

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

**STARLIGHT U.S. RESIDENTIAL (MULTI-
FAMILY) INVESTMENT LP**

For the years ended December 31, 2025 and 2024
(Audited)



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Independent Auditor's Report

To Unitholders of Starlight U.S. Residential (Multi-Family) Investment LP

Opinion

We have audited the consolidated financial statements of Starlight U.S. Residential (Multi-Family) Investment LP and its subsidiaries (the "LP"), which comprise the consolidated statements of financial position as at December 31, 2025, and 2024, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the LP as at December 31, 2025, and December 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the LP in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the LP has several loans payable with contractual maturity dates within twelve months of December 31, 2025 which may not be able to be extended or otherwise refinanced. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the LP's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matters to be communicated in our auditor's report.



Fair Value of Investment Properties

Description of the key audit matter

As at December 31, 2025, the carrying value of the LP investment properties of \$265.7 million accounted for 97% of the LP's total assets.

The valuation of investment properties was a key audit matter due to the significant judgement in the key inputs used in valuation techniques and the sensitivity of assumptions. These key inputs, including capitalization rates, are dependent on the class of each investment property and the prevailing market conditions.

Refer to Notes 3 (b) (iii), Note 3 (c) - Material Accounting Policies and 6 - Investment Properties

How the key audit matter was addressed in the audit

Our audit procedures included, but were not limited to, the following:

- Assessed the competence, capabilities and objectivity of the LP's external appraiser involved in the valuation process;
- Evaluated the significant underlying assumptions used to determine the fair value of the investment properties related to net operating incomes by considering managements budget and strategy and the current and past performance of the LP;
- Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the valuation methodologies as well as the significant underlying assumptions for capitalization rates by comparing to market information; and
- Evaluated the disclosures included in the consolidated financial statements relating to the fair value of investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's Discussion and Analysis for the year ended December 31, 2025.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis for the year ended December 31, 2025 prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS Accounting Standards as issues by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the LP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the LP or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the LP's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LP's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the LP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the LP to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the LP as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jennifer Agro.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
March 24, 2026

STARLIGHT U.S. RESIDENTIAL (MULTI-FAMILY) INVESTMENT LP

Consolidated Statement of Financial Position

As at December 31, 2025 and 2024

(In thousands of U.S. dollars)

	Notes	December 31, 2025	December 31, 2024
ASSETS			
Non-current assets:			
Investment properties	6	\$ 265,700	\$ 514,400
Derivative instruments	7	—	1,488
Utility deposits		48	62
Total non-current assets		265,748	515,950
Current assets:			
Resident and other receivables	8	625	483
Prepaid expenses and deposits	9	12	8
Restricted cash	10	3,806	7,426
Cash		3,067	2,080
Total current assets		7,510	9,997
TOTAL ASSETS		\$ 273,258	\$ 525,947
LIABILITIES			
Non-current liabilities:			
Loans payable	11	\$ 81,512	\$ 369,191
Preferred shares - U.S. REIT series A	12	125	125
Total non-current liabilities		81,637	369,316
Current liabilities:			
Loans payable	11	173,682	89,663
Resident rental deposits and prepayments		439	899
Finance costs payable		1,331	1,649
Accounts payable and accrued liabilities	13	7,857	5,406
Total current liabilities		183,309	97,617
TOTAL LIABILITIES		264,946	466,933
EQUITY			
Attributable to Partners	14(a)	9,932	59,628
Attributable to non-controlling interests	15	(1,620)	(614)
TOTAL EQUITY		8,312	59,014
TOTAL LIABILITIES AND EQUITY		\$ 273,258	\$ 525,947

Commitments and contingencies (note 20)

Subsequent events (note 25)

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors of Starlight U.S. Residential (Multi-Family) Investment LP on March 24, 2026, and signed on its behalf:

Kelly Smith Director

Harry Rosenbaum Director

STARLIGHT U.S. RESIDENTIAL (MULTI-FAMILY) INVESTMENT LP

Consolidated Statement of Loss and Comprehensive Loss

For the years ended December 31, 2025 and 2024

(In thousands of U.S. dollars)

	Notes	December 31, 2025	December 31, 2024
Revenue from property operations		\$ 31,063	\$ 40,051
Expenses:			
Property operating		(8,387)	(10,602)
Property taxes		(3,626)	(4,071)
Income from rental operations		19,050	25,378
Other income (expenses):			
Partnership expenses	16	(3,745)	(2,243)
Finance costs	17	(27,418)	(36,442)
Dividends to preferred shareholders - U.S. REIT series A	12	(16)	(16)
Fair value adjustment of investment properties	6	(27,646)	(45,725)
Loss before income taxes		(39,775)	(59,048)
Income tax expense:			
Current		(53)	(63)
Net loss and comprehensive loss		\$ (39,828)	\$ (59,111)
Net loss and comprehensive loss attributable to:			
Partners		(38,795)	(58,119)
Non-controlling interests	15	(1,033)	(992)
Net loss and comprehensive loss		\$ (39,828)	\$ (59,111)

See accompanying notes to the consolidated financial statements.

STARLIGHT U.S. RESIDENTIAL (MULTI-FAMILY) INVESTMENT LP

Consolidated Statement of Changes in Equity
For the years ended December 31, 2025 and 2024
(In thousands of U.S. dollars)

Balance, January 1, 2025	\$	59,628
Changes during the year:		
Net transfers ⁽¹⁾		(10,901)
Net loss and comprehensive loss		(38,795)
Balance, December 31, 2025	\$	9,932

⁽¹⁾ Net transfers represent amounts transferred to the previous owner of Starlight U.S. Residential (Multi-Family) Investment L.P., Starlight U.S. Residential Fund. Prior to the reorganization outlined in Note 1, Starlight U.S. Residential (Multi-Family) Investment L.P. had transferred funds to this entity to repay loans and administrative costs of the consolidated structure at that time.

Balance, January 1, 2024	\$	122,289
Changes during the year:		
Net transfers ⁽¹⁾		(4,542)
Net loss and comprehensive loss		(58,119)
Balance, December 31, 2024	\$	59,628

⁽¹⁾ Net transfers represent amounts transferred to the previous owner of Starlight U.S. Residential (Multi-Family) Investment L.P., Starlight U.S. Residential Fund. Prior to the reorganization outlined in Note 1, Starlight U.S. Residential (Multi-Family) Investment L.P. had transferred funds to this entity to repay loans and administrative costs of the consolidated structure at that time.

See accompanying notes to the consolidated financial statements including note 14 for a description of class B Units ("Class B LP Units") of Starlight U.S. Residential (Multi-Family) Investment L.P.

STARLIGHT U.S. RESIDENTIAL (MULTI-FAMILY) INVESTMENT LP

Consolidated Statement of Cash Flows

For the years ended December 31, 2025 and 2024

(In thousands of U.S. dollars)

	Notes	December 31, 2025	December 31, 2024
Operating activities:			
Net loss and comprehensive loss		\$ (39,828)	\$ (59,111)
Adjustments for financing activities included in loss:			
Finance costs	17	27,418	36,442
Dividends to preferred shareholders - U.S. REIT series A	12	16	16
Adjustment for item not involving cash:			
Fair value adjustment of investment properties	6	27,646	45,725
Change in non-cash operating working capital	18(a)	1,861	2,173
Change in restricted cash	10	3,620	(2,300)
Cash provided by operating activities		20,733	22,945
Investing activities:			
Dispositions of investment properties	5	223,700	—
Additions to investment properties	6	(2,646)	(3,725)
Cash provided by (used in) investing activities		221,054	(3,725)
Financing activities:			
Loans payable:			
Proceeds from new financing	11	—	18,277
Proceeds from refinancing	11	—	62,223
Repayment of existing loans payable	11	(210,602)	(62,614)
Draw downs on existing loans	11	5,688	3,236
Finance costs paid	18(b)	(24,996)	(34,736)
Contributions from non-controlling interest	15	27	327
Net transfers ⁽¹⁾	14(a)	(10,901)	(4,542)
Dividends to preferred shareholders - U.S. REIT series A	12	(16)	(16)
Cash used in financing activities		(240,800)	(17,845)
Increase in cash		987	1,375
Cash, beginning of year		2,080	705
Cash, end of year		\$ 3,067	\$ 2,080

⁽¹⁾ Net transfers represent amounts transferred to the previous owner of Starlight U.S. Residential (Multi-Family) Investment L.P., Starlight U.S. Residential Fund. Prior to the reorganization outlined in Note 1, Starlight U.S. Residential (Multi-Family) Investment L.P. had transferred funds to this entity to repay loans and administrative costs of the consolidated structure at that time.

See accompanying notes to the consolidated financial statements.

STARLIGHT U.S. RESIDENTIAL (MULTI-FAMILY) INVESTMENT LP

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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

1. Nature of business

Starlight U.S. Residential (Multi-Family) Investment L.P. ("SURF LP") is a "closed-end" limited partnership, established under and governed by the laws of the Province of Ontario, pursuant to an amended and restated limited partnership agreement (the "LPA"). Until December 29, 2025, SURF LP was a wholly owned subsidiary of Starlight U.S. Residential Fund (the "Fund"). On December 30, 2025 (the "Reorganization Date"), SURF LP and the Fund completed a reorganization transaction (the "Reorganization"), pursuant to which unitholders of the Fund (the "Former Unitholders") and holders of Class B LP Units in SURF LP ("Class B LP Unitholders") received Canadian dollar denominated class A limited partnership units of SURF LP ("SURF LP Units") based on a defined exchange ratio. As a result, the Former Unitholders and Class B LP Unitholders (collectively the "Partners") became the unitholders of SURF LP and its subsidiaries.

In connection with the Reorganization, the LPA was amended and restated as of the Reorganization Date to reflect, where applicable, the terms of the Fund's amended and restated declaration of trust (the "Declaration of Trust"). SURF LP became a reporting issuer in the applicable Canadian jurisdictions, with SURF LP Units listed on the TSX Venture Exchange ("TSXV") under the symbol "SURF.UN". The term of SURF LP (the "Term") has been extended to November 15, 2029, representing a three-year extension from the Fund's prior expiry date of November 15, 2026. As a result of the Reorganization, SURF LP now carries on the multi-family residential real estate business previously carried on by the Fund.

SURF LP was established for the primary purpose of directly or indirectly acquiring, owning and operating a portfolio primarily comprised of income-producing residential properties in the United States ("U.S.") residential real estate market that can achieve significant increases in rental rates as a result of undertaking high return, value-add capital expenditures and active asset management, that are located primarily in the States of Arizona, California, Colorado, Florida, Georgia, Idaho, Nevada, North Carolina, Oregon, South Carolina, Tennessee, Texas, Utah and Washington ("Primary Markets").

On November 15, 2021, SURF LP had equity contributed by the Partners which included the Fund contributing a portion of the proceeds of its initial public offering (the "Offering"), which was completed on the same day. The Offering, together with a concurrent private placement of class I trust units amounting to aggregate gross proceeds of \$249,568 by issuing the following trust units of the Fund ("Units"): 3,422,689 class A Units; 3,430,000 class C Units (including 750,000 Class B LP Units assumed to be converted into class C Units for this purpose); 10,923,370 class D Units, 6,561,866 class F Units and 3,500,000 class I Units at a price of \$10.00 Canadian dollars ("C\$") per Unit and 699,990 class E Units; 801,485 class G Units and 1,188,200 class U Units, at a price of \$10.00 per Unit. The class A and class U Units distributed under the Offering were listed on the TSXV under the symbols SURF.A and SURF.U, respectively. Class A, C, D, F, I and Class B LP Units were Canadian dollar denominated Units and class E, G and U were U.S. dollar denominated Units. Conversions could be made between certain classes of Units based on conversion ratios (the "Conversion Ratios") calculated consistent with the Declaration of Trust. Upon completion of the Reorganization, all Units of the Fund, including the Class B LP Units of SURF LP, were converted into 32,583,440 SURF LP Units, and Starlight U.S. Residential Fund ceased to be a reporting issuer. The Fund's class A and class U Units were delisted from the TSXV effective at the close of business on December 23, 2025. SURF LP Units commenced trading on the TSXV under the symbol "SURF.UN" at the opening of trading on December 31, 2025. As noted above, the Units previously outstanding in the Fund were exchanged for SURF LP Units.

Following completion of the Offering, SURF LP acquired three class "A" institutional quality multi-family properties comprising a total of 1,133 suites which include Bainbridge Sunlake ("Sunlake"), Indigo Apartments ("Indigo") and Lyric Apartments ("Lyric"), located in the States of Florida, North Carolina and Nevada, in the Tampa, Raleigh and Las Vegas metropolitan areas, respectively. Subsequent to the Offering, SURF LP acquired an additional multi-family property, Emerson at Buda ("Emerson"), located in Austin, Texas in 2021. During the year ended December 31, 2022, SURF LP acquired Eight at East, a multi-family property comprising 264 suites in Orlando, Florida and acquired a 90% interest in Ventura Mezz LLC (the remaining 10% interest in Ventura Mezz LLC is owned by an affiliate of the Manager (as defined below)), which indirectly owns the Ventura ("Ventura"), a multi-family property

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comprising 272 suites in Phoenix, Arizona. SURF LP's multi-family properties are collectively the "Properties". During 2025, the Fund completed the disposition of Lyric, Eight at East and Emerson, respectively (note 5), while remaining three Properties continuing to be owned by SURF LP.

SURF LP is managed by Starlight Investments US AM Group LP (the "Manager") which is a wholly-owned subsidiary of Starlight Group Property Holdings Inc. ("Starlight Group") and a related party. As at December 31, 2025, SURF LP's property portfolio consisted of interests in three Properties comprising 1,029 suites. (December 31, 2024 - 1,973).

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

2. Basis of presentation

(a) Statement of compliance:

These consolidated financial statements of SURF LP and its subsidiaries have been prepared by management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and using the accounting policies described herein.

(b) Basis of measurement and going concern:

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

The application of the going concern basis of presentation assumes that SURF LP will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

SURF LP strives to maintain strong and collaborative relationships with its lenders but the elevated level of interest rates and associated impact on capitalization rates described in note 23(c) had a negative impact on SURF LP's overall leverage position and debt service coverage ratios, both of which are typical financial benchmarks required to extend certain loans and as a result, these changes have impacted SURF LP's ability to exercise certain extension options available under existing loans payable. Under the terms of each applicable loan agreement, SURF LP has the right to make a principal repayment towards such loan in order to achieve the extension tests that otherwise may not be achieved. Given SURF LP was formed as a "closed-end" investment vehicle, SURF LP is restricted from raising any additional equity, which may have otherwise assisted in making any principal repayments of the loans payable in order to meet certain extension conditions. In the event SURF LP is not able to refinance the loan or if SURF LP does not have sufficient liquidity or other sources of capital sufficient to make any such principal repayments required to achieve the applicable loan extension tests and SURF LP is not able to otherwise negotiate an extension of such loan, the applicable lender may provide formal notice of an event of default expressing its right to demand repayment of the borrowings relating to such property. Under this scenario, SURF LP may be obligated to sell such properties which may not be able to be completed on terms that are acceptable to SURF LP or may be required to explore other options in the best economic interests of SURF LP in order to discharge its obligations under any of the applicable loan agreements. SURF LP's loans payable also do not carry cross-default provisions.

The loan payable secured by interests in Ventura property matured on February 9, 2026 and despite continuing to enter into good faith negotiations with first mortgage lender for Ventura, SURF LP received a notice of a maturity default notice (the "Notice") from the lender of the loan secured by Ventura (the "Lender"). The Notice received expresses the Lender's right to demand repayment of the borrowings secured by the property. In the absence of a negotiated modification and extension of such loan, the Lender has the right to exercise the remedies available to it under the loan agreement, including a foreclosure of the property. If the Notice was successfully defended by the Lender and such remedies were exercised, the Lender would be able to foreclose on the property through a foreclosure sale process or a third party purchaser at the foreclosure sale, with the proceeds of the sale applied to

STARLIGHT U.S. RESIDENTIAL (MULTI-FAMILY) INVESTMENT LP

Notes to the Consolidated Financial Statements

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

amounts owed to Lender under the loan. As of the date of issuance of these financial statements, the Lender has not exercised any such remedies and SURF LP continues to enter into good faith negotiations with such Lender. SURF LP does not expect a material impact on its net asset value as a result of any remedies the lender may exercise.

On July 17, 2025, SURF LP extended the loan payable secured by Sunlake property to June 1, 2026. However, during the three months ended December 31, 2025, SURF LP received a Notice from the Lender of the Sunlake loan payable which outlined certain Remedies Available to such Lender. SURF LP does not agree that an event of default has occurred and is disputing the Notice. As of the date of issuance of these financial statements, the Lender has not exercised any such Remedies Available and SURF LP continues to enter into good faith negotiations with such Lender.

For the loan payable secured by certain pledged interests in the Emerson property ("Pledged Interests"), SURF LP was pursuing a loan extension but during the three months ended September 30, 2025, SURF LP received a Notice from the applicable Lender. The Notice received expressed the Lender's right to demand repayment of the borrowings secured by the Pledged Interests. The Lender of such property decided to exercise such Remedies Available and on October 21, 2025, finalized foreclosure proceedings of Emerson through a public auction which resulted in the transfer of ownership of Emerson to a third party. The transfer of the Emerson resulted in no net proceeds to SURF LP (note 5). The loans secured by Emerson did not carry cross-default provisions with any other loans payable outstanding for SURF LP and SURF LP does not expect a material impact on its net asset value as a result of any such transfer.

For the Eight at East loan payable, SURF LP amended the loan agreement to obtain a short-term extension to September 7, 2025 and on August 12, 2025, completed the disposition of such property and repaid the applicable loan secured by the Eight at East property in full at that time (note 5).

For two of SURF LP's three properties, the fair value reported for such properties as at December 31, 2025 was lower than the principal outstanding under the loans payable secured by such properties and as a result, the sale of those properties may not be sufficient to repay those loans in full if such sale was required. In certain instances, the lenders also hold restricted cash as part of the security for such loans which in a liquidation event may be used to repay any indebtedness required to be repaid by SURF LP. SURF LP's secured loans are non-recourse subject to standard limited recourse provisions and are entered into by the subsidiaries of SURF LP that own only the associated secured property. As a result, the liability for any such loan would typically be limited to the value of the associated secured property, including any restricted cash reserves or other amounts held by the applicable lenders, other than in certain instances which may obligate SURF LP to incur certain costs or other amounts subject to certain performance conditions.

SURF LP previously amended several of its loan agreements, completed the Reorganization, deferred the payment of asset management fees and has continued to focus on maximizing net operating income ("NOI") at the Properties to preserve as much liquidity as possible. There are no assurances that the above aforementioned financing activities and remaining property dispositions will be successfully completed which indicates the existence of a material uncertainty that may cast doubt upon SURF LP's ability to realize its assets and discharge its liabilities in the normal course of business and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that may be necessary if SURF LP were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments, if required, may be material.

(c) Functional and presentation currency:

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

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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

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

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

3. Material accounting policies

(a) Basis of consolidation:

The consolidated financial statements comprise the financial statements of SURF LP and its subsidiaries. All intercompany transactions and account balances have been eliminated upon consolidation.

When SURF LP is exposed to or has rights to variable returns from its involvement with an investee and has the ability to affect those returns through its power over such investee, the investee is considered a subsidiary. The existence and effect of potential substantive voting rights that are currently exercisable or convertible are considered when assessing whether SURF LP controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by SURF LP and are de-consolidated from the date control ceases. The financial statements of subsidiaries are prepared for the same reporting period as SURF LP using consistent accounting policies.

The following significant entities operate as wholly owned subsidiaries of SURF LP:

- Starlight U.S. Residential (Multi-Family) Holding L.P. (“Holding LP”); and
- Starlight U.S. Residential (Multi-Family) REIT Inc. (“U.S. MF REIT”).

(b) Critical judgments and estimates:

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

(i) 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. SURF LP’s acquisitions are generally determined to be asset purchases as SURF LP does not acquire an integrated set of activities that together significantly contribute to the ability to create outputs as part of the acquisition transaction. For asset acquisitions, the total cost is allocated to the identifiable assets and liabilities on the basis of their relative fair values on the acquisition date.

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(ii) 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 SURF LP to its counterparties, the credit risk of SURF LP's counterparties relative to SURF LP, the estimated future cash flows and discount rates.

(iii) 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 are based on rental income from current leases, assumptions about occupancy rates, and market rents from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. SURF LP typically determines fair value internally utilizing financial information, external market data and capitalization rates provided by independent industry experts through third-party appraisals for the Properties. In addition, SURF LP obtains valuations from third-party appraisers at least once annually for each Property.

1. Income taxes:

SURF LP applies judgment in determining the tax rates applicable to its subsidiaries and identifying the temporary differences in each such legal subsidiary in respect of which deferred income taxes are recognized. Deferred taxes relate to temporary differences arising from SURF LP's subsidiaries and are measured based on tax rates that are expected to apply in the year when the asset is realized, or the liability is settled.

Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

SURF LP's estimate of deferred taxes is based on the assumption that SURF LP's liquidating event occurs either through a direct sale of the investment properties or through a disposition of its ownership interests in its U.S. subsidiaries.

Certain subsidiaries of SURF LP have net operating losses for U.S. tax purposes which may potentially be used to offset any income or gains generated by such subsidiaries of SURF LP. As at December 31, 2025, SURF LP estimated the accumulated net operating losses for U.S. tax purposes for such applicable subsidiaries to be approximately \$60,238, with such amounts finalized at the time the final U.S. tax returns for the applicable entities are filed for the 2025 fiscal year. As at December 31, 2024, certain entities of SURF LP had accumulated net operating losses of \$12,769 for Canadian tax purposes. Additional net operating losses will be finalized upon filing the Canadian tax returns for the applicable entities for the 2025 fiscal year.

In addition, temporary differences exist between the inside basis and the accounting basis of SURF LP's Properties, for which deferred tax assets have not been booked for such amounts in the consolidated financial statements.

(iv) Carried interest:

The determination by SURF LP as at the consolidated statement of financial position date as to whether a provision for carried interest should be recognized to the partners of Starlight Investment Residential Partnership ("SIRP") is based, among other criteria, on SURF LP's analysis of the equity attributable to the Partners, distributions paid to the Partners, since the formation of the Fund and SURF LP's ability to meet the requirement to return the initial investment amount contributed by the Partners. The terms of the carried interest are outlined in note 14(b). Pursuant to the terms of the Reorganization, the Fund and SURF LP signed an agreement with the partners of the SIRP to extinguish any entitlements to these carried interest provisions which could have been payable by the Fund in future periods.

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(v) Non-controlling interests:

The determination of non-controlling interests requires management to evaluate whether SURF LP controls an investee and to assess the nature of ownership interests held by third parties. This evaluation affects whether an entity is consolidated and how the results and net assets of the subsidiary are attributed between the Fund and third-party unitholders. In performing this assessment, management reviews the relevant arrangements to determine decision-making rights, exposure to variable returns and the ability to influence those returns. Where SURF LP concludes that control exists and ownership is not wholly owned, non-controlling interests are recognized and measured in accordance with SURF LP's accounting policies.

(c) Investment properties:

SURF LP selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties include land and building structures, as well as residential suites situated on the properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statement of loss and comprehensive loss in the period in which they arise.

Fair values are primarily determined by using the capitalized NOI method which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are 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. SURF LP determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by industry experts and third-party appraisals. Gains and losses arising from changes in the fair value or disposal of investment properties are included in the consolidated statement of loss and comprehensive loss in the period in which they arise. Subsequent capital expenditures are added to the carrying value of investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(d) Cash and restricted cash:

Cash includes unrestricted cash and balances held with banks. Restricted cash includes cash on hand which can only be used for specified purposes including resident security deposits, amounts held by lenders for insurance, property taxes, repairs and replacements as well as other cash held by third parties on behalf of SURF LP. SURF LP may also internally restrict cash, if necessary.

(e) Non-controlling interests:

Non-controlling interests represent equity interests in subsidiaries that are not attributable, directly or indirectly to SURF LP. Non-controlling interests are presented in the consolidated statement of financial position, separately from the equity attributable to Partners of SURF LP. Where control is obtained through the acquisition of an entity that does not meet the definition of a business under IFRS 3 "Business Combinations", and is therefore accounted for as an asset acquisition, non-controlling interests are recognized at their proportionate share of the net identifiable assets of the subsidiary at the acquisition date, with no goodwill recognized or attributed to non-controlling interests. Profit or loss and each component of other comprehensive income are attributed to SURF LP and to the non-controlling interests in proportion to their ownership interests. Changes in SURF LP's ownership interest in a subsidiary that do not result in a loss of control are accounted for as transactions with non-controlling interests, with carrying amounts of the controlling and non-controlling interests adjusted to reflect the change in their relative ownership interests with no gain or loss is recognized in profit or loss.

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(f) Revenue recognition:

SURF LP has retained substantially all the risks and benefits of ownership of its investment properties and therefore accounts for its leases with residents as operating leases.

Revenue from investment properties includes all rental income earned from the property, including residential rental income, parking income, waste removal income and all other incidental income paid by the residents and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a resident has a right to use the leased asset and collection is reasonably assured. Revenue is recognized pursuant to the terms of the lease agreements.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the leases. All other incidental income is recognized as revenue upon provision of goods and services when collectability is reasonably assured.

Operating expense recoveries are recognized in the period in which recoverable costs are chargeable to residents. Where a resident is legally responsible for operating expenses and pays them directly in accordance with the terms of the lease, SURF LP does not recognize the expenses or any related recovery revenue.

SURF LP uses the direct write-off method to recognize the inability of residents to meet the contractual obligations under their lease agreements. Under this method, any amounts receivable are written off directly against revenues as bad debt once SURF LP has determined such amounts to be uncollectible. As a result, SURF LP does not maintain an allowance for doubtful accounts for estimated losses.

(g) Finance costs:

Finance costs consist of interest on loans payable, amortization of financing costs related to loans payable, amortization of loan premiums and discounts, gains or losses from early extinguishment of debt, distributions to Partners and fair value changes in derivative instruments. Distributions to Partners are separately presented on the consolidated statement of loss and comprehensive loss.

(h) Financial instruments:

Financial assets are classified and measured based on one of the following three categories:

- (i) Fair value through profit and loss ("FVTPL");
- (ii) Fair value through other comprehensive income ("FVTOCI"); and
- (iii) Amortized cost

Financial liabilities are classified and measured based on one of the following two categories:

- (i) FVTPL; and
- (ii) Amortized cost

Financial instruments are recognized initially at fair value. Financial instruments classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as FVTOCI are subsequently measured at fair value and any unrealized gains or losses are recognized through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and SURF LP's business model for managing them.

Financial assets are not reclassified subsequent to their initial recognition unless SURF LP changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- (i) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) Its contractual terms give rise on specified dates to cash flows that are solely payments of principals and interests on the principal amount outstanding.

For all financial assets, SURF LP makes an assessment of the objective of the business model in which a financial asset is held in order to determine the appropriate classification.

In assessing whether the contractual cash flows are solely payments of principals and interests, SURF LP considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, SURF LP considers:

- (i) Contingent events that would change the amount or timing of cash flows;
- (ii) Terms that may adjust the contractual coupon rate, including variable-rate features; prepayment and extension features; and
- (iii) Terms that limit SURF LP's claim to cash flows from specified assets (e.g. non-recourse features).

SURF LP has made the following classifications and measurement determinations for its financial assets and liabilities:

	Classification / measurement
Financial assets:	
Derivative instruments	FVTPL
Utility deposits	Amortized cost
Resident and other receivables	Amortized cost
Cash	Amortized cost
Restricted cash	Amortized cost
Financial liabilities:	
Loans payable	Amortized cost
Preferred shares - U.S. REIT series A	Amortized cost
Resident rental deposits and prepayments	Amortized cost
Finance costs payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate ("EIR") over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Financial liabilities are discharged when the contractual obligations are discharged, canceled or expired.

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(i) Income taxes:

Canadian status

SURF LP is not subject to tax under Part I of the *Income Tax Act (Canada)* (the “Tax Act”). Each Partner is required to include in computing the Partner’s income for a particular taxation year the Partner’s share of the income or loss of SURF LP allocated to the Partner for its year ended in or on the Partner’s taxation year-end, whether or not any of that income or loss is distributed to the Partner in the taxation year.

Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act. The Tax Act contains specified investment flow-through (“SIFT”) rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the “SIFT Measures”). A “SIFT partnership” (as defined in the Tax Act) will be subject to SIFT tax on its “taxable non-portfolio earnings” (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations.

The “taxable non-portfolio earnings” less SIFT tax payable by a SIFT partnership will also be included in computing income of the Partners for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any “non-portfolio property” (as defined in the Tax Act) throughout the taxation year of the partnership.

SURF LP believes that it does not hold any “non-portfolio property” and is not a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. SURF LP intends to continue to operate SURF LP in such a manner so as to remain exempt from the SIFT Measures on a continuous basis in the future. However, SURF LP’s continued exemption will depend upon meeting, through actual operating results, various conditions imposed by the SIFT Measures. If SURF LP becomes a SIFT partnership, it will be generally subject to income taxes at regular Canadian corporate rates on its taxable non-portfolio earnings, if any.

U.S. status

Current taxes

The U.S. MF REIT, which is the underlying subsidiary of SURF LP has made, and intends to maintain, an election to be treated as a real estate investment trust under the Code (“U.S. REIT”). In order for the U.S. REIT to qualify, and to maintain its status, as a real estate investment trust, it must meet a number of organizational and operational requirements, including a requirement to make annual distributions to its stockholders equal to a minimum of 90% of its taxable income, computed without regards to dividends paid deductions and net capital gains.

The U.S. REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed as a dividend to its stockholders annually. SURF LP believes that the U.S. REIT’s organization, ownership, method of operations, future assets and future income will enable the U.S. REIT to continue to qualify as a real estate investment trust under the Code. Accordingly, no provision for U.S. federal income and excise taxes has been made with respect to the income of the U.S. REIT.

SURF LP intends to operate the U.S. REIT in such a manner for it to qualify as a real estate investment trust on a continuous basis in the future. However, actual qualification as a real estate investment trust will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code.

If the U.S. REIT fails to qualify as a real estate investment trust in any taxable year, it will be subject to U.S. federal and state income taxes at regular U.S. corporate rates. In addition, the U.S. REIT may not be able to requalify as a real estate investment trust for the four subsequent taxable years. Even if the U.S. REIT qualifies as a real estate investment trust, the U.S. REIT may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

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SURF LP is treated as a partnership for Canadian tax purposes but has elected to be treated as a corporation for U.S. federal income tax purposes. As such, SURF LP would generally be subject to U.S. tax in respect of its allocable share of:

- (i) Capital gain distributions made by the U.S. REIT,
- (ii) Gain upon a sale of the shares of the U.S. REIT, and
- (iii) Distributions made by the U.S. REIT in excess of both its (a) current and/or accumulated earnings and profits (as determined under U.S. tax principles) and (b) the adjusted tax basis in the U.S. REIT shares held by the respective Holding LP.

The Holding LP will be required to remit U.S. withholding tax with respect to SURF LP's allocable share of the above specified gains and/or distributions from the Holding LP and/or the U.S. REIT. SURF LP may claim such U.S. withholding tax withheld as a credit against SURF LP's final U.S. federal income tax liability with respect to its allocable share of the above specified gains and/or distributions from the Holding LP and/or the U.S. REIT.

U.S. taxes paid or considered to have been paid by SURF LP will be allocated pursuant to its LPA provided SURF LP makes appropriate designations, and SURF LP's allocated share will be deemed to have been paid pro rata by Partners in accordance with SURF LP's LPA.

The availability of a foreign tax credit or foreign tax deduction in respect of foreign source income allocated to Partners by SURF LP will be subject to the detailed rules contained in the Tax Act and each Partner's particular circumstances. Although the foreign tax credit provisions of the Tax Act are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, double taxation may arise.

Deferred taxes

As at December 31, 2025, a deferred tax liability of \$nil (December 31, 2024 - \$nil) for SURF LP was accrued based on a blended state and federal tax rate of 24.11%. Any deferred tax liability relates to the difference between the fair value of the investment properties and their tax basis as of December 31, 2025. SURF LP will bear this tax liability on the disposition of the real estate directly or SURF LP's interests in its U.S. subsidiaries, avoiding any tax filing obligations or payment of U.S. taxes by the Partners.

(j) Levies:

Levies are outflows from the investment properties imposed by a government in accordance with legislation. SURF LP has assessed property taxes as being in the scope of International Financial Reporting Interpretations Committee Interpretation 21, Levies ("IFRIC 21"), given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and based on property value. IFRIC 21 confirms that an entity shall recognize an asset if it has a prepaid levy but does not yet have a present obligation to pay that levy. SURF LP has determined that the liability to pay property taxes is an obligating event to pay a levy at a point in time and therefore recognizes the liability and the expense at the time the obligation is crystallized, which is at the beginning of the fiscal year in most cases.

(k) Provisions:

A provision is a liability of uncertain timing or amount. Provisions are recognized when SURF LP has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to settle the obligation using a discount rate that reflects current market assessment considering the time value of money and the risks specific to the obligation. Provisions are re-measured at each statement of financial position date using the current discount rate. The increase in the provision due to the passage of time is recognized as a finance cost.

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4. Adoption of accounting standards

Future accounting policy changes:

(a) Amendments to the Classification and Measurement of Financial Instruments which amended IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures:

The amendments will address diversity in accounting practice by making the requirements more understandable and consistent. These amendments are effective for annual periods beginning on or after January 1, 2026, with early application permitted. SURF LP is currently evaluating the impact of these amendments on future periods.

(b) IFRS 18 Presentation and Disclosure in Financial Statements (“IFRS 18”):

The new standard, IFRS 18, replaces IAS 1 Presentation of Financial Statements while carrying forward many of the requirements in IAS 1. IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. It introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies.

The standard is effective for annual periods beginning on or after January 1, 2027, with restatement of the comparative period being required and early application permitted. SURF LP is currently evaluating the impact of this amendment on future periods and does not anticipate a material impact to SURF LP as a result of IFRS 18.

(c) IFRS 19 Subsidiaries without Public Accountability : Disclosures (“IFRS 19”):

The new standard, IFRS 19, enables subsidiaries to keep only one set of accounting records to meet the needs of both their parent company and the users of their financial statements and reduces disclosure requirements. The standard is effective for annual periods beginning on or after January 1, 2027, with early application permitted. SURF LP is currently evaluating the impact of this amendment on future periods and does not anticipate a material impact to SURF LP as a result of IFRS 19.

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5. Dispositions

The following asset dispositions were completed during the year ended December 31, 2025. The fair value of consideration has been allocated to the identifiable assets and liabilities sold based on their fair values at the date of dispositions as follows:

	Lyric	Eight at East	Emerson	Total
Disposition date	April 29, 2025	August 12, 2025	October 21, 2025	
City, state/region	Las Vegas, Nevada	Orange County, FL	Austin, Texas	
Investment properties	\$ 103,500	\$ 64,700	\$ 55,500	\$ 223,700
Add:				
Resident and other receivables	70	24	273	367
Prepaid expenses and deposits	—	—	24	24
Restricted cash	85	1,882	3,104	5,071
Deduct:				
Finance costs payable	(318)	(51)	(2,261)	(2,630)
Transaction costs ⁽¹⁾	(651)	(595)	—	(1,246)
Resident rental deposits and prepayments	(74)	(745)	(729)	(1,548)
Accounts payable and accrued liabilities	(216)	(110)	(440)	(766)
Net proceeds from disposition before repayment of loans	\$ 102,396	\$ 65,105	\$ 55,471	\$ 222,972
Gain on extinguishment of debt ⁽²⁾	—	—	1,209	1,209
Repayment of first mortgages ⁽²⁾	(86,697)	(64,225)	(56,680)	(207,602)
Transfer to former owner ⁽³⁾	(13,605)	—	—	(13,605)
Net proceeds from disposition	\$ 2,094	\$ 880	\$ —	\$ 2,974

⁽¹⁾ SURF LP incurred transaction costs of \$1,246 during the year ended December 31, 2025, which were recorded to partnership expenses within the consolidated statement of loss and comprehensive loss (note 16).

⁽²⁾ SURF LP used the proceeds to repay the first mortgages for Lyric of \$86,697 and Eight at East of \$64,225 (note 11). On October 21, 2025, the foreclosure proceedings for Emerson were finalized through a public auction which resulted in the transfer of ownership of Emerson to a third party. The transfer of the Emerson resulted in no net proceeds to SURF LP. As at the date of the transfer, the fair value of the Emerson loan payable was lower than value of the related investment property. Accordingly, SURF LP recognized a gain on extinguishment of such debt of \$1,209, which was recorded to finance costs within the consolidated statement of loss and comprehensive loss (notes 11 and 17).

⁽³⁾ SURF LP retained the remaining proceeds to fund existing operations and to distribute funds from the disposition of Lyric amounting to \$13,605 to the former owner of the Fund prior to the Reorganization to repay certain Fund level debt in SURF entity (notes 1 and 11).

There were no dispositions during the year ended December 31, 2024.

6. Investment properties

The following table summarizes the change in the investment properties for the years ended December 31, 2025 and 2024:

Balance, January 1, 2024	\$ 556,400
Additions	3,725
Fair value adjustment	(45,725)
Balance, December 31, 2024	\$ 514,400
Additions	2,646
Dispositions (note 5)	(223,700)
Fair value adjustment	(27,646)
Balance, December 31, 2025	\$ 265,700

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

	December 31, 2025	December 31, 2024
Cost	\$ 453,881	\$ 674,935
Cumulative fair value adjustments	(188,181)	(160,535)
Fair value	\$ 265,700	\$ 514,400

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

	December 31, 2025	December 31, 2024
Capitalization rate - range	5.00% - 5.25%	4.75% - 5.50%
Capitalization rate - weighted average	5.10 %	5.08 %

SURF LP determined the fair value of each Property using a combination of direct capitalization and direct cash flow methods. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair values of SURF LP's Properties are sensitive to changes in the key valuation assumptions. A 10 basis-point ("bps") change in the capitalization rates would result in a change to the estimated fair value of the Properties as set out in the following table:

Weighted average	Change	December 31, 2025	December 31, 2024
		MF Properties	MF Properties
Capitalization rate	10 bps increase	\$ (5,110)	\$ (9,931)
Capitalization rate	10 bps decrease	\$ 5,314	\$ 10,329

The impact of a one percent change in the NOI used to value the Properties as at December 31, 2025 would affect the fair value of the Properties by approximately \$3,335 (December 31, 2024 - \$6,391).

The Properties are considered as Level 3 assets under IFRS 13 - Fair value measurement due to the extent of assumptions required beyond observable market data to derive the fair values (note 23(b)).

7. Derivative instruments

The following table represents derivative financial instruments presented as assets of SURF LP:

	December 31, 2025	December 31, 2024
Interest rate caps	\$ —	\$ 1,488

SURF LP utilized interest rate cap agreements to protect its interest costs on its variable rate loans as required by applicable lenders. The interest rate caps typically carry a notional amount equal to the amount of the loan outstanding at inception and a maturity date which generally coincides with the term of the loan. As SURF LP has elected not to use hedge accounting, a realized fair value loss of \$1,682 was recorded in finance costs in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2025 (December 31, 2024 - loss of \$6,755), following the expiry of the all of SURF LP's interest rate caps during the year ended December 31, 2025.

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8. Resident and other receivables

The following table presents details of the resident and other receivables balance:

	December 31, 2025	December 31, 2024
Resident receivables ⁽¹⁾	\$ 13	\$ 97
Other receivables ⁽¹⁾	612	386
	\$ 625	\$ 483

⁽¹⁾ SURF LP holds no collateral in respect of resident and other receivables.

9. Prepaid expenses and deposits

The following table presents details of the prepaid expenses balance:

	December 31, 2025	December 31, 2024
Prepaid expenses	\$ 12	\$ 8

10. Restricted cash

The following table presents details of the restricted cash balance:

	December 31, 2025	December 31, 2024
Escrowed funds:		
Property taxes ⁽¹⁾	\$ 1,254	\$ 2,984
Property insurance ⁽¹⁾	412	607
Replacement and repairs ⁽¹⁾	1,493	2,055
Interest reserve ⁽²⁾	—	963
Transaction expense reserve ⁽³⁾	250	—
Restricted cash:		
Security deposits ⁽⁴⁾	397	817
	\$ 3,806	\$ 7,426

⁽¹⁾ Escrowed funds include cumulative amounts that are funded on a monthly basis into escrow with certain of SURF LP's lenders. These amounts are used to pay property taxes and insurance coming due within a 12-month period or repairs or upgrades at certain of the Properties. On April 29, 2025 and August 12, 2025, SURF LP completed the disposition of Lyric and Eight at East respectively, and on October 21, 2025, SURF LP transferred the ownership of Emerson to a third party (note 5). As a result, escrow funds held by the respective lenders amounting to \$1,941 were released.

⁽²⁾ Interest reserve includes amounts funded into escrow with certain of SURF LP's lenders which may be used to fund interest costs in future periods or released to SURF LP subject to certain conditions of each individual loan payable.

⁽³⁾ Transaction expense reserve includes amounts funded into escrow with certain of SURF LP's lenders which may be used to closing costs related to disposition of the Properties in future periods or released to SURF LP subject to certain conditions of each individual loan payable.

⁽⁴⁾ Security deposits relate to funds paid by residents that are specifically restricted until a resident exits a lease and are either refunded or applied to amounts due under their lease, as applicable.

11. Loans payable

Loans payable are secured against the applicable investment properties to which the loan relates and typically require interest only ("IO") payments until a specified date. Certain of the loans payable bear fixed interest rates except Ventura. These loans bear interest at variable index rates based on the 30-day New York Federal Reserve Secured Overnight Financing Rate ("NY SOFR") or Term SOFR plus an interest rate spread. Under certain loans, SURF LP had purchased an interest rate cap which provides for a maximum interest rate payable in the event the variable index rate is above the strike rate of the cap (note 7).

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A summary of SURF LP's loans payable is presented below:

Property ⁽¹⁾	Payment terms	Maturity date	Extension options ⁽²⁾	Interest rate ⁽³⁾	December 31, 2025		December 31, 2024	
					Capital line available	Principal outstanding	Capital line available	Principal outstanding
Sunlake (a)	IO	June 1, 2026	N/A	8.56%	\$ —	\$ 76,368	\$ —	\$ 75,000
Indigo	IO	June 28, 2029	N/A	5.85%	—	62,223	—	62,223
Lyric (b)	IO	N/A	N/A	N/A	—	—	—	89,697
Emerson (c)	IO	N/A	N/A	Term SOFR + 2.60%	—	—	1,006	56,681
Eight at East (d)	IO	N/A	N/A	N/A	—	—	—	64,225
Ventura (e)	IO	February 9, 2026	N/A	Term SOFR + 3.50%	—	97,474	—	94,623
Unsecured Financing (f)	IO	June 28, 2027	N/A	12.00%	—	20,335	—	18,865
Principal outstanding					\$ —	\$ 256,400	\$ 1,006	\$ 461,314
Unamortized financing costs						(1,206)		(2,460)
Carrying value						\$ 255,194		\$ 458,854
Breakdown of current versus non-current portion of carrying value:								
						\$ 173,682		\$ 89,663
						\$ 81,512		\$ 369,191

(1) The loans payable in the table above were primarily entered into on the date of acquisition of each respective Property owned by SURF LP, with the exception of the credit facility, unsecured financing and refinancing of Indigo. On the Reorganization Date, the Fund transferred its credit facility was assigned to SURF LP.

(2) Certain of SURF LP's loans payable had contractual maturity dates within twelve months of December 31, 2025, whereby SURF LP had extension options available to extend such applicable loans beyond such date, subject to meeting certain conditions as outlined in each applicable loan agreement. As at December 31, 2025, Sunlake and Ventura loans payable were classified as current, due to SURF LP exercising available extension options, where applicable. Loans payable of \$173,682 (net of \$160 of deferred financing costs) (December 31, 2024 - \$89,663, net of \$34 of deferred financing costs) were classified as current liabilities as they are due and payable within 12 months of the date of the consolidated statement of financial position.

(3) SURF LP utilized interest rate cap agreements to protect its interest costs on variable rate loans as required by certain lenders. In the event the strike rate of the interest rate cap is below the variable index rate (Term SOFR or NY SOFR) at a monthly settlement date, SURF LP's maximum interest rate payable would be equal to the credit spread plus the strike rate on the interest rate cap for each applicable loan. The terms of the applicable interest rate caps for SURF LP are outlined in note 7.

(a) On July 17, 2025, the Sunlake loan payable was extended by one-year to June 1, 2026. As per the terms of the extension, the loan is subject to certain performance conditions during the remaining loan term and bears interest-only payments at a fixed rate of 8.56% per annum with any debt service shortfall, as defined therein, being accrued and deferred until maturity. Any accrued debt service costs or debt service shortfall funding which have been deferred and are payable upon maturity of the loan are included in interest expense within the consolidated statement of loss and comprehensive loss (note 17) with an offsetting amount added to the loans payable principal outstanding which during the year ended December 31, 2025, amounted to \$1,368. As at December 31, 2025, SURF LP had accrued and deferred a total of \$1,368 of debt service costs which are included in the principal balance outstanding reported at such date (December 31, 2024 - \$nil). During the three months ended December 31, 2025, SURF LP received a Notice from the Lender of the Sunlake loan payable which outlined certain Remedies Available to such Lender. SURF LP does not agree that an event of default has occurred and is disputing the Notice. As of the date of issuance of these financial statements, the Lender has not exercised any such Remedies Available and SURF LP continues to enter into good faith negotiations with such Lender (note 2(b)).

(b) On April 29, 2025, SURF LP completed the disposition of Lyric (note 5) and used the proceeds to repay the outstanding loan principal balance of \$86,697 and to fully repay SURF LP credit facility balance of \$13,605 and its availability was reduced to \$2,395 as a result of the repayment.

(c) For the Emerson loan payable, SURF LP was pursuing a loan extension but during the three months ended September 30, 2025, SURF LP received a Notice from the applicable Lender. The Notice received expressed the Lender's right to demand repayment of the borrowings secured by the Pledged Interests. The Lender of such property decided to exercise such Remedies Available and on October 21, 2025, finalized foreclosure

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proceedings of Emerson through a public auction which resulted in the transfer of ownership of Emerson to a third party. The transfer of the Emerson resulted in no net proceeds to SURF LP. The loans secured by Emerson did not carry cross-default provisions with any other property in SURF LP (note 5).

(d) The Eight at East loan payable matured on May 7, 2025 and SURF LP was unable to meet the conditions required to extend the term under the loan agreement. The loan maturity was further extended to September 7, 2025 as part of negotiations with the lenders. On August 12, 2025, SURF LP completed the disposition of Eight at East for \$64,700 and repaid applicable first mortgage balance of \$64,225 (note 5).

(e) On May 1, 2024, SURF LP amended the Ventura loan payable to extend the term to February 9, 2026, discharged its obligation to purchase a replacement interest rate cap and defer a portion of the debt service at the property, whereby SURF LP can defer up to certain amounts per month subject to certain terms. The outstanding balance on any deferred amounts bears interest at 12.0% per annum, compounded monthly, which is accrued and payable at the time of repayment of such loan. Any accrued debt service costs or debt service shortfall funding which have been deferred and are payable upon maturity of the loan are included in interest expense within the consolidated statement of loss and comprehensive loss (note 17) with an offsetting amount added to the loans payable principal outstanding which during the year ended December 31, 2025, amounted to \$2,851. As at December 31, 2025, SURF LP had accrued and deferred a total of \$4,724 of debt service costs which are included in the principal balance outstanding reported at such date (December 31, 2024 - \$1,873), whereby such amounts bear interest at 12.0% per annum and the remaining principal outstanding on the Ventura loan payable at that time of \$92,750 bears interest at Term SOFR + 3.50%. On June 9, 2025, SURF LP finalized the modification of the Ventura loan payable to reduce SURF LP's monthly funding obligation for any debt service shortfall of the property to \$75 per month, effective retroactively as of February 9, 2025. Despite continuing to enter into good faith negotiations to extend or modify the Ventura loan payable, SURF LP received a maturity default notice from the lender of the first mortgage secured by Ventura. SURF LP continues to enter into good faith negotiations to extend such loan. SURF LP does not expect a material impact on its net asset value as a result of any remedies the lender may exercise (note 2(b)).

(f) On June 28, 2024, a subsidiary of SURF LP entered into an unsecured financing of \$18,277 for a three-year term, bearing monthly interest only payments at a minimum of 4.0% per annum ("Unsecured Financing"). To the extent there is sufficient operating cash flow from SURF LP's Indigo property after payment of any associated debt servicing costs for the first mortgage and the minimum 4.0% payment required under the Unsecured Financing, the monthly interest payment may increase up to a maximum of 12.0% per annum. To the extent the minimum monthly payment is less than the maximum 12.0% interest rate, the excess up to the maximum 12.0% interest rate is accrued and deferred to be payable upon maturity of the Unsecured Financing. Any accrued debt service costs or debt service shortfall funding which have been deferred and are payable upon maturity of the loan are included in interest expense within the consolidated statement of loss and comprehensive loss (note 17) with an offsetting amount added to the loans payable principal outstanding which during the year ended December 31, 2025, amounted to \$1,470. As at December 31, 2025, SURF LP had accrued and deferred a total of \$2,058 of debt service costs which are included in the principal balance outstanding reported at such date (December 31, 2024 - \$588).

As at December 31, 2025, SURF LP's loans payable had a weighted average term to maturity ("WATM") of 1.13 years (December 31, 2024 - 1.57 years) and a weighted average interest rate of 7.81% (December 31, 2024 - 6.10%). The weighted average interest rate is calculated includes the maximum 12.0% interest on the Unsecured Financing.

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Future principal payments on loans payable are as follows:

	Principal payments	Balloon payments	Total
2026 ⁽¹⁾	\$ —	\$ 173,842	\$ 173,842
2027	—	20,335	20,335
Thereafter	—	62,223	62,223
Total	\$ —	\$ 256,400	\$ 256,400

⁽¹⁾ SURF LP has shown the principal payments herein based on the initial maturity date of such loan. As no extension options are available as of the date of these consolidated financial statements, the balloon payments are based on the subsequent repayment of SURF LP's loans payable.

12. Preferred shares - U.S. Real Estate Investment Trust series A

The U.S. REIT has a total of 125 series A preferred shares issued and outstanding that are held by U.S. residents. The U.S. REIT's preferred shares were issued on January 6, 2022 and are redeemable at the option of the U.S. REIT at a redemption value of \$1 per share, subject to prepayment penalties under certain conditions. The preferred shares pay a cumulative dividend at 12% per annum, semi-annually on June 30 and December 31 and have no voting rights.

13. Accounts payable and accrued liabilities

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

	December 31, 2025	December 31, 2024
Resident prepayments	\$ 53	\$ 78
Operating payables	2,587	1,187
Accrued property taxes ⁽¹⁾	1,170	1,816
Accrued asset management fees (note 19)	3,927	2,204
Excise tax and franchise tax payable	120	121
	\$ 7,857	\$ 5,406

⁽¹⁾ Accrued property taxes represent property taxes incurred but not yet paid for Properties up to the date of the consolidated statement of financial position. As a result of the requirements of IFRIC 21, property taxes are to be disclosed separately between either property tax expenses or fair value adjustment to IFRIC 21. SURF LP recorded a property tax expense of \$4,763 for the year ended December 31, 2025 (December 31, 2024 - expense of \$4,608) and an IFRIC 21 fair value adjustment of \$1,137 for the year ended December 31, 2025 (December 31, 2024 - adjustment of \$537). Such amounts have been combined in the consolidated statement of loss and comprehensive loss and reported as property tax expense. Any given reporting period represents the actual property taxes incurred by SURF LP in such reporting period.

14. Partners' equity

(a) Composition of Partners' capital and beneficial ownership of SURF LP:

Prior to the Reorganization, SURF LP was owned by the Fund through class A limited partnership interests and an entity controlled by the Chief Executive Officer of SURF LP, Daniel Drimmer, via Class B LP Units. Each class of membership interest was entitled to a share of any distributions and net assets of the Fund based on certain entitlements for each class.

On completion of the Reorganization, the Former Unitholders of the Fund and Class B LP Unitholders in SURF LP received 32,583,440 Canadian dollar denominated SURF LP Units based on a defined exchange ratio. As a result, the Former Unitholders and Class B LP Unitholders became the unitholders or Partners of SURF LP and its subsidiaries. In addition, the Fund and SURF LP signed an agreement with the partners of the SIRP to extinguish any further carried interest liability, SURF LP and its subsidiaries would have for any such amounts.

For the year ended December 31, 2025, no distributions were declared and recorded to distribution expense (December 31, 2024 - \$nil).

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(b) Carried interest:

On completion of the Reorganization, the Fund and SURF LP signed an agreement with the partners of the SIRP to extinguish any entitlements to any previous carried interest provisions which could have been payable by the Fund or SURF LP in future periods.

As at December 31, 2025, SURF LP had not recognized a provision for carried interest (December 31, 2024 - \$nil), resulting in no expense for the year ended December 31, 2025 (December 31, 2024 - \$nil).

15. Non-controlling interests

The following table summarizes the change in non-controlling interests for the year ended December 31, 2025:

Balance, January 1, 2024	\$	51
Net loss attributable to Ventura non-controlling interest		(992)
Contributions from Ventura minority owner		327
Balance, December 31, 2024		(614)
Net loss attributable to Ventura non-controlling interest ⁽²⁾		(1,033)
Contributions from Ventura minority owner ⁽³⁾		27
Balance, December 31, 2025		(1,620)

⁽¹⁾ Given SURF LP's 90% indirect ownership interest in Ventura, SURF LP has control over Ventura and has wholly consolidated its financial position and results of operations in these consolidated financial statements.

⁽²⁾ During the years ended December 31, 2025, the proportionate share for the Ventura non-controlling interest revenues from property operations were \$594, property operating expenses were \$151 and finance costs were \$774. Net loss and comprehensive loss attributable to the non-controlling interest for the year ended December 31, 2025 was \$1,033.

⁽³⁾ During the year ended December 31, 2025, contributions of \$27 were accrued and due from Ventura minority owner.

16. Partnership expenses

Partnership expenses consist of the following:

	December 31, 2025	December 31, 2024
Asset management fees (note 19)	\$ 1,733	\$ 2,204
General and administrative expenses	155	39
Transaction costs ⁽¹⁾ (note 5)	1,857	—
	\$ 3,745	\$ 2,243

⁽¹⁾ Transaction costs include \$1,246 incurred on the disposition of Lyric, Eight at East and Emerson (note 5), as well as \$611 accrued and payable related to the Reorganization (note 13).

17. Finance costs

Finance costs consist of the following:

	December 31, 2025	December 31, 2024
Interest expense on loans payable ⁽¹⁾	\$ 25,167	\$ 27,247
Amortization of financing costs	1,778	2,346
(Gain) loss on early extinguishment of debt (note 5)	(1,209)	94
Fair value change on derivative financial instruments (note 7)	1,682	6,755
	\$ 27,418	\$ 36,442

⁽¹⁾ During the year ended December 31, 2025, interest expense on loans payable included debt service costs or debt service shortfall funding which have been deferred and are payable upon maturity of the loan which amounted to \$5,688 (note 11(a),(e) and (f)).

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18. Supplemental cash flow information

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

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

	December 31, 2025	December 31, 2024
Utility deposits	\$ 14	\$ 39
Resident and other receivables	(142)	104
Prepaid expenses and deposits	(4)	140
Resident rental deposits and prepayments	(460)	(31)
Accounts payable and accrued liabilities	2,453	1,921
	\$ 1,861	\$ 2,173

(b) Finance costs paid:

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

	December 31, 2025	December 31, 2024
Interest expense paid	\$ (23,615)	\$ (27,041)
Financing costs incurred on loans payable	(1,381)	(7,695)
	\$ (24,996)	\$ (34,736)

19. Transactions with related parties

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

The Manager is a related party to SURF LP as the Manager is owned and controlled by Daniel Drimmer, a director and President and Chief Executive Officer of Starlight Group and a director and Chief Executive Officer of SURF LP. SURF LP engaged the Manager to perform certain management services as outlined below:

(a) Pursuant to the management agreement dated November 15, 2021, as amended and restated on the Reorganization Date (the "Management Agreement"), the Manager is to perform asset management services for fees equal to 0.35% of the sum of: the historical purchase price of the properties acquired in U.S. dollars and the cost of any capital expenditures in respect of SURF LP's Properties since the date of acquisition by SURF LP. Included in partnership expenses were \$1,733 in asset management fees charged by the Manager (note 16) for the year ended December 31, 2025 (December 31, 2024 - \$2,204). On January 1, 2024, the Manager agreed to defer SURF LP's obligation to pay all asset management fees until further notice. As a result, the amount payable to the Manager as at December 31, 2025 was \$3,927 (December 31, 2024 - \$2,204), included in accounts payable and accrued liabilities (note 13).

(b) Pursuant to the Management Agreement, the Manager is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by SURF LP as a result of such properties having been presented to SURF LP by the Manager calculated as 1.0% of the purchase price of a multi-family property. For the year ended December 31, 2025, SURF LP did not incur acquisition fees (December 31, 2024 - \$nil).

(c) Pursuant to the Management Agreement, in the event that the Manager is required by the lenders of SURF LP to provide a financing guarantee in connection with the amount borrowed by SURF LP or its wholly owned subsidiaries to indirectly acquire an interest in the investment properties, SURF LP and the U.S. REIT will, in consideration for providing such guarantee, in aggregate, pay the Manager a guarantee fee represented by an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds. This fee is calculated and payable in arrears on the first day of each month. For the year ended December 31, 2025, SURF LP incurred

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guarantee fees of \$nil (December 31, 2024 - \$nil). Guarantee fees payable to the Manager as at December 31, 2025 was \$nil (December 31, 2024 - \$nil).

(d) Aggregate compensation to key management personnel was \$nil for the year ended December 31, 2025 as compensation of these individuals is paid by the Manager pursuant to the Management Agreement (December 31, 2024 - \$nil).

20. Commitments and contingencies

As at December 31, 2025, SURF LP had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of December 31, 2025 expire within 12 months. SURF LP holds commitments to provide for carried interest when applicable and to distribute excess cash to Partners.

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

21. Segmented disclosure

All of SURF LP's assets and liabilities are in, and its revenues are derived from the U.S. real estate industry segment. No single resident accounts for 10% or more of SURF LP's rental revenue.

22. Capital management

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

SURF LP's first mortgages are subject to a minimum net worth covenants ranging from approximately \$50,000 to \$75,000 as defined in each applicable loan agreement. As at December 31, 2025, SURF LP did not achieve the minimum net worth covenant for certain of SURF LP's first mortgage loan agreements. SURF LP's loans payable typically carry consolidated SURF LP minimum net worth and minimum liquidity covenants and typically have no specific financial covenants tied to the ongoing operations of the Property. As at December 31, 2025, SURF LP was in compliance with all of its financial covenants other than the minimum net worth covenant as mentioned above. Certain of SURF LP's loans also carry certain performance conditions which if not satisfied, may reduce SURF LP's ability to defer a portion of any debt service amounts that SURF LP otherwise may defer.

As at December 31, 2025, \$173,842 of SURF LP's loans payable had contractual maturity dates within twelve months of December 31, 2025. See note 23(c) for further details on liquidity risks of SURF LP.

23. Risk management

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

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The Properties mitigate the risk of credit loss with respect to residents by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, utilizing third party collection agencies for longstanding balances due from residents, and geographically diversifying the location of the Properties.

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SURF LP monitors its collection experience on at least a weekly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the consolidated statement of loss and comprehensive loss.

As at December 31, 2025, SURF LP had accrued no allowance for uncollectible amounts as such amounts are written off directly against revenues at that time. During the year ended December 31, 2025, SURF LP recorded a recovery of \$43 of bad debts, against revenues in the consolidated statement of loss and comprehensive loss (December 31, 2024 - expense of \$373).

SURF LP continues to actively monitor the impact of interest rates and inflation may have on credit risks applicable to SURF LP.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. The investment properties are subject to the risks associated with debt financing, including the risk that certain loans may not be refinanced on terms as favourable as those of the existing indebtedness, in the event that such refinancings occur in future periods. As at December 31, 2025, SURF LP's investment properties have been reported at fair value which reflects SURF LP's best estimate of future cash flows and capitalization rates applicable to the investment properties.

The fair values are based on capitalization rates that are provided by third-party appraisals. The valuations utilize the best available information to determine the capitalization rates used for purposes of the valuations of SURF LP's investment properties as at December 31, 2025.

SURF LP's objective in managing interest rate risk is to minimize the volatility of SURF LP's income. SURF LP has the ability to enter into interest rate cap agreements for the variable rate loans which protect SURF LP from increases in Term SOFR index rates beyond stipulated levels. In certain instances and typically in the event no existing interest rate protection is in place for such loan payable, SURF LP is required to purchase an interest rate cap if Term SOFR index rates increase above certain levels in accordance with terms in the loan agreements. In addition, if existing in place interest rate caps have an expiry date prior to the maturity date of the applicable loan payable to which it relates, SURF LP may be required to purchase a replacement interest rate cap for the duration such loan remains outstanding, subject to certain conditions in each applicable loan agreement (see note 7). Typically such interest rate caps would be required to be purchased on or before the expiry of the existing interest rate cap, if applicable. For the year ended December 31, 2025, all else being equal, a change of ten bps in Term SOFR index rates would impact net loss and comprehensive loss by \$93 (December 31, 2024 - \$102).

(c) Liquidity risk:

Liquidity risk is the risk that SURF LP may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. To mitigate the risk associated with the refinancing of maturing debt, SURF LP staggered the maturity dates of its loan portfolio and has options to extend certain loans subject to certain conditions as outlines in each applicable loan agreement (note 11). All of SURF LP's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms.

SURF LP strives to maintain strong and collaborative relationships with its lenders but the elevated level of interest rates and associated impact on capitalization rates had a negative impact on SURF LP's overall leverage position and debt service coverage ratios, both of which are typical financial benchmarks required to extend certain loans and as a result, these changes have impacted SURF LP's ability to exercise certain extension options available under existing loans payable. Under the terms of each applicable loan agreement, SURF LP has the right to make a principal repayment towards such loan in order to achieve the extension tests that otherwise may not be achieved. Given SURF LP was formed as a "closed-end" investment vehicle, SURF LP is restricted from raising any additional equity, which may have otherwise assisted in making any principal repayments of the loans payable in order to meet certain extension conditions. In the event SURF LP is not able to refinance the loan or if SURF LP does not have sufficient liquidity or other sources of capital sufficient to make any such principal repayments required to achieve the applicable loan extension tests and SURF LP is not able to

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otherwise negotiate an extension of such loan, the applicable lender may provide formal notice of an event of default expressing its right to demand repayment of the borrowings relating to such property. Under this scenario, SURF LP may be obligated to sell such properties which may not be able to be completed on terms that are acceptable to SURF LP or may be required to explore other options in the best economic interests of SURF LP in order to discharge its obligations under any of the applicable loan agreements. SURF LP's loans payable also do not carry cross-default provisions. Throughout 2025, SURF LP repaid or extinguished the loans payable related to Lyric, Eight at East and Emerson. On July 17, 2025, SURF LP extended the Sunlake loan payable by one-year to June 1, 2026, with a Notice received from the respective lender during the three months ended December 31, 2025, which SURF LP is disputing. The Indigo loan matures in 2027. Despite continuing to enter into good faith negotiations to extend or modify the Ventura loan payable, SURF LP received a maturity default notice from the lender of the first mortgage secured by Ventura. SURF LP continues to enter into good faith negotiations to extend such loan. SURF LP does not expect a material impact on its net asset value as a result of any remedies the lender may exercise (note 2(b)).

SURF LP continues to focus on managing its liquidity position, including having extended the Term to November 2029, in order to provide SURF LP the opportunity to capitalize on potential improvements in the investment market that are anticipated in future periods, but may not materialize. Furthermore, SURF LP continues to focus on liquidity management as SURF LP previously amended several of its loan agreements, deferred the payment of asset management fees and has continued to focus on maximizing NOI at the Properties to preserve as much liquidity as possible (note 2(b)).

24. Fair value measurement of financial instruments

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

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

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

- The fair value of SURF LP's financial assets which include resident and other receivables, restricted cash and cash, as well as financial liabilities, which include resident rental deposits and prepayments, accounts payable and accrued liabilities and finance cost payable approximate their carrying amounts due to their short-term nature (Level 1);
- Derivative financial instruments are considered as Level 2 financial instruments; and
- The fair value of loans payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of SURF LP's loans payable as at December 31, 2025 approximated their carrying value.

25. Subsequent event

Subsequent to December 31, 2025, despite continuing to enter into good faith negotiations to extend or modify the Ventura loan payable, SURF LP received a maturity default notice from the lender of the first mortgage secured by Ventura. SURF LP continues to enter into good faith negotiations to extend such loan. SURF LP does not expect a material impact on its net asset value as a result of any remedies the lender may exercise (note 2(b)).