

## PACIFIC INCOME LIMITED PARTNERSHIP

### OFFERING MEMORANDUM

*The securities referred to in this Offering Memorandum are being offered on a private placement basis. This Offering Memorandum constitutes an offering of securities only in those jurisdictions, and to those persons, where, and to whom, they may be lawfully offered for sale. The Offering Memorandum is not, and under no circumstances is it to be construed as, a prospectus or advertisement or a public offering of these securities. The securities offered under this Offering Memorandum qualify for distribution in the jurisdictions in which they are offered pursuant to exemptions under securities laws in those jurisdictions.*

*No person has been authorized to give any information or to make any representation not contained in this Offering Memorandum. Any such information or representation which is given or received must not be relied upon.*

**Date:** October 31, 2018

#### **The Issuer**

**Name:** Pacific Income Limited Partnership (the “**Issuer**” or the “**Partnership**”)

**Head Office:** Address: 1200 Waterfront Centre 200 Burrard Street, Vancouver, British Columbia, V7X 1T2, Canada

Phone #: (250) 881-0103

E-mail Address: acheung@pacincome.com

**Currently listed or quoted?** No. **These securities do not trade on any exchange or market.**

**Reporting Issuer?** No.

**SEDAR filer?** No.

#### **The Offering**

**Securities Offered:** Limited partnership units (collectively, the “**Units**” and individually, a “**Unit**”).

See “Item 2.7: Material Agreements – Partnership Agreement” and “Item 5: Securities Offered – Terms of Securities” for a description of the terms of the Units.

**Price Per Security:** \$1.00 per Unit.

**Minimum/Maximum offering:** \$0 / \$5,000,000. **You may be the only purchaser. Funds available under this Offering may not be sufficient to accomplish our proposed objectives.**

**Minimum subscription amount:** There is no minimum subscription amount an investor must invest.

**Payment terms:** Cheque, wire, electronic transfer or bank draft payable to the Issuer at the time of subscription. See “Item 5.2: Subscription Procedure”.

**Proposed closing date(s):** Closings of sales of Units pursuant to this Offering Memorandum (“**Closings**”) will take place on such dates as the Issuer may determine.

**Income tax consequences:** There are important tax consequences to these securities. See “Item 6: Income Tax Consequences”.

Selling agent?

The Units will be sold directly by the Issuer or through its authorized agents. See “Item 7: Compensation Paid to Sellers and Finders”.

### **Resale Restrictions**

You will be restricted from selling your securities for an indefinite period. See “Item 10: Resale Restrictions”. However, Units are redeemable in certain circumstances and subject to certain restrictions. See “Item 2.7: Material Agreement – Partnership Agreement - Redemptions” and “Item 5: Securities Offered”.

### **Purchaser’s Rights**

You have two business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue for damages or to cancel the agreement. See “Item 11: Purchasers’ Rights”.

**No securities regulatory authority has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See “Item 8: Risk Factors”.**

### **Forward-Looking Statements**

Certain statements in this Offering Memorandum as they relate to the Issuer are “forward-looking statements”. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects”, “does not expect”, “is expected”, “anticipates”, “does not anticipate”, “plans”, “estimates”, “believes”, “does not believe” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or achieved), are not statements of historical fact and may be “forward-looking statements”. Forward-looking statements are based on expectations, estimates and projections at the time the statements are made. The General Partner believes these expectations, estimates and projections are reasonable and conservative based on management of the General Partner’s past experience. However, forward looking statements based on such expectations, estimates and projections involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipated. These include, but are not limited to, the fact that:

- (a) an investment in Units is not guaranteed to earn a specified or any rate of return;
- (b) the General Partner has limited prior experience in managing a limited partnership;
- (c) there is no market for the Units and none is expected to develop;
- (d) the Issuer may not be able to originate a sufficient number of high quality lending opportunities to fully invest the Issuer’s funds;
- (e) fees and expenses payable by the Issuer may decrease the assets available for investment by the Issuer and the amount of cash available for distribution to Unitholders;
- (f) there may be defects in title to or other deficits relating to security interests obtained by the Issuer in connection with loans; and
- (g) the Issuer competes with other entities in the small business lending industry, many of whom are larger, which may decrease the investment opportunities available to the Issuer.

See Item 8, “Risk Factors”.

Forward-looking information is based (in whole or in part) upon factors that, if not as expected, may cause actual results, performance or achievements of the Issuer to differ materially from those contemplated or predicted (whether expressly or by implication) in the forward-looking information. Those factors are based on information currently available to the Issuer including information obtained from third-party industry analysts and other third-party sources. While we do not know what impact any of those differences may have, our business, results of operations, financial condition and credit stability may be materially adversely affected. Factors that could cause actual results, performance, achievements or outcomes to differ materially from those expressed or implied by forward-looking information include, among other things, risks associated with:

- the Issuer’s expected focus on higher-risk loans as compared to conventional lenders;
- the possibility of devaluation of the Issuer’s non-debt assets, in the event it is required to foreclose on a loan and enforce its security interests;

- the inability of the Issuer to achieve the maximum Offering;
- the timing and extent of revenues generated by the Issuer's loans; and
- the general risks associated with real-estate linked investments, which include the highly-competitive nature of the industry, changes in general or local industry conditions, changes in property values and/or interest rates, and changes in governmental regulations.

We caution you that the above lists of material assumptions and risk factors are not exhaustive. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, prospective investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this Offering Memorandum, and neither the Issuer nor the Issuer undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable laws. The foregoing statements expressly qualify any forward-looking information contained in this Offering Memorandum.

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## **Glossary of Terms**

**“Applicable Laws”** means all applicable provisions of law, domestic or foreign, including, without limitation, the *Securities Act* (British Columbia).

**“Available Funds”** means the total amount to be raised by the issuance of Units pursuant to the Offering, less the expenses of the Offering.

**“Borrower”** means an entity that borrows money from the Issuer.

**“Business Day”** means a day which is not a Saturday, Sunday or statutory holiday in the City of Vancouver, in the Province of British Columbia.

**“Closing”** means the completion of an issuance of Units pursuant to the Offering.

**“CRA”** means the Canada Revenue Agency.

**“Deferred Plan”** means a trust governed by a “registered retirement savings plan”, “registered retirement income fund”, a “registered education savings plan”, a “deferred profit sharing plan”, a “registered disability savings plan” or a “tax-free savings account”, as those terms are defined in the Tax Act.

**“Directors”** means directors of the General Partner from time to time.

**“Distributable Assets”** has the meaning assigned thereto in “Item 2.7: Material Agreements – Partnership Agreement – Asset Distributions”.

**“Distributable Cash”** of the Issuer at any time means: (i) the amount of cash held by the Issuer at that time, less all amounts that in the opinion of the General Partner, acting reasonably and in good faith, are required in order to finance the Issuer’s business and operations and meet its obligations (including the payment of fees to the General Partner pursuant to the Partnership Agreement); and (ii) at the time of dissolution of the Issuer, shall include the value of any assets of the Issuer required to be distributed *in specie*.

**“Eligible Units”** has the meaning assigned thereto in “Item 2.7: Material Agreements – Partnership Agreement – Redemptions”.

**“Facility”** has the meaning assigned thereto in “Item 2.7: Material Agreements – Line of Credit Agreement with 1120727 BC Ltd.”.

**“Financial Institution”** means a financial institution as that term is defined in subsection 142.2(1) of the Tax Act.

**“General Partner”** means Pacific Income Capital Corporation, the general partner of the Issuer.

**“General Partner’s Fee”** has the meaning assigned thereto in “Item 2.7: Material Agreements – Partnership Agreement – Compensation of the General Partner”.

**“Income”** and **“Loss”** mean, in respect of any period, the income or loss of the Issuer in respect of such period, determined in accordance with accounting principles then in effect.

**“Issuer”** or the **“Partnership”** means Pacific Income Limited Partnership.

**“Liquidation Proceeds”** has the meaning assigned thereto in “Item 2.7: Material Agreements – Partnership Agreement – Distributions on Dissolution”

**“Loan”** means a loan made by the Issuer to a Borrower.

**“Loan to Value”** or **“LTV”** means the ratio of a loan to the value of an asset purchased with that loan. It is calculated as the amount of the loan divided by the estimated value of the asset as determined by the General Partner, expressed as a percentage.

**“Mortgage”** means an interest in a mortgage, a mortgage of a leasehold interest (or other like instrument, including an assignment of or an acknowledgement of an interest in a mortgage), hypothecation, deed of trust, charge or other security interest of or in real property used to secure obligations to repay money by a charge upon the underlying real property.

**“NI 45-106”** means National Instrument 45-106 – *Prospectus Exemptions* of the Canadian Securities Administrators.

**“Offering”** means the private placement of Units pursuant to this Offering Memorandum.

**“Officers”** means the officers of the General Partner from time to time.

**“Partnership Agreement”** means the amended and restated partnership agreement dated July 7, 2017 governing the Partnership, together with all amendments, supplements, restatements and replacements thereof from time to time.

**“Performance Bonus”** has the meaning assigned thereto in “Item 2.7: Material Agreements – Partnership Agreement – Compensation of the General Partner”.

**“Redemption”** means the redemption by the General Partner, at any time and from time to time, in its sole discretion, of Units pursuant to a written Redemption Request.

**“Redemption Fee”** has the meaning assigned thereto in “Item 2.7: Material Agreements – Partnership Agreement – Redemptions”.

**“Redemption Request”** means a request made in writing by a Unitholder to the Issuer, after the first anniversary of purchasing Units, to redeem all or some of their Units.

**“SEDAR”** means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators.

**“Subscriber”** means a subscriber for Units pursuant to the Offering.

**“Syndicated Mortgage”** means a Mortgage in which the Issuer participates with one or more lenders.

**“Tax Act”** means the *Income Tax Act* (Canada), as may be amended or supplemented from time to time.

**“Units”** means the limited partnership units of the Issuer.

**“Unitholder”** or **“Limited Partner”** means a holder of Units.



**“Unit Value”** means the value of the Units calculated for the purposes of Redemptions, as determined at the sole discretion of the General Partner.

**“\$”** means Canadian Dollars.

## Item 1: Use of Available Funds

### 1.1 Funds

The net proceeds of this Offering that will be available to the Issuer after this Offering are as follows:

		Assuming min. offering <sup>(1)</sup>	Assuming max. offering
A.	Amount to be raised by this offering	\$0	\$5,000,000
B.	Selling commissions and fees <sup>(2)</sup>	\$0	\$0
C.	Estimated offering costs (e.g., legal, accounting, audit) <sup>(3)</sup>	\$4,000	\$4,000
D.	Available funds: $D = A - (B+C)$	-\$4,000	\$4,996,000
E.	Additional sources of funding required	\$0	\$0
F.	Working capital <sup>(4)</sup>	\$57,046	\$57,046
G.	Total: $(D+E) - F$	\$53,046	\$5,053,046

(1) There is no minimum offering size. As at October 31, 2018, the Issuer has raised a total of \$808,834 pursuant to sales of Units.

(2) Although the Issuer expects to sell the Units directly, the Issuer reserves the right to pay fees to sellers, finders or other authorized agents consistent with commissions payable in similar transactions in the securities industry. See “Item 7: Compensation Paid to Sellers and Finders”.

(3) As at October 31, 2018, the Issuer has incurred \$71,768 in offering costs.

(4) As at October 31, 2018, the Issuer has a working capital of \$57,046.

### 1.2 Use of Available Funds

Description of intended use of available funds listed in order of priority	Assuming min. offering	Assuming max. offering
Investments in Loans <sup>(1)</sup>	\$0	\$4,857,046
Operating Expenses <sup>(2)</sup>	\$0	\$196,000 <sup>(3)(4)</sup>

Total: Equal to G in the Funds table above	\$53,046	\$5,053,046
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- (1) As at October 31, 2018, the Issuer has invested a total of \$841,088 in Loans. See “Item 2.3 – Development of Business”.
- (2) Represents the Partnership’s annual operating expenses which include legal, audit, accounting, office and general administrative expenses, as well as the General Partner’s Fee. See “Item 2.2: Our Business – Operating Costs”.
- (3) \$135,000 of this amount represents the General Partner’s Fee payable to the General Partner.
- (4) In addition, approximately \$16,400 from the proceeds of the Offering may be used to repay a loan made to the Issuer by the spouse of Alexis Assadi, a Director and the Chief Executive Officer of the General Partner. Mr. Assadi’s spouse personally paid invoices totaling approximately \$16,400 for expenses payable by the Issuer. This loan is a non-interest-bearing demand loan.

### **1.3 Reallocation**

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

## Item 2: Business of the Issuer

### 2.1 Structure

#### The Issuer

Pacific Income Limited Partnership (defined herein as the “**Issuer**” or the “**Partnership**”) is a limited partnership formed on June 22, 2017 pursuant to the *Partnership Act* (British Columbia), the date of filing of its certificate of limited partnership. The Issuer does not have any subsidiaries or proposed subsidiaries.

#### The General Partner

The General Partner of the Issuer is Pacific Income Capital Corporation. The General Partner was incorporated on May 26, 2017 under the laws of British Columbia, Canada.

The General Partner has, to the exclusion of the Limited Partners, the sole power and exclusive authority to manage the business and affairs of the Issuer, to make all decisions regarding the business of the Issuer and to bind the Issuer. The General Partner is responsible for identifying, researching and approving/denying lending opportunities, executing Loans on behalf of the Issuer, recordkeeping, accounting and regulatory compliance.

The General Partner is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Limited Partners and the Issuer and shall, in discharging its duties, exercise the degree of care, diligence and skill that a reasonably and qualified general partner would exercise in similar circumstances.

The General Partner has unlimited liability for the debts, liabilities and obligations of the Issuer.

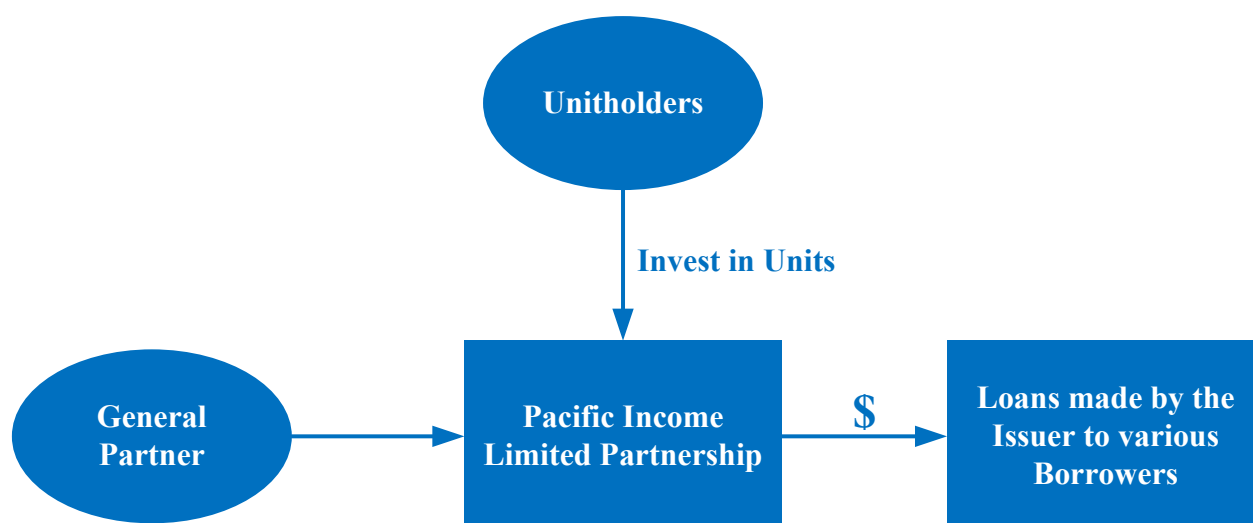
#### Officers and Directors of the General Partner

The shareholders of the General Partner elect the Directors of the General Partner. The Directors set the general direction of the General Partner’s business and appoint the Officers, who are responsible for the daily management of the General Partner and, therefore, the Partnership. Currently, Alexis Assadi, a Director and Officer of the General Partner, and his family hold 65% of the outstanding common shares of the General Partner, and Angus Cheung, a Director and Officer of the General Partner, holds 20% of the outstanding common shares. See “Item 3: Interests of Directors, Management, Promoters and Principal Holders”.

Alexis Assadi is a Director and the Chief Executive Officer of the General Partner. His primary duties include sourcing, identifying, researching and approving and/or denying lending opportunities, structuring and executing Loans, building relationships with Borrowers and business partners to advance the interests of the Issuer and overseeing the Issuer’s capital raising activities.

Angus Cheung is a Director and the Chief Legal Officer of the General Partner. His primary duties include researching and approving and/or denying lending opportunities, structuring and executing Loans, drafting agreements, registering liens and charges against Borrowers’ assets, ensuring the Issuer’s compliance with applicable legislation, pursuing litigation against Borrowers in default on their Loan obligations and enforcing judgements against Borrowers.

The following diagram outlines the structure of the Issuer.



## 2.2 Our Business

### General

The Issuer lends capital to arm's-length businesses and entrepreneurs in real estate and non-real estate business ventures, holds Mortgages and, to a lesser extent, may invest in Syndicated Mortgages. All of its loans are currently in British Columbia, Alberta and Manitoba, but the Issuer may operate in any province or territory of Canada and the United States. The Issuer focuses primarily on funding non-real estate small businesses and loans to finance real estate ventures, but may also from time to time deploy its capital in Syndicated Mortgages where sufficient attractive small business or real estate lending opportunities are not available. Under normal market conditions, the General Partner expects that approximately 60% of the Issuer's lending portfolio will consist of Loans to non-real estate small businesses, 30% to 40% will consist of Loans to real estate ventures, and up to 10% may consist of Syndicated Mortgages (although the General Partner does not expect that an investment in Syndicated Mortgages will comprise a material portion of the Issuer's total portfolio, if any). The actual allocation of the Issuer's Loans may vary, perhaps significantly, from time to time and at any particular time based on the quality of the lending opportunities available to the Issuer at the time.

The Issuer seeks to generate a return for Limited Partners by charging interest on its Loans, along with various origination, administration and late payment fees when applicable. The Issuer's Loans are generally riskier than those made by conventional lenders, such as banks, credit unions and trust companies. Borrowers may often be unable to qualify for traditional financing due to insufficient credit and/or assets. In some cases, Borrowers might be considered by traditional lenders, but may require quick capital injections that could not otherwise be accommodated. See "Item 8: Risk Factors".

Subject to the Issuer generating sufficient capital, the Issuer intends to declare distributions of Distributable Cash (if any) to Unitholders on a monthly basis. The Issuer intends to pay most of its Distributable Cash to Unitholders, rather than retaining significant capital for future growth. While there can be no assurance that the Issuer will generate sufficient Distributable Cash to pay distributions in any particular periods, or at all, it has paid a distribution to Unitholders every month from July 2017 to the date of this Offering Memorandum.

## Lending Policy - General

Lending opportunities are sourced, researched and assessed by the General Partner. In some cases, the Issuer may work with mortgage brokers, financial services professionals and other professionals to identify prospective opportunities. All Loans made by the Issuer shall have all of the following characteristics:

- a minimum annual interest rate of 10%;
- a maximum initial interest rate of 22% (although the Issuer may renew outstanding Loans at an interest rate greater than 22%);
- a maximum maturity date of 3 years;
- no individual loan or collection of loans to a group of affiliated/associated borrowers shall exceed a principal sum of \$250,000; and
- all loans must be either loans to non-real estate small businesses, real estate loans secured by Mortgages (first, second or third rank) or Syndicated Mortgages, each as discussed below.

The Issuer may renew Loans after the initial term, provided in the opinion of the General Partner the renewal represents a compelling business opportunity for the Issuer and the Issuer can increase the interest rate payable on the Loan to greater than the initial interest rate.

The Issuer will not make Loans to any director, officer or shareholder of the General Partner, any of their family members or any entity in which any of such persons has a 25% or more ownership interest.

Since all of the Issuer's Loans are shorter term loans, as compared to conventional loans, it is important to the Issuer when funding its Loans to be able to clearly identify an exit strategy (a way for the Borrowers to retire the Issuer's Loans) as the Issuer's Loans mature. Except in Syndicated Mortgages, the Issuer generally requires Borrowers to make a combination of interest and principal payments after 3 months of receiving a Loan from the Issuer.

The Issuer conducts thorough due diligence on all Loan applicants and considers various factors the General Partner determines to be appropriate in the circumstances, which may include:

- the Borrower's financial and/or bank statements for the previous 12 months;
- the most recent Notice of Assessment for the owners of the Borrower;
- the net worth of the Borrower and its owners;
- the assets of the Borrower and its owners;
- the net worth and assets of the Borrower's guarantor(s);
- criminal record checks on the Borrower's owners and guarantor(s);
- the credit scores of the Borrower, its owners and guarantor(s);
- character references; and
- a review of current or pending litigation.

Some high-risk lenders that may be competitors with the Issuer include litigation as a primary profit center in their business plans. They make loans with the intent to quickly foreclose on the borrower's assets and sell them, a practice sometimes known as "predatory lending." However, the Issuer only makes Loans that it believes can benefit Borrowers and be repaid without interruption, and seeks to avoid litigation with Borrowers, unless necessary. As at the date of this offering, 100% of the Issuer's Loans are in good standing and the Issuer has not been involved in any litigation.

To deter Borrowers from missing and/or delaying loan payments, the Issuer as often as possible charges late fees on missed payments (up to 2% of the outstanding balance), subject to compliance with applicable legislation.

#### *Lending to Non-Real Estate Small Businesses*

When lending to a non-real estate based small business, the Issuer only considers privately-held businesses in North America, with under 20 employees, who require capital for expansionary activities, such as hiring employees and contractors, purchasing inventory, developing products, opening/establishing offices or new locations, research or broadening marketing capabilities. Borrowers may be established businesses or startups, provided that they are able to meet the Issuer's lending requirements.

Borrowers must demonstrate to the Issuer that they could reasonably earn revenues equal to at least 150% of the principal Loan amount in the 12 months that follow the granting of a Loan. For example, to be considered by the Issuer for a \$30,000 Loan, a Borrower must demonstrate that it could reasonably earn \$45,000 in the following 12 months.

Since revenue projections are often difficult to predict with accuracy, the Issuer must gain an in-depth understanding of the prospective Borrower's business and industry. It must ascertain and verify key factors, which may include:

- the Borrower's financial history;
- the Borrower's current financial position, including liquidity;
- the Borrower's management experience;
- the growth and trajectory of the Borrower's industry;
- the Borrower's customer acquisition cost (CAC). CAC is a metric used to express the average sum a company spends in order to acquire a new customer. It can be calculated by dividing how much it spent on marketing efforts by the number of customers it has. For example, if a company spent \$100,000 on its marketing budget and has 100 customers, its CAC is \$1,000. In general, it is desirable to have the lowest possible CAC;
- the Borrower's cost of goods sold (COGS). COGS are the direct costs attributable to the production of the goods sold by a company. This amount includes the cost of the materials used in creating the good along with the direct labor costs used to produce the good. It excludes indirect expenses such as distribution costs and sales force costs. In general, it is desirable to have the lowest possible COGS;
- the Borrower's marketing strategy;
- the Borrower's competitiveness;
- the Borrower's current Customer Lifetime Value: Customer Acquisition Cost (CLV: CAC) ratio, which expresses how much revenue an average customer will produce for a business when compared to the cost of acquiring that customer; and
- the Borrower's ability to grow into a more profitable business.

The Issuer will not consider businesses that seek capital to repay or refinance debts, to pay taxes, to pay out shareholders, to restructure their affairs or to avoid pending insolvency.

Where possible, the Issuer takes a security interest in real estate (in the form of a Mortgage) that is owned by the Borrower, its owners and/or operators. If the loan-to-value ("**LTV**") ratio of a property exceeds 75%, or if a Mortgage is unavailable, the Issuer will generally require personal guarantees from at least

two individual guarantors. The Issuer may also from time to time use additional instruments, such as General Security Agreements, to help secure its Loans.

#### *Mortgage Loans to Real Estate Ventures*

The Issuer may also participate as a lender in real estate ventures. It may lend to projects where existing houses, townhouses, condominiums, apartment buildings, apartment units, strip malls, office buildings or shopping malls require renovations, refurbishments or upgrades in order to be sold and potentially profited from. The Issuer will take appropriate security to protect its capital, generally in the form of first, second or third Mortgage on all or a portion of the real property included in the Borrower's real estate venture.

In such ventures, the Issuer generally advances funds only if the indebtedness secured by the Mortgage, plus the amount of additional secured third-party indebtedness of the Borrower registered in priority to the Issuer, if any, does not exceed 75% of the estimated value of the real property securing the Mortgage, as determined by the General Partner. The General Partner may waive this requirement if it believes, acting reasonably, that the security package being offered by the Borrower is otherwise sufficient to protect the Partnership's interest.

The Issuer shall not participate in raw, un-serviced or undeveloped land projects and will not give construction loans. The Issuer, as and when required, generally invests only in Mortgages on properties for which the Issuer has reviewed and evaluated an independent appraisal accredited by the Accredited Appraiser Canadian Institute and/or Canadian Residential Appraisers, and the Issuer may receive a Phase I Environmental Audit of the property, the cost of which is typically paid for by the Borrower. In other cases, the Issuer will consider provincial property tax assessments to help determine a property's value. Following funding, all of the Issuer's Mortgages will be registered on title to the subject property in the Issuer's name.

When funding Mortgage Loans, an important consideration for the Issuer is whether there is a reasonably active real estate market for the properties accepted by the Issuer as security for each Mortgage Loan so that in the event of a mortgage default and legal (foreclosure) action, the subject property(s) have a market in which to be sold. The Issuer takes into consideration and prefers locales where there is a reasonable possibility of conventional mortgage funds (known in the industry as take-out financing) available to replace the Issuer's private Mortgage Loan as and when necessary.

#### *Syndicated Mortgages*

The Issuer may also participate in any syndicated mortgages in British Columbia and Alberta that do not exceed a LTV ratio of 75%, and that can pay interest to the Issuer at rate of no less than 10% per annum. The Issuer only expects to invest in Syndicated Mortgages if sufficient attractive small business or real estate venture lending activities are not available.

#### Other Loans

In addition to the foregoing, the Partnership may advance Loans that do not strictly satisfy the conditions set forth above if the General Partner believes such lending opportunities represent the best use of capital available to the Partnership at the time of advance, and the advance of the Loan otherwise falls within the general intention of the Partnership's business, namely providing short term secured loans to real estate and non-real estate small business ventures.



The Issuer shall only participate in the foregoing activities as a lender. As a result of a default by a Borrower on a Loan, and if the General Partner determines it is in the best interests of the Issuer to foreclose on a Loan to protect the assets of the Issuer, the Issuer may hold other assets as a result. The Issuer will realize on the acquired assets and convert them to cash as soon as is commercially reasonable.

### Borrowing

Notwithstanding its existing Facility (see “Item 2.7: Material Agreements”), the Issuer shall not borrow funds from other lenders unless deemed, solely by the General Partner, to be necessary for the Issuer to continue as an operating business. All borrowings will be on commercially terms standard for borrowers in the Issuer’s industry.

### Operating Costs

The Issuer estimates that its annual operating costs are expected to include:

- the General Partner’s Fee;
- office space and supplies;
- financial reporting costs and mailing and printing expenses for periodic reports to Unitholders and any other Unitholder communications, including marketing and advertising expenses;
- taxes payable by the Issuer;
- costs and fees payable to any agent, legal counsel, advisor, actuary, valuator, technical consultant, accountant or auditor or other third-party service provider;
- ongoing regulatory filing fees, license fees and other fees;
- consulting fees, including website maintenance costs and expenses associated with the preparation of tax filings;
- reimbursements of employees of the General Partner for reasonable expenses incurred on behalf of the Issuer;
- other administrative and distribution expenses of the Issuer; and
- interest and principal payments to 1120727 BC Ltd. pursuant to the Facility, if any (see “Item 2.7 – Material Agreements”).

Assuming a \$5,000,000 Offering, the Issuer estimates the annual operating costs to be as follows:

General Partner’s Fee	\$135,000
Legal	\$20,000
Accounting	\$15,000
Audit	\$15,000
Office	\$6,000
Marketing	\$2,000
Miscellaneous	\$3,000
<b>Total</b>	<b>\$196,000</b>

The Issuer’s actual operating costs may vary from the estimates set out above.

### Competition

Competition in all sectors of the lending market is strong. The Issuer must vigorously compete at all times. This involves constant awareness of the needs and preferences of the borrowing and investing public, and a professional and mature understanding of and sensitivity to the relationship between risk and

reward at any given time. The General Partner aims to be adept at gathering, assimilating and assessing an array of data, and must act promptly and effectively without compromising diligence and taking undue risk. The General Partner recognizes that many competitors are much larger than the Issuer and have greater financial resources and staying power.

The Issuer intends to compete by remaining comparatively small and nimble, and shall strive to quickly finance ventures that may otherwise be ignored, prolonged or rejected by larger lenders.

## 2.3 Development of Business

The Issuer intends to raise up to \$5,000,000 by selling Units pursuant to the Offering. The Issuer intends to use the Available Funds from the Offering to make Loans to Borrowers and to pay its operating expenses.

The Issuer was established on June 22, 2017. As of October 31, 2018, it has issued an aggregate of 808,834 Units at a price of \$1.00 per Unit. The Issuer funded loans to 18 Borrowers, one of which was assigned to the Issuer by the General Partner (see “Item 2.7: Material Agreements – Assignment Agreement with the General Partner”). Two loans have been repaid. The Issuer’s loan portfolio as at October 31, 2018 is described in Schedule “A”.

## 2.4 Long Term Objectives

The Issuer’s intention is to profit from the revenues from the interest and fees derived from its Loan portfolio. The General Partner will be responsible for identifying, researching and approving or denying various lending opportunities. More specifically, the Issuer’s long term objectives are:

- (a) to raise up to \$5,000,000 by selling Units pursuant to this Offering Memorandum;
- (b) to use over 96% of the capital raised to fund Loans to small businesses, Loans to real estate ventures secured by Mortgages and, to a lesser extent, invest in Syndicated Mortgages;
- (c) to pay most of its earnings, after taxes and expenses, through monthly distributions of Distributable Cash to Unitholders; and
- (d) to preserve the value of the Units by minimizing the likelihood of defaults through the application of a thorough due diligence process.

## 2.5 Short Term Objectives and How We Intend to Achieve Them

The following table shows how the Issuer intends to achieve its objectives during the next 12 months.

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our cost to complete
Completion of this Offering	Ongoing throughout the next 12 months	\$75,000 <sup>(1)</sup>
Make Loans to Borrowers	Ongoing throughout the next 12	Up to an amount equal to the

	months	Available Funds
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- (1) Assumes no fees are payable to agents or finders in connection with sales of Units. See “Item 7: Compensation Paid to Sellers and Finders”.

## **2.6 Insufficient Funds**

It is anticipated that the funds available as a result of the Offering will be sufficient to accomplish the Issuer’s proposed objectives. There is no assurance that alternative financing will be available.

## **2.7 Material Agreements**

Below are summaries of material agreements entered into by the Issuer, and do not purport to be complete. Reference should be made to the full text of these agreements. Prospective Subscribers may request copies of these agreements by emailing Angus Cheung, the General Partner’s Chief Legal Officer, at [acheung@pacincome.com](mailto:acheung@pacincome.com).

### **Partnership Agreement**

#### General Partner

Pursuant to the Partnership Agreement the General Partner has been appointed as the general partner of the Issuer. For details on the directors and officers of the General Partner, please see “Item 3: Interests of Directors, Management, Promoters and Principal Holders”.

#### Functions and Powers of the General Partner

The General Partner of the Issuer has exclusive authority to direct and manage the affairs of the Issuer, with full power and authority to administer, manage, control and operate the business carried on by the Issuer and to do any act, take any proceedings, make any decisions and execute and deliver any instrument, deed, agreement or document necessary for or incidental to carry on the Issuer’s business for and on behalf of the Issuer.

Generally, the General Partner is required to exercise its powers and discharge its duties honestly, in good faith, and in the best interests of the Limited Partners and shall, in discharging its duties, exercise the degree of care, diligence and skill that a reasonably prudent and qualified general partner would exercise in discharging its duties in similar circumstances. During the existence of the Issuer, the officers of the General Partner will devote such time and effort to the business of the Issuer as may be necessary to promote adequately the interests of the Issuer and the mutual interests of the Limited Partners. Prior to the dissolution of the Issuer, the General Partner shall not engage in any business other than acting as the General Partner of the Issuer.

#### Units

The interests of the Limited Partners in the Issuer will be divided into an unlimited number of Units. Each issued and outstanding Unit shall be equal to each other Unit with respect to all rights, benefits, obligations and limitations provided for in the Partnership Agreement and all other matters, including the right to distributions from the Issuer and no Unit shall have any preference, priority or right in any circumstances over any other Unit of the same class and/or series. At all meetings of the Limited Partners, each Limited Partner will be entitled to one vote for each Unit held in respect of each matter for which the Units are entitled to vote. Each Limited Partner will contribute \$1.00 to the capital of the Issuer for each

Unit purchased. There are no restrictions as to the maximum number of Units that a Limited Partner may hold in the Issuer.

The General Partner, in its sole discretion, may issue Units and any other securities of the Issuer from time to time, to any person where it is necessary or desirable in connection with the conduct of the business of the Issuer, and in each case such securities may be issued at such prices and upon such terms and at such time or times as the General Partner may determine.

#### Resignation, Replacement or Removal of General Partner

The General Partner may resign as the General Partner of the Issuer at any time upon giving at least 180 days' written notice to the Limited Partners, provided the General Partner nominates a qualified successor whose admission to the Issuer as a General Partner is ratified by the Limited Partners by Ordinary Resolution within such period. Such resignation will be effective upon the earlier of: (i) 180 days after such notice is given, if a meeting of Limited Partners is called to ratify the admission to the Issuer as a General Partner of a qualified successor; and (ii) the date such admission is ratified by the Limited Partners by Ordinary Resolution. The General Partner will be deemed to have resigned upon bankruptcy or dissolution and in certain other circumstances if a new General Partner is appointed by the Limited Partners by Special Resolution within 180 days' notice of such event. The General Partner is not entitled to resign as General Partner of the Issuer if the effect of its resignation would be to dissolve the Issuer.

The General Partner may be removed at any time if: (a) the General Partner has been found by a court of competent jurisdiction to have committed fraud or willful misconduct in the performance of, or willful disregard or breach of, any material obligation or duty of the General Partner under the Partnership Agreement; (b) its removal as General Partner has been approved by an Extraordinary Resolution; and (c) a qualified successor has been admitted to the Issuer as the General Partner and has been appointed as the General Partner of the Issuer by Ordinary Resolution of the Limited Partners, provided that the General Partner shall not be removed in respect of a curable breach of an obligation or duty of the General Partner under the Partnership Agreement unless it has received written notice thereof from a Limited Partner and has failed to remedy such breach within 30 days of receipt of such notice. It is a condition precedent to the resignation or removal of the General Partner that the Issuer shall pay all amounts payable by the Issuer to the General Partner pursuant to the Partnership Agreement accrued to the date of resignation or removal.

#### Compensation of the General Partner

##### *General Partner's Fee*

As partial consideration for its services to the Issuer, the Issuer will pay to the General Partner a fee (the "**General Partner's Fee**"), which is equal to  $1/12^{\text{th}}$  of 2.7% of the gross proceeds raised by the Issuer from the sale of Units for each month of service, plus GST if applicable, calculated and paid monthly in arrears. When Units are redeemed the gross proceeds from the sale of the Units so redeemed will be subtracted for the purposes of calculating the General Partner's Fee.

##### *Performance Bonus*

In addition to the General Partner's Fee, the General Partner will be entitled to receive a bonus (the "**Performance Bonus**") from the Issuer which is earned by generating specified returns for Unitholders and which increases depending on the size of the Unitholders' return on their investment. If earned, the Performance Bonus will entitle the General Partner to receive from the Issuer (a) once Limited Partners have received an 8% return on their investment in the Issuer in a calendar year commencing January 1<sup>st</sup>, a

20% share of any further Distributable Cash distributed in respect of the remainder of that calendar year, and (b) once Limited Partners have received a 10% return on their investment in the Issuer in a calendar year commencing January 1<sup>st</sup>, a 75% share of any further Distributable Cash distributed in respect of the remainder of that calendar year.

### *Expenses*

The Issuer will be responsible for all expenses associated with its operation and administration, and the General Partner will be entitled to be reimbursed for all reasonable out-of-pocket expenses incurred by it and/or its directors, officers and employees in connection with the performance of its obligations to the Issuer.

### *Other*

Pursuant to the Partnership Agreement the General Partner is entitled to receive 0.01% of the Income of the Issuer.

### Allocation of Income and Loss

The Partnership Agreement provides that the Income or Loss of the Issuer for each fiscal period, as well as its Income or Loss from a particular source or a source in a particular place, and the capital gains and capital losses, shall each be allocated among the Limited Partners and General Partner in a manner consistent with the distribution of Distributable Cash as set forth in the Partnership Agreement, and no distributions of Distributable Cash are made by the Issuer in a given fiscal period, the Income or Loss of the Issuer, as well as its Income or Loss from a particular source or a source in a particular place, and the capital gains and capital losses, shall each be allocated among the Limited Partners *pro-rata* in proportion to the number of Units held by each of them at the end of such fiscal period.

### Cash Distributions

Unitholders of record as of the first day of each month will be entitled to distributions of Distributable Cash (if any) in respect of that month. Distributions will be paid on or about the last day of the applicable month. Until Limited Partners have received in a calendar year an 8% return on their initial investment in the Issuer, the General Partner shall distribute 100% of the Distributable Cash in respect of a distribution period *pro rata* to Limited Partners of record as of the close of business on the relevant distribution record date. Once Limited Partners have received in a calendar year an 8% return on their initial investment in the Issuer, the Performance Bonus will be paid to the General Partner out of the Distributable Cash in respect of a distribution period, and the remaining Distributable Cash will be distributed *pro rata* to Limited Partners of record as of the close of business on the relevant distribution record date.

### Asset Distributions

If the General Partner considers it appropriate, the General Partner may make a distribution of equity securities or debt instruments under which the holder thereof has no material obligations to the debtor owned by the Issuer and any other property of the Issuer or in a combination of cash and any such equity securities, debt instruments or other property (“**Distributable Assets**”) with fair market value, together with all cash held by the Issuer at that time. If a distribution is not in the form of cash, then the General Partner, acting reasonably, may determine the value of the Distributable Assets by reference to its fair market value and for the purposes of the Partnership Agreement the value so determined shall be the amount of that distribution.

## Redemptions

Each Limited Partner will be entitled to require the Issuer to redeem at any time or from time to time at the demand of the Limited Partner all or any part of the Units registered in the name of the Limited Partner that the Limited Partner has held for at least one year (such Units that have been held for at least one year, the “**Eligible Units**”), in accordance with and subject to the terms of Partnership Agreement. Redemptions will be satisfied on the last day of the calendar month following the calendar month in which the Redemption Request notice has been received. As of the close of business on the date the Eligible Units are redeemed by the Issuer, the Limited Partner will cease to be the Limited Partner of record in respect of such Eligible Units, such Eligible Units will cease to be entitled to share in the income or any participation in the assets of the Issuer (other than the receipt of the Redemption proceeds), and the Limited Partner thereof will not be entitled to exercise any of the rights of holders of Eligible Units in respect thereof. There are certain procedural requirements, set forth in the Partnership Agreement, which must be adhered to in connection with any Redemption of Units. Upon receipt by the Issuer of a Redemption Request to redeem Eligible Units in accordance with the Partnership Agreement, the Limited Partner holding the Eligible Units tendered for Redemption will be entitled to receive the Unit Value per Eligible Unit as at the date upon which such Eligible Unit was tendered for Redemption, as determined by the General Partner in its sole discretion, acting reasonably, less the applicable Redemption Fees, if any. If the Eligible Units have been held by the Limited Partner for less than 5 years, a fee (the “**Redemption Fee**”) will be charged in respect of the Eligible Units being redeemed as follows:

<i>Length of Time Eligible Units have been Outstanding</i>	<i>Redemption Fee</i>
1 or more but less than 2 years	4% of Unit Value
2 or more but less than 3 years	3% of Unit Value
3 or more but less than 4 years	2% of Unit Value
4 or more but less than 5 years	1% of Unit Value
5 or more years	None

Notwithstanding the foregoing, the General Partner will have the right to reject any or all Redemption Requests to redeem Eligible Units if, in the opinion of the General Partner, such redemption or redemptions could significantly hamper the Partnership’s ability to carry on its business (including significantly hampering its liquidity) or would not be in compliance with applicable law.

## Liability of General Partner and Indemnification of Limited Partners

The General Partner has agreed to indemnify and hold harmless each Limited Partner from any and all losses, liabilities, expenses and damages suffered by such Limited Partner where the liability of such Limited Partner is not limited, provided that such loss of limited liability was caused by an act or omission of the General Partner or by the negligence or willful misconduct in the performance of, or willful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. The General Partner has also agreed to indemnify and hold harmless the Issuer and each Limited Partner from and against any costs, damages, liabilities, expenses or losses suffered or incurred by the Issuer and/or the Limited Partner, as the case may be, resulting from or arising out of negligence or willful misconduct in the performance of, or willful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. The General Partner currently has and will have minimal financial resources and assets and, accordingly, such indemnities of the General Partner will have only nominal value.

The General Partner has unlimited liability for the debts, liabilities and obligations of the Issuer. The General Partner will not be liable to the Limited Partners for any mistakes or errors in judgment, or for

any act or omission believed by it in good faith to be within the scope of the authority conferred upon it by the Partnership Agreement (other than an act or omission which is in contravention of the Partnership Agreement or which results from or arises out of the General Partner's negligence or willful misconduct in the performance of, or willful disregard or breach of, a material obligation or duty of the General Partner under the Partnership Agreement) or for any loss or damage to any of the property of the Issuer attributable to an event beyond the control of the General Partner or its affiliates.

In any action, suit or other proceeding commenced by a Limited Partner against the General Partner, other than a claim for indemnity pursuant to the Partnership Agreement, the Issuer shall bear the reasonable expenses of the General Partner in any such action, suit or other proceedings in which or in relation to which the General Partner is adjudged, not to be in breach of any duty or responsibility imposed upon it hereunder; otherwise, such costs will be borne by the General Partner.

#### Term and Dissolution

The Issuer shall terminate and will be dissolved:

- (a) on the date upon which the Issuer disposes of all its assets and/or otherwise ceases to carry on an active business;
- (b) on such other date as the General Partner may propose in writing and the Limited Partners may consent to by means of an Extraordinary Resolution; or
- (c) if, prior to the foregoing dates, an event referred to in Subsection 9.2(b) of the Partnership Agreement (which includes dissolution, liquidation, bankruptcy, insolvency or winding-up of the General Partner) has occurred and a new general partner has not been appointed by the Limited partners on or before 180 days following the occurrence of such an event.

Prior to the dissolution of the Issuer the General Partner will, in its discretion, take steps to convert all or any part of the assets of the Issuer to cash or freely trading securities.

#### Distributions on Dissolution

On the dissolution of the Issuer, the net proceeds from the liquidation of the assets of the Issuer (the "**Liquidation Proceeds**") will be distributed in the following order of priority: (a) to pay off any mortgages or other secured debts of the Issuer; (b) to pay the expenses of liquidation and all other outstanding debts and liabilities of the Issuer to its creditors, including all fees and expenses (including the Performance Bonus, if earned) payable to the General Partner; (c) to provide for such reserves as the receiver or Administrator may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Issuer; (d) to the General Partner, the balance in the General Partner's capital account; and (e) any balance then remaining to the Limited Partners *pro rata* in accordance with their proportionate interest in the Issuer, provided that the General Partner will be entitled to 50% of the remaining Liquidation Proceeds after the Limited Partners have received Liquidation Proceeds equal to 100% of their invested capital.

#### Amendments to the Partnership Agreement

The Partnership Agreement may be amended only with the approval of the Limited Partners given by Extraordinary Resolution, except in the following circumstances where amendments may be made without prior approval or consent of any Limited Partner: (a) ensuring continuing compliance, by the

Issuer, with applicable laws, regulations, requirements or policies of any governmental authority or regulatory body having jurisdiction over the Issuer; (b) to give effect to a change in the governing law of the Issuer to any other province of Canada; (c) to give effect to the admission, substitution, withdrawal or removal of partners of the Issuer; (d) to give effect to a change that, as determined by the General Partner, is necessary or appropriate to qualify or continue the qualification of the Issuer as a limited Issuer in which the Limited Partners have limited liability under applicable laws; (e) providing, in the opinion of the General Partner, additional protection for the Limited Partners or to obtain, preserve or clarify the provision of desirable tax treatment for Limited Partners; (f) making amendments to the Partnership Agreement which, in the opinion of the General Partner, are necessary or desirable in the interests of the partners as a result of changes in taxation laws or in their interpretation or administration (including changes in the administrative practices and assessing policies of the Canada Revenue Agency); (g) making amendments to the Partnership Agreement as are necessary or desirable for correcting typographical mistakes or for curing, correcting or rectifying any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions; (h) making amendments to the Partnership Agreement as are required to undertake an internal reorganization of the Issuer or its affiliates; or (i) making amendments to the Partnership Agreement for any purpose in addition to those stated above, provided that, in the opinion of the General Partner, the rights of the Limited Partners are not materially prejudiced thereby.

#### **Line of Credit Agreement with 1120727 BC Ltd.**

The Issuer has secured a revolving line of credit (the “**Facility**”) from 1120727 BC Ltd., up to a maximum amount of \$500,000, bearing interest at an annual rate of the Bank of Canada’s target for the overnight rate plus 2%. The lender may demand a full repayment of the Facility with 30 days’ notice. The Facility will mature in August 2027 and may be prepaid at any time without penalty. As of the date of this Offering Memorandum a total of \$30,000 has been drawn on the Facility. Alexis Assadi, a director and officer of the General Partner, and his family members are the sole shareholders of 1120727 BC Ltd., and 1120727 BC Ltd. is the controlling shareholder of the General Partner. See “Item 3.4: Loans”.

#### **Assignment Agreement with the General Partner**

On June 28, 2017 the Issuer and the General Partner entered into an Assignment Agreement, whereby the General Partner transferred ownership of a Loan Agreement, a General Security Agreement and two Personal Guarantees to the Issuer. The Loan was initially made to a Calgary-based foods business by the General Partner on behalf of the Partnership shortly before the establishment of the Partnership, and assigned to the Partnership after it was established. The Loan was in the amount of \$40,000 and bore interest at 12% per annum with a 30-month maturity date.

In January 2018, the Issuer advanced an additional \$20,000 to the Borrower and consolidated the 2 debts into a single loan with a new interest rate (13%), payment schedule and maturity date.

In April 2018, the Issuer and the Borrower replaced the prior loan agreements with a new facility in the form of a Line of Credit. The interest rate on the balance (\$91,767 as at October 31, 2018) increased to 13.5% per year, matures in April, 2021. As at October 31, 2018 this facility is in good standing.



### Item 3: Interests of Directors, Management, Promoters and Principal Holders

#### 3.1 Compensation and Securities Held

The following table shows information about each director, officer and promoter of the Issuer and the General Partner, as the case may be, and each person who beneficially owns or controls more than 10% of the voting securities of the Issuer.

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of min. offering	Number, type and percentage of securities of the issuer held after completion of max. offering
1120727 BC Ltd. <sup>(1)</sup> Vancouver, British Columbia	Initial Limited Partner	Nil	11,587 Units (1.43% of the outstanding Units)	11,587 Units (0.23% of the outstanding Units)
Angus Yan Man Cheung Edmonton, Alberta	Director and Chief Legal Officer of the General Partner, May 26, 2017	Nil	Nil	Nil
Alexis Shahriar Assadi Vancouver, British Columbia	Director and Chief Executive Officer of the General Partner, May 26, 2017	Nil	Nil	Nil
Pacific Income Capital Corporation	General Partner of the Issuer and Promoter since June 20, 2017	\$2,253 was paid in 2017. The General Partner will earn the General Partner Fee in 2018 as set out in Item 2.7 – Material Agreements (up to \$135,000 in the case of the maximum Offering).	59,107 Units (7.31% of the outstanding Units)	59,107 Units (1.18% of the outstanding Units)

Debora Nortman, Vancouver, British Columbia	Principal Holder	Nil	300,000 Units (37.09% of the outstanding Units)	300,000 Units (6.00% of the outstanding Units)
Jacob Nortman, Vancouver, British Columbia <sup>(2)</sup>	Principal Holder	Nil	100,000 Units (12.36% of the outstanding Units)	100,000 Units (2.00% of the outstanding Units)

(1) Wholly-owned by Alexis Assadi and his family members.

Directors of the Issuer will not be entitled for compensation from the Issuer for acting as Directors, but will be entitled to be reimbursed for their out-of-pocket expenses. Mr. Cheung may be compensated by the Issuer at standard market rates (or lower) for legal services he provides outside of the scope of his normal responsibilities as Chief Legal Officer of the General Partner. As at the date of this Offering Memorandum, no such compensation has been paid to Mr. Cheung. In addition, Mr. Cheung is generally paid a fee by borrowers for legal services required in connection with the provision of Loans by the Issuer. These fees are paid by the borrowers, not the Issuer.

Messrs. Assadi (through 1120727 BC Ltd.) and Cheung own 65% and 20% of the voting shares of the General Partner, respectively, and therefore each of them has an interest in the General Partner's Fee, the Performance Bonus and the General Partner's entitlement to a share of the Issuer's assets on dissolution. 1120727 BC Ltd. has provided the Facility to the Issuer.

### 3.2 Management Experience

The following table provides the principal occupations of the directors and executive officers of the General Partner over the last five years.

Name	Principal occupation and related experience
Alexis Shahriar Assadi, B.A. Director and Chief Executive Officer of the General Partner	Mr. Assadi is a writer, entrepreneur and investor. He held various positions (sales, Vice President, CEO) at a private sales and marketing company, from 2011 until May 2016. He was a director of a private vacation co-operative association from June 2015 until May 2017. Mr. Assadi is a director and owner of three privately-held corporations which are primarily engaged in mortgage and unsecured lending, and is a director and owner of various other privately-held corporations, including Assadi Global Ventures, Inc., which are engaged in sales and marketing. Mr. Assadi graduated from the University of British Columbia in 2010 with a bachelor's degree in Political Science.
Angus Yan Man Cheung, B.Sc., J.D. Director and Chief Legal Officer of the General Partner	Mr. Cheung is a lawyer in Edmonton, Alberta. He completed a bachelor's degree in Natural Resource Conservation at the University of British Columbia, where he attended between 2007 and 2010. He attended law school at the University of Alberta

	between 2012 and 2015, where he received his Juris Doctor. He completed his articles at Wood Law Office in Edmonton, Alberta. Mr. Cheung is also an owner and director of two privately-held corporations which are primarily engaged in mortgage and unsecured lending, and is a director and owner of various other privately-held corporations, including Assadi Global Ventures, Inc., which are engaged in sales and marketing.
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### **3.3 Penalties, Sanctions and Bankruptcy**

There have been no penalties or sanctions in effect during the last 10 years, or cease trade orders that have been in effect for a period of more than 30 consecutive days during the past 10 years, against any director, executive officer or control person of the General Partner, or any issuer of which any director, executive officer or control person of the General Partner was a director, executive officer or control person at that time.

There have been no declarations of bankruptcy, voluntary assignments in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that have been in effect in the last 10 years with regard to any director, executive officer or control person of the General Partner, or any issuer of which any director, executive officer or control person of the General Partner was a director, executive officer or control person at that time.

### **3.4 Loans**

The Issuer has entered into the Facility with 1120727 BC Ltd. (which is wholly-owned by Alexis Assadi and his family members) to provide revolving working capital, including bridging maturing loans and/or investor contributions. The Facility is available to the Issuer until August 1, 2027 up to a maximum amount of \$500,000. The Facility carries an annual interest rate of the Bank of Canada's Target for the Overnight Rate plus 2%. The Facility may be prepaid without penalty. The lender may demand a full repayment of the Facility with 30 days' notice. As of the date of this Offering Memorandum, a total of \$30,000 has been drawn under the Facility. See also "Item 2.7 – Material Agreements".

## Item 4: Capital Structure

### 4.1 Share Capital

Description of security	Number authorized to be issued	Price per security	Number outstanding as at October 31, 2018	Number outstanding after min. offering	Number outstanding after max. offering
Limited Partnership Units	Unlimited	\$1.00	808,834	808,834	5,000,000

### 4.2 Long Term Debt

As at the date of this Offering Memorandum, the Issuer does not have any outstanding long-term debt. However, as discussed in “Item 3.4: Loans” the Issuer has obtained the Facility from 1120727 BC Ltd. (a non-arms’ length party) to provide revolving working capital, including bridging maturing loans and/or investor contributions. As of the date of this Offering Memorandum, a total of \$30,000 has been drawn under the Facility.

### 4.3 Prior Sales

The following table lists the sales of Units in the last 12 months.

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
October 31, 2017	Units	112,596	\$1.00	\$112,596
November 30, 2017	Units	32,000	\$1.00	\$32,000
December 31, 2017	Units	12,556	\$1.00	\$12,556
January 30, 2018	Units	30,015	\$1.00	\$30,015
February 28, 2018	Units	15	\$1.00	\$15
March 30, 2018	Units	136,615	\$1.00	\$136,615
April 30, 2018	Units	78,735	\$1.00	\$78,735
May 31, 2018	Units	10,681	\$1.00	\$10,681
June 30, 2018	Units	164,318	\$1.00	\$164,318
July 31, 2018	Units	3,968	\$1.00	\$3,968

August 31, 2018	Units	105,182	\$1.00	\$105,182
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## Item 5: Securities Offered

A description of the material terms of the Units is set out below. The rights and restrictions attached to the Units are set out in the Partnership Agreement and the description below is subject to the terms of the Partnership Agreement. A copy of the Partnership Agreement may be obtained upon request by emailing Angus Cheung, the General Partner's Chief Legal Officer, at [acheung@pacincome.com](mailto:acheung@pacincome.com). See "Item 2.7: Material Agreements" for a more extensive summary of the Partnership Agreement.

### 5.1 Terms of Securities

- (a) **Voting Rights** – At all meetings of the Limited Partners, each Limited Partner will be entitled to one vote for each Unit held in respect of each matter for which the Units are entitled to vote.
- (b) **Rights of Redemption** – After the first anniversary from the date on which an investor is issued Units, the Unitholder may submit a request in writing to the Issuer to redeem some or all of their Units, subject to payment of the Redemption Fee, if applicable.

The General Partner has the sole discretion to deny a Redemption request if the Redemption could significantly hamper the Issuer's liquidity or is not compliant with applicable corporate and securities legislation. The Unit Value that will be paid for the Units so redeemed will be determined by the General Partner in its sole discretion, acting reasonably, at the time of the Redemption Request.

- (c) **Distributions** – The holders of Units are entitled to receive distributions of Distributable Cash, as declared at the sole discretion of the General Partner. Subject to the Issuer generating sufficient cash flow, the Issuer intends to declare distributions each month. Unitholders of record as of the first day of each month will be entitled to distributions of Distributable Cash (if any) in respect of that month. Distributions will be paid on or about the last day of the applicable month in cash by direct deposit, cheque, money order or bank draft. Any distributions will be subject to the Issuer complying with applicable law.
- (d) **Liquidation, Dissolution, or Winding-Up** – In the event of the liquidation, dissolution or winding-up of the Issuer, whether voluntary or involuntary, or in the event of any other distribution of assets of the Issuer among its Unitholders for the purpose of winding up its affairs, after payment of its then outstanding obligations the Issuer will distribute the remaining assets of the Issuer among the Unitholders in the following priority:
  - (i) first, Unitholders will receive 100% of the assets until they have received an amount equal to their initial cost of investment;
  - (ii) second, Unitholders will receive 50% of the remaining assets; and
  - (iii) third, the General Partner will receive 50% of the remaining assets.
- (e) **No Certificates** – Certificates will not be issued for Units.

## 5.2 Subscription Procedure

Persons wishing to subscribe for Units under this Offering may do so by completing the following three steps:

- (a) **Subscription Forms** – Investors must complete and execute a Subscription Agreement in the form provided by the Issuer.
- (b) **Purchase Price and Method for Payment** – Investors must pay the purchase price for the Units subscribed for by cheque, wire, electronic transfer or bank draft made payable to the Issuer in an amount equal to \$1.00 per Unit multiplied by the number of Units being subscribed for.
- (c) **Submitting Subscriptions** – Investors may deliver the completed subscription form and payment of the purchase price to the Issuer by mail to:

Pacific Income Limited Partnership  
PO Box 20139 Fairview PO  
Vancouver, British Columbia  
V5Z 0C1

**Two-Day Hold Period** – An investor's subscription funds will be held until midnight on the second business day after the investor signs the Subscription Agreement.

**Acceptance of Subscriptions and Closings** – Subscriptions may be accepted by the Issuer, subject to the terms and conditions of the Subscription Agreement signed by the investor. Subscriptions will be received subject to prior sale and subject to rejection or allotment, in whole or in part, by the Issuer prior to any closing. Subscriptions may be accepted or rejected by the Issuer in its sole discretion. The Issuer is not obligated to accept any subscription nor to accept subscriptions in the order the Issuer receives them. If the Issuer rejects a subscription, the subscription funds received will be returned to the investor, without interest or deduction, along with notification of the rejection.

**This Offering is not subject to any minimum subscription level, and there are no conditions of Closing; therefore, any funds received from an investor are available to the Issuer and need not be refunded to the investor. Closings will take place periodically at the Issuer's discretion.**

This Offering may be terminated at the sole discretion of the Issuer. For example, the Issuer might choose to terminate the Offering upon the occurrence of events such as any material adverse change in the business, personnel or financial condition of the Issuer. If this Offering is terminated for any reason, the Subscription Agreements and cash funds received by the Issuer for Units that have not yet been issued prior to the termination will be returned to investors without interest or deduction as if the Investors' subscriptions had been rejected (whether or not the subscription(s) had previously been accepted by the Issuer).

A prospective investor will become a Unitholder and a Limited Partner upon execution of a Subscription Agreement, acceptance of the Subscription Agreement by the Issuer, payment of the subscription price, and entry of the investor's name in the register of members of the Issuer as a Unitholder.

**Investor Qualifications** – Investor qualifications differ depending on the province or territory of residence of the investor and the prospectus exemption being relied upon. A brief summary of the applicable qualifications as at the date of this Offering Memorandum is set out below. The summary

below is for reference only and is qualified by the terms of the applicable exemptions, and the terms of the Subscription Agreement.

#### Offering Memorandum Exemption

In any Canadian province or territory (other than Quebec), an investor may purchase Units in reliance on the “offering memorandum” exemption contained in section 2.9 of NI 45-106 if (a) the investor purchases the Units as principal (i.e., not for the benefit of others), (b) at the same time or before the investor signs an agreement to purchase the Units, the Issuer (i) delivers a copy of this Offering Memorandum to the investor, (ii) obtains a risk acknowledgement in the required form from the investor, and (c) certain other requirements are complied with. In addition, if an investor is located in a province or territory other than British Columbia and Newfoundland and Labrador, the investor must either (A) qualify as an “eligible investor”, or (B) comply with certain investment limits. For these purposes, an “eligible investor” includes:

- (a) a person or company whose:
  - (i) net assets, alone or with a spouse, in the case of an individual, exceed \$400,000;
  - (ii) net income before taxes exceeded \$75,000 in each of the two most recent calendar years, and who reasonably expects to exceed that income level in the current calendar year; or
  - (iii) net income before taxes alone or with a spouse, in the case of an individual, exceeded \$125,000 in each of the two most recent calendar years, and who reasonably expects to exceed that income level in the current calendar year; and
- (b) a company of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors.

Further information on the definition of “eligible investor” is set out in the required form of Subscription Agreement.

#### Accredited Investor Exemption

In any Canadian province or territory, an investor may purchase Units in reliance on the “accredited investor” prospectus exemption contained in section 2.3 of NI 45-106 if the investor qualifies as an “accredited investor” within the meaning of NI 45-106, purchases the Units as principal (i.e., not for the benefit of others) and if an individual, provides a risk acknowledgement in the required form. Under NI 45-106, an “accredited investor” includes:

- (a) an individual who beneficially owns, or who together with a spouse beneficially own, financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$1,000,000 of net investable assets;
- (b) any individual whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of those years, and who, in either case, has a reasonable expectation of exceeding the same net income level in the current calendar year;



- (c) a company, limited partnership, limited liability partnership, trust or estate, other than a mutual fund or non-redeemable investment fund, that had net assets of at least \$5,000,000 as reflected in its most recently prepared financial statements; or
- (d) a person or company in respect of which all of the owners of interests, direct or indirect, legal or beneficial, are persons or companies that are accredited investors.

Further information on the categories of “accredited investor” is set out in the required form of Subscription Agreement.

#### \$150,000 Minimum Amount Investment Exemption – Non-Individuals Only

In any Canadian province or territory, an investor that is not an individual may purchase Units in reliance on the “minimum amount investment” prospectus exemption contained in section 2.10 of NI 45-106 if the investor purchases Units with an aggregate purchase price of not less than \$150,000 and purchases the Units as principal (i.e., not for the benefit of others).

#### Family, Friends and Business Associates Exemptions

In any Canadian province or territory, an investor that has a certain prescribed relationship to the Issuer or its directors, executive officers, control persons, affiliates or founders and purchases the Units as principal (i.e., not for the benefit of others) may purchase Units in reliance on the “family, friends and business associates” prospectus exemptions contained in NI 45-106 (as applicable depending on the jurisdiction where the investor is located). An investor may qualify to purchase in reliance on this exemption the investor is:

- (a) a director, executive officer or control person of the Issuer, or of an affiliate of the Issuer;
- (b) a spouse, parent, grandparent, brother, sister, child or grandchild of a director, executive officer or control person of the Issuer, or of an affiliate of the Issuer;
- (c) a parent, grandparent, brother, sister, child or Issuer of the spouse of a director, executive officer or control person of the Issuer or of an affiliate of the Issuer;
- (d) a close personal friend of a director, executive officer or control person of the Issuer, or of an affiliate of the Issuer;
- (e) a close business associate of a director, executive officer or control person of the Issuer, or of an affiliate of the Issuer;
- (f) a founder of the Issuer or a spouse, parent, grandparent, brother, sister, child, grandchild, close personal friend or close business associate of a founder of the Issuer;
- (g) a parent, grandparent, brother, sister, child or grandchild of a spouse of a founder of the Issuer;
- (h) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in (a) to (g); or
- (i) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in (a) to (g).

Further information on the investors eligible to purchase in reliance on these exemptions is set out in the required form of Subscription Agreement.

## **Item 6: Income Tax Consequences**

### **6.1 Independent Tax Advice**

You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you.

### **6.2 Summary of the Principal Federal Income Tax Consequences**

The Partnership has prepared the following commentary which it believes is a fair and adequate summary of the principal federal income tax consequences arising under the Tax Act to a corporate or an individual Unitholder acquiring, holding and disposing of Units purchased pursuant to this Offering Memorandum. This summary only applies to Unitholders who are and remain, at all relevant times, resident in Canada for purposes of the Tax Act and who will hold their Units as capital property. Units generally will be considered to be capital property to a Unitholder unless such Unitholder holds Units in the course of carrying on a business or has acquired the Units as an adventure or concern in the nature of trade. It is also assumed that all partners of the Partnership are resident in Canada at all relevant times and that Units that represent more than 50% of the fair market value of all interests in the Partnership are not held by Financial Institutions at all relevant times. Where the phrase “his or her” is used in this summary in relation to Unitholders, it refers to Unitholders who are either individuals or corporations.

This summary is not applicable to a Unitholder (i) that is a partnership, trust or Financial Institution (as defined in the Tax Act); (ii) who makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act; (iii) that is exempt from tax under Part I of the Tax Act; (iv) an interest in which is a “tax shelter investment” for purposes of section 143.2 of the Tax Act or who acquires the Units as a “tax shelter investment” (and this summary assumes that no such person holds the Units); (v) that has, directly or indirectly, a “significant interest” as defined in subsection 34.2(1) of the Tax Act in the Partnership; or (vi) that has entered or will enter into a “derivative forward agreement” as defined in the Tax Act, with respect to the Units.

This summary assumes that Units will not at any material time be listed or traded on a “stock exchange” or other “public market”, within the meaning of the Tax Act, and that there will not be at any material time, any other right that is so listed or traded and which may reasonably be considered to replicate a return on, or the value of, a Unit.

There is no assurance that the Tax Act and related Regulations will not be amended in a manner that fundamentally alters the income tax consequences to Unitholders who acquire or dispose of Units. This summary does not take into account any changes in law, whether by way of legislative or judicial action.

There has been no application for an Advance Income Tax Ruling from CRA on any aspect of the transactions proposed in the Offering Memorandum, nor is it intended that such an application will be made. No opinion from the Partnership’s legal counsel or accountants has been given with respect to these income tax considerations. The analysis contained herein is not all-encompassing and should not be construed as specific advice to any particular Unitholder and is not a substitute for careful tax planning, particularly since certain of the income tax consequences of an investment will not be the same for all taxpayers. Regardless of tax consequences a decision to purchase the Units offered should be based on the merits of the investment as such and on a Unitholder’s ability to bear any loss that may be incurred.

The income tax consequences will not be the same for all Unitholders, but may vary depending on a number of factors including the province or provinces in which the Unitholder resides or carries on

business, whether Units acquired by him will be characterized as capital property, and the amount his taxable income would be but for his participation in this offering.

This summary is based on the Partnership's understanding of the current provisions of the Tax Act, the Regulations to the Tax Act, and the current administrative and assessing practices of the Canada Revenue Agency ("CRA").

**The following discussion of the Canadian income tax consequences is of a general and limited nature only, is not intended to constitute a complete analysis of the income tax consequences, and should not be interpreted as legal or tax advice to any particular investor. This summary does not address provincial or territorial laws of Canada or any tax laws of any jurisdiction outside of Canada. Each prospective investor should obtain advice from the investor's own independent tax advisor as to the federal and provincial income tax consequences of his or her acquisition of Units, as such consequences can vary depending upon the particular circumstances of each investor.**

#### Eligibility for Investment by Tax Deferred Plans

The Units are not "qualified investments" for Deferred Plans for purposes of the Tax Act and, to avoid adverse consequences under the Tax Act, the Units should not be purchased by or held in such plans or accounts.

#### Taxation of the Partnership

The Partnership is not an entity that is generally subject to tax under the Tax Act or required to file income tax returns except for annual information returns. However, the Tax Act contains rules that impose an income tax on certain publicly-traded partnerships. Based on the assumptions above, the Partnership should not be subject to these rules.

However, the income (or loss) of the Partnership for a fiscal period for purposes of the Tax Act will be computed as if it were a separate person resident in Canada and the partners will be allocated a share of the income (or loss) in accordance with the Partnership's limited partnership agreement. A Unitholder's share of the Partnership's income must (or loss may) be included in determining his or her income (or loss) for the year, whether or not any distribution of income has been made by the Partnership.

#### Taxation of Unitholders

Each Unitholder will be required to include in its income or loss for a taxation year the Unitholder's *pro rata* shares of the income or (subject to the "at-risk" rules discussed below) loss for each fiscal year of the Partnership ending in, or at the end of, the taxation year, whether or not the Unitholder has received or will receive a distribution from the Partnership. The fiscal year of the Partnership generally ends on December 31 in each calendar year.

If the Partnership incurs losses for tax purposes, each Unitholder will be entitled to deduct in the computation of income for tax purposes the Unitholder's share of any net losses for tax purposes of the Partnership for its fiscal year to the extent that the Unitholder's investment is "at-risk" within the meaning of the Tax Act. The Tax Act contains "at-risk rules" which may, in certain circumstances, restrict the deduction of a limited partner's share of any losses of a limited partnership. The General Partner does not anticipate that the Partnership will incur losses, but no assurance can be given in this regard. Accordingly, Unitholders should consult their own tax advisors for specific advice with respect to the potential application of the "at-risk rules".

### Dispositions of Units of the Partnership

Generally, a Unitholder's adjusted cost base of a Unit for purposes of the Tax Act will consist of the purchase price of the Unit, increased by any share of income allocated to the Unitholder (including the full amount of any capital gains realized by the Partnership) and reduced by any share of losses (including the full amount of any capital losses realized by the Partnership) and the amount of any Partnership distributions made to him or her. Where, at the end of a fiscal period of the Partnership, the adjusted cost base to a Unitholder of a Unit becomes a negative amount, the negative amount is deemed to be a capital gain realized by the Unitholder at that time from the disposition of the Unit and, also at that time, the Unitholder's adjusted cost base of the Unit will be increased in an amount equal to that of the deemed capital gain, so that the Unitholder's adjusted cost base of the Unit at the time will be nil.

Generally, a Unitholder will realize a capital gain (or sustain a capital loss) equal to the amount by which the proceeds received or deemed to have been received on the disposition of a Unit exceed, or are exceeded by, the adjusted cost base of the Unit.

Generally, one-half of any capital gain (the “**taxable capital gain**”) realized upon a disposition by a Unitholder of his or her Units in the Partnership will be included in the Unitholder's income for the year of disposition, and one-half of any capital loss so realized (the “**allowable capital loss**”) must be deducted by the Unitholder against taxable capital gains for the year of disposition. Subject to the detailed rules in the Tax Act, any excess of allowable capital losses over taxable capital gains of the Unitholder may be carried back up to three taxation years and forward indefinitely and deducted against net taxable capital gains in those other years.

A Unitholder that is a Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax in respect of certain investment income including an amount in respect of taxable capital gains.

### Tax Shelter Rules

The Tax Act contains “tax shelter” rules that require the promoter of a “tax shelter” to apply to the CRA for an identification number for the tax shelter. A tax shelter may include a partnership interest where it can reasonably be considered, having regard to statements or representations made in connection with the partnership interest, that within four years after the day on which the interest is acquired, the losses and other amounts in respect of the partnership interest represented to be deductible in computing income will equal or exceed the cost of the partnership interest to the partner. The General Partner is of the view that Units should not constitute a tax shelter, and consequently no application to the CRA has been made for a tax shelter identification number for the Partnership.

**Item 7: Compensation Paid to Sellers and Finders**

The Issuer expects to sell the Units directly, and no sales commission or fee will be payable to the Issuer when you purchase Units from the Issuer. However, the Issuer reserves the right to pay fees to sellers, finders or other authorized agents in connection with sales of Units consistent with commissions payable in similar transactions in the securities industry. In addition, if you acquire Units through a registered dealer, your dealer may charge you a sales commission or fee at a rate to be negotiated between you and your dealer.

## Item 8: Risk Factors

This is a speculative offering. The purchase of Units involves a number of risk factors and is suitable only for Subscribers who are aware of the risks inherent in the lending and real estate industries and who have the ability and willingness to accept the risk of loss of their invested capital and who have no immediate need for liquidity. There is no assurance of any return on a Subscriber's investment.

The Issuer advises that prospective Subscribers should consult with their own independent professional legal, tax, investment and financial advisors before purchasing Units in order to determine the appropriateness of this investment in relation to their financial and investment objectives and in relation to the tax consequences of any such investment.

In addition to the factors set forth elsewhere in this Offering Memorandum prospective Subscribers should consider the following risks before purchasing Units. Any or all of these risks, or other as yet unidentified risks, may have a material adverse effect on the Issuer's business and/or the return to the investors.

### Investment Risk

1. **Speculative Nature of Investment** - This is a speculative offering. The purchase of Units involves a number of significant risk factors and is suitable only for investors who are aware of the risks inherent in mortgage and unsecured lending investments and the real estate industry and who have the ability and willingness to accept the risk of the total loss of their invested capital and who have no immediate need for liquidity.
2. **Return on Investment** - There is no assurance that sufficient Distributable Cash will be generated by the Issuer from which distributions can be declared by the Directors and paid to the Limited Partners.
3. **No Guaranteed Distributions** - The distributions in which the Limited Partners are entitled to participate are not cumulative and will not be paid unless such distributions have been declared by the General Partner. The General Partner has the sole discretion as to whether or not any such distributions are declared. Therefore, there is no guarantee that distributions payable to Unitholders will be declared.
4. **No Review by Regulatory Authorities** - This Offering Memorandum constitutes a private offering of the Units by the Issuer only in those jurisdictions where and to those persons to whom, they may be lawfully offered for sale under exemptions in applicable securities legislation. This Offering Memorandum is not, and under no circumstances is to be construed as a prospectus, advertisement or public offering of these Units. Subscribers to this Offering Memorandum will not have the benefit of a review of the material by any regulatory authority.
5. **No Dealer Participation** - The Issuer has not engaged a dealer to participate in the Offering, and therefore no independent third party has undertaken a review of the Issuer, its proposed business or the statements made in this Offering Memorandum.
6. **Restrictions on the Transfer or Assignment of Units** - The Units cannot be transferred or assigned, unless such transfer or assignment is approved by the General Partner and is in compliance with applicable securities laws. The Units are subject to onerous resale restrictions under applicable securities legislation. See "Item 10: Resale Restrictions" regarding resale

restrictions applicable to the Units. However, Units are retractable in certain circumstances. See “Item 5: Securities Offered”.

7. **No Market for Units** – There is no market through which the Units may be sold, and the Issuer does not expect that any market will develop pursuant to this offering or in the future. Accordingly, an investment in Units should only be considered by investors who do not require liquidity.
8. **Arbitrary Determination of Unit Value** – The General Partner has the sole ability to determine the Unit Value. Unitholders therefore will have to rely entirely on the judgement of the General Partner to decide on the proceeds a Limited Partner will receive on a Redemption of Units
9. **No Redemption Guarantee** – While the Units are redeemable after the first anniversary from the date on which an investor is issued the Units, subject to Redemption Fees (See “Item 5.1: Terms of Securities”), the General Partner has the sole and unfettered discretion to deny a Redemption Request if the Redemption could significantly hamper the Issuer’s business (including its liquidity) or is not with applicable corporate and/or securities legislation. There is no guarantee that any or all Redemption Requests will be honored. Accordingly, this investment is unsuitable for those prospective Subscribers who may require liquidity.
10. **Loss Upon Redemption** – Unitholders may suffer a loss if the Unit Value at the time of redemption is determined, by the General Partner, to be lower than \$1.00 and/or if they are subjected to Redemption Fees.
11. **Absence of Management Rights** – The Units being sold under this offering have limited voting rights, and consequently an investment in Units does not carry with it any right to take part in the control or management of the Issuer’s business, including the election of the General Partner’s directors. In fact, Limited Partners may lose their limited liability status if they participate in the management of the Partnership.

In assessing the risks and rewards of an investment in Units, potential investors should appreciate that they are relying solely on the good faith, judgment and ability of the directors, officers and employees of the General Partner to make appropriate decisions with respect to the management of the Issuer, and that they will be bound by these decisions. It would be inappropriate for prospective Subscribers unwilling to rely on these individuals to this extent to purchase Units.

12. **Lack of Separate Legal Counsel** – The prospective Subscribers and Limited Partners, as a group, have not been represented by separate counsel. Counsel for the Issuer does not purport to have acted for the investors nor to have conducted any investigation or review on their behalf.

## **Issuer Risk**

Risks that are specific to the Issuer include the following:

1. **Limited Management Experience** – The directors and officers of the General Partner have limited experience in small business or real estate lending. The directors have participated in approximately 50 unsecured loan or mortgage transactions since 2013 and own and are directors of three (in the case of Alexis Assadi) and two (in the case of Angus Cheung) companies that operate in the same industry as the Issuer.



2. **Short Operating History** – The Issuer was established in June, 2017 and has a limited history of operations. To date, the Issuer has only made 18 loans. See “Item 2.3: Development of Business” and “Schedule A – Outstanding Loans As At October 31, 2018”.
3. **Financial Risk** – Asset risk is the possibility of devaluation of the Issuer’s non-debt assets (if any) that it may acquire upon foreclosure on a Loan. This is a market condition variable that cannot be controlled by the Issuer. Asset risk may become material if the Issuer forecloses on its borrowers’ assets because it can limit the Issuer’s ability to recoup its Loans. It is possible that the value of the assets seized by the Issuer may be less than its Loans.
4. **High risk loans** – The Issuer will make higher risk loans when compared to conventional lenders. Although the Issuer will perform due diligence with respect to each loan and will attempt to reduce risk by diversification of its portfolio, defaults and late payments on significant loans may affect the distributions payable to Unitholders.
5. **Reliance on the General Partner** – The performance of the Units will be closely linked to the due diligence and care of the General Partner, who is the sole operator of the Issuer and will, among other things, select the Issuer’s Loan portfolio. Unitholders cannot vote on the appointment of the directors and officers of the General Partner, and cannot replace the General Partner except in very limited circumstances. Their investment is reliant on the due diligence and care of the General Partner. As discussed under Item 2 above, while the General Partner will perform significant due diligence on potential Borrowers and the assets securing the Issuer’s Loans, there cannot be any assurance that the General Partner’s due diligence will be sufficient to ensure there will not be a default on the Loan or if there is that the Issuer has sufficient security to cover the potential loss as a result of the default. In addition, while the General Partner will indemnify the Limited Partners for their losses in certain circumstances the General Partner is a recently established entity with minimal operating history and nominal assets.
6. **Additional Units and Unit classes** – The Issuer will in the future issue additional Units or Unit classes, subject to the sole discretion of the General Partner, including pursuant to the Offering. The Issuer’s profitability is dependent upon its ability to reach a size through sales of Units at which its revenues are sufficient to cover its operating costs in addition to distributions of Distributable Cash. Such issuances could dilute and/or reduce the value of Units.
7. **Conflicts of interest** – Conflicts of interest exist, and others may arise, between investors, the officers, directors, principal holders and the General Partner. The foregoing are not in any way limited or affected in their ability to carry on business ventures for their own account and may be engaged in the ownership, acquisition and operation of businesses, which compete with the Issuer. There is no assurance that any conflicts of interest that may arise will be resolved in a manner favorable to investors. Persons considering a purchase of Units pursuant to this offering must rely on the judgment and good faith of the officers, directors and principal holders.

Although none of the directors or officers of the General Partner will devote all of his or her full time to the business and affairs of the Issuer, each will devote as much time as is necessary to manage or advise on the business and affairs of the Issuer. In addition, the directors and officers are required by law to act honestly and in good faith with a view to the best interests of the Issuer and to disclose the nature and extent of any interest that they may have in any actual or proposed material contract or transaction with the Issuer. If a conflict of interest arises, any director or officer in a conflict will disclose the nature and extent of his or her interest and act in accordance with applicable corporate law.

8. **Cyber Security Risk** - The Issuer's and its service providers' use of internet, technology, and information systems may expose the Issuer to potential risks linked to cyber security breaches of those technological or information systems. Cyber security breaches, amongst other things, could allow an unauthorized party to gain access to proprietary information, customer data, or assets, or cause the Issuer and/or its service providers to suffer data corruption or lose operational functionality.

## **Industry Risk**

There are also risks faced by the Issuer because of the industry in which it operates. In particular, real estate investment is subject to significant uncertainties due, among other factors, to uncertain costs of construction, development and financing, uncertainty as to the ability to obtain required licenses, permits and approvals, and fluctuating demand for developed real estate. The higher returns expected from the Issuer's Loans reflect the greater risks involved in making these types of loans as compared to long-term conventional mortgage loans.

Prospective investors should take note of the following:

1. **General Economic Risk (External Economic and Political Environment)** - The Issuer cannot predict the real estate market's future values which may include declines in values. It is not possible for the Issuer to predict with any accuracy influences such as world affairs, global and local politics and economies, labor markets and environmental impacts. These are unknowns and the Issuer makes no representations or warranties as to being an authority on these causes and effects. Real estate markets and certain economies may result in declining real estate values and lower interest rates, either or both of which may result in lower returns to the Issuer and lower distributions to its Unitholders.
2. **General Risks of Real Estate Investments** - Investments tied to real estate are subject to many risks, including those posed by the highly competitive nature of the real estate industry, changes in general or local conditions, changes in property values, increases in interest rates, the lack of available financing, increases in real estate tax rates and vacancy rates, overbuilding, changes in governmental regulations and monetary policies, and other factors that are beyond the control of the Issuer.

A real estate investment, including a loan secured by a mortgage, is generally large compared to other investments such as stocks, bonds, term deposits, GICs, and so forth. Being of considerable size, a real estate property investment or portfolio, generally speaking, is relatively less liquid than other investments, so the Issuer and its Unitholders may find that it takes longer to sell real estate property than it does to sell smaller and more liquid investments such as stocks, bonds, mutual funds and so forth.

Real estate values are also subject to other costs that can change quickly and unpredictably, materially affecting value. Such costs may include property taxes, property insurance, property maintenance and management, strata corporation fees and other levies. Degree of demand for land to develop and build on and demand for finished real estate products will affect value and cannot be accurately anticipated.

In the case of real estate and construction some of the myriad factors that may affect real estate values are supply and demand, employment, availability of services (sewer, water, electricity, telephone, gas, cable), costs of development and construction (permits, licenses, labor, materials, plans, marketing, insurance, bonding), world affairs, local politics, environmental concerns,

interest rates and so forth. Another important factor is sheer competition amongst developers and builders.

3. **Risk of lending to small businesses** – Many or most small businesses in Canada fail within their first years, often due to a lack of capital, experience, skill and expertise, quality of products and/or services, ability to adapt to changing markets and technologies, competitiveness, willingness to continue operations, scalability and various other reasons. Lending to small businesses and entrepreneurs is risky because their failure to become or remain profitable can hamper or preclude their ability to repay their debts. The Issuer intends to perform due diligence and secure its Loans with the personal assets of business owners. However, entrepreneurs' assets are often tied into, or are solely, their companies. There is a high chance that a business' failure can cause catastrophic financial harm to its owners and principals. In many or all cases, the Issuer's business Borrowers will have been deemed too risky by traditional lenders.
4. **Higher Risk Mortgage Loans** – The potential for higher returns associated with the Issuer's Loans reflects the greater risks associated with the Issuer's lending portfolio and the type of Loans the Issuer makes; for example, loans that are junior as well as senior, mortgages on construction and development, loans that are high ratio LTV, and so forth. Should any of these risks materialize they may adversely affect the return to the Issuer in connection with its Loans and therefore may adversely affect returns to Unitholders.
5. **High Risk Syndicated Mortgage Loans** – the Issuer may invest in any syndicated mortgage in British Columbia or Alberta with a maximum LTV ratio of 75%. A syndicated mortgage is one mortgage with more than one lender and is often administered by a third party. They are often short/medium term (less than 2 years) construction, bridge or mezzanine loans and are usually first, second or third mortgages. While the Issuer will conduct its own due diligence, it may rely on the due diligence and representations of third party administrators or mortgage brokers. In addition to the risks inherent with syndicated mortgages, reliance on the due diligence and representations of third party administrators or mortgage brokers can cause hazards to the Issuer and its investors.
6. **Prior Mortgages and Charges** - The Issuer will as part of its business acquire junior (second mortgages, for instance) as well as senior (first) mortgages. When the Issuer acquires in a junior mortgage its mortgage will be subject to a senior (first mortgage) charge sitting in front of the Issuer's mortgage. Financial charges for construction and other financing funded by conventional third party lenders may also rank in priority to the mortgages registered in favor of the Issuer. In the event of a default in the first mortgage the Issuer may find itself in a position of having to protect its interest by either paying out the first mortgage or maintaining payments on the first mortgage to keep it in good standing and keep it from foreclosing. If foreclosure takes place, the property is sold, and the sale price is not sufficient to cover both the first mortgage and the Issuer's mortgage, the Issuer may not recover all or part of its mortgage investment, resulting in a loss.
7. **High Mortgage Loan Ratios** - The Issuer may make mortgage loans in excess of what a typical conventional lender might make in terms of LTV ratio.
8. **High Recovery Costs** - There are many costs associated with default action and recovery against a Borrower, not the least of which are legal and Court costs, receiver costs, payment of arrears of property taxes, insurance, strata fees and assessment, property upkeep, valuation costs, marketing costs and so forth. These costs associated with loan recovery can often be high and, particularly in

a declining real estate market requiring a long hold and marketing period, can result in the property being sold for less than the Issuer's mortgage balance, resulting in a loss.

9. **Potential Liability under Environmental Protection Legislation** - Environmental and ecological legislation has become increasingly important and onerous, and the amount of regulation and penalties for non-compliance is growing. This represents a risk to lenders as well as property owners and borrowers as it is possible that the liability for non-compliance can pass to the lender (the Issuer) if the property owner/borrower defaults in terms of environmental requirements. Under various laws it is possible that the Issuer could become liable for the costs of removal of toxic or hazardous substances and remediation of the subject property as well as neighboring property(s). Where the Issuer suspects possible environmental issues, the Issuer will complete environmental diligence including obtaining necessary professional environmental reports and clearances.
10. **Mortgage Insurance and Property Insurance** - The Issuer's Loans will not usually be insured in whole or in part by default insurers such as Canadian Mortgage and Housing Corporation (CMHC). As well, there are certain inherent risks in the real estate industry, some of which the Issuer may not be able to insure against or which the Issuer may elect not to insure due to the cost of such insurance. The effect of these factors cannot be accurately predicted.
11. **Loan Insurance** – None of the Issuer's loans to small businesses and entrepreneurs will be insured.
12. **Default** – If there is default on a Loan it may be necessary for the Issuer, in order to protect the investment, to engage in foreclosure or sale proceedings and to maintain prior encumbrances in good standing. In such cases, it is possible that the total amount recovered by the Issuer may be less than the total investment, resulting in a loss to the Issuer.
13. **Yield** - Yields on Loans depend on many factors including economic conditions and prevailing interest rates, the level of risk assumed, conditions in the real estate industry and for small businesses, opportunities for other types of investments, legislation, government regulation and tax laws. The Issuer cannot predict the effect that such factors will have on its operations.
14. **Competition** - Earnings of the Issuer depend on the Issuer's ability to source suitable lending opportunities to deploy the Issuer's funds and on the yields available from time to time on Loans. The industry in which the Issuer operates is subject to much competition from competitors many of whom have greater financial and technical resources than the Issuer. Such competition may adversely affect the Issuer's success in the marketplace. There is no assurance that the Issuer will be able to successfully maintain its business plan or operate profitably.
15. **"Interest Only" Syndicated Mortgages** – A portion of the Issuer's portfolio may be invested in "interest only" Syndicated Mortgages. An interest only loan is a loan which, for a set term, the borrower pays only the interest on the principal balance, with the principal balance unchanged. Because these types of loans do not involve the borrower making payments towards the principal balance during the term of the loan, they may expose the Issuer to greater risks than a loans that involves payments towards the principal balance (i.e., because the principal balance remains outstanding in full). The risks associated with interest only loans will generally be less for short term loans because in a short term loan the outstanding principal is only slightly reduced during the term (i.e., meaning that the risk associated with such a loan not being repaid on maturity is not materially different from other loans).

**Tax Risk**

If the Partnership were to constitute a “SIFT partnership” within the meaning of the Tax Act, the income tax consequences described in “Item 6: Income Tax Consequences” would, in some respects, be materially and, in some cases, adversely, affected.

## **Item 9: Reporting Obligations**

### **9.1 Documents**

The Issuer is not a “reporting issuer” as that term is defined in applicable securities legislation, nor will it become a reporting issuer following the completion of the offering. As a result, the Issuer will not be subject to the continuous disclosure requirements of such securities legislation that are applicable to reporting issuers. However, investors will receive quarterly statements reflecting their investment in the Issuer, quarterly distribution cheques, if applicable, and yearly tax statements.

The Issuer’s fiscal year commences January 1 in each year and ends December 31 of the same year. The Issuer will prepare audited financial statements for each fiscal year and make the statements available to investors via email.

### **9.2 Availability of Information**

This Offering Memorandum and certain other documents about the Issuer are available via the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) at [www.sedar.com](http://www.sedar.com). Additionally, certain corporate or securities information about the Issuer is available on the following websites:

British Columbia Securities Commission – [www.bcsc.bc.ca](http://www.bcsc.bc.ca)

Alberta Securities Commission – <http://www.albertasecurities.com>

Ontario Securities Commission – [www.osc.gov.on.ca](http://www.osc.gov.on.ca)

## **Item 10: Resale Restrictions**

### **10.1 General Statement**

Units will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the Units unless you comply with an exemption from the prospectus and registration requirements under securities legislation. However, Units are redeemable in certain circumstances. See “Item 5: Securities Offered”.

### **10.2 Restricted Period**

The Issuer is not:

- (a) a reporting issuer in any Canadian province or territory, or
- (b) a SEDAR filer and a reporting issuer in any Canadian province or territory.

Unless permitted under securities legislation, you cannot trade Units before the date that is four months and a day after the date the Issuer becomes a reporting issuer in any province or territory in Canada. The Issuer will not become a reporting issuer upon completion of this offering, and does not currently anticipate becoming a reporting issuer. The resale restriction on Units may therefore never expire and you may never be able to transfer your Units unless you comply with an exemption from the prospectus and registration requirements under securities legislation. However, Units are redeemable in certain circumstances. See “Item 5: Securities Offered”.

### **10.3 Manitoba Resale Restrictions**

Unless permitted under securities legislation, you must not trade Units in Manitoba without the prior written consent of the regulator in Manitoba unless:

- (a) the Issuer has filed a prospectus with the regulator in Manitoba with respect to the Units you have purchased, and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the Units for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest. However, Units are retractable in certain circumstances. See “Item 5: Securities Offered”.

**Subscribers of Units offered hereunder who wish to resell such securities should consult with their own legal advisors prior to engaging in any resale, in order to ascertain the restriction on any such resale.**

It is the responsibility of each individual Subscriber of Units to ensure that all forms required by the applicable securities legislation are filed as required upon disposition of the Units acquired pursuant to this Offering.

## **Item 11: Purchasers' Rights**

If you purchase Units you will have certain rights, some of which are described below. For more information about your rights you should consult a lawyer.

The following summaries of investors' legal rights are subject to the express provisions of the securities laws of the applicable province in which they are resident and reference is made thereto for the complete text of such provisions. The rights of action described below are in addition to and without derogation from any right or remedy available at law to the investor and are intended to correspond to the provisions of the relevant securities legislation and are subject to the defences contained therein.

As used herein, except where otherwise specifically defined, "misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement in this Offering Memorandum not misleading in light of the circumstances in which it was made.

**Two Day Cancellation Right** – You can cancel your agreement to purchase Units. To do so, you must send a notice to the Issuer by midnight on the second business day after you sign the agreement to buy the Units.

### ***Statutory Rights of Action in Event of a Misrepresentation***

#### **British Columbia Investors – Statutory Rights of Action in the Event of a Misrepresentation**

If this Offering Memorandum, together with any amendment hereto, is delivered to a purchaser resident in British Columbia who purchases Units in reliance on the "offering memorandum" exemption set out in section 2.9 of NI 45-106 and contains a misrepresentation and it was a misrepresentation at the time of purchase, you have a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy the Units, or
- (b) for damages against the Issuer, every director of the Issuer at the date of this Offering Memorandum, and every person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, the above noted parties have a defense if you knew of the misrepresentation when you purchased the Units.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy Units. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and three years after you signed the agreement to purchase the Units.

#### **Alberta Investors – Statutory Rights of Action in the Event of a Misrepresentation**

Where an offering memorandum, such as this Offering Memorandum, together with any amendment to it, is delivered to a purchaser of Units resident in Alberta in connection with the distribution of Units in reliance on the "offering memorandum" prospectus exemption set out in section 2.9 of NI 45-106 or the



“minimum amount investment” exemption in section 2.10 of NI 45-106 and contains a misrepresentation, you have a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy the Units, or
- (b) for damages against the Issuer, every director of the Issuer at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Units.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy the Units. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three years after you signed the agreement to purchase the Units.

#### **Manitoba Investors – Statutory Rights of Action in the Event of a Misrepresentation**

If this Offering Memorandum is delivered to a purchaser of Units resident in Manitoba and contains a misrepresentation, you have a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy the Units, or
- (b) for damages against the Issuer, every director of the Issuer at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, the above noted parties have a defense if you knew of the misrepresentation when you purchased the Units.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy the Units. You must commence your action for damages within the earlier of 180 days after the day you first had knowledge of the facts giving rise to the cause of action and two years after you signed the agreement to purchase the Units.

#### **Ontario Investors – Statutory Rights of Action in the Event of a Misrepresentation**

If this Offering Memorandum, together with any amendment hereto, is delivered to a purchaser of Units resident in Ontario and contains a misrepresentation, subject to the qualifications set forth below, you have a statutory right of action against the Issuer:

- (a) to cancel your agreement to buy the Units, or
- (b) sue for damages.

This statutory right of action is available to you whether or not you relied on the misrepresentation if such statement or omission was a misrepresentation at the time of your purchase of the Units. However, there

are various defences available to the persons or companies that you have a right to sue. In particular, the Issuer has a defense if it proves that you purchased the Units with knowledge of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement to buy the Units within 180 days of the date upon which you entered into such agreement. You must commence your action for damages no later than the earlier of (i) 180 days after you first received knowledge of the facts giving rise to the cause of action; and (ii) three years after the date upon which you entered into the agreement to purchase the Units.

### **Saskatchewan Investors – Statutory Rights of Action in the Event of a Misrepresentation**

If this Offering Memorandum, or any amendment to it, is sent or delivered to a purchaser of Units resident in Saskatchewan and it contains a misrepresentation, a purchaser who purchases a security covered by this Offering Memorandum or any amendment to it is, has a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy these Units, or
- (b) for damages against:
  - (i) the Issuer;
  - (ii) every promoter and director of the Issuer at the time this Offering Memorandum or any amendment to it was sent or delivered;
  - (iii) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;
  - (iv) every person who or company that, in addition to the persons or companies mentioned above, signed this Offering Memorandum or the amendment to this Offering Memorandum; and
  - (v) every person who or company that sells Units on behalf of the issuer or selling security holder under this Offering Memorandum or amendment to this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Units.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy the Units. You must commence your action for damages within the earlier of one year after you first had knowledge of the facts giving rise to the cause of action and six years from the date upon which you entered into the agreement to purchase the Units.

### **Newfoundland and Labrador Investors – Statutory Rights of Action in the Event of a Misrepresentation**

If this Offering Memorandum, or any amendment to it, is sent or delivered to a purchaser of Units resident in Newfoundland and Labrador and it contains a misrepresentation, a purchaser who purchases a security covered by this Offering Memorandum or any amendment to it is, has a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy the Units, or
- (b) for damages against the Issuer, every director of the Issuer at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Units. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy the Units. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three years after you signed the agreement to purchase the Units

### **Yukon Investors – Statutory Rights of Action in the Event of a Misrepresentation**

If this Offering Memorandum, or any amendment to it, is sent or delivered to a purchaser of Units resident in Yukon and it contains a misrepresentation, a purchaser who purchases a security covered by this Offering Memorandum or any amendment to it is, has a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy the Units, or
- (b) for damages against the Issuer, every director of the Issuer at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Units.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy the Units. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three years after you signed the agreement to purchase the Units.

### **Northwest Territories Investors – Statutory Rights of Action in the Event of a Misrepresentation**

If this Offering Memorandum, or any amendment to it, is sent or delivered to a purchaser of Units resident in Northwest Territories and it contains a misrepresentation, a purchaser who purchases a security covered by this Offering Memorandum or any amendment to it is, has a statutory right to sue:

If this Offering Memorandum, or any amendment to it, is sent or delivered to a purchaser of Units resident in Northwest Territories and it contains a misrepresentation, a purchaser who purchases a security covered by this Offering Memorandum or any amendment to it is, has a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy the Units, or
- (b) for damages against the Issuer, every director of the Issuer at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum. This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Units.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy the Units. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three years after you signed the agreement to purchase the Units.

### **Nunavut Investors – Statutory Rights of Action in the Event of a Misrepresentation**

If this Offering Memorandum, or any amendment to it, is sent or delivered to a purchaser of Units resident in Nunavut and it contains a misrepresentation, a purchaser who purchases a security covered by this Offering Memorandum or any amendment to it is, has a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy the Units, or
- (b) for damages against the Issuer, every director of the Issuer at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Units.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to buy the Units. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three years after you signed the agreement to purchase the Units.

### **Contractual Rights of Action in Event of a Misrepresentation**

#### **Rights for Investors in Québec**

Notwithstanding that the securities legislation in Québec does not provide or require the Issuer to provide to purchasers resident in Québec any rights of action in circumstances where this Offering Memorandum or any amendment to this Offering Memorandum contains a misrepresentation, the Issuer grants to such purchasers the same rights of action for damages or rescission as those afforded to residents of British Columbia who purchase Units in reliance on the “offering memorandum” exemption set out in section 2.9 of NI 45-106, as described above under “British Columbia Investors - Statutory Rights of Action in the Event of a Misrepresentation.”

**Rights for Investors in British Columbia Purchasing as “Accredited Investors”, in Reliance on the “Friends, Family and Business Associates” Exemption or under the “Minimum Amount Investment” Exemption**

Investors resident in British Columbia who purchase Units in reliance on the “accredited investor”, the friends, family and business associates, or the “minimum amount investment” exemptions set out in sections 2.3, 2.5 and 2.10 of NI 45-106, respectively, will be entitled to the same rights of action for damages or rescission as those afforded to residents of British Columbia who purchase Units in reliance on the “offering memorandum” exemption set out in section 2.9 of NI 45-106, as described above under “British Columbia Investors - Statutory Rights of Action in the Event of a Misrepresentation”.

**Rights for Investors in Alberta Purchasing as “Accredited Investors” or in Reliance on the “Friends, Family and Business Associates” Exemption**

Investors resident in Alberta who purchase Units in reliance on the “accredited investor” or the friends, family and business associates, or the exemption set out sections 2.3 and 2.5 in NI 45-106 will be entitled to the same rights of action for damages or rescission as those afforded to residents of Alberta who purchase Units in reliance on the “offering memorandum” exemption set out in section 2.9 of NI 45-106, as described above under “Alberta Investors - Statutory Rights of Action in the Event of a Misrepresentation”

**Item 12: Financial Statements**

Attached are the audited financial statements for the Issuer for the year ended December 31, 2017 and unaudited financial statements for the Issuer for the 6 month period ended June 30, 2018.

**PACIFIC INCOME LIMITED PARTNERSHIP**

**FINANCIAL STATEMENTS**

**(Expressed in Canadian Dollars)**

**DECEMBER 31, 2017**

## INDEPENDENT AUDITORS' REPORT

To the Directors of  
Pacific Income Capital Corporation in its capacity as general partner of Pacific Income Limited Partnership

We have audited the accompanying financial statements of Pacific Income Limited Partnership, which comprise the statement of financial position as at December 31, 2017, and the statements of comprehensive loss, changes in net assets attributable to unit holders, and cash flows for the period from formation on June 22, 2017 to December 31, 2017, and a summary of significant accounting policies and other explanatory information.

### *General Partners' Responsibility for the Financial Statements*

The General Partner is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of Pacific Income Limited Partnership as at December 31, 2017 and its financial performance and its cash flows for the period from formation on June 22, 2017 to December 31, 2017 in accordance with International Financial Reporting Standards.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

April 20, 2018





**PACIFIC INCOME LIMITED PARTNERSHIP**  
**STATEMENT OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)  
AS AT DECEMBER 31, 2017

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**ASSETS**

**Current**

Cash	\$	22,450
Receivables		1,953
Loans receivable (Note 3)		52,770
		<u>77,173</u>

Loans receivable (Note 3)	211,730
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<b>Total assets</b>	<b>288,903</b>
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**LIABILITIES**

**Current**

Accounts payable and accrued liabilities (Note 4)	80,603
Loan payable (Note 4)	30,074

<b>Total liabilities</b>	<b>110,677</b>
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<b>NET ASSETS attributable to unit holders</b>	<b>\$ 178,226</b>
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**Subsequent event** (Note 7)

Approved on behalf of the General Partner  
of Pacific Income Limited Partnership:

<u>“Alexis Assadi”</u>	Director	<u>“Angus Cheung”</u>	Director
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The accompanying notes are an integral part of these financial statements.

**PACIFIC INCOME LIMITED PARTNERSHIP****STATEMENT OF COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

FOR THE PERIOD FROM FORMATION ON JUNE 22, 2017 TO DECEMBER 31, 2017

<hr/>		
<hr/>		
Investment income:		
Interest income	\$	9,078
Other income		850
		<hr/>
		9,928
<hr/>		
Expenses:		
Advertising and promotion		1,504
General partner fee (Note 4)		2,253
Office and miscellaneous		2,461
Professional fees (Note 4)		117,074
		<hr/>
		(123,292)
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Loss, being decrease in net assets attributable to unit holders	\$	(113,364)
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The accompanying notes are an integral part of these financial statements.

**PACIFIC INCOME LIMITED PARTNERSHIP****STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS**

(Expressed in Canadian Dollars)

FOR THE PERIOD FROM FORMATION ON JUNE 22, 2017 TO DECEMBER 31, 2017

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Net assets attributable to unit holders, beginning of period	\$ -
Loss, being decrease in net assets attributable to unit holders	(113,364)
Partners' transactions:	
Proceeds from issuance of Limited Partner units	283,273
Subscriptions for Limited Partner units received in advance	15,000
Distributions to Limited Partners	(6,683)
Net increase from Partners' transactions	291,590
Net assets attributable to unit holders, end of period	\$ 178,226

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The accompanying notes are an integral part of these financial statements.

**PACIFIC INCOME LIMITED PARTNERSHIP**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD FROM FORMATION ON JUNE 22, 2017 TO DECEMBER 31, 2017**

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**OPERATING ACTIVITIES**

Loss, being decrease in net assets attributable to unit holders	\$ (113,364)
Items not affecting cash:	
Accrued interest income	(9,078)
Accrued interest expense	74
Net changes in non-cash working capital balances:	
Receivables	(285)
Accounts payable and accrued liabilities	<u>80,603</u>
Cash used in operating activities	<u>(42,050)</u>

**FINANCING ACTIVITIES**

Limited Partners' contributions	283,273
Limited Partner contributions received in advance	15,000
Distributions to unit holders	(6,683)
Loan payable	<u>30,000</u>
Cash provided by financing activities	<u>321,590</u>

**INVESTING ACTIVITIES**

Loans receivable	(300,900)
Repayments on loans receivable	<u>43,810</u>
Cash used in investing activities	<u>(257,090)</u>

<b>Change in cash for the period</b>	<b>22,450</b>
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<b>Cash, beginning of period</b>	<b>-</b>
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<b>Cash, end of period</b>	<b>\$ 22,450</b>
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There were no significant non-cash transactions for the period presented.

The accompanying notes are an integral part of these financial statements.

## **1. NATURE OF OPERATIONS**

Pacific Income Limited Partnership (the "Partnership") was formed under the laws of the Province of British Columbia on June 22, 2017.

The Partnership was established to lend capital to arm's length businesses and entrepreneurs and to invest in mortgages and syndicated mortgages.

The Limited Partners have subscribed for and received 283,273 Limited Partner units ("Units") in the Partnership as at December 31, 2017.

Pacific Income Capital Corporation is the general partner of the Partnership (the "General Partner").

Each Limited Partner shall be entitled to one vote for each Unit held. Net income or loss of the Partnership is allocated 0.01% to the General Partner and 99.99% to the Limited Partners.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements were authorized for issuance by the General Partner on April 20, 2018.

The financial statements have been prepared on an historical cost basis except for certain financial instruments that are measured at fair value.

These financial statements are presented in Canadian dollars, which is the Partnership's functional currency.

### **Scope of financial statements**

These financial statements present the financial position, income(loss), partners' equity and cash flows of the Partnership. They do not include all of the assets, liabilities, revenue and expenses of the partners. No provision for income taxes has been included in these financial statements as the income tax liability is that of the partners and not the Partnership.

### **Use of estimates and judgement**

The preparation of financial statements requires management to exercise its judgement in the process of applying the Partnership's accounting policies and making certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses during any reporting year. Actual results could differ from those estimates. The most significant estimates and judgements the Partnership uses in preparing its financial statements are as follows:

## **2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

### *Classification of partnership units*

The Limited Partnership Agreement ("LPA") imposes a contractual obligation to deliver a pro rata share of the Partnership's net assets to the Partners on termination of the Partnership. Based on the terms of the LPA, the General Partner and Limited Partners are both considered to have an interest in the residual net assets of the Partnership; however, they are not considered to have identical contractual obligations. Consequently, the net assets attributable to Limited Partners and the General Partner are classified as liabilities because the criteria of equity classification is not met.

### *Collectability of loans receivable*

The Partnership lends capital to arm's length businesses and entrepreneurs and there is no guarantee that creditors will be able to meet obligations as they come due.

### **Financial instruments**

The Partnership's financial instruments consist of cash, receivables, loans receivable, accounts payable and accrued liabilities and loan payable. The Partnership has designated its cash as fair value through profit or loss, which is measured at fair value. Receivables and loans receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and loan payable are classified as other financial liabilities, which are measured at amortized cost.

### Financial assets

Financial assets are classified into one of four categories:

- Fair value through profit or loss;
- Held-to-maturity;
- Loans and receivables; and
- Available for sale

### Financial assets at Fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the entity manages such investments and makes purchase and sale decisions based on their fair value in accordance with the entity's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

### *Held to maturity ("HTM")*

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Partnership's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

## **2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

### *Available for sale ("AFS")*

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

### Financial liabilities

Financial liabilities are classified into one of two categories:

- Fair value through profit or loss; and
- Other financial liabilities.

### *Fair value through profit or loss*

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

### *Other financial liabilities*

This category consists of liabilities carried at amortized cost using the effective interest method.

### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

## **2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS financial instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS financial instruments, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

### **Income recognition**

Interest income is recognized on an accrual basis using the effective interest method.

### **New Accounting Standards Issued But Not Yet Effective**

#### *IFRS 9 – Financial Instruments (“IFRS 9”)*

In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018.

#### *IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)*

In May 2014, IASB issued IFRS 15 to replace IAS 18 – Revenue, which establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

The Partnership has analyzed the impact of adopting IFRS 9 and IFRS 15 and anticipates that there will be no material changes as a result of adopting these standards.



**PACIFIC INCOME LIMITED PARTNERSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
DECEMBER 31, 2017

**3. LOANS RECEIVABLE**

During the period ended December 31, 2017, the Partnership entered into multiple loan agreements as summarized below:

	Principal	Interest Rate	Maturity Date	Balance, December 31, 2017
Borrower #1	\$35,000	12%	October 30, 2018	\$ 34,998
Borrower #2	\$85,000	17%	October 30, 2019	85,000
Borrower #3	\$40,000	12%	December 19, 2019	36,067
Borrower #4	\$32,200	14%	January 1, 2020	32,200
Borrower #5	\$20,000	12%	July 26, 2020	18,966
Borrower #6*	\$58,700	12%	August 24, 2020	57,269
Borrower #7**	\$30,000	14%	September 11, 2020	-
				<u>264,500</u>
			Less: Current portion	<u>(52,770)</u>
				<u>\$ 211,730</u>

\* The Partnership has extended a revolving line of credit to the borrower in the maximum amount of \$200,000.

\*\* The loan was fully repaid during the period.

**4. RELATED PARTY TRANSACTIONS**

*Compensation of the General Partner*

The Partnership will pay the General Partner a monthly fee equal to 1/12th of 2.7% of the gross proceeds raised by the Partnership from the sale of Units. In addition, the General Partner is entitled to a performance bonus. Once the Limited Partners have received an 8% annual return on their investment, the General Partner will receive 20% of any further Limited Partnership cash distributions and once the Limited Partners have received a 10% annual return on their investment in the Partnership, the General Partner will receive 75% of any further cash distributions. During the period ended December 31, 2017, the General Partner earned \$2,253 in fees for sales of Units. As at December 31, 2017, \$1,847 was payable to the General Partner and is included in accounts payable and accrued liabilities.

During the period ended December 31, 2017, \$5,000 in professional fees was paid to the chief legal officer of the General Partner.

Included in accounts payable and accrued liabilities as at December 31, 2017 is \$16,347 due to the spouse of the chief executive officer of the General Partner and to Company's owned by the chief executive officer of the General Partner.

**4. RELATED PARTY TRANSACTIONS (cont'd...)**

*Line of Credit Agreement*

On June 28, 2017 the Partnership entered into a line of credit agreement with 1120727 BC Ltd. (the "Lender"), a Company owned by the chief executive officer of the General Partner and his family members, whereby the Lender has established a revolving line of credit to the Partnership up to \$500,000 (the "Facility"). The Facility will bear interest at an annual rate of the Bank of Canada's target overnight rate plus 2%, payable monthly and will mature in August 2027. The Lender may demand full repayment of the loan at any time with thirty days notice and accordingly the loan is treated as current. At December 31, 2017, \$30,000 had been advanced under the Facility and the Partnership had accrued interest of \$74.

**5. FINANCIAL INSTRUMENTS**

**Risk and concentrations**

The Partnership is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the Partnership's risk exposure at the statement of financial position date.

**a) Liquidity risk**

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting obligations associated with its financial liabilities. The Partnership is exposed minimally to this risk in respect of its accounts payable. The Partnership mitigates this risk by managing its capital resources.

**b) Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Partnership to significant concentrations of credit risk consist primarily of cash and loans receivable. The Partnership's cash is held through large Canadian financial institutions and the majority of the Partnership's loans receivable are secured. The Partnership has not identified any past due loan receivables as at December 31, 2017.

**c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Partnership has the potential to be exposed to interest rate risk.

**d) Interest risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Partnership has the potential to be exposed to interest rate risk if it borrows under the Facility on which the interest rate varies with the bank's overnight rate. The Partnership will manage its financial instruments and interest rate risks based on its cash flow needs and with a view to minimize interest expense.

**5. FINANCIAL INSTRUMENTS (cont'd...)**

**Fair Value**

The Partnership classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash is measured at fair value based on level 1 of the fair value hierarchy. The carrying value of loans receivable, accounts payable and accrued liabilities, and loan payable approximate their fair value due to the relatively short-term nature of these instruments.

**6. CAPITAL RISK MANAGEMENT**

Units issued and outstanding are considered to be capital of the Partnership. The Partnership manages capital in accordance with its investment objectives.

**7. SUBSEQUENT EVENT**

Subsequent to December 31, 2017:

- The Partnership issued an additional 166,645 Units for proceeds of \$166,645, of which \$15,000 had been received as at December 31, 2017.

**PACIFIC INCOME LIMITED PARTNERSHIP**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the Three and Six Months Ended June 30, 2018**  
(Expressed in Canadian dollars – unaudited)

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL  
STATEMENTS**

The accompanying unaudited condensed interim financial statements of the Partnership have been prepared by and are the responsibility of the Partnership's management.

In accordance with National Instrument 51-102, the Partnership confirms its independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# **PACIFIC INCOME LIMITED PARTNERSHIP**

## **Condensed Interim Financial Statements**

**(Expressed in Canadian Dollars – unaudited)**

For the three and six months ended June 30, 2018

## **Contents**

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Condensed Interim Statement of Financial Position

Condensed Interim Statement of Changes in Net Assets Attributable to Unit Holders

Condensed Interim Statement of Partners' Equity

Condensed Interim Statement of Comprehensive Income (Loss)

Condensed Interim Statement of Cash Flows

Notes to Condensed Interim Financial Statements

**PACIFIC INCOME LIMITED PARTNERSHIP**  
**Condensed Interim Statement of Financial Position**  
(Expressed in Canadian Dollars)  
(Unaudited - prepared by the General Partner)  
As at

	June 30 2018	December 31 2017
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 167,704	\$ 22,450
Receivables	6,906	1,953
Loans receivable (Note 3)	92,858	52,770
	<u>267,468</u>	<u>77,173</u>
<b>Loans and funds receivable (Note 3)</b>	<b>387,809</b>	<b>211,730</b>
	<u>\$ 655,277</u>	<u>\$ 288,903</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 54,854	\$ 80,603
Loan payable (Note 4)	30,524	30,074
	<u>85,378</u>	<u>110,677</u>
<b>Net Assets attributable to unit holders</b>	<u>\$ 569,899</u>	<u>\$ 178,226</u>

Nature of Operation (Note 1)

Subsequent events (Note 7)

APPROVED ON BEHALF OF THE GENERAL PARTNER OF PACIFIC INCOME LIMITED PARTNERSHIP:

\_\_\_\_\_  
*"Alexis Assadi"*      Director      \_\_\_\_\_  
*"Angus Cheung"*      Director

The accompanying notes are an integral part of these condensed interim financial statements.

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**PACIFIC INCOME LIMITED PARTNERSHIP**  
**Condensed Interim Statement of Changes in Net Assets Attributable to Unit Holders**  
**(Expressed in Canadian Dollars)**  
**(Unaudited - prepared by the General Partner)**

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	<b>June 30, 2018</b>	December, 31 2017
<b>Net assets attributable to unit holders, beginning of period</b>	<b>\$ 178,226</b>	<b>\$ -</b>
<b>Earnings (loss), being increase (decrease) in net assets attributable to unit holders</b>	<b>4,593</b>	<b>(113,364)</b>
<b>Partners' transactions:</b>		
Proceeds from issuance of Limited Partner units	<b>405,379</b>	283,273
Subscriptions for Limited Partner units received in advance	<b>1,000</b>	15,000
Distributions to Limited Partners	<b>(19,299)</b>	<b>(6,683)</b>
<b>Net increase from Partners' transactions</b>	<b>387,080</b>	291,590
<b>Net assets attributable to unit holders, end of period</b>	<b>\$ 569,899</b>	<b>\$ 178,226</b>

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The accompanying notes are an integral part of these condensed interim financial statements.



**PACIFIC INCOME LIMITED PARTNERSHIP**  
**Condensed Interim Statement of Partners' Equity**  
(Expressed in Canadian Dollars)  
(Unaudited - prepared by the General Partner)

	<b>Limited Partners</b>		<b>Founding Limited Partner</b>		<b>General Partner</b>		<b>Subscriptions Received</b>	<b>Total</b>	
	Units	Amount \$	Units	Amount \$	Units	Amount \$	Amount \$	Units	Amount \$
<b>Balance, June 22, 2017</b>	-	-	-	-	-	-	-	-	-
Issuances of units	100,000	100,00	121	121	-	-	-	100,121	100,121
Net Loss	-	(5,656)	-	(7)	-	(1)	-	-	(5,664)
<b>Balance, June 30, 2017</b>	100,000	94,344	121	114	-	(1)	-	100,121	94,457
Issuances of units	158,015	158,015	-	-	25,137	25,137	-	183,152	183,152
Distributions	-	(6,485)	-	(5)	-	(193)	-	-	(6,683)
Subscriptions received	-	-	-	-	-	-	15,000	-	15,000
Net Loss	-	(106,582)	-	(41)	-	(1,077)	-	-	(107,700)
<b>Balance, December 31, 2017</b>	<b>258,015</b>	<b>139,292</b>	<b>121</b>	<b>68</b>	<b>25,137</b>	<b>23,866</b>	<b>15,000</b>	<b>283,273</b>	<b>178,226</b>
Issuances of units	<b>380,093</b>	<b>380,093</b>	<b>6,316</b>	<b>6,316</b>	<b>33,970</b>	<b>33,970</b>	<b>(15,000)</b>	<b>420,379</b>	<b>405,379</b>
Distributions	-	(17,381)	-	(88)	-	(1,830)	-	-	(19,299)
Subscriptions received	-	-	-	-	-	-	1,000	-	1,000
Net income	-	4,505	-	42	-	46	-	-	4,593
<b>Balance, June 30, 2018</b>	<b>638,108</b>	<b>506,509</b>	<b>6,437</b>	<b>6,338</b>	<b>59,107</b>	<b>56,052</b>	<b>1,000</b>	<b>703,652</b>	<b>569,899</b>

The accompanying notes are an integral part of these condensed interim financial statements.

**PACIFIC INCOME LIMITED PARTNERSHIP**  
**Condensed Interim Statement of Comprehensive Income (Loss)**  
**(Expressed in Canadian Dollars)**  
**(Unaudited - prepared by the General Partner)**

	<b>For the three months ended June 30, 2018</b>	<b>For the period from formation on June 22, 2017 to June 30, 2017</b>	<b>For the six months ended June 30, 2018</b>	<b>For the period from formation on June 22, 2017 to June 30 2017</b>
	\$	\$	\$	\$
<b>Income</b>				
Investment income	15,094	-	24,952	-
Other income	9,001	145	9,010	145
	<b>24,095</b>	145	<b>33,962</b>	145
<b>Expenses</b>				
Professional fees (Note 4)	14,794	5,800	20,852	5,800
General partner fees (Note 4)	4,183	-	6,171	-
Office and miscellaneous	1,988	9	2,346	9
	<b>20,965</b>	(5,809)	<b>29,369</b>	(5,809)
<b>Earnings (loss), being increase (decrease) in net assets attributable to unit holders</b>	<b>3,310</b>	<b>(5,664)</b>	<b>4,593</b>	<b>(5,664)</b>

The accompanying notes are an integral part of these condensed interim financial statements.

**PACIFIC INCOME LIMITED PARTNERSHIP**  
**Condensed Interim Statement of Cash Flows**  
**(Expressed in Canadian Dollars)**  
**(Unaudited - prepared by the General Partner)**

	For the six months ended <b>June 30, 2018</b>	For the period from formation on June 22, 2017 June 30, 2017
	\$	\$
<b>Operating activities</b>		
Earnings (loss) being increase (decrease) in net assets attributable to unit holders	4,593	(5,664)
Items not affecting cash:		
Accrued interest income and accrued other income	(25,447)	(145)
Accrued interest expense	450	-
Net changes in non-cash working capital balances:		
Receivables	(6,924)	-
Accounts payable and accrued liabilities	(25,749)	5,800
Cash used in operating activities	(53,077)	(9)
<b>Financing activities</b>		
Limited Partners' contributions	405,379	100,121
Limited Partners' contributions received in advance	1,000	-
Distributions to unit holders	(19,299)	-
Loan payable	13,400	-
Repayment of loan payable	(13,400)	-
Cash provided by financing activities	387,080	100,121
<b>Investing activities</b>		
Loans receivable	(257,169)	(40,000)
Repayments on loans receivable	68,420	-
Cash used in investing activities	(188,749)	(40,000)
<b>Change in cash for the period</b>	<b>145,254</b>	<b>60,112</b>
<b>Cash, beginning of period</b>	<b>22,450</b>	<b>-</b>
<b>Cash, end of period</b>	<b>167,704</b>	<b>60,112</b>

There were no significant non-cash transactions for the period presented.

The accompanying notes are an integral part of these condensed interim financial statements.

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**PACIFIC INCOME LIMITED PARTNERSHIP**  
**Noted to the Condensed Interim Financial Statements**  
**(Expressed in Canadian Dollars)**  
**For the three and six months ended June 30, 2018**  
**(Unaudited – prepared by the General Partner)**

**1. NATURE OF OPERATIONS**

Pacific Income Limited Partnership (the “Partnership”) was formed under the laws of the Province of British Columbia on June 22, 2017.

The Partnership was established to lend capital to arm’s length businesses and entrepreneurs and to invest in mortgages and syndicated mortgages.

The Limited Partners have subscribed for and received 703,652 Limited Partner units (“Units”) in the Partnership as at June 30, 2018.

Pacific Income Capital Corporation is the general partner of the Partnership (the “General Partner”).

Each Limited Partner shall be entitled to one vote for each Unit held. Net income or loss of the Partnership is allocated 0.01% to the General Partner and 99.99% to the Limited Partners.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

The interim financial statements have been prepared in accordance to IAS 34 Interim Financial Reporting using accounting policies consistent with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The interim financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow disclosure. These interim financial statements do not include all the information required for full annual financial statements. The interim financial statements should be read in conjunction with the Partnership’s annual financial statements for the year ended December 31, 2017.

These financial statements are presented in Canadian dollars, which is also the Partnership’s functional currency.

These financial statements were authorized for issuance by the General Partner on October 18, 2018.

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**PACIFIC INCOME LIMITED PARTNERSHIP**  
**Noted to the Condensed Interim Financial Statements**  
**(Expressed in Canadian Dollars)**  
**For the three and six months ended June 30, 2018**  
**(Unaudited – prepared by the General Partner)**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Scope of financial statements**

These financial statements present the financial position, income (loss), partners' equity and cash flows of the Partnership. They do not include all of the assets, liabilities, revenue and expenses of the partners. No provision for income taxes has been included in these financial statements as the income tax liability is that of the partners and not the Partnership.

**Use of estimates and judgement**

The preparation of financial statements requires management to exercise its judgement in the process of applying the Partnership's accounting policies and making certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses during any reporting year. Actual results could differ from those estimates. The most significant estimates and judgements the Partnership uses in preparing its financial statements are as follows:

*Classification of partnership units*

The Limited Partnership Agreement ("LPA") imposes a contractual obligation to deliver a pro rata share of the Partnership's net assets to the Partners on termination of the Partnership. Based on the terms of the LPA, the General Partner and Limited Partners are both considered to have an interest in the residual net assets of the Partnership; however, they are not considered to have identical contractual obligations. Consequently, the net assets attributable to Limited Partners and the General Partner are classified as liabilities because the criteria of equity classification is not met.

*Collectability of loans receivable*

The Partnership lends capital to arm's length businesses and entrepreneurs and there is no guarantee that creditors will be able to meet obligations as they come due.

**Adoption of new accounting standard**

On January 1, 2018, the Partnership adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018.

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**PACIFIC INCOME LIMITED PARTNERSHIP**  
**Noted to the Condensed Interim Financial Statements**  
**(Expressed in Canadian Dollars)**  
**For the three and six months ended June 30, 2018**  
**(Unaudited – prepared by the General Partner)**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Adoption of new accounting standard (continued)**

The following summarizes the significant changes in IFRS 9: IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Partnership's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of our financial assets on the transition date.

The change did not impact the carrying amounts of any of the Partnership's financial assets on the transition date. Prior periods were not restated and no material changes resulted from adopting this new standard.

On January 1, 2018, the Partnership adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15").

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new guidance includes a five-step recognition and measurement approach, requirements for accounting of contract costs, and enhanced quantitative and qualitative disclosure requirements. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new standard did not have a material impact to the Partnership interest and other.

**New standard not yet adopted**

A number of new standards, amendments to standards and interpretations applicable to the Partnership are not yet effective for the six months ended June 30, 2018 and have not been applied in preparing these condensed interim financial statements. The new and revised standards are as follows:

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**PACIFIC INCOME LIMITED PARTNERSHIP**  
**Noted to the Condensed Interim Financial Statements**  
**(Expressed in Canadian Dollars)**  
**For the three and six months ended June 30, 2018**  
**(Unaudited – prepared by the General Partner)**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New standard not yet adopted (continued)**

IFRS 16 – Leases: On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short term leases (i.e. leases of 12 months or less) and leases of low-value assets. The Partnership is evaluating the effect of this standard on the Partnership's financial statements.

IFRIC 23 – Uncertainty Over Income Tax Treatments: clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Partnership does not expect that the adoption of this standard will have a material effect on the Partnership's financial statements.

**Financial instruments**

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Partnership may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive.

The classification determines the method by which the financial assets are carried on the balance sheet subsequent to inception and how changes in value are recorded. Receivables and loans and funds receivable are measured at amortized cost with subsequent impairments recognized in profit or loss and cash is classified as FVTPL.

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**PACIFIC INCOME LIMITED PARTNERSHIP**  
**Noted to the Condensed Interim Financial Statements**  
**(Expressed in Canadian Dollars)**  
**For the three and six months ended June 30, 2018**  
**(Unaudited – prepared by the General Partner)**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

Impairment

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the balance sheet subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities and loan payable are classified as other financial liabilities and carried on the balance sheet at amortized cost.

As at June 30, 2018, the Partnership does not have any derivative financial liabilities.

**Income recognition**

Interest income is recognized on an accrual basis using the effective interest method.



**PACIFIC INCOME LIMITED PARTNERSHIP**  
**Noted to the Condensed Interim Financial Statements**  
**(Expressed in Canadian Dollars)**  
**For the three and six months ended June 30, 2018**  
**(Unaudited – prepared by the General Partner)**

**3. LOANS RECEIVABLE**

During the period ended June 30, 2018, the Partnership entered into multiple loan agreements as summarized below:

	Principal	Interest Rate	Maturity Date	Balance, June 30, 2018
	\$			\$
Borrower #1	35,000	12.0%	October 30, 2018	34,993
Borrower #2	85,000	17.0%	October 30, 2019	85,000
Borrower #3*	70,000	13.5%	April 27, 2021	65,571
Borrower #4	32,200	14.0%	January 1, 2020	32,101
Borrower #5**	20,000	12.0%	July 26, 2020	-
Borrower #6***	58,700	12.0%	August 24, 2020	49,326
Borrower #7****	30,000	14.0%	September 11, 2020	-
Borrower #8	25,000	12.2%	June 15, 2019	19,081
Borrower #9	105,000	13.0%	March 15, 2019	105,000
Borrower #10	23,500	14.0%	April 25, 2019	23,478
Borrower #11	55,000	13.0%	May 3, 2019	55,000
Borrower #12	23,000	13.0%	May 31, 2019	9,616
				<u>479,166</u>
<b><i>Funds receivable</i></b>				
Borrower #2				804
Borrower #4				270
Borrower #9				34
Borrower #11				<u>393</u>
				<u>480,667</u>

\* The Partnership has extended a revolving line of credit to the borrower in the maximum amount of \$250,000.

\*\* The loan was fully repaid in the previous period.

\*\*\* The Partnership has extended a revolving line of credit to the borrower in the maximum amount of \$200,000.

\*\*\*\* The loan was fully repaid during the period.

	June 30, 2018	December 31, 2017
	\$	\$
Total loans receivable	480,667	264,000
Less: current portion of loans receivable	<u>(92,858)</u>	<u>(52,770)</u>
Loan receivable, net of current portion	<u>387,809</u>	<u>211,730</u>

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**PACIFIC INCOME LIMITED PARTNERSHIP**  
**Noted to the Condensed Interim Financial Statements**  
**(Expressed in Canadian Dollars)**  
**For the three and six months ended June 30, 2018**  
**(Unaudited – prepared by the General Partner)**

**4. RELATED PARTY TRANSACTIONS**

*Compensation of the General Partner*

The Partnership will pay the General Partner a monthly fee equal to 1/12th of 2.7% of the gross proceeds raised by the Partnership from the sale of Units. In addition, the General Partner is entitled to a performance bonus. Once the Limited Partners have received an 8% annual return on their investment, the General Partner will receive 20% of any further Limited Partnership cash distributions and once the Limited Partners have received a 10% annual return on their investment in the Partnership, the General Partner will receive 75% of any further cash distributions. During the period ended June 30, 2018, the General Partner earned \$6,171 (June 30, 2017 - \$Nil) in management fees. As at June 30, 2018, \$1,847 (December 31, 2017- \$1,847) was payable to the General Partner and is included in accounts payable and accrued liabilities.

Included in accounts payable and accrued liabilities as at June 30, 2018 is \$16,452 (December 31, 2017 - \$16,347) due to the spouse of the chief executive officer of the General Partner and to companies owned by the chief executive officer of the General Partner.

During the period ended, June 30, 2018 the spouse of the chief executive officer of the General Partner loaned the Partnership \$13,400 for operating expenses, which was paid back in full during the period.

*Line of Credit Agreement*

On June 28, 2017 the Partnership entered into a line of credit agreement with 1120727 BC Ltd. (the “Lender”), a company owned by the chief executive officer of the General Partner and his family members, whereby the Lender has established a revolving line of credit to the Partnership up to \$500,000 (the “Facility”). The Facility will bear interest at an annual rate of the Bank of Canada’s target overnight rate plus 2%, payable monthly and will mature in August 2027. The Lender may demand full repayment of the loan at any time with thirty days’ notice and accordingly the loan is treated as current. At June 30, 2018, \$30,000 (December 31, 2017 - \$30,000) had been advanced under the Facility and the Partnership had accrued interest of \$524 (June 30, 2017 - \$Nil).

**5. FINANCIAL INSTRUMENTS**

**Risk and concentrations**

The Partnership is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the Partnership’s risk exposure at the statement of financial position date.

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**PACIFIC INCOME LIMITED PARTNERSHIP**  
**Noted to the Condensed Interim Financial Statements**  
**(Expressed in Canadian Dollars)**  
**For the three and six months ended June 30, 2018**  
**(Unaudited – prepared by the General Partner)**

**5. FINANCIAL INSTRUMENTS (continued)**

**a) Liquidity risk**

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting obligations associated with its financial liabilities. The Partnership is exposed minimally to this risk in respect of its accounts payable. The Partnership mitigates this risk by managing its capital resources.

**b) Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Partnership to significant concentrations of credit risk consist primarily of cash and loans receivable. The Partnership's cash is held through large Canadian financial institutions and the majority of the Partnership's loans receivable are secured. The Partnership has not identified any past due loan receivables as at June 30, 2018.

**c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Partnership has the potential to be exposed to interest rate risk.

**d) Interest risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Partnership has the potential to be exposed to interest rate risk if it borrows under the Facility on which the interest rate varies with the bank's overnight rate. The Partnership will manage its financial instruments and interest rate risks based on its cash flow needs and with a view to minimize interest expense.

**Fair Value**

The Partnership classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

**PACIFIC INCOME LIMITED PARTNERSHIP**  
**Noted to the Condensed Interim Financial Statements**  
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**For the three and six months ended June 30, 2018**  
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**5. FINANCIAL INSTRUMENTS (continued)**

**Fair Value (continued)**

Cash is measured at fair value based on level 1 of the fair value hierarchy. The carrying value of loans receivable, accounts payable and accrued liabilities, and loan payable approximate their fair value due to the relatively short-term nature of these instruments.

**6. CAPITAL RISK MANAGEMENT**

Units issued and outstanding are considered to be capital of the Partnership. The Partnership manages capital in accordance with its investment objectives.

**7. SUBSEQUENT EVENT**

Subsequent to June 30, 2018:

- The Partnership issued an additional 105,182 Units for proceeds of \$105,182, of which no amounts had been received as at June 30, 2018.
- The Partnership received \$57,000 relating to subscriptions received in advance which is considered restricted cash.
- The Partnership entered into multiple loan receivable agreements in the amount of \$309,000.

**DATE AND CERTIFICATE**

Dated October 31, 2018

This Offering Memorandum does not contain a misrepresentation.

**Pacific Income Limited Partnership,  
by its General Partner, Pacific Income Capital Corporation**



(SIGNED) ALEXIS ASSADI  
Chief Executive Officer of the General Partner



(SIGNED) ANGUS CHEUNG  
Chief Legal Officer  
of the General Partner

**On behalf of the Board of Directors of Pacific Income Capital Corporation**



(SIGNED) ALEXIS ASSADI  
Director



(SIGNED) ANGUS CHEUNG  
Director

**SCHEDULE “A”**  
**OUTSTANDING LOANS AS AT OCTOBER 31, 2018**

Type	Additional Security	Location	Rate	Fee	Rank	Maturity	Orig. Balance	Balance Owed	LTV <sup>1</sup>
Business	Guarantee	Winnipeg, MB	14%	5%	N/A	Apr. 2019	\$23,500	\$23,433	N/A
Business/Real Estate	Mortgage, Guarantee	Winnipeg, MB	12%	N/A	3 and 4 <sup>2</sup>	Aug. 2020	\$60,000	\$28,171	N/A
Business	Mortgage, Guarantee	Winnipeg, MB	21%	N/A	N/A	Aug. 2019	\$32,000	\$31,877	N/A
Business	Guarantee, General Security Agreement	Calgary, AB	13.5%	N/A	N/A	Apr. 2021	\$92,048 <sup>3</sup>	\$91,768	N/A
Business	Mortgage, Guarantee	Creston, BC	13%	2%	2	Mar. 2019	\$105,000	\$104,628	43%
Real estate	Mortgage, Guarantee	Greenwood, BC	13%	N/A	2	Dec. 2018	\$35,000	\$34,989	45%
Real Estate	Mortgage, Guarantee	Sooke, BC	14%	2%	2	Sep. 2019	\$140,000	\$140,000	67%
Real estate	Mortgage, Guarantee	Port Alberni, BC	13%	N/A	2	Jul. 2019	\$55,000	\$54,987	70%
Real estate	Mortgage, Guarantee	Winnipeg, MB	13%	N/A	2	Feb. 2019	\$60,000	\$59,960	72%
Business	Mortgage	Victoria, BC	12.2%	N/A	2	Jun. 2019	\$25,000	\$17,426	73% <sup>4</sup>
Business	Mortgage, Guarantee	Cardston, AB	13%	4%	2	May 2019	\$23,000	\$9,223	74%
Business	Mortgage	Winnipeg, MB	18%	N/A	2	Jul. 2019	\$22,000	\$21,970	74%
Business	Mortgage	Victoria, BC	14%	1%	2	Jan. 2020	\$32,200	\$32,101	75%
Business	Mortgage, Guarantee	Vancouver, BC	17%	1%	2	Oct. 2019	\$85,000	\$85,000 <sup>5</sup>	75%
Business	Mortgage, Guarantee	Fort McMurray,	13%	3%	2	May 2019	\$55,000	\$55,000 <sup>5</sup>	97%

<sup>1</sup> The loan-to-value ratio (LTV) is calculated at the time of funding.

<sup>2</sup> The Issuer's loan to the borrower was initially secured by 3rd mortgages on 2 properties owned by the borrower. The lender in the second position on each property has granted a line of credit to the borrower (currently drawn to \$700,000) that is secured by mortgage instruments totaling \$970,000 on those 2 properties, along with mortgages on other properties owned by the borrower. The value of the 2 properties is approximately \$1,050,000 and the cumulative amount of debts is \$1,108,000. In August 2018, the Issuer agreed to postpone a mortgage on 1 property to 4th position in exchange for a \$15,000 principal payment. The borrower's loan to the Issuer is in good standing and the Issuer expects to be repaid in full in 2019.

<sup>3</sup> The loan is a line of credit (maximum \$250,000), which has been drawn on 3 times by the borrower. The Issuer may deny further requests for funding at its sole discretion.

<sup>4</sup> Calculated as at October 31, 2018

		AB							
Business	Mortgage, Guarantee	Calgary, AB	15%	1%	2	Oct. 2020	\$96,000	\$50,555 <sup>6</sup>	74%

## TOTALS

Outstanding Loans	Percentage of Portfolio in Default	Average Time Until Maturity	Average Origination Fee (weighted)	Average Interest Rate (weighted)	Percentage of Portfolio in British Columbia	Percentage of Portfolio in Alberta	Percentage of Portfolio in Manitoba
\$841,088	Nil	1.2 years	\$1,622.59	14.20%	55.78%	26.56%	19.67%

All of the Issuer's loans may be repaid prior to their maturity date without penalty.

Borrowers are generally required to reimburse the Issuer for all costs that it incurs in connection with their loans, including legal, banking and mail expenses. The Issuer frequently deducts expenses from funds advanced to Borrowers.

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<sup>5</sup> The Issuer has advanced \$48,000 under the loan agreement and expects to advance the remainder in November 2018.