operating costs		791	9
Property taxes	14	1,467	—
Income from rental operations		1,195	26
Finance costs	18	(556)	11
Distributions to Unitholders	13(a)	844	—
Dividends to preferred shareholders – U.S. REIT series A	12	4	—
Fund and trust expenses	15	265	3
Unrealized foreign exchange gain		(1)	(5)
Realized foreign exchange loss		2	—
Fair value gain on investment properties	6	(12,648)	—
Fair value adjustment IFRIC 21	14	(1,100)	4
Provision for carried interest	13(b)	3,102	—
Income before income taxes		11,283	13
Income taxes – deferred		2,463	4
Net income and comprehensive income		\$ 8,820	\$ 9

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE PLUS FUND

Condensed Consolidated Interim Statement of Changes in Net Liabilities Attributable to Unitholders
 For the three months ended March 31, 2022 and for the period from January 8, 2021 (date of formation)
 to March 31, 2021
 (In thousands of U.S. dollars)
 (Unaudited)

	Class A	Class C	Class D	Class E	Class F	Class G	Class U	Total
Balance, January 1, 2022	\$29,508	\$24,752	\$19,807	\$ 2,353	\$17,984	\$ 6,399	\$ 4,266	\$ 105,069
Changes during the period:								
Re-allocation due to unit conversions	452	—	(378)	—	(74)	—	—	—
Net income and comprehensive income	2,525	2,081	1,621	197	1,501	537	358	8,820
Balance, March 31, 2022	\$32,485	\$26,833	\$21,050	\$ 2,550	\$19,411	\$ 6,936	\$ 4,624	\$ 113,889
	Class A	Class C	Class D	Class E	Class F	Class G	Class U	Total
Balance, January 8, 2021	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Changes during the period:								
Units issued on Offering (March 31, 2021), net of issuance costs	21,360	19,145	15,636	2,282	15,084	4,999	2,793	81,299
Net income and comprehensive income	2	2	2	—	2	1	—	9
Balance, March 31, 2021	\$21,362	\$19,147	\$15,638	\$ 2,282	\$15,086	\$ 5,000	\$ 2,793	\$ 81,308

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE PLUS FUND

Condensed Consolidated Interim Statement of Cash Flows
(In thousands of U.S. dollars)
(Unaudited)

	Note	Three months ended March 31, 2022	January 8, 2021 to March 31, 2021
Operating activities:			
Net income and comprehensive income		\$ 8,820	\$ 9
Adjustments for financing activities included in net income and comprehensive income:			
Finance costs	18	(556)	11
Distributions to Unitholders	13(a)	844	—
Dividends to preferred shareholders – U.S. REIT series A	12	4	—
Adjustments for items not involving cash:			
Fair value gain on investment properties	6	(12,648)	—
Unrealized foreign exchange gain		(1)	(5)
Deferred income tax		2,463	4
Provision for carried interest	13(b)	3,102	—
Change in non-cash operating working capital	19(a)	(1,616)	(11)
Change in restricted cash		(145)	(333)
Cash provided by (used in) operating activities		267	(325)
Financing activities:			
Proceeds from the issuance of units, net of issuance costs	13(a)	—	81,299
Loans payable:			
Proceeds from new financing	11	—	88,371
Proceeds from assumed financing	11	—	39,063
Finance costs paid	19(b)	(816)	(1,134)
Distributions paid to Unitholders	13(a)	(844)	—
Dividends to preferred shareholders – U.S. REIT series A	12	(4)	—
Cash (used in) provided by financing activities		(1,664)	207,599
Investing activities:			
Acquisition of investment properties	5	—	(204,635)
Capital additions to investment properties	6	(236)	—
Cash used in investing activities		(236)	(204,635)
(Decrease) Increase in cash		(1,633)	2,639
Cash, beginning of period		6,445	—
Change in cash due to foreign exchange		1	5
Cash, end of period		\$ 4,813	\$ 2,644

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE PLUS FUND

Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2022 and for the period from January 8, 2021 (date of formation)
to March 31, 2021 (Unaudited)
(In thousands of U.S. dollars, unless otherwise noted)

1. Nature of business:

Starlight U.S. Multi-Family (No. 2) Core Plus Fund (the “Fund”) is a limited partnership formed under and governed by the laws of the Province of Ontario. The term of the Fund is targeted to be three years with two one-year extensions available subject to approval by Starlight U.S. Multi-Family (No. 2) Core Plus GP, Inc. (the “General Partner”). The Fund was established for the purpose of indirectly investing in income-producing multi-family properties in the United States (“U.S.”) multi-family real estate market that can achieve significant increases in rental rates as a result of undertaking high return, light value-add capital expenditures and active asset management, that are located primarily in the States of Arizona, California, Colorado, Florida, Georgia, Idaho, Nevada, North Carolina, Oregon, South Carolina, Tennessee, Texas, Utah and Washington.

The Fund completed its initial public offering (the “Offering”) on March 31, 2021 and raised gross proceeds of \$85,408 and issued the following limited partnership units (“Units”): 2,862,819 class A Units, 2,436,500 class C Units, 2,095,700 class D Units and 1,959,606 class F Units at a price of \$10.00 Canadian dollars (“C\$”) and 236,840 class E Units, 535,300 class G Units and 299,120 class U Units, at a price of \$10.00. The class A and class U Units distributed under the Offering are listed on the TSX Venture Exchange under the symbol SCPT.A and SCPT.U, respectively. Class A, C, D and F are Canadian dollar denominated Units and class E, G and U are U.S. dollar denominated Units. Conversions can be made between certain classes of Units based on conversion ratios calculated consistent with the Fund’s amended and restated limited partnership agreement (the “Conversion Ratios”). The weighted average class A equivalent Units outstanding as at March 31, 2022 was 10,901,924 (assumes all outstanding Units were converted to class A equivalent Units based on the Conversion Ratios).

Following completion of the Offering, the Fund acquired two class “A” institutional quality properties comprising a total of 675 suites located in the States of Colorado and Florida, in the Denver and Orlando metropolitan areas, respectively (the “Properties”). Subsequent to March 31, 2022, the Fund acquired Summermill at Falls River (“Summermill”), a class “A” institutional quality property comprising of 320 suites in Raleigh, North Carolina (note 24).

The Fund is managed by Starlight Investments US AM Group LP (the “Manager”) which is a wholly owned subsidiary of Starlight Group Property Holdings Inc. and a related party. As at March 31, 2022, the Fund’s property portfolio consisted of interests in the Properties.

The registered office of the Fund is located at 3280 Bloor Street West, Centre Tower, Suite 1400, Toronto Ontario M8X 2X3.

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to March 31, 2021 (Unaudited)
(In thousands of U.S. dollars, unless otherwise noted)

2. Basis of presentation:

(a) Statement of compliance:

These condensed consolidated interim financial statements of the Fund have been prepared by management in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions significant to understand the changes in financial position and performance of the Fund since the last audited consolidated financial statements for the period from January 8, 2021 (date of formation) to December 31, 2021. Certain information and note disclosures normally included in the annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed.

(b) Basis of measurement:

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties and derivative financial instruments, which have been measured at fair value. All intercompany transactions and balances between the Fund and the subsidiary entities have been eliminated upon consolidation.

(c) Comparatives:

The Fund was established on January 8, 2021. The Offering and the acquisition of the Initial Portfolio occurred on March 31, 2021 and as a result, there were no operating activities between January 8, 2021 and March 30, 2021. As such, the comparatives presented in the condensed consolidated interim statement of net income and comprehensive income, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in net liabilities attributable to unitholders of the Fund (“Unitholders”) reflect the operating period between January 8, 2021 to March 31, 2021.

(d) Functional and presentation currency:

These condensed consolidated interim financial statements are presented in U.S. dollars, which is the functional currency of the Fund and its subsidiaries and all amounts have been rounded to the nearest thousand except when otherwise indicated.

Transactions in currencies other than U.S. dollars are translated at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into U.S. dollars at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into U.S. dollars at the exchange rate at the date that the fair value was determined.

Foreign currency gains or losses arising from settlement of transactions or translations are included in the condensed consolidated interim statement of net income and comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency (C\$) are translated using the exchange rate at the date of the transaction.

3. Significant accounting policies:

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies included in the Fund’s audited consolidated financial statements for the period from January 8, 2021 (date of formation) to December 31, 2021. These accounting policies are based on the IFRS applicable at that time. The condensed consolidated interim financial statements do not include all of the disclosures included in the audited consolidated financial statements for the period from January 8, 2021 (date of formation) to December 31, 2021 and accordingly, should be read in conjunction with the audited consolidated financial statements for the period from January 8, 2021 (date of formation) to December 31, 2021 and notes thereto.

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4. Adoption of accounting standards:

(a) Accounting standards implemented:

(i) Amendment to IFRS 3 Business Combinations (“IFRS 3”):

The Fund adopted this amendment on January 1, 2022. The amendments update references in IFRS 3 to refer to the 2018 Conceptual Framework instead of the 1989 Framework and otherwise do not significantly change the requirements of the standard. This amendment had no impact on the condensed consolidated interim financial statements of the Fund.

(b) Future accounting policy changes:

(i) Amendment to IAS 37 Onerous Contracts (“IAS 37”):

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2023 with early application permitted. The Fund is currently evaluating the impact of this amendment on future periods and does not anticipate a material impact to the Fund as a result of the amendments to IAS 37.

(ii) Amendment to IAS 1 Presentation of Financial Statements (“IAS 1”):

The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after January 1, 2023 with early application permitted. The Fund is currently evaluating the impact of this amendment on future periods and does not anticipate a material impact to the Fund as a result of the amendments to IAS 1.

(iii) Amendment to IAS 8 Definition of Accounting Estimates (“IAS 8”):

The amendments introduce a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments are effective for annual periods beginning on or after January 1, 2023 with early application permitted. The Fund is currently evaluating the impact of this amendment on future periods and does not anticipate a material impact to the Fund as a result of the amendments to IAS 8.

(iv) Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (“IFRS Practice Statement 2”):

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies. The amendments provide guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are effective for annual periods beginning on or after January 1, 2023 with early application permitted. The Fund is currently evaluating the impact of this amendment on future periods and does not anticipate a material impact to the Fund as a result of the amendments to IAS 1 and IFRS Practice Statement 2.

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5. Acquisitions:

There were no acquisitions completed during the three months ended March 31, 2022. Subsequent to March 31, 2022, the Fund acquired a third multi-family property (note 24).

The following acquisitions were completed by the Fund during the period from January 8, 2021 to December 31, 2021. The Properties were acquired by directly purchasing the legal entities which owned such Properties. All of the acquisitions were treated as asset acquisitions, and as a result, the fair value of consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their fair value at the date of acquisition as follows:

	Hudson at East	Montane	Total
Acquisition date	31-Mar	31-Mar	
Suites	275	400	675
City, State	Orlando, FL	Parker, CO	
Investment properties ⁽ⁱ⁾	\$ 64,416	\$ 140,536	\$ 204,952
Add:			
Utility deposits	7	22	29
Tenant and other receivables	25	225	250
Prepaid expenses and other assets	86	197	283
Restricted cash	373	86	459
Deduct:			
Accounts payable and accrued liabilities	(308)	(793)	(1,101)
Tenant rental deposits	(92)	(82)	(174)
Finance cost payable	(57)	(6)	(63)
Net assets acquired	\$ 64,450	\$ 140,185	\$ 204,635
Consideration funded by:			
New loans payable ⁽ⁱⁱ⁾	—	87,649	87,649
Assumed loans payable ⁽ⁱⁱⁱ⁾	38,789	—	38,789
Cash paid, net of cash acquired ⁽ⁱⁱⁱ⁾	25,661	52,536	78,197
Total consideration	\$ 64,450	\$ 140,185	\$ 204,635

(i) Investment properties includes acquisition costs capitalized to investment properties amounting to \$675 and \$1,462 for Hudson at East ("Hudson"), and Montane, respectively.

(ii) New loans payable and assumed loans payable are net of finance costs incurred amounting to \$274 and \$722 for Hudson and Montane, respectively.

(iii) Cash residing within entities acquired by the Fund on the date of acquisition amounted to \$84 and \$222 for Hudson and Montane, respectively.

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6. Investment properties:

The following table summarizes the change in the investment properties for the three months ended March 31, 2022 and during the period from January 8, 2021 to December 31, 2021:

Balance, January 8, 2021	\$	—
Acquisition of investment properties (note 5)		204,952
Capital additions		804
Fair value adjustment		49,444
Balance, December 31, 2021	\$	255,200
Acquisitions of investment properties (note 5)		—
Capital additions		236
Fair value adjustment		12,648
Balance, March 31, 2022	\$	268,084

The following table reconciles the cost base of the investment properties to their fair value:

		March 31, 2022		December 31, 2021
Cost	\$	205,992	\$	205,756
Cumulative fair value adjustment		62,092		49,444
Fair Value	\$	268,084	\$	255,200

The key valuation assumptions for the investment properties are set out in the following table:

	March 31, 2022	December 31, 2021
Capitalization rate - range	3.25% - 3.50%	3.50% - 3.75%
Capitalization rate - weighted average	3.41 %	3.58 %

The Fund determined the fair value of each Property using the direct income capitalization approach. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases (note 22).

The fair values of the Properties are sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the Properties as set out in the following table:

Weighted average	Change	March 31, 2022	December 31, 2021
Capitalization rate	10 basis-point increase	\$ (7,639)	\$ (6,928)
Capitalization rate	10 basis-point decrease	\$ 8,101	\$ 7,326

The impact of a one percent change in the net operating income used to value the investment properties as at March 31, 2022 would affect the fair value by approximately \$3,199 (December 31, 2021 - \$3,042).

The Properties are considered as Level 3 assets under IFRS 13 - Fair Value Measurement due to the extent of assumptions required beyond observable market data to derive the fair values (note 22(b)).

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE PLUS FUND

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(In thousands of U.S. dollars, unless otherwise noted)

7. Derivative financial instruments:

The following table represents derivative financial instruments presented as assets of the Fund:

	March 31, 2022	December 31, 2021
Interest rate cap (a)	\$ 1,764	\$ 326
Variable rate collar (b)	16	3
	\$ 1,780	\$ 329

(a) Interest rate cap:

The Fund utilizes interest rate cap agreements to protect its interest costs on its variable rate loans as required by applicable lenders. The interest rate caps typically carry a notional amount equal to the amount of the loan outstanding at inception and a maturity date which generally coincides with the term of the loan (note 11).

As the Fund has elected not to use hedge accounting, unrealized fair value gains of \$1,438 were recorded in finance costs in the condensed consolidated interim statement of net income and comprehensive income for the three months ended March 31, 2022 (for the period from January 8, 2021 to March 31, 2021 - \$nil).

(b) Variable rate collar:

The Fund entered into a variable rate collar contract on December 16, 2021, which allows the Fund to establish a guaranteed monthly exchange rate between C\$1.2575 and C\$1.3200 for the conversion of U.S. dollar funds to Canadian dollar funds amounting to C\$312 per month from February 2022 to July 2022 and C\$156 per month from August 2022 to November 2022. The contract was entered into to protect against the potential impact of any weakening of the U.S. dollar on the amount required to pay the Fund's monthly Canadian dollar distributions and ensure a more favorable exchange rate for conversion of these funds when compared to the rate used to convert the proceeds from the Offering into U.S. dollars of C\$1.2517.

Under the terms of the contract, the first monthly settlement is to occur on February 10, 2022, with each successive month settling on or about the tenth day of each month until November 14, 2022. The monthly exchange rate is determined based on the Canadian to U.S. dollar spot exchange rate on the date of settlement but provides for a minimum exchange rate of C\$1.2575 and a maximum exchange rate of C\$1.3200.

The following table summarizes the material terms for the variable rate collar of the Fund as well as the balance presented in the condensed consolidated interim financial statements as at March 31, 2022:

Contract Start Date	Contract Maturity	Collar Floor	Collar Ceiling	March 31, 2022
February 10, 2022	November 10, 2022	\$1.2575	\$1.3200	\$ 16

Unrealized fair value gains of \$13 were recorded in finance costs in the condensed consolidated interim statement of net income and comprehensive income for the three months ended March 31, 2022 (for the period from January 8, 2021 to March 31, 2021 - \$nil).

The fair value of the variable rate contract at each reporting date reflects the impact of the prevailing Canadian and U.S. dollar exchange rate on the non-cash mark-to-market adjustment of the underlying contract. The actual gain or loss recognized, if any, will be determined on each of the dates the monthly settlements under the contract occur.

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8. Tenant receivables:

The following table presents details of the tenant receivables balance:

	March 31, 2022	December 31, 2021
Tenant receivables, net ⁽ⁱ⁾	\$ 253	\$ 256
Other receivables ⁽ⁱ⁾	70	39
	\$ 323	\$ 295

(i) The Fund holds no collateral in respect of tenant and other receivables.

9. Prepaid expenses and other assets:

The following table presents details of the prepaid expenses balance:

	March 31, 2022	December 31, 2021
Prepaid insurance	\$ 257	\$ 7
Prepaid expenses	61	19
Other deposits ⁽ⁱ⁾	1,125	—
	\$ 1,443	\$ 26

(i) Other deposits represents deposits paid by the Fund for the acquisition of a multi-family property and for the re-financing of the loan payable at Hudson (note 24).

10. Restricted cash:

The following table presents details of the restricted cash balance:

	March 31, 2022	December 31, 2021
Escrowed funds:		
Property taxes ⁽ⁱ⁾	\$ 632	\$ 575
Replacement and repairs ⁽ⁱ⁾	145	67
Restricted cash:		
Security deposits ⁽ⁱⁱ⁾	212	202
	\$ 989	\$ 844

(i) Escrowed funds include cumulative amounts that are funded on a monthly basis into escrow with the Fund's lenders. These amounts are used to pay property taxes and property repairs coming due within a 12-month period.

(ii) Security deposits relate to funds paid by tenants that are specifically restricted until a tenant exits a lease and are either refunded or applied to amounts due under their lease, as applicable.

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11. Loans payable:

Loans payable are secured against the applicable investment properties to which the loan relates and typically require interest only (“IO”) payments until a specified date. The loans bear interest at variable index rates based on U.S. 30-day London Interbank Offered Rate (“LIBOR”) or 30-day New York Federal Reserve Secured Overnight Financing Rate (“NY SOFR”) plus an interest rate spread. A summary of the Fund’s loans payable is presented below:

Property Name	Payment Terms	Maturity Date	Extension Options	Interest Rate ⁽ⁱⁱⁱ⁾	March 31, 2022	December 31, 2021
					Principal Outstanding	Principal Outstanding
Montane ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	3 years IO	November 2028	N/A	NY SOFR + 2.43%	\$ 92,000	\$ 92,000
Hudson ⁽ⁱⁱ⁾	IO	May 2022	One 1-year	LIBOR + 2.35%	39,063	39,063
Face value					\$ 131,063	\$ 131,063
Unamortized financing costs					(571)	(644)
Carrying value					\$ 130,492	\$ 130,419

(i) On October 25, 2021, the Fund refinanced the loan payable on Montane, entering into a new loan payable with principal outstanding of \$92,000, requiring interest-only payments for the first 36 months, and payments of principal and interest thereafter until maturity in November 2028. The proceeds of the new loan payable were used to repay the previously outstanding loan payable of \$88,371 and any costs associated with entering into the new financing. In addition, unamortized financing costs of \$617 were expensed to finance costs as part of the extinguishment and repayment of the previously outstanding loan payable.

(ii) The interest rate on the Hudson loan payable is subject to a LIBOR floor of 0.15%. Subsequent to March 31, 2022, the Fund extended the maturity date of the loan payable on Hudson to May 10, 2022 and refinanced the Hudson loan payable and repaid the principal outstanding as at March 31, 2022 in full (note 24).

(iii) The Fund utilizes interest rate cap agreements to protect its interest costs on variable rate loans as required by certain lenders for the Fund’s loans payable (note 7(a)). Interest rate caps carry a notional amount and maturity date equivalent to that of each associated loan payable and an index strike rate (i.e. NY SOFR if the variable rate loan is indexed off of NY SOFR), which effectively secures a maximum interest rate the Fund would pay for each loan in the event the index rate increases beyond stipulated levels, if applicable. The interest rate cap on the Montane loan payable has a strike rate of 2.07% which effectively provides for a maximum interest rate of 4.50% relating to the Montane loan payable in the event NY SOFR exceeds 2.07%.

Loans payable of \$39,060 (net of \$3 of deferred financing costs) were classified as current liabilities as they are due and payable within 12 months of the date of the condensed consolidated interim statement of financial position.

As at March 31, 2022, the loans had a weighted average term to maturity of 4.65 years and a weighted average interest rate of 2.74%.

Subsequent to March 31, 2022, the Fund entered into an agreement for an unsecured loan for working capital purposes (note 24).

Future principal payments on loans payable are as follows:

	Principal payments	Balloon payments	Total
2022 – remainder of year	\$ —	\$ 39,063	\$ 39,063
2023	—	—	—
2024	332	—	332
2025	2,021	—	2,021
2026	2,077	—	2,077
Thereafter	3,957	83,613	87,570
Total	\$ 8,387	\$ 122,676	\$ 131,063

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12. Preferred shares – U.S. Real Estate Investment Trust (“REIT”) series A:

Starlight U.S. Multi-Family (No. 2) Core Plus REIT Inc. (“U.S. REIT”) has a total of 125 series A, preferred shares issued and outstanding that are held by U.S. residents. The preferred shares were issued on July 2, 2021 and are redeemable at the option of the U.S. REIT, at a redemption value of \$1 per share. The preferred shares pay a cumulative dividend at 12% per annum, semi-annually on June 30 and December 31. The preferred shares have no voting rights and the U.S. REIT incurs a penalty if redeemed before December 31, 2023.

13. Net liabilities attributable to Unitholders:

(a) Composition of net liabilities attributable to Unitholders and beneficial ownership of the Fund:

The beneficial limited partnership interest in the net liabilities and net income and comprehensive income of the Fund is held in seven classes of Units: A, C, D, E, F, G and U. The Fund is authorized to issue an unlimited number of Units in the classes as described above. Each Unitholder is entitled to one vote for each Unit held. Each class of Units entitles the holder to the same rights as a Unitholder in another class of Unit and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units’ rights. As there are varying economic values per class of Units, the net liabilities attributable to Unitholders is distributed disproportionately on a per unit basis upon liquidation. Accordingly, these Units have been classified as a liability in the condensed consolidated interim statement of financial position and any distributions paid on each class of Units is presented in the condensed consolidated interim statement of net income and comprehensive income. For the three months ended March 31, 2022, distributions of \$844 were declared and recorded to distribution expense (for the period from January 8, 2021 to March 31, 2021 - \$nil).

The following table represents a summary of the changes in thousands of Units by class:

	Number of Units Outstanding (000’s)							Total Units	Net Liabilities attributable to Unitholders (\$)
	Class A	Class C	Class D	Class E	Class F	Class G	Class U		
Outstanding as at January 1, 2022	3,061	2,436	2,055	189	1,808	530	353	10,432	\$ 105,069
Units reallocated due to conversions	61	—	(51)	—	(10)	—	—	—	—
Net income and comprehensive income	—	—	—	—	—	—	—	—	8,820
Outstanding as at March 31, 2022	3,122	2,436	2,004	189	1,798	530	353	10,432	\$ 113,889

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13. Net liabilities attributable to Unitholders (continued):

(b) Carried interest:

The partners of Starlight Investments (No. 2) Core Plus Partnership (“SICPP”), currently being an affiliate of the Manager and the President of the General Partner, through SICPP’s indirect interest in Starlight U.S. Multi-Family (No. 2) Core Plus Holding L.P. (“Holding L.P.”), a 99.99% owned subsidiary of the Fund, are entitled to 25% of the total of all amounts each of which is the amount, if any, by which (i) the aggregate amount of distributions which would have been paid on all Units of a particular class if all distributable cash (as defined in the Fund’s final long form prospectus dated March 19, 2021 (the “Prospectus”)) of Holding L.P. were received by the Fund through Starlight U.S. Multi-Family (No. 2) Core Plus Investment L.P. (“Investment L.P.”), a 100% owned subsidiary of the Fund and Starlight U.S. Multi-Family (No. 2) Core Plus Investment GP, Inc., a 100% owned subsidiary of the Fund, together with all other amounts distributable by the Fund, and distributed by the Fund (net of any amounts required to provide for expenses and determined without reference to any applicable U.S. taxes payable by or on behalf of the Investment L.P.) to Unitholders in accordance with the Fund’s amended and restated limited partnership agreement, exceeds (ii) the aggregate minimum return (“Minimum Return”, as defined in the Prospectus) in respect of such class of Units (the calculation of which includes the amount of the Investors Capital Return Base (as defined in the Prospectus)), each such excess, if any, to be calculated in U.S. dollars and, in the case of class A Units, class C Units, class D Units and class F Units, based on the applicable exchange rate on the date of distribution for actual distributions paid by the Fund and otherwise on the date of the applicable distribution from Holding L.P. to Investment L.P. and by Investment L.P. to, directly or indirectly, the Fund, provided that, to the extent that the aggregate amount of distributions which would have been paid on all Units of a particular class pursuant to the foregoing exceed the Minimum Return for such class, the partners of SICPP, through SICPP’s indirect interest in Holding L.P., are entitled to 50% of each such excess amount (i.e., a catch-up) until the excess, if any, which would have been distributed in respect of such class in excess of the investors capital return base is equal to three times (i.e., 75%/25%) the catch-up payment receivable by the Manager in respect of such class.

As at March 31, 2022, the Fund had recognized a provision for carried interest of \$14,313, resulting in an expense of \$3,102 for the three months ended March 31, 2022 (for the period from January 8, 2021 to March 31, 2021 - \$nil).

14. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

	March 31, 2022	December 31, 2021
Tenant prepayments	\$ 55	\$ 80
Operating payables	544	745
Accrued property taxes ⁽ⁱ⁾	690	657
Accrued asset management fees (note 17)	59	59
	\$ 1,348	\$ 1,541

(i) Accrued property taxes represent property taxes incurred but not yet paid for the Properties owned by the Fund up to the date of the condensed consolidated interim statement of financial position. As a result of the requirements of International Financial Reporting Interpretations Committee Interpretation 21, Levies (“IFRIC 21”), property taxes are recorded to the condensed consolidated interim statement of net income and comprehensive income to either property tax expenses or fair value adjustment to IFRIC 21. The sum of the amounts recorded to property tax expense and fair value adjustment IFRIC 21 in the condensed consolidated interim statement of net income and comprehensive income in any given reporting period represents the actual property taxes incurred by the Fund in such reporting period.

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15. Fund and trust expenses:

Fund and trust expenses consist of the following:

	Three months ended March 31, 2022	Period from January 8, 2021 to March 31, 2021
Asset management fees (note 17)	\$ 178	\$ 2
General and administrative expenses	87	1
	\$ 265	\$ 3

16. Segmented disclosure:

All of the Fund's assets and liabilities are in, and its revenues are derived from the U.S. real estate industry. The Fund's investment properties are, therefore, considered by management to have similar economic characteristics. No single tenant accounts for 10% or more of the Fund's rental revenue.

17. Transactions with related parties:

The condensed consolidated interim financial statements include the following transactions with related parties:

The Manager is a related party to the Fund as the Manager is owned and controlled by Daniel Drimmer, a director and President and Chief Executive Officer of the General Partner and Unitholder of the Fund. The Fund engaged the Manager to perform certain management services, as outlined below.

- (a) Pursuant to the management agreement dated March 31, 2021 (the "Management Agreement"), the Manager is to perform asset management services for fees equal to 0.35% of the sum of: the historical purchase price of the properties acquired in U.S. dollars and the cost of any capital expenditures in respect of the Fund's properties since the date of acquisition by the Fund. Included in Fund and trust expenses is \$178 in asset management fees charged by the Manager (note 15) for the three months ended March 31, 2022 (for the period from January 8, 2021 to March 31, 2021 - \$2). The amount payable to the Manager as at March 31, 2022 was \$59 (December 31, 2021 - \$59) (note 14).
- (b) Pursuant to the Management Agreement, the Manager is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by the Fund as a result of such properties having been presented to the Fund by the Manager calculated as 1.0% of the purchase price of a property acquired in each calendar year.

For the three months ended March 31, 2022, the Fund did not incur acquisition fees (for the period from January 8, 2021 to March 31, 2021 - \$2,027).

- (c) Pursuant to the Management Agreement, in the event that the Manager is required by the lenders of the Fund to provide a financing guarantee in connection with the amount borrowed by the Fund or its wholly owned subsidiaries to indirectly acquire an interest in the investment properties, the Fund and the U.S. REIT will, in consideration for providing such guarantee, in aggregate, pay the Manager a guarantee fee represented by an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds. This fee is calculated and payable in arrears on the first day of each month. As of March 31, 2022, \$nil guarantee fees have been paid or are payable (for the period from January 8, 2021 to March 31, 2021 - \$nil).
- (d) Aggregate compensation to key management personnel was \$nil for the three months ended March 31, 2022 as compensation of these individuals is paid by the Manager pursuant to the Management Agreement (for the period from January 8, 2021 to March 31, 2021 - \$nil).

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18. Finance costs:

Finance costs consist of the following:

	Three months ended March 31, 2022	Period from January 8, 2021 to March 31, 2021
Interest expense on loans payable	\$ 820	\$ 9
Amortization of deferred financing costs	75	2
Fair value gain on derivative financial instruments (note 7)	(1,451)	—
	\$ (556)	\$ 11

19. Supplemental cash flow information:

(a) Changes in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital presented within the condensed consolidated interim statement of cash flows:

	Three months ended March 31, 2022	Period from January 8, 2021 to March 31, 2021
Utility deposits	\$ (1)	\$ —
Tenant and other receivables	(28)	(35)
Prepaid expenses and other assets	(1,417)	(36)
Tenant rental deposits	20	—
Accounts payable and accrued liabilities	(193)	60
Distributions payable	3	—
Total change in non-cash operating working capital	\$ (1,616)	\$ (11)

(b) Finance costs paid:

The following table presents the components of finance costs paid presented within the condensed consolidated interim statement of cash flows:

	Three months ended March 31, 2022	Period from January 8, 2021 to March 31, 2021
Interest expense paid	\$ (814)	\$ (13)
Financing costs incurred on loans payable	(2)	(1,121)
Total finance costs paid	\$ (816)	\$ (1,134)

20. Commitments and contingencies:

At March 31, 2022, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of March 31, 2022 expire within 12 months. The Fund holds commitments to provide for carried interest when applicable and to distribute excess cash to Unitholders.

The Fund may be involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the trustees and officers of the Fund and its subsidiaries.

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21. Capital management:

The Fund's capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of loans payable including capital lines available and net liabilities attributable to Unitholders. The Fund monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also distributing appropriate amounts to the Unitholders on a regular basis.

The Fund was in compliance with all financial covenants as at March 31, 2022.

22. Risk management:

The Fund's activities expose it to credit risk, market risk, liquidity risk, currency risk and other risks. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The properties mitigate the risk of credit loss with respect to residents by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, utilizing third party collection agencies for longstanding balances due from tenants and geographically diversifying the location of the properties. The Fund monitors its collection experience on at least a weekly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the condensed consolidated interim statement of net income and comprehensive income.

At March 31, 2022, the Fund had accrued no allowance for uncollectible amounts as such amounts are written off directly against revenues at that time. During the three months ended March 31, 2022, the Fund recorded \$31 of bad debts against revenues in the condensed consolidated interim statement of net income and comprehensive income (for the period from January 8, 2021 to March 31, 2021 - \$nil).

The Fund is actively monitoring the potential impact on credit risk of the coronavirus (SARS – CoV2) and its variants ("COVID-19") global pandemic (note 22(e)).

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. The investment properties are subject to the risks associated with debt financing, including the risk that certain loans may not be refinanced on terms as favourable as those of the existing indebtedness, in the event that such refinancings occur in future periods. As at March 31, 2022, the investment properties have been reported at fair value which reflects the Fund's best estimate of future cash flows and capitalization rates applicable to the investment properties. The Fund continues to monitor and review the potential impact that COVID-19 may have on the future cash flows of its investment properties. During the three months ended March 31, 2022, the Fund has reflected the capitalization rates used in the valuation of the Properties to ensure the appropriate fair values are reflected as at December 31, 2021. The capitalization rates are reflective of third-party appraisals as well as consideration of comparable sales transactions for similar properties and overall changes in the investment market for multi-family properties up to March 31, 2022.

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22. Risk management (continued):

(b) Market risk (continued):

The Fund's objective in managing interest rate risk is to minimize the volatility of the Fund's income. The Fund has the ability to enter into interest rate cap agreements for the variable rate loans which protect the Fund from increases in LIBOR or NY SOFR index rates beyond stipulated levels. For certain loans payable, the Fund is required to purchase an interest rate cap if LIBOR index rates increase above certain levels in accordance with terms in the loan agreements. For the three months ended March 31, 2022, all else being equal, an increase of ten basis points in LIBOR or NY SOFR index rates would impact net income and comprehensive income by \$32, and a decrease of ten basis points in LIBOR or NY SOFR index rates would impact net income and comprehensive income by \$28 (for the period from January 8, 2021 to March 31, 2021 - \$nil impact).

The Fund continues to actively monitor the potential impact that COVID-19 has on market risks applicable to the Fund (note 22(e)).

(c) Liquidity risk:

Liquidity risk is the risk that the Fund may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. To mitigate the risk associated with the refinancing of maturing debt, the Fund staggered the maturity dates of its loan portfolio and has options to extend certain loans. All of the Fund's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms.

The Fund continues to actively monitor the potential impact that COVID-19 has on liquidity risks applicable to the Fund (note 22(e)).

(d) Currency risk:

Currency risk is the risk that the Fund encounters fluctuations in the Canadian/U.S. dollar exchange rate. The revenues and expenses of the investment properties are denominated in U.S. dollars and distributions made to Fund Unitholders are in both Canadian and U.S. dollars. The Fund converts such distribution amounts into Canadian dollars, as applicable, before distributions are paid to Unitholders. As a consequence, distributions are impacted by the prevailing exchange rates.

The Fund utilizes variable rate collar arrangements to provide some protection against the impact of changes in the Canadian/U.S. dollar exchange rate on the Fund's monthly distributions on Canadian dollar Units (note 7).

The Fund continues to actively monitor the potential impact that COVID-19 has on currency risks applicable to the Fund (note 22(e)).

(e) Other risk – COVID-19:

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. COVID-19 vaccination programs continue across the U.S. to varying degrees in different states and jurisdictions with the immunization efforts widely considered to have been successful to date relative to other countries globally and the approval of a third and fourth COVID-19 dose by the U.S. Food and Drug Administration to help further advance immunization efforts in preventing the spread of COVID-19.

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22. Risk management (continued):

(e) Other risk – COVID-19 (continued):

Any future changes due to COVID-19 and its various variants could materially impact the financial results of the Fund, which include potential decreases in occupancy, collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Fund in future periods. Other impacts of COVID-19 may include the Fund's ability to access capital including debt in future periods on terms consistent with those achieved in the past.

The Fund has undertaken actions to mitigate the effect on the operations of the Fund, with established responses to COVID-19 including various preventative measures and ongoing coordination with on-site property management teams to mitigate the spread of the virus.

The Fund continues to monitor collection rates and as at the date of approval of these condensed consolidated interim financial statements, the Fund's rent collection rate for the Properties was approximately 98.9% for the three months ended March 31, 2022, with the Fund expecting further rent collections in future periods relating to these rents. The Fund is also continuing to actively monitor liquidity to ensure appropriate capital is available to fund the ongoing operations of the Fund.

23. Fair value measurement of financial instruments:

The Fund uses various methods in estimating the fair values recognized in the condensed consolidated interim financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets; and
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating fair values of the Fund's financial instruments:

- The fair value of the Fund's financial assets, which include utility deposits, tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance cost payable and distributions payable, approximate their carrying amounts due to their short-term nature (Level 1).
- Derivative financial instruments are considered as Level 2 financial instruments.
- The fair value of loans payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Fund's loans payable as at March 31, 2022 approximated their carrying value.
- Provision for carried interest and net liabilities attributable to Unitholders are considered as Level 3 financial instruments due to the extent of assumptions required beyond observable market data to derive the fair values.

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24. Subsequent events:

(a) Hudson refinancing:

On April 20, 2022, the Fund entered into a new loan payable secured by Hudson for \$67,000, bearing interest at the one-month term Secured Overnight Financing Rate ("Term SOFR") + 2.70%, subject to a Term SOFR floor of 0.10%, which requires interest-only payments until maturity in April 2025 ("Hudson Refinancing"). The refinancing of the Hudson loan payable generated net proceeds of approximately \$26,623 after costs incurred and the repayment of the previously outstanding loan payable, which was used to fund a portion of the acquisition of Summermill (note 24(c)).

(b) Unsecured loan:

On April 25, 2022, the Fund entered into an unsecured loan amounting to \$5,000, bearing interest-only payments at 9% per annum and has a one-year term plus a six-month extension option. The proceeds from the unsecured loan are expected to be used for working capital purposes.

(c) Acquisition of Summermill property:

On April 27, 2022, the Fund acquired Summermill, a 320-suite multi-family property located in Raleigh, North Carolina for \$106,000. The acquisition was financed using cash on hand in the Fund (including cash from the Hudson Refinancing), deposits made to date (including those deposits included in prepaid expenses and other assets as at March 31, 2022) as well as a first mortgage loan payable of \$76,500, with an additional \$6,395 available to draw on to fund future capital expenditures at the property. The first mortgage loan payable carries a three-year term and requires interest-only payments until maturity at Term SOFR + 2.95%, subject to a Term SOFR floor of 0.10%. In connection with the Summermill loan payable, the Fund also entered into an interest rate cap agreement which effectively provides a maximum interest rate of 5.95% for the first 18 months of the loan's term.