

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

**STARLIGHT U.S. MULTI-FAMILY (NO. 5)
CORE FUND**

For the three months ended March 31, 2019 and 2018
(Unaudited)

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

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

	Note	March 31, 2019	December 31, 2018
ASSET			
Non-current assets:			
Investment properties	6	\$ 1,450,625	\$ 1,389,255
Derivative financial instruments	13	2	18
Utility deposits		420	420
Total non-current assets		1,451,047	1,389,693
Current assets:			
Tenant and other receivables	7	2,216	1,682
Prepaid expenses and other assets	8	1,918	2,186
Restricted cash	9	8,316	14,883
Cash		7,771	12,334
Total current assets		20,221	31,085
TOTAL ASSETS		\$ 1,471,268	\$ 1,420,778
LIABILITIES			
Non-current liabilities:			
Loans payable	10	\$ 794,206	\$ 793,942
Preferred shares - U.S. REIT's series A	11	625	625
Provision for carried interest	17	16,059	4,628
Deferred income tax		115,370	102,879
Total non-current liabilities excluding net liabilities attributable to Unitholders		926,260	902,074
Current liabilities:			
Credit facility	12	118,892	119,294
Derivative financial instruments	13	54	425
Tenant rental deposits		1,896	1,846
Accounts payable and accrued liabilities	14	7,248	8,104
Finance costs payable	15	2,987	2,927
Distributions payable		2,058	2,004
Total current liabilities excluding net liabilities attributable to Unitholders		133,135	134,600
TOTAL LIABILITIES		1,059,395	1,036,674
Net liabilities attributable to Unitholders	17	411,873	384,104
TOTAL LIABILITIES AND NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS		\$ 1,471,268	\$ 1,420,778

Commitments and contingencies (note 22).

Subsequent events note (note 26).

See accompanying notes to the condensed consolidated interim financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family (No. 5) Core GP, Inc., as General Partner for Starlight U.S. Multi-Family (No.5) Core Fund, on May 7, 2019, and signed on its behalf:

Graham Rosenberg

Director

Harry Rosenbaum

Director

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

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

	Note	Three months ended March 31, 2019	Three months ended March 31, 2018
Revenue from property operations		\$ 28,458	\$ 26,533
Expenses:			
Property operating costs		7,101	6,923
Property taxes		18,472	18,055
Income from rental operations		2,885	1,555
Finance costs	20	9,643	11,569
Distributions to Unitholders		6,147	6,237
Dividends to Preferred Shareholders – U.S. REIT's series A		20	19
Fund and trust expenses	16	1,511	1,462
Transaction costs on dispositions of investment properties		—	391
Unrealized foreign exchange (gain) loss		27	(461)
Realized foreign exchange loss		12	208
Fair value adjustment investment properties	6	(52,440)	(919)
Fair value adjustment IFRIC 21		(13,832)	(13,581)
Provision for carried interest	17	11,431	—
Income (loss) before income taxes		40,366	(3,370)
Income taxes - current		106	842
- deferred		12,491	4,849
Net income (loss) and comprehensive income (loss)		\$ 27,769	\$ (9,061)

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

Condensed Consolidated Interim Statement of Changes in Net Liabilities Attributable to Unitholders
For the three months ended March 31, 2019 and 2018
(In thousands of U.S. dollars)
(Unaudited)

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Balance, December 31, 2018	\$ 103,444	\$ 107,131	\$ 107,079	\$ 26,418	\$ 23,999	\$ 1,124	\$ 14,909	\$ 384,104
Changes during the period:								
Units repurchased and cancelled under normal course issuer bid ("NCIB")	—	—	—	—	—	—	—	—
Re-allocation due to unit conversions	(3,048)	131	3,974	610	(1,108)	1	(560)	—
Net income and comprehensive income	7,379	7,745	7,843	1,900	1,734	81	1,087	27,769
Balance, March 31, 2019	\$ 107,775	\$ 115,007	\$ 118,896	\$ 28,928	\$ 24,625	\$ 1,206	\$ 15,436	\$ 411,873
	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Balance, December 31, 2017	\$ 107,854	\$ 109,886	\$ 107,423	\$ 26,383	\$ 25,739	\$ 1,153	\$ 16,007	\$ 394,445
Changes during the period:								
Units repurchased and cancelled under NCIB	—	—	—	—	—	—	—	—
Re-allocation due to unit conversions	(1,149)	—	1,184	98	(35)	—	(98)	—
Net loss and comprehensive loss	(2,451)	(2,524)	(2,495)	(608)	(590)	(27)	(366)	(9,061)
Balance, March 31, 2018	\$ 104,254	\$ 107,362	\$ 106,112	\$ 25,873	\$ 25,114	\$ 1,126	\$ 15,543	\$ 385,384

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

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

	Note	Three months ended March 31, 2019	Three months ended March 31, 2018
Operating activities:			
Net income (loss) and comprehensive income (loss)		\$ 27,769	\$ (9,061)
Adjustments for financing activities included in net income (loss) and comprehensive income (loss):			
Finance costs	20	9,643	11,569
Distributions to Unitholders		6,147	6,237
Dividends to Preferred Shareholders – U.S. REIT's series A		20	19
Transaction costs on disposition of investment properties	5	—	391
Adjustments for items not involving cash:			
Fair value adjustment of investment properties including IFRIC 21		(59,041)	(8,135)
Unrealized foreign exchange (gain) loss		27	(461)
Provision for carried interest	17	11,431	—
Change in non-cash operating working capital	21	(1,072)	2,715
Change in restricted cash		6,567	6,357
Deferred tax		12,491	4,849
Cash provided by operating activities		13,982	14,480
Financing activities:			
Credit facility:			
Paydown of credit facility		—	(1,590)
Principal payments on credit facility		(555)	—
Loans payable:			
Proceeds from new financing		—	40,695
Proceeds from re-financing		—	41,797
Repayment of mezzanine debt		—	(6,051)
Principal payments on mortgages payable		—	(260)
Finance costs paid		(9,521)	(12,357)
Distributions to Unitholders		(6,120)	(6,131)
Dividends to Preferred Shareholders – U.S. REIT's series A		(20)	(19)
Cash (used in) provided by financing activities		(16,216)	56,084
Investing activities:			
Acquisitions	4	—	(78,258)
Proceeds on the disposition of investment properties	5	—	19,718
Transaction costs on disposition of investment properties		—	(391)
Capital additions to investment properties	6	(2,329)	(2,076)
Cash used in investing activities		(2,329)	(61,007)
Increase (decrease) in cash		(4,563)	9,557
Cash, beginning of period		12,334	4,463
Cash, end of period		\$ 7,771	\$ 14,020

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2019 (Unaudited)
(In thousands of U.S. dollars, unless otherwise noted)

Starlight U.S. Multi-Family (No. 5) Core 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 extension options available through approval by Starlight U.S. Multi-Family (No. 5) Core GP, Inc. ("General Partner"). The Fund may be extended beyond five years by the passing of a special resolution by the unitholders of the Fund ("Unitholders"). The Fund was established for the primary purpose of indirectly owning and operating a portfolio of diversified revenue generating rental properties in the United States ("U.S.") multi-family real estate market.

The Fund's initial properties were indirectly acquired through the exchange of the limited partnership units of Starlight U.S. Multi-Family Core Fund, Starlight U.S. Multi-Family (No. 2) Core Fund, Starlight U.S. Multi-Family (No. 3) Core Fund, Starlight U.S. Multi-Family (No. 4) Core Fund and the exchange of common shares of Campar Capital Corporation (collectively, the "Plan of Arrangement") for limited partnership units ("units") of the Fund. Subsequent to completion of its initial public offering (the "Offering") on October 18, 2016, the Fund indirectly acquired three additional properties comprised of an aggregate of 910 suites located in the States of Georgia, Nevada and Texas in the markets of Atlanta, Las Vegas and Austin, respectively, in the U.S. The class A units and class U units are listed on the TSX Venture Exchange ("TSX-V") under the symbols STUS.A and STUS.U, respectively.

During the period, the Fund was managed by Starlight Investments US AM Group LP (the "Manager") which is a wholly-owned subsidiary of Starlight Group Property Holdings Inc. ("Starlight Group") and a related party. As of March 31, 2019, the Fund's property portfolio consists of 23 properties and a total of 7,289 suites ("Properties").

Subsequent to March 31, 2019, the Fund entered into an agreement with Tricon Capital Group Inc. ("Tricon") to acquire all outstanding units of the Fund (note 26).

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

1. Basis of presentation:

(i) 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 consolidated financial statements as at and for the year ended December 31, 2018. Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed.

(ii) 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.

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2019 (Unaudited)
(In thousands of U.S. dollars, unless otherwise noted)

1. **Basis of presentation (continued):**

(iii) 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 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 (loss) and comprehensive income (loss). Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

(iv) Investment property held for sale:

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, excluding investment property which is carried at fair value in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

2. **Significant accounting policies:**

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies included in the Fund's year ended December 31, 2018 audited consolidated financial statements. 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 year ended December 31, 2018 audited consolidated financial statements and accordingly, should be read in conjunction with the year ended December 31, 2018 audited consolidated financial statements and notes thereto.

3. **Adoption of accounting standards:**

(a) Accounting standards implemented:

Certain new standards, interpretations and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") and implemented by the Fund for the three months ended March 31, 2019. The new standards that were implemented are the following:

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3. Adoption of accounting standards (continued):

(i) IFRS 16, Leases ("IFRS 16"):

The Fund adopted IFRS 16 on January 1, 2019 on a retrospective basis, which supersedes IAS 17 Leases, IFRS Interpretations Committee 4 Determining whether an Arrangement contains a Lease, Standards Interpretation Committee ("SIC") - 15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 Leases requirements. The Fund has assessed the impact of the new standard and there are no significant changes as a result of the adoption of IFRS 16 to the condensed consolidated interim financial statements.

(ii) IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23")

The Fund adopted IFRIC 23, which provides interpretation on how the recognition and measurement requirements of IAS 12, Income Taxes, are applied where there is uncertainty over income tax treatments. The Fund has assessed the impact of the new standard and there are no significant changes as a result of the adoption of IFRIC 23 to the condensed consolidated interim financial statements.

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Notes to the Condensed Consolidated Interim Financial Statements
 For the three months ended March 31, 2019 (Unaudited)
 (In thousands of U.S. dollars, unless otherwise noted)

4. Acquisitions:

There were no asset acquisitions completed during the three months ended March 31, 2019.

The following asset acquisitions were completed during the year ended December 31, 2018. The fair value of consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition as follows:

	Altis at Sand Lake	Alexander Village	Total
Acquisition date:	1-Feb	29-Mar	
Units	315	320	635
City, State	Orlando, Florida	Charlotte, North Carolina	
Investment properties (i)	\$ 69,389	\$ 59,290	\$ 128,679
Add:			
Utility deposits	34	—	34
Tenant and other receivables	—	13	13
Prepaid expenses and other assets	5	21	26
Restricted cash	471	196	667
Deduct:			
Tenant rental deposits	199	118	317
Accounts payable and accrued liabilities	714	59	773
Assumed mortgage (net of finance costs of \$346)	50,071	—	50,071
Net asset acquired	\$ 18,915	\$ 59,343	\$ 78,258
Consideration funded by:			
New financing obtained and used for acquisition	\$ —	\$ 39,434	\$ 39,434
Proceeds from dispositions held in escrow	—	19,716	19,716
Cash paid	18,915	193	19,108
	\$ 18,915	\$ 59,343	\$ 78,258

(i) Investment properties are net of the IFRIC 21, Levies adjustment for property taxes of \$898 and \$504, respectively for Altis at Sand Lake and Alexander Village.

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Notes to the Condensed Consolidated Interim Financial Statements
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 (In thousands of U.S. dollars, unless otherwise noted)

5. Dispositions:

There were no asset dispositions completed during the three months ended March 31, 2019.

The following asset dispositions were completed during the year ended December 31, 2018. The fair value of consideration has been allocated to the identifiable assets and liabilities sold based on their fair values at the date of disposition as follows:

	The Villages at Sunset Ridge	Greenhaven Apartments	Total
Disposition date:	13-Feb	15-Mar	
Units	257	216	473
City, State	Houston, Texas	Dallas, Texas	
Investment properties (i)	\$ 29,407	\$ 32,475	\$ 61,882
Add:			
Tenant and other receivables	—	14	14
Prepaid expenses and other assets	56	4	60
Deduct:			
Mortgage payable	21,695	19,199	40,894
Tenant rental deposits	15	50	65
Accounts payable and accrued liabilities	469	724	1,193
Finance cost payable	26	60	86
Net assets disposed	\$ 7,258	\$ 12,460	\$ 19,718
Consideration received:			
Proceeds held in escrow and reinvested in acquisitions	\$ 7,258	\$ 12,460	\$ 19,718

- (i) The Fund incurred a total of \$1,067 in transaction costs during the period as a result of the disposition of investment properties.

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6. Investment properties:

The following table summarizes the change in the investment properties for the three months ended March 31, 2019 and the year ended December 31, 2018:

Balance, December 31, 2017	\$	1,239,476
Acquisitions of investment properties (note 4)		128,679
Dispositions of investment properties (i)		(33,518)
Capital additions		10,350
Fair value adjustment		42,653
IFRIC 21 realty tax liability adjustment		1,615
Balance, December 31, 2018		1,389,255
Capital additions		2,329
Fair value adjustment		52,440
IFRIC 21 realty tax liability adjustment		6,601
Balance, March 31, 2019	\$	1,450,625
Balance, Fair Value (excluding IFRIC 21 realty tax liability adjustment)	\$	1,455,381

- (i) Total dispositions of investment properties during the year ended December 31, 2018 was \$61,882 (note 5). The Villages at Sunset Ridge, amounting to \$28,364, was reclassified as properties held for sale as at December 31, 2017 and as a result, the net reduction to investment properties during the year ended December 31, 2018 was \$33,518.

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

	March 31, 2019		December 31, 2018	
Cost	\$	1,258,528	\$	1,256,198
Cumulative fair value adjustment		196,853		144,413
Cumulative IFRIC 21 realty tax liability adjustment (i)		(4,756)		(11,356)
Fair value	\$	1,450,625	\$	1,389,255
Fair Value (excluding IFRIC 21 realty tax liability adjustment)	\$	1,455,381	\$	1,400,611

- (i) The cumulative IFRIC 21 realty tax liability adjustment reflects the estimated property taxes payable by the Fund as at the reporting date.

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

	March 31, 2019		December 31, 2018	
Capitalization rates - range	4.50%	to 4.94%	4.50%	to 5.00%
Capitalization rate - weighted average	4.77%		4.81%	

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2019 (Unaudited)
(In thousands of U.S. dollars, unless otherwise noted)

6. Investment properties (continued):

The Fund determined the fair value of each investment 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.

The fair values of the Fund's investment 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 Fund's investment properties as set out in the following table:

Weighted average	Change	March 31, 2019	December 31, 2018
Capitalization rate	10-basis-points increase	\$ (29,885)	\$ (28,521)
Capitalization rate	10-basis-points decrease	\$ 31,164	\$ 29,732

The impact of a one percent change in the net operating income used to value the investment properties as at March 31, 2019 would affect the fair value by approximately \$14,473 (December 31, 2018 - \$14,006).

Investment properties are considered as Level 3 financial instruments due to the extent of assumptions required beyond observable market data to derive the fair values.

7. Tenant and other receivables:

The following table presents details of the tenant and other receivables balances:

	March 31, 2019	December 31, 2018
Tenant receivables, net	\$ 622	\$ 659
Other receivables	1,594	1,023
	\$ 2,216	\$ 1,682

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

8. Prepaid expenses and other assets:

The following table presents details of the prepaid expenses and other assets balances:

	March 31, 2019	December 31, 2018
Prepaid insurance	\$ 1,331	\$ 1,832
Prepaid expenses	587	354
	\$ 1,918	\$ 2,186

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9. Restricted cash:

The following table presents details of the restricted cash balances:

	March 31, 2019	December 31, 2018
Escrowed funds:		
Property taxes (i)	\$ 5,814	\$ 12,868
Replacement / repairs (i)	1,316	937
Interest rate caps	3	—
Internally restricted cash:		
Security deposits (ii)	1,183	1,078
	\$ 8,316	\$ 14,883

(i) Restricted cash includes cumulative amounts that are funded monthly into escrow to the Fund's lenders for property taxes coming due within a 12-month period. Replacement/repairs restricted cash includes cumulative amounts that are paid monthly to lenders to reserve funds for planned capital improvements and either specific repairs or non-specific operating maintenance. Escrowed interest rate caps relate to restricted funds to meet lender requirements for the purchase of interest rate caps in respect of certain loans with variable rates should U.S. 30-day London Interbank Offered Rate ("LIBOR") reach stipulated levels.

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

10. Loans payable:

Loans payable include mortgages payable that are secured by investment properties and bear interest at various fixed and variable rates with payment terms of interest only ("IO"). The Fund's variable rate mortgages are based on LIBOR plus an interest rate spread.

Loan	Payment Terms	Maturity Date	Interest Rate	March 31, 2019	December 31, 2018
Mortgages Payable:					
Portfolio Mortgage - Tranche A (i)	IO until October 2023	October 2024	3.92%	\$ 400,225	\$ 400,225
Portfolio Mortgage - Tranche B (i)	IO until October 2023	October 2025	3.95%	240,135	240,135
Portfolio Mortgage - Tranche C (i)	IO until October 2021	October 2023	LIBOR + 1.15%	160,090	160,090
Total mortgages payable				800,450	800,450
Mezzanine Loan:					
The Callie (ii)	IO	June 2020	9.25%	—	—
Unamortized financing costs				(6,244)	(6,508)
Total loans payable carrying value				\$ 794,206	\$ 793,942

- (i) The Portfolio Mortgage Tranche A, Tranche B and Tranche C ("Portfolio Mortgage") is secured by all 23 properties owned by the Fund.
- (ii) On February 1, 2018, the Fund repaid the mezzanine loan on The Callie.

Loans payable are classified as current liabilities if they are due and payable within 12 months after the date of the consolidated statement of financial position. The following table provides a breakdown of current and non-current portions of loans payable:

	March 31, 2019	December 31, 2018
Non-current:		
Loans payable	\$ 800,450	\$ 800,450
Unamortized financing costs	(6,244)	(6,508)
	794,206	793,942
Balance	\$ 794,206	\$ 793,942

Future principal payments on loans payable are as follows:

	Principal payment	Debt maturing during the year	Total
2019	\$ —	\$ —	—
2020	—	—	—
2021	245	—	245
2022	2,828	—	2,828
2023	3,474	154,477	157,951
Thereafter	14,494	624,932	639,426
Total	\$ 21,041	\$ 779,409	\$ 800,450

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11. Preferred shares – U.S. REIT’s series A:

The Fund and each subsidiary U.S. REIT collectively have issued and outstanding 625 Series A, Preferred shares that are held by U.S. residents. The preferred shares are redeemable at the option of the U.S. REITs, at a redemption value of \$1 per share subject to a prepayment penalty. The preferred shares pay a cumulative dividend at 12.5% per annum, semi-annually on June 30 and December 31. The preferred shares have no voting rights.

12. Credit facility:

The following table provides a breakdown of the credit facility:

Credit facility	Payment Terms	Maturity Date	Interest Rate	March 31, 2019	December 31, 2018
Credit facility tranche:					
Tranche D ⁽ⁱⁱⁱ⁾	Interest & principal	October 2019	LIBOR + 3.50%	\$ 120,000	\$ 120,000
Principal payments on Tranche D				(740)	(185)
Credit facility principal				119,260	119,815
Unamortized financing costs				(368)	(521)
Total Credit facility carrying value				\$ 118,892	\$ 119,294

(i) On October 19, 2016, the Fund entered into an unsecured credit facility agreement (the “Credit facility”) with a Canadian chartered bank with a maturity date of October 19, 2017 which is secured by a general charge over the Fund’s property, assets and undertakings and is subordinate to any permitted liens. The Credit facility originally had two tranches: Tranche A previously allowed the Fund to borrow up to C\$10,000; and Tranche B allows the Fund to borrow up to C\$13,000.

The Credit facility was renewed on October 18, 2017 for an additional one-year term, with Tranche B amended to reduce the borrowing capacity to C\$8,000. In addition, the interest rate was reduced to the prime rate plus 2.15% (previously prime plus 3.39%) or the banker’s acceptance (“BA”) stamping fee plus 3.15% (previously BA stamping fee plus 4.39%).

(ii) The Fund entered into a second amending agreement to its Credit facility on July 27, 2018, providing for a \$8,500 Tranche C facility bearing interest at a rate spread of 3.15% over LIBOR. Tranche C matured on the same date as the Tranche A and Tranche B facilities being October 19, 2018.

(iii) On October 31, 2018, the Fund entered into a third amending agreement to its Credit facility providing for a \$130,000 Tranche D facility at an initial rate of 3.50% over LIBOR with a maturity date of October 31, 2019. The Fund drew an initial amount of \$120,000 from Tranche D and Tranches A, B and C of the Credit facility were repaid in full (note 10 (i)). The Credit facility carries an option to increase the total borrowing to \$130,000 on or after April 30, 2019 and prior to July 31, 2019 in which case, the additional borrowing will be available until the maturity date of the Credit facility. In the event that the Credit facility is outstanding at such dates, the interest rate increases by 25 basis points on April 30, 2019 and July 31, 2019. A standby fee of 25 basis points and 30 basis points is payable on any amounts outstanding as at April 30, 2019 and July 31, 2019, respectively.

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12. Credit facility (continued):

The Fund is required to make monthly principal payments of \$185, representing an amortization of the Tranche D facility over a 25 year period commencing in December 2018.

Included in finance costs is interest of \$1,790 relating to the Credit facility interest for the three months ended March 31, 2019 (three months ended March 31, 2018 - \$157).

13. Derivative financial instruments:

The following is a summary of derivative financial instruments presented as assets of the Fund:

		March 31, 2019	December 31, 2018
Interest Rate Cap (a)	\$	2	\$ 18
Variable Rate Collar (b)		—	—
Balance, end of the period	\$	2	\$ 18

The following is a summary of derivative financial instruments presented as liabilities of the Fund:

		March 31, 2019	December 31, 2018
Interest Rate Cap (a)	\$	—	\$ —
Variable Rate Collar (b)		54	425
Balance, end of the period	\$	54	\$ 425

(a) Interest Rate Cap

The Fund utilizes interest rate cap agreements to protect its interest costs on its variable rate mortgages as required by the applicable lenders. The following is a summary of the Fund's interest rate cap and collar agreements:

	Notional Amount	Maturity Date	LIBOR Strike	Carrying and Fair Value as at	
				March 31, 2019	December 31, 2018
Portfolio Mortgage - Tranche A	160,090	1-Nov-21	5.35%	2	18
Asset/(Liability)	\$ 160,090			\$ 2	\$ 18

The following table represents a summary of the changes in fair value for the interest rate cap and collar agreements presented as assets of the Fund:

		March 31, 2019	December 31, 2018
Balance, beginning of the period	\$	18	\$ 21
Purchase during the period		—	2,437
Unrealized loss for the period		(16)	(2,440)
Balance, end of the period	\$	2	\$ 18

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13. Derivative financial instruments (continued):

(b) Variable Rate Collar

The Fund utilizes variable rate collar contracts that allow the Fund to exchange U.S. dollar funds each month to provide some protection against the weakening of the U.S. dollar up to the date of declaration of distributions funded in Canadian dollars. The following table presents the variable rate collars of the Fund:

Contract Start Date	Contract Maturity	Monthly Notional Amount (C\$)	Collar Floor	Collar Ceiling	March 31, 2019	December 31, 2018
March 9, 2017	March 9, 2018	\$2,450	C\$1.3300	C\$1.3850	\$ —	\$ —
March 2, 2018	December 11, 2018	\$2,450	C\$1.2700	C\$1.3220	\$ —	\$ —
November 8, 2018	June 10, 2019	\$2,450	C\$1.3000	C\$1.3535	\$ (54)	\$ (425)
Asset/(Liability)					\$ (54)	\$ (425)

The fair value of the contract as at March 31, 2019 was a loss of \$54, resulting in an unrealized gain of \$371 during the three months ended March 31, 2019 (three months ended March 31, 2018 – unrealized loss of \$400).

14. Accounts payable and accrued liabilities:

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

	March 31, 2019	December 31, 2018
Tenant prepayments	\$ 1,522	\$ 1,447
Operating payables	496	421
Accrued property management fees, utilities, payroll, other ⁽ⁱ⁾	3,934	4,918
Accrued asset management fees	352	353
Accrued service fees	151	151
Deferred revenue ⁽ⁱⁱ⁾	792	814
	\$ 7,247	\$ 8,104

(i) Accrued property management fees, utilities, payroll, other includes accrued insurance premiums of \$1,375 (December 31, 2018 - \$1,731). The insurance policy covers the period from December 1, 2018 to December 1, 2019 with amounts paid in eleven equal installments commencing January 2019.

(ii) Deferred revenue represents payments received from third party providers of television and internet services in exchange for the Fund utilizing these providers exclusively for a fixed term at ten properties owned by the Fund. The amounts are amortized to revenue over the ten year term of the contracts.

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15. Finance costs payable:

The following table presents the details of finance costs payable:

	March 31, 2019	December 31, 2018
Accrued interest on mortgages payable	\$ 2,670	\$ 2,650
Accrued interest on Credit facility	317	277
	\$ 2,987	\$ 2,927

16. Fund and trust expenses:

The following table presents the details of Fund and trust expenses:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Asset management fees (note 19)	\$ 1,091	\$ 1,048
General and administrative expenses	265	265
Service fees (note 19)	155	149
	\$ 1,511	\$ 1,462

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17. Net liabilities attributable to Unitholders:

The beneficial limited partnership interest in the net liabilities and net income (loss) and comprehensive income (loss) of the Fund is held in seven classes of units: class A, C, D, F, H, U and E. 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 limited partnership unit held. Each class of unit entitles the holder to the same rights as a Unitholder in another class of units 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 will be distributed disproportionately on a per unit basis upon liquidation.

	Units (000's)	Value
Units as at December 31, 2018	48,968 \$	384,104
Class A units repurchased and cancelled under NCIB (i)	—	—
Additional units on conversion	—	—
Net income and comprehensive income	—	27,769
Units as at March 31, 2019	48,968 \$	411,873

- (i) The NCIB commenced on November 1, 2016 and remained in effect until October 31, 2017. On October 26, 2017, the Fund announced the TSX-V had accepted the renewal of the existing NCIB commencing November 1, 2017, to remain in effect until the earlier of (i) October 31, 2018 or (ii) the date on which the Fund has purchased the maximum number of units permitted under the NCIB. The NCIB expired on October 31, 2018.

As at March 31, 2019, the Fund had 48,967,521 total units issued and outstanding, comprised of 13,584,981 class A units, 13,511,772 class C units, 14,439,332 class D units, 2,663,210 class E units, 3,094,683 class F units, 149,614 class H units and 1,523,929 class U units. The following table represents a summary of the changes in thousands of units by class:

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Units outstanding as at December 31, 2018	13,769	13,512	14,254	2,677	3,096	150	1,510	48,968
Units repurchased and cancelled under NCIB	—	—	—	—	—	—	—	—
Units reallocated due to conversions	(184)	—	185	(14)	(1)	—	14	—
Units as at March 31, 2019	13,585	13,512	14,439	2,663	3,095	150	1,524	48,968

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17. Net liabilities attributable to Unitholders (continued):

Under the NCIB, the Fund was able to purchase for cancellation up to a maximum of 1,396,448 class A units and 157,189 class U units, representing 10% of the Fund's public float of class A units and class U units, respectively. The Fund was not permitted to purchase more than 2% of the issued and outstanding class A units or class U units during any 30-day period, which as at October 26, 2017, represented 281,264 class A units and 31,635 class U units, respectively.

The Fund did not purchase or cancel class A units during the three months ended March 31, 2019 as the NCIB expired on October 31, 2018 and was not renewed (three months ended March 31, 2018 – nil).

Carried Interest:

The Manager and the President of the Fund, as holders of the class B units of SIP are entitled to 25% of the excess distributable cash after returning: (i) 6.5% per annum on the initial investment amount contributed, less the aggregate agents fees payable, if any, in respect of the units of the Fund calculated on a cumulative basis from the effective date of the Plan of Arrangement (the "Minimum Return"); and (ii) the return of the initial investment amount contributed from units of the Fund pursuant to the Plan of Arrangement and the Offering, less the aggregate agents fees payable.

In the event the Minimum Return is not received by Unitholders, an amount of up to 20% of the deemed value, net of taxes payable previously, paid as a carried interest in connection with the Plan of Arrangement will be payable to the Fund from SIP.

As of March 31, 2019, the Fund had recognized a provision for carried interest of \$16,059 after taking into account the Minimum Return to Unitholders (December 31, 2018 – \$4,628), resulting in an expense of \$11,431 during the three months ended March 31, 2019 (three months ended March 31, 2018 – \$nil). Subsequent to March 31, 2019, the Fund entered into an agreement with Tricon to acquire all outstanding units of the Fund, in which Tricon will purchase certain carried interest entitlements owed to Starlight Group and certain members of its management in respect of the performance of the Fund (note 26).

18. Segmented disclosure:

All of the Fund's assets and liabilities are in, and its revenues are derived from, the U.S. real estate industry segment. 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.

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19. Transactions with related parties:

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

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

- (a) Pursuant to the management agreement dated October 15, 2016 (the "Management Agreement") as assigned, the Manager is to perform asset management services for fees equal to 0.35% of the sum of:
- i. the appraised values of the Properties acquired in connection with the Plan of Arrangement, or in the case of future acquisitions, the purchase price of the Fund's properties in U.S. dollars; and
 - ii. the cost of any capital expenditures in respect of Fund's properties since the date of acquisition by the Fund in U.S. dollars.
- (b) In addition, the Manager is to receive an amount equal to the service fee paid to registered dealers on the Fund's distributions, paid quarterly in arrears.

Included in Fund and trust expenses is \$1,091 in asset management fees and \$155 in service fees (three months ended March 31, 2018 - \$1,048 and \$149, respectively) charged by the Manager for the three months ended March 31, 2019, of which \$503 is payable (note 14) at March 31, 2019 (December 31, 2018 - \$504).

- (c) Pursuant to the Management Agreement as assigned, 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 follows:
- i. 1.0% of the purchase price of a property, on the first \$100,000 of properties acquired in each calendar year;
 - ii. 0.75% of the purchase price of a property, on the next \$100,000 of properties acquired in each calendar year; and
 - iii. 0.50% of the purchase price on properties in excess of \$200,000 of properties acquired in each calendar year.

For the three months ended March 31, 2019, the Fund incurred acquisition fees of \$nil (three months ended March 31, 2018 - \$1,213), which are paid at the time of acquisition and capitalized to investment properties.

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19. Transactions with related parties (continued):

- (d) Pursuant to the Management Agreement, as assigned, the Manager is entitled to receive a disposition fee equal to 0.5% up to a maximum of \$5,500 of the value of a “Disposition Transaction” defined as an amalgamation, merger, arrangement, take-over bid, material transfer or sale of Units or rights or other securities of the Fund or interest therein or thereto, or sale of all or substantially all of the properties indirectly held by the Fund or a wholly owned subsidiaries of the Fund, whether in one transaction or a series of transactions. No such disposition fee is payable unless the value of the Disposition Transaction is greater than the aggregate appraised values at the time of acquisition by the Fund in relation to the Plan of Arrangement properties or acquisition properties as proposed in the Fund Offering. As of March 31, 2019, \$nil disposition fees were paid or are payable (March 31, 2018 – \$nil). Subsequent to March 31, 2019, the Fund entered into an agreement with Tricon which if consummated would qualify as a Disposition Transaction requiring the payment of a disposition fee (note 26). As part of the terms of the Arrangement Agreement, Tricon has agreed to pay such disposition fee on behalf of the Fund.
- (e) Pursuant to the Management Agreement, as assigned, 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 properties, the Fund and each 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, 2019, \$nil guarantee fees were paid or are payable (March 31, 2018 – \$nil).

20. Finance costs:

The following table presents the details of finance costs:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Interest on mortgages payable	\$ 7,755	\$ 7,665
Interest on mezzanine loans payable	—	39
Interest and standby charges on Credit facility (note 12)	1,790	157
Amortization of financing costs	440	459
Loss on early extinguishment of debt	—	2,908
Fair value loss (gain) on derivative financial instruments	(355)	341
Other interest	13	—
	\$ 9,643	\$ 11,569

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21. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Utility deposits	\$ —	\$ (5)
Tenant and other receivables	(534)	(103)
Prepaid expenses and other assets	268	680
Tenant rental deposits	51	(50)
Accounts payable and accrued liabilities	(857)	1,495
Held for sale change in working capital	—	698
	\$ (1,072)	\$ 2,715

22. Commitments and contingencies:

At March 31, 2019, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of March 31, 2019 expire within 12 months. The Fund holds commitments to provide for carried interest when applicable, to pay service fees on outstanding class A units and class U units 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.

23. 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, the Credit facility 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, 2019.

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24. Risk management:

The Fund's activities expose it to credit risk, market risk, liquidity risk and currency risk. 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 a monthly basis and ensures 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 statements of net income (loss) and comprehensive income (loss).

(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 loans and credit facilities will not be refinanced on terms as favourable as those of the existing indebtedness.

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 all its floating rate mortgages. Loan agreements for some of the Fund's properties require the Fund to enter into an interest rate cap agreement once LIBOR reaches stipulated levels. For the three months ended March 31, 2019, all else being equal, an increase or decrease of ten basis points in LIBOR would impact net income (loss) and comprehensive income (loss) \$69 (three months ended March 31, 2018 - \$217).

(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 over a number of years 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. For contractual maturities of loans payable, see note 10.

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24. Risk management (continued):

(d) Currency risk:

Currency risk is the risk the Fund encounters from 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 the 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, see note 13(b).

25. 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;
- 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:

- (i) 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, provision for carried interest, finance cost payable and distributions payable, approximate their carrying amounts due to their short-term nature (Level 1).
- (ii) Derivative financial instruments are considered as Level 2 financial instruments.
- (iii) The fair value of loans payable and Credit facility 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 and Credit facility as at March 31, 2019 approximated their carrying value net of financing costs.
- (iv) Preferred shares – U.S. REIT's series A 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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26. Subsequent events:

On April 2, 2019, the Fund and Tricon entered into an arrangement agreement (the "Arrangement Agreement") whereby Tricon will acquire all of the issued and outstanding units of the Fund in an all-share transaction (the "Transaction"). As part of the Transaction, the Manager of the Fund has entered into a transitional service agreement whereby the Manager will provide asset management services to Tricon for all of the Fund's Properties for a period of three years after closing. The Transaction is expected to close in June 2019 and in no event later than an outside date of July 31, 2019, subject to extension by up to 60 days in certain circumstances and subject to the satisfaction or waiver of certain closing conditions.

The Transaction includes Tricon issuing 50,779,314 common shares ("Tricon Shares") in exchange for all the outstanding units of the Fund. As a result of the Transaction, Tricon will also indirectly assume all of the Fund's existing debt as well as other outstanding liabilities of the Fund and acquire all of the Fund's Properties. Unitholders will receive Tricon Shares in exchange for their units in the Fund based on exchange ratios outlined in the Arrangement Agreement.

As part of the Transaction, Tricon will purchase certain carried interest entitlements owed to Starlight Group and certain members of its management in respect of the performance of the Fund in consideration for 1,867,675 of the Tricon Shares issuable pursuant to the Transaction (note 17). In the event the three-day Volume Weighted Average Price ("VWAP") of Tricon Shares ending on the second business day prior to the closing date of the Transaction is greater than C\$11.49, such additional value will benefit the Fund Unitholders and will also be subject to additional carried interest entitlements of Starlight Group and certain management. Any such additional entitlements will not increase the total number of Tricon Shares issued in connection with the Transaction but will result in offsetting reductions to the exchange ratio per unit for each class of units. A Tricon Share three-day VWAP above C\$13.10 will not result in any further carried interest entitlements.

The aggregate fees and expenses expected to be incurred by the Fund in connection with the Arrangement Agreement are estimated to be \$7,700. In addition, a disposition fee equal to \$5,500 would be payable by the Fund to the Manager if the Transaction is consummated. Upon closing, Tricon will be responsible for all such fees and expenses.

If the Transaction is not consummated as a result of not obtaining the approval of the Unitholders or as a result of the Fund failing to meet certain representations and warranties in the Arrangement Agreement, the Fund will be required to reimburse the reasonable costs and expenses of Tricon up to a maximum of C\$3,000. If the Transaction is terminated as a result of Tricon shareholders not approving the Tricon Share issuance in connection with the Transaction or as a result of Tricon failing to meet certain representations and warranties in the Arrangement Agreement, Tricon will be required to reimburse the reasonable costs and expenses of the Fund up to a maximum of C\$3,000. In addition, in certain circumstances the Arrangement Agreement may be terminated by the Fund or Tricon in which case a termination fee of \$20,000 may be payable to Tricon.

27. Comparative figures:

Certain comparative figures have been reclassified to conform with the current year presentation of the condensed consolidated interim financial statements.