



6035 Linley Valley Drive & 4800
Uplands Drive, Nanaimo, BC

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2022

May 5, 2022

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q1 2022 MD&A

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FUND METRICS

- **ANNUAL PRE-TAX TARGETED DISTRIBUTION YIELD: 3.0% to 4.0%**
- **PRE-TAX TARGETED TOTAL RETURN: 12%**

**2699 Peatt Road
Langford, British Columbia**



**3400 Centennial Drive
Vernon, British Columbia**



**1085 Goldstrea Avenue
Langford, British Columbia**



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the consolidated interim financial results of Starlight Western Canada Multi-Family (No. 2) Fund (the "Fund") dated May 5, 2022 should be read in conjunction with the Fund's unaudited consolidated interim financial statements for the three months ended March 31, 2022 ("Q1-2022") and the accompanying notes for the same period, prepared in accordance with International Financial Reporting Standards ("IFRS"). These documents are available on SEDAR at www.sedar.com.

The Fund's presentation currency is Canadian dollars. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of Canadian dollars, except for per trust unit of the Fund ("Unit") and average monthly rents ("AMR") information. Non-IFRS measures are reported throughout this MD&A. For further information on Non-IFRS measures, please refer to "Non-IFRS Financial Measures" section.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws and which reflect the Fund's current expectations regarding future events, including the overall financial performance of the Fund and its properties ("Properties"), including the impact of the coronavirus (SARS-CoV2) and its variants ("COVID-19") on the business and operations of the Fund. Forward-looking information is provided for the purposes of assisting the reader in understanding the Fund's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes.

Forward-looking information may relate to future results, the impact of COVID-19 on the Properties as well as the impact of COVID-19 on the markets in which the Fund operates, acquisitions, performance, achievements, events, prospects or opportunities for the Fund or the real estate industry and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, occupancy levels, AMR, taxes, and plans and objectives of or involving the Fund. Particularly, matters described in "COVID 19" and "Future Outlook" are forward-looking information. In some cases, forward-looking information can be identified by terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking statements involve known and unknown risks and uncertainties, which may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities may not be achieved. Those risks and uncertainties include: the impact of COVID-19 on the Properties as well as the impact of COVID-19 on the markets in which the Fund operates; changes in government legislation or tax laws which would impact any potential income taxes or other taxes rendered or payable with respect to the Properties or the Fund's legal entities; the ability of the Fund to deploy the remaining proceeds of its initial public offering on February 22, 2022 (the "Offering"); the applicability of any government regulation concerning the Fund's tenants or rents as a result of COVID-19 or otherwise; the realization of property value appreciation and timing thereof, and the availability of residential properties for acquisition; the availability of debt financing; and the price at which such properties may be acquired. A variety of factors, many of which are beyond the Fund's control, affect the operations, performance and results of the Fund and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results.

There are numerous risks and uncertainties which include, but are not limited to, risks related to the Units, risks related to the Fund and its business, and any risks related to the uncertainties surrounding COVID-19 and the potential adverse effect or the perception of its effects, on the Fund and its Units. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as there can be no assurance actual results will be consistent with such forward-looking statements. Although the Fund believes the expectations reflected in such forward-looking information are reasonable and represent the Fund's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Fund's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Fund's expectations include, among other things, the impact of COVID-19, the availability of suitable properties for purchase by the Fund, the availability of mortgage financing, and general economic and market factors, including interest rates, business competition and changes in government regulations or in tax laws.

See "Risks and Uncertainties" section and the reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information, as there can be no assurance that actual results will be consistent with such forward-looking information. The Fund is actively monitoring COVID-19 closely and has proactively raised its level of preparedness and planning to adapt more quickly should risk levels rise.

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Information contained in forward-looking information is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the ability to deploy the remaining proceeds from the Offering; the impact of COVID-19 on the Fund's portfolio as well as the impact of COVID-19 on the markets in which the Fund operates; the applicability of any government regulation concerning the Fund's tenants or rents as a result of COVID-19 or otherwise; the realization of property value appreciation and timing thereof; the inventory of residential real estate properties; the availability of residential properties for acquisition and the price at which such properties may be acquired; the ability of the Fund to benefit from any asset management initiatives the Fund conducts at certain Properties; the price at which Properties may be disposed and the timing thereof; closing and other transaction costs in connection with the acquisition and disposition of Properties; the availability of mortgage financing and current interest rates; the capital structure of the Fund; the extent of competition for residential properties; the growth in net operating income ("NOI") generated from asset management initiatives; the population of residential real estate market participants; assumptions about the markets in which the Fund operates; expenditures and fees in connection with the maintenance, operation and administration of the Properties; the ability of Starlight Investments CDN AM Group LP (the "Manager") to manage and operate the Properties; the global and North American economic environment; and governmental regulations or tax laws. Given this unprecedented period of uncertainty, there can be no assurance regarding: (a) the impact of COVID-19 on the Fund's business, operations and performance or the volatility of the Units; (b) the Fund's ability to mitigate such impacts; (c) credit, market, operational, and liquidity risks generally; (d) that the Manager or any of its affiliates, will continue its involvement as asset manager of the Fund in accordance with its current asset management agreement; and (e) other risks inherent to the Fund's business and/or factors beyond its control which could have a material adverse effect on the Fund.

The forward-looking information included in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian securities law, the Fund undertakes no obligation to update or revise publicly any forward-looking information, whether because of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

NON-IFRS FINANCIAL MEASURES

Certain terms used in this MD&A such as adjusted funds from operations ("AFFO"), AMR, cash provided by operating activities including interest paid, economic occupancy, funds from operations ("FFO"), gross book value ("Gross Book Value"), indebtedness ("Indebtedness"), Indebtedness coverage ratio ("Indebtedness Coverage Ratio"), Indebtedness to Gross Book Value, interest coverage ratio ("Interest Coverage Ratio") and NOI are not measures defined under IFRS as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to net income (loss) and comprehensive income (loss), cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. AFFO, AMR, cash provided by operating activities including interest paid, economic occupancy, FFO, Gross Book Value, Indebtedness, Indebtedness Coverage Ratio, Indebtedness to Gross Book Value, Interest Coverage Ratio and NOI as computed by the Fund may not be comparable to similar measures as reported by other trusts or companies in similar or different industries. The Fund uses these measures to better assess the Fund's underlying performance and provides these additional measures so that investors may do the same.

AFFO is defined as FFO subject to certain additional adjustments, including: (i) amortization of fair value mark-to-market adjustments on loans assumed; (ii) amortization of financing costs; and (iii) deduction of a reserve for normalized maintenance capital expenditures and suite make ready costs, as determined by the Manager. Other adjustments may be made to AFFO as determined by the Manager. AFFO is presented in this MD&A as the Manager considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to unitholders of the Fund ("Unitholders") after a provision for maintenance capital expenditures. AFFO should not be interpreted as an indicator of cash generated from operating activities, as it does not consider changes in working capital. AFFO has not been calculated in accordance with the Real Property Association of Canada ("RPAC") definition, as the Fund adjusts for non-cash items to better measure the sustainability of future distributions. This MD&A does not include a presentation of adjusted cash flow from operations as defined by RPAC. The most comparable IFRS measures for AFFO are cash flow from operating activities and net income (loss) and comprehensive income (loss).

AFFO payout ratio is calculated by taking distributions declared and dividing by AFFO in a given reporting period. The Fund considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to Unitholders.

AFFO payout ratio adjusted for equity deployed is calculated by taking distributions declared, adjusted for the actual equity deployed during each applicable reporting period, and dividing by AFFO. The Fund considers these non-IFRS measures to be important performance measures to determine the sustainability of future distributions paid to Unitholders.

AMR is defined as the total in place rents divided by the total number of multi-family suites occupied as at the reporting date.

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Cash provided by operating activities including interest paid is a measure of the amount of cash generated from operating activities including interest paid and is presented in this MD&A as the Manager considers this non-IFRS measure when determining the sustainability of future distributions paid to Unitholders.

Economic occupancy is calculated by taking effective net rent after considering vacancy and concessions and dividing by gross potential rent. The Fund considers this an important operating metric to evaluate the extent to which revenue potential is being realized.

FFO is defined as net income (loss) and comprehensive income (loss) in accordance with IFRS, excluding fair value adjustments of the investment properties, distributions to Unitholders of Units classified as financial liabilities, and provisions for carried interest. FFO payout ratio compares distributions declared to FFO. FFO is a measure of operating performance based on the funds generated from the business before reinvestment or provision for other capital needs. FFO is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of operating performance and is calculated in accordance with RPAC. The most comparable IFRS measures for FFO are cash flow from operating activities and net income (loss) and comprehensive income (loss).

FFO payout ratio is calculated by taking distributions declared and dividing by FFO in a given reporting period. The Fund considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to Unitholders.

FFO payout ratio adjusted for equity deployed is calculated by taking distributions declared, adjusted for the actual equity deployed during each applicable reporting period, and dividing by FFO. The Fund considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to Unitholders.

Gross Book Value is defined as the fair market value of the Fund's investment properties as described under "Portfolio Summary". Gross Book Value is presented in this MD&A as the Fund considers this non-IFRS measure to be an important measure of the Fund's financial condition. The most comparable IFRS measure for Gross Book Value is investment properties.

Indebtedness is defined as the face value of loans payable. Indebtedness is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the Fund's financial condition. The most comparable IFRS measure for indebtedness is loans payable.

Indebtedness Coverage Ratio is defined as net income (loss) and comprehensive income (loss) in accordance with IFRS before provisions for carried interest plus finance costs, which include amortization of financing costs and other finance costs, less finance income and adjusted for other non-cash items divided by interest and principal payments. Generally, a higher Indebtedness Coverage Ratio demonstrates a stronger ability to satisfy the Fund's debt service obligations. Indebtedness Coverage Ratio is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual principal and interest payments and ultimately the ability of the Fund to make cash distributions to Unitholders.

Indebtedness to Gross Book Value is defined as the Fund's Indebtedness divided by the Fund's Gross Book Value of the properties. Indebtedness to Gross Book Value is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Interest Coverage Ratio is defined as net income (loss) and comprehensive income (loss) in accordance with IFRS before provisions for carried interest plus finance costs, which includes amortization of financing costs and other finance costs, less finance income and adjusted for other non-cash items divided by interest expense. Generally, a higher Interest Coverage Ratio indicates a lower credit risk. Interest Coverage Ratio is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual interest payments and ultimately the ability of the Fund to make cash distributions to Unitholders.

NOI is defined as all property revenue, less direct property costs such as utilities, property taxes, repairs and maintenance, on-site salaries, insurance, bad debt expenses, property management fees, and other property specific administrative costs. NOI is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the Fund's operating performance and uses this measure to assess the Fund's property operating performance on an unlevered basis. The most comparable measure to IFRS is net income (loss) and comprehensive income (loss).

Same property operating results and NOI (revenue less property operating costs and realty taxes) have not been presented in this MD&A given the Properties had no comparable results under the Fund's ownership.

Reconciliations of net income (loss) and comprehensive income (loss) to FFO and AFFO are provided herein at "Non-IFRS Financial Measures – FFO and AFFO". In addition, a reconciliation of cash provided by operating activities including interest paid to AFFO is provided herein at "Non-IFRS Financial Measures – FFO and AFFO" and a reconciliation of NOI from the financial statement presentation of revenue, property operating costs and property taxes is provided herein at "Financial and Operational Highlights".

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INVESTMENT OVERVIEW, OBJECTIVES AND STRATEGY

The Fund is a “open-ended fund” established pursuant to an initial declaration of trust dated as of November 12, 2021, as amended and restated on January 27, 2022 (the “Declaration of Trust”), and governed by the laws of Province of Ontario. The registered office of the Fund is located at 3280 Bloor Street West, Centre Tower, Suite 1400, Toronto, Ontario M8X 2X3.

The term of the Fund is three years, with two one-year extensions available at the option of the Fund's Board of Trustees (the “Board”) and may be further extended by special resolution of the Unitholders.

The ownership of the Fund is separated into three classes of Units. On February 22, 2022, the Fund issued the following Units: 4,207,395 Class A Units, 5,404,905 Class B Units and 3,387,700 Class C Units at a price of C\$10.00 per Unit

The Offering raised gross subscription proceeds of \$130,000. After the closing of the Offering on February 22, 2022, the Fund acquired 6035 Linley Valley Drive and 4800 Uplands Drive, Nanaimo (“Nanaimo”), 733 Goldstream Avenue, Langford (“Langford”), 3400 Centennial Drive, Vernon (“Vernon”), 1803 31A Street, Vernon (“Vernon 2”) and 2699 Peatt Road, Langford (“Langford 2”) (collectively, (the “Forecast Properties”) or (the “Initial Properties”)), consisting of a combined 495 multi-family suites. The Fund subsequently acquired 1085 Goldstream Avenue, Langford (“Langford 3”), consisting of 166 multi-family suites. The Properties are each located in British Columbia (see “Portfolio Overview”).

The primary markets are Vancouver Island and the mainland of the Province of British Columbia (“Primary Markets”).

The Fund’s Investment Strategy:

The Fund was established for the primary purpose of directly or indirectly acquiring, owning, operating and stabilizing a portfolio composed of income-producing multi-family real estate properties in Western Canada that demonstrate value based on pricing and local supply and demand trends to achieve the Fund’s target metrics by increasing in-place rents to market rents, revenue enhancement through ancillary income opportunities and operating expense reductions as a result of active asset management, and that are located in the Primary Markets. The Manager believes the western Canadian multi-family real estate sector presents a compelling investment opportunity and provides competitive long-term returns when compared to other real estate opportunities.

The Fund’s investment objectives are to:

1. Directly or indirectly acquire, own, operate and stabilize a portfolio of newer vintage and newly constructed income-producing, multi-family real estate properties which are geographically diversified across the Primary Markets;
2. Make stable monthly cash distributions; and
3. Enhance earnings from the Properties through active asset management, which may include leasing non-stabilized properties, increasing in-place rents to market rents, revenue enhancement through ancillary income opportunities and operating expense reductions, best-in-class property management and economies of scale.

The Manager targets acquisitions in the Primary Markets, where markets feature:

- a) Compelling employment, population and economic growth rates;
- b) Attractive employment and other opportunities for new immigrants to Canada;
- c) Consistently low rental vacancy rates and high rental growth rates; and
- d) Relatively comfortable climates and quality of life.

ACQUISITION OF WESTERN CANADIAN MULTI-FAMILY REAL ESTATE

1. Identify multi-family acquisition opportunities in the Primary Markets through the Manager’s strong pipeline of exclusive acquisition opportunities by leveraging the Manager’s relationships with principals, operators, brokers and other real estate asset managers and by its ability to source “off market” opportunities.
2. Target multi-family assets that are:
 - a. Newer vintage or newly constructed properties that have not been stabilized or demonstrate the opportunity to increase in-place rents to market rents, with significant value upside; and
 - c. Strategically located properties in the Primary Markets, which demonstrate a supply-demand imbalance as well as barriers to new development.
3. Complete a comprehensive due diligence program, including cash flow and operating expense reviews, and third party reports including market studies, structural and environmental assessments and appraisals.
4. Conduct a broad canvass of the lending community, including lenders with whom the Manager enjoys long-term relationships, to secure debt financing on competitive terms.
5. Explore, from time to time, co-investment opportunities involving the Fund and one or more co-investors.

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ASSET VALUE ENHANCEMENT THROUGH ACTIVE MANAGEMENT STRATEGY

1. Utilize the Manager's network to source attractive future acquisitions from principals, operators, brokers and other real estate asset managers.
2. Seek ancillary income opportunities such as cable, antenna and laundry contracts as well as package handling and visitor and tenant parking.
3. Reduce operating expenses such as staffing, energy and water expenses through sub-metering, maintenance contracts, general and administrative expenses, and insurance through economies of scale.
4. Utilize reputable best-in-class property managers.

VALUE REALIZATION

1. Asset value increases are expected by the Manager to be realized through a combination of NOI growth, through, among other things, active asset management resulting in increased rental rates and a pricing premium on the Fund's aggregated portfolio.
2. The Manager, on behalf of the Fund, plans to execute dispositions throughout the term on a single asset or portfolio basis through private and public market transactions to maximize value.
3. The private real estate investment market and the public capital markets will be monitored to seek an exit strategy that can be executed with a view towards maximization.

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PORTFOLIO SUMMARY

Property	Address	City	Primary Market	Suites	Vintage	Rentable Area (Sq. Ft)	Avg. Suite Size (Sq. Ft)	Land Area (Acres)	Date Acquired
Nanaimo	6035 Linley Valley Drive & 4800 Uplands Drive	Nanaimo	Vancouver Island	251	2020	208,906	832	6.90	2/23/2022
Langford	733 Goldstream Avenue	Langford	Vancouver Island	60	2020	41,618	694	0.86	2/23/2022
Vernon	3400 Centennial Drive	Vernon	British Columbia	60	2018	52,605	877	1.20	2/23/2022
Vernon 2	1803 31A Street	Vernon	British Columbia	43	2019	39,331	915	0.54	2/23/2022
Langford 2	2699 Peatt Road	Langford	Vancouver Island	81	2017	60,958	753	0.74	2/23/2022
Langford 3	1085 Goldstream Avenue	Langford	Vancouver Island	166	2019	109,490	660	2.15	3/1/2022
Total Ownership as at March 31, 2022				661	2019	512,908	789	12.39	
<i>Properties expected to be acquired subsequent to March 31, 2022 (see "Subsequent Events")</i>									
Nanaimo 2	4745 Ledgerwood Road	Nanaimo	Vancouver Island	120	2022	95,401	733	3.20	TBD

NANAIMO

Nanaimo was completed in 2020 and is located approximately 86.6 kilometers west of downtown Vancouver, at 6035 Linley Valley Drive & 4800 Uplands Drive, Nanaimo, BC. The property provides convenient access to the largest estuary on Vancouver Island, the Nanaimo River estuary. Built on a 6.90 acre site, Nanaimo comprises 251 multi-family suites, ranging in size from one bedroom to two bedrooms, across three mid-rise buildings.

LANGFORD

Langford was completed in 2020 and is located approximately 12.6 kilometers west of downtown Victoria, at 733 Goldstream Avenue, Langford, BC. The property provides convenient access to Goldstream Provincial Park, Mill Hill, Mount Wells and Thetis Lake Regional Parks. Built on a 0.86 acre site, Langford comprises 60 multi-family suites, ranging in size from one bedroom to two bedrooms, in one mid-rise building.

VERNON

Vernon was completed in 2018 and is located in Vernon, BC, approximately 50 kilometers north of Kelowna, at 3400 Centennial Drive, Vernon, BC. The property provides convenient access to Kalamaka Lake Provincial Park, Kal Beach, Kin Beach and Silver Star Provincial Park. Built on a 1.20 acre site, Vernon comprises 60 multi-family suites, ranging in size from one bedroom to three bedrooms, in one mid-rise building.

VERNON 2

Vernon 2 was completed in 2019 and is located in Vernon, BC, approximately 50 kilometers north of Kelowna, at 1803 31A Street, Vernon, BC. The property provides convenient access to Kalamaka Lake Provincial Park, Kal Beach, Kin Beach and Silver Star Provincial Park. Built on a 0.54 acre site, Vernon 2 comprises 43 multi-family suites, ranging in size from one bedroom to three bedrooms, in one mid-rise building.

LANGFORD 2

Langford 2 was completed in 2017 and is located approximately 13.8 kilometers west of downtown Victoria, at 2699 Peatt Road, Langford, BC. The property provides convenient access to Goldstream Provincial Park, Mill Hill, Mount Wells and Thetis Lake Regional Parks. Built on a 0.74 acre site, Langford 2 comprises 81 multi-family suites, ranging in size from bachelor to two bedrooms, in one low-rise building.

LANGFORD 3

Langford 3 was completed in 2019 and is located approximately 14.3 kilometers west of downtown Victoria, at 1085 Goldstream Avenue, Langford, BC. The property provides convenient access to Goldstream Provincial Park, Mill Hill, Mount Wells and Thetis Lake Regional Parks. Built on a 2.15 acre site, Langford 3 comprises 166 multi-family suites, ranging in size from one bedroom to three bedrooms, in one mid-rise building.

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

This section includes highlights of the financial and operating performance of the Fund as at March 31, 2022 and for Q1-2022, which includes 37 days of operating activity for the Initial Properties, representing the period from the acquisition of the Initial Properties on February 23, 2022 to March 31, 2022 (the "Initial Reporting Period"), and 30 operating days for Langford 3 from March 1, 2022 to March 31, 2022. Given the operations of the Fund commenced on February 23, 2022, the operating activities for Q1-2022 and the Initial Reporting Period are the same and are used interchangeably to describe the operating activities for the periods.

Given the Offering was completed on February 22, 2022 and there are no comparative operational results, the Fund has included a comparison of the results for the Q1-2022 to the financial forecast (the "Forecast") included in the Fund's final long form prospectus dated January 27, 2022 (the "Prospectus"). Langford 3 is not included in the Forecast (the "Non-Forecast Property"). The Forecast was prepared in accordance with IFRS and was based on management's estimates and using assumptions that reflected management's intended course of action for the periods presented, given management's judgment as to the most probable set of economic conditions. The Forecast was not, when made, a historical fact, but a forward-looking statement about, among other things, the financial conditions, results of operations and business of the Fund and is subject to important risks, uncertainties and assumptions that can be found in the Prospectus.

HIGHLIGHTS FOR Q1-2022

- The Fund completed the Offering on February 22, 2022 and raised gross subscription proceeds of \$130,000, achieving the maximum offering allowable as set out in the Prospectus.
- Subsequent to the Offering, on February 23, 2022 the Fund completed the acquisition of Nanaimo, Langford, Vernon, Vernon 2 and Langford 2 which included a total of 495 multi-family suites located on Vancouver Island and the mainland of the Province of British Columbia, utilizing proceeds from the Offering of approximately \$54,364.
- On March 1, 2022, the Fund acquired Langford 3, adding 166 multi-family suites in Langford, British Columbia, increasing its total number of multi-family suites to 661.
- Subsequent to March 31, 2022, the Fund entered into an agreement to acquire a seventh multi-family property adding an additional 120 multi-family suites in Nanaimo, British Columbia.
- As at March 31, 2022, the Fund had cash on hand of \$53,017, which includes cash remaining from the Offering to be used to acquire additional multi-family properties subsequent to March 31, 2022 (see "Subsequent Events").
- Revenue from property operations for Q1-2022 was \$1,411, representing an increase of \$299 or 26.9% compared to Forecast, primarily as a result of the Non-Forecast Property not being included in the Forecast. For the Forecast Properties, revenue was ahead of Forecast by \$25 or 2.3%, primarily as a result of higher than forecasted rent growth and ancillary income (see "Results of Operations").
- Total portfolio NOI for Q1-2022 was \$1,110, representing an increase of \$334 or 43.0% compared to Forecast, primarily as a result of the Non-Forecast Property not being included in the Forecast. For the Forecast Properties, NOI was \$112 or 14.3% ahead of the Forecast primarily driven by higher than forecasted revenue from property operations, supplemented by lower than forecasted property operating costs and property taxes.
- As at May 4, 2022, the Fund had collected approximately 97.8% of rents for Q1-2022, with further amounts expected to be collected in future periods, demonstrating the Fund's strong operating performance.
- Net loss and comprehensive loss attributable to Unitholders for Q1-2022 was \$86, representing a decline of \$99 relative to Forecast primarily as a result of higher distributions to Unitholders and finance costs, predominantly the result of the Fund electing to pay a 3.1% annualized distribution during the Initial Reporting Period despite 100% of the Offering not yet being fully deployed.
- AFFO for Q1-2022 was \$389, representing an increase of \$99 or 34% relative to the Forecast primarily due to higher than forecasted NOI as a result of NOI from the Non-Forecast Property not being included in the Forecast as well as higher than forecasted NOI for the Forecast Properties, partially offset by higher fund and trust expenses and finance costs (see "Non-IFRS Financial Measures").

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

As at March 31, 2022			
Key Operational Information⁽¹⁾			
Number of properties			6
Total suites			661
Economic occupancy ⁽²⁾			97.5 %
AMR (in actual dollars)	\$		1,759
AMR per square foot (in actual dollars)	\$		2.16
Summary of Financial Information			
Gross Book Value	\$		263,798
Indebtedness	\$		191,364
Indebtedness to Gross Book Value			72.5 %
Weighted average indebtedness interest rate ⁽³⁾			3.40 %
Weighted average indebtedness term to maturity			5.51 years
		Q1-2022	Forecast Q1-2022
Summary of Financial Information			
Revenue from property operations	\$	1,411	\$ 1,112
Property operating costs		(225)	(214)
Property taxes		(76)	(122)
Income from rental operations / NOI	\$	1,110	\$ 776
Net loss and comprehensive loss	\$	(86)	\$ 13
Other Selected Financial Information			
FFO	\$	330	\$ 232
FFO per Unit - basic and diluted	\$	0.03	\$ 0.04
AFFO	\$	389	\$ 290
AFFO per Unit - basic and diluted	\$	0.03	\$ 0.05
Weighted average indebtedness interest rate ⁽⁴⁾		3.37 %	2.93 %
Interest coverage ratio		1.91x	1.85x
Indebtedness coverage ratio		1.64x	1.52x
Weighted average Units outstanding (000s) - basic and diluted		13,000	6,100

(1) The Fund commenced operations following the acquisition of the Initial Properties on February 23, 2022.

(2) Economic occupancy for period from February 23, 2020 to March 31, 2022.

(3) The weighted average indebtedness interest rate is presented as at March 31, 2022.

(4) The weighted average indebtedness interest rate is presented for the Initial Reporting Period.

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FINANCIAL PERFORMANCE

The Fund does not, as a matter of course, publish its business plans, budgets, strategies or make external projections or forecasts, including its anticipated financial position and results of operations. Pursuant to applicable Canadian securities laws, the Fund is required to update the Forecast set out in its Prospectus during the relevant period by identifying any material changes from the Forecast resulting from events that have occurred since it was issued and by comparing the Forecast with actual results for the periods covered.

The Fund is also required to discuss events and circumstances that occurred during the period from January 1, 2022 to March 31, 2022 that are reasonably likely to cause actual results to differ materially from the Forecast for periods that are not yet complete and their expected differences, if any. The Forecast includes only the Forecast Properties for the entire Q1-2022 and for comparison purposes has been adjusted to reflect the Fund's actual period of ownership of the Forecast Properties from February 23, 2022 to March 31, 2022. As a result, there may continue to be material differences between actual and Forecast results for the remaining Forecast periods consistent with such explanations throughout this MD&A. The Forecast also assumed that the Fund would raise gross subscription proceeds at the closing of the Offering of \$61,000 whereas the Fund raised gross subscription proceeds of \$130,000.

		Q1-2022 ⁽¹⁾	Forecast ⁽²⁾
Revenue from property operations	\$	1,411	\$ 1,112
Property operating costs		(225)	(214)
Property taxes		(76)	(122)
Income from rental operations		1,110	776
Finance costs		(604)	(427)
Distributions to Unitholders		(416)	(219)
Fund and trust expenses		(176)	(117)
Net (loss) income and comprehensive (loss) income	\$	(86)	\$ 13

(1) Figures represent the actual results of the Initial Reporting Period.

(2) Figures represent the Q1 2022 Forecast, adjusted for the Initial Reporting Period.

RESULTS OF OPERATIONS

The results of the Fund for the Properties along with variance commentary are discussed below:

	Q1-2022 ⁽¹⁾	Forecast ⁽²⁾	\$ Chg	% Chg
Revenue from property operations	\$ 1,411	\$ 1,112	\$ 299	26.9 %
Property operating costs	(225)	(214)	(11)	(5.2)%
Property taxes	(76)	(122)	46	37.7 %
NOI	\$ 1,110	\$ 776	\$ 334	43.0 %
NOI margin	78.7 %	69.8 %		

(1) Figures represent the actual results of the Initial Reporting Period.

(2) Figures represent the Q1 2022 Forecast for Forecast Properties, adjusted for the Initial Reporting Period.

REVENUE FROM PROPERTY OPERATIONS

Revenue from property operations includes the monthly rent charges for the lease of multi-family suites, other ancillary income and the reimbursement by the tenants for certain utility expenses incurred. Other ancillary income may include, but is not limited to, amounts from forfeited deposits, late fees, short notice fees, cleaning fees, lease termination fees, application fees and pet fees. Net rental income is the only material component of total revenue from property operations comprising approximately 90% thereof, with other ancillary income and utility expense reimbursements comprising the remaining approximate 10%.

Revenue from property operations for the Initial Reporting Period was \$1,411, higher than Forecast by \$299 or 26.9%, primarily as a result of the Non-Forecast Property not being included in the Forecast. For the Forecast Properties, revenue was \$1,137, above the Forecast by \$25 or 2.3% primarily as a result of higher than forecasted rent growth and ancillary income partially offset by slightly lower occupancy (see "Average Monthly Rent" and "Occupancy").

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PROPERTY OPERATING COSTS

The main components of property operating costs are utility costs (approximately 26%), administrative costs including property management fees (approximately 25%) salaries and benefits (approximately 13%), insurance expense (approximately 13%) and repairs and maintenance expenses (approximately 13%). Given each component of property operating costs is not individually material, such amounts have not been separately disclosed.

For Q1-2022, property operating costs were \$225 (Forecast - \$214), higher than Forecast by \$11 or 5.2%, primarily as a result of the Non-Forecast Property not being included in the Forecast. For the Forecast Properties, property operating costs were \$195, lower than Forecast by \$19 or 8.9% primarily due to lower than forecasted staffing and repairs and maintenance costs, partially offset by higher than forecasted general and administrative expenses, bad debt and insurance premiums.

PROPERTY TAXES

For Q1-2022, property taxes were \$76 (Forecast - \$122), lower than Forecast by \$46 or 37.7%, primarily due to lower than forecasted property taxes at Nanaimo due to the Forecast anticipating a higher assessed value for Nanaimo relative to the actual assessed value that is expected in 2022, partly offset by the property taxes for the Non-Forecast Property not being included in the Forecast. For the Forecast Properties, property taxes were \$67 or 54.9% lower than Forecast primarily due to the higher assessed value for Nanaimo used in the Forecast as described above.

The Fund actively manages the assessed values of its Properties to minimize property taxes by utilizing third party consultants in the respective markets which includes appealing against the assessed values where deemed appropriate by the Manager.

NOI AND NOI MARGIN

For Q1-2022, NOI was \$1,110 (Forecast - \$776), representing an increase of \$334 or 43.0% relative to Forecast, primarily as a result of the Non-Forecast Property not being included in the Forecast. For the Forecast Properties, NOI was \$887, ahead of Forecast by \$112 or 14.3%, primarily driven by higher than forecasted revenue (see "Revenue from Property Operations") and lower property taxes as described above.

For Q1-2022, the NOI margin was 78.7% (Forecast - 69.8%), 8.9% higher than Forecast mainly due to higher revenue and lower than forecasted property taxes.

AVERAGE MONTHLY RENT

The following table presents AMR (in actual dollars) as at March 31, 2022:

Total Portfolio as at March 31, 2022					
Properties	Suites	Actual AMR ⁽¹⁾	Forecast ⁽¹⁾⁽²⁾	% Chg	
Nanaimo	251	\$ 1,979	\$ 1,966	0.7 %	
Langford	60	\$ 1,715	\$ 1,723	(0.5)%	
Vernon	60	\$ 1,527	\$ 1,546	(1.2)%	
Vernon 2	43	\$ 1,586	\$ 1,573	0.8 %	
Langford 2	81	\$ 1,701	\$ 1,707	(0.4)%	
Langford 3	166	\$ 1,600	\$ —	— %	
Total Properties	661	\$ 1,759	\$ 1,809	(2.8)%	
Forecast Properties	495	\$ 1,813	\$ 1,809	0.2 %	

(1) Figures represent results as at the reporting period end for AMR.

(2) Forecast Q1-2022 only includes results related to the Forecast Properties.

Q1-2022 AMR for the total portfolio was 2.8% below the Forecast primarily as a result of the Non-Forecast Property not being included in the Forecast, which has a lower AMR relative to the weighted average AMR of the Forecast Properties. For the Forecast Properties, Q1-2022 AMR was 0.2% above the Forecast primarily due to higher than forecasted AMR at Nanaimo which is the Fund's largest property, as well as increases driven by overall demand for multi-family suites in the Primary Markets in which the Fund operates.

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OCCUPANCY

The following table presents economic occupancy of the Properties for Q1-2022, adjusted for the Initial Reporting Period:

Properties	Q1-2022 ⁽¹⁾	Forecast ⁽¹⁾⁽²⁾
Nanaimo	95.4 %	97.9 %
Langford	100.0 %	98.0 %
Vernon	98.9 %	97.9 %
Vernon 2	98.8 %	97.9 %
Langford 2	99.4 %	97.9 %
Langford 3	99.3 %	— %
Total Properties	97.5 %	97.9 %
Forecast Properties	97.1 %	97.9 %

(1) Figures represent results as at the reporting period end for economic occupancy.

(2) Forecast Q1-2022 only includes results related to the Forecast Properties.

The Fund's economic occupancy was 97.5% for Q1-2022 (Forecast - 97.9%), slightly below the Forecast and primarily due to Nanaimo after acquiring the property with a lower than forecasted occupancy. All other Properties exceeded Forecast occupancy. The Fund's key focus is to increase and maintain occupancy at targeted levels while capturing rent increases on the new tenant leases at the prevailing market rates to help maximize revenue in current and future periods.

CAPITAL INVESTMENTS

The Fund has capital expenditures required to be incurred in future periods in order to maintain the productive capacity of the Properties to sustain its rental income generating potential over its useful life with such amounts estimated to be \$250 per multi-family suite per annum. In accordance with IFRS, the Fund capitalizes all capital improvement expenditures which enhance the service potential of the Properties and extend the useful life of the assets. These amounts may differ each period due to the seasonality and the cyclical nature of such costs and are estimated based on a combination of third party property condition assessment reports and management's expertise, which provide an estimate of sustaining capital expenditures required based on the quality of construction, age of the building and anticipated future maintenance requirements. Management believes the use of these property assessment reports to estimate sustaining capital expenditure amounts is appropriate given the third party's engineering and structural expertise as well their knowledge and experience with real estate.

OTHER INCOME AND EXPENSES

FINANCE COSTS

The Fund's finance costs for Q1-2022 in comparison to the Forecast are summarized below:

	Q1-2022 ⁽¹⁾	Forecast ⁽²⁾	\$ Chg	% Chg
Interest on loans payable	\$ 490	\$ 356	\$ 134	37.6 %
Amortization of financing costs	76	71	5	7.1 %
Other finance costs	38	—	38	— %
Total	\$ 604	\$ 427	\$ 177	41.5 %

(1) Figures represent the actual results of the Initial Reporting Period.

(2) Figures represent the Q1 2022 Forecast for Forecast Properties, adjusted for the Initial Reporting Period.

Interest on loans payable

Interest on loans payable for Q1-2022 was \$490 (Forecast - \$356), representing an increase of \$134 or 37.6% relative to Forecast, primarily as a result of the Non-Forecast Property not being included in the Forecast. For the Forecast Properties, interest expense on loans payable was \$54 or 15.1% higher than Forecast, primarily due to Nanaimo and Langford mortgages having higher than Forecast fixed interest rates and the higher than Forecast credit facility interest rate spread of 2.25% (Forecast - 2.0%) as well as increases in Canadian Dollar Offered Rate ("CDOR") relative to the index rate estimate used in the Forecast.

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Amortization of financing costs

Amortization of financing costs for Q1-2022 was \$76, an increase of \$5 which is in line with the Forecast.

Other finance costs

Other financing costs for Q1-2022 were \$38 as compared to \$nil in the Forecast, primarily due to guarantee fees, which were not contemplated in the Forecast (see “Related Party Transactions and Arrangements – Arrangements with the Manager”).

DISTRIBUTIONS TO UNITHOLDERS

Consistent with the Prospectus, the Fund declared its first prorated distribution on its outstanding Units, as outlined in the table below on February 22, 2022 for the period from February 22, 2022 to March 31, 2022 following the Fund’s first month of operations in March 2022. The distribution amount was 3.1%, which is between the targeted 3.0% to 4.0% annually on all Unit classes. After the first distribution, the Fund intends to declare monthly cash distributions no later than seven business days prior to the end of each month, payable within 15 days following the end of the month (or the next business day if not a business day) in which the distribution is declared to Unitholders as at month-end. During Q1-2022, the Fund declared distributions as follows:

Class A	Class B	Class C
\$0.02579	\$0.02500	\$0.02639

For Q1-2022, the distribution amount was \$416 compared to Forecast of \$219, representing an increase of \$197 relative to the Forecast primarily due to higher gross subscription proceeds achieved under the Offering relative to Forecast and the Manager electing to pay the 3.1% annualized targeted distribution on the full proceeds of the Offering during the Initial Reporting Period even though 100% of the Offering proceeds had not yet been fully deployed.

Assuming the Fund had paid distributions based on the actual equity deployed during the Initial Reporting period, distributions would have been \$246.

FUND AND TRUST EXPENSES

Fund and trust expenses include costs incurred by the Fund that are not directly attributable to the properties. These costs include items such as legal and audit fees, director fees, investor relations expenses, directors’ and officers’ insurance premiums, expenses relating to the administration of the Fund’s distributions and other general and administrative expenses associated with the operation of the Fund. Also included in fund and trust expenses are asset management fees payable to the Manager (see “Related Party Transactions and Arrangements – Arrangements with the Manager”).

Fund and trust expenses for Q1-2022 were \$176, representing an increase of \$59 or 50.4% relative to Forecast primarily due to higher than forecasted asset management fees as a result of asset management fees for the Non-Forecast Property which was not included in the Forecast, as well as the Forecast being based on lower gross subscription proceeds pursuant to the Offering resulting in lower forecasted general and administrative costs.

INVESTMENT PROPERTIES – FAIR VALUE ADJUSTMENTS

The Fund has selected the fair value method to account for real estate classified as investment properties. Fair values are supported by a combination of internal financial information and market data. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions, adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates and expected occupancy rates.

For Q1-2022, the Fund did not record a fair value change on the Properties as the fair value reflects the consideration paid for the acquisition of the Properties plus any capitalized expenses during the period.

The following table summarizes the change in investment properties for Q1-2022 (represents the Initial Reporting Period):

		Amount
Balance, as at January 1, 2022	\$	—
Acquisition of investment properties		263,772
Capital additions		26
Balance as at March 31, 2022	\$	263,798

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

	As at March 31, 2022
Cost	\$ 263,798
Cumulative fair value adjustment	—
Balance as at March 31, 2022	\$ 263,798

The key assumptions for Properties held by the Fund are set out in the following table:

	As at March 31, 2022
Capitalization rate - range	3.50% to 4.25%
Capitalization rate - weighted average	3.85 %

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

Key assumptions	Change	As at March 31, 2022
Weighted average capitalization rate	10-basis-point increase	\$ (6,678)
Weighted average capitalization rate	10-basis-point decrease	\$ 7,035

The impact of a 1% change in NOI used to value the Properties as at March 31, 2022 would affect the fair value by approximately \$2,640.

PROVISION FOR CARRIED INTEREST

As at March 31, 2022, the Fund has not recognized a provision for carried interest after taking into account the minimum return to Unitholders (see "Related Party Transactions and Arrangements").

INCOME TAXES

The Fund qualifies as a mutual fund trust for Canadian income tax purposes pursuant to the Income Tax Act (Canada) (the "Tax Act"). In accordance with the terms of the Declaration of Trust, the Fund intends to distribute its income for income tax purposes each year to such an extent that it will not be liable for income taxes under Part I of the Tax Act. The Fund is eligible to claim a tax deduction for distributions paid and, intends to continue to meet the requirements under the Tax Act. Accordingly, no provision for income taxes payable is required or has been made. Income tax obligations relating to distributions of the Fund are the obligations of the Unitholders.

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NON-IFRS FINANCIAL MEASURES – FFO AND AFFO

Non-IFRS financial measures have been prepared for Q1-2022 with a comparison to the Forecast.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Reconciliation of net loss and comprehensive loss, determined in accordance with IFRS to FFO and AFFO is presented below for Q1-2022 with a comparison to the Forecast:

	Q1-2022 ⁽²⁾		Forecast ⁽³⁾	
Net (loss) income and comprehensive (loss) income to Unitholders	\$	(86)	\$	13
Add / (Deduct):				
Distributions to Unitholders		416		219
FFO	\$	330	\$	232
Add / (Deduct):				
Amortization of financing costs		76		71
Sustaining capital expenditures and suite renovation reserves		(17)		(13)
AFFO	\$	389	\$	290
FFO per Unit - basic and diluted	\$	0.03	\$	0.04
FFO payout ratio		126.1 %		94.4 %
AFFO per Unit - basic and diluted	\$	0.03	\$	0.05
AFFO payout ratio		107.0 %		75.4 %
Distributions declared ⁽¹⁾	\$	416	\$	219
Weighted average Units outstanding:				
Basic and diluted - class A, B & C - (000s)		13,000		6,100
				Q1-2022 ⁽²⁾
Cash paid for acquisition of Properties ⁽⁴⁾			\$	76,848
Adjusted distributions on equity deployed ⁽⁵⁾			\$	246
				Q1-2022 ⁽²⁾
FFO payout ratio adjusted for equity deployed		74.5 %		94.4 %
AFFO payout ratio adjusted for equity deployed		63.2 %		75.4 %

(1) Distributions declared are calculated based on the monthly distribution per Unit.

(2) Figures represent the actual results of the Initial Reporting Period.

(3) Figures represent the Q1 2022 Forecast for Forecast Properties, adjusted for the actual days in the Initial Reporting Period.

(4) This figure represents the cash paid for acquisitions of Properties (\$71,738) as well as costs incurred for the Offering (\$5,110) as reported in the consolidated financial statements of the Fund for Q1-2022.

(5) The Fund elected to pay the 3.1% annualized targeted distribution on the gross subscription proceeds from the Offering during Q1-2022 even though 100% of the Offering proceeds have not yet been fully deployed. Adjusted distributions on equity deployed is calculated as a percentage of actual equity distributions over equity deployed during Q1-2022.

Funds from operations

Basic and diluted FFO and FFO per Unit for Q1-2022 were \$330 and \$0.03, respectively (Forecast - \$232 and \$0.04) representing an increase of \$98 or 42.2%, primarily due to higher than forecasted NOI as a result of NOI from the Non-Forecast Property, which was not included in the Forecast, as well as higher than forecasted NOI for the Forecast Properties, partially offset by higher fund and trust expenses and finance costs primarily related to the Non-Forecast Property.

Adjusted Funds from operations

Basic and diluted AFFO and AFFO per Unit for Q1-2022 were \$389 and \$0.03, respectively (Forecast - \$290 and \$0.05), representing an increase in AFFO of \$99 or 34.1% primarily due to the same reasons described above in Funds from operations.

The Manager elected to pay the 3.1% annualized targeted distribution for the Fund during the Initial Reporting Period even though 100% of the Offering proceeds had not yet been fully deployed. Assuming the Fund had paid distributions based on the actual equity deployed during the Initial Reporting period, distributions would have been \$246 and the FFO payout ratio and AFFO payout ratio would have been 74.5% and 63.2%, respectively, both lower than the forecasted FFO and AFFO payout ratios.

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Sustaining capital expenditures

For the purposes of calculating AFFO, the Fund utilized a reserve for sustaining capital expenditures and suite renovations of \$17 for Q1-2022. The reserve is used in the calculation of AFFO as it removes fluctuations in AFFO resulting from seasonality in actual sustaining capital expenditures and suite renovation costs. The use of the reserve also eliminates any potential fluctuations in AFFO due to non-recurring or less frequent sustaining capital expenditures. Sustaining capital expenditure reserves are based on third party property condition assessment reports, which provide an estimate of sustaining capital expenditures required based on the quality of construction, age of the building and anticipated future maintenance requirements. Management believes the use of these property assessment reports to estimate sustaining capital expenditure amounts is appropriate given the third party's engineering and structural expertise as well their knowledge and experience with real estate in the Primary Markets. Actual sustaining capital expenditures and suite renovation costs incurred during Q1-2022 were \$nil.

Cash used by operating activities reconciliation to AFFO

Reconciliation of cash used in operating activities determined in accordance with IFRS to AFFO for Q1-2022 is provided below:

	Q1-2022
Cash used in operating activities	\$ (245)
Less: interest and finance costs	(528)
Cash used in operating activities - including interest and finance costs	\$ (773)
Add / (Deduct):	
Change in non-cash operating working capital	448
Change in restricted cash	731
Amortization of financing costs	(76)
FFO	\$ 330
Add / (Deduct):	
Amortization of financing costs	76
Sustaining capital expenditures and suite renovation reserves	(17)
AFFO	\$ 389

Distributions to Unitholders relative to Cash used in operating activities

The Fund's cash used in operating activities, including interest costs for Q1-2022 was \$773, representing a shortfall to distributions to Unitholders by \$1,151, primarily due to the change in non-cash working capital and increase in restricted cash. \$1,000 was used to fund acquisition deposits on a seventh multi-family property during Q1-2022 (see "Subsequent Events"), and distributions were paid on the full gross subscription proceeds from the Offering even though 100% of the Offering proceeds had not been fully deployed. Excluding the change in acquisition deposits, which was funded using excess cash from the Offering, cash provided by operating activities would have been below distributions paid to Unitholders by \$115 with this shortfall being funded by the Fund's cash position.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The Fund expects to be able to meet all of its obligations, including distributions to Unitholders and property maintenance and capital improvements. The Fund has financing sources to fulfill its commitments including cash flow from its operating activities and mortgage debt secured by Properties including availability of future funding. As at March 31, 2022, the Fund was in compliance with all of its financial covenants. The Fund is continuing to evaluate the potential impacts of COVID-19 on the liquidity and performance of the Canadian multi-family property class (see "Future Outlook and COVID-19").

As at March 31, 2022, the Fund had cash on hand of \$53,017 which includes cash remaining from the Offering and expects to be used to acquire additional multi-family properties subsequent to March 31, 2022 (see "Subsequent Events").

The Fund was formed as a "open-ended" fund with an initial term of three years, a targeted yield of 3.0% to 4.0% and a targeted minimum 12% pre-tax investor internal rate of return across all classes of Units. Although the FFO and AFFO payout ratio were in excess of 100% for the Initial Reporting Period, this was entirely due to the Fund electing to pay the 3.1% annualized targeted distribution for the Fund even though 100% of the Offering proceeds had not yet been fully deployed.

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CASH FLOWS

Cash provided by operating activities is expected to represent the primary source of liquidity to fund distributions, debt service and capital improvements. The Fund's cash flow from operating activities is dependent upon the occupancy level of its Properties, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Fund's net cash flow from operating activities and liquidity. A more detailed discussion of these risks is found under the "Risks and Uncertainties" section.

The following table details the changes in cash for Q1-2022. There are no comparable amounts in the Forecast as there was no cash flow statement included.

	Q1-2022
Cash used in operating activities	\$ (245)
Cash provided by financing activities	315,742
Cash used in investing activities	(262,480)
Increase in cash	53,017
Cash, beginning of period	—
Cash, end of period	\$ 53,017

Cash used in operating activities during Q1-2022 was \$245 which primarily consisted of changes in restricted cash relating to security deposits and changes in non-cash operating working capital including a \$1,000 acquisition deposit for a property expected to be acquired subsequent to March 31, 2022. These amounts were partially offset by operating income generated by the properties, net of fund and trust expenses.

Cash provided by financing activities for Q1-2022 was \$315,742 which primarily consisted of net proceeds from the Offering of \$124,890, net of issuance costs, and proceeds from new and assumed mortgage financing of \$151,052 and new credit facility of \$43,485, partially offset by finance costs paid of \$3,684.

Cash used in investing activities for Q1-2022 was \$262,480, of which \$262,454 related to the acquisition of the Properties and \$26 related to the capital additions to the Properties subsequent to acquisition.

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

The Fund's capital is the aggregate of Indebtedness and net liabilities attributable to Unitholders. The Fund's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions as well as existing debt covenants, as the Fund continues to build Unitholder value and maintain sufficient capital contingency amounts. The total capital of the Fund as at March 31, 2022 is summarized below:

	As at March 31, 2022
Loans payable	\$ 191,364
Net liabilities attributable to Unitholders	124,804
Total capital	\$ 316,168

As at March 31, 2022, the overall leverage, as represented by the ratio of Indebtedness to Gross Book Value, was 72.5%. The maximum allowable ratio under the Declaration of Trust is 75%. The following table summarizes key liquidity metrics:

	As at March 31, 2022
Indebtedness to Gross Book Value	72.5 %
Weighted average term to maturity - Indebtedness	5.51 years
	Q1-2022 ⁽¹⁾
Weighted average interest rate - Indebtedness	3.37 %
Interest Coverage Ratio	1.91x
Indebtedness Coverage Ratio	1.64x
(1) Weighted average interest rate and ratios are based on results of the Initial Reporting Period.	

For Q1-2022, the Interest Coverage Ratio and the Indebtedness Coverage Ratios were 1.91 times and 1.64 times, respectively.

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The weighted average indebtedness interest rate during the Initial Reporting Period was 3.37% (Forecast - 2.93%). The higher than forecasted weighted average interest rate on Indebtedness is primarily attributable to the Nanaimo and Langford mortgages having higher forecasted fixed interest rates as well as the credit facility interest rate of CDOR 2.25% being higher than the forecasted CDOR + 2.0% along with increases in the actual CDOR in comparison to the rate used in the Forecast.

LOANS PAYABLE

Mortgages payable are secured against the applicable investment properties and bear interests at fixed rates. Mortgages payable are classified as current liabilities if they are due and payable within 12 months from the date of the statement of financial position.

The Fund has a non-revolving term credit facility with a Canadian chartered bank with \$43,479 drawn as at March 31, 2022, classified as a non-current liability. The undrawn portion of the credit facility was \$nil as at March 31, 2022. The credit facility is secured by a second charge against the applicable investment properties. The credit facility is subject to interest at the bank's prime rate plus 1.25% or, at the borrower's option at the time of advance, at CDOR plus 2.25%.

The following table sets out scheduled principal and interest payments and amounts maturing on the loans over each of the next five fiscal years and the weighted average interest rate of maturing loans based on the Fund's consolidated financial statements as at March 31, 2022:

	Scheduled principal payments	Debt maturing during the year	Total loans payable	Percentage of total loans payable	Weighted average interest rate of maturing loans ⁽¹⁾	Scheduled interest payments
2022	1,941	—	1,941	1.0 %	— %	3,836
2023	2,661	—	2,661	1.4 %	— %	5,164
2024	2,732	43,479	46,211	23.7 %	3.21 %	3,912
2025	2,535	13,332	15,867	8.1 %	3.91 %	3,285
2026	2,510	—	2,510	1.3 %	— %	3,053
Thereafter	4,129	121,435	125,564	64.5 %	2.55 %	3,930
	\$ 16,508	\$ 178,246	\$ 194,754	100.0 %	2.81 %	\$ 23,180
Unamortized financing costs			(3,390)			
Total carrying value			\$ 191,364			

(1) Scheduled interest payments and interest rates on credit facility herein are based on the one-month CDOR as at March 31, 2022.

COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the Fund may be involved in litigation and claims in relation to its Properties. As at the date hereof, in the opinion of management, none of the litigation or claims, individually or in aggregate, would result in 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.

NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS

The Fund is authorized to issue an unlimited number of Units. The beneficial interest in the net loss and comprehensive loss of the Fund is divided into three classes of Units: Class A Units; Class B Units; and Class C Units. Below is a summary by class of the net liabilities attributable to Unitholders for the period from December 31, 2021 to March 31, 2022:

	Class A	Class B	Class C	Total
Net liabilities attributable to Unitholders, January 1, 2022	\$ —	\$ —	\$ —	\$ —
Units issued in connection with Offering, net of issuance costs, February 22, 2022	40,420	51,924	32,546	124,890
Net loss and comprehensive loss	(28)	(36)	(22)	(86)
Net liabilities attributable to Unitholders, March 31, 2022	\$ 40,392	\$ 51,888	\$ 32,524	\$124,804

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The following table summarizes the changes in Units outstanding for Q1-2022:

(in thousands of Units)	Class A	Class B	Class C	Total
Outstanding, as at January 1, 2022	—	—	—	—
Units issued in connection with Offering, February 22, 2020	4,207	5,405	3,388	13,000
Outstanding, as at March 31, 2022	4,207	5,405	3,388	13,000

The Fund was formed on November 12, 2021 but commenced operations on February 23, 2022. One Class C Unit was issued to Starlight Group Property Holdings Inc. for \$10.00 in cash upon Fund's formation, recorded in net liabilities attributable to Unitholders as at December 31, 2021.

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

ARRANGEMENTS WITH THE MANAGER

The Fund engaged an affiliate of 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, President, Chief Executive Officer and the Unitholder of the Fund. The Management Agreement dated February 22, 2022 (the "Management Agreement") expires on the winding-up or dissolution of the Fund, unless and until the Management Agreement is terminated in accordance with the termination provisions.

- (a) **Asset management fees:** Pursuant to the Management Agreement, the Manager is to perform asset management services for fees equal to 0.35% of the fair market value as prescribed by the most recent annual appraisals of the properties ("Gross Asset Value"), with the initial Gross Asset Value being the purchase price of the properties paid or deemed paid by the Fund.

For Q1-2022, the Fund incurred asset management fees of \$100 (Forecast - \$79), relating to the 37 day operating period from February 23, 2022 to March 31, 2022, which were charged to fund and trust expenses. The amount payable to the Manager as at March 31, 2022 was \$87.

- (b) **Acquisition fees:** 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 1.0% of the purchase price of a property.

For Q1-2022, the Fund incurred acquisition fees of \$2,938 under the Management Agreement, relating to the acquisition of the Initial Properties. Acquisition fees are paid at the time of acquisition and are initially capitalized to investment properties on acquisition. The acquisition of the Nanaimo and Langford properties were from affiliate entities of the Manager with the total purchase price of these properties being based on third party appraisals and the amounts being representative of the fair value of the net assets acquired. There are no ongoing contractual commitments of the Fund with the related party as a result of the acquisition of the investment properties. In addition, the Fund reimburses the Manager for all reasonable and necessary actual out-of-pocket costs and expenses incurred by the Manager in connection with the performance of the services described in the Management Agreement or such other services which the Fund and the Manager agree in writing are to be provided from time to time by the Manager.

- (c) **Guarantee Fees:** Pursuant to the Management Agreement, in the event that the Manager or an affiliate is required by the lenders of the Fund to provide a financing guarantee in connection with the amount borrowed by the Fund or its subsidiaries relating to a property, the Fund will, in consideration for providing such guarantee, in aggregate, pay the Manager, in the aggregate, 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, guarantee fees of \$32 were owing to the Manager and \$nil guarantee fees were paid to the Manager for Q1-2022.

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CARRIED INTEREST

Through D.D. Acquisitions Partnership (“DDAP”) (as holder of the Starlight Western Canada Multi-Family (No. 2) Holding LP (the “Holding LP”) class B limited partnership Units), Daniel Drimmer is indirectly entitled to a carried interest, being (i) an aggregate amount equal to 25% of the total of all amounts each of which is the amount, if any, by which (A) the aggregate amount of distributions which would have been paid on all Units of a particular class if all distributable cash of the Holding LP was received by the Fund (including through the Starlight Western Canada Multi-Family Holding GP Inc.), together with all other amounts distributable by the Fund (including distributable cash generated by investees of the Fund not held through the Holding LP, if any), and distributed by the Fund (net of any amounts required to provide for expenses) to Unitholders in accordance with the Declaration of Trust, exceeds (B) the aggregate minimum return (being 7.0%) in respect of such class of Units (the calculation of which includes the amount of the investors capital return base), 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 exceeds the minimum return for such class, DDAP will first be entitled to an aggregate amount equal to 50% of each such excess amount (i.e., a catch-up) until the amounts, if any, distributable to Unitholders of each class in excess of the investors capital return base is equal to three times (i.e., 75%/25%) the catch-up payment receivable by DDAP in respect of such class, and if more than one series of a class of Units is issued subsequent to the closing date, the foregoing calculations and distributions will be separately determined on the basis of each such series.

As at March 31, 2022, the Fund did not recognize a provision for carried interest after taking into account the minimum return to Unitholders.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

A summary of the significant accounting policies is provided in Note 3 to the consolidated interim financial statements of the Fund for Q1-2022. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

CRITICAL JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. The estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

Accounting for Acquisitions: Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Fund’s acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of activities that together significantly contribute to the ability to create outputs as part of the acquisition transaction.

Investment Properties: The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals.

Financial Instruments: Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Fund to its counterparties, the credit risk of the Fund’s counterparties relative to the Fund, the estimated future cash flows and discount rates.

Leases: The Fund makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Fund has determined that all of its leases are operating leases.

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Income Taxes: The Fund qualifies as a mutual fund trust for Canadian income tax purposes pursuant to the Tax Act. In accordance with the terms of the Declaration of Trust, the Fund intends to distribute its income tax purposes each year to such an extent that it will not be liable for income taxes under Part I of the Tax Act. The Fund is eligible to claim a tax deduction for distributions paid and, intends to continue to meet the requirements under the Tax Act. Accordingly, no provision for income taxes payable is required or has been made. Income tax obligations relating to distributions of the Fund are the obligations of the Unitholders.

Consolidation: The Fund has determined that it controls all of its subsidiaries, including the significant subsidiaries (as defined in the consolidated financial statements for Q1-2022). In making this determination it considered the relationships between the Fund, the Manager, and the significant subsidiaries including ownership interests, voting rights and management agreements. Through this analysis it was determined that the Manager is an agent of the Fund.

Carried interest: The determination by the Fund as at each Statement of Financial Position date as to whether a provision for carried interest should be recognized to the partners of the Holding LP is based, among other criteria, on the Fund's analysis of the net liabilities attributable to Unitholders, distributions paid to Unitholders since the formation of the Fund and the Fund's ability to meet the requirement to return the initial investment amount contributed from the limited partners of the Fund.

FUTURE ACCOUNTING POLICY CHANGES

The future accounting policy changes are discussed in the Fund's consolidated interim financial statements for Q1-2022 and the notes contained therein.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units and activities of the Fund. Risks and uncertainties are disclosed in the Prospectus in the Risk Factors section that is available at www.sedar.com. Current and prospective investors of the Fund should carefully consider such risk factors. If any of the following risks or those outlined in the Prospectus occur, or if others occur, the Fund's business, operating results and financial condition could be seriously harmed, and investors may lose all of their investment. Risks affecting the Fund will affect its ability to make distributions on its Units. Some of these risk factors are described below:

Risk Factors Relating to the Fund

- a. *Acquisition Risk* - The Manager intends to recommend properties for acquisition by the Fund or its subsidiaries selectively. The acquisition of properties entails risks that investments will fail to perform in accordance with expectations, including the risks that the properties will not achieve anticipated occupancy levels and that expected rental increases, ancillary revenue opportunities and cost reductions may prove inaccurate. In undertaking such acquisitions, the Fund or its subsidiaries will incur certain risks, including the expenditure of funds, including non-refundable deposits, due diligence costs and inspection fees, and the devotion of the Manager's time to transactions that may not come to fruition. The operation of the Properties once acquired may not generate sufficient funds to make the payments of principal and interest due on any mortgages or loans or second mortgages and, upon default, one or more lenders could exercise their rights including foreclosure or the sale of the properties.
- b. *General Real Estate Ownership Risks* - All real property investments are subject to a degree of risk and uncertainty including general economic conditions, local real estate markets, and various other factors. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of such properties. The Properties generate revenue through rental payments made by the tenants thereof. The ability to rent vacant multi-family suites in the properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. If a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be re-leased on economically favourable terms, the Properties may not generate revenues sufficient to meet operating expenses, including debt service, and distributable cash will be adversely affected.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the Fund's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Fund were to be required to quickly liquidate its real

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Property investments, the proceeds might be significantly less than the aggregate carrying value of the properties or less than what could be expected to be realized under normal circumstances. The Fund may, in the future, be exposed to a general decline of demand by tenants for multi-family suites in properties.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the Properties or revenues to be derived therefrom. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the Fund due to internal and external limitations on its ability to charge these new market-based rents in the short-term.

- c. *Catastrophic Events, Natural Disasters, Severe Weather and Disease* - The Fund's business may be negatively impacted to varying degrees by a number of events which are beyond its control, including tornadoes, earthquakes, fires, floods, ice storms, cyber-attacks, unauthorized access, energy blackouts, pandemics, outbreaks of infectious disease, such as COVID-19, other public health crises affecting the markets where the Fund operates, terrorist attacks, acts of war, or other natural or manmade catastrophes. While the Fund engages in emergency preparedness, including business continuity planning, to mitigate risks, such events can evolve very rapidly, and their impacts can be difficult to predict. As such, there can be no assurance that in the event of such a catastrophe that the Fund's operations and ability to carry on business will not be disrupted. The occurrence of such events may not release the Fund from performing its obligations to third parties. A catastrophic event, or fear associated therewith, could increase investment costs to repair or replace damaged properties, increase future property insurance costs and negatively impact tenant demand, which could have a negative impact on the Fund's ability to conduct its business and increase its costs. In addition, liquidity and volatility, credit and insurance availability and market and financial conditions generally could change at any time as a result. While the Fund intends to seek to maintain insurance for loss of revenue resulting from the occurrence of certain natural disasters, insurance for certain natural disasters may not be available, and any of these events in isolation or in combination, could have a material negative impact on the Fund's financial condition and results of operations, decrease the amount of cash available for distribution to Unitholders.

The Fund may be exposed to the impact of events caused by climate change, including an increase in the frequency and severity of the natural disasters and serious weather conditions outlined above. Furthermore, as a real estate property owner and manager, the Fund faces the risk that its Properties will be subject to government initiatives and reforms aimed at countering climate change, such as reduction in greenhouse gas emissions. The Fund may require operational changes and/or incur financial costs to comply with any such reforms. Any failure to adhere and adapt to climate change could result in fines or adversely affect the Fund's reputation, operations or financial performance.

- d. *COVID-19 and Variants Thereof* - Public health crises, including the ongoing health crisis related to COVID-19, or relating to any other virus, flu, epidemic, pandemic or any other similar disease or illness (each a "Health Crisis") could materially adversely impact the Fund's and its tenants' businesses, and thereby the ability of tenants to meet their payment obligations, by disrupting supply chains and transactional activities and negatively impacting local, national or global economies. A Health Crisis could further result in a general or acute decline in economic activity in the regions where the properties are located, increased unemployment, staff shortages, reduced tenant traffic, mobility restrictions and other quarantine measures, supply shortages, increased government regulation, and the quarantine or contamination of one or more of the Properties. Contagion in a Property or market in which the Fund operates could negatively impact its occupancy, reputation or attractiveness. All of these occurrences may have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Furthermore, increased government regulation relating to a Health Crisis could result in legislation or regulations that may restrict the Fund's ability to enforce material provisions under its leases, including in respect of the collection of rent or other payment obligations or the ability of the Fund to raise rent or the ability of the Fund to evict tenants for non-payment of rent, among other potential adverse impacts, that could have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.

The Federal Government's Canada Emergency Response Benefit previously provided temporary income support to workers who have stopped working related to COVID-19. However, it is not clear how long elevated unemployment rates may last, or the extent of all the government programs that might be put in place in the future and how these programs may change over time, or what their full impact might be. As a result, the impact on the Fund's cash flow from operating activities remains uncertain. In addition, the Fund's investment properties are measured at fair value based on assumptions influenced by market conditions. Given the uncertainty of the longer-term impact of COVID-19 and how it will impact valuation assumptions, measurement

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uncertainty exists with respect to the Fund's investment properties. Given the unpredictable nature of the ongoing COVID-19, including the variants and the potential emergence of new variants of the virus in the future, any continuation or intensification of such pandemic or related government measures, and any changes in levels of government financial support to individuals affected by COVID-19 and economic downturn, could in the future have an adverse effect (which effect could be material) on the Fund's financial condition, results of operations and cash flows due to the following factors, or others:

- Weaknesses in the Primary Market economies may prevent residents and customers from paying rent in full or on a timely basis. Federal, provincial, local, and industry efforts, including eviction moratoriums and requirements to reduce or waive late fees, may affect the Fund's ability to collect rent or enforce remedies for the failure to pay rent, which could lead to an increase in its recognition of credit losses related to the Fund's rent receivables. In addition, a reduction in the ability or willingness of prospective customers to visit the Properties could impact the Fund's ability to lease units and may result in lower rental revenue and ancillary operating revenue produced by the properties.
- A reduction in tenant demand for multi-family suites due to a general decline in business activity or otherwise could adversely affect the value of the Properties. This could lead to an impairment of the Fund's real estate investments.
- A general decline in business activity or demand for real estate transactions could adversely affect the Fund's ability or desire to acquire additional Properties with the remaining proceeds from the Offering difficult to deploy in a timely fashion.
- The financial impact of COVID-19 could negatively impact the Fund's ability to comply with financial covenants in its credit arrangements and result in a default and potentially an acceleration of indebtedness. Such non-compliance could negatively impact the Fund's financial position and its ability to make additional borrowings under its credit facilities.
- A severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect the Fund's ability to access capital necessary to fund business operations, including the acquisition or expansion of properties, or replace or renew maturing liabilities on a timely basis, on attractive terms, or at all, and may adversely affect the valuation of financial assets and liabilities.
- The spread of COVID-19 has the potential to cause a further economic slowdown and increased volatility in financial markets. However, uncertainty remains as to the overall impact and timing of government interventions.
- An outbreak of COVID-19 or other contagious illness in a property or the market in which a property operates could negatively impact its occupancy, reputation or attractiveness.
- COVID-19 could negatively affect the health, availability and productivity of the Manager's personnel. It could also affect the Fund's ability to recruit and attract new employees or retain current employees. An outbreak that directly affects, or threatens to directly affect, any of the properties could also deter or prevent the Fund's property managers' on-site personnel from reporting to work.
- Governmental agencies that permit and approve the Fund's suppliers and other business partners and third parties may be prevented from conducting business activities in the ordinary course for an indefinite period of time, which could in turn negatively affect the Fund's business.
- Delays in administering vaccinations against COVID-19, vaccine hesitancy or shortages in vaccine supply chains could prolong COVID-19, which could in turn negatively affect the Fund's business.

The resurgence of COVID-19 and the recent spread of new variants thereof and the possibility that a resurgence of COVID-19 or the spread of such new or other variants or mutations thereof may occur, has resulted in the re-imposition of certain restrictions, and may result in further restrictions, by governmental authorities in certain jurisdictions, including Western Canada. This further increases the risk and uncertainty as to the extent and duration of COVID-19 and its ultimate impact on the global economy.

Other risks, including those described elsewhere in this MD&A related to changes to applicable laws and regulations, economic downturn in the Primary Markets, debt financing, financing renewal, access to capital and the Fund's reliance on information technology infrastructure, and the effects of these risks on the Fund's financial condition, results of operations, cash flows, ability to make cash distributions and operations, could be

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exacerbated by the effects of COVID-19 and government measures to control it, any intensification of such pandemic or measures, or any other outbreak of contagious disease.

The extent to which COVID-19 impacts the Fund's operations, financial condition and financial results will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Such future developments include the severity and duration of the pandemic, any intensification of the pandemic, the actions by governments and others taken to contain the pandemic or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of the pandemic and containment measures, among others. The rapid development and fluidity of this situation impedes the Manager's ability to predict the ultimate adverse impact of COVID-19. COVID-19 and the current financial and economic environment, and future developments in these and other areas, present material uncertainty and risk with respect to the Fund's performance, financial condition, results of operations and cash flows.

- e. *Co-investment/Joint Ventures* - The Fund may invest in, or be a participant in, directly or indirectly, joint ventures and partnerships with third parties in respect of the properties. A joint venture or partnership involves certain additional risks, including:
- i. the possibility that such co-venturers/partners may at any time have economic or business interests or goals that will be inconsistent with the Fund's or take actions contrary to the Manager's instructions or requests or to the Manager's policies or objectives with respect to the properties;
 - ii. The risk that such co-venturers/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such properties or repay the co-venturers'/partners' share of property debt guaranteed by the Fund or its subsidiaries or for which the Fund or its subsidiaries will be liable and/or result in the Fund suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions;
 - iii. The risk that such co-venturers/partners may, through their activities on behalf of or in the name of the ventures or partnerships, expose or subject the Fund or its subsidiaries to liability; and
 - iv. The need to obtain co-venturers'/partners' consents with respect to certain major decisions or inability to have any decision-making authority, including the decision to distribute cash generated from such properties or to refinance or sell a property.

In addition, the sale or transfer of interests in certain of the joint ventures and partnerships may be subject to certain requirements, such as rights of first refusal, rights of first offer or drag-along rights, and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may inhibit the Fund's ability to sell an interest in a property or a joint venture/partnership within the time frame or otherwise on the basis the Manager desires. Additionally, drag-along rights may be triggered at a time when the Manager may not advise the Fund to sell its interest in a property, but the Fund may be forced to do so at a time when it would not otherwise be in its best interest.

- f. *Substitutions for Multi-Family Rental Suites* - Demand for multi-family rental suites in the Properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. If the interest rates offered by financial institutions for home ownership financing remain relatively low or fail to significantly rise, demand for multi-family rental suites may be adversely affected. A reduction in the demand for multi-family rental suites may have an adverse effect on the Fund's ability to lease multi-family suites in the properties and on the rents charged.
- g. *Government Regulation* - The Province of British Columbia has enacted residential tenancy legislation which may impose, among other things, rent control guidelines that limit the Fund's ability to raise rental rates at the properties. Limits on the Fund's ability to raise rental rates at the properties may adversely affect the Fund's ability to increase income from the properties.

In addition to limiting the Fund's ability to raise rental rates, residential tenancy legislation in the Primary Markets may provide certain rights to tenants, while imposing obligations upon landlords. Residential tenancy legislation may also prescribe procedures which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the respective judicial or administrative body governing residential tenancies as appointed under a province's residential tenancy legislation, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

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Further, residential tenancy legislation may provide tenants with the right to bring certain claims to the respective judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the Fund may, in the future, incur capital expenditures which may not be fully recoverable from tenants.

Residential tenancy legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Fund to maintain the historical level of earnings of the Properties.

- h. *Changes in Applicable Laws* - The Fund's operations must comply with numerous federal, provincial and local laws and regulations, some of which may conflict with one another or be subject to limited judicial or regulatory interpretations. These laws and regulations may include zoning laws, building codes, landlord tenant laws and other laws generally applicable to business operations. Non-compliance with laws could expose the Fund to liability. Lower revenue growth or significant unanticipated expenditures may result from the Fund's need to comply with changes in applicable laws, including (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions, or (ii) other governmental rules and regulations or enforcement policies affecting the use and operation of the Properties, including changes to building codes and fire and life-safety codes.
- i. *Financing Risks* - There is no assurance that the Manager will be able to obtain sufficient mortgages or loans to finance the acquisition of properties, or, if available, that the Manager will be able to obtain mortgages or loans on commercially acceptable terms. Further, there is no assurance or guarantee that the mortgages or loans, if obtained, will be renewed when they mature or, if renewed, renewed on the same terms and conditions (including the rate of interest). In the absence of mortgage financing, the number of properties which the Fund is able to purchase will decrease and the return from the ownership of properties (and ultimately the return on an investment in Units) will be reduced. The Fund is subject to the risks associated with debt financing, including the risk that the existing mortgages or loans secured by the properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. In order to minimize this risk, the Fund will attempt to appropriately structure the timing of the renewal of significant tenant leases on the properties in relation to the time at which mortgages or loans on such properties becomes due for refinancing.
- j. *Interest Rate Fluctuations* - mortgages or loans may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Fund's cost of borrowing.
- k. *Potential Undisclosed Liabilities Associated with Acquisitions* - The Fund expects to acquire properties that may be subject to existing liabilities, some of which may be unknown at the time of the acquisition or which the Fund may fail to uncover in its due diligence. Unknown liabilities might include liabilities for claims by tenants, vendors or other persons dealing with the vendor or predecessor entities (that have not been asserted or threatened to date), tax liabilities, accrued but unpaid liabilities incurred in the ordinary course of business and cleanup and remediation of undisclosed environmental conditions. While in some instances the Fund may, indirectly have the right to seek reimbursement against an insurer or another third party for certain of these liabilities, the Fund may not have recourse to the vendor of the properties for any of these liabilities.
- l. *Environmental Matters* - The Fund is subject to various other requirements (including federal, provincial and municipal laws, as applicable) relating to environmental matters. Such requirements provide that the Fund could be, or become, liable for environmental or other harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties, including lead-based paint, asbestos, polychlorinated biphenyls, petroleum-based fuels, mercury, volatile organic compounds, underground storage tanks, pesticides and other miscellaneous materials. Such requirements often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such materials. Additional liability may be incurred by the Fund with respect to the release of such substances from the Properties to properties owned by third parties, including properties adjacent to the Properties or with respect to the exposure of persons to regulated substances.

The failure to remove or otherwise address such substances may materially adversely affect the Fund's ability to sell such property, maximize the value of such property or borrow using such property as collateral security, and could potentially result in claims or other proceedings against the Fund. It is the Fund's operating policy to obtain or be entitled to rely on an environmental site assessment prior to acquiring a property. Where an environmental site assessment warrants further investigation, it is the Fund's operating policy to conduct further environmental assessments. Although such environmental assessments provide the Fund with some

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level of assurance about the condition of the properties, the Fund may become subject to liability for undetected contamination or other environmental conditions of its Properties against which it cannot have insurance, or against which the Fund may elect not to have insurance where insurance premium costs are considered to be disproportionate to the assessed risk, which could have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Environmental laws and other requirements can change and the Fund may become subject to more stringent environmental laws and other requirements in the future. Compliance with more stringent environmental requirements, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

- m. *Uninsured Losses* - The Fund or its subsidiaries will arrange for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for Properties similar to those to be owned by the Fund or its subsidiaries and will endeavour to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to any of the Properties, the Fund could suffer a loss of capital invested and not realize any profits which might be anticipated from the disposition of such Properties.
- n. *Risk Related to Insurance Renewals* - Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When the Fund's or its subsidiaries' current insurance policies expire, the Fund or its subsidiaries may encounter difficulty in obtaining or renewing property or casualty insurance on its properties at the same levels of coverage and under similar terms. Even if the Fund is able to renew its policies at levels and with limitations consistent with its current policies, the Fund cannot be sure that it will be able to obtain such insurance at premiums that are reasonable. If the Fund or its subsidiaries are unable to obtain adequate insurance on their properties for certain risks, it could cause the Fund or its subsidiaries to be in default under specific covenants on certain of their respective indebtedness or other contractual commitments that they have which require the Fund or its subsidiaries to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur, or if the Fund or its subsidiaries were unable to obtain adequate insurance, and their properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations.
- o. *Reliance on Third Party Property Management* - The Manager relies upon independent management companies to perform property management functions in respect of each of the properties. To the extent the Manager relies upon such management companies, the employees of such management companies will devote as much of their time to the management of the properties as in their judgment is reasonably required and may have conflicts of interest in allocating management's time, services and functions among the properties and their other development, investment and/or management activities.
- p. *Competition for Real Property Investments or Tenants* - The Manager will compete for suitable real property investments with individuals, corporations, real estate investment trusts and similar vehicles and institutions (both Canadian and foreign) which are presently seeking or which may seek in the future real property investments or tenants similar to those sought by the Manager. Such competition could have an impact on the Fund's ability to lease multi-family suites in the Properties and on the rents charged. An increased availability of investment funds allocated for investment in real estate would tend to increase competition for real property investments and increase purchase prices, reducing the yield on such investments. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.
- q. *Holding Entity Structure* - As a holding entity, the Fund's ability to meet its obligations, including payment of interest, other operating expenses and distributions, and to complete current or desirable future enhancement opportunities or acquisitions generally depends on the receipt by the Fund of dividends, distributions and/or interest payments from its subsidiaries as the principal source of cash flow to pay such expenses and to pay distributions on the Units. As a result, the Fund's cash flows and ability to pay distributions, including on the Units, are dependent upon the earnings of its subsidiaries and the distribution of those earnings and other funds by its subsidiaries to it. The payment of interest, dividends and/or distributions by certain of the Fund's subsidiaries may be subject to restrictions set out in relevant tax or corporate laws and regulations, constating documents or other governing provisions, which may require that certain subsidiaries remain solvent following payment of any such interest, dividends and/or distributions. Substantially all of the Fund's business is currently conducted through its subsidiaries, and the Fund expects this to continue.

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- r. *Revenue Shortfalls* - Revenues from the Properties may not increase sufficiently to meet increases in operating expenses or debt service payments under any mortgages or loans or to fund changes in the variable rates of interest charged in respect of such loans, if any.
 - s. *Fluctuations in Capitalization Rates* - As interest rates fluctuate in the lending market, generally capitalization rates will as well, which affects the underlying value of real estate. As such, when interest rates rise, generally capitalization rates may rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.
 - t. *Reliance on the Manager* - Prospective investors assessing the risks and rewards of this investment will, in large part, be relying on the expertise of the Manager, its principal, Daniel Drimmer, and certain of its executives. In particular, prospective investors will have to rely on the discretion and ability of the Manager in determining the composition of the portfolio of properties, and in negotiating the pricing and other terms of the agreements leading to the acquisition and disposition of properties. The ability of the Manager to successfully implement the Fund's investment strategy will depend in large part on the continued employment of Daniel Drimmer, Glen Hirsh, Martin Liddell and/or David Hanick. If the Manager loses the services of Daniel Drimmer, Glen Hirsh, Martin Liddell and/or David Hanick, the business, financial condition and results of operations of the Fund may be materially adversely affected.
 - u. *Distributions May be Reduced or Suspended* - Although the Fund intends to distribute its available cash to Unitholders, such cash distributions may be reduced or suspended. The ability of the Fund to pay Unitholders a targeted annual pre-tax distribution yield of 3.0% to 4.0% across all Unit classes and the actual amount distributed or paid to Unitholders on termination of the Fund will vary as between the classes of Units based on the proportionate entitlements of each class (or series, as applicable) of Unit, applicable Unit class expenses and other adjustments, and will depend on the ability of the Fund to fully deploy the net proceeds of the Offering and any concurrent private placements to directly or indirectly acquire the properties and manage the ongoing operations of the properties. The 7.0% minimum return is a preferred return, but is not guaranteed and may not be paid on a current basis in each year or at all. As a result, the cash distributions payable to Unitholders may not be paid on a current basis in each year or at all. The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and their recovery by an investor is at risk and the anticipated return on investment is based upon many performance assumptions.
 - v. *Payment of the Minimum Return and the Carried Interest and Catch-Up* - The amounts calculated as being distributable to Unitholders for purposes of determining the carried interest are not the same as the amounts that will be distributed to Unitholders pursuant to the Declaration of Trust. It is possible that the persons entitled to the carried interest will receive amounts even if one or more classes of Units have not received the minimum return (See "Carried Interest").
 - w. *Fixed Costs and Increased Expenses* - The failure to maintain stable or increasing average rental rates combined with acceptable occupancy levels would likely have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the Fund is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale. The Fund is also subject to utility and property tax risk relating to increased costs that the Fund may experience as a result of higher resource prices as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised as a result of re-valuations of properties and their adherent tax rates. In some instances, enhancements to Properties may result in significant increases in property assessments following a re-valuation. Additionally, utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the Fund cannot charge back to the tenant may have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Distributions may be reduced, or even eliminated, at times when the Fund deems it necessary to make significant capital or other expenditures.
 - x. *Trust Unitholder Liability* - Recourse for any liability of the Fund is intended to be limited to the assets of the Fund. The Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Fund or its trustees. The trustees intend to cause the Fund's operations to be conducted in such a way as to minimize any such risk, including by obtaining appropriate

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insurance and, where feasible, attempting to have material written contracts or commitments of the Fund contain an express disavowal of liability against the Unitholders. In conducting its affairs, the Fund owns and will be acquiring real property investments, subject to existing contractual obligations, including obligations under mortgages and leases. The trustees will use all reasonable efforts to have any such obligations under mortgages on the Properties and other acquired properties, and material contracts, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, the Fund may not be able to obtain such modification in all cases. To the extent that claims are not satisfied by the Fund, there is a risk that a Unitholder or annuitant will be held personally liable for obligations of the Fund where the liability is not disavowed as described above.

- y. *Reliance on Assumptions* - The Fund's investment objectives and strategy have been formulated based on the Manager's analysis and expectations regarding recent economic developments in Primary Markets and the future status of the western Canadian multi-family real estate markets generally. Such analysis may be incorrect and such expectations may not be realized, in which case Unitholders can expect the annualized pre-tax distribution yield per Unit to be less than 3.0% to 4.0% across all Unit classes and the pre-tax investor internal rate of return to be less than 12% across all Unit classes.
- z. *Timing for Investment of Net Subscription Proceeds* - Although the Manager is targeting deployment of the unallocated proceeds from the Offering within nine months following the closing of the Offering, the time period for the full investment of the net proceeds of the Offering and any concurrent private placements in properties other than the Initial Properties is not certain and may exceed six months. The timing of such investment will depend, among other things, upon the identification of properties meeting the Fund's criteria for acquisition. There is a risk that the Manager may not invest all net proceeds of the Offering and any concurrent private placements in properties in a timely manner and, therefore, may not be able to generate sufficient funds to pay the minimum return, in which case, Unitholders can expect the annualized pre-tax distribution yield across all Unit classes to be less than 3.0% to 4.0% on all Unit classes.
- aa. *Acquisition of Future Properties from Related Parties* - It is the Fund's intent to acquire one or more additional properties within six months following the closing of the Offering. The vendors of such properties may be affiliates of the Manager. The Fund does not have any arrangements with the Manager or its affiliates (e.g., a strategic alliance agreement or right of first opportunity) that would govern any such transaction. Accordingly, there is no assurance that any acquisition opportunities will be presented to the Fund by the Manager or its affiliates or that such opportunities presented will be opportunities the Fund is able to secure or do so on terms favourable to the Fund.

In addition, if the Fund or the Holding LP acquires properties from a person that does not deal at arm's length with the Fund or the Holding LP for purposes of the Tax Act, the Fund's ability to claim capital cost allowance in respect of such properties may be subject to limitations in the Tax Act that would not apply to an acquisition from an arm's length party.

- bb. *Potential Conflict of Interest* - The Fund may be subject to various conflicts of interest because certain affiliates, and their respective directors, officers and associates, as well as trustees, executive officers and the Manager, are engaged in a wide range of real estate and other business activities.

The trustees may, from time to time, in their individual capacities, deal with parties with whom the Fund may be dealing. The interests of these persons could conflict with those of the Fund. The Declaration of Trust contains conflict of interest provisions requiring the trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. There can be no assurance that the provisions of the Declaration of Trust will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in favour of the Fund.

The Manager, its affiliates, and their respective directors, officers and associates may, from time to time, deal with the Fund or with parties with whom the Fund may be dealing. The Management Agreement contains conflict of interest provisions requiring the Manager to deal in good faith and in a fair, equitable and even-handed manner in respect of any conflict of interest that may exist between the interests of the Fund and the interests of the Manager or any of its affiliates, including the Manager and its affiliates. There can be no assurance that the provisions of the Management Agreement will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in favour of the Fund.

- cc. *Same Management Group for Various Entities* - The services of the Manager as manager of the Fund are not exclusive to the Fund. The Manager or any of its affiliates and associates may, at any time, engage in the promotion, management or administration of other investment portfolios and realty trusts in similar asset classes to those in which the Fund invests. Accordingly, the Manager may face conflicts of interest in the day-to-day operations, selection of real estate investments, and allocation of investment opportunities. In such

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- circumstances, there is a risk that conflicts may arise regarding the allocation of properties among the various entities managed by the Manager and in connection with the exit from those properties. While the Manager owes fiduciary, legal and financial duties to the Fund and its Unitholders, these duties may from time-to-time conflict with the duties owed to the Manager's other real estate joint ventures and funds.
- dd. *Degree of Leverage* - The Fund's degree of leverage could have important consequences to Unitholders. For example, the degree of leverage could affect the Fund's ability to obtain additional financing in the future for working capital, acquisitions or other general fund purposes, making the Fund more vulnerable to a downturn in business or the economy in general. Under the Declaration of Trust, total indebtedness of the Fund can be no more than 75% provided that, if approved by the Board, the appraised value of the properties may be used.
- ee. *Litigation at the Property Level* - The acquisition, ownership and disposition of real property carries certain specific litigation risks. Litigation may be commenced with respect to a property acquired by the Fund or its subsidiaries in relation to activities that took place prior to the Fund's acquisition of such property. In addition, at the time of disposition of an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such buyer should be awarded due diligence expenses incurred or damages for misrepresentation relating to disclosures made, if such buyer is passed over in favour of another as part of the Fund's efforts to maximize sale proceeds. Similarly, successful buyers may later sue the Fund under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence.
- ff. *General Litigation Risks* - In the normal course of the Fund's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relation to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Fund and as a result, could have a material adverse effect of the Fund's assets, liabilities, business, financial condition and results of operations. Even if the Fund prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the Fund's business operations, which could have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.
- gg. *Asset Class Diversification* - The Fund will make a relatively limited number of real estate investments and the Fund's investments will not be widely diversified by asset class. All of the Fund's investments will be in multi-family real estate properties. A lack of asset class diversification increases risk because multi-family real estate is subject to its own set of risks, such as adverse housing pattern changes and uses, increased real estate taxes, vacancies, rent controls, rising operating costs and changes in financing rates.
- hh. *Geographic Concentration of the Fund's Portfolio* - The Properties are geographically concentrated in the Primary Markets, and the Fund's portfolio as a whole will be concentrated in only the Primary Markets. As such, the Fund is susceptible to local economic conditions, other regulations, the supply of and demand for multi-family real estate properties, and natural disasters in these areas. If there is a downturn in the local economies, an oversupply of or decrease in demand for multi-family real estate properties in these markets or natural disasters in these geographical areas, the Fund's business could be materially adversely affected to a greater extent than if it owned a more geographically diversified real estate portfolio. An important part of the Fund's business plan is based on the belief that property values for multi-family real estate properties in the markets in which it operates will continue to improve over the next several years. However, the markets in which the Fund operates could experience economic downturns in the future. There can be no assurance as to the extent property values in these markets will improve, if at all. If these markets experience economic downturn in the future, the value of the properties could decline and its ability to execute its business plan may be adversely affected, which could adversely affect the Fund's financial condition and operating results.
- ii. *Unitholders' Legal Rights* - The Units represent a fractional interest in the Fund. Corporate law does not govern the Fund and the rights of Unitholders. Unitholders will not have all of the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative actions". The rights of Unitholders are specifically set forth in the Declaration of Trust. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation.

Risk Factors Relating to Redemptions

- jj. *Use of Available Cash* - The payment in cash by the Fund of the redemption price of Units will reduce the amount of cash available to the Fund for the payment of distributions to Unitholders, as the payment of the amount due in respect of redemptions will take priority over the payment of cash distributions.
- kk. *Payment of Redemption Price in Kind* - In the event that the total amount payable by the Fund in respect of the redemption of Units for a particular calendar quarter exceeds \$100,000 and/or the total amount payable by the Fund in respect of the redemption of Units in any 12-month period ending at the end of that calendar quarter exceeds 1% of the aggregate net asset value of the Fund at the start of such 12-month period, the redemption price of Units may be paid and satisfied by way of an *in specie* distribution of property of the Fund, and/or unsecured subordinated notes of the Fund, as determined by the trustees in their discretion, to the redeeming Unitholder. Such property is not expected to be liquid and may not be a qualified investment for trusts governed by registered plans. Adverse tax consequences generally may apply to a Unitholder, or registered plan and/or the annuitant, holder, subscriber or beneficiary thereunder or thereof, as a result of the redemption of Units held in a trust governed by a registered plan. Accordingly, investors that propose to invest in Units through registered plans should consult their own tax advisors before doing so to understand the potential tax consequences of exercising their redemption rights attached to such Units.

Risk Factors Relating to Canadian Income Taxes

- ll. *Changes in Tax Laws* - There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, or the administrative policies and assessing practices of the Canada Revenue Agency ("CRA") will not be changed in a manner that adversely affects the Fund or Unitholders, including with respect to the Fund's qualification as a "mutual fund trust" and requirements to not be a "SIFT trust". Any such change could increase the amount of tax payable by the Fund or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of distributions.
- mm. *Mutual Fund Trust Status* - The Fund intends to comply with the requirements under the Tax Act such that it will qualify at all times as a "mutual fund trust" for purposes of the Tax Act, however no assurances can be given in this regard. Under current law, a trust may lose its status under the Tax Act as a mutual fund trust if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of Non-Residents, except in limited circumstances. There is no way of rectifying such a loss of mutual fund trust status such that if, at any time, the Fund were to lose mutual fund trust status in this manner, the Fund would permanently cease to be a mutual fund trust. The Fund may also cease to qualify as a "mutual fund trust" for purposes of the Tax Act if a sufficient number of Unitholders were to redeem their Units.
- nn. *Restrictions on Non-Resident Ownership* - In order to comply with the limitations on ownership by non-residents, the Declaration of Trust includes restrictions on the ownership of Units intended to limit the number of Units held by non-residents, such that non-residents of Canada for purposes of the Tax Act, partnerships that are not "Canadian partnerships" (as defined in the Tax Act) or any combination of the foregoing may not own Units representing more than 49% of the fair market value of all Units. The restrictions on the issuance of Units by the Fund to non-residents may negatively affect the Fund's ability to raise financing for future acquisitions or operations.
- oo. *SIFT Rules* - Although, as of the date hereof, management expects that the Fund will not be a SIFT trust and the Holding LP will not be a SIFT partnership because the Units are not and will not be listed or traded on a stock exchange or other public market (within the meaning of the SIFT Rules) at all relevant times, there can be no assurance that the Fund will be able to meet the requirements in order for the Fund and Unitholders not to be subject to the tax imposed by the SIFT Rules in 2022 or future years. In the event that the SIFT Rules were to apply to the Fund, the impact to a Unitholder would depend, among other factors, on the particular circumstances of the holder, on the amount of the "non-portfolio earnings" (as defined in the Tax Act) of the Fund and on the amount of income distributed which would not be deductible by the Fund in computing its income in a particular year and what portions of the Fund's distributions constitute "non-portfolio earnings" (as defined in the Tax Act), other income and returns of capital. If the SIFT Rules were to apply to the Fund or the Holding LP, the SIFT Rules may have an adverse impact on the Fund and the Unitholders, on the value of the Units, and on the ability of the Fund to undertake financings and acquisitions; and the distributable cash of the Fund may be materially reduced.

- pp. *Taxable Income Exceeding Cash Distribution* - Whether or not a Fund pays cash distributions in a particular year, it is expected that the Fund will make sufficient distributions (in the form of additional Units if cash distributions are not paid) to ensure that the Fund is not subject to non-refundable tax under Part I of the Tax Act for the year. Accordingly, Unitholders may be subject to tax under the Tax Act on their share of the Fund's income regardless of whether cash distributions are paid.
- qq. *Non-Resident Unitholders* - The Tax Act may impose additional withholding or other taxes on distributions made by the Fund to Unitholders who are non-residents. Such taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. In addition, this MD&A does not describe the tax consequences under the Tax Act to non-residents of acquiring, holding or disposing of Units, which may be materially and adversely different than the consequences to Canadian resident Unitholders. Prospective purchasers who are Non-Residents should consult their own tax advisors.
- rr. *Loss Restriction Event* - Pursuant to rules in the Tax Act, if the Fund experiences a "loss restriction event" (i) it will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of undistributed net income and net realized capital gains, if any, at such time to Unitholders to the extent necessary so that the Fund is not liable for non-refundable tax on such amounts under Part I of the Tax Act), and (ii) it will become subject to the loss restriction rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. Generally, the Fund will be subject to a loss restriction event if a person becomes a "majority-interest beneficiary", or a group of persons becomes a "majority-interest group of beneficiaries", of the Fund, each as defined in the affiliated persons rules contained in the Tax Act, with certain modifications. Generally, a majority-interest beneficiary of a trust is a beneficiary of the trust whose beneficial interests in the income or capital of the trust, as the case may be, together with the beneficial interests in the income or capital of the trust, as the case may be, of persons and partnerships with whom such beneficiary is affiliated for the purposes of the Tax Act, represent greater than 50% of the fair market value of all the interests in the income or capital of the trust, as the case may be.
- ss. *Gains and Losses on Capital Account* - The tax treatment of gains and losses realized by the Fund will depend on whether such gains or losses are treated as being on income or capital account, as described in this paragraph. The Fund generally will treat gains (or losses) on the disposition of its properties as capital gains (or capital losses). Designations with respect to the Fund's income and capital gains will be made and reported to Unitholders on the foregoing basis. The CRA's practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If any transactions of the Fund are determined not to be on capital account, the net income of the Fund for tax purposes and the taxable component of distributions to its Unitholders could increase. Any such determination by the CRA may result in the Fund being liable for unremitted withholding taxes on prior distributions made to its Unitholders who were not resident in Canada for purposes of the Tax Act at the time of the distribution. Such potential liability may reduce the net asset value and net asset value per Unit of the Fund.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Fund maintains information systems, procedures and controls to ensure all information disclosed externally is as complete, reliable and timely as possible. Such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

All control systems have inherent limitations, including well-designed and operated systems. No control system can provide complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility that management's assumptions and judgements may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors. As a growing enterprise, management anticipates that the Fund will be continually evolving and enhancing its systems of controls and procedures.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Based on their evaluations, the Chief Executive Officer and the Chief Financial Officer have concluded that the Fund's internal controls over financial reporting were effective and do not contain any material weaknesses, as at March 31, 2022.

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AUDIT COMMITTEE

AUDIT COMMITTEE CHARTER

The Board has adopted a written charter for the audit committee which sets out the audit committee's responsibility in reviewing the financial statements of the Fund and public disclosure documents containing financial information and reporting on such review to the Board, review of the Fund's public disclosure documents that contain financial information, oversight of the work and review of the independence of the external auditors and reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. A copy of the audit committee charter is attached to this MD&A as "Schedule A".

COMPOSITION OF THE AUDIT COMMITTEE

The audit committee of the Board comprises Tracy Sherren, Denim Smith (Chair) and Lawrence D. Wilder, with the later two individuals being "independent" and all members "financially literate" within the meanings of sections 1.4 and 1.6 of *National Instrument 52-110-Audit Committees* ("NI 52-110"), respectively. Tracy Sherren and Lawrence D. Wilder, being a majority of the audit committee of the Board, are also "independent" within the meaning of section 1.5 of NI 52-110.

TRACY SHERREN

Ms. Sherren is currently the President and Chief Financial Officer of TSX-listed True North Commercial Real Estate Investment Trust and the President, Canadian Commercial of Starlight Group Property Holdings Inc. Since 2020, Ms. Sherren has been a director of TSX-listed VM Hotel Acquisition Corp and is a former director of TSX-listed Tricon Capital Group Inc. Mr. Sherren was the Chief Financial Officer of Pacrim Hospitality Services Inc. from January 2005 to September 2012 and the Chief Financial Officer of TSX-listed Holloway Lodging Corp. from its inception in 2005 until July 2011, where she was responsible for construction and long-term financing of commercial properties, operations management, financial reporting, investor relations and corporate tax planning. With over 25 years of experience, Ms. Sherren has participated in over \$1 billion financings and led asset management teams, acquisition due diligence, real estate development and has extensive experience in transaction structuring and risk management. Ms. Sherren is a CPA, CA and obtained her Bachelor of Business Administration from Acadia University.

DENIM SMITH

Mr. Smith joined Echelon Wealth Partners as Managing Director, Investment Banking (Real Estate) in 2021. Previously, Mr. Smith was the Managing Director of Real Estate Investment Banking at Laurentian Bank Securities since 2019. From 2014 to 2016 Mr. Smith was the interim Chief Financial Officer and Chief Investment Officer at The Nationwide Group of Companies, responsible for the overall accounting, finance, and HR departments for an international conglomerate with over 120 employees across five operating companies in over 18 countries, as well as strategic investments, mergers and acquisitions, and business development. Mr. Smith also led the real estate investment banking practice at Blackmont Capital which completed over \$300 million of capital markets transactions and over \$3 billion of advisory and valuation mandates. Prior to that, Mr. Smith was a founding member of KeyBanc Capital Markets Real Estate Group in Boston which was responsible for over US\$3.5 billion of capital markets transactions and US\$600 million of successful sell-side advisory mandates; after starting his career at RBC Capital Markets in Canada and joining the inaugural US Real Estate Group. Mr. Smith was also a trustee on the board of TSX-listed True North Apartment REIT from its formation to its merger with Northern Properties Real Estate Investment Trust to become Canada's third largest apartment REIT with greater than \$1B market cap; Mr. Smith also served as a Trustee for TSXV-listed GT Canada Medical Properties REIT which was acquired by Northwest Healthcare REIT. Mr. Smith is a graduate of the University of Western Ontario and has completed the CFA Level 2.

LAWRENCE D. WILDER

Mr. Wilder is a partner at Miller Thomson LLP and serves as Chair of the Firm's national Securities and Capital Markets Group. Mr. Wilder has practiced corporate and securities law for over 30 years and has advised Canadian public issuers and their boards on a variety of corporate governance and securities law compliance matters. His specialties include corporate finance, mergers and acquisitions and private equity. Mr. Wilder is nationally recognized by Chambers Canada, Best Lawyers, Lexpert and Martindale-Hubbell. He holds an LLB from Osgoode Hall Law School. Mr. Wilder is the lead trustee of TSX-listed Northview Canadian High Yield Residential Fund (TSX: NHF.UN).

PRE-APPROVAL OF NON AUDIT SERVICES

In accordance with the independence standards for auditors, the Fund is restricted from engaging its external auditors to provide certain non-audit services to the Fund, including bookkeeping or other services related to the accounting records or financial statements, financial information systems design and implementation, valuation services, actuarial services, internal audit services, corporate finance services, management functions, human resources functions, legal services and expert services unrelated to the audit.

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The Fund may engage its external auditors from time to time, to provide certain non-audit services other than the restricted services. The Audit committee reviews and approves the nature of and fees for any non-audit service performed by the Fund's external auditors in accordance with applicable requirements.

EXTERNAL AUDITOR SERVICE FEES

The following table sets forth the approximate amounts of fees accrued to the Fund's auditor, BDO Canada LLP, for services rendered.

Fee Category	Q1-2022
Audit fees	\$ 20

REMUNERATION OF MANAGEMENT OF THE FUND

OVERVIEW

As at the date hereof, the Fund does not directly employ any persons who would be considered a named executive officer ("NEO") of the Fund as such term is defined in Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers* in National Instrument 51-102 - *Continuous Disclosure Obligations*. The services of Messrs. Daniel Drimmer and Martin Liddell, as President and Chief Executive Officer, and Chief Financial Officer, respectively, are provided by the Manager. No compensation is paid by the Fund or its subsidiaries to those persons provided by the Manager as officers of the Fund, and the compensation received by such persons from the Manager is not within or subject to the discretion of the Board. The compensation paid by the Fund or its subsidiaries to the Manager for services rendered is calculated in accordance with the Management Agreement. See "Related Party Transactions and Arrangements – Arrangements with the Manager". The Manager provides such administrative, executive and management personnel as may be reasonably necessary to perform its obligations by using its own employees and consultants and is therefore responsible for all matters with respect to such employees and consultants. All references to the officers of the Fund named in the "Summary Compensation Table" below, namely Messrs. Daniel Drimmer and Martin Liddell are references to officers of, or consultants to, the Fund, and are either officers or employees of, or consultants to, the Manager.

COMPENSATION DISCUSSION AND ANALYSIS

The Fund's NEOs are employed by the Manager. The Fund is obligated to pay the Manager certain amounts pursuant to terms of the Management Agreement, as discussed in "Related Party Transactions and Arrangements – Arrangements with the Manager". As such, any variability in compensation paid by the Manager to the NEOs does not impact the Fund's financial obligations. The Board may hire officers and employees, but such hiring, if not of the Manager officers, consultants or employees, would be at the sole expense of the Fund. Further, any officer that is an officer, consultant or employee provided by the Manager may be removed from such position with the Fund, at the discretion of the Board. The Fund is not responsible for any change of control, severance, termination or constructive dismissal payments that may be provided, or required to be provided, by the Manager to the NEOs.

The following discussion is intended to describe the portion of the compensation of the NEOs that is attributable to time spent on the activities of the Fund, and supplements the more detailed information concerning compensation that appears in the table below and the accompanying narrative that follows.

PRINCIPAL ELEMENTS OF COMPENSATION

As a private company, the Manager's process for determining executive compensation is straightforward, with no specific formula for determining the amount of each element of compensation, and no formal approach applied by the Manager for determining how one element of compensation fits into the overall compensation objectives in respect of the activities of the Fund. Objectives and performance measures may vary from year to year as determined to be appropriate by the Manager without reference to any formal benchmarking.

The compensation of the NEOs includes two major elements: (i) base salary; and (ii) an annual cash bonus. The Fund does not have any long-term equity incentive plans, such as a Unit option plan, pursuant to which cash or non-cash compensation has been or will be paid or distributed to any NEO or trustee. In addition, the Fund does not have any stock appreciation rights, incentive plans, medium term incentives or pension plans. Perquisites and personal benefits are not a significant element of compensation of the NEOs. These two principal elements of compensation are described below.

Base Salaries. Base salaries are intended to provide an appropriate level of fixed compensation that assists in retention and recruitment. Base salaries are determined on an individual basis, taking into consideration the past, current and potential contribution to the success of the Fund, the position and responsibilities of the NEOs and competitive industry pay practices for other real estate funds, real estate investment trusts and corporations of comparable size. The

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Manager does not benchmark compensation to a specific peer group. Increases in base salary are at the sole discretion of the Manager. The Board may review the compensation payable to its officers by the Manager and provide recommendations to the Manager, which are considered in good faith by the Manager, but are not binding upon the Manager.

Annual Cash Bonuses. Annual cash bonuses are discretionary and are not awarded pursuant to a formal incentive plan. Annual cash bonuses are awarded based on qualitative and quantitative performance standards, and reward performance of the Fund or the NEO individually. The determination of the performance of the Fund may vary from year to year depending on economic conditions and conditions in the real estate industry and may be based on measures such as Unit price performance, the meeting of financial targets against budget, the meeting of acquisition objectives and balance sheet performance. Individual performance factors vary and may include completion of specific projects or transactions and the execution of day-to-day management responsibilities. The Board may review the bonuses payable to its officers by the Manager, and provide recommendations to the Manager, which are considered in good faith by the Manager but are not binding upon the Manager.

TABLE OF COMPENSATION EXCLUDING COMPENSATION SECURITIES

The following table sets out compensation information concerning the persons determined to be NEOs and Trustees of the Fund pursuant to applicable securities laws. All amounts below are set out in Canadian dollars.

Name and position	Year	Salary, consulting fee, retainer or commission ⁽¹⁾ (C\$)	Bonus (C\$)	Committee or meeting fees (C\$)	Value of perquisites ⁽²⁾ (C\$)	Value of all other compensation (C\$)	Total compensation (C\$)
Daniel Drimmer ⁽³⁾ , President and Chief Executive Officer	2022	Nil	Nil	Nil	Nil	Nil	Nil
Martin Liddell ⁽⁴⁾ , Chief Financial Officer	2022	\$ 15.0	Nil	Nil	Nil	Nil	\$ 15.0
Mandy Abramsohn ⁽⁵⁾⁽⁶⁾ , Independent Trustee	2022	\$ 12.5	Nil	Nil	Nil	Nil	\$ 12.5
Tracy Sherren ⁽⁷⁾ , Trustee	2022	Nil	Nil	Nil	Nil	Nil	Nil
Denim Smith ⁽⁴⁾ , Independent Trustee	2022	\$ 12.5	Nil	Nil	Nil	Nil	\$ 12.5
Lawrence D. Wilder ⁽⁴⁾ , Independent Trustee	2022	\$ 12.5	Nil	Nil	Nil	Nil	\$ 12.5

- (1) On an annualized basis, salaries, consulting fees, retainers or commissions expected to be paid to the NEOs and trustees for the period ended December 31, 2022 are as follows: Daniel Drimmer, C\$Nil; Martin Liddell, C\$15,000; Mandy Abramsohn, C\$12,500; Denim Smith, C\$12,500; and Lawrence D. Wilder, C\$12,500.
- (2) None of the NEOs or the trustees are entitled to perquisites, which, in the aggregate, are more than C\$15,000.
- (3) Mr. Drimmer receives no compensation from the Manager.
- (4) Martin Liddell is the Chief Financial Officer of the Fund, as appointed by the Board of Trustees. Mr. Liddell receives compensation from the Manager for services provided to the Fund.
- (5) Trustee compensation is determined by the Board. The Fund pays its independent Trustees annual compensation in the amount of C\$12,500 per annum which amount was set on establishment of the Fund is reviewed annually by the Board and is expected to be unchanged for the duration of the Fund.
- (6) Effective May 5, 2022, Mandy Abramsohn resigned from the Board and audit committee (see "Subsequent Events").
- (7) No compensation is paid to Tracy Sherren given Ms. Sherren is an employee of the Manager.

REMUNERATION OF THE TRUSTEES OF THE FUND

REMUNERATION OF TRUSTEES

Each independent trustee receives an annualized base retainer from the Fund in the amount for C\$12,500 for services provided. There were no fees paid or payable for each day on which a Trustee attended a meeting of the Board, whether in person or by telephone, and the members of the audit committee did not receive any fees for services provided.

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FUTURE OUTLOOK AND COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic. This has resulted in federal and provincial governments enacting emergency measures to combat the spread of the virus. Although COVID-19 has resulted in an unprecedented operating environment and volatile economy, the Fund is well positioned to navigate through this challenging time and has implemented proactive measures at the properties to combat the spread, assist tenants where needed and implement other measures to minimize business interruption.

The Fund intends to actively monitor any continued impact that COVID-19 may have on the Fund's operating results in future periods specifically as they relate to rent collections, occupancy, rent growth, ancillary fees and expenses incurred for preventative measures in response to COVID-19.

- **Preventative measures:** The Fund has undertaken actions to mitigate the effect on the operations of the Fund including various preventative measures and ongoing coordination with on-site property management teams to mitigate the spread of COVID-19. This includes moving leasing to electronic platforms where possible, reduced access and increased sanitization of the common areas. The Fund is also following the directions provided by federal, provincial and local governments as well as public health authorities.

Notwithstanding COVID-19, such measures are not expected to have a material impact on the Fund, and management believes that the operating metrics within the Fund's portfolio will continue to be stable or strengthen in the foreseeable future and over the longer term. Nonetheless, given the unpredictable nature of COVID-19, any continuation or intensification of COVID-19 or related government measures, and any changes in levels of government financial support to individuals affected by COVID-19 or economic downturn, could in the future have an adverse material effect on the Fund's financial condition, results of operations and cash flows (see "Risks and Uncertainties").

- **Collections and rent relief:** The Fund is working with all on-site property managers to ensure open communication with tenants regarding rent relief options available to assist tenants impacted by the outbreak of COVID-19 in a socially responsible manner wherever possible.

The Fund is also closely monitoring rent collections to assess any potential increase in bad debts at the Properties as a result of COVID-19. Tenants who may be able to return to employment based on local jurisdiction or province-wide loosening of COVID-19 related restrictions should assist with a tenant's ability to access financial resources, improving collection rates in the short term and ongoing demand for residential housing.

As at May 4, 2022, the Fund collected approximately 97.8% of rents for Q1-2022. With the continued rollout of the COVID-19 vaccination program and re-opening and strengthening of the economy across Canada and British Columbia, further amounts are expected to be collected in future periods.

- **Liquidity:** After the acquisition of Properties during Q1-2022, the Fund has cash on hand of \$53,017 which includes cash remaining from the Offering and will be used to acquire additional multi-family properties subsequent to March 31, 2022 (see "Subsequent Events"). The Fund is continuing to evaluate additional acquisition opportunities which meet the investment criteria and objectives of the Fund while considering the potential impacts of COVID-19 on the performance of the Canadian and British Columbian multi-family property class.
- **Governmental intervention:** The duration of COVID-19 is unknown at this time and continues to develop and as such, governmental intervention in Canada continues to evolve. Currently, there are no Federal government rent relief programs for landlords in Canada or specific rent relief programs within the province of British Columbia in which Fund owns properties that would directly assist tenants of the Fund to make rent payments. As such, there is a risk that any sustained economic hardship the virus has on the Fund's tenant base may impact future collections and delinquency rates.

The spread of COVID-19 has the potential to cause a further economic slowdown and increased volatility in financial markets. The Canadian Federal Government has introduced monetary and fiscal interventions aimed at stabilizing the economy. However, uncertainty remains as to the overall impact and timing of these interventions on the Canadian debt and equity markets as well as the economies of both Canada, and the markets in which the Fund operates. The Fund has implemented various measures to ensure the liquidity and capital resources of the Fund are sufficient during this ongoing period of uncertainty.

COVID-19 vaccination programs continue across Canada, but in the event the vaccination program across the Canada, and globally, does not contain the spread of COVID-19 or if there are delays in the timely administration of further vaccines or shortages in the vaccine supply chain, changing strains of the virus, including the occurrence of new variants of COVID-19 (such as the Omicron variant), or reluctance to receive vaccinations could prolong the impacts of COVID-19 and have the potential to cause a further economic

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slowdown and increased volatility in financial markets. Although the Canadian Federal Government has introduced monetary and fiscal interventions aimed at stabilizing the economy and devoted significant resources to the mass vaccination program, uncertainty remains as to the overall impact and timing of these interventions on the Canadian debt and equity markets as well as the economies of both Canada and the markets in which the Fund operates. In addition, these uncertain economic conditions resulting from COVID-19 may adversely impact the demand for residential housing.

- **Capital work:** There is a risk that should COVID-19 be sustained, it may lead to an inability for the Fund to acquire materials required or labour disruptions may occur that impact the Fund's ability to complete capital work as required or intended by the Fund in future periods.
- **Distributions:** Distribution payments are expected to continue based on the targeted 3.0% to 4.0% distribution yield for the Fund in the foreseeable future but the Manager continues to monitor the potential impact COVID-19 may have on distribution payments in future periods.
- **Future Outlook:** COVID-19 vaccination programs continue across Canada to varying degrees in different provinces 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 vaccine dose by Health Canada to help further advance immunization efforts in preventing the spread of COVID-19. Although new subvariants of COVID-19 continue to emerge, almost all COVID-19 restrictions were lifted across the country and British Columbia by the end of the first quarter of 2022, with over 80% of Canada's population having received two doses of a COVID-19 vaccine and over 47% of the population having received their third dose as of March 31, 2022. However, there is a risk that delays in the timely administration of vaccination programs, changing strains of the virus, including the occurrence of new variants of COVID-19 (such as the Omicron variant), or reluctance to receive vaccinations could prolong the impacts of COVID-19 and have the potential to cause further adverse economic conditions.

Since the fourth quarter of 2021, the Bank of Canada (the "Bank") increased its target interest rate from 0.25% to 0.5% on March 5, 2022 and an additional 0.5% on April 13, 2022, bringing the target interest rate to 1.0%. The interest rate increases are supported by stronger than anticipated growth in the fourth quarter of 2021, as well as rising inflation, which is currently at 5.7%. The Bank continues to signal further rate hikes amid new forecasts for higher inflation levels brought on by the war in the Ukraine which has elevated prices on commodities such as gasoline and food. The Fund continues to actively monitor the current interest rate environment and any associated impact this may have on the Fund's financial performance.

Canada's unemployment rate decreased to 5.5% in February 2022, falling below pre-pandemic levels. Real gross domestic product increased 1.6% in Q4-2021, with household spending and residential construction being the largest contributors to GDP in 2021. Despite the Canadian economy's strong recovery from the pandemic, the war in the Ukraine has added uncertainty to the global economic outlook. According to Statistics Canada, British Columbia gained approximately 74,000 jobs from March 2021 to March 2022. The unemployment rate in March 2022 was 5.1% in British Columbia, the Vancouver Island and Coast Region which are lower than the national average of 5.3%.

The Primary Markets in which the Fund operates, including Langford, Nanaimo and Vernon, possess attractive qualities such as some of the fastest growing populations in British Columbia with strong demographics of highly educated young professionals and families, diverse local job sectors, desirable locations with waterfront and mountain views as well as significant economic growth and limited supply of multi-family suites creating an environment for continued demand for rentals which drive occupancy and rent growth. The Fund believes it is well positioned to take advantage of these conditions.

In Q1-2022, key multi-family fundamentals including submarket occupancies, rent growth and collection rates, continued to strengthen which translated into favourable operating results of various owners of multi-family properties, including those in the Primary Markets. These trends, in conjunction with the Primary Markets exhibiting sustained job and population growth as well as the quality of the Properties, should continue to support further demand for the Fund's multi-family suites in future periods. The Manager continues to closely monitor national and local economic conditions as part of its response to the COVID-19 pandemic and is well-positioned to take advantage of any continued improvement in the sector's performance.

STARLIGHT U.S. MULTI-FAMILY (NO. 1) CORE PLUS FUND - Q1 2020 MD&A

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SUBSEQUENT EVENTS

Subsequent to March 31, 2022, the Fund agreed to acquire a 120 unit multi-family building in Nanaimo, British Columbia for the purchase price of not more than \$45,150. The acquisition is expected to be financed by mortgage debt and the balance of the purchase price is expected to be settled using a portion of the remaining cash proceeds from the Offering, net of \$3,000 of acquisition deposits. The Fund had \$1,000 of deposits held in escrow in connection with the acquisition as at March 31, 2022.

Effective May 5, 2022, Mandy Abramsohn resigned from the Board and audit committee and has been replaced by Tracy Sherren. Following the appointment of Ms. Sherren, two of three members of the board of trustees and audit committee are independent and the Fund continues to meet the 30% Club Canada's aim for better gender balance at the board level. Ms. Sherren is currently the President and Chief Financial Officer of Toronto Stock Exchange listed True North Commercial REIT and the President of Canadian Commercial at Starlight Group Property Holdings Inc., an affiliate of the Manager. Ms. Sherren is a Chartered Accountant and obtained her Bachelor of Business Administration from Acadia University.

Additional information relating to the Fund can be found on SEDAR at www.sedar.com.

Dated: May 5, 2022

Toronto, Ontario, Canada

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SCHEDULE A – AUDIT COMMITTEE CHARTER

1. PURPOSE

- 1.1 The board of trustees of the Fund (the “Board”) shall appoint an audit committee (the “Committee”) to assist the Board in fulfilling its responsibilities. The overall purpose of the Committee of the Fund is to monitor the Fund’s system of internal financial controls, to evaluate and report on the integrity of the financial statements of the Fund, to enhance the independence of the Fund’s external auditors and to oversee the financial reporting process of the Fund.

2. PRIMARY DUTIES AND RESPONSIBILITIES

- 2.1 The Committee’s primary duties and responsibilities are to:
- (a) serve as an objective party to monitor the Fund’s financial reporting and internal control system and review the Fund’s financial statements;
 - (b) review the performance of the Fund’s external auditors; and
 - (c) provide an open avenue of communication among the Fund’s external auditors, the Board and senior management of Starlight Investments CDN AM Group LP, in its capacity as Manager of the Fund.

3. COMPOSITION, PROCEDURES AND ORGANIZATION

- 3.1 The Committee shall be comprised of at least three trustees of the Fund as determined by the Board, two of whom shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.
- 3.2 At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of this Audit Committee Charter, the definition of “financially literate” is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Fund’s financial statements.
- 3.3 The Board shall appoint the members of the Committee. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a trustee of the Fund shall cease to be a member of the Committee.
- 3.4 Unless a chair is elected by the Board, the members of the Committee shall elect a chair from among their number (the “Chair”). The Chair shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings and reporting to the Board.
- 3.5 The Committee, through its Chair, shall have access to such officers and employees of the Fund and the Manager and to the Fund’s external auditors and its legal counsel, and to such information respecting the Fund as it considers to be necessary or advisable in order to perform its duties.
- 3.6 Notice of every meeting shall be given to the external auditors, who shall, at the expense of the Fund, be entitled to attend and to be heard thereat.
- 3.7 Meetings of the Committee shall be conducted as follows:
- (a) the Committee shall meet four times annually, or more frequently as circumstances dictate, at such times and at such locations as the Chair shall determine;
 - (b) the external auditors or any member of the Committee may call a meeting of the Committee;
 - (c) any trustee of the Fund may request the Chair to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the Chair; and
 - (d) the external auditors and the Manager shall, when required by the Committee, attend any meeting of the Committee.
- 3.8 The external auditors shall be entitled to communicate directly with the Chair and may meet separately with the Committee. The Committee, through the Chair, may contact directly any employee in the Manager as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.

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- 3.9 Compensation to members of the Committee shall be limited to trustees' fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the Fund.
- 3.10 The Committee is granted the authority to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Fund. The Committee has the power to engage and determine funding for outside and independent counsel or other experts or advisors as the Committee deems necessary for these purposes and as otherwise necessary or appropriate to carry out its duties and to set Committee members compensation. The Committee is further granted the authority to communicate directly with internal and external auditors.

4. DUTIES

- 4.1 The overall duties of the Committee shall be to:
- (a) assist the Board in the discharge of their duties relating to the Fund's accounting policies and practices, reporting practices and internal controls and the Fund's compliance with legal and regulatory requirements;
 - (b) establish and maintain a direct line of communication with the Fund's external auditors and assess their performance and oversee the co-ordination of the activities of the external auditors; and
 - (c) be aware of the risks of the business and ensure the Manager has adequate processes in place to assess, monitor, manage and mitigate these risks as they arise.
- 4.2 The Committee shall be directly responsible for overseeing the work of the external auditor, who shall report directly to the Committee, engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund, including the resolution of disagreements between the Manager and the external auditors and the overall scope and plans for the audit, and in carrying out such oversight, the Committee's duties shall include:
- (a) recommending to the Board the selection and compensation and, where applicable, the replacement of the external auditor nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund;
 - (b) reviewing, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 - Continuous Disclosure Obligations ("NI 51-102") or any successor legislation, and the planned steps for an orderly transition;
 - (c) reviewing all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;
 - (d) reviewing and pre-approving all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Fund's external auditors to the Fund or any subsidiary entities;
 - (e) reviewing the engagement letters of the external auditors, both for audit and non-audit services;
 - (f) consulting with the external auditor, without the presence of the Manager about the quality of the Fund's accounting principles, internal controls and the completeness and accuracy of the Fund's financial statements;
 - (g) reviewing annually the performance of the external auditors, who shall be ultimately accountable to the Board and the Committee as representatives of the Unitholders, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors; and
 - (h) reviewing and approving the nature of and fees for any non-audit services performed for the Fund by the external auditors and consider whether the nature and extent of such services could detract from the firm's independence in carrying out the audit function.
- 4.3 The duties of the Committee as they relate to document and reports reviews shall be to:
- (a) review the Fund's financial statements, MD&A and any financial press releases before the Fund publicly discloses this information; and

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- (b) review and periodically assess the adequacy of procedures in place for the review of the Fund's public disclosure of financial information extracted or derived from the Fund's financial statements, other than the Fund's financial statements, MD&A and financial press releases.
- 4.4 The duties of the Committee as they relate to audits and financial reporting shall be to:
- (a) in consultation with the external auditor, review with the Manager the integrity of the Fund's financial reporting process, both internal and external, and approve, if appropriate, changes to the Fund's auditing and accounting practices;
 - (b) review the audit plan with the external auditor and the Manager;
 - (c) review with the external auditor and the Manager any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of the Manager that may in any such case be material to financial reporting;
 - (d) review the contents of the audit report;
 - (e) question the external auditor and the Manager regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
 - (f) review the scope and quality of the audit work performed;
 - (g) review the adequacy of the Fund's financial and auditing personnel;
 - (h) review the co-operation received by the external auditor from the Manager's and the Fund's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work;
 - (i) review the internal resources used;
 - (j) review the evaluation of internal controls by the internal auditor (or persons performing the internal audit function) and the external auditors, together with the Manager's response to the recommendations, including subsequent follow-up of any identified weaknesses;
 - (k) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) of the Fund and any key financial executives involved in the financial reporting process;
 - (l) review and approve the Fund's annual audited financial statements and those of any subsidiaries in conjunction with the report of the external auditors thereon, and obtain an explanation from the Manager of all significant variances between comparative reporting periods before release to the public;
 - (m) establish procedures for (A) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and (B) the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters; and
 - (n) review the terms of reference for an internal auditor or internal audit function.
- 4.5 The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:
- (a) review changes to accounting principles of the Chartered Professional Accountants of Canada which would have a significant impact on the Fund's financial reporting as reported to the Committee by the Manager and the external auditors;
 - (b) review the appropriateness of the accounting policies used in the preparation of the Fund's financial statements and consider recommendations for any material change to such policies;
 - (c) review the status of material contingent liabilities as reported to the Committee by the Manager or the external auditors;
 - (d) review the status of income tax returns and potentially significant tax problems as reported to the Committee by the Manager;
 - (e) review any errors or omissions in the current or prior year's financial statements;
 - (f) review, and approve before their release, all public disclosure documents containing audited or unaudited financial information including all earnings, press releases, MD&A, prospectuses, annual reports to unitholders and annual information forms, as applicable; and

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- (g) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.
- 4.6 The other duties of the Committee shall include:
- (a) reviewing any related-party transactions not in the ordinary course of business;
 - (b) reviewing any inquires, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;
 - (c) formulating clear hiring policies for partners, employees or former partners and employees of the Fund's external auditors;
 - (d) reviewing annual operating and capital budgets;
 - (e) reviewing and reporting to the Board on difficulties and problems with regulatory agencies, which are likely to have a significant financial impact;
 - (f) inquiring of Manager and the external auditors as to any activities that may be or may appear to be illegal or unethical;
 - (g) ensuring procedures are in place for the receipt, retention and treatment of complaints and employee concerns received regarding accounting or auditing matters and the confidential, anonymous submission by employees of the Fund of concerns regarding such; and
 - (h) reviewing any other questions or matters referred to it by the Board.



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