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April 26, 2019

Continuous Offering



NEIGHBOURHOOD HOLDINGS

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

("NHLP" or the "Partnership")

\$1.00 per Unit

Minimum Subscription: \$25,000 subject to compliance with applicable securities laws

DISCLAIMERS

The offering (the "**Offering**") is being made with reliance on certain exemptions from the prospectus filing requirements available under the securities laws of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador, and the Territories of Yukon, Nunavut and the Northwest Territories. The securities offered herein will not be listed on any stock exchange and will be subject to the applicable resale and transfer restrictions under applicable securities laws. These securities will not be offered for sale in the United States of America. These securities are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under that Act or any other legislation.

This Offering Memorandum constitutes a private offering of securities only in those jurisdictions and to those persons where and to whom they may be lawfully sold and therein only by those entities permitted to sell such securities. This Offering Memorandum is not, and under no circumstances is it to be construed as, a prospectus, advertisement or public offering of the securities referred to herein. No securities regulatory authority or regulator 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.

You have two (2) 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 either for damages or to cancel the agreement. See ITEM 11: PURCHASERS' RIGHTS.

This Offering Memorandum does not constitute, and may not be used for or in conjunction with, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized, or to any person to whom it is unlawful to make such an offer or solicitation. You are directed to inform yourself of and observe such restrictions and all legal requirements of your jurisdiction of residence in respect of the acquisition, holding and disposition of the securities offered hereby. Subscribers should thoroughly review this Offering Memorandum and are advised to consult with their professional advisors to assess the business, legal, income tax and other aspects of this investment. This is a risky investment. The securities offered hereby will be issued only on the basis of information contained in this Offering Memorandum and no other information or representation is authorized or may be relied upon as having been authorized by NHLP. Persons who will be acquiring securities pursuant to this Offering Memorandum will not have the benefit of the review of this Offering Memorandum by the securities commissions or similar authorities in Canada. Any subscription for the securities offered hereby made by any person on the basis of statements or representations not contained in this Offering Memorandum or so provided, or inconsistent with the information contained herein or therein, shall be solely at the risk of said person.

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NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP
Confidential Offering Memorandum

Date: April 26, 2019

The Partnership

Name: Neighbourhood Holdings Limited Partnership

Head Office: 380-1050 Homer Street
Vancouver BC, V6B 2W9
(604) 568-4063
investors@neighbourhoodholdings.com

Currently listed or quoted: **These securities do not trade on any exchange or market.**

Reporting issuer: No

SEDAR filer: No

The Offering

Securities offered: Limited partnership units (each, a "**Unit**" and together, the "**Units**") designated as either Class A, Class F or Class I (each a "**Class**"). Units are being offered hereby on a continuous basis. Each Unit represents an equal, undivided beneficial interest in NHLP. Each Unit shall have the attributes and characteristics as referenced in ITEM 2.7: Material Agreements - LPA.

Price per security: \$1.00

Minimum/Maximum offering: **There is no minimum. You may be the only purchaser. Funds available under the offering may not be sufficient to accomplish our proposed objectives. The maximum offering under the Offering Memorandum is \$50,000,000.**

Minimum subscription amount: The minimum subscription amount that may be subscribed for by any one subscriber is \$25,000.

Minimum Commitment: Redemptions are processed on the first of every month, and Purchasers may redeem any or all of their Units upon giving 90 days' prior notice to the General Partner provided that redemption requests received prior to the first anniversary of the investment shall be subject to a 4% early redemption fee (refer to the Redemption of Units subheading in ITEM 2.7: Material Agreements - LPA).

Payment terms: The aggregate subscription price is payable upon subscription, by cheque, electronic funds transfer, by bank draft or through the Fundserv Network.

Proposed closing date(s): The first of each month.

Income tax consequences:	There are important tax consequences to these securities (refer to ITEM 6: INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY).
Selling agent:	Yes (refer to ITEM 7: COMPENSATION PAID TO SELLERS AND FINDERS).
Resale Restrictions:	You will be restricted from selling your Units for an indefinite period, and Units are subject to transfer restrictions (refer to ITEM 11: RESALE AND TRANSFER RESTRICTIONS).
Purchasers' Rights:	You have 2 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 either for damages or to cancel the agreement (refer to ITEM 11: PURCHASERS' RIGHTS).

No securities regulatory authority or regulator 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 (refer to ITEM 8: RISK FACTORS).

DEFINITIONS

"**Class**" means the class designation of a Unit.

"**Class Proportionate Share**" means, in relation to each Class, at any particular time, a fraction the numerator of which is the number of such Class of Units that are issued and outstanding at such time and the denominator of which is the aggregate number of Units that are issued and outstanding at such time.

"**Commitment**" means an accepted, binding commitment approved and issued in writing by the General Partner on behalf of NHLP: (a) to a borrower stipulating the terms and conditions upon which NHLP is prepared to lend funds to the borrower, but does not include any letters of intent, draft memoranda of terms or other written material issued by the General Partner to negotiate the terms of such loan; or (b) to a third party in respect to an investment by NHLP in a Mortgage.

"**Credit Facility**" means the \$90,000,000 operating line of credit granted to NHLP by a syndicate of lenders, as further described in ITEM 2.7: MATERIAL AGREEMENTS.

"**Credit Loss Adjustment**" means a reduction of the carry fee in respect of a monthly distribution from 10% to: (a) 5%, where the credit losses of the Partnership for the TTM are between 3% and 4%, inclusively; and (b) nil, where the credit losses of the Partnership for the TTM are greater than 4%.

"**Distribution**" means a distribution of earnings of NHLP before income taxes to Unitholders.

"**Distribution Date**" means the date on which NHLP makes a Distribution.

"**DRIP**" means NHLP's distribution reinvestment plan, as amended from time to time.

"**EBIT**" means, for any particular period, the Partnership's earnings before interest and income taxes determined in accordance with GAAP.

"**Fair Market Value**" means the price, as determined by the General Partner, in an open and unrestricted market between informed and prudent parties, acting at arm's length and under no compulsion to act, expressed in terms of money or money's worth.

"**First Mortgage**" means a first mortgage charge over Real Property.

"GAAP" means generally accepted accounting principles in Canada, from time to time.

"General Partner" means Neighbourhood Holding Company Ltd., a British Columbia company in its capacity as General Partner of NHLP.

"Initial Closing" means the first closing of subscriptions and issuance of Units to Purchasers pursuant to this Offering Memorandum.

"Initial Limited Partner" or "CFT" means Conconi FT Holdings Ltd.

"Limited Partner" means a limited partner of the Partnership.

"LPA" or "Limited Partnership Agreement" means the third amended and restated limited partnership agreement made as of January 1, 2019 among the General Partner and the Limited Partners, as such agreement may be amended, modified, supplemented or restated from time to time.

"Management Fees" means the management fees payable to the General Partner monthly in arrears equal to:

(a) in respect of the Class A Units:

I. an operating expense fee comprised of:

a) a service and administration fee equal to $\frac{1}{12}$ th of 75 bps of the assets under management of the Partnership multiplied by the Class Proportionate Share of the Class A Units as at each monthly Valuation Date; and

b) a carry fee equal to 10% of the Partnership's EBIT for the immediately preceding month multiplied by the Class Proportionate Share of the Class A Units as at each monthly Valuation Date, subject to any Credit Loss Adjustment; and

II. a trailer fee equal to $\frac{1}{12}$ th of 1.00% of the Fair Market Value of the Class A Units held by such Limited Partner as at each monthly Valuation Date;

(b) in respect of the Class F Units, an operating expense fee comprised of:

I. a service and administration fee equal to $\frac{1}{12}$ th of 75 bps of the assets under management of the Partnership multiplied by the Class Proportionate Share of the Class F Units as at each monthly Valuation Date; and

II. a carry fee equal to 10% of the Partnership's EBIT for the immediately preceding month multiplied by the Class Proportionate Share of the Class F Units as at each monthly Valuation Date, subject to any Credit Loss Adjustment; and

(c) in respect of the Class I Units:

I. a service and administration fee equal to $\frac{1}{12}$ th of 75 bps of the assets under management of the Partnership multiplied by the Class Proportionate Share of the Class I Units as at each monthly Valuation Date;

II. a carry fee equal to 10% of the Partnership's EBIT for the immediately preceding month multiplied by the Class Proportionate Share of the Class I Units as at each monthly Valuation Date, subject to any Credit Loss Adjustment; and

III. an account management fee equal to $\frac{1}{12}$ th of X% of the Fair Market Value of the Class I Units held by such Limited Partner as at each monthly Valuation Date, where "X" is determined based on the Minimum Investment Amount of such Limited Partner, as follows:

Minimum Investment (in thousands)	\$25 (Series 1)	\$100 (Series 2)	\$200 (Series 3)	\$500 (Series 4)	\$1,000 (Series 5)	\$2,000 (Series 6)	\$5,000 (Series 7)	\$15,000 (Series 8)	\$30,000 (Series 9)	\$50,000 (Series 10)
X	1.00%	0.85%	0.75%	0.60%	0.50%	0.40%	0.30%	0.20%	0.15%	0.10%

"**Master Services Agreement**" or "**MSA**" means the master services agreement made as of November 16, 2015 between NHLP and the General Partner.

"**Mortgage**" means a mortgage security registered against Real Property.

"**Mortgaged Properties**" means those properties that are subject to Mortgages in favour of NHLP.

"**Net Income**" means, with respect to a particular fiscal period of NHLP, the net income of NHLP calculated in accordance with the Tax Act.

"**NHLP**" or the "**Partnership**" means Neighbourhood Holdings Limited Partnership.

"**NI 31-103**" means National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

"**NI 45-106**" means National Instrument 45-106 – *Prospectus Exemptions*.

"**Offering Memorandum**" means this offering memorandum.

"**Partnership Property**" at any time means any and all property, real or personal, tangible or intangible, moveable or immovable, which is hereafter transferred, conveyed or paid to the General Partner or held by it from time to time in its capacity as General Partner hereunder and the proceeds of any subscription for Units together with all renewals thereof, substitutions therefor, accretions thereto, and all income and proceeds thereof and therefrom and all investments held by NHLP, income thereon and proceeds therefrom.

"**Prime**" means the variable annual rate of interest established and adjusted by NHLP's bankers from time to time.

"**Proportionate Share**" means, at any particular time, the respective share of a Limited Partner in any amount is equal to the product of such amount multiplied by the proportion that the aggregate number of all Units held by such Limited Partner bears to the aggregate number of Units that are issued and outstanding at such time.

"**Purchasers**" means purchasers of Units under this Offering Memorandum.

"**Real Property**" means a fee simple or leasehold interest in real property in Canada.

"**Redemption Date**" means the date on which a Unitholder requests that its Units be redeemed.

"**Representative**" means the duly authorized registered dealer, broker or investment advisor acting as the agent for a subscriber or Unitholder.

"**Second Mortgage**" means a second mortgage charge over Real Property.

"**Subordinated Facility**" means the \$10,000,000 unsecured operating line of credit granted to NHLP by the Initial Limited Partner, as further described in ITEM 2.7: MATERIAL AGREEMENTS.

"**Subscription Agreement**" means a subscription agreement for Units in the forms set out in the applicable schedules hereto or in such other form as the General Partner shall prescribe from time to time.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended from time to time.

"**TTM**" means the trailing twelve-month period.

"**Unitholder**" means a person whose name appears on the register of Unitholders established and maintained pursuant to the LPA, as a holder of Unit(s).

"**Units**" means all of the units representing units in the capital of NHLP, and "**Unit**" means any of them.

"**Valuation Date**" means such date as the General Partner may designate in its sole discretion.

Item 1: Use of Available Funds

1.1 Funds

Units will be offered on a continuous basis. The following table describes the available funds from two hypothetical fundraising scenarios:

	Assuming min. offering of \$0	Assuming max. offering of \$50,000,000
A. Amount to be raised by this offering	NIL	\$50,000,000
B. Selling commissions and fees	NIL	NIL
C. Estimated offering costs (e.g., legal, accounting, audit.)	\$25,000	\$25,000
D. Available funds: D = A - (B+C)	(\$25,000)	\$49,975,000
E. Additional sources of funding required	NIL	NIL
F. Working capital deficiency	NIL	NIL
G. Total: G = (D+E) - F	(\$25,000)	\$49,975,000

No selling agent is paid a commission or a fee by NHLP in connection with the sale of Units under this Offering. Any commissions or fees charged as part of the Management Fees payable in connection with monthly Distributions are paid or directed to the relevant party by the Partnership (refer to ITEM 7: COMPENSATION PAID TO SELLERS AND FINDERS).

1.2 Use of Available Funds

NHLP will use the total available funds raised from this Offering primarily to invest in Mortgages. The General Partner anticipates the portfolio of Mortgages held by NHLP will follow the following guidelines:

- Primarily target First Mortgages, with Second Mortgages generally being restricted to 15% or less of the portfolio.
- Target an average loan-to-value ratio for the portfolio that is below 60%, diversified across BC, AB, MB, ON, QC and other provinces from time to time.
- Mortgage terms will generally be interest only for 12 months depending on the specific attributes of each opportunity and market conditions at the time.

NHLP will use the total available funds for the placement of Mortgages in accordance with its investment objectives and strategies set out herein.

Description of intended use of available funds in order of priority	Assuming min. offering of \$0	Assuming max. offering of \$50,000,000
Placement of Mortgages	(\$25,000)	\$49,975,000

The proportion of NHLP's assets invested in Mortgages may vary as follows:

Asset Class	Targeted Max. Percentage of Fund Assets	Targeted Min. Percentage of Fund Assets
First Mortgages	100%	85%
Second Mortgages	15%	0%

In addition to the above, the General Partner may use a portion of the available funds from this Offering to reduce the balance on NHLP's operating facility with its syndicate of lenders.

1.3 Reallocation

The General Partner intends to spend the available funds as described herein. Funds will only be reallocated for sound business reasons and to adjust for unforeseen items that are consistent with NHLP's mandate.

Item 2: Business of Neighbourhood Holdings Limited Partnership

2.1 Structure

NHLP is a limited partnership formed on November 16, 2015 between the General Partner and the Limited Partners pursuant to the *Partnership Act* (British Columbia) and is governed by the LPA.

Management and control of NHLP is vested exclusively in the General Partner, and the General Partner is authorized and obligated to carry on the activities and affairs of the Partnership in accordance with the LPA, with full and exclusive power and authority to administer, manage, control and operate the activities and affairs of the Partnership and to perform all acts and enter into and perform all contracts and other undertakings which are necessary or advisable or incidental thereto.

The head office of NHLP is located at 380-1050 Homer Street, Vancouver, British Columbia, V6B 2W9.

2.2 Our Business

Objectives

NHLP has been established for the purpose of providing income by investing in Mortgages. NHLP intends to provide its Unitholders with stable income while preserving invested capital through the efficient sourcing and management of a diverse pool of mortgage investments in Canada.

From the income generated by NHLP's investments, the General Partner will calculate, allocate and distribute NHLP's earnings before income taxes to Unitholders on a monthly basis in accordance with the LPA. Unitholders may also choose to reinvest their Proportionate Share of monthly Distributions in additional Units. NHLP intends to distribute to Unitholders all Net Income as calculated on the Distribution Date so that NHLP will not be liable for income tax under Part I of the Tax Act in any taxation year.

Residential Mortgage Market

Mortgages are a common form of financing within the real estate industry in Canada. All Mortgages will be registered on title against residential real estate in Canada. In the event of a failure by the borrower to pay an amount owing under a Mortgage, NHLP will take steps to protect NHLP's interests by taking enforcement action appropriate in the relevant jurisdiction to realize value on the underlying asset.

Investments

The primary investment goal of NHLP is to make prudent investments in Mortgages that are secured by single family residential properties in Canada, including detached homes, condominiums, duplexes, and other properties. NHLP will not finance commercial real estate, construction projects, bare land, hotels, or multi-family properties.

NHLP will not make any direct investments in Real Property, but may hold title to Real Property acquired as a result of any foreclosure proceedings associated with the enforcement of any Mortgages held by NHLP, where such foreclosure is deemed necessary to protect NHLP's investment following a default by the borrower under such Mortgage. In these circumstances, NHLP will act prudently with respect to the disposition of any such Real Property, with a view to maximizing its recovery under such Mortgage investment. Liquid investments may be held from time to time as market conditions and cash flows dictate.

General Partner

The General Partner will manage the affairs of NHLP in accordance with the applicable terms and conditions of the LPA, and shall exercise its duties and responsibilities diligently and in good faith and with the degree of care, diligence and skill that a reasonably prudent professional mortgage investment manager would exercise in comparable circumstances.

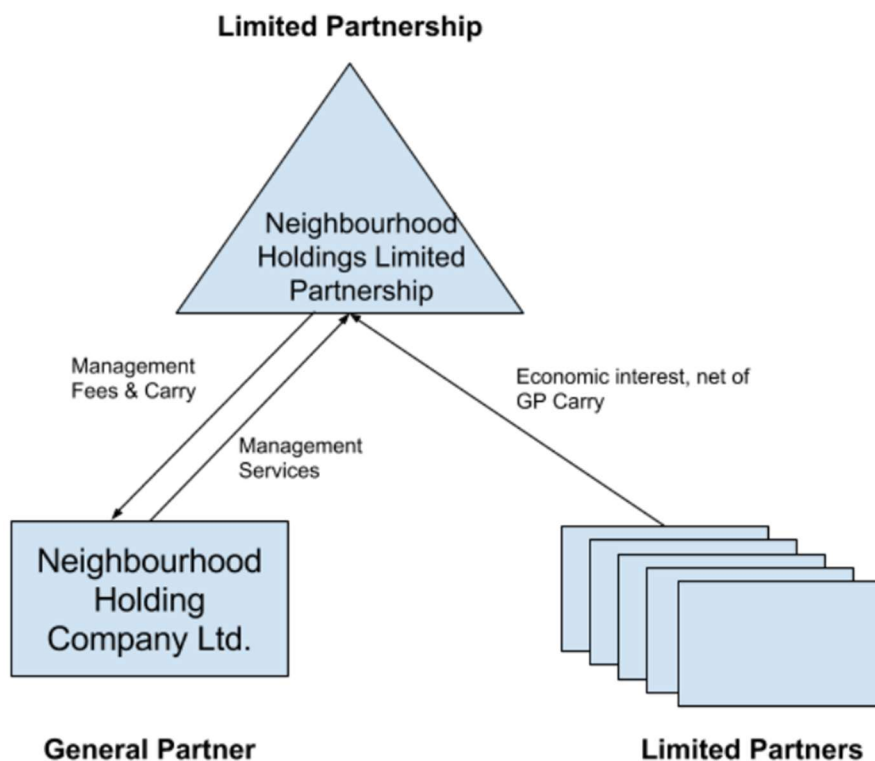
To achieve its objectives, NHLP will benefit from the General Partner's expertise and experience in originating, underwriting and servicing Mortgage investments. Although the General Partner is registered as a Mortgage Broker in the Province of British Columbia under the *Mortgage Brokers Act* (British Columbia), the General Partner primarily sources its deals through other mortgage brokers or mortgage lenders. The General Partner will have the exclusive right to arrange, underwrite and service all investments on behalf of NHLP in accordance with specific investment and operating policies established by the General Partner from time to time.

The General Partner will be responsible for execution of NHLP's mortgage investment strategy, including the identification and selection of investment opportunities, related due diligence, negotiation, documentation, approval and ongoing management and administration of assets in the portfolio. All Mortgage investment opportunities will be subject to specific investment policies, and the operation of NHLP will also be subject to specific operating policies. Investment opportunities will be screened, and those selected by the General Partner will be chosen based on their expected return at the time investments are made, relative to the risk characteristics and credit quality of each transaction.

The General Partner was incorporated under the laws of the Province of British Columbia on October 23, 2015, under incorporation number BC1053122. The head office and registered office of the General Partner is Suite 380 – 1050 Homer Street, Vancouver, British Columbia, V6B 2W9. The General Partner is controlled by Conconi Growth Partners Ltd., an entity that is majority owned by the Directors of the General Partner. Conconi Growth Partners Ltd. is also a "promoter" of NHLP (as such term is defined under applicable securities laws).

As at March 31, 2019, the General Partner held approximately \$157 million of assets under management and administration on behalf of NHLP. Refer to the General Partner Conflicts subheadings within ITEM 2.7: Material Agreements.

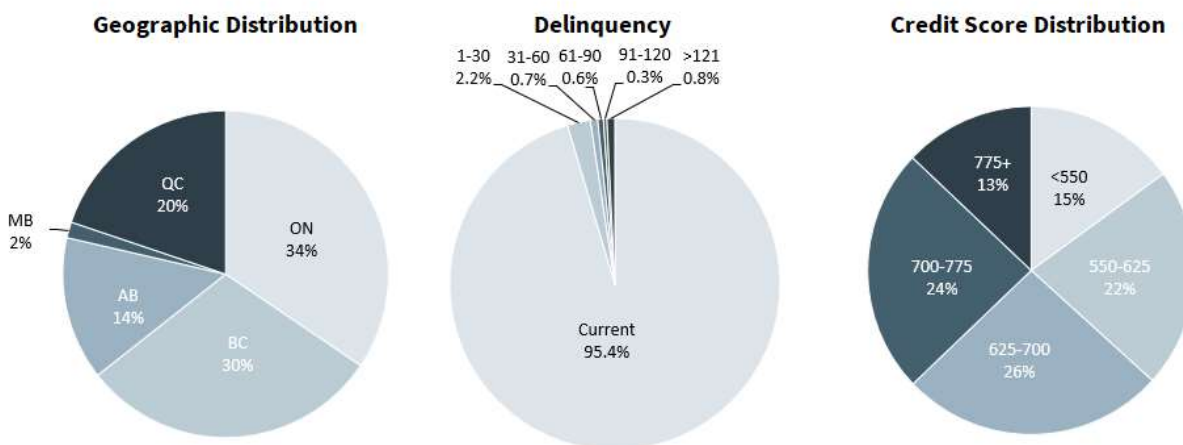
The chart below sets out the relationship between NHLP, the General Partner and the Limited Partners.



2.3 Development of Business

NHLP was formed on November 16, 2015. Concurrently with its formation, the Partnership received, by way of a transfer of certain investments in mortgages carried at amortized cost by the Initial Limited Partner in the amount of \$38,439,024 which approximates their fair market value. In exchange, 38,439,024 Units were issued to the Initial Limited Partner. As of March 31, 2019, NHLP aggregate investments had grown to \$157,357,892, with total Units outstanding of 88,260,583 and NHLP's portfolio consisted of investments as further described in the charts and tables below.

Portfolio Statistics as of March 31, 2019 by Market Value:



The majority of investments are in good standing (<90 days in arrears), while 1.1% of the loans are >90 days. Loan-to-value for mortgage investments is calculated using the outstanding loan balance divided by appraised value at origination. Given that prices have risen in the markets in which the majority of NHLP's assets are located, the loan-to-value at market is expected to be lower than the loan-to-value at appraisal.

2.4 Long Term Objectives

The General Partner actively manages the Partnership's assets in order to maximize the risk adjusted return for investors in a constantly evolving residential real estate market. As NHLP grows, it will benefit from increased diversification, increased liquidity and economies of scale. The longer term (2-5 years) diversification targets for NHLP are as follows:

Asset Mix:

First Mortgages	85% - 100%
Second Mortgages	0% - 15%

Geographic Diversification:

BC	15% - 35%
Alberta	15% - 35%
Prairies	5% - 20%
Ontario	30% - 65%
Quebec	10% - 30%
Atlantic Canada	5% - 15%

Concentration:

The General Partner has a policy to limit the maximum exposure to any single Mortgage to 2% of the total NHLP assets; to the largest five Mortgages to 9% of the total NHLP assets; and to the largest ten Mortgages to 15% of the total NHLP assets.

The General Partner will also limit the maximum exposure to a single borrower to 3% of NHLP's assets.

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

<u>What we must do and how we will do it</u>	<u>Target completion date or, if not known, number of months to complete</u>	<u>Our cost to complete</u>
During the 12-month period following the Initial Closing of the Offering Memorandum, NHLP intends to invest the total available funds into Mortgages.	It is the intention of the General Partner that the proceeds of the Initial Closing will be invested as quickly as is reasonably possible subject to the General Partner's underwriting guidelines.	N/A

2.6 **Insufficient Funds**

Not applicable.

2.7 **Material Agreements**

NHLP has number of material agreements, the most significant of which is the LPA. In addition to the LPA, NHLP has entered into the following material agreements:

Master Services Agreement dated November 16, 2015 between NHLP and the General Partner (the "MSA"). The MSA is an agreement that describes the types of services that the General Partner provides to NHLP and the cost for those services. The services provided by the General Partner to NHLP include: the provision of office space, office supplies, phone lines, etc., portfolio management services, mortgage administration services, mortgage underwriting services, marketing and deal origination, investor management, risk management, delinquency and foreclosure recovery and accounting and reporting. The fee for those services is equal to the Management Fee.

Secured Credit Facility. NHLP has a \$90,000,000 line of credit available through a syndicate of lenders at a rate of Prime (at 3.95% as of the date hereof) plus 0.75% per annum. All balances due under the credit facility are due on demand, except for draws made in Bankers' Acceptances (or equivalent), which are permitted up to \$40,000,000 and which may have terms ranging from 30 to 180 days.

As at March 31, 2019, the balance outstanding on the Credit Facility was \$68,401,357.

NHLP is required by its lenders to maintain various covenants, including a minimum amount of tangible net worth, a minimum amount of cash flow coverage, a maximum amount of debt to tangible net worth and a maximum amount of impaired mortgages.

Unsecured Credit Facility Agreement dated November 16, 2015 with the Initial Limited Partner (the "Subordinated Facility"). The Subordinated Facility provides up to \$10,000,000 in unsecured credit to NHLP, and bears interest at the greater of 4.50% per annum and 1.80% per annum above Prime. The Initial Limited Partner has sole discretion over the amounts provided and may cancel or restrict the availability of

any unutilized portion at any time. As of March 31, 2019, NHLP has drawn \$ 1,810 on the Subordinated Facility.

Pursuant to the Subordinated Facility, the Partnership is required by CFT to maintain various covenants, including a minimum amount of tangible net worth, a minimum amount of cash flow coverage, a maximum amount of debt to tangible net worth and a maximum amount of impaired mortgages.

LPA. The LPA has several key terms, including following:

Management

The management and control of NHLP is vested exclusively in the General Partner, and the General Partner is authorized and obligated to carry on the activities and affairs of NHLP, with full and exclusive power and authority to administer, manage, control and operate the activities and affairs of NHLP and, except as otherwise expressly provided in the LPA, has all power and authority, for and on behalf of, in the name of and at the expense of, the NHLP to do any act, take any proceeding, make any decision and execute and deliver any agreement, certificate, deed or other instrument necessary for or incidental to the activities or affairs of the Partnership.

Distribution Policy

NHLP intends to distribute all of its Net Income in each month as calculated on the Distribution Date so that no tax under Part I of the Tax Act will be payable. The Distribution will be made in accordance with the Management Fees payable for each Class of Unit.

Each Unit's Proportionate Share of the Distribution will be determined by multiplying the amount of the Distribution by the proportion that the aggregate number of Units held by such Limited Partner bears to the aggregate number of Units of the Partnership.

Subject to compliance with applicable securities laws, each Unitholder may receive its Proportionate Share of the Distribution by issuance of additional Units.

Redemption of Units

Limited Partners may request that their Units be redeemed or repurchased by the Partnership provided such redemption or repurchase is in accordance with the LPA.

Redemptions are processed on the first of every month and Purchasers may redeem any or all of their Units upon giving 90 days' prior notice to the General Partner, provided that redemption requests received prior to the first anniversary of the investment shall be subject to a 4% early redemption fee.

The General Partner: (i) shall not permit redemptions of Units (either in whole or in part) at any time that the General Partner is of the opinion, in its sole discretion, that there are insufficient liquid assets in the Partnership to fund such redemption or that such redemption of Units (either in whole or in part) would be to the detriment of the Partnership generally; and (ii) may suspend the redemption of Units or payment of redemption proceeds where such redemption would result in: (A) more than 2% of the aggregate number of issued and outstanding Units as at the beginning of the applicable month to be redeemed during any one month; or (B) more than 15% of the average aggregate number of issued and outstanding Units calculated in respect of the TTM at the time of the applicable redemption to be redeemed during the TTM.

If the General Partner suspends the redemption of Units or payments in respect thereof as set forth above, such suspension may apply to all redemption requests received prior to the suspension unless payment has already been made, as well as to all requests received while the suspension is in effect. All Limited Partners making such redemption requests will be advised by the General Partner in writing forthwith of the suspension. The General Partner may allow Limited Partners who have submitted redemption requests to

withdraw their requests for redemption. The suspension will terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, as determined by the General Partner, provided that no other condition under which a suspension is authorized then exists, as determined by the General Partner. The General Partner will notify the Limited Partners of the termination of suspension in writing forthwith. Any declaration of suspension made by the General Partner will be conclusive.

If, on any Redemption Date (provided that such Limited Partner has complied with the minimum notice periods applicable to the Class or series of Units being redeemed) or any deferred Redemption Date, as a result of the limitation set forth above, the Partnership redeems less than all of the Units which have been submitted for redemption, then subject to the limitation set forth above, the Partnership shall redeem such remaining Units on the next Redemption Date before it redeems any other Units it has been requested to redeem and, for such purposes, the order in which redemption requests are received shall be determined on a daily basis.

The General Partner shall advise the Limited Partners who have requested a redemption if redemptions will be limited or suspended. Partial redemptions shall be honoured on a *pro rata* basis (based on the respective holdings of Units by the Limited Partners who exercise their right to redeem at the applicable time) prior to any subsequent redemption requests. For avoidance of doubt, if the Partnership receives requests to redeem Units from more than one Limited Partner on any one day, such requests will be deemed to have been received at the same time.

Redemption requests are irrevocable unless they are not honoured within thirty (30) days of the relevant Redemption Date, in which case they may be withdrawn within fifteen (15) days following such Redemption Date.

Despite the foregoing, the General Partner has the discretion to waive any conditions in respect of redemption requests, from time to time.

Upon the redemption of Units by a Limited Partner, such Limited Partner shall receive redemption proceeds equal to the Fair Market Value of such Units, plus the *pro rata* portion of any unpaid distributions that are payable on such Units in accordance with the terms of the LPA as of the Redemption Date, less such fees and other deductions permitted under the LPA.

Proceeds of redemption (less applicable fees and deductions as provided herein) shall generally be paid within thirty (30) days following the relevant Redemption Date. All payments in respect of redemptions will be made by wire transfer only to the account of the registered Limited Partner at the remitting bank/financial institution from which the original subscription was made.

The General Partner may adopt and amend a policy from time to time to deduct from the redemption proceeds otherwise payable such amount as the General Partner determines reasonably reflects the administrative fees incurred by the Partnership in connection with the issuance of the Units being redeemed and/or adopt and amend a policy that provides that the amount of the deduction from the redemption proceeds will depend upon the length of time the redeemed Units have been outstanding, which amount shall be retained by the Partnership.

Unitholder Meetings

The General Partner may, at any time, hold a general informational meeting for the Limited Partners to which all of the Limited Partners will be invited to attend.

The General Partner may at any time call a meeting (a "**Meeting**") of Limited Partners for the purpose of considering one or more resolutions which require Ordinary Resolution, Special Resolution, Extraordinary Resolution (as such terms are defined in the LPA) or other matters over which approval of the Limited Partners is or may be required or given. Two or more Limited Partners representing at least 20% of the Units held by all Limited Partners, unless the Initial Limited Partner is the sole Limited Partner of the

Partnership, in which case the Initial Limited Partner, by written notice to the General Partner, may require the General Partner to call a Meeting, in which event, the General Partner shall call a Meeting within 21 days following receipt of such notice.

Auditors, Registrar and Transfer Agent

The General Partner or such other person as the General Partner may designate by notice in writing to the Limited Partners will be responsible for the maintenance of the Register of Unitholders, record keeping, register management, Unit transaction and similar services. The purchase and redemption of Units will be processed directly by the General Partner. The fiscal year end of NHLP is December 31. The auditors of NHLP are KPMG LLP.

Removal of General Partner

The Limited Partners may, by Extraordinary Resolution, remove the General Partner and appoint a replacement General Partner who has agreed in writing to act as General Partner.

Within 90 days following the occurrence of a Cause Event (as defined in the LPA), the Limited Partners may, by Special Resolution, remove the General Partner and appoint a replacement general partner.

General Partner Conflicts

NHLP may not make loans to or invest in the securities of the General Partner or its respective affiliates, nor make loans to the directors, officers or employees of any of such parties.

The General Partner's services are not exclusive. The General Partner may serve as the manager of other investment funds or similar investment vehicles with similar investment objectives and may at certain times be simultaneously seeking to purchase or dispose of investments. The General Partner is not under any obligation to recommend an investment in any mortgage investment opportunity of which the General Partner becomes aware and is permitted to offer any of such mortgage opportunities to other clients, to other funds the General Partner manages or to its affiliates.

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

3.1 Compensation and Securities Held

Name and municipality of principal residence	Positions held and the date of obtaining that position	Compensation paid by issuer or related party in		Securities of the issuer held after completion of min. offering			Securities of the issuer held after completion of max. offering		
		Most recently completed financial year	Anticipated for current financial year	Number ⁽²⁾⁽⁴⁾	Type	%	Number	Type	%
Neighbourhood Holding Company Ltd., Vancouver	General Partner and Manager, as of November 2015	\$2,766,314 as management and performance fees, excl. sales tax	\$4,000,000 as management fees and performance fees, excl. sales tax	55,958	Units	0.06%	55,958	Units	0.04%
Alex Conconi ⁽¹⁾ , Vancouver	Director, as of November 2015	SNIL	SNIL	1,239,214	Units	1.40%	1,239,214	Units	0.90%
Hashem Aboulhosn, Vancouver	Director, as of November 2015	SNIL	SNIL	875,000	Units	0.99%	875,000	Units	0.63%
Taylor Little, Vancouver	Director, as of November 2015	SNIL	SNIL	581,777	Units	0.66%	581,777	Units	0.42%
Conconi FT Holdings Ltd., ⁽³⁾ Vancouver	Principal Holder, as of November 2015	SNIL	SNIL	32,253,879	Units	36.54%	32,253,879	Units	23.33%

(1) Alex Conconi holds a beneficial interest in Conconi FT Holdings Ltd.

(2) Units identified may be held by a related party to the listed party

(3) Bob Conconi had the majority voting shares of Conconi FT Holdings Ltd.

(4) As of March 31, 2019

3.2 Management Experience

The directors and senior management of the General Partner have a broad background of investment and real estate experience which will be brought to bear on the activities undertaken by the General Partner on behalf of NHP. The following table discloses the principal occupations of the directors and senior officers of the General Partner for the past five-plus years.

Name	Office, Principal Occupation and Related Experience
Taylor Little	<p>Chief Executive Officer, Director: Taylor is the CEO of the General Partner and also a Partner in Conconi Growth Partners ("CGP"), the parent company of the General Partner, which is the entity that manages the assets of CFT. Prior to joining CGP, Taylor was a lawyer in the Corporate and Securities Group of Stikeman Elliott LLP's Vancouver office. During his time at Stikeman Elliott LLP, Taylor was counsel to a number of private and public companies, angel investors, venture capitalists and private equity funds and has advised on several corporate finance and M&A transactions, asset and share transactions, listing applications, strategic transactions and corporate governance matters. Taylor holds a Bachelor of Arts degree from the University of Victoria, a Bachelor of Laws degree from the University of Alberta and a Master of Laws degree from the University of London, all with distinction. Taylor is in good standing with the Law Society of British Columbia and a licensed mortgage broker in British Columbia.</p>
Alex Conconi	<p>Founder, Director: Alex is the Founder of the General Partner and Founding Partner of CGP. He started his career as a licensed mortgage broker in 2009, and founded Alt Mortgages in 2011, the predecessor to NHLP. Alex is also CEO of Lendesk Technologies ULC., a company he founded in 2013 to digitize the mortgage origination process which serves a wide range of brokers, lenders, and financial institutions in Canada. Alex holds a Chartered Investment Manager designation, and has been published in the Journal of Wealth Management for work on portfolio composition. He has completed a Bachelor of Science in Economics (with Distinction) from UVic and a Master of Science in Finance degree from SFU.</p>
Hashem Aboulhosn	<p>Chairman, Director: Hashem is the Chairman of the General Partner, as well as a Partner and Co-Founder of CGP, where he helps oversee the firm's private investments. Hashem is also the CFO of Lendesk Technologies Ltd. Prior to his current role, he held roles in private equity and venture capital allocating over \$50 million of equity to innovative growth companies. Hashem specializes in providing debt and equity growth capital for young and growing businesses. Hashem holds a Bachelor of Commerce (with Honours) from University of British Columbia and was member of UBC's renowned Portfolio Management Foundation. Hashem is also a Chartered Financial Analyst (CFA). Hashem started his career with RBC Capital Markets in Toronto and London, with roles in Investment Banking, Equity Sales and Equity Research.</p>

3.3 *Advisory Board*

NHLP has appointed an Advisory Board comprised of the existing Directors and three additional individuals from various professional backgrounds including, law, banking and finance, and residential and commercial real estate.

The Advisory Board provides ongoing guidance to the Directors on matters of strategy, management, and sector outlook.

3.4 *Penalties, Sanctions and Bankruptcy*

With respect to any director, executive officer or control person of NHLP, the General Partner, or any issuer of which any person described herein was a director, executive officer or control person at the time (collectively referred to herein as the "**Persons**"): (a) There have been no penalties or sanctions that have

been in effect during the last 10 years, or any cease trading order that has been in effect for a period of more than 30 consecutive days during the past 10 years against the Persons, and (b) There are no declarations of bankruptcy, voluntary assignments in bankruptcy, proposals under any bankruptcy or insolvency legislation or proceedings, arrangements or compromises with creditors, appointments of a receiver, receiver manager or trustee to hold assets that have been in effect during the last ten years against or in connection with any of the Persons.

3.5 Loans

Senior Revolving Facility

NHLP has a \$90,000,000 line of credit available through a syndicate of lenders at a rate of Prime (at 3.95% as of the date hereof) plus 0.75% per annum. Balances outstanding under the Credit Facility are due on demand.

The Partnership is required by its lenders to maintain various covenants, including a minimum amount of tangible net worth, a minimum amount of cash flow coverage, a maximum amount of debt to tangible net worth and a maximum amount of impaired mortgages. During the year, the Partnership was in compliance with all such bank covenants.

Subordinated Revolving Facility

The Partnership has access to the Subordinated Facility, a \$10,000,000 revolving demand facility with CFT. The Subordinated Facility bears interest at the greater of 4.50% per annum and 1.80% per annum above Prime. CFT has sole discretion over the amounts provided and may cancel or restrict the availability of any unutilized portion at any time. The Subordinated Facility is unsecured. As at March 31, 2019, the Partnership has drawn \$1,810 on the Subordinated Facility.

The Partnership is required by CFT to maintain various covenants, including a minimum amount of tangible net worth, a minimum amount of cash flow coverage, a maximum amount of debt to tangible net worth and a maximum amount of impaired mortgages. During the year, the Partnership was in compliance with all such bank covenants.

Item 4: Capital Structure

4.1 Share Capital

As of March 31, 2019:

Description of security	Number authorized to be issued	Price per security	Number outstanding as at 2019/03/31	Number outstanding after min. offering	Number outstanding after max. offering
Units	Unlimited	\$1.00	88,260,583	88,260,583	138,260,583

4.2 Long Term Debt Securities

The Partnership has not issued any long-term debt securities.

4.3 *Prior Sales*

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
01-May-18	Class C Units	300,000	1.00	300,000
01-Jun-18	Class C Units	2,650,000	1.00	2,650,000
01-Jul-18	Class C Units	1,433,247	1.00	1,433,247
01-Aug-18	Class C Units	0	1.00	0
01-Sep-18	Class C Units	950,000	1.00	950,000
01-Oct-18	Class C Units	1,215,696	1.00	1,215,696
01-Nov-18	Class C Units	3,990,000	1.00	3,990,000
01-Dec-18	Class C Units	2,650,000	1.00	2,650,000
01-Jan-19	Class A Units	18,517	1.00	18,517
01-Jan-19	Class F Units	2,582,830	1.00	2,582,830
01-Jan-19	Class C Units	353,338	1.00	353,338
01-Feb-19	Class A Units	6,080	1.00	6,080
01-Feb-19	Class F Units	3,176,025	1.00	3,176,025
01-Feb-19	Class C Units	255,786	1.00	255,786
01-Mar-19	Class A Units	6,259	1.00	6,259
01-Mar-19	Class C Units	628,846	1.00	628,846
01-Mar-19	Class F Units	2,928,742	1.00	2,928,742
01-Mar-19	Class I3 Units	300,000	1.00	300,000
01-Mar-19	Class I4 Units	700,000	1.00	700,000
01-Apr-19	Class A Units	331,012	1.00	331,012
01-Apr-19	Class C Units	52,574	1.00	52,574
01-Apr-19	Class F Units	521,121	1.00	521,121
01-Apr-19	Class I3 Units	1,910	1.00	1,910
01-Apr-19	Class I4 Units	1,948	1.00	1,948
Total:		25,053,931	1.00	25,053,931

Item 5: Securities Offered

5.1 *Terms of Securities*

The beneficial interest in NHLP is divided into an unlimited number of Units, each without nominal or par value. Each Unit will be issued only as fully paid and non-assessable. Except as may be specifically provided in the LPA, no Unit shall have any preference, conversion, exchange, pre-emptive or redemption rights in any circumstances more favourable than any other Unit.

Each Limited Partner will be entitled to one (1) vote for each Unit held by such Limited Partner in respect of all matters to be voted upon by the Limited Partners or any of them.

In addition to the Class A and Class F Units being sold hereunder, NHLP has three other Classes of Units: Class C, Class I and Class M. Each Class of Units has its own fee structure as set forth in the LPA.

The ownership of all property of NHLP of every description and the rights to conduct the affairs of NHLP are vested exclusively in the General Partner, and the Unitholders have no interest other than their beneficial interest in the Units of NHLP.

Holders of Units may request that their Units be redeemed or repurchased by NHLP in accordance with the LPA, which provides that the General Partner may specify any minimum notice periods or other conditions of redemption it may impose before it will consider a redemption request. The Units offered pursuant to this Offering Memorandum are subject to a 90-day prior notice period and a redemption fee of \$150 for each redemption and, where the Limited Partner has held the Units being redeemed for less than one year, a stamping fee of 4% of the aggregate Fair Market Value of the Units being redeemed will apply to such redemption.

Class Votes

No amendment which would materially and adversely affect Limited Partners of a Class of Units will be valid without the consent of not less than 66²/₃% of all the Limited Partners of such Class of Units.

5.2 Subscription Procedure

The General Partner will determine the terms and conditions of any sale of Units, provided that such terms and conditions do not materially adversely affect the interests of those who are Limited Partners at the time of sale of the Units. The General Partner may do all lawful things in connection with selling Units including preparing such documents as may be necessary or advisable, communicating with prospective purchasers of Units and assisting in structuring their proposed purchases of Units, paying the expenses of sale, seeking and obtaining exemptions from having to file a prospectus or deliver an offering memorandum or both in connection with such sale, engaging special counsel for subscribers for Units as a group, and entering into agreements with any Person providing for a commission or fee in respect of such sale.

You may subscribe for Units by delivering the following documents to us at the address shown in the Subscription Agreement: (i) a completed and executed Subscription Agreement in the form provided with this Offering Memorandum; (ii) a cheque or money order payable to the General Partner in the amount of the subscription price for the Units. Alternatively, payment may be made by electronic settlement via the Fundserv network through a Fundserv registered investment dealer; (iii) in the case of an investor that is relying on the offering memorandum exemption to purchase Units: a completed and executed Form 45-106F4 – Risk Acknowledgement; if required, a completed and executed Schedule I to Form 45-106F4; if required, a completed and executed Schedule II to Form 45-106F4; and if required, a completed and executed Certificate of Eligible Investor; (iv) in the case of an investor that is relying on the accredited investor exemption to purchase Units, a completed and executed Certificate of Accredited Investor and, if required, a completed and executed Form 45-106F9 – Risk Acknowledgement for Individual Accredited Investors appended to the Certificate of Accredited Investor; and (v) in the case of an investor that is relying on the employee, executive officer, director and consultant exemption, a completed and executed Certificate of Employee, Executive Officer, Director and Consultant.

Item 6: Income Tax Consequences and RRSP Eligibility

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

The Units are not eligible for investment in a registered retirement savings plan (RRSP) or tax-free savings account (TFSA).

Item 7: Compensation Paid to Sellers and Finders

No commission, corporate finance fee or finder's fee is directly payable in connection with the sale of Units under this Offering.

Neighbourhood Holdings Capital Management Ltd. ("**NHCM**") acts as selling agent for the Partnership. Notwithstanding that, no commission, corporate finance fee or finder's fee is payable to NHCM or any other party in connection with the sale of Units under this Offering, NHCM is an affiliate of the General Partner and may benefit indirectly from the sale of Units under this Offering.

As part of the monthly Management Fees charged: (a) in respect of the Class A Units, the Partnership will pay or direct to the party who advised each holder of Class A Units a trailer fee equal to $\frac{1}{12}$ th of 1.00% of the Fair Market Value of the Class A Units held by such holder as at each monthly Valuation Date; and (b) in respect of the Class I Units, the Partnership will pay or direct to the General Partner an account management fee equal to $\frac{1}{12}$ th of X% of the Fair Market Value of the Class I Units held by such Limited Partner as at each monthly Valuation Date, where "X" is determined based on the Minimum Investment Amount of such Limited Partner, as follows:

Minimum Investment (in thousands)	\$25 <i>(Series 1)</i>	\$100 <i>(Series 2)</i>	\$200 <i>(Series 3)</i>	\$500 <i>(Series 4)</i>	\$1,000 <i>(Series 5)</i>	\$2,000 <i>(Series 6)</i>	\$5,000 <i>(Series 7)</i>	\$15,000 <i>(Series 8)</i>	\$30,000 <i>(Series 9)</i>	\$50,000 <i>(Series 10)</i>
X	1.00%	0.85%	0.75%	0.60%	0.50%	0.40%	0.30%	0.20%	0.15%	0.10%

Item 8: Risk Factors

Investing in NHLP entails certain risks and is only suitable for subscribers who understand and are capable of bearing the risks of an investment in NHLP. An investment in NHLP is not intended as a complete investment program. All investments in securities, mortgages and other financial instruments risk the loss of invested capital. Likewise, there is a risk that an investment in NHLP will be lost entirely or in part. There is no assurance that NHLP will achieve its overall investment objective. Prospective subscribers should carefully consider the following risk factors, which do not purport to be a complete list of the potential risks involved in an investment in NHLP.

General Economic Risk (External Economic and Political Environment)

The Partnership cannot predict the real estate market's future values which may include declines in values. It is not possible for NHLP to predict with any accuracy influences such as world affairs, global and local politics and economies, labour markets and environmental impacts. These are unknowns and NHLP 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 NHLP and lower distributions to Limited Partners.

General Risks of Real Estate Investments

Investments in 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 NHLP.

Mortgages are generally large compared to other investments such as stocks, bonds, term deposits, GICs, and so forth. Being of considerable size, a Mortgage or portfolio of Mortgages, generally speaking, is relatively less liquid than other investments.

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.

No Review by Regulatory Authorities

This Offering Memorandum constitutes a private offering of the Units by NHLP 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.

Higher Risk Loans

The Partnership will undertake higher risk loans than many conventional lenders such as banks and as a result, there is a greater risk of default. Although NHLP performs due diligence with respect to each loan and attempts to reduce risk by diversification of its portfolio, defaults on significant loans may affect the distributions payable to Limited Partners.

The Partnership does its best to avoid unreasonable concentration of mortgage funds in a particular borrower or group of related borrowers and concentration in a particular locale or community.

No Minimum Subscription

The Offering is subject to no minimum subscription level and, therefore, any funds received from a Purchaser will be made available to NHLP subject only to the Purchaser's rights described in "ITEM 11: PURCHASERS' RIGHTS" and need not be refunded to the Purchaser. As the Offering will be conducted on a continuous basis, all of the subscription funds will be advanced to NHLP as such funds are received and prior to completion of the Offering. In the event that NHLP does not raise or invest the maximum Offering, there may be insufficient funds to achieve all of NHLP's objectives.

Key Personnel

The operations of NHLP and the General Partner are highly dependent upon the continued support and participation of their key personnel. The loss of their services may materially affect the timing or the ability of NHLP to implement its business plan.

The General Partner's management team consists of several key personnel. In order to manage NHLP successfully in the future it may be necessary to further strengthen its management team. The competition for such key personnel is intense, and there can be no assurance of success in attracting, retaining, or motivating such individuals. Failure in this regard would likely have a material adverse effect on NHLP's business, financial condition, and results of operations.

Bank Borrowing

The Partnership will borrow funds whenever funds are required and available provided it is economical and prudent to do so, including using those funds to add leverage to NHLP's portfolio of mortgages. These borrowings may take the form of lines-of-credit from banks and other lending institutions, as the case may be. It is probable that debt instruments will form part of a floating charge against the assets and equity of NHLP, and in the event of liquidation or wind-up, will rank in priority to the outstanding Units of NHLP and/or may force NHLP to de-leverage (repay borrowings) on short notice, perhaps having to use cash reserves and/or sell assets to repay short-term borrowings.

Rental Properties

Some of NHLP's borrowers use a Mortgage to purchase a rental property, and those borrowers may rely upon periodic lease or rental payments from tenants to service debt, pay for a property's maintenance and other operating expenses and to fund capital improvements. There is no guarantee that tenants will renew leases upon expiration or that they will continue operations throughout the terms of their leases.

Accordingly, repayment of a Mortgage loan may be affected by the expiration or termination of leases and the ability of the borrowers to renew those leases with the existing occupants or to re-lease the space on economically favourable terms.

Mortgage Loans Not Insured

NHLP's Mortgages are not insured or guaranteed, in whole or in part, by any government or governmental entity, underwriter or any other person, except in circumstances where recourse to the borrower and its financial strength is negotiated as part of a particular underwriting. In these cases, the ability of any borrower (or guarantor) to satisfy its recourse obligations will be limited by the extent of their respective available assets. No representation is made as to the adequacy of the assets of any borrower or guarantor available to satisfy their respective recourse obligations with respect to any Mortgage.

Refinancing Issues

The availability of credit for borrowers to refinance a Mortgage or sell the mortgaged properties will be significantly dependent on economic conditions in the markets where mortgaged properties are located, the creditworthiness of the borrower, as well as the willingness and ability of lenders to make such loans. The availability of funds in the credit markets fluctuates and there can be no assurance that the availability of such funds will exist at the time mortgage loans mature.

Conflict of Interest

Conflicts of interest exist, and others may arise, between investors and the directors and officers of the General Partner and NHLP and their associates and affiliates.

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 directors, officers and employees of the General Partner and NHLP in resolving such conflicts of interest as may arise.

The Partnership and General Partner are affiliates and negotiations between them have not been, and will not be, conducted at arm's length. Therefore, NHLP may be subject to various conflicts of interest arising from its relationship with the General Partner. The risk exists that such conflicts will not be resolved in the best interests of NHLP. However, the General Partner will make any decision involving NHLP honestly and in good faith.

The General Partner is not in any way limited or affected in its ability to carry on business ventures for its own account and for the account of others and may be engaged in the ownership, acquisition and operation of businesses, which compete with NHLP. In addition, the General Partner may establish in the future other investment vehicles which have or may have investment objectives that are the same as or similar to those of NHLP and may act as advisor and/or manager to such vehicles.

Credit

Credit risk is the possibility that a borrower or issuer is unable or unwilling to repay its loan, obligation or interest payment, either on time or at all. The Partnership can lose money if the borrower cannot pay interest or repay principal when it is due.

Large Unitholder

The securities of NHLP may be held in significant percentages by an investor, including another fund. In order to meet purchase and redemption requests by the investor, NHLP may have to alter its holdings significantly and purchase or sell investments at unfavourable prices and incur capital gains or losses and transaction costs. This can reduce the returns of NHLP.

Liquidity

Liquidity refers to the speed and ease with which an asset can be sold and converted into cash. In highly volatile markets, such as in periods of sudden interest rate changes, Partnership property may become less liquid, which means they cannot be sold as quickly or easily.

Reliance on the General Partner

The Partnership will be dependent on the knowledge and expertise of the General Partner. There is no certainty that the persons who are currently officers and directors of the General Partner will continue to be officers and directors of the General Partner.

"Interest Only" Mortgages

A significant portion of NHLP's investment portfolio may be invested in "interest-only" mortgages. An "interest only" mortgage is a mortgage which, for a set term, the borrower pays only the interest on the principal balance, with the principal balance unchanged. Because these types of mortgages do not involve the borrower making payments towards the principal balance during the term of the loan, they may expose NHLP to greater risks than a mortgage that involves payments towards the principal balance (i.e., because the principal balance remains outstanding in full). The risks associated with "interest only" mortgages will generally be less for short term mortgages because in a short-term mortgage the outstanding principal is only slightly reduced during the term (i.e., meaning that the risk associated with such a mortgage not being repaid on maturity is not materially different from other mortgages).

Yield

Yields on real estate investments, including mortgages, depend on many factors including economic conditions and prevailing interest rates, the level of risk assumed, conditions in the real estate industry, opportunities for other types of investments, legislation, government regulation and tax laws. The Partnership cannot predict the effect that such factors will have on its operations.

Competition

Earnings of NHLP depend on NHLP's ability, with the assistance of the General Partner, to source suitable opportunities for the investment of NHLP's funds through its network of approximately 100 mortgage professionals and on the yields available from time to time on mortgages and other investments. The investment industry in which NHLP operates is subject to much competition from competitors many of whom have greater financial and technical resources than NHLP. Such competition may adversely affect NHLP's success in the marketplace. There is no assurance that NHLP will be able to successfully maintain its business plan or operate profitably.

Marketability of Units

There is currently no market through which the Units may be sold nor is one expected to develop. Redemptions are permitted only as described herein and there are circumstances in which NHLP may suspend redemptions. Accordingly, the Units may not be appropriate for subscribers seeking greater liquidity. Also, Units are only transferable in limited circumstances with the approval of the General Partner.

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 (NHLP) if the property owner/borrower defaults in terms of environmental requirements. Under various laws it is possible that NHLP 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 NHLP suspects possible environmental issues, NHLP will complete environmental diligence including obtaining necessary professional environmental reports and clearances.

Property Insurance

The Partnership requires that property insurance be carried by the borrower on all property(s) securing NHLP's Mortgage. The risk is that the borrower may not obtain adequate insurance coverage or the right type of coverage or may not maintain the insurance in good standing, letting it lapse. To mitigate this risk NHLP retains the right to maintain adequate insurance and apply the cost of premiums to its Mortgage.

Default

If there is default on a Mortgage it may be necessary for NHLP, in order to protect the investment, to engage in foreclosure or sale proceedings and to make further outlays to complete an unfinished project or to maintain prior encumbrances in good standing. In such cases it is possible that the total amount recovered by NHLP may be less than the total investment, resulting in loss to NHLP. Equity investments in real property may involve fixed costs in respect of Mortgage payments, real estate taxes, and maintenance costs, which could adversely affect NHLP's income.

Operating History

The Partnership has been in continuous operation since November 16, 2015. Although the General Partner has significant experience and success in making Mortgage investments, the past performance of those investments is not necessarily indicative of the future results of NHLP's future performance.

Availability of Mortgage Investments

The Partnership primarily invests in residential Mortgages in Canada which meet the investment criteria of NHLP. There is no guarantee that NHLP will be fully invested in such Mortgages or that it will be able to assemble a portfolio of Mortgage investments adequate to meet its financial projections of return.

Change in Legislation or Regulations

There is no assurance that the laws, regulations, policies or current administrative practices of any government body, or regulatory agency in British Columbia, or any other jurisdiction will not be changed, applied or interpreted in a manner which will fundamentally alter the ability of NHLP to operate as outlined herein.

No Guaranteed Return

There is no guarantee that an investment in Units will earn any positive return in the short or long term. Moreover, the interest rates being charged for Mortgages reflect the general level of interest rates and as interest rates fluctuate, the General Partner expects that the aggregate yield on mortgage investments will also change.

Risk of Using Borrowed Money to Finance an Investment

If you are considering using borrowed money to finance any part of the purchase of your investment, please be aware that using borrowed money to finance the purchase of an investment involves greater risk than a purchase using cash resources only. If you borrow money to make an investment, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the investment purchase declines.

Risk of Normal Deviations

Certain mortgage portfolio metrics fluctuate naturally within the ordinary course of business. These metrics include, but are not limited to, metrics such as geographic concentration, credit score mix, and delinquencies. Deviations of such metrics occurring within an acceptable range may occur between reporting dates of published results herein and are not expected to have a significant effect on the market price or value of the Units.

Item 9: Reporting Obligations

NHLP provides monthly updates on portfolio metrics and audited annual financial statements to its Unitholders.

Item 10: Resale Restrictions

For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and Yukon, these securities 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 securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

Further, unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the date NHLP becomes a reporting issuer in any province or territory of Canada.

For trades in Manitoba, unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless (a) NHLP has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or (b) you have held the securities 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."

Item 11: Purchasers' Rights

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

Two-Day Cancellation Right

You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.

Statutory Rights of Action in the Event of a Misrepresentation

Securities legislation in certain of the Canadian provinces provides certain purchasers of securities pursuant to an offering memorandum (such as this Offering Memorandum) with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum and any amendment thereto and, in some cases, advertising and sales material used in connection therewith, contains a "misrepresentation", as defined in the applicable securities legislation. A "misrepresentation" is generally defined under applicable provincial securities laws to mean 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 any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within

the time limits prescribed by applicable securities legislation and are subject to limitations and defenses under applicable securities legislation.

The following is a summary of the rights of action for damages or rescission, or both, available to certain purchasers resident in certain of the provinces of Canada and is subject to the express provisions of the securities laws, regulations, and rules governing such provinces and reference is made thereto for the complete text of such provisions. Such provisions may contain limitations and statutory defences not described herein which the issuer and other applicable parties may rely. Subscribers should refer to the applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal advisor.

The rights described below are in addition to and without derogation from any other right or remedy that Canadian purchasers may have at law and are intended to correspond to the provisions of the relevant securities legislation and are subject to the defenses contained therein.

For Purchasers Resident in British Columbia

The right of action for damages or rescission described herein is conferred by section 132.1 of the *Securities Act* (British Columbia) (the "**BC Act**"). The BC Act provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum) contains a misrepresentation, as defined in the BC Act, a purchaser who purchases a security offered by the offering memorandum is deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase, and has a statutory right of action for damages against (i) the issuer; (ii) every director of the issuer at the date of the offering memorandum; and (iii) every person who signed the offering memorandum. The purchaser may elect to exercise a right of rescission against the issuer, in which case the purchaser has no right of action for damages against the issuer.

The BC Act provides a number of limitations and defenses in respect of such rights. A person is not liable for damages if the person proves that:

- (a) the purchaser had knowledge of the misrepresentation;
- (b) the offering memorandum was delivered to purchasers without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave written notice to the issuer that it was sent without the person's knowledge or consent;
- (c) on becoming aware of the misrepresentation in the offering memorandum, the person withdrew the person's consent to the offering memorandum and gave written notice to the issuer of the withdrawal and the reason for it; or
- (d) with respect to any part of the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe that:
 - (i) there had been a misrepresentation; or
 - (ii) the relevant part of the offering memorandum:
 - (A) did not fairly represent the report, opinion or statement of the expert; or
 - (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

In addition, a person is not liable for damages with respect to any part of the offering memorandum not purporting (a) to be made on the authority of an expert, or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person (c) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or (d) believed there had been a misrepresentation.

In the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security resulting from the misrepresentation.

The amount recoverable by a plaintiff in any action for misrepresentation must not exceed the price at which the securities were offered under the offering memorandum.

Section 140 of the BC Act provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of
 - (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or
 - (ii) 3 years after the date of the transaction that gave rise to the cause of action.

For Purchasers Resident in Alberta

The right of action for damages or rescission described herein is conferred by section 204 of the *Securities Act* (in this section, the "**Alberta Act**"). The Alberta Act provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum) contains a misrepresentation, as defined in the Alberta Act, when a person or company purchases a security offered by the offering memorandum, the purchaser has a statutory right of action (a) for damages against (i) the issuer; (ii) every director of the issuer at the date of the offering memorandum; and (iii) every person or company who signed the offering memorandum; and (b) for rescission against the issuer.

Where a purchaser elects to exercise a right of rescission against the issuer, such purchaser has no right of action for damages against (i) the issuer; (ii) every director of the issuer at the date of the offering memorandum; nor (iii) every person or company who signed the offering memorandum.

The Alberta Act provides a number of limitations and defenses in respect of such rights. Where a misrepresentation is contained in an offering memorandum, a person or company shall not be liable for damages or rescission:

- (a) where the person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (b) where the person or company proves that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Executive Director of the Alberta Securities Commission and the issuer that it was sent without the knowledge and consent of the person or company;
- (c) if the person or company proves that the person or company, on becoming aware of the misrepresentation in the offering memorandum, withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the Executive Director

of the Alberta Securities Commission and the issuer of the withdrawal and the reason for it;

- (d) if, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:
 - (i) there had been a misrepresentation; or
 - (ii) the relevant part of the offering memorandum:
 - (A) did not fairly represent the report, opinion or statement of the expert; or
 - (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert,
- (e) if, with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, after conducting a reasonable investigation, the person or company had no reasonable grounds to believe, and did not believe, that there was a misrepresentation;
- (f) in the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation; and
- (g) in no case will the amount recoverable in any action exceed the price at which the securities were offered under the offering memorandum.

Section 211 of the Alberta Act provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of
 - (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or
 - (ii) 3 years after the date of the transaction that gave rise to the cause of action.

For Purchasers Resident in Manitoba

The right of action for damages or rescission described herein is conferred by section 141.1 of *The Securities Act (Manitoba)* (the "**Manitoba Act**"). The Manitoba Act provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum) contains a misrepresentation, as defined in the Manitoba Act, a purchaser who purchases a security offered by the offering memorandum is deemed to have relied on the representation if it was a misrepresentation at the time of purchase. Such purchaser has a statutory right of action for damages against the issuer, every director of the issuer at the date of the offering memorandum and every person or company who signed the offering memorandum or, alternatively, while still an owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer or the directors. Pursuant to section 141.4(2) of the Manitoba Act, no such

action may be commenced to enforce the right of action for rescission or damages more than (a) 180 days after the day of the transaction that gave rise to the cause of action, in the case of an action for rescission; or (b) the earlier of (i) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action; or (ii) 2 years after the day of the transaction that gave rise to the cause of action, in any other case.

The Manitoba Act provides a number of limitations and defenses, including the following:

- (a) no person or company is liable if the person or company proves that the purchaser purchased the security having knowledge of the misrepresentation;
- (b) in the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation; and
- (c) in no case will the amount recoverable in any action exceed the price at which the securities were offered under the offering memorandum.

All persons or companies referred to above that are found to be liable or accept liability are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all circumstances of the case, the court is satisfied that it would be just and equitable.

In addition, a person or company, other than the issuer, will not be liable:

- (a) if such person or company proves that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge and consent;
- (b) if such person or company proves that after becoming aware of the misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, if the person or company did not have any reasonable grounds to believe and did not believe that (i) there had been a misrepresentation; or (ii) the relevant part of the offering memorandum (A) did not fairly represent the expert's report, opinion, or statement; or (B) was not a fair copy of, or an extract from, the expert's report, opinion or statement; or
- (d) with respect to any part of the offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or (ii) believed there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

For Purchasers Resident in New Brunswick

The right of action for damages or rescission described herein is conferred by section 150 of the *Securities Act* (New Brunswick) (the "**New Brunswick Act**"). The New Brunswick Act provides, in relevant part, that where an offering memorandum (such as this Offering Memorandum) contains a misrepresentation, as defined in the New Brunswick Act, a purchaser who purchases securities offered by the offering memorandum shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and:

- (a) the purchaser has a right of action for damages against (i) the issuer, (ii) any selling security holder(s) on whose behalf the distribution is made, (iii) every person who was a director of the issuer at the date of the offering memorandum or (iv) every person who signed the offering memorandum; or
- (b) where the purchaser purchased the securities from a person referred to in paragraph (a)(i) or (ii), the purchaser may elect to exercise a right of rescission against the person, in which case the purchaser shall have no right of action for damages against the person.

This statutory right of action is available to New Brunswick purchasers whether or not such purchasers relied on the misrepresentation. However, there are various defenses available to the issuer and the selling security holder(s). In particular, no person will be liable for a misrepresentation if such person proves that the purchaser purchased the securities with knowledge of the misrepresentation when the purchaser purchased the securities. Moreover, in an action for damages, the amount recoverable will not exceed the price at which the securities were offered under the offering memorandum and any defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

In addition, a person or company, other than the issuer, will not be liable:

- (a) if such person or company proves that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge and consent;
- (b) if such person or company proves that after becoming aware of the misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, if the person or company did not have any reasonable grounds to believe and did not believe that (i) there had been a misrepresentation; or (ii) the relevant part of the offering memorandum (A) did not fairly represent the expert's report, opinion, or statement; or (B) was not a fair copy of, or an extract from, the expert's report, opinion or statement; or
- (d) with respect to any part of the offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or (ii) believed there had been a misrepresentation.

If the purchaser intends to rely on the rights described in (a) or (b) above, such purchaser must do so within strict time limitations. The purchaser must commence an action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. The purchaser must commence its action for damages within the earlier of:

- (a) 1 year after the purchaser first had knowledge of the facts giving rise to the cause of action, or
- (b) 6 years after the date of the transaction that gave rise to the cause of action.

For Purchasers Resident in Newfoundland and Labrador

The right of action for damages or rescission described herein is conferred by section 130.1 of the *Securities Act* (Newfoundland and Labrador) (the "**Newfoundland Act**") The Newfoundland Act provides, in relevant part, that where an offering memorandum (such as this Offering Memorandum) contains a misrepresentation, as defined in the Newfoundland Act, a purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the misrepresentation, (a) a statutory right of action for damages against (i) the issuer; (ii) every director of the issuer at the date of the offering memorandum; and (iii) every person or company who signed the offering memorandum; and (b) for rescission against the issuer.

Where a purchaser elects to exercise a right of rescission against the issuer, such purchaser has no right of action for damages against (i) the issuer; (ii) every director of the issuer at the date of the offering memorandum; nor (iii) every person or company who signed the offering memorandum.

The Newfoundland Act provides a number of limitations and defenses in respect of such rights. Where a misrepresentation is contained in an offering memorandum, a person or company shall not be liable for damages or rescission:

- (a) where the person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (b) where the person or company proves that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the knowledge and consent of the person or company;
- (c) if the person or company proves that the person or company, on becoming aware of the misrepresentation in the offering memorandum, withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- (d) if, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:
 - (i) there had been a misrepresentation; or
 - (ii) the relevant part of the offering memorandum:
 - (A) did not fairly represent the report, opinion or statement of the expert; or
 - (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert,
- (e) with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company:

- (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or
- (ii) believed there had been a misrepresentation;
- (f) in the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation; and
- (g) in no case will the amount recoverable in any action exceed the price at which the securities were offered under the offering memorandum.

Section 138 of the Newfoundland Act provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of:
 - (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or
 - (ii) 3 years after the date of the transaction that gave rise to the cause of action.

For Purchasers Resident in Nova Scotia

The right of action for damages or rescission described herein is conferred by section 138 of the *Securities Act* (Nova Scotia) (the "**Nova Scotia Act**"). The Nova Scotia Act provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), together with any amendment thereto, or any advertising or sales literature, as defined in the Nova Scotia Act, contains a misrepresentation, as defined in the Nova Scotia Act, the purchaser will be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and has, subject to certain limitations and defenses, a statutory right of action for damages against the issuer or other seller and, subject to certain additional defenses, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, while still the owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer or other seller, directors of the issuer or any other person who has signed the offering memorandum, provided that, among other limitations:

- (a) no action shall be commenced to enforce the right of action for rescission or damages by a purchaser later than 120 days after the date on which the initial payment was made for the securities;
- (b) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- (d) in no case will the amount recoverable in any action exceed the price at which the securities were offered by the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- (a) the offering memorandum or any amendment thereto was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;
- (b) after delivery of the offering memorandum or any amendment thereto and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum or amendment thereto the person or company withdrew the person's or company's consent to the offering memorandum or any amendment thereto, and gave reasonable general notice of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum or any amendment thereto purporting (i) to be made on the authority of an expert; or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a misrepresentation; or (B) the relevant part of the offering memorandum or any amendment thereto did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

For Purchasers Resident in Ontario

The right of action for damages or rescission described herein is conferred by section 130.1 of the *Securities Act (Ontario)* (the "**Ontario Act**"). The Ontario Act provides, in relevant part, that every purchaser of securities pursuant to an offering memorandum (such as this Offering Memorandum) shall have a statutory right of action for damages or rescission against the issuer and any selling security holder in the event that the offering memorandum contains a misrepresentation, as defined in the Ontario Act. A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer and any selling security holder provided that:

- (a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer and the selling security holders, if any;
- (b) the issuer and the selling security holders, if any, will not be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) the issuer and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon;
- (d) the issuer and the selling security holders, if any, will not be liable for a misrepresentation in "forward looking information" ("**FLI**"), as such term is defined under applicable Canadian securities laws, if it proves that:
 - (i) the offering memorandum contains, proximate to the FLI, reasonable cautionary language identifying the FLI as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection set out in the FLI, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the FLI;

- (ii) the issuer had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the FLI; and
- (e) in no case shall the amount recoverable exceed the price at which the securities were offered.

Section 138 of the Ontario Act provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of:
 - (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or
 - (ii) 3 years after the date of the transaction that gave rise to the cause of action.
- (c) The rights referred to in section 130.1 of the Ontario Act described above do not apply where this offering memorandum is delivered to a prospective purchaser in connection with a distribution made in reliance on the exemption from the prospectus requirement in section 73.3 of the Ontario Act (the "accredited investor exemption") if the purchaser is:
- (d) a Canadian financial institution, meaning either:
 - (i) an association governed by the Cooperative Credit Associations Act (Canada) or a central cooperative credit society for which an order has been made under that Act; or
 - (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services corporation, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;
- (e) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the Bank Act (Canada);
- (f) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or
- (g) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

For Purchasers Resident in Prince Edward Island

The right of action for damages or rescission described herein is conferred by section 112 of the *Securities Act* (Prince Edward Island) (the "**PEI Act**"). The PEI Act provides, in the relevant part, that if an offering memorandum (such as this Offering Memorandum) contains a misrepresentation, as defined in the PEI Act, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages. Such purchaser has a statutory right of action for damages against the issuer, the selling security holder on whose behalf the distribution is made, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum. Alternatively, the purchaser

who purchases a security offered by the offering memorandum during the period of distribution has a right of action for rescission against the issuer or the selling security holder on whose behalf the distribution is made, in which case the purchaser shall have no right of action for damages against the persons described above. No such action may be commenced to enforce the right of action for rescission or damages more than (a) 180 days after the day of the transaction that gave rise to the cause of action, in the case of an action for rescission; or (b) the earlier of (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action; or (ii) 3 years after the day of the transaction giving rise to the cause of action, in any other case.

The PEI Act provides a number of limitations and defenses, including the following:

- (a) no person is liable if the person proves that the purchaser purchased securities with knowledge of the misrepresentation;
- (b) in the case of an action for damages, the defendant is not liable for any damages that the defendant proves do not represent the depreciation in value of the security resulting from the misrepresentation; and
- (c) the amount recoverable by a plaintiff in respect of such action must not exceed the price at which the securities purchased by the plaintiff were offered.

In addition, a person, other than the issuer and selling security holder, is not liable if the person proves that:

- (a) the offering memorandum was sent to the purchaser without the person's knowledge or consent, and that, upon becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;
- (b) the person, upon becoming aware of the misrepresentation in the offering memorandum, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it;
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds
- (d) to believe and did not believe that (i) there had been a misrepresentation; or (ii) the relevant part of the offering memorandum (A) did not fairly represent the report, statement or opinion of the expert; or (B) was not a fair copy of, or an extract from, the report, statement or opinion of the expert; or
- (e) with respect to any part of an offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, unless the person (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had no representation; or (ii) believed that there had been a misrepresentation.

In addition, a person is not liable with respect to a misrepresentation in FLI if:

- (a) the offering memorandum containing the FLI also contains, proximate to the FLI (i) reasonable cautionary language identifying the FLI as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the FLI; and (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the FLI, and

- (b) the person had a reasonable basis for drawing the conclusions or making the forecast or projections set out in the FLI.

The above paragraph does not relieve a person of liability respecting FLI in a financial statement required to be filed under Prince Edward Island securities laws.

For Purchasers Resident in Québec

Purchasers in Québec will be entitled to the rights of action for damages or rescission similar to those provided to purchasers in Ontario.

For Purchasers Resident in Saskatchewan

The right of action for damages or rescission described herein is conferred by section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the "**Saskatchewan Act**"). The Saskatchewan Act provides, in relevant part, that where an offering memorandum (such as this Offering Memorandum), or any amendment thereto, is sent or delivered to a purchaser and it contains a misrepresentation, as defined in the Saskatchewan Act, a purchaser who purchases a security covered by the offering memorandum or any amendment thereto has, without regard to whether the purchaser relied on the misrepresentation:

- (a) a right of action for damages or rescission against the issuer or the selling security holder on whose behalf the distribution is made;
- (b) a right of action for damages against every promoter and director of the issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment thereto was sent or delivered;
- (c) a right of action for damages against 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;
- (d) a right of action for damages against every person or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or any amendment thereto, and
- (e) a right of action for damages against every person or company that sells securities on behalf of the issuer or the selling security holder under the offering memorandum or any amendment thereto.

Such rights of action for damages or rescission are subject to certain limitations including the following:

- (a) if the purchaser elects to exercise its right of rescission against the issuer or selling security holder, it shall have no right of action for damages against that party;
- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she, or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;
- (c) no person or company, other than the issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment thereto not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation,

- (d) in no case shall the amount recoverable exceed the price at which the securities were offered; and
- (e) no person or company is liable in an action for damages or rescission if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the issuer or selling security holder, will be liable if the person or company proves that:

- (a) the offering memorandum or any amendment thereto was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; or
- (b) with respect to any part of the offering memorandum or any amendment thereto purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of the offering memorandum or any amendment thereto did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion, or statement of the expert.

Not all defenses upon which an issuer, selling security holder or other person may rely are described herein. Canadian investors should refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Financial and Consumer Affairs Authority of Saskatchewan.

Section 141(2) of the Saskatchewan Act also provides a right of action for damages or rescission to a purchaser of securities to whom an offering memorandum or any amendment thereto was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by section 80.1 of the Saskatchewan Act.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any other action, other than an action for rescission, the earlier of:

- (i) 1 year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
- (ii) 6 years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act with a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within 2 Business days of receiving the amended offering memorandum.

Furthermore, no person or company, other than the issuer, will be liable with respect to any part of the offering memorandum or any amendment thereto not purporting (a) to be made on the authority of an expert; or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or (ii) believed that there had been a misrepresentation.

For Purchasers Resident in Northwest Territories, Nunavut and Yukon

In the Northwest Territories, the *Securities Act* (Northwest Territories), in Nunavut, the *Securities Act* (Nunavut), and in Yukon, the *Securities Act* (Yukon), provides a statutory right of action for damages or rescission to purchasers resident in the Northwest Territories, Nunavut and Yukon, respectively, in circumstances where an offering memorandum, (such as this Offering Memorandum) contains a misrepresentation, which rights are similar, but not identical, to the rights available to Purchasers Resident in Prince Edward Island.

General

If a misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum or any amendment thereto, the misrepresentation is deemed to be contained in the offering memorandum or any amendment thereto.

The foregoing summary is subject to the express provisions of the securities legislation of the applicable provinces and the rules, regulations and other instruments thereunder, and reference should be made to the complete text of such provisions. Such provisions may contain limitations and statutory defenses.

The rights of action described above are in addition to and without derogation from any other right or remedy which purchasers may have at law.

Rights for Investors Purchasing Under Other Exemptions

If this Offering Memorandum, or any amendment to it, is sent or delivered to a prospective purchaser of Units and it contains a misrepresentation, a prospective purchaser who purchases Units in reliance on other exemptions such as 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 investors who purchase Units in reliance on the "offering memorandum" exemption as described above for each applicable province or territory.

Item 12: Financial Statements

See attached.

Financial Statements of

**NEIGHBOURHOOD HOLDINGS
LIMITED PARTNERSHIP**

Year ended December 31, 2018



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Partners of Neighbourhood Holdings Limited Partnership

Opinion

We have audited the accompanying financial statements of Neighbourhood Holdings Limited Partnership ("the Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of comprehensive income for the year then ended
- the changes in net assets attributable to partners for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies and other explanatory information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

March 18, 2019

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Investments in mortgages (note 4)	\$ 149,294,981	\$ 104,092,938
Prepaid expenses	364,343	165,997
Deposits (note 6)	299,500	-
Total assets	\$ 149,958,824	\$ 104,258,935

Liabilities and Net Assets

Current liabilities:

Bank indebtedness (note 5)	\$ 69,093,861	\$ 40,248,310
Accounts payable and accrued liabilities (note 9(a))	1,796,883	1,178,166
Deferred revenue	310,577	149,349
Deposits payable (note 6)	-	2,075,000
Subordinated debt (note 7)	-	1,251,359

Total liabilities (excluding net assets attributable to the Limited and General Partners)	71,201,321	44,902,184
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Subsequent event (note 13)

Net assets attributable to the Partners (note 8)	\$ 78,757,503	\$ 59,356,751
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Net assets attributable to the Partners represented by:

General Partner	\$ 54,099	\$ 50,365
Limited Partners	78,703,404	59,306,386

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

Approved on behalf of the General Partner,
Neighbourhood Holding Company Ltd.:

 Director

 Director

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Statement of Comprehensive Income

	Twelve month period ended December 31, 2018	Six month period ended December 31, 2017
Interest income	\$ 10,399,339	\$ 3,658,829
Other income	622,859	150,498
	11,022,198	3,809,327
Operating expenses:		
Bank charges and interest	2,755,929	873,484
General and administrative	145,461	29,205
Management fees	1,401,121	519,438
Professional fees	114,524	36,075
	4,417,035	1,458,202
Increase in net assets attributable to the Partners from operations	\$ 6,605,163	\$ 2,351,125

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

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Statement of Changes in Net Assets Attributable to the Partners

	Limited Partners	General Partner	Total
Balance, June 30, 2017	\$ 47,359,396	\$ 48,716	\$ 47,408,112
Unit issuance	12,759,990	1,649	12,761,639
Unit repurchases	(813,000)	-	(813,000)
Increase in net assets attributable to the Partners from operations	1,867,832	483,293	2,351,125
Partnership distributions	(1,867,832)	(483,293)	(2,351,125)
Balance, December 31, 2017	59,306,386	50,365	59,356,751
Unit issuance	19,750,547	3,734	19,754,281
Unit repurchases	(353,529)	-	(353,529)
Increase in net assets attributable to the Partners from operations	5,101,655	1,503,508	6,605,163
Partnership distributions	(5,101,655)	(1,503,508)	(6,605,163)
Balance, December 31, 2018	\$ 78,703,404	\$ 54,099	\$ 78,757,503

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

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Statement of Cash Flows

	Twelve month period ended December 31, 2018	Six month period ended December 31, 2017
Cash provided by (used in):		
Cash flows from operating activities:		
Net assets attributable to the Partners from operations	\$ 6,605,163	\$ 2,351,125
Funding of investment in investments in mortgages	(102,616,897)	(43,832,657)
Principal repayments of investments in mortgages	57,948,733	30,303,283
Change in accrued interest	(533,879)	(202,986)
Change in prepaid expenses	(198,346)	(42,290)
Change in accounts payable and accrued liabilities	618,237	(350,882)
Change in deposits payable and deposits	(2,374,500)	55,000
Change in deferred revenue	161,228	84,216
Net cash used in operating activities	(40,390,261)	(11,635,191)
Cash flows from financing activities:		
Borrowings (repayments) of subordinated debt	(1,250,879)	1,239,789
Increase in bank indebtedness	28,845,551	797,888
Issuance of partnership units	19,754,281	12,761,639
Redemption of partnership units	(353,529)	(813,000)
Distributions to partners	(6,605,163)	(2,351,125)
Net cash from financing activities	40,390,261	11,635,191
Net decrease in cash, being cash, end of period	\$ -	\$ -

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

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

1. Reporting entity:

Neighbourhood Holdings Limited Partnership (the "Partnership") is a Limited Partnership formed between Neighbourhood Holding Company Ltd. (the "General Partner"), a corporation incorporated under the laws of British Columbia, and the Limited Partners set out in note 8 below (the "Limited Partners"). The Partnership was formed on November 16, 2015 pursuant to *The Partnership Act* of British Columbia and is currently governed by the Amended and Restated Limited Partnership Agreement dated March 18, 2016 (the "LPA"). The purpose of the Partnership is to generate income from seeking, originating and holding interests in a portfolio of mortgages of real estate situated in Canada.

The management and control of the Partnership is vested exclusively in the General Partner, and the General Partner is authorized and obligated to carry on the activities and affairs of the Partnership in accordance with the LPA, with full and exclusive power and authority to administer, manage, control and operate the activities and affairs of the Partnership and to perform all acts and enter into and perform all contracts and other undertakings which are necessary or advisable or incidental thereto.

The principal place of business of the Partnership is located at 380 - 1050 Homer Street, Vancouver, British Columbia, V6B 2W9.

2. Basis of presentation:

(a) Statement of compliance:

These financial statements of the Partnership have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies applied in the preparation of the financial statements are set out in note 3.

These financial statements were authorized for issue by the General Partner on March 18, 2019.

(b) Change in accounting policy:

Effective January 1, 2018, the Partnership adopted IFRS 9 *Financial Instruments* (IFRS 9), which replaced IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 addresses classification and measurement of financial assets and liabilities, as well as impairment of financial assets. As a result of the application of IFRS 9, the Partnership changed its accounting policies for financial assets and investments in mortgages effective January 1, 2018. As permitted by the transition provisions of IFRS 9, prior periods have not been restated. The Partnership's financial assets continue to be measured at amortized cost, therefore, no reclassifications were required.

Financial liabilities continue to be recognized initially at fair value net of transaction costs, and are subsequently measured at amortized cost.

(c) Basis of measurement:

These financial statements have been prepared on a historical cost basis.

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

2. Basis of presentation (continued):

(d) Functional and presentation currency:

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

(e) Use of estimates and judgments:

The preparation of financial statements requires the General Partner to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. These estimates are reviewed periodically on a prospective basis, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

(i) Investments in mortgages:

The Partnership is required to make an assessment of the impairment of investments in mortgages. The Partnership recognizes loss allowances for expected credit losses on its mortgage investments. Expected credit losses reflect an unbiased and probability-weighted allowance determined by evaluating a range of possible outcomes. The estimation of expected credit losses includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary by a material amount.

(f) These financial statements do not include all the assets, liabilities, income, expenses, gains and losses of the partners.

3. Significant accounting policies:

(a) Mortgages:

Mortgage investments are initially recognized at fair value, adjusted for any directly attributable transaction costs as relevant, and subsequently accounted for at amortized cost using the effective interest rate method less any impairment.

At each reporting date, the Partnership assesses whether there is objective evidence that a mortgage investment is impaired. If a mortgage investment carried at amortized cost is impaired, the amount of the loss is measured as the difference between the amortized cost of the mortgage investment and the present value of the future cash flow, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by the amount of the impairment loss and recognized in the statement of net income and comprehensive income.

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

3. Significant accounting policies (continued):

(b) Net assets attributable to the Limited Partners:

The Partnership classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Net assets attributable to the Limited Partners consists of the Limited Partners' capital in the Partnership and are classified as a financial liability, due to cash flows attributable to the units and redemption feature of the Limited Partnership units which are contingent on the General Partner's discretion.

(c) Net assets attributable to the General Partner:

The Partnership classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Net assets attributable to the General Partner consists of the General Partner's capital in the Partnership and is classified as a financial liability, due to fixed distribution attributable to the General Partner and the Limited Partners' ability to remove the General Partner through an extraordinary resolution.

(d) Financial instruments:

Effective January 1, 2018, the Partnership adopted IFRS 9 *Financial Instruments* ("IFRS 9"), which replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 addresses impairment, classification and measurement, and hedge accounting. The impact to net assets attributable to partners at January 1, 2018 was nil. Refer to Note 12, Transition to IFRS 9.

(i) Financial assets:

Debt instruments, including mortgages, are classified based on the Partnership's business model for managing the assets and the contractual cash flow characteristics of the assets. Debt instruments are measured at fair value through profit or loss ("FVTPL") unless certain conditions are met that permit measurement at either fair value through other comprehensive income ("FOVI") or amortized cost.

FVOCI is permitted where debt instruments are held with the objective of selling the assets or collecting the contractual cash flows and those cash flows represent solely payments of principal and interest. These securities may be sold in response to or in anticipation of changes in interest rates and resulting prepayment risk, changes in credit risk, changes in foreign currency risk, changes in funding sources or terms, or to meet liquidity needs. Changes in fair value are recorded in other comprehensive income; gains or losses on disposal and impairment losses are recorded in our Statement of Comprehensive Income.

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

3. Significant accounting policies (continued):

(d) Financial instruments (continued):

(i) Financial assets (continued):

Amortized cost is permitted where debt instruments are held with the objective of collecting contractual cash flows and those cash flows represent solely payments of principal and interest. Gains or losses on disposal and impairment losses are recorded in our Statement of Comprehensive Income.

For both FVOCI and amortized cost instruments, premiums and discount and transaction costs are amortized over the term of the instrument on an effective interest basis as an adjustment to interest income.

Investments in mortgages are classified as financial assets at amortized cost which is consistent with the Partnership's business model of holding mortgages until maturity.

(ii) Financial liabilities:

Financial liabilities are recognized initially at fair value and are classified as other financial liabilities or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVPTL are measured at fair value and net gains and losses including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Partnership has the following other liabilities: bank indebtedness, accounts payable and accrued liabilities, subordinated debt and redeemable partnership units.

(e) Impairment:

The Partnership recognizes loss allowances for expected credit losses ("ECL") on its investments in mortgages. ECL represents credit losses that reflect an unbiased and probability-weighted allowance which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

The Partnership measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

Stage 1: mortgage loans that are determined to have low credit risk at the reporting date, and mortgage loans for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

3. Significant accounting policies (continued):

(e) Impairment (continued):

Stage 2: when determining whether the credit risk of a mortgage loan has increased significantly since initial recognition and when estimating ECL, the Partnership considers reasonable and supportable information that is relevant. This includes both quantitative and qualitative information and analysis, based on the Partnership's historical experience and informed credit assessment and including forward-looking information.

IFRS 9 provides a rebuttable presumption that the credit risk on a mortgage loan has increased significantly if contractual payments are more than 30 days past due.

Stage 3: the Partnership considers a mortgage loan to be in default, thus requiring determination of appropriate ECL when:

- the borrower is unlikely to pay its credit obligations to the Partnership in full, without recourse by the Partnership to actions such as realizing security; or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of an investment in mortgages.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Partnership is exposed to credit risk.

Measurement of ECLs:

ECLs are a probability-weighted estimate of credit losses.

ECLs are a function of the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment to reflect factors not captured in ECL models.

- PD: The PD represents the likelihood that a loan will not be repaid and will go into default in either a 12 month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual loan is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions.
- EAD: EAD is modelled on historic data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default.

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

3. Significant accounting policies (continued):

(e) Impairment (continued):

- LGD is the amount that may not be recovered in the event of default and is modelled based on historic data and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Partnership in accordance with the contract and the cash flows that the Partnership expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Key economic variables:

The allowance for performing loans is sensitive to changes in both economic forecasts and probability-weight assigned to each forecast scenario. Many of the factors have a high degree of interdependency although there is no single factor to which loan impairment allowances as a whole are sensitive. These economic variables and their associated impact on the PD, EAD and LGD vary by scenario. The number of scenarios and their attributes are reassessed at each reporting period.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may vary significantly different to those projected. The Partnership considers these forecasts to represent its best estimate of possible outcomes.

Credit-impaired financial assets:

At each reporting date, the Partnership assesses whether investments in mortgages are credit-impaired. An investment in mortgage is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a mortgage loan is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Partnership on terms that the Partnership would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

Presentation of allowance for ECL in the statement of financial position:

Loss allowances for investment in mortgages are deducted from the gross carrying amount of the loan.

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

3. Significant accounting policies (continued):

(e) Impairment (continued):

Write-off:

The gross carrying amount of an investment in mortgages is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Partnership determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, the investment in mortgages that are written off could still be subject to enforcement activities in order to comply with the Partnership's procedures for recovery of amounts due.

Policy applicable before January 1, 2018:

Financial assets were assessed at each reporting date to determine whether there was objective evidence that they were impaired. A financial asset was impaired if objective evidence indicates that a loss event had occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Partnership on terms that the Partnership would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Partnership considers evidence of impairment for mortgages receivable at both a specific mortgage and collective level. All individually significant mortgages receivable are assessed for specific impairment on a regular basis. All individually significant mortgages receivable found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Mortgages receivable that are not individually significant are collectively assessed for impairment by grouping together mortgages receivable with similar risk characteristics.

Mortgages receivable where interest or principal is contractually past due 90-days are automatically recognized as impaired, unless management determines that the loan is fully secured, or in the process of collection and the collection efforts are reasonably expected to result in either repayment of the loan or restoring it to current status.

In assessing collective impairment, the Partnership uses analysis of past performance of the probability of default and the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by past performance and the allowance recorded.

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

3. Significant accounting policies (continued):

(f) Revenue recognition:

Interest income on mortgage investments is recognized in the statement of comprehensive income in the period in which it is earned using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the mortgage receivable (or, where appropriate, a shorter period) to the carrying amount of the mortgage receivable. When calculating the effective interest rate, the Partnership estimates future cash flows considering all contractual terms of the mortgage receivable, but not future credit losses.

The calculation of the effective interest method includes all fees and costs paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of the mortgage receivable.

Fees and commission income and expense are recognized using the effective interest method when such fees and commissions are integral to the effective interest rate on the related financial instrument.

(g) Income taxes:

There is no provision for income taxes in these financial statements as the Partnership's income is taxed in the hands of the partners.

(h) Future accounting change:

The Partnership has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Partnership has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

IFRS 16 - *Leases*, will replace IFRS 17 - *Leases*. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that apply IFRS 15. The extent of the impact to the Partnership has not yet been determined.

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

4. Investments in mortgages:

(a) An analysis of the Partnership's investment in mortgages is as follows:

	Stage 1	Stage 2	Stage 3	2018	2017
Investment in residential mortgage	\$ 142,150,237	\$ 3,251,366	\$ 2,576,715	\$ 147,978,318	\$ 103,310,154
Accrued interest	1,022,010	92,413	202,240	1,316,663	782,784
Provisions for mortgage losses	-	-	-	-	-
Investment in mortgages	\$ 143,172,247	\$ 3,343,779	\$ 2,778,955	\$ 149,294,981	\$ 104,092,938

Investment in mortgages bear interest at rates (which excludes lender fees earned by the Partnership) ranging from 4.75% to 13.25% per annum payable on a monthly basis. The mortgages are secured by charges on real property.

Property location	2018		2017	
	Number	Amount	Number	Amount
AB	79	\$ 20,683,608	48	\$ 13,805,584
BC	115	45,203,142	93	39,505,977
ON	157	54,551,851	137	45,724,368
MB	15	2,920,507	14	2,280,546
QC	117	24,619,210	8	1,993,679
	483	147,978,318	300	103,310,154
Accrued interest		1,316,663		782,784
Provision for impaired loans		-		-
		\$ 149,294,981		\$ 104,092,938

(b) Impaired loans:

The following table presents a continuity of the provision for the mortgage losses:

	Stage 1	Stage 2	Stage 3	2018	2017
Balance at January 1, per IAS 39 & IFRS 9	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to lifetime ECL - not credit impaired	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
Mortgage losses for the year, net of recoveries	-	-	-	-	-
Balance, end of year	\$ -	\$ -	\$ -	\$ -	\$ -

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

4. Investments in mortgages (continued):

(b) Impaired loans (continued):

The Partnership holds collateral against investments in mortgages in the form of a charge over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a mortgage is renewed, or is individually assessed as impaired.

A receivable is considered past due when two or more monthly payments have not been received by the contractual due date. Mortgages receivable that are past due are not classified as impaired if they are either:

- (i) less than 90 days past due unless there is information to the contrary that an impairment event has occurred; or
- (ii) fully secured and collection efforts are reasonably expected to result in repayment.

As at December 31, 2018 and 2017, nil mortgages were impaired.

As at December 31, 2018, ten (2017 - seven) investments in mortgages, with a total carrying value of \$5,039,298 (2017 - \$2,618,205), were past due but not impaired. As at December 31, 2018, an estimate of the fair value of collateral and other security enhancements held against these investments in mortgages is \$9,060,000 (2017 - \$4,632,000), which is based on the appraised value of the mortgages properties, less the principal balance of any first mortgages held. The mortgage receivables fair value of collateral and other security enhancements exceeded its carrying value.

(c) Key economic variables:

The following table shows the key economic variables that were used to estimate our allowance on performing loans during the forecast period. The values shown represent the end of period averages for 12 months.

	<u>Optimistic scenario</u>		<u>Base scenario</u>		<u>Pessimistic scenario</u>	
	First 12 months	Remaining horizon	First 12 months	Remaining horizon	First 12 months	Remaining horizon
Driver:						
GDP	2.5%	2.6%	1.8%	1.5%	(3.20)%	0.6%
Unemployment rate	5.2%	5.2%	5.8%	5.8%	9.3%	9.3%
Housing price index % change	2.4%	2.6%	1.7%	1.8%	(12.8)%	(3.2)%

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

5. Bank indebtedness:

On February 23, 2018, the Partnership entered into a loan agreement with its existing financial institution and another financial institution to obtain a credit facility in the amount of \$75,000,000, comprised of \$50,000,000 in prime rate loans from the existing financial institution (Facility 1) and \$25,000,000 in prime rate loans and/or guaranteed notes from the second financial institution (Facility 2). On August 8, 2018, the Partnership entered into an amendment of its existing loan agreement to increase the maximum availability of Facility 2 to \$40,000,000.

The prime rate loans bear interest at the respective financial institution's prime rate plus 0.75% per annum and the guaranteed notes bear interest at the financial institution's acceptance rate of 2.25%. The facilities bear a stand-by fee of 0.25% per annum on any unused portion. This loan agreement replaced the existing financial institution's credit agreement. As at December 31, 2018, the prime rate was 3.95% (2017 – 3.20%) per annum.

As at December 31, 2018, the balance outstanding on Facility 1 was \$38,011,916 (December 31, 2017 - \$40,248,310).

As at December 31, 2018, the balance outstanding on Facility 2 was \$31,081,945 (December 31, 2017 - nil).

The facilities are collectively secured by general security agreements provided by the Partnership and General Partner covering the general assignment of mortgages. The Partnership is required by its bank to maintain various covenants, including a minimum amount of tangible net worth, a minimum amount of cash flow coverage, a maximum amount of debt to tangible net worth and a maximum amount of impaired mortgages. As at December 31, 2018, the Partnership was in compliance with all such bank covenants.

6. Deposits:

Deposits are comprised of funds advanced for future limited partnership unit purchases or redemptions. As at December 31, 2018, \$299,500 had been advanced by the Partnership for a future redemption. Subsequent to period end, on January 1, 2019, the Partnership repurchased and subsequently extinguished 299,500 limited partnership units (January 1, 2018 - 2,075,000 units issued).

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

7. Subordinated debt:

The Partnership has a revolving demand facility with Conconi FT Holdings Ltd. (the "CFT Facility"), an entity that is a related party by virtue of being a Limited Partner and the parent company of the General Partner in the Partnership (see note 9), authorized to a maximum of \$10,000,000 (December 31, 2017 - \$10,000,000). The facility bears interest at the greater of 4.50% per annum or prime plus 1.80% per annum.

CFT Facility has sole discretion over the amounts provided and may cancel or restrict the availability of any unutilized portion at any time. The CFT Facility is unsecured.

As at December 31, 2018, the Partnership has drawn nil (December 31, 2017 - \$1,251,359) on the CFT Facility.

The Partnership is required by CFT Facility to maintain various covenants, including a minimum amount of tangible net worth, a minimum amount of cash flow coverage, a maximum amount of debt to tangible net worth and a maximum amount of impaired mortgages. At December 31, 2018, the Partnership was in compliance with all such covenants.

8. Net assets attributable to the Partners:

(a) Capital contribution:

The interest in the Partnership of the Limited Partners is divided into and represented by identical limited partnership units. Upon formation of the Partnership, CFT agreed to subscribe for 38,439,024 units and paid the subscription price for such units by transferring certain investments in mortgages with the fair market value of no less than \$38,439,024. On April 1, 2016, the Partnership repurchased 8,439,024 units from CFT for total proceeds of \$8,439,024 and subsequently cancelled those units. On November 1, 2018, CFT subscribed to an additional 2,000,000 units for total proceeds of \$2,000,000.

	Limited Partner commitment	Capital percentage
Conconi FT Holdings Ltd.	\$ 32,253,879	40.95%
Other Limited Partners	46,449,525	58.98%
General Partner	54,099	0.07%

Pursuant to the LPA, the interest in the partnership of the General Partner shall be represented by the General Partner Interest.

(b) Allocation of net income and comprehensive income and losses to Partners:

Pursuant to the LPA, the net income or net loss of the Partnership for a fiscal period shall be allocated at the end of each fiscal period. Distributions of available net cash are to be allocated as follows: fifteen percent ("15%") of the Partnership's earnings before interest and taxes to the General Partner in respect of the General Partner interest, and the remainder of the Partnership's earnings before taxes to the Limited Partners pro rata according to their respective contributions.

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

9. Related party transactions:

The following are related party transactions not disclosed elsewhere in these financial statements:

(a) Management fees:

The Partnership does not have and does not expect to have any employees. In order to obtain ongoing administrative and management services, the Partnership has entered into a management agreement with the General Partner to manage and oversee the Partnership's day-to-day operations. The Partnership has committed to paying the General Partner an annual management fee, equal to 1.00% of total investments in mortgages, to be calculated and paid on a monthly basis.

Included in accounts payable and accrued liabilities as at December 31, 2018, is \$244,796 (2017 - \$133,445) in payables to the General Partner. The balance is unsecured and has no specified terms of repayment.

CFT received \$2,429,919 (2017 - \$1,090,072) in Partnership distributions during the period. The distributions were paid in the normal course of business.

Included in accounts payable and accrued liabilities as at December 31, 2018, is \$618,884 (2017 - \$554,732) in payables to CFT. The balance is unsecured and has no specified terms of repayment.

10. Financial instruments and risk management:

(a) Fair values:

The following table shows a hierarchy for disclosing fair value based on inputs used to value the Partnership's assets or liabilities that are measured at amortized cost, but for which fair value disclosure is required. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1);
- Inputs other than quoted prices in active markets included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

10. Financial instruments and risk management (continued):

(a) Fair values (continued):

The fair value of the investments in mortgages has been measured using Level 3 valuation methods.

December 31, 2018	Carrying value of loans and receivable	Fair value
Assets not measured at fair value:		
Investments in mortgages	\$ 149,294,981	\$ 149,294,981
Financial liabilities not measured at fair value:		
Bank indebtedness	69,093,861	69,093,861
Subordinated debt	-	-
December 31, 2017	Carrying value of loans and receivable	Fair value
Assets not measured at fair value:		
Investments in mortgages	\$ 104,092,938	\$ 104,092,938
Financial liabilities not measured at fair value:		
Bank indebtedness	40,248,310	40,248,310
Subordinated debt	1,251,359	1,251,359

The valuation techniques and inputs used for the Partnership's financial instruments are as follows:

(i) Investments in mortgages:

There is no quoted price in an active market for the mortgage investments. The General Partner makes its determination of fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair value of these mortgage investments approximate their carrying value given the amounts consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. As a result, the fair value of mortgage investments is based on Level 3 inputs.

(ii) Other financial assets and liabilities:

There were no transfers between Level 1, Level 2 and Level 3 at December 31, 2018.

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

10. Financial instruments and risk management (continued):

(b) Financial risk management:

The Partnership has exposure to the following risks from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

The General Partner's risk management policies are typically performed as a part of the overall management of the Partnership's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Partnership may be exposed to a number of risks that could affect its operating performance. Management's close involvement in operations will help to identify risks and variations from expectations. The Partnership has not designated any transactions as hedging transactions to manage risk.

As a part of the overall operation of the Partnership, management considers the avoidance of undue concentrations of risk. The risk and the actions taken to manage them include the following:

(i) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation that it has entered into with the Partnership, resulting in a financial loss to the Partnership. This risk arises principally from the investments in mortgages and accrued interest receivable. For risk management reporting purposes the Partnership considers and consolidates all elements of credit risk exposure (such as loan-to-value, sector risk, location risk, and individual obligor default risk).

Credit risk is monitored on an on-going basis by the General Partner in accordance with policies and procedures in place.

The Partnership's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at December 31, 2018 is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position.

(ii) Liquidity risk:

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Partnership's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities, primarily distributions and returns of capital to limited partners, when due. As at December 31, 2018, 95% of the Partnership's mortgage portfolio, being \$141,121,190, is due on or before December 31, 2019.

In the General Partner's opinion, the Partnership has sufficient resources to meet its current cash flow requirement.

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

10. Financial instruments and risk management (continued):

(b) Financial risk management (continued):

(iii) Market risk:

Market risk is the risk that changes in market factors, such as interest rates, currency and other price risks will affect the Partnership's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risk as outlined below.

The Partnership's strategy for the management of market risk is driven by the Partnership's investment objective which is to invest in a diversified portfolio of mortgages on real property located within Canada that preserves capital and generates returns in order to permit the Partnership to pay the preferred return to the Limited Partners.

The Partnership's market risk is managed on a regular basis by the General Partner in accordance with policies and procedures in place:

(A) Interest rate risk:

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Partnerships interest rate risk is primarily attributable to its return on investments in mortgages relative to its resources to fund the mortgages. The Partnership manages interest rate risk by generally investing in short-term variable rate mortgages with floor rates which are greater than the return paid to the Limited Partners.

(B) Currency risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Partnership is not exposed to currency risk.

(C) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Partnership is exposed to price risk because of its investment in mortgages. These risks arise from changes in the real estate market and could be local or national in nature. Deteriorating real estate values increase the Partnership's risk. The Partnership manages these risks by its low loan to value strategy of underwriting, strong borrower relationships and active monitoring of all loans. Further, the Partnership has diversified its portfolio of investment mortgages geographically to manage this risk.

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

11. Capital management:

The Partnership considers net assets attributable to the Limited Partners to be capital, which at December 31, 2018 was \$78,703,404 (2017 - \$59,306,386).

The Partnership's objectives when managing capital are:

- to safeguard the Partnership's ability to continue as a going concern so that it can continue to provide a return to its partners; and
- to provide a quarterly return for partners from income earned from a portfolio of mortgages invested by the General Partner.

The Partnership, through its General Partner, manages its capital structure and makes adjustments as required based on the funds available to the Partnership in order to support the continued investment in mortgages. The Partnership invests in mortgage investments using the services of mortgage brokers for origination leads. Those origination leads are then vetted by the Partnership's underwriting team and ultimately approved or declined by the Partnership's Investment Committee. The Partnership's investment strategy continues to be to preserve investor capital, while providing a consistent stream of interest income.

12. Transition to IFRS 9, Financial Instruments:

The Partnership has adopted IFRS 9 *Financial Instruments* issued in July 2014 with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*.

The nature and effects of the key changes to the Partnership's accounting policies resulting from its adoption of IFRS 9 are summarized below.

As a result of the adoption of IFRS 9, the Partnership adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but generally have not been applied to comparative information.

(a) Classification of financial assets and financial liabilities:

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

For an explanation of how the Partnership classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see note 3(d)(i).

The adoption of IFRS 9 has not had a significant effect on the Partnership's accounting policies for financial liabilities.

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

12. Transition to IFRS 9, Financial instruments (continued):

(b) Impairment of financial assets:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to the Partnership's investments in mortgages measured at amortized cost. Under IFRS 9, credit losses are recognized earlier than under IAS 39 - see note 3(e).

(c) Transition:

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that comparative periods have not been restated.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which investments in mortgages are held.

The Partnership calculated the amount of expected credit losses to be recognized under IFRS 9 on January 1, 2018 and found that the amount is consistent with the provision for mortgage losses previously recognized under IAS 39. As a result, there is no adjustment to opening retained earnings on adoption of IFRS 9.

(d) Classification of financial assets and financial liabilities on the date of initial application of IFRS 9:

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Partnership's financial assets and financial liabilities as at January 1, 2018.

	Original	New	Original	New
	Classification	Classification	carrying	carrying
	under IAS 39	under IAS 9	Amount	Amount
			under IAS 39	under IFRS 9
Financial assets:				
Investments in mortgages receivables	Amortized cost	Amortized cost	\$ 104,092,938	\$ 104,092,938
Financial liabilities and net net assets	Other financial liabilities	Other financial liabilities	\$ 40,248,310	\$ 40,248,310
Bank indebtedness				
accounts payable and accrued liabilities	Other financial liabilities	Other financial liabilities	1,178,166	1,178,166
Subordinated debt	Other financial liabilities	Other financial liabilities	1,251,359	1,251,359
Limited Partnership units	Limited Partnership units	Limited Partnership units	59,306,386	59,306,386
Total financial liabilities and net assets			\$ 101,984,221	\$ 101,984,221

NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP

Notes to Financial Statements

Twelve month period ended December 31, 2018

12. Transition to IFRS 9, Financial Instruments (continued):

- (d) Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued):

The Partnership's accounting policies on the classification of financial assets under IFRS 9 are set out in note 3(d)(i). The application of these policies resulted in the reclassifications set out in the table above and explained below.

- (e) Investments in mortgages that were previously classified as loans and receivables are now classified at amortized cost. The Partnership intends to hold the investments in mortgages to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

13. Subsequent event:

Subsequent to year end the third amended and restated Limited Partnership agreement was effective on January 1, 2019.

Item 13: Date and Certificate

Dated: April 26, 2019.

This offering memorandum does not contain a misrepresentation.

BY THE ISSUER

**NEIGHBOURHOOD HOLDINGS LIMITED PARTNERSHIP, by
its GENERAL PARTNER, NEIGHBOURHOOD HOLDING
COMPANY LTD.**

Per: "Hashem Aboulhosn" (signed)
Hashem Aboulhosn
Chairman, Director

Per: "Taylor Little" (signed)
Taylor Little
Chief Executive Officer, Director

Per: "Alex Conconi" (signed)
Alex Conconi
Founder, Director