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Capital Direct I Income Trust
Confidential Offering Memorandum

July 15, 2015

This Offering Memorandum is confidential. By their acceptance hereof, prospective investors agree that they will not transmit, reproduce or make available to anyone this Offering Memorandum or any information contained herein.

FORM 45-106F2
Offering Memorandum for Non-Qualifying Issuers

Date	July 15, 2015
The Issuer	
Name	Capital Direct I Income Trust (the "Trust")
Head Office	Suite 305, 555 West 8th Avenue Vancouver, B.C. V5Z 1C6 Phone # (604) 430-1498 E-mail Address: subscriptions@capitaldirect.ca Fax #: (604) 430-3287
Currently listed or Quoted?	No. **These securities do not trade on any exchange or market.**
Reporting issuer?	No.
SEDAR filer?	No.
The Offering	
Securities offered	Trust Units (the "Units") designated as either Class A or Class F (each, a "Class")
Price per security	$10 per Unit
Minimum/Maximum Offering	**There is no minimum**. **You may be the only purchaser.** Maximum Offering: $375,000,000 **Funds available under the Offering may not be sufficient to accomplish our proposed objective.**
Minimum Subscription amount	$5,000
Payment terms	Bank draft or certified cheque on Closing. See "Securities Offered – Subscription for Units – Subscription Procedure" for payment details.
Proposed closing date(s)	Continuous Offering until the Maximum Offering is achieved. Closings may occur from time to time as subscriptions are received.
Tax consequences	There are important tax consequences to these securities. See "Income Tax Consequences and Certain Deferred Plan Eligibility".
Selling Agent?	There is no Selling Agent, however, the Manager reserves the right to retain one or more selling agents or finders during the course of the Offering. **Any sale of Units in Alberta, Manitoba, Québec or Ontario must be conducted through a Dealer.** See "Compensation Paid to Sellers and Finders".

Resale restrictions

You will be restricted from selling your securities for an indefinite period. However the Units are retractable at June 30 and December 31 in any year, subject to certain restrictions and deferred sales charges. See "Resale Restrictions".

Purchaser's rights

You have two business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See "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. See "Risk Factors".

GLOSSARY

The following terms appear throughout this Offering Memorandum. Care should be taken to read each term in the context of the particular provision of this Offering Memorandum in which such term is used.

(a) "Affiliate" or "Affiliates" means two entities that are affiliated, as described in subsection 1(2) of the BC Securities Act.

(b) "Alberta Real Estate Act" means the *Real Estate Act* (Alberta);

(c) "Alberta Securities Act" means the *Securities Act* (Alberta), with all amendments thereto in force from time to time and any statutes that may be passed which have the effect of supplementing or superseding such statute;

(d) "Associates" has the same meaning as in the B.C. Securities Act;

(e) "Audit Committee" means the audit committee of the Board of Governors;

(f) "Auditors" means Johnsen Archer LLP, Chartered Accountants;

(g) "Authorized Interim Investments" means such investments that are "qualified investments" for a trust governed by a "registered retirement savings plan", "registered education savings plan" or "tax-free savings account" as those terms are defined in subsection 146(1) of the Tax Act, and may include shares, bonds, debentures, income trust units, notes, marketable securities and cash, among other things;

(h) "B.C. Mortgage Brokers Act" means the *Mortgage Brokers Act* (British Columbia);

(i) "B.C. Securities Act" means the *Securities Act* (British Columbia);

(j) "Board of Governors" means the board named as such and established pursuant to the Declaration of Trust;

(k) "Business Day" means a day other than a Saturday, Sunday or any day on which the principal office of the Trust's bankers located in Vancouver, British Columbia is not open for business during normal banking hours;

(l) "Calculation Date" means the last day of March, June, September and December;

(m) "Carried Interest" means, in respect of the Manager, a distribution in an amount equal to 20% of the aggregate of Net Income and Net Realized Capital Gains;

(n) "Closing" means a closing of the sale of Units and includes the Initial Closing and such other closings as the Manager may determine from time to time;

(o) "Credit Committee" means the credit committee of the Board of Governors;

(p) "Dealer" means a securities dealer registered in the Province of Alberta, Manitoba, Québec or Ontario or an exempt market dealer registered in the Province of Alberta, Manitoba, Québec or Ontario;

(q) "Declaration of Trust" means the Declaration of Trust dated June 23, 2006, as amended and restated on December 8, 2006, February 20, 2007, May 12, 2008 and July 14, 2014 creating the Trust under the laws of the Province of Ontario;

(r) "Deferred Plans" means registered retirement savings plans, registered education savings plans and tax-free savings accounts;

(s) "Distribution Payment Date" means in respect of a distribution to the Unitholders, for the first three calendar quarters of a year, the 15th day of the month following the Calculation Date for such calendar quarter, and for the fourth quarter of a year, March 31 of the year following the Calculation Date for such calendar quarter;

(t) "Fiscal Year" means each consecutive period of twelve (12) months coinciding with the calendar year and ending on December 31, provided however that the first Fiscal Year of the Trust will be the period commencing on June 23, 2006, and ending on December 31, 2006;

(u) "Forced Redemption" means a redemption by the Manager upon a Unitholder becoming a non-resident or a "designated beneficiary" as defined in section 210 of the Tax Act;

(v) "Initial Closing" means the initial Closing of the sale of the Units offered hereby;

(w) "Lender" means Canadian Western Bank and its successors and assigns;

(x) "Lender's Loan" means the revolving operating line of credit established by the Lender pursuant to the Loan Agreement in favour of the Trust in the amount of $40,000,000, which may be availed by way of overdraft, for the purpose of financing the day to day operations of the Trust's business;

(y) "Loan Agreement" means the overdraft lending agreement dated May 11, 2011 between the Lender and the Trust pursuant to which the Lender established the Lender's Loan;

(z) "Manager" means Capital Direct Management Ltd., a company validly existing under the laws of the Province of British Columbia;

(aa) "Manager's Fee" means the monthly management fee payable to the Manager equal to 1/12 of 2% (2% per annum) of the Net Asset Value of the Trust, payable monthly in arrears, for the Class A Units and the monthly management fee payable to the Manager equal to 1/12 of 1% (1% per annum) of the Net Asset Value of the Trust, payable monthly in arrears, for the Class F Units;

(bb) "Manitoba Securities Act" means *The Securities Act* (Manitoba);

(cc) "Mortgage" or "Mortgages" means a mortgage, a mortgage of a mortgage or a mortgage of a leasehold interest (or other like instrument, including an assignment of or an acknowledgement of an interest in a mortgage), hypothecation, deed of trust, charge or other security interest of or in real property used to secure obligations to repay money by a charge upon the underlying Real Property;

(dd) "Mortgage Broker" means Capital Direct Lending Corp., a British Columbia company;

(ee) "Mortgage Broker Agreement" means the agreement dated January 15, 2007 as amended August 21, 2007 between the Mortgage Broker and the Manager, pursuant to which the Mortgage Broker will provide its services to the Manager;

(ff) "Net Asset Value" means, on a Valuation Day, the aggregate carrying value of the Trust Property plus accrued interest on Mortgages on such Valuation Day, less any allowances for impairment losses recorded against investments in Mortgages;

(gg) "Net Asset Value Per Unit" means, on a Valuation Day, the quotient obtained by dividing the amount equal to the Net Asset Value on such Valuation Day by the total number of Units, including fractions of Units, then outstanding;

(hh) "Net Income" of the Trust for a calendar year is equal to the Trust's income for the year that would be determined under the Tax Act if:

(i) no amount were included or deducted in respect of capital gains and capital losses;

(ii) there were no gross-up in respect of taxable dividends from corporations resident in Canada; and

(iii) no amounts were deducted in respect of amounts that became payable to Unitholders;

(ii) "Net Realized Capital Gains" of the Trust for a calendar year is equal to twice the amount, if any, by which the Trust's taxable capital gains for the year exceed the sum of:

(i) the Trust's allowable capital losses for the year;

(ii) the Trust's net capital losses for prior years which the Trust is permitted to deduct in computing its taxable income for the year; and

(iii) expenses of the Trust that would otherwise be deductible in arriving at the Trust's taxable income for the year, to the extent determined by the Manager,

provided that if there is a change to the percentage of capital gains included in income, the two times factor will thereafter equal the reciprocal of the new percentage and other amounts referred to in this definition will be adjusted, to the extent necessary;

(jj) "Offering" means the sale of Units to raise maximum Gross Subscription Proceeds of $375,000,000;

(kk) "Ontario Mortgage Brokers Act" means the *Mortgage Brokerages, Lenders and Administrators Act*, 2006 (Ontario);

(ll) "Ontario Securities Act" means the *Securities Act* (Ontario), with all amendments thereto in force from time to time and any statutes that may be passed which have the effect of supplementing or superseding such statute;

(mm) "Ordinary Resolution" means a resolution consented to, in writing, by Unitholders holding more than 50% of all outstanding Units entitled to vote on the matter at issue, or approved by at least 50% of the votes cast by such Unitholders present in person or by proxy at a meeting of Unitholders which has been duly called and at which a quorum is present, as provided herein;

(nn) "Québec Securities Act" means the *Securities Act* (Québec), with all amendments thereto in force from time to time and any statutes that may be passed which have the effect of supplementing or superseding such statute;

(oo) "Prime Lending Rate" means the rate of interest established from time to time as Canadian Western Bank's Prime Lending Rate for loans denominated in Canadian dollars, adjusted automatically upon any change by Canadian Western Bank;

(pp) "Real Property" means land, rights or interest in land (including without limitation leaseholds, air rights and rights in condominiums, but excluding Mortgages) used for residential purposes and any buildings, structures, improvements and fixtures located thereon;

(qq) "Redemption" means a redemption of Units by the Trust;

(rr) "Retraction" means a redemption of Units by a Unitholder;

(ss) "Return" means, in respect of the Unitholders, a distribution in an amount equal to 80% of the aggregate of Net Income and Net Realized Capital Gains;

(tt) "Special Resolution" means a resolution consented to, in writing, by Unitholders holding more than 75% of all outstanding Units entitled to vote on the matter at issue, or approved by at least 75% of the votes cast by such Unitholders present in person or by proxy at a meeting of Unitholders which has been duly called for that purpose and at which a quorum is present, as provided herein;

(uu) "Subscriber" means a subscriber for Units;

(vv) "Subscription Form" means the subscription form to subscribe for Units;

(ww) "Subscription Price" means $10.00 per Unit;

(xx) "Tax Act" means the *Income Tax Act* (Canada), R.S.C. 1985 (5th Supp.) c.l, as amended from time to time;

(yy) "Term" means, the period of time from date of issue to maturity of the Units;

(zz) "Termination Date" means the date on which the Trust is terminated;

(aaa) "Trust" means Capital Direct I Income Trust, a trust created pursuant to the Declaration of Trust;

(bbb) "Trust Property" means:

(i) all monies, securities, property, assets and investments paid or transferred to and accepted by or in any manner acquired by the Trustee and held by the Trustee on the trust herein declared;

(ii) all income which may hereafter be accumulated under the powers herein contained; and

(iii) all monies, securities, property, assets or investments substituted for or representing all or any part of the foregoing,

less any monies, securities, property, assets or investments distributed, expended, sold, transferred or otherwise disposed of in accordance with the provisions hereof;

(ccc) "Trustee" means Computershare Trust Company of Canada, the trustee named under the Declaration of Trust;

(ddd) "Unanimous Resolution" means a resolution consented to, in writing, by all Unitholders entitled to vote on the matter at issue, or approved by 100% of the votes cast by Unitholders present in person or by proxy at a meeting of such Unitholders which has been duly called for that purpose and at which a quorum is present, as provided herein;

(eee) "Unit" means a unit of beneficial interest in the Trust and includes any Class A Unit or Class F Unit and "Units" means Class A Units and Class F Units;

(fff) "Unitholders" means those investors whose subscriptions to purchase Class A Units or Class F Units offered by this Offering Memorandum are accepted by the Trust and thereafter at any particular time the persons entered in the register or registers of the Trust as holders of Units and the singular form means one such registered holder; and

(ggg) "Valuation Day" means the last day of each calendar month or any other day on which the Manager determines valuation is necessary.

CANADIAN CURRENCY

All dollar amounts in this Offering Memorandum, unless otherwise indicated, are expressed in Canadian currency.

FORWARD-LOOKING INFORMATION

Prospective Subscribers should be aware that certain statements used in this Offering Memorandum constitute forward-looking information. Forward-looking information often, but not always, is identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved or other similar expressions. Forward-looking information includes, but is not limited to, use of proceeds, regulatory environment and appetite for borrowing, long and short term objectives, renewal of Mortgage portfolio, additional issuance of Units, acceptance of subscriptions, investment of proceeds, payment of compensation to dealers, geographic diversification of Mortgage portfolio and payment of returns. The forward-looking information that is contained in this Offering Memorandum involve a number of risks and uncertainties. Should one or more of the risks materialize or should assumptions underlying the forward-looking statements prove incorrect, actual events or results might differ materially from events or results projected or suggested in this forward-looking information. Some of these risks and uncertainties are identified under the heading "Risk Factors". Additional information regarding these factors and other important factors that could cause actual events or results to differ materially may be referred to as part of the particular forward-looking information. Neither the Trust nor the Manager intends, and do not assume any obligations, to update the forward-looking information.

USE OF AVAILABLE FUNDS

Available Funds

The Trust sells Units on a continuous basis with Closings of this Offering occurring monthly on the first business day of the month following the month in which the subscriptions are received, and at such other times as the Manager may determine. The available funds will be invested in Mortgages and will be used for working capital. All organizational and Offering expenses will be paid by the Manager. The ongoing expenses of the Trust will be primarily the Manager's Fee, payments to the Mortgage Broker under the Mortgage Broker Agreement, and certain legal and accounting expenses in connection with meetings of and reporting to Unitholders. Investments in Mortgages will be made as set out in "Business of the Trust – Long Term Objectives – Investment Policies". Pending investment in Mortgages, the net proceeds will be invested in Authorized Interim Investments. The Manager will invest the available funds of this Offering in Mortgages as suitable opportunities arise.

		Assuming min. Offering	**Assuming max. Offering**
A	Amount to be raised by this Offering	$0	$375,000,000[1]
B	Selling commissions and fees	$0	$0
C	Estimated Offering costs (e.g., legal, accounting, audit and agent's costs.)	$0	$0
D	Net Proceeds: D = A – (B+C)	$0	$375,000,000
E	Additional sources of funding required	$0	$0
F	Working capital deficiency[2]	$0	$0
G	Total: G = (D+E) – F	$0	$375,000,000

(1) Although the Trust is authorized to raise a maximum of $375,000,000, the Trust anticipates raising $24,000,000 in the next 12 months.

(2) Amounts drawn from time to time on the Lender's Loan are not included in calculating working capital deficiency. The Lender's Loan is an operating line of credit used to manage cash flows and as part of the investment program. It is regularly utilized to make Mortgage loans and to pay expenses in advance of receiving proceeds of Mortgage repayments and sales and from the proceeds of the sale of Units and hence fluctuates regularly.

Use of Available Funds

Description of intended use of net proceeds listed in order of priority	**Assuming min. Offering**	**Assuming max. Offering[(1)]**
Investment in Mortgages and Working Capital	$0	$375,000,000

(1) Although the Trust is authorized to raise a maximum of $375,000,000, the Trust anticipates raising $24,000,000 in the next 12 months.

Reallocation

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

BUSINESS OF THE TRUST

Structure

The Trust is an open-end investment trust created under the laws of the Province of Ontario on June 23, 2006. Although the Trust is qualified as a "quasi-mutual fund trust" as defined by the Tax Act, the Trust will not be a "mutual fund" as defined by applicable securities legislation because the Units are not redeemable on demand or within a specified period after demand for an amount computed by reference to the value of the proportionate interest in the whole or in part of the net assets. The Trust differs from a conventional mutual fund for tax purposes in that it does not meet requirements under the Tax Act relating to the number of Unitholders, dispersal of ownership and public trading of Units. Units are retractable at the end of each semi-annual period on 30 days' notice by the Unitholder at the Net Asset Value per Unit, plus any accrued and unpaid Return.

There are two classes of Units (Class A and Class F) being offered for sale by the Trust pursuant to this Offering Memorandum. Each Unit within a particular class will be of equal value, however, the value of a Unit in one class may differ from the value of a Unit in another class. The attributes and characteristics of each Class are described under the heading *"Securities Offered – Terms of Securities"*.

The principal place of business of the Trust is located at Suite 305, 555 West 8th Avenue, Vancouver, British Columbia, V5Z 1C6.

Computershare Trust Company of Canada is the trustee ("Trustee") under the Declaration of Trust. Capital Direct Management Ltd. is the manager of the Trust ("Manager") under the Declaration of Trust. The principal place of business for the Trustee is located at Suite 600, 530 8th Avenue S.W., Calgary, Alberta, T2P 3S8. The principal place of business of the Manager is located at Suite 305, 555 West 8th Avenue, Vancouver, British Columbia, V5Z 1C6, and the registered office of the Manager is Suite 2600 Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3K1.

Our Business

The Trust has been created for the purpose of generating a target quarterly return equal to 80% of the aggregate of Net Income and Net Realized Capital Gains from interests acquired in a portfolio of, primarily, residential Mortgages. These Mortgages may be either first position or subsequent ranking Mortgages. The Mortgages to be invested in by the Trust are a common form of financing within the real estate industry. The underlying Real Property for the Mortgages will be located in Canada. The Trust may from time to time invest in Mortgages securing more than one property, which are owned by the same mortgagor, or different mortgagors. In certain circumstances, the Trust may take alternate or additional security, such as a general security agreement over a mobile home or other personal property.

The Trustee may acquire interests in Mortgages by way of participation agreements. The standard documentation used with respect to Mortgages will provide that, in the event of a failure by the mortgagor to pay any amount owing under a Mortgage, the mortgagees will be entitled to enforce the Mortgage in accordance with applicable law. In the event of a failure by a mortgagor to make a monthly payment of interest or principal, the mortgagees will immediately communicate with the mortgagor and, failing prompt rectification, will issue a notice of its intent to exercise such remedy or remedies available to the mortgagees, which the Manager considers appropriate. All legal costs, costs related to registration of Mortgages and costs relating to obtaining appraisals of Real Property, as allowed by law, will be for the account of the mortgagors.

It is the intention of the Manager that the net Subscription Proceeds will be invested as quickly as is reasonably possible in Mortgages. Pending such investment in Mortgages, cash on hand will be invested in Authorized Interim Investments only. The Manager may, from time to time, instruct the Trustee to sell investments in Mortgages and reinvest the proceeds or exchange such investments for other investments in Mortgages. After each Closing, the Manager may establish one or more interest-bearing accounts for purposes of holding cash of the Trust until so invested.

The Manager has retained the services of the Mortgage Broker to acquire interests in Mortgages and make loans secured by Mortgages for the Trust. The Manager is responsible for carrying out all the transactions of the Trust, supervising the investment and Mortgage portfolio of the Trust and for providing management services for the Trust. See "Board of Governors, Management, Promoters and Principal Holders – Management Experience – The Mortgage Broker".

The Mortgage Broker is active in the non-bank real estate lending industry in British Columbia, Alberta and Ontario. It identifies potential transactions principally through direct to market advertising and, to a lesser extent, through a network of mortgage brokers, repeat borrowers and its reputation. The Mortgage Broker seeks out, reviews and presents to the Trust, Mortgage investment opportunities which are consistent with the investment and operating policies and objectives of the Trust and services such Mortgages on behalf of the Trust. All properties are evaluated on the basis of location, quality and marketability. In addition, the credit of the borrower and stated income is also reviewed and, often, personal covenants are obtained from the principals of corporate borrowers. The Mortgage Broker has successfully originated, underwritten and serviced Mortgage investments aggregating approximately $849 million, is currently placing between $60 million and $96 million in Mortgages annually and currently directly administers approximately $120 million in Mortgages on behalf of numerous investor clients and financial institutions, since its inception in December 1997.

The Trust will reduce the risks associated with defaulting Mortgages through extensive initial due diligence and careful monitoring of the Trust's Mortgage portfolio, active communication with borrowers, the institution of systemized enforcement procedures on defaulting Mortgages and by turning over the portfolio through sales. The Mortgage Broker monitors the performance of the Trust's Mortgage portfolio, including tracking the status of outstanding payments due, grace periods and due dates, and the calculation and assessment of other applicable charges. Each member of management of the Mortgage Broker has extensive knowledge and understanding of the Mortgage and real estate industries that has enabled him to make prudent investment decisions and identify sound investment opportunities.

Development of the Business

Since its inception in 2006, the Trust has raised capital through private placement Offerings using various prospectus exemptions including the offering memorandum exemption. As of June 30, 2015, the Trust's Mortgage portfolio consisted of 829 Mortgage investments with a combined net balance of $69,007,714. The Mortgages mature between 2015 and 2017 and bear interest at an average rate of 9.94%. The majority of Mortgage investments are on Real Properties located in British Columbia, Alberta and Ontario. The average loan to value (LTV) of the investments is 55.77% LTV. The Trust also intends to continue to diversify geographically by making investments in Mortgages on Real Property in other areas of Canada where prevailing economic conditions are favourable.

The following table illustrates the dollar value of Mortgages held by the Trust as of December 31, 2013 and December 31, 2014:

	2013	**2014**
Mortgages	$36,139,391	$53,633,836

The following is the Trust's distribution and return during the last two completed financial years:

2013:

	Q1	**Q2**	**Q3**	**Q4**	**Total**
Net Income allocated to Unitholders	$290,645	$325,307	$360,184	$406,459	$1,382,595(1)
Average annualized rate of return	7.79%	7.63%	$7.99%	8.17%	8.15%(1)

(1) The Board of Directors of the Manager has unanimously agreed to waive 50% of the net income it is entitled to for the period from January to December, 2013, thereby increasing the distribution to the Unitholders to 90% of the net income from operations.

2014:

		Q1	**Q2**	**Q3**	**Q4**	**Total**
Net Income allocated to Unitholders	Class A Class F	$442,502 N/A	$496,793 N/A	$527,503 $3,054	$501,092 $6,810	$1,967,890(1) $9,864(1)
Average annualized rate of return	Class A Class F	8.15% N/A	8.17% N/A	8.01% 8.01%	7.24% 7.42%	8.09%(1) 7.81%(1)

(1) The Board of Directors of the Manager has unanimously agreed to waive 50% of the net income it is entitled to for the period from January to December, 2014, thereby increasing the distribution to the Unitholders to 90% of the net income from operations thereby increasing the distribution to the Unitholders to 90% of the net income from operations.

2015:

		Q1	**Q2**	**Q3**	**Q4**	**Total**
Net Income allocated to Unitholders	Class A Class F	$582,404(1) $33,474(1)	$643,667(1) $90,350(1)	TBA TBA	TBA TBA	TBA TBA
Average annualized rate of return	Class A Class F	8.094%(1) 8.322%(1)	8.106%(1) 8.483%(1)	TBA TBA	TBA TBA	TBA TBA

(1) The Board of Directors of the Manager has unanimously agreed to waive 50% of the net income it is entitled to for the period from January to June 30, 2015, thereby increasing the distribution to the Unitholders to 90% of the net income from operations. The Board of Directors of the Manager has yet to make a decision as to whether it will voluntarily reduce its fee and share of net income for the remainder of 2015.

The Trust's return has gradually declined reflecting overall lower prevailing interest rates in the economy. In addition, the rate of return the Trust earns from its Mortgage investments fluctuates with prevailing market demand for short-term Mortgage financing. In some cases the Trust's Mortgage investments may not meet financing criteria for conventional Mortgages from institutional sources, and as a result, these investments generally earn a higher rate of return than that normally attainable from conventional Mortgage investments. The Trust attempts to minimize risk by being prudent in its credit decisions and in assessing the value of the underlying Canadian real estate property offered as security.

The Trust uses the Lender's Loan of up to $40 million to manage cash flows and as part of its investment program. The Lender's Loan is an operating line of credit which is used to make new Mortgage investments and pay expenses pending the receipt of proceeds from Mortgage sales or repayments and receipt of proceeds from the Offering. The Lender's Loan allows the Trust to invest, at any given time, more than the aggregate contributed capital of the Unitholders, which is accretive to returns received by Unitholders. To the extent that the Lender's Loan adds leverage to the portfolio, the Trust attempts to prudently manage the Lender's Loan so as not to expose the Mortgage portfolio to undue risk.

The Mortgage Broker

The Mortgage Broker was incorporated as Capital Direct Lending Corp. in December 1997. The shareholders of the Mortgage Broker are Richard F.M. Nichols, Derek R. Tripp and Timothy P.J. Wittig. The Mortgage Broker was founded as a near-prime mortgage lender, and assists consumers that do not meet the strict lending criteria of traditional lenders and require creative and sophisticated mortgage solutions. Since incorporation, the Mortgage Broker has expanded and now has branches in Vancouver, Calgary, Edmonton and Toronto. Capital Direct Atlantic, a subsidiary controlled by the Mortgage Broker, serves eastern Canada from its offices in Halifax, Moncton and Charlottetown. Since 1997, the Mortgage Broker has originated approximately $849 million in Mortgages, is currently placing between $60 million and $96 million in Mortgages annually and directly administers approximately $120 million in Mortgages for itself and its investors.

The Mortgage Broker specializes in single-family, residential Mortgages and equity loans for borrowers that require a customized mortgage solution. With standardized Mortgage products and strict underwriting guidelines, the traditional lenders are often unable to meet the borrowing needs of many Canadians. The Mortgage Broker recognizes that each application is unique and takes a holistic approach when entertaining applications.

The Mortgage Broker emphasizes a strict, disciplined approach in assessing credit risk and sets a fair mortgage rate that reflects the risk involved. Clear underwriting guidelines, geographic diversity, and arrears management, are designed to manage and mitigate credit risk. The Mortgage Broker is now able to ascertain with certainty the outcome of $469 million of past Mortgages underwritten and administered to fruition. The Mortgage Broker has also been able to maintain, to date, a loan loss provision of less than 1.94% on all underwritten and administered Mortgages with a known outcome.

Long Term Objectives

General

The investment goal of the Trust is to make prudent investments in Mortgages, which provide financing for Real Property situated in Canada to create stable returns for Unitholders with the potential to realize additional benefits from favourable markets.

The objective for the Trust is to provide a simple and effective way for individual investors to participate in the lucrative mortgage industry traditionally dominated by all major Canadian banks. Even though this type of investment has outperformed many other vehicles in terms of capital preservation and returns, 'pooled mortgage investments' are less widely known than other income producing vehicles. The Trust provides a viable addition to or alternative to other vehicles for the fixed income component of a balanced portfolio.

Investment Policies

The following investment policies are applied by the Trust in selecting Mortgages:

(a) the Trust may invest in Mortgages which may be first or subsequent charges on the security of the Real Property;

(b) the Trust will invest only in Mortgages on the security of primarily residential Real Property situated within Canada and once the Trust's assets reach $10 million, no more than 5% of the Trust's assets will be invested in Mortgages on the same property;

(c) the Trust will not directly invest in Real Property, and will be subject to the investment requirements that must be met for certain trusts, as set out below under paragraph (e). However, the Trust may hold Real Property acquired as a result of foreclosure and will use its reasonable best efforts to dispose of such Real Property acquired on foreclosure;

(d) the Trust will not make loans to, nor invest in securities issued by the Manager or its Affiliates nor make loans to the directors or officers of the Manager or their Associates or the members of the Board of Governors;

(e) the Trust may not invest in any asset which in any way does not qualify as a "qualified investment" as that term is defined in the Tax Act for a trust governed by a Deferred Plan or would disqualify the Trust as such;

(f) the Trust may co-invest with a third party or third parties in a Mortgage;

(g) the Trust may invest in any Mortgage where the term of the Mortgage exceeds five years;

(h) unless approved by the Board of Governors, the Trust will not make or dispose of an investment in any Mortgage where the Manager, any member of the Board of Governors, the Mortgage Broker, any of their respective officers, directors or employees or any respective Affiliate thereof: (i) has or expects to obtain, insofar as the Trust or any such aforementioned Person is aware, directly or indirectly, an interest in the transaction (except the Mortgage Broker's fees and charges under the Mortgage Broker Agreement); (ii) has at any time in the period of 24 months preceding the date of the transaction had a direct or indirect material financial interest in the Real Property being mortgaged, acquired or disposed of; or (iii) has an interest in any other Mortgage on the Real Property being mortgaged, acquired or disposed of;

(i) when not invested in Mortgages, the funds of the Trust are to be placed in Authorized Interim Investments;

(j) the Trust may only borrow funds in order to acquire or invest in specific Mortgage investments or Mortgage portfolios in amounts up to the greater of $1,000,000 and 50% of the book value of the Trust's portfolio of Mortgages and at an interest rate less than the interest rate charged or yield earned by the Trust on the overall portfolio of Mortgages; and

(k) the Trust may participate in Mortgages on a syndication basis, subject to the approval by the Credit Committee of the investment amount and the proposed syndication partners.

The Trust's Mortgages

The Mortgage Broker is continually renewing its portfolio of committed Mortgage investments, which will be presented to the Trust from time to time for investment, in accordance with the Mortgage Broker Agreement.

Each of the Trust's Mortgages will be registered on title against the underlying Real Property securing such Mortgage. Legal title to each Mortgage will usually be held by and registered in the name of the Mortgage Broker or a wholly-owned subsidiary of the Mortgage Broker, other than Mortgages held by another entity or other entities holding an interest in such Mortgages jointly with or in trust for the Trust, with beneficial title to the Trust's interest being held by the Trust. Where legal title to a Mortgage is held by and registered in the name of an entity wholly-owned by the Mortgage Broker, such entity may hold legal title to such Mortgage on behalf of the other beneficial owners of such Mortgage. Where appropriate, title insurance is obtained. Any title insurance will be held in the name of the Mortgage Broker and not the Trust.

Short Term Objectives and How We Intend to Achieve Them

The Trust's objectives for the next 12 months are to raise $24 million pursuant to this Offering, and invest all of the Offering proceeds in Mortgages and loan securities.

Mortgage Broker Regulation

Activities of mortgage brokers in Canada are regulated by provincial legislation. As the Trust is not registered or licensed under the applicable provincial mortgage broker legislation, the Trust cannot engage directly in the business of lending money secured in whole or in part by Mortgages, and therefore conducts its Mortgage investment activities under contract with a registered mortgage broker such as the Mortgage Broker. The Mortgage Broker, which performs mortgage broker services on behalf of the Trust pursuant to the Mortgage Broker Agreement, is an Affiliate of the Manager and is currently registered or licensed under the B.C. Mortgage Brokers Act, the Alberta Real Estate Act and the Ontario Mortgage Brokers Act in order to permit it to carry on the activities contemplated in the Mortgage Broker Agreement.

Material Agreements

The following is a list of agreements which are material to this Offering and to the Trust:

(a) the Declaration of Trust creating the Trust under the laws of the Province of Ontario. See "Business of the Trust – Material Agreements – Summary of the Declaration of Trust";

(b) the Mortgage Broker Agreement between the Mortgage Broker and the Manager with respect to the provision of services by the Mortgage Broker to the Manager. See "Business of the Trust – Material Agreements – The Mortgage Broker Agreement"; and

(c) the Loan Agreement between the Lender and the Trust pursuant to which the Lender established a revolving operating line of credit in favour of the Trust for the purpose of financing operations of the Trust's business. See "Business of the Trust – Material Agreements – The Loan Agreement".

Summary of the Declaration of Trust

The following is a summary of the provisions of the Declaration of Trust, which by its nature is not a comprehensive description of all aspects of the Trust. Potential investors are encouraged to review the full text of the Declaration of Trust, which is available on request from the Manager.

Unitholder's Right to Retract

A Unitholder of Class A Units is entitled, as of June 30 and December 31 in any year (the "Retraction Date") to retract ("Retraction") all or any of the Unitholder's Class A Units in increments of not less than $5,000, by giving not less than 30 days' written notice to the Manager prior to the applicable Retraction Date of a specified number of Class A Units to be retracted or the dollar amount which the Unitholder requires to be paid. If a Unitholder elects to retract and holds Class A Units with a value of $5,000 or less, the Unitholder must retract all of his or her investment. The Retraction proceeds payable for each Class A Unit to be redeemed, prior to termination of the Trust, will be equal to the Unitholder's *pro rata* portion of the Return, plus the following amounts:

(a) if notice of the Retraction is given prior to the first anniversary of the acquisition by the Unitholder of such Class A Units, 95% of the Net Asset Value per Class A Unit on the Retraction Date;

(b) if notice of the Retraction is given on or after the first anniversary but prior to the second anniversary of the acquisition by the Unitholder of such Class A Units, 96% of the Net Asset Value per Class A Unit on the Retraction Date;

(c) if notice of the Retraction is given on or after the second anniversary but prior to the third anniversary of the acquisition by the Unitholder of such Class A Units, 97% of the Net Asset Value per Class A Unit on the Retraction Date;

(d) if notice of the Retraction is given on or after the third anniversary but prior to the fourth anniversary of the acquisition by the Unitholder of such Class A Units, 98% of the Net Asset Value per Class A Unit on the Retraction Date;

(e) if notice of the Retraction is given on or after the fourth anniversary but prior to the fifth anniversary of the acquisition by the Unitholder of such Class A Units, 99% of the Net Asset Value per Class A Unit on the Retraction Date; and

(f) if notice of the Retraction is given on or after the fifth anniversary of the acquisition by the Unitholder of such Class A Units, 100% of the Net Asset Value of the Class A Units on the Retraction Date, provided that if more than one Retraction notice is given by a Unitholder in a calendar year, any additional Retraction by such Unitholder, other than the first Retraction in a calendar year, will be subject to a $65 handling fee.

A Unitholder of Class F Units is entitled, as of the Retraction Date to a Retraction of all or any of the Unitholder's Class F Units in increments of not less than $5,000, by giving not less than 30 days' written notice to the Manager prior to the applicable Retraction Date of a specified number of Class F Units to be retracted or the dollar amount which the Unitholder requires to be paid. If a Unitholder elects to retract and holds Class F Units with a value of $5,000 or less, the Unitholder must retract all of his or her investment. The Retraction proceeds payable for each Class F Unit to be redeemed, prior to termination of the Trust, will be equal to the Unitholder's *pro rata* portion of the Return, less, if notice of the Retraction is given on or prior to the 180th day after the acquisition by the Unitholder of such Class F Units, a short term trading fee of 2%, which will be paid into the Trust. If notice of the Retraction is given after the 180th day following the acquisition by the Class F Unitholder of the Class F Unit, or in the event of death or permanent infirmity of the Class F Unitholder, the Unitholder of the Class F Unit will receive 100% of the Net Asset Value per Class F Unit on the Retraction Date, provided that if more than one Retraction notice is given by a Class F Unitholder in a calendar year, any additional Retraction by such Class F Unitholder, other than the first Retraction in a calendar year, will be subject to a $65 handling fee.

Notwithstanding the foregoing, in respect of any Units acquired by the Unitholder pursuant to the reinvestment of distributions, the date of acquisition of such Units will be deemed to be the date of the acquisition of the Units in respect of which the distribution was paid. Furthermore, no redemption fees will be payable upon the Retraction of such Units and the Retraction proceeds payable on the Retraction of such Units will be equal to 100% of the Net Asset Value per Unit.

Retraction is subject to certain limitations, as follows:

(a) the obligation of the Trust to retract Units will be subject to the Manager determining in its sole discretion, acting reasonably, that sufficient funds are available to the Trust for the purposes of Retraction;

(b) unless otherwise determined by the Manager in its discretion, the aggregate Retraction proceeds to be paid in respect of the Retraction of Units on any Retraction Date will not exceed 2.5% (approximately 10% annually) of the Net Asset Value of the Trust on the applicable Retraction Date; and

(c) unless the Manager has determined to permit a Retraction in excess of 2.5% of the Net Asset Value of the Trust on the Retraction Date, if by any Retraction Date, the Trust has received notices of Retraction requiring the Trust to pay aggregate Retraction proceeds in excess of 2.5% of the Net Asset Value of the Trust on the Retraction Date, then the Retraction of Units will be made *pro rata* according to the number of Units specified on the notices for Retraction to the maximum number of Units subject to Retraction on the Retraction Date, and any Units not redeemed will be eligible for redemption on the next (successive) Retraction Date(s) without the necessity of submitting a new Retraction notice.

Retractions will be funded solely out of the proceeds of the repayment in full or sale of Mortgages within the Mortgage portfolio. Following the receipt of one or more Retraction notices, the Manager will, until the Retraction Price in respect of all Units to be redeemed pursuant to such notice(s) has been paid in full, reserve out of the proceeds of the repayment in full or sale of Mortgages received after that date and pay to the Trustee for the purpose of funding Retractions an amount equal to the lesser of the full amount of the Retraction price and 75% of the proceeds so received. The Trustee will pay the Retraction Proceeds to Unitholders who have properly submitted Retraction notices up to the full amount of the Retraction Price for the Units to be redeemed (after the exclusion of any Units in the circumstances contemplated by paragraph (c) above) in the order such notices are received by the Manager until the Retraction Price has been paid in full or such proceeds are exhausted.

The Trustee will pay the proceeds for the Units being retracted by the mailing or delivery of a cheque or by electronic funds transfer in the relevant amount in Canadian funds determined as set out in the Declaration of Trust (less any amount required to be withheld) to the Unitholder.

Redemption on Termination

The Trustee will redeem each Unit ("Redemption") at the expiration of the Term or on the termination of the Trust. The proceeds payable for each Unit to be redeemed pursuant to a Redemption will be equal to the Net Asset Value per Unit plus the Unitholder's *pro rata* portion of the Return. Fractions of Units may be redeemed as a result of a Redemption. See "Business of the Trust – Material Agreements - Summary of the Declaration of Trust – Termination of the Trust" for further details on the termination procedure.

Forced Redemption Upon Non-Residency

At no time may non-residents of Canada be the beneficial owners of Units. If a Unitholder becomes a non-resident of Canada or otherwise becomes a "designated beneficiary" as defined in section 210 of the Tax Act, the Manager may at its discretion, either forthwith redeem all or a part of the Units held by such Unitholder (a "Forced Redemption"), or by written notice require the Unitholder to, within thirty (30) days, transfer the Units to a transferee who is not a "designated beneficiary" as defined in section 210 of the Tax Act. However, in such situations the transferability of the Units will be subject to resale restrictions under applicable securities laws. The redemption proceeds payable for each Unit so redeemed will be the amount which would otherwise have been paid to the Unitholder as if the Unitholder had given written notice to the Manager of the Retraction of his, her or its Units as described above under "Unitholder's Right to Retract".

Transfers of Units

Units are not transferable, except in the circumstances resulting in Forced Redemption, or otherwise with the consent of the Manager, which consent may be withheld for any reason or for no reason, and the Manager will have no obligation to advise a Unitholder requesting a transfer of its reason for refusing to consent to the transfer.

Net Asset Value

The Net Asset Value of the Trust and the Net Asset Value per Unit will be computed by the Manager as at the close of business on a Valuation Day. The number of Units, the carrying value of the Trust Property and the amount of any allowances for impairment losses recorded against investments in Mortgages of the Trust shall be calculated by the Manager subject to the following:

(a) the recorded value of any cash on hand, on deposit or on call, and prepaid expenses shall be the cost amount thereof;

(b) the recorded value of any money market instruments shall be deemed to be cost plus accrued unpaid interest;

(c) the recorded value of Mortgages shall be the unpaid principal amount thereof plus accrued unpaid interest, net of any impairment loss recorded;

(d) all material expenses or liabilities (including fees payable to the Manager and the Mortgage Broker) of the Trust shall be recorded on an accrual basis; and

(e) the amount of any undistributed income or Net Realized Capital Gains allocated to Units, but not yet distributed on the Valuation Day, shall not be included in the assets of the Trust.

Powers and Duties of Trustee

The Trustee, subject to the specific limitations contained in the Declaration of Trust, has full, absolute and exclusive power, control and authority over the assets of the Trust and over the business and affairs of the Trust to the same extent as if the Trustee was the sole owner thereof in its own right to do all such acts and things as in its sole judgment and discretion are necessary or incidental to, or desirable for, the carrying out of any of the purposes of the Trust or the conducting of the business of the Trust.

Powers and Duties of Manager

The Declaration of Trust grants the Manager the full authority and responsibility to manage the business and affairs of the Trust, including all investment management, clerical, administrative, and operational services. The Trustee has no responsibility for investment management of the Trust Property or for any investment decisions.

Resignation and Removal of the Trustee

The Trustee may resign or be removed by the Manager at any time by notice to the Unitholders and the Manager or the Trustee, as applicable, not less than 60 days prior to the date that such resignation or removal is to take effect provided that a successor trustee is appointed or the Trust is terminated.

Trustee's Fee

For its services, the Trustee will receive an annual fee which shall be paid from the Trust (the "Trustee's Fee"). The amount and frequency of such payment of this annual fee will be settled by agreement between the Trustee and the Manager. Unless other arrangements are agreed upon by the Manager, the Trustee will receive no other compensation for its services as Trustee.

Manager's Fee

In consideration for its services in managing the Trust, the Manager will be entitled to receive a monthly fee ("Manager's Fee") for each of the applicable Classes of Units as follows:

<u>Class A:</u> 1/12 of 2% (2% per annum) of the Net Asset Value of the Trust payable monthly in arrears.

<u>Class F:</u> 1/12 of 1% (1% per annum) of the Net Asset Value of the Trust payable monthly in arrears.

All organizational expenses and sales commissions or fees paid to registered dealers in connection with the Offering will be paid by the Manager. No sales commissions or fees will be paid to registered dealers in connection with the Class F Units.

Expenses

All expenses or outlays relating to the Trust from inception to the Termination Date, including, but not limited to, the Manager's Fee, the Trustee's Fee, Offering expenses (other than organizational expenses and sales commissions or fees paid to registered dealers in connection with the offer and sale of Class A Units), taxes payable by the Trust, expenses related to Unitholder's meetings, brokerage, legal and other fees and disbursements relating to the implementation of transactions for Trust investments, if any, will be paid by the Trust.

Distributions

On each Calculation Date, the Manager will calculate the Return and on each Distribution Payment Date, the Trust shall pay to Unitholders their proportionate share of the Return based upon the number of Units held and the number of days within the applicable calendar quarter that the Units were issued and outstanding. As defined in the Glossary, "Return" means, in respect of the Unitholders, a distribution in an amount equal to 80% of the aggregate of Net Income and Net Realized Capital Gains.

Distribution to Unitholders for a year will be deemed to have been paid:

(a) firstly, to the extent the Trust has Net Realized Capital Gains for the year, from such Net Realized Capital Gains;

(b) secondly, to the extent the total of such distributions exceeds the amount designated under (a) above, from the Trust's Taxable Income in excess of the taxable portion of the Trust's Net Realized Capital Gains for the year; and

(c) thirdly, to the extent the total of such distributions exceeds the total of the amounts designated under (a) and (b) above, from amounts other than Net Income.

Each amount that becomes payable on a Distribution Payment Date will be paid subject to tax withholding requirements applicable under applicable laws in the following manner:

(a) such portion of the amount as is agreed between the Unitholder and the Manager shall be applied to the payment of any fees or charges payable by the Unitholder; and

(b) all of the remaining amounts shall be paid by cheque or by electronic transfer to the Unitholder or, at the election of the Unitholder, if permitted under applicable securities laws, will be reinvested in additional Units of the Trust at the Net Asset Value per Unit on the Calculation Date, having an aggregate subscription price equal to the amount so reinvested, without the payment of fees or expenses, including any sales charge or commission.

Meetings of Unitholders and Resolutions

The Trustee or the Manager respectively, may, at any time, convene a meeting of the Unitholders and the Trustee will be required to convene a meeting on receipt of a request in writing of the Manager or of Unitholders holding, in aggregate, not less than 25% or more of the Units outstanding. Each Unitholder is entitled to one vote per Unit held. Any matter to be considered at a meeting of Unitholders, other than certain matters requiring the approval of Unitholders by Special Resolution or Unanimous Resolution of the Unitholders, as discussed below, will require the approval of Unitholders by a resolution passed by Ordinary Resolution. A quorum for any meeting convened to consider such matter will consist of two or more Unitholders present in person or by proxy and representing not less than 10% of the Units outstanding on the record date.

The following matters require approval by Ordinary Resolution and shall be deemed approved, consented to or confirmed, as the case may be, upon the adoption of such Ordinary Resolution:

(a) matters relating to the administration of the Trust for which the approval of the Unitholders is required by policies of the securities regulatory authorities in effect from time to time;

(b) subject to the requirements for a Special Resolution and a Unanimous Resolution, any matter or thing stated herein to be required to be consented to or approved by the Unitholders; and

(c) any matter which the Manager or Trustee considers appropriate to present to the Unitholders for their confirmation or approval by Ordinary Resolution.

Each of the following actions require approval by Special Resolution, the terms of which shall specify the date upon which the proposed action shall be undertaken and the party who shall undertake the action:

(a) the amendment of the Declaration of Trust (except as provided under "Amendments to the Declaration of Trust" below) or changes to the Trust, including the investment objectives of the Trust;

(b) the merger of the Trust with any other Person; and

(c) an increase in the Manager's Fee.

Notwithstanding the foregoing, any amendment to the Declaration of Trust which would have any of the following effects requires approval by Unanimous Resolution, the terms of which shall specify the date upon which the proposed amendment shall be undertaken and the party who shall undertake the amendment:

(a) a reduction in the interest in the Trust of any Unitholder (other than a reduction arising through an issuance of additional Units);

(b) a reduction in the amount payable on any outstanding Units upon liquidation of the Trust;

(c) an increase in the liability of any Unitholder; or

(d) the alteration or elimination of any voting rights pertaining to any outstanding Units.

Notwithstanding the above, no confirmation, consent or approval shall be sought or have any effect and no Unitholder shall be permitted to effect, confirm, consent to or approve, in any manner whatsoever, increases in the obligations of, reductions in the compensation payable to, or protection provided to, either the Manager, the Board of Governors or the Trustee or the termination of the Manager, except with the prior respective written consent of the Manager, the Board of Governors or the Trustee, as the case may be.

In addition, notwithstanding the above (i) Class A Unitholders shall not be entitled to vote on any amendment which directly or indirectly adds, removes or changes any of the rights, privileges, restrictions and conditions in respect of the Class F Units only and (ii) Class F Unitholders shall not be entitled to vote on any amendment which directly or indirectly adds, removes or changes any of the rights, privileges, restrictions and conditions in respect of the Class A Units only.

Termination of the Trust

The Trust will continue in force until the earlier of 25 years from the original date of Declaration of Trust (June 23, 2031) or the date on which it is otherwise terminated in accordance with its terms (the "Termination Date").

The Manager may at any time (and, in particular, upon the payment in full or disposition of all Mortgages held by the Trust) terminate and dissolve the Trust by giving to the Trustee and each then Unitholder written notice of its intention to terminate the Trust at least 90 days before the date on which the Trust is to be terminated. Prior to the Termination Date, the right of Unitholders to require payment for all or any of their Units shall be suspended and the Manager will make appropriate arrangements to convert the assets of the Trust to cash. Unitholders may also vote to wind up the Trust on a specified Termination Date by a resolution consented to in writing, by holders of more than 90% of all outstanding Units, or approved by at least 90% of the votes cast by Unitholders present in person or by proxy at a meeting of Unitholders. The Manager may, in its discretion, defer the Termination Date for up to two years if the Manager provides written notice of such deferral to the Unitholders at least 30 days prior to the

Termination Date and advises the Trust that the Manager is unable to convert all of the Trust's assets to cash and that it would be in the best interests of the Unitholders to do so. Upon termination, the net assets of the Trust will be distributed to the Unitholders. After payment of the liabilities of the Trust, each Unitholder registered as such at the close of business on the date fixed as the Termination Date shall be entitled to receive from the Trustee the proportionate share of the value of the Trust in accordance with the number of Units which the Unitholder then holds. If the Manager receives a Retraction Notice or is required to make a Redemption for an amount exceeding the Net Asset Value of such Units, the Manager may, in its discretion, and in accordance with this paragraph give notice to terminate the Trust as of a Termination Date which precedes the intended date of such Retraction or Redemption.

There are no provisions in the Declaration of Trust which permit the involuntary removal of the Manager. Following the occurrence of certain "termination events" including a material default of the Manager under the Declaration of Trust or bankruptcy of the Manager, the Trustee will, as soon as reasonably practicable, realize or appoint a receiver to realize on the assets of the Trust, redeem each Unit pursuant to the provisions of the Declaration of Trust, and distribute any remaining Trust Property to the Unitholders in accordance with the provisions of the Declaration of Trust and the Declaration of Trust will terminate.

Amendments to the Declaration of Trust

Subject to the restrictions described under "Meetings of Unitholders and Resolutions" above, any provision of the Declaration of Trust may be amended, deleted, expanded or varied by the Manager, with the approval of the Trustee, if the amendment is, in the opinion of counsel to the Trust, not a material change and does not relate to certain specific material changes including a change in the authority or role of the Manager or Board of Governors; a change in fees or method of calculating the Return; or a change in the investment policy of the Trust, following changes, which may only be made with the consent of Unitholders.

Information and Reports

The Trust's annual financial statements for each Fiscal Year (December 31), and auditor's report will be forwarded to each Unitholder on or before March 31 in each calendar year. In addition, on or before March 31 of the following calendar year, the Manager will provide to each Unitholder who received a distribution at any time during the previous calendar year, tax reporting information in such a manner as will enable such person to report the income tax consequences of investment in Units for Canadian income tax purposes. The Trust's interim financial statements will be forwarded to each Unitholder in accordance with the time periods set out in National Instrument 81-106 *Investment Fund Continuous Disclosure*.

Liability of Unitholders

In circumstances where a material obligation of the Trust is created, the Declaration of Trust provides that the Manager or the Trustee, as the case may be, shall use its best efforts to have any such obligations modified so as to achieve disavowal of any personal liability of Unitholders. Further, the Manager will cause the operations of the Trust to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, as far as possible, any material risk of liability against the Unitholders for claims against the Trust.

In case of claims made against the Trust, which do not arise out of contracts, for example, claims for taxes or claims in tort, personal liability may also arise against Unitholders. However, in accordance with prudent real estate practice, the Manager will maintain sufficient insurance in respect of the above-mentioned perils.

The Mortgage Broker Agreement

The Mortgage Broker has entered into the Mortgage Broker Agreement with the Manager pursuant to which the Mortgage Broker acts as the Trust's mortgage broker. The Mortgage Broker identifies Mortgage investment opportunities for the Trust that fall within the investment objectives and investment policies of the Trust.

The Mortgage Broker is required to service the Trust's Mortgage portfolio in the same manner, and with the same care, skill, prudence and diligence, with which it services and administers similar Mortgage loans for other investors giving due consideration to customary and usual standards of practice of prudent residential Mortgage loan services used with respect to loans comparable to the Trust's Mortgage portfolio. It must also exercise reasonable business judgment in accordance with applicable law to maximize recovery under the Trust's Mortgage portfolio without regard to any other relationship that the Mortgage Broker or any of its Affiliates may have with borrowers or any Affiliates of such borrowers.

The Mortgage Broker or any of the directors, officers, shareholders or employees of the Mortgage Broker are permitted to invest (each for its own account) in the Trust's Mortgage investments or other securities.

The Mortgage Broker Agreement provides that the Mortgage Broker and its directors, officers, employees and agents will not have any liability to the Manager, Trust or Unitholders for losses incurred in the ordinary course of its duties, unless the particular loss is attributable to the wilful misfeasance, dishonesty, bad faith or negligence of the Mortgage Broker in the performance of its obligations, responsibilities, powers, discretions or authorities under this Agreement. The term of the Mortgage Broker Agreement extends to the term of the Trust, provided that the Mortgage Broker Agreement may be terminated by the Mortgage Broker on six months prior notice to the Manager. The Mortgage Broker Agreement may be terminated by the Manager if the Mortgage Broker is in material default of its obligations under the Mortgage Agreement, has been declared bankrupt or ceases to hold necessary registrations.

The Mortgage Broker receives originating fees, commitment fees and renewal fees from borrowers on Mortgages it originates for the Trust. The Mortgage Broker may also initially fund a Mortgage at a specified interest rate and then syndicate the Mortgage at a higher or lower interest rate to entities such as the Trust. It is the current practice of the Mortgage Broker to charge a lower interest rate to the Trust. The Trust pays fees and charges to the Mortgage Broker at the same rate that the Mortgage Broker charges its other clients. Such fees are not expected to exceed 1.75% of the Net Asset Value of the Trust. The Mortgage servicing fees payable to the Mortgage Broker are commensurate with fees paid to other entities providing similar services as the Mortgage Broker and which have been negotiated at arm's length. In addition to such fees, the Mortgage Broker is entitled to retain any overnight float interest on all accounts maintained by the Mortgage Broker in connection with its originating and servicing of the Trust's Mortgage investments. No fees are paid to the Mortgage Broker by the Trust otherwise than pursuant to the Mortgage Broker Agreement.

Under the Mortgage Broker Agreement, the Mortgage Broker is responsible for all expenses of its personnel, rent and other office expenses of the Mortgage Broker.

The Mortgage Broker may be seen as the promoter of the Trust by reason of its initiative in forming and establishing the Trust and taking steps necessary for the distribution of the Units offered hereby. The Mortgage Broker will not receive any benefits, directly or indirectly from the issuance of the Units offered hereby other than as described in this Offering Memorandum.

The Loan Agreement

The Trust, by the Manager, has entered into the Loan Agreement with Canadian Western Bank (the "Lender") pursuant to which the Lender has agreed to establish a revolving operating line of credit in favour of the Trust in the amount of $40,000,000, which may be availed by way of overdraft, for the purpose of financing the day to day operations of the Trust's business (the "Lender's Loan"). In accordance with the Lender's usual practice, the Lender has reserved the right to withdraw the whole or part of the line of credit at any time without notice.

The Loan Agreement provides that the Trust shall repay all overdrafts on demand, together with interest, calculated on the daily balance of the amount owing and payable monthly, both before and after demand and judgment, at a variable nominal rate per annum of 0.75 percentage points above the Prime Lending Rate established from time to time with interest on overdue interest at the same rate.

As security for the Lender's Loan: (i) the Trust, by the Manager, and the Mortgage Broker, in its capacity as nominee for the Trust and to the extent that it holds assets on behalf of the Trust, have executed a general security agreement in favour of the Lender; (ii) the Trust, by the Manager, and the Mortgage Broker, in its capacity as mortgage broker and nominee for the Manager, have executed a general assignment of mortgages in favour of the

Lender; and (iii) the Trust, by the Manager, and the Mortgage Broker have executed an assignment of insurance interests in favour of the Lender.

Copies of all contracts referred to above may be inspected during normal business hours at the principal office of the Manager, located at Suite 305, 555 West 8th Avenue, Vancouver, B.C., V5Z 1C6 and are available on request.

BOARD OF GOVERNORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

Compensation and Securities Held

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by the Trust or related party in the most recently completed financial year (or, if the Trust has not completed a financial year, since inception) and the compensation anticipated to be paid in the current financial year[1]	Number, type and percentage of securities of the Trust held after completion of min. Offering	Number, type and percentage of securities of the Trust held after completion of max. Offering
Richard F.M. Nichols, Vancouver, BC	Managing Director and Director of the Manager - 2005 President and Director of the Mortgage Broker - 1997 Governor – 2006	None during the year ended December 31, 2014. $1,000 anticipated to be paid during the year ended December 31, 2015.	8,599.94 Class A Units[2] 0.23% of Class A Units issued and outstanding at June 30, 2015	8,599.94 Class A Units[2] 0.02% of the Units issued and outstanding assuming completion of maximum Offering
Derek R. Tripp, Calgary, AB	Managing Director and Director of the Manager - 2005 Vice President and Director of the Mortgage Broker - 1997 Governor – 2006	None during the year ended December 31, 2014. $1,000 anticipated to be paid during the year ended December 31, 2015.	13,233.95 Class A Units[2] 0.35% of Class A Units issued and outstanding at June 30, 2015	13,233.95 Class A Units[2] 0.03% of the Units issued and outstanding assuming completion of maximum Offering
Timothy P.J. Wittig, Vancouver, BC	Vice President and Director of the Manager - 2010 Vice President and Director of the Mortgage Broker - 2010 Governor – 2010	None during the year ended December 31, 2014. $1,000 anticipated to be paid during the year ended December 31, 2015.	34,118.13 Class A Units[2] 0.91% of Class A Units issued and outstanding at June 30, 2015	34,118.13 Class A Units[2] 0.09% of the Units issued and outstanding assuming completion of maximum Offering

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by the Trust or related party in the most recently completed financial year (or, if the Trust has not completed a financial year, since inception) and the compensation anticipated to be paid in the current financial year(1)	Number, type and percentage of securities of the Trust held after completion of min. Offering	Number, type and percentage of securities of the Trust held after completion of max. Offering
David B. Rally, Richmond, BC	Vice President, Legal Affairs, of the Mortgage Broker - 1997 Governor - 2006	None during the year ended December 31, 2014. $1,000 anticipated to be paid during the year ended December 31, 2015.	4,889.18 Class A Units(2) 0.13% of Class A Units issued and outstanding at June 30, 2015	4,889.18 Class A Units(2) 0.01% of the Units issued and outstanding assuming completion of maximum Offering

(1) The Board of Directors of the Manager has unanimously agreed to waive 50% of the net income it is entitled to for the years ended December 31, 2013 and December 31, 2014, thereby increasing the distribution to the Unitholders to 90% of the net income from operations. The Board of Directors of the Manager has unanimously agreed to waive 50% of the net income it is entitled to for the period from January to June, 2015, thereby increasing the distribution to the Unitholders to 90% of the net income from operations. The Board of Directors of the Manager has yet to make a decision as to whether it will voluntarily reduce its fee and share of net income for the remainder of 2015.

(2) Each of Messrs. Nichols, Tripp, Wittig and Rally have subscribed for Class A Units of the Trust at a price of $10 per Class A Unit. No discounted Class A Units have been purchased by Messrs. Nichols, Tripp, Wittig and Rally.

The Trust has adopted a unit option plan (the “Unit Option Plan”). Options granted under the Unit Option Plan are designed to advance the interests of the Trust and those of the Trust’s Unitholders by providing to the plan participants a performance incentive for continued and improved service. Options granted under the Unit Option Plan will have a maximum term of five years and will be exercisable at a price determined by the Board of Governors equal to the Net Asset Value per Unit at the time of grant less a discount of 20%. At the discretion of the Board of Governors, options granted may include a unit appreciation right. The maximum number of Units reserved for issuance pursuant to the Unit Option Plan (other than in respect of options that have been exercised or have expired) is equal to 10% of the issued and outstanding Units at the date of grant.

At the date of this Offering Memorandum, there are no outstanding options under the Unit Option Plan.

Management Experience

The directors and senior officers of the Manager and the Mortgage Broker have a broad background of experience applicable to the activities undertaken by the Manager and the Mortgage Broker on behalf of the Trust. The following tables disclose the principal occupations of the directors and senior officers of the Manager and the Mortgage Broker for the past five years.

The Mortgage Broker

Name	Principal Occupations and Related Experience
Richard F.M. Nichols President and Director	Founding Partner and President of the Mortgage Broker from 1997 to the present. During his tenure, the Mortgage Broker has evolved from a Vancouver-based company into an inter-provincial organization. Mr. Nichols oversaw the Mortgage Broker’s expansion into new markets including Calgary, Edmonton, and other Central Canadian cities, and later developed a subsidiary in three Atlantic Provinces. He attended the University of Prince Edward Island where he studied finance and capital budgeting and received his Bachelors of Business Administration (BBA). In 1993, Mr. Nichols graduated with honors from the Masters of Business Administration (MBA) program at the University of British Columbia. While completing his Masters degree, Mr. Nichols studied international marketing at the Haute Etude Commerciale in Paris, France. Mr. Nichols is an Accredited Mortgage Professional certified by the Canadian Institute of Mortgage Brokers and Lenders (CIMBL) and the Canadian Association of Accredited Mortgage Professionals (CAAMP). He is an active member of Mortgage Brokers Association of British Columbia (MBABC), Independent Mortgage Brokers Association of Ontario (IMBA) and other provincial and national mortgage-brokering professional and trade organizations. He is also a longstanding member of the Vancouver Board of Trade. In the Spring of 2010, Mr. Nichols was elected to the Corus CKNW Orphan’s Fund board of directors. His tenure should result in an entire rebranding of the 65 year old foundation, by fostering a connection between the donors and their stories and the grant recipients themselves.
Derek R. Tripp Vice President and Director	Founding Partner and Vice President of the Mortgage Broker from 1997 to the present. Mr. Tripp brings over 25 years of financial experience to the Mortgage Broker. He has underwritten over $300 million in mortgages and specializes in builder’s mortgages. During his tenure at the Mortgage Broker, Mr. Tripp has been instrumental in expanding the company into new provinces throughout Canada. Mr. Tripp studied Urban Land Economics in Real Estate at the University of British Columbia. He is an Accredited Mortgage Professional certified by the Canadian Institute of Mortgage Brokers and Lenders (CIMBL) and the Canadian Association of Accredited Mortgage Professionals (CAAMP) and is a licensed mortgage broker in BC and Alberta and a licensed mortgage agent in Ontario. He is a member of the Alberta Mortgage Brokers Association (AMBA), Independent Mortgage Brokers Association of Ontario (IMBA) and other provincial and national mortgage-brokering professional and trade organizations.
Timothy P.J. Wittig Vice President and Director	Partner, Vice President and Director of the Mortgage Broker from 2010 to the present. Mr. Wittig brings over 25 years of business experience to the Mortgage Broker. He studied history and political science (Joint Honours) at both the University of Waterloo and the University of British Columbia before answering his entrepreneurial call. In 1987, Mr. Wittig and a partner founded Shaftebury Brewing Company (“Shaftebury”) in Vancouver. Mr. Wittig was instrumental in establishing Shaftebury as one of the most successful craft breweries in the Pacific Northwest. Mr. Wittig’s entrepreneurial spirit was recognized when he was twice nominated for Ernst & Young’s

Name	Principal Occupations and Related Experience
	Entrepreneur of The Year Award and when he was a recipient of Business In Vancouver's prestigious Forty Under 40 Award. He has been an investor in private mortgages since 1998 and is a licensed mortgage broker. He is an active member of various professional organizations including the Canadian Association of Accredited Mortgage Professionals (CAAMP), the Mortgage Brokers Association of British Columbia (MBABC) and the Independent Mortgage Brokers Association of Ontario (IMBA).
David B. Rally Vice President, Legal Affairs	Vice President, Legal Affairs, of the Mortgage Broker from 1997 to the present. Mr. Rally is a lawyer and has been associate counsel at Beck, Robinson & Company since 1989. In his work as a lawyer, Mr. Rally deals extensively in real estate law, including bank mortgages, private financing and commercial leasing as well as in realizations and insurance law. He has acted as counsel before all levels of court in British Columbia and is a member of good standing of the Bars of British Columbia and Upper Canada (Ontario). Mr. Rally served as an advisor in establishing in-house paralegal services for a well-known real estate service provider and is also licensed as a mortgage broker in Ontario. Mr. Rally studied in the Economics (Honours) program at the University of British Columbia and obtained an LL.B. from the University of British Columbia in 1988.

The Manager

Name	Principal Occupations and Related Experience
Richard F.M. Nichols Managing Director and Director	Managing Director and Director of the Manager from 2005 to the present. See experience set out above under "Board of Governors, Management, Promoters and Principal Holders – Management Experience – The Mortgage Broker".
Derek R. Tripp Managing Director and Director	Managing Director and Director of the Manager from 2005 to the present. See experience set out above under "Board of Governors, Management, Promoters and Principal Holders – Management Experience – The Mortgage Broker".
Timothy P.J. Wittig Vice President and Director	Vice President and Director of the Manager from 2010 to the present. See experience set out above under "Board of Governors, Management, Promoters and Principal Holders – Management Experience – The Mortgage Broker".

The Board of Governors

The Declaration of Trust provides that a Board of Governors be appointed for the Trust, to consist of five members, whose mandate is to identify and establish procedures for resolving situations where there exists a conflict or potential conflict between the interests of the Manager and the Mortgage Broker on the one hand and the interests of the Trust or Unitholders on the other hand as well as in connection with certain other stated matters, and may include obtaining independent advice should the Board of Governors deem it necessary. The Board of Governors performs various functions including approval of investments, material contracts, financial statements of the Trust, approval of options under the Unit Option Plan and review of the Trust's performance. The Board of Governors must act at all times, and ensure the actions of the Manager, the Trustee and the Mortgage Broker are at all times, in accordance with the best interests of the Trust and the Unitholders. The members of the Board of Governors are Richard F.M. Nichols, Derek R. Tripp, David B. Rally, Paul G. Wylie and Timothy P.J. Wittig. The members of the Board of Governors receive compensation from the Manager in such amounts as the Manager determines.

A member of the Board of Governors must, among other things, have a minimum of five years of substantial experience in real estate and Mortgage investment consistent with the investment objectives of the Trust. Any member of the Board of Governors who has any material interest in a material contract or transaction with the Trust must disclose in writing to the Manager the nature and extent of this interest and may not vote upon or sign any resolution dealing with such material contract or transaction.

The Credit Committee

The Declaration of Trust provides that the Board of Governors will appoint a Credit Committee consisting of two persons, whose mandate is to review the Mortgage portfolio quarterly to confirm compliance with the investment objectives by the Trust. The members of the Credit Committee are Timothy P.J. Wittig and David B. Rally.

The Audit Committee

The Declaration of Trust provides that the Board of Governors will appoint an Audit Committee consisting of two persons, whose mandate is to meet with the Auditors and review and recommend approval of financial statements sent to Unitholders. The members of the Audit Committee are David B. Rally and Paul G. Wylie.

Governors

The Board of Governors is comprised of five individuals: Richard F.M. Nichols, Derek R. Tripp, Timothy P.J. Wittig and David B. Rally, who are described above, and Paul G. Wylie who is profiled below:

Paul G. Wylie

Paul G. Wylie has the experience, education and character to advise businesses and contribute toward sound corporate governance and judgement. Mr. Wylie has spent over 17 years with two of North America’s leading financial institutions, of which he was most recently a Senior Vice-President and Branch Manager. He has executed numerous management roles across several key divisions including: Private Banking, Credit, Sales and Service and Wealth Management. Mr. Wylie was educated at the University of Toronto, Wharton Business School and with the Canadian Securities Institute. He holds numerous designations including a Bachelor of Arts, Certified Investment Management Analyst, Financial Management Advisor and has completed the Partners, Directors and Senior Officer’s Course. Mr. Wylie has served on the executive board of his local Big Brothers & Sisters chapter and the community board of Energy International Thermonuclear Research Canada.

Penalties, Sanctions and Bankruptcy

There are no penalties, sanctions, cease trade orders that have been in effect for a period of more than 30 consecutive days, 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 directors, executive officers or control persons of the Trust or the Manager or any issuer of which any director, executive officer or control person of the Trust or the Manager was a director, executive officer or control person.

CAPITAL STRUCTURE

Share Capital

The following are the details of the outstanding securities of the Trust at June 30, 2015:

Description of Security[(1)]	Number Authorized to be Issued	Price per Security	Number Outstanding as at June 30, 2015	Number Outstanding after Maximum Offering
Class A Trust Units	Unlimited	$10	3,318,367[(2)] Class A Units	37,500,000[(3)]
Class F Trust Units	Unlimited	$10	450,034 Class F Units	

(1) The attributes and characteristics of the Units are set forth under the heading "Securities Offered – Terms of Securities" and "Business of the Trust - Material Agreements - Summary of the Declaration of Trust".

(2) One Class A Unit was issued to the Manager on the formation of the Trust. The balance of the Units have been issued on a monthly basis since August 21, 2007 to subscribers at a Subscription Price of $10 per Unit or pursuant to reinvestment of distributions.

(3) Assuming all Units are issued at the Subscription Price of $10.00 per Unit. This number will vary if the Units are subsequently sold at the Net Asset Value Per Unit.

Prior Sales

The following table are the details of the prior sales of the Units within the last 12 months:

Date of Issuance	Type of Security Issued	Number of Securities Issued [(1)]	Price per Security	Total Funds Received
July 2, 2015	Class A Units Class F Units	89,041.5 227,361.448	$10 $10	$ 890,415.00 $2,273,614.48
June 1, 2015	Class A Units Class F Units	153,210.62 23,979	$10 $10	$1,532,106.20 $ 239,790.00
May 1, 2015	Class A Units Class F Units	119,476.5 24,095	$10 $10	$1,194,765.00 $ 240,950.00
April 1, 2015	Class A Units Class F Units	27,246 95,850	$10 $10	$272,460.00 $958,500.00
March 2, 2015	Class A Units Class F Units	121,939.063 185,377.4	$10 $10	$1,219,390.63 $1,853,774.00
February 2, 2015	Class A Units Class F Units	68,413.2 62,888.3	$10 $10	$684,132.00 $628,883.00
January 2, 2015	Class A Units Class F Units	31,290 9,489.6	$10 $10	$312,900.00 $ 94,896.00
December 1, 2014	Class A Units Class F Units	39,900 8,549.793	$10 $10	$399,000.00 $ 85,497.93
November 3, 2014	Class A Units Class F Units	50,870.784 15,275.6	$10 $10	$508,707.84 $152,756.00

Date of Issuance	Type of Security Issued	Number of Securities Issued (1)	Price per Security	Total Funds Received
October 1, 2014	Class A Units Class F Units	6,587.7 810	$10 $10	$65,877.00 $ 8,100.00
September 2, 2014	Class A Units	28,574.892	$10	$285,748.92
August 1, 2014	Class A Units Class F Units	88,070 22,863	$10 $10	$880,700.00 $228,630.00

(1) Fractional units have been issued to certain Unitholders pursuant to the distribution reinvestment plan of the Trust. The Declaration of Trust provides that fractional units may be issued and in certain circumstances, investors have purchased partial units.

In addition to the sale of Units in the table above, Unitholders of the Trust may also elect to have their distributions reinvested in Units of the Trust. See “Business of the Trust – Material Agreements - Summary of the Declaration of Trust – Distributions”.

SECURITIES OFFERED

Terms of Securities

The beneficial interest in the Trust is divided into interests issuable as separate Units. The Trust is authorized to issue an unlimited number of redeemable, non-transferable Class A and Class F Units. Except as otherwise expressly provided below, each Unit represents an equal, undivided interest in the net assets of the Trust. Fractional Units will be issued. On formation of the Trust, one Class A Unit was issued to the Manager.

The Trust may issue additional Units from time to time. Unitholders do not have any pre-emptive rights whereby additional Units proposed to be issued are first offered to existing Unitholders. The Units are offered at a price of $10.00 per Unit, however, the Manager may subsequently set the price or the value of the consideration for which Units may be issued at the Net Asset Value Per Unit.

Each Unit within a particular class will be of equal value, however, the value of a Unit in one class may differ from the value of a Unit in another class. Each Unit of a particular class entitles the Unitholder to the same rights and obligations as a Unitholder of any other Unit of such class and no Unitholder in respect of each class is entitled to any privilege, priority or preference in relation to any other Unitholders. Each Unitholder is entitled to one vote for each whole Unit held and, subject to an adjustment in a Unitholder’s proportionate share as a result of the date of first issue of a Unit in the first Fiscal Year, is entitled to participate equally with respect to any and all distributions made by the Trust, including distributions of Net Income and Net Realized Capital Gains, if any. On termination, the Unitholders of record holding outstanding Units are entitled to receive any assets of the Trust remaining after payment of all debts, liabilities and liquidation expenses of the Trust and the payment of the redemption proceeds to each Unitholder.

Subscription for Units

The Manager is offering the Units for sale in the Provinces of British Columbia, Alberta, Manitoba, Québec and Ontario at a Subscription Price of $10.00 per Unit. The maximum Offering amount is $375,000,000. Each investor must subscribe for a minimum of $5,000.

Subscription Procedure

Investors in Ontario, Manitoba, Québec and Alberta must purchase Units of the Trust through a Dealer. The aggregate Subscription Price is payable upon subscription, by certified cheque or by bank draft payable to the Dealer or as otherwise directed by the Dealer. Dealers should contact the Manager for further instructions. Investors in British Columbia may purchase Units of the Trust through the Manager. The aggregate Subscription Price is payable to "McCullough O'Connor Irwin LLP, in trust" upon subscription, by certified cheque or by bank draft.

Class F Units are available to investors who participate in fee-based programs through authorized third-party dealers or brokers who have signed an agreement with the Manager. Instead of paying per-transaction sales charges, investors who purchase Class F Units pay ongoing fees to their dealer or broker for investment advice and other services. The Trust pays a reduced Management Fee to the Manager in respect of the Class F Units.

No financing of the aggregate Subscription Price will be provided by the Manager.

Each prospective and qualified investor who desires to subscribe for Units must complete and sign the form of Subscription Form (including the applicable certificates and risk acknowledgement forms) specifying the number of Units being subscribed for and follow the instructions set forth therein:

(a) if the Subscriber is resident in British Columbia, Manitoba, Québec or Alberta, is not an accredited investor and not a non-individual entity purchasing Units having an aggregate acquisition cost of more than $150,000, complete and sign two copies of the Form 45-106F4 – Risk Acknowledgement ("Form 45-106F4") attached as Appendix I to the Subscription Form. If the Subscriber is resident in Alberta, Manitoba or Québec and is purchasing Units having an aggregate acquisition cost of greater than $10,000, the Subscriber must also complete and sign the Eligible Investor Questionnaire attached as Appendix II to the Subscription Form;

(b) if the Subscriber is resident in British Columbia, Alberta, Manitoba, Québec or Ontario, is an "accredited investor" as defined in National Instrument 45-106 – Prospectus and Registration Exemptions ("NI 45-106"), and is not a non-individual entity purchasing Units having an aggregate acquisition cost of more than $150,000, complete and sign the Accredited Investor Questionnaire attached as Appendix III to the Subscription Form (including the risk acknowledgement form contained therein, if applicable);

(c) if the Subscriber is resident in British Columbia, the Subscriber must complete and sign two copies of the Risk Acknowledgement under BCI 32-517 *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities* ("BCI 32-517") attached as Appendix IV to the Subscription Form;

(d) if the Subscriber is resident in Ontario, Manitoba, Québec or Alberta, deliver to the Dealer through whom the purchase is being conducted a certified cheque or bank draft for the aggregate Subscription Price payable for the Units subscribed for, made payable to the Dealer through whom the purchase is being conducted or as otherwise directed by the Dealer through whom the purchase is being conducted; and

(e) if the Subscriber is resident in British Columbia, deliver to the Manager, in trust, a certified cheque or bank draft for the aggregate Subscription Price payable for the Units subscribed for, made payable to "McCullough O'Connor Irwin LLP, in trust" (all such funds will be transferred to a Trust account on Closing).

Subscriptions will be received subject to prior sale and acceptance of the investor's subscription, in whole or in part (subject to compliance with applicable securities laws), by the Manager, on behalf of the Trust.

The purchase price per Unit will be an amount equal to the Subscription Price.

The cash amounts, Subscription Forms and other documents will be held in trust by the Manager and released upon Closing. Where required pursuant to NI 45-106 the subscription amount will be held in trust until midnight on the second business day after the investor signs a Subscription Form. Closings will occur on a continuous basis from time to time as determined by the Manager.

Qualified Investors

The Manager is offering the Units for sale in the Provinces of British Columbia, Alberta, Manitoba, Québec and Ontario by way of private placement pursuant to the exemptions from the prospectus requirements afforded by NI 45-106 and pursuant to the dealer registration exemption afforded by BCI 32-517.

The prospectus exemptions relieve the Trust from the provisions of the applicable securities laws of the applicable provinces, which otherwise would require the Trust to file and obtain a receipt for a prospectus. Accordingly, prospective investors for Units will not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of material by securities regulatory authorities.

The exemption from the registration requirements contained in BCI 32-517 allows the Manager, on behalf of the Trust, to offer the Units for sale directly to investors in British Columbia. Any sale of Units in Alberta, Manitoba, Québec or Ontario must be conducted through a Dealer.

Acceptance of Subscriptions

Subscriptions received are subject to rejection or allotment in whole or in part by the Manager on behalf of the Trust within 30 days of their receipt by the Manager. The Manager reserves the right to close the subscription books at any time without notice. In the case of rejection of a subscription the Manager will, forthwith return the subscription and the cheque accompanying the subscription without interest thereon. In the case of acceptance, the Manager will forthwith forward a notice to the subscriber indicating the number of Units and fractions thereof, if any, to be purchased by such subscriber. The Manager is not obligated to accept any subscriptions, and will reject any subscription which the Manager considers to be not in compliance with applicable securities laws and regulations.

Subject to the contractual or statutory rights of action and a two day right of withdrawal provided for in this Offering Memorandum, and subject to applicable securities laws, an investor’s subscription may not be withdrawn, cancelled, terminated or revoked by the investor for a period of 30 days from the date of receipt of the subscription by the Manager. Units of the Trust will be issued to an investor if a Subscription Form is received by the Trust and accepted by the Manager and if payment of the aggregate Subscription Price is made by certified cheque, bank draft or wire transfer. An investor who subscribes for Units by executing and delivering a Subscription Form will become a Unitholder after the Manager accepts such subscription, the Trust has received the aggregate Subscription Price and the Unitholder is entered into the register of Unitholders.

Unit Certificates

No certificates evidencing ownership of the Units will be issued to a Unitholder. Following each purchase or redemption of Units, Unitholders will receive a written confirmation from the Manager indicating details of the transaction including the number and dollar value of the Units purchased or redeemed and the number and dollar value of Units held by the Unitholder following such purchase or redemption. In certain limited circumstances, the Manager will prepare certificates evidencing ownership of the Units if such certificates are required for brokerage house accounting purposes.

Trading and Resale Restrictions

This offering of Units is made only on a private placement basis to investors who are eligible to purchase on an exempt basis under, and subject to compliance with, applicable securities laws. The Trust is not a reporting issuer in any of the Provinces of Canada and does not presently intend to become a reporting issuer in any Province of Canada. The Units will be subject to an indefinite hold period. There is no market for the Units and the Units are not transferable. The transferability of the Units will also be subject to resale restrictions under applicable securities laws.

INCOME TAX CONSEQUENCES AND CERTAIN DEFERRED PLAN ELIGIBILITY

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

In the opinion of Koffman Kalef LLP, tax counsel to the Trust, the following is a fair summary of the principal Canadian federal income tax considerations generally relevant to individual investors who, for purposes of the Tax Act, are resident in Canada, deal at arm's length with the Trustee and Manager and beneficially hold their Units as capital property.

This summary is based on the assumption that the Trust will qualify as a "Unit Trust". To qualify as a Unit Trust the Trust must satisfy each of the following conditions:

(i) throughout the period or periods that are in the current year the only undertaking of the Trust was:

(A) the investing of its funds in property (other than real property or an interest in real property),

(B) the acquiring, holding, maintaining, improving, leasing or managing of any real property or an interest in real property, that is capital property of the Trust, or

(C) any combination of the activities described in clauses (A) and (B);

(ii) throughout the relevant periods at least 80% of the Trust's property consisted of any combination of:

(A) cash,

(B) bonds, debentures, Mortgages, hypothecary claims, notes and other similar obligations,

(C) marketable securities, or

(D) real property situated in Canada and interests in real property situated in Canada;

(iii) either

(A) not less than 95% of the Trust's income for the current year was derived from, or from the disposition of, investments described in paragraph (ii), or

(B) not less than 95% of the Trust's income for each of its relevant periods was derived from, or from the disposition of, investments described in subparagraph (ii); and

(iv) throughout the relevant periods, not more than 10% of the Trust's property consisted of bonds, securities or shares in the capital stock of any one corporation or debtor.

This summary is based on the current provisions of the Tax Act and the regulations under it, all publicly announced proposals to amend the Tax Act and its regulations, and the published administrative practices of the Canada Revenue Agency. It is assumed that all amendments will be passed as proposed.

This summary is of a general nature and is not intended to be exhaustive. It does not take into account provincial, territorial or foreign tax laws. Investors should consult their own tax advisers with respect to the tax consequences in their particular circumstances. No application has been made nor is it intended that any application be made for an advanced income tax ruling with respect to the tax consequences of acquiring or holding Units in the Trust.

Taxation of the Trust

The Trust must pay tax on its Net Income and Net Realized Capital Gains for a year, except to the extent such amounts are distributed to Unitholders. Losses incurred by the Trust cannot be allocated to Unitholders but may be deducted by the Trust in future years in accordance with the Tax Act. The Declaration of Trust requires the Trust to distribute all of its Net Income and Net Realized Capital Gains each year, and, as a result, the Trust will not pay any tax under Part I of the Tax Act.

In the event a Unitholder is or becomes a "designated beneficiary" of the Trust in a taxation year of the Trust, the "designated income" of the Trust for that taxation year will be subject to a 36% tax under Part XII.2 of the Tax Act. The Part XII.2 tax paid by the Trust, if so designated, will be credited against tax otherwise payable on designated income distributed to Unitholders who are not designated beneficiaries of the Trust. A "designated beneficiary" is defined in the Tax Act to include non-residents of Canada and certain tax-exempt entities. "Designated income" is defined in the Tax Act to include, generally, taxable capital gains from the disposition of taxable Canadian property, and income from Canadian businesses and real estate. The terms of the Declaration of Trust provide that no Subscriber may be a non-resident of Canada or otherwise be a "designated beneficiary" of the Trust. Further, the Trust is entitled to redeem the Units of a Unitholder who becomes a "designated beneficiary" or to demand that the Units be transferred to another person who would not be a "designated beneficiary". Thus, it is not anticipated that the Trust will become liable for tax under Part XII.2 of the Tax Act.

The Trust, which is treated as an individual for the purposes of the Tax Act, is required to pay tax equal to the greater of tax otherwise determined and "alternative minimum tax". Alternative minimum tax will generally equal 15% of the Trust's "adjusted taxable income". The Trust will not be entitled to the $40,000 basic exemption. The adjusted taxable income of the Trust for the purposes of the alternative minimum tax will generally be reduced by the amount of its Net Income and Net Realized Capital Gains distributed to Unitholders. As the Declaration of Trust requires the Trust to distribute all of its Net Income and Net Realized Capital Gains each year to Unitholders so that it will not pay any tax under Part I of the Tax Act, it should not have an alternative minimum tax liability in such years. However, if the Trust does not distribute all of its Net Income and Net Realized Capital Gains to Unitholders in a year because, for instance, its taxable income has been reduced by the application of a prior year's loss, the Trust may be liable for alternative minimum tax.

The Trust will not be a specified investment flow-through trust, or SIFT trust, provided units of the Trust are not listed or traded on a stock exchange or other public market. For these purposes the term "public market" is defined in the Tax Act to include any trading system or other organized facility on which securities that are qualified for public distribution are listed or traded, but does not include a facility that is operated solely to carry out the issuance of a security or its redemption, acquisition or cancellation by its issuer. As such the units of the Trust are not currently listed or traded on a stock exchange or other public market.

Taxation of Unitholders

Each Unitholder will be required to include in computing his or her income for a particular year the portion of the Net Income, and the taxable portion of Net Realized Capital Gains, of the Trust for the year distributed to the Unitholder (including any amounts distributed on the redemption of Units). The adjusted cost base to the Unitholder of his or her Units will be subject to the averaging provisions of the Tax Act. Each year the Trust will advise each Unitholder of the share of the Net Income and taxable portion of Net Realized Capital Gains of the Trust distributed to that Unitholder.

Any amount in excess of the Net Income and the taxable portion of Net Realized Capital Gains of the Trust that is distributed to a Unitholder in a year is not generally included in computing the Unitholder's income for the year. However, the payment of any such excess amount, other than as proceeds of disposition of a Unit or a part thereof, will reduce the adjusted cost base to the Unitholder of his or her Unit except to the extent that such amount either was included in the income of the Unitholder or was his or her share of the non-taxable portion of the Net Realized Capital Gains of the Trust for the year in respect of which the taxable portion was designated by the Trust in respect of the Unitholder. If the adjusted cost base of the Unit is a negative amount, such amount will be a capital gain in the year to the Unitholder. The adjusted cost base of the Unit is then reset to nil.

Where an investor acquires Units of the Trust after the Closing, the Net Asset Value of the assets of the Trust may reflect Net Income and Net Realized Capital Gains which have not been distributed. The Unitholder is subject to tax on his or her share of those amounts when distributed, even though the amounts were reflected in the purchase price paid for the Units. Similarly, the Unitholder's share of capital gains realized after the Units were acquired will include the portion of the gains, if any, that accrued before he or she acquired the Units.

As the Trust will generate its income principally from interest on Mortgages on Canadian real estate, it is unlikely that the Trust will receive dividends, foreign income or realize capital gains. However, if such income or capital gains are received, the Trust intends to make designations under the Tax Act so that taxable dividends received from taxable Canadian corporations, income from foreign sources and Net Realized Capital Gains distributed to Unitholders, if any, will retain their character in the hands of Unitholders. Distributed amounts that retain their character as taxable dividends on shares of taxable Canadian corporations will be subject to the normal gross-up and tax credit rules in the Tax Act applicable to individuals. Each taxable Unitholder will generally be entitled to a tax credit for any foreign taxes paid by the Trust in respect of his or her share of income from foreign sources.

On a redemption or other disposition of Units, including a redemption of Units on the termination of the Trust, the Unitholder will realize a capital gain to the extent that the proceeds of disposition exceed the adjusted cost base of the Units, or a capital loss to the extent that the adjusted cost base of the Units exceeds the proceeds of disposition. One-half of a capital gain must be included in income as a taxable capital gain. One-half of a capital loss is an allowable capital loss, which may be applied against taxable capital gains realized in the year. Allowable capital losses in excess of taxable capital gains may be carried back three years or forward indefinitely and applied against taxable capital gains realized in those earlier or later years. The amount of allowable capital losses that may be carried back to prior periods will be adjusted under the Tax Act to reflect the applicable inclusion rate.

Individuals (including most trusts) are required to pay tax equal to the greater of tax determined under the ordinary rules and alternative minimum tax. Amounts distributed by the Trust that are taxable dividends from taxable Canadian corporations or the taxable portion of Net Realized Capital Gains, and capital gains realized on the disposition of Units, may increase a Unitholder's liability for alternative minimum tax.

Investment by Deferred Plans

The Trust has been accepted for registration by the Registered Plans Directorate of the Canada Revenue Agency as a Registered Investment. The Units of the Trust are therefore a qualified investment under the Tax Act for registered retirement savings plans (“RRSP”), registered retirement income funds (“RRIF”), registered education savings plans (“RESP”), and tax-free savings accounts (“TFSA”) (collectively, “Deferred Plans”). As the Trust would qualify as a “mutual fund trust” (other than the requirements relating to number of Unitholders, dispersal of ownership and public trading of units), and the Trust is restricted to investing in qualified investments for Deferred Plans (principally in Mortgages on Canadian real estate), the Trust currently qualifies for registration as a quasi-mutual fund trust.

If the Trust ceases to be a registered investment, the Units will not constitute a qualified investment for Deferred Plans.

An RESP that continues to hold property that has ceased to be a qualified investment will be liable for a 1% per month penalty tax calculated on the fair market value of the property at the time it was acquired by the RESP.

An RRSP, RRIF or TFSA that holds a non-qualified investment will pay regular tax on income from the non-qualified investment and in respect of a non-qualified investment or a prohibited investment is liable to a penalty tax of 50% calculated on the fair market value of the property at the later of:

(i) the time the property was acquired by the RRSP, RRIF or TFSA; and

(ii) the time the property became a non-qualified investment or a prohibited investment of the RRSP, RRIF or TFSA.

The Units will be a prohibited investment for an RRSP, RRIF or TFSA where the holder of the RRSP, RRIF or TFSA has a "significant interest" in the Trust. An individual will have a significant interest in the Trust if that individual together with persons with which the individual does not deal at arm's length holds at that time interests as a beneficiary under the Trust that have a fair market value of 10% or more of the fair market value of the interests of all the beneficiaries under the Trust. Income attributable to a prohibited investment is subject to a penalty tax of 100%.

COMPENSATION PAID TO SELLERS AND FINDERS

The Manager, in its discretion, may pay a fee to selling agents and finders who assist the Manager in identifying prospective Subscribers. The fee will be negotiated between the Manager and the selling agent or finder, as applicable, however, the maximum fee that the Manager is authorized to pay to a selling agent or finder who assists the Manager in identifying prospective Subscribers is: (i) a commission equal to 1.5% of the gross proceeds received by the Trust from the sale of Class A Units made by the Trust through the selling agent or finder; and (ii) a trailer fee equal to 1.0% of the gross proceeds received by the Trust from the sale of Class A Units made by the Trust through the selling agent or finder. No service fees are payable in respect of the Class F Units.

RISK FACTORS

In management's opinion, the investment is Medium risk in nature. In addition to the factors set forth elsewhere in this Offering Memorandum, prospective investors should carefully consider the following factors:

Reliance on the Manager

In assessing the risk of an investment in the Units offered hereby, potential investors should be aware that they will be relying on the good faith, experience and judgment of the directors and officers of the Manager to manage the business and affairs of the Trust. There is no guarantee that the directors and officers of the Manager will remain unchanged. It is contemplated that the directors, officers and employees of the Manager will devote to the Trust's affairs only such time as may be reasonably necessary to conduct its business. Although investments made by the Trust will be carefully chosen by the Mortgage Broker, there is no representation made by the Manager that such investments will have a guaranteed return to Unitholders nor that losses will not be suffered by the Trust from such investments.

Borrowing

The Trust may borrow up to the greater of $1,000,000 and 50% of the book value of the Trust's Mortgage portfolio, which could increase the risk of the Trust's insolvency and the risk of Unitholder liability. There can be no assurance that such a strategy will enhance returns and in fact the strategy may reduce returns. The security which the Trust is required to furnish includes an assignment of its Mortgages to a third party lender. If the Trust is unable to service its debt to such lender, a loss could result if the lender exercises its rights of foreclosure and sale.

Availability of Investments

The ability of the Trust to make investments in accordance with the objectives of the Trust will depend upon the availability of suitable investments and the amount of Mortgages available. The Trust will compete with individuals, trusts and institutions for the investment in the financing of real properties. Many of these competitors have greater resources than the Trust or operate with greater flexibility. At present, the near-prime mortgage market is underserviced. However, if new lenders enter the market, the yields which are now available may decrease and the risk/reward ratio may become less favourable to the Trust than it is currently.

Role of the Trustee

The Trustee does not supervise or monitor the Manager in any respect. The powers, authorities and responsibilities of the Trustee are limited to those expressly set forth in the Declaration of Trust. All other powers, authorities and responsibilities are those of the Manager. The Trustee acts on the basis of instructions from the Manager, without independent investigation. The Trustee may not in all instances hold all of the Trust Property and, for example, may not hold Mortgages where the Trust co-lends with other lenders or where Mortgages are, or are proposed to be, subject to foreclosure.

Subordinate and Non-conventional Financing

Subordinate financing, which will be carried on by the Trust, is generally considered a higher risk than primary financing. Mortgages will be secured by a charge, which is in a first or subsequent-ranking position upon or in the underlying real estate. When a charge on Real Property is in a position other than first-ranking, it is possible for the holder of a prior charge on the Real Property, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the Real Property in order to realize the security given for that loan. Such actions may include a foreclosure action, or an action forcing the Real Property to be sold. A foreclosure action may have the ultimate effect of depriving any person having other than a first-ranking charge on the Real Property of the security of the Real Property. If an action is taken to sell the Real Property and sufficient proceeds are not realized from such sale to pay off all creditors who have prior charges on the Real Property, the holder of a subsequent charge may lose its investment or part thereof to the extent of such deficiency unless it can otherwise recover such deficiency from other property owned by the debtor. The Trust will make investments in Mortgages where the loan exceeds 75% of the value of the Real Property which is mortgaged, which exceeds the investment limit for conventional bank Mortgage lending.

Marketability

There is currently no market for Units and it is not anticipated that any market will develop. Units are not transferable, except if required as a result of a Unitholder becoming a non-resident. In such situations, securities requirements may prohibit or restrict transferability of Units. Consequently, Unitholders will not be able to resell their Units. See “Securities Offered – Terms of Securities” and “Business of the Trust – Material Agreements – Summary of the Declaration of Trust – Forced Redemption Upon Non-Residency” and “Resale Restrictions”.

Lack of Liquidity

The Units are non-transferable. There are significant limits on the rights of a Unitholder to retract the Class A Units, and any Retraction prior to the fifth anniversary of the issue of the Class A Units will be at a discount to their Net Asset Value per Class A Unit.

Inadequate Diversification of Mortgage Portfolio

The composition of the Trust’s Mortgage portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography, resulting in the Mortgage portfolio being less diversified than anticipated. A lack of diversification may result in the Trust being exposed to economic downturns or other events that have an adverse and disproportionate effect on particular types of security, industry or geography.

Nature of the Investments

Investments in Mortgages are affected by general economic conditions, local real estate markets, demand for housing, fluctuation in occupancy rates and various other factors. Investments in Mortgages are relatively illiquid. This will tend to limit the Trust’s ability to vary its portfolio promptly in response to changing economic conditions. The Trust’s investment in Mortgage loans will be secured by real estate. All real property investments are subject to elements of risk. While independent appraisals may be obtained before the Trust makes any Mortgage investment, the appraised values provided therein, even where reported on an “as is” basis are not necessarily reflective of the market value of the underlying Real Property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion or rehabilitation of the Real

Property providing security for the investment. There can be no guarantee that these conditions will be satisfied and if, and to the extent, they are not satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

The Trust's income and funds available for distribution to Unitholders would be adversely affected if a significant number of borrowers were unable to pay their obligations to the Trust or if the Trust were unable to invest its funds in Mortgages on economically favourable terms. On default by a borrower, the Trust may experience delays in enforcing its rights as lender and may incur substantial cost in protecting its business.

Tax Matters

The return on the Unitholder's investment in Units is subject to changes in Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation of the same. There can be no assurance that tax laws, tax proposals, policies or regulations, or the interpretation thereof, will not be changed in a manner which will fundamentally alter the tax consequences to Unitholders acquiring, holding or disposing of Units.

If the Trust ceases to meet the requirements for a registered investment as a quasi-mutual fund trust, registration of the Trust may be revoked. In such a case, Units will cease to be qualified investments for Deferred Plans. This could result in Deferred Plans which continue to hold Units becoming liable for a penalty tax.

Remedies in the Event of Restructuring and Third Party Claims

The Trust is not a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act* (Canada), and the *Companies' Creditors Arrangement Act* (Canada) or in some cases, the *Winding Up and Restructuring Act* (Canada) and therefore would not be able to access the remedies available thereunder in the event that a restructuring is necessary. As a result, Unitholders may not avail themselves of the remedies typically available to a shareholder of a corporate entity. As a result, distributions otherwise payable may be subordinate to third party debt such as Mortgages, bank facilities and other borrowing arrangements.

Trust's Obligation to Pay for Costs of the Offering

Agreements entered into with selling agents and finders retained by the Trust may require the Trust to pay all reasonable expenses of the Offering and all reasonable out of pocket expenses incurred by such selling agents and finders in connection with the Offering including, without limitation, reasonable fees and expenses of legal counsel of such selling agents and finders. However, since the inception of the Trust, the Manager has paid out of its Management Fee, all commissions and trailers paid to selling agents.

Conflicts of Interest

The Trust will be subject to various conflicts of interest arising from its relationship with the Mortgage Broker, the Manager, Affiliates of the Mortgage Broker, and the officers and directors thereof. In addition, there may be situations where the interests of the Trust conflict with the interests of the officers and directors of the Manager. The risk exists that such conflicts will not be resolved in the best interests of the Trust and the Unitholders. Among the factors which should be considered by prospective investors, are the following:

(a) *Agreements Between the Trust and the Manager*. Transactions between the Trust, the Mortgage Broker and the Manager and one or more of the Affiliates or associates of the Mortgage Broker or the officers and directors thereof may be entered into without the protections of arm's length bargaining. Therefore, situations may arise in which the Mortgage Broker or the Manager may be making determinations which could benefit itself, Affiliates or its associates or its officers or directors to the detriment of the Trust or the Unitholders. Unitholders must rely on the standard of care owed by the Manager to all Unitholders as set out in the Declaration of Trust to prevent over reaching by others in transactions with the Trust.

(b) *Directors and Officers of the Mortgage Broker and the Manager*. They will devote to the Trust's affairs only such time as may be necessary to conduct its business and to discharge their fiduciary obligations to the Trust.

(c) *Fees*. In addition to the Manager's Fee, the Mortgage Broker and its Affiliates will earn fees from placing or arranging Mortgages against Real Properties and performing due diligence. The Mortgage Broker may also initially fund a Mortgage at a specified interest rate and then syndicate the Mortgage at a lower interest rate to entities such as the Trust.

(d) *Sale of Mortgages*. In order to ensure adequate deal flow for both the Trust and the Manager, the Manager may from time to time sell Mortgages within its portfolio to other lenders and reinvest the proceeds. As a result of these sales, additional fees will be paid to the Mortgage Broker, to the indirect benefit of the principals and shareholders of the Manager. Unitholders must be prepared to accept that the Manager will use its discretion in turning over the portfolio in good faith and in what it believes to be the best interests of the Trust.

Personal Liability of Unitholders

The Declaration of Trust provides that no Unitholder shall be held to have any personal liability as such, and no resort shall be had to a Unitholder's private property, for satisfaction of any obligation in respect of or claim arising out of or in connection with any contract or obligation of the Trust or of the Trustee or any obligation in respect of which a Unitholder would otherwise have to indemnify the Trustee for any liability incurred by the Trustee, but rather only the Trust Property is intended to be liable and subject to levy or execution for satisfaction of any obligation or claim.

Because of uncertainties in the law relating to investment trusts such as the Trust, there is a risk that a Unitholder could be held personally liable, notwithstanding the foregoing statement in the Declaration of Trust, for obligations in connection with the Trust (to the extent that claims are not satisfied by the Trust). It is intended that the Trust's operations be conducted in such a way as to minimize any such risk and, in particular and where practical, to cause every written contract or commitment of the Trust to contain an express statement that liability under such contract or commitment is limited to the value of the assets of the Trust.

However, in conducting its affairs, the Trust will be acquiring Mortgage investments subject to existing contractual obligations. The Trustee will use all reasonable efforts to have any such obligations, other than leases, modified so as not to have such obligations binding upon any of the Unitholders. However, the Trust may not be able to obtain such modification in all cases. To the extent that claims are not satisfied by the Trust, there is a risk that a Unitholder will be held personally liable for obligations of the Trust where the liability is not disclaimed as described above. Personal liability may also arise in respect of claims against the Trust that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities.

In any event, the Manager considers that the risk of any personal liability of Unitholders is minimal in view of the size of the anticipated equity of the Trust, the nature of its activities and the requirement of the Trust that any written contract or commitment of the Trust (except where such inclusion is not reasonably possible) include an express limitation of liability. In the event that a Unitholder should be required to satisfy any obligation of the Trust, such Unitholder will be entitled to reimbursement from any available assets of the Trust.

REPORTING OBLIGATIONS

We are not required to send you any documents on an annual or ongoing basis.

As the Trust is not a "reporting issuer" as defined in the B.C. Securities Act, the Alberta Securities Act, the Manitoba Securities Act, the Québec Securities Act or the Ontario Securities Act, the continuous reporting requirements of those acts and the rules, regulations and policies thereunder do not generally apply to the Trust except that the Trust will be subject to the applicable continuous disclosure requirements set out in National Instrument 81-106 *Investment Fund Continuous Disclosure* ("NI 81-106"). The Trust will, however, on or before

March 31 in each calendar year, provide to each Unitholder annual audited financial statements and all other information required to file Canadian income tax returns. In addition, the Trust will provide to each Unitholder interim financial statements in accordance with the time periods set out in NI 81-106.

RESALE RESTRICTIONS

These securities are not transferable and in addition, pursuant to applicable securities laws, 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.

Unless permitted under securities legislation, you cannot trade the securities before the date that is four months and a day after the date the Trust becomes a reporting issuer in any province or territory of Canada. The Trust has no current intention to become a reporting issuer in Canada, and so the transfer restriction could continue indefinitely.

Manitoba Resale Restrictions

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

1. the Trust 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

2. 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.

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.

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

Two Day Cancellation Right

You can cancel your agreement to purchase these securities. To do so, you must send a notice by fax at (604) 430-3287 to the Trust, c/o the Manager by midnight on the second business day after you sign the agreement to buy the securities.

Rights for Investors in British Columbia

Securities legislation in British Columbia provides that every investor in securities pursuant to this Offering Memorandum shall have, in addition to any other rights they may have at law, a right of action for rescission against the Trust or a right of action for damages against the Trust, every director of the Manager at the date of the Offering Memorandum and every person who signs the Offering Memorandum or any amendment thereto, in the event that the Offering Memorandum or any amendment thereto contains a misrepresentation. However, such rights must be exercised within prescribed time limits. Purchasers should refer to the applicable provisions of the British Columbia securities legislation for particulars of those rights or consult with a lawyer. For these purposes, a "misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated, or necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made. A "material fact" means any fact that significantly affects or would reasonably be expected to significantly affect the market price or the value of the Units.

In British Columbia, no action shall be commenced to enforce a statutory right of action unless the right is exercised:

(a) in the case of rescission, not later than 180 days from the day of the transaction that gave rise to the cause of action, or

(b) in the case of damages, not later than the earlier of:

(i) 180 days from the day the investor first had knowledge of the facts giving rise to the cause of action, or

(ii) three years from the day of the transaction that gave rise to the cause of action.

Reference is made to the B.C. Securities Act for the complete text of the provisions under which these rights are conferred and this summary is subject to the express provisions of the B.C. Securities Act.

Rights for Investors in Alberta

Securities legislation in Alberta provides that every investor in securities pursuant to this Offering Memorandum shall have, in addition to any other rights they may have at law, a right of action for damages against the Trust, every director of the Manager at the date of the Offering Memorandum and every person who signed the Offering Memorandum or a right of action for rescission against the Trust if the Offering Memorandum or any amendment thereto contains a misrepresentation. However, such rights must be exercised within prescribed time limits. Purchasers should refer to the applicable provisions of the Alberta securities legislation for particulars of those rights or consult with a lawyer. For these purposes, a "misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or an omission to state a material fact that is necessary to be stated in order for a statement not to be misleading. A "material fact" means any fact that significantly affects or would reasonably be expected to have a significant effect on the market price or the value of the Units.

In Alberta, no action shall be commenced to enforce a statutory right of action unless the right is exercised:

(a) in the case of rescission, not later than 180 days from the day of the transaction that gave rise to the cause of action, or

(b) in the case of damages, not later than the earlier of:

(i) 180 days from the day the investor first had knowledge of the facts giving rise to the cause of action, or

(ii) three years from the day of the transaction that gave rise to the cause of action.

Reference is made to the Alberta Securities Act for the complete text of the provisions under which these rights are conferred and this summary is subject to the express provisions of the Alberta Securities Act.

Rights for Investors in Manitoba

Securities legislation in Manitoba provides that every investor in securities pursuant to this Offering Memorandum shall have, in addition to any other rights they may have at law, a right of action for rescission against the Trust or a right of action for damages against the Trust, every director of the Manager at the date of the Offering Memorandum and every person who signs the Offering Memorandum or any amendment thereto, in the event that the Offering Memorandum or any amendment thereto contains a misrepresentation. However, such rights must be exercised within prescribed time limits. Purchasers should refer to the applicable provisions of the Manitoba securities legislation for particulars of those rights or consult with a lawyer. For these purposes, a “misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated, or necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made. A “material fact” means any fact that significantly affects or would reasonably be expected to significantly affect the market price or the value of the Units.

In Manitoba, no action shall be commenced to enforce a statutory right of action unless the right is exercised:

(a) in the case of rescission, not later than 180 days from the day of the transaction that gave rise to the cause of action, or

(b) in the case of damages, not later than the earlier of:

 (i) 180 days from the day the investor first had knowledge of the facts giving rise to the cause of action, or

 (ii) two years from the day of the transaction that gave rise to the cause of action.

Reference is made to the Manitoba Securities Act for the complete text of the provisions under which these rights are conferred and this summary is subject to the express provisions of the Manitoba Securities Act.

Rights for Investors in Ontario

Securities legislation in Ontario provides that, in addition to any other rights an investor may have at law, in the event that this Offering Memorandum, together with any amendments thereto, is delivered to an investor of Units resident in Ontario and contains an untrue statement of material fact or omits to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made, the investor will have a right of action against the Trust for damages or rescission. Purchasers should refer to the applicable provisions of the Ontario securities legislation for particulars of those rights or consult with a lawyer. A “material fact” means any fact that significantly affects or would reasonably be expected to have a significant effect on the market price or the value of the Units.

In Ontario, no action shall be commenced to enforce a statutory right of action unless the right is exercised:

(a) in the case of rescission, not later than 180 days from the date of the transaction that gave rise to the cause of action, or

(b) in the case of damages, not later than the earlier of:

 (i) 180 days after the investor first had knowledge of the facts giving rise to the cause of action, or

 (ii) three years after the date of the transaction that gave rise to the cause of action.

Reference is made to the Ontario Securities Act for the complete text of the provisions under which these rights are conferred and this summary is subject to the express provisions of the Ontario Securities Act.

Rights for Investors in Québec

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

(a) the Trust to cancel your agreement to buy these securities;

(b) the Trust to revise the price paid to subscribe or acquire the securities;

(c) for damages against the Trust.

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

If you intend to rely on the rights described in (a) to (c) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within three (3) years. You must commence your action for damages within three (3) years.

FINANCIAL STATEMENTS

Attached to this Offering Memorandum immediately following this Item are the audited financial statements for the Trust for the fiscal year ended December 31, 2014, as well as the financial statements for the six month period ended June 30, 2015.

CAPITAL DIRECT I INCOME TRUST

Financial Statements

Year Ended December 31, 2014

JOHNSEN ARCHER LLP

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CAPITAL DIRECT I INCOME TRUST
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Year Ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Capital Direct I Income Trust

We have audited the accompanying financial statements of Capital Direct I Income Trust, which comprise the statement of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013 and the statements of changes in net assets, comprehensive income and cash flows for the fiscal years ended December 31, 2014 and December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Capital Direct I Income Trust as at December 31, 2014, December 31, 2013, and January 1, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013, in accordance with International Financial Reporting Standards.

Johnsen Archer LLP

Vancouver, B.C.
February 19, 2015

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CAPITAL DIRECT I INCOME TRUST
Statement of Financial Position
December 31, 2014

	December 31 2014	December 31 2013	January 1 2013
ASSETS			
Current assets			
Cash	**$ 556,175**	$ 569,309	$ 187,552
Accounts receivable	**120,045**	-	-
Assets held for sale	**-**	-	15,949
	676,220	569,309	203,501
Mortgage Investments *(Note 3)*	**53,633,836**	36,139,391	19,781,725
	$ 54,310,056	$ 36,708,700	$ 19,985,226
LIABILITIES			
Current liabilities			
Loan payable *(Note 5)*	**$ 24,911,835**	$ 15,631,451	$ 5,083,066
Accounts payable and accrued liabilities	**1,613,901**	664,922	478,948
	26,525,736	16,296,373	5,562,014
UNITHOLDERS' EQUITY			
Net assets	**27,784,320**	20,412,327	14,423,212
	$ 54,310,056	$ 36,708,700	$ 19,985,226

ON BEHALF OF THE BOARD

_________________________ *Director*

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See notes to financial statements

CAPITAL DIRECT I INCOME TRUST
Statement of Changes in Net Assets
Year Ended December 31, 2014

	Class A	Class F	**2014**	2013
Net assets - beginning of year	$ 20,412,327	$ -	**$ 20,412,327**	$ 14,423,212
Comprehensive income	2,186,544	10,960	**2,197,504**	1,536,217
	22,598,871	10,960	**22,609,831**	15,959,429
Distribution to unitholders	(1,967,890)	(9,864)	**(1,977,754)**	(1,382,595)
Distribution to the manager	(218,654)	(1,096)	**(219,750)**	(153,622)
Capital transactions				
Subscriptions	7,440,666	474,984	**7,915,650**	5,935,548
Reinvested distributions	1,118,084	-	**1,118,084**	690,083
Redemptions	(1,661,741)	-	**(1,661,741)**	(636,516)
Net assets - end of year	$ 27,309,336	$ 474,984	**$ 27,784,320**	$ 20,412,327

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CAPITAL DIRECT I INCOME TRUST
Statement of Comprehensive Income
Year Ended December 31, 2014

	2014	2013
Revenue		
Interest income	$ 3,948,088	$ 2,561,432
Other income	303,728	173,377
	4,251,816	2,734,809
General and administrative expenses		
Audit fees	75,250	55,000
Bank charges	94,370	59,395
Interest on loan payable	689,472	350,013
Legal fees	174,877	109,644
Management fees	461,707	321,564
Provision for loan losses	488,142	242,195
Trustee fees	70,494	60,781
	2,054,312	1,198,592
Profit and comprehensive income for the year	$ 2,197,504	$ 1,536,217

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CAPITAL DIRECT I INCOME TRUST
Statement of Cash Flows
Year Ended December 31, 2014

	2014	2013
Operating activities		
Profit for the year	$ 2,197,504	$ 1,536,217
Items not affecting cash:		
Provision for loan losses	488,142	242,195
	2,685,646	1,778,412
Changes in non-cash working capital:		
Accounts receivable	(120,045)	-
Accounts payable and accrued liabilities	152,112	185,974
	32,067	185,974
Cash flow from operating activities	2,717,713	1,964,386
Investing activities		
Purchase of mortgage investment, net	(17,982,587)	(16,599,861)
Proceeds on disposal of asset held for sale	-	15,949
Cash flow used by investing activities	(17,982,587)	(16,583,912)
Financing activities		
Distributions to unitholders, net of distributions reinvested	(859,670)	(692,512)
Distribution to the manager	(219,750)	(153,622)
Cash received on subscriptions	7,915,650	5,935,548
Redemptions	(864,874)	(636,516)
Loan payable	9,280,384	10,548,385
Cash flow from financing activities	15,251,740	15,001,283
Increase (decrease) in cash	(13,134)	381,757
Cash - beginning of year	569,309	187,552
Cash - end of year	$ 556,175	$ 569,309
Supplementary information		
Interest received	$ 3,673,320	$ 2,506,768
Interest paid	$ 689,472	$ 350,013

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1. ORGANIZATION OF THE TRUST

Capital Direct I Income Trust (the "Trust") is an open-ended investment trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated June 23, 2006 by Capital Direct Management Ltd. (the "Manager") as administrator of the Trust and Computershare Trust Company of Canada (the "Trustee"). The address of the Trust's principal place of business is #305 - 555 West 8th Avenue, Vancouver, B.C. V5Z 1C6.

The Trust is a non-reporting issuer under securities legislation and therefore is relying on Part 2.11 of National Instrument 81-106 for exemption from the requirements to file annual financial statements with the applicable regulatory authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These audited annual financial statements, including comparatives, are prepared in accordance with International Financial Reporting Standards ("IFRS"). These are the Trust's first annual financial statements prepared using accounting policies under IFRS and accordingly IFRS 1, First-time Adoption of IFRS ("IFRS 1") has been applied.

The Trust's financial statements were previously prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). GAAP differs in some areas from IFRS. In preparing these financial statements, there were no significant differences in accounting policies previously applied in the GAAP financial statements and therefore no adjustments were required to comprehensive income for the year ended December 31, 2013 or to unitholders equity as at January 1, 2013 in order to comply with IFRS. No changes were made to the statement of cash flows.

IFRS 1 requires that comparative financial information be provided. As a result, the first date at which the Trust has applied IFRS was January 1, 2013 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time adopters. The Trust did not apply any transition exemptions or exceptions to full retrospective application of IFRS.

Significant accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates include the provision for loan losses. The estimated provision is periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(continues)

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

Financial instruments

Recognition and measurement

The Trust recognizes financial assets and financial liabilities, including derivatives and embedded derivatives, on the balance sheet when the Trust becomes party to the contractual provisions of the financial instruments or non-financial derivative contract. The Trust classifies all financial assets and financial liabilities as either a) Held for trading, b) Available for sale, c) Held to maturity, d) Loans and receivables or e) Other financial liabilities, depending on the Trust's stated intention and/or historical practice. Financial assets and liabilities held for trading are measured at fair value with gains and losses recognized in profit or loss. Financial assets held to maturity, loans and receivables, and other financial liabilities other than those held for trading, are measured at fair value on initial recognition and subsequently at amortized cost based on the effective interest method. Available for sale instruments are measured at fair value with gains and losses, net of tax, recognized in other comprehensive income.

The Trust's financial assets and liabilities are classified as follows:

	Category	Measurement
Assets:		
Cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Mortgage investments	Loans and receivables	Amortized cost
Liabilities:		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loan payable	Other financial liabilities	Amortized cost

Comprehensive income

Comprehensive income consists of net earnings and other comprehensive income ("OCI"). OCI comprises the change in fair value of the effective portion of the derivatives used as hedging items in a cash flow hedge and the change in fair value of any available for sale financial instruments. Amounts included in OCI are shown net of tax. Accumulated other comprehensive income is an equity category comprised of the cumulative amounts of OCI.

The Trust had no "other comprehensive income or loss" transactions during the year ended December 31, 2014 (2013: $nil) and no opening or closing balances for accumulated other comprehensive income or loss.

(continues)

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

Fair value measurement

The Trust measures financial instruments at fair value on initial recognition. Management estimates fair value in accordance with IFRS 13, Fair Value Measurement, as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a liability reflects the effect of non-performance risk, which includes the Trust's own credit risk and any other factors that might influence the likelihood the obligation may not be fulfilled. The fair value of a liability with a demand feature is not less than the amount that could be demanded, discounted from the first date demand could be required. Where fair value may not be determined based on comparable instruments trading in a public market, it is estimated based on observable inputs, to the extent they are available.

Unitholders' equity

The Trust units issued entitle the holders to a pro rata share of the Trust's net assets on liquidation, and are subordinate to all other classes of financial instruments in the event of liquidation. Aside from the amount and timing of redemption charges, all Trust units have identical features. Distributions on the Trust units are not fixed in amount, but vary with the income of the Trust. On the basis of the above features, unitholders' capital has been classified as equity.

Mortgage investments

Mortgage investments are measured at amortized cost using the effective interest method, net of an allowance for losses.

Interest income from mortgage investments is recorded on an accrual basis, except for mortgage investments that are considered to be impaired. A mortgage investment is classified as impaired when, in management's opinion, there is reasonable doubt as to the ultimate collectability, either in whole or in part, of principal and interest. When a mortgage investment is classified as impaired, recognition of interest in accordance with the term of the original mortgage investment agreement ceases. Subsequent payments received on an impaired mortgage investment are recorded as a reduction in principal. Mortgage investments are generally returned to accrual status when the timely collection of both principal and interest is reasonably assured and all delinquent principal and interest payments are brought current.

Mortgage discount income is deferred and recognized over the term of the underlying mortgage. Other fees are recognized as the services are performed.

(continues)

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

Provision for loan losses

The Trust maintains an allowance for losses in its mortgage investment portfolio. The provision for loan losses is increased by a provision for mortgage investment impairment charged to income and reduced by write-offs during the year.

A loan is considered to be impaired when payments are in arrears, all attempts at recovery with the mortgagee have failed and the Trust enters the foreclosure process to recover the loan balance. A specific provision is recorded to the extent the fair value of the collateral charged against the loan does not exceed the loan balance. Interest income continues to be accrued until the courts begin selling the property. Legal fees and other costs are also accrued to the loan balance to the extent they are expected to be recovered. At December 31, 2014 there are no impaired loans for which a specific loss provision has been recorded (2013: $nil).

The Trust also maintains an allowance that incorporates mortgage investment loss history as the basis for estimating probability of default in mortgage investments. The Trust groups all unimpaired loans according to similar credit risk characteristics, and evaluates the likelihood of an impairment loss on a group basis. The Trust records a general loss provision allowance against each group of loans with such similiar characteristics.

Income taxes

The Trust qualifies as a "Unit Trust" within the meaning of the Income Tax Act (Canada) (the "Act"). The Trust is subject to applicable federal and provincial taxes on its net income for tax purposes for the year, including taxable capital gains, except to the extent such amounts are distributed to unitholders. Losses incurred by the Trust cannot be allocated to unitholders, but may be deducted by the Trust in future years in accordance with the Act.

Because the Trust is contractually obligated to distribute all income, and such distributions are eligible for deduction against taxable income, the Trust is not required to recognize a deferred tax asset or liability for any temporary differences.

(continues)

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

Standards issued but not yet effective

As at December 31, 2014, the following standard has been issued by the IASB but is not yet effective for these financial statements, and is relevant to the Company as set out below.

IFRS 9: Financial instruments:

IFRS 9, Financial instruments deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value.

The standard is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 may change as a consequence of further developments resulting from the IASB's project to replace IAS 39. As a result, it is impractible to quantify the impact of IFRS 9 as at the date of issue of these financial statements.

3. MORTGAGE INVESTMENTS

Interest rates vary on the mortgages as noted below:

Interest Rate	# of Loans	Carrying Value	Interest Rate	# of Loans	Carrying Value
2.75 - 2.99%	6	$ 438,819	13.00-13.24%	4	$ 301,881
3.00 - 3.24%	3	$ 436,950	13.25-13.49%	6	$ 476,181
3.25 - 3.49%	9	$ 757,912	13.50-13.74%	8	$ 307,813
3.50 - 3.74%	2	$ 210,726	13.75-13.99%	7	$ 256,268
3.75 - 3.99%	13	$ 1,764,150	14.00-14.24%	5	$ 386,492
4.25 - 4.49%	5	$ 777,719	14.25-14.49%	3	$ 140,653
4.50 - 4.74%	2	$ 169,368	14.50-14.74%	2	$ 55,355
4.75 - 4.99%	6	$ 411,717	14.75-14.99%	6	$ 474,346
5.00 - 5.24%	3	$ 487,383	15.00-15.24%	1	$ 35,726
5.25 - 5.49%	15	$ 1,444,075	15.25-15.49%	2	$ 121,491
5.50 - 5.74%	16	$ 1,695,102	15.50-15.74%	3	$ 138,906
5.75 - 5.99%	23	$ 2,393,222	15.75-15.99%	6	$ 318,781
6.00 - 6.24%	5	$ 1,226,527	16.25-16.49%	2	$ 173,063
6.25 - 6.49%	25	$ 2,392,054	16.50-16.74%	8	$ 344,924
6.50 - 6.74%	9	$ 801,833	16.75-16.99%	2	$ 49,792
6.75 - 6.99%	33	$ 3,088,033	17.25-17.49%	4	$ 127,986
7.00 - 7.24%	6	$ 580,255	17.50-17.74%	1	$ 42,559
7.25 - 7.49%	29	$ 2,854,616	17.75-17.99%	5	$ 224,759
7.50 - 7.74%	19	$ 1,358,327	18.00-18.24%	1	$ 24,600
7.75 - 7.99%	54	$ 4,175,978	18.25-18.49%	2	$ 674,477
8.00 - 8.24%	15	$ 1,466,683	18.50-18.74%	1	$ 21,587
8.25 - 8.49%	27	$ 1,636,016	18.75-18.99%	4	$ 117,553
8.50 - 8.74%	10	$ 1,071,197	19.25-19.49%	2	$ 34,660
8.75 - 8.99%	49	$ 3,300,959	19.75-19.99%	3	$ 71,374
9.00 - 9.24%	11	$ 714,838	20.25-20.49%	2	$ 32,615
9.25 - 9.49%	12	$ 1,243,877	20.50-20.74%	1	$ 222,637
9.50 - 9.74%	16	$ 1,115,454	21.00-21.24%	1	$ 20,934
9.75 - 9.99%	40	$ 2,659,084	21.75-21.99%	1	$ 80,622
10.00-10.24%	7	$ 485,842	22.50-22.74%	1	$ 25,004
10.25-10.49%	9	$ 454,346	22.75-22.99%	3	$ 76,954
10.50-10.74%	8	$ 790,663	23.25-23.49%	1	$ 29,448
10.75-10.99%	25	$ 1,843,809	23.50-23.74%	1	$ 9,057
11.00-11.24%	7	$ 338,552	23.75-23.99%	1	$ 42,849
11.25-11.49%	7	$ 636,148	25.25-25.49%	1	$ 9,018
11.50-11.74%	9	$ 672,610	25.75-25.99%	1	$ 13,226
11.75-11.99%	10	$ 651,579	26.50-26.74%	1	$ 37,230
12.00-12.24%	7	$ 323,092	28.50-28.74%	3	$ 108,185
12.25-12.49%	4	$ 195,882	30.50-30.74%	1	$ 8,345
12.50-12.74%	5	$ 146,251	31.50-31.74%	1	$ 13,940
12.75-12.99%	14	$ 1,199,367			
				683	$ 54,062,306

(continues)

3. MORTGAGE INVESTMENTS *(continued)*

Mortgage investments consist of residential mortgages acquired from Capital Direct Lending Corp., the parent company of the Manager, and Capital Direct Atlantic Inc., a subsidiary of Capital Direct Lending Corp. The Trust has insured no mortgages under the National Housing Act (Canada). Loan to value ratios on the mortgages vary as noted below:

Loan to Value Ratio	Number of Loans	Carrying Value
0.00 - 4.99%	5	$ 151,438
5.00 - 9.99%	19	937,795
10.00 - 14.99%	15	948,802
15.00 - 19.99%	18	1,578,079
20.00 - 24.99%	17	1,173,646
25.00 - 29.99%	20	1,605,693
30.00 - 34.99%	20	1,322,629
35.00 - 39.99%	19	1,452,924
40.00 - 44.99%	36	3,591,878
45.00 - 49.99%	33	2,936,076
50.00 - 54.99%	34	3,157,935
55.00 - 59.99%	65	7,153,351
60.00 - 64.99%	85	8,962,035
65.00 - 69.99%	101	7,621,770
70.00 - 74.99%	113	6,685,225
75.00 - 79.99%	83	4,783,030
80.00 - 84.99%	0	-
85.00 - 89.99%	0	-
90.00 - 94.99%	0	-
95.00 - 99.99%	0	-
	683	$ 54,062,306
Loan loss provision		(309,192)
Deferred mortgage discount income		(119,278)
		$ 53,633,836

In 2013 the loan loss provision was $286,310, or 0.8% of the gross mortgage loan balance. During the year ended December 31, 2014 the Trust adjusted the provision by $22,882 to 0.6% of the gross mortgage loan balance. The Trust wrote off loans totaling $465,260 (2013: $106,050) against the loan loss provision.

The mortgages typically have an original maturity ranging from 12 to 24 months and range in position of collateral from first to third. Mortgages mature as follows:

	2014	2013
Less than 12 months	**$ 23,906,612**	$ 14,414,117
12 to 24 months	**30,120,411**	21,888,510
Over 24 months	**35,283**	241,860
Total	**$ 54,062,306**	$ 36,544,487

4. FINANCIAL INSTRUMENTS

a) Fair value of financial assets and liabilities

The following table details carrying values and fair values of financial assets and financial liabilities by financial instrument classification. The Trust uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value. The use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3) in the valuation of financial instruments for disclosure purposes was as summarized below.

The fair value of mortgage investments has been determined using discounted cash flow techniques based on interest rates being offered for similar types of assets with similar terms and risks as at the balance sheet date. The fair values of other financial assets and financial liabilities are assumed to approximate their carrying values, principally due to their short term or demand nature.

These fair values, presented for information purposes only, reflect conditions that existed only at the balance sheet date.

	2014				2013
	Carrying Value	Fair Value	Difference	Fair Value Hierarchy	Difference
Assets					
Loans and receivables:					
Cash	$ 556,175	$ 556,175	$ -	Level 1	$ -
Accounts receivable	120,045	120,045	-	Level 3	-
Mortgage investments	53,633,836	53,633,836	-	Level 2	-
			-		-
Liabilities					
Other financial liabilities:					
Loan payable	24,911,835	24,911,835	-	Level 2	-
Accounts payable and accrued liabilities	1,613,901	1,613,901	-	Level 3	-
			-		-
Net difference			-		-

b) Risk management

Risk management involves the identification, ongoing assessment, managing and monitoring of material risks that could adversely affect the Trust. The Trust is exposed to credit risks, liquidity risk, market risk and interest rate risk. There were no significant changes in risk from those disclosed in the Trust's annual financial statements.

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4. FINANCIAL INSTRUMENTS *(continued)*

Credit Risk

Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to the Trust. It is the Manager's opinion that the Trust is exposed to credit risks on all mortgage investments. The credit risk is mitigated as all mortgage investments are collateralized, there is no significant geographical concentration of mortgage investments, and the Manager regularly reviews and monitors the fair value of the collateral. The loss provision for the mortgage investments is established based on a provision for identified specific mortgage investments and a general provision applied to loans with similar credit characteristics. The Manager has assessed that there are no specifically identified mortgage investments exposed to credit risks. The Manager has provided a general loan loss provision based on approximately 0.6% (December 31, 2013: 0.8%) of mortgage investments.

Management regularly reviews the mortgage listing for balances in arrears and follows up with clients as needed regarding payment. For individual accounts in arrears where discussion with the client has not succeeded, foreclosure proceedings commence. Balances receivable include accrued interest income and legal and other costs related to attempts at collection. The loans are collateralized by real property and losses are recognized to the extent that recovery of the balance through sale of the underlying property is not reasonably assured. As at December 31, 2014 management had identified loans totaling 5% of the portfolio in arrears over 120 days. Of these, $2.4 million (2013: $2.1 million) of loans have entered some form of legal proceedings in attempt to recover the balance. Based on the most recent property appraisals management has not identified any specific loans for which a loss provision should be made (December 31, 2013: $nil).

Liquidity Risk

Liquidity risk is the risk of the Trust being unable to honour all cash outflow obligations as they come due. The Trust's liquidity risk arises due to the fact that its investments are collateralized by real estate. As a result, the Trust may not be able to realized the full fair value of the investments in the event that these financial assets need to be sold quickly in order to discharge its liabilities. The Manager manages liquidity by investing in mortgage investments that are suitable for the Trust, monitoring the performance of the Trust's mortgage portfolio, and assessing the loan to collateral value ratio.

Market Risk

Market risk is the risk of a loss resulting from changes in interest rates, foreign exchange rates, and market prices and volatilities that arise from the Trust's investment activities. The Trust's principal risk arises from interest rate risk as the Trust does not undertake foreign exchange or trading activities.

(continues)

4. FINANCIAL INSTRUMENTS *(continued)*

Interest Rate Risk

Interest rate risk is the risk that a movement in the interest rates could impact net interest income and the economic value of the assets, liabilities and unitholders' equity. The Trust is exposed to interest rate risk on the mortgage investments (Note 3) and the loan payable (Note 5).

For mortgage investments, the Trust manages interest rate risk by holding mortgage investments that are substantially based on a fixed interest rate. It is estimated that a general 0.5% increase or decrease in market interest rates would have no impact on the mortgage investment income, due to the fixed nature of the interest rates being earned on the mortgage investments. It is estimated that an increase of 0.5% in the prime lending rate would result in an increase in interest expense on the loan payable of approximately $88,000 (2013: $43,000).

5. LOAN PAYABLE

The Trust has an operating line of credit with Canadian Western Bank to a maximum of $30,000,000 (2013: $18,000,000), subject to margin requirements on eligible mortgage investments, which bears interest at a rate of 0.75% per annum above the bank's prime lending rate. For the year ended, December 31, 2014, the bank's average prime lending rate was 3.00% per annum (2013: 3.00%). The line of credit is secured by a general security agreement including a fixed first charge over the real and personal property of the Trust, Capital Direct Lending Corp., and Capital Direct Management Ltd., a general assignment of mortgages agreement, and a general assignment of insurance.

The line of credit is subject to certain financial covenants as outlined in Note 11. As at December 31, 2014, the Trust was in compliance with these covenants.

The maximum and minimum amounts borrowed during the year were $24,911,835 (2013: $15,631,451) and $15,321,909 (2013: $5,283,066) respectively.

Subsequent to year end the bank's prime lending rate was lowered to 2.85% per annum.

6. RELATED PARTY TRANSACTIONS

During the year, the Trust purchased 99% (2013: 99%) of its mortgages totaling $35,420,212 (2013: $25,808,842) from Capital Direct Lending Corp. and 1% (2013: 1%) of its mortgages totalling $391,000 (2013: $344,000) from Capital Direct Atlantic Inc.

These transactions were conducted in the normal course of business and are recorded at the exchange amount being the consideration agreed to by the related parties.

7. TAXATION

Under the specified investment flow-through trust or partnership ("SIFT") rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital will not be subject to the tax.

The Trust is not subject to the SIFT tax regime since units of the Trust are not listed on a stock exchange or other public market. Accordingly, the Trust has not recorded a provision for income taxes or deferred income tax in respect of the SIFT Rules.

8. DISTRIBUTIONS TO UNITHOLDERS

The Trust distributes 80% of the net income from operations to the Unitholders on a quarterly basis from investments held by the Trust. The quarterly distributions are paid in arrears on the 15th day following the first three calendar quarters and on March 31 following the fourth calendar quarter to which the distribution relates. Distributions by the Trust will be paid in cash unless the Unitholder elects to receive distributions in the form of units.

9. UNITHOLDERS' EQUITY

Pursuant to the Declaration of Trust, the Trust is authorized to issue an unlimited number of retractable, redeemable and transferable units, each of which represents an equal, undivided interest in any distributions made by the Trust and in the net assets of the Trust in the event of termination or windup. Each Unitholder is entitled to one vote for each whole unit held.

During the year the Trust created a new class of trust units, designated Class F. These units bear similar features to the Class A units except that Class F units may be retracted after 180 days with no penalty, whereas Class A units bear a retraction fee which diminishes over five years from 5% prior to the first anniversary of issue to zero. Class A and Class F units share pro rata in distributions from the Trust. Both classes of units are permitted to be retracted on June 30 or December 31 in any year by giving written notice to the Manager.

The Trust's current offering authorizes Class A and Class F units totalling 12,500,000 units for a combined maximum of $125,000,000. Class A and Class F units are issued as listed below.

For the year ended December 31, 2014, 791,565 units (2013: 593,555 units) were issued for a total subscription price of $7,915,650 (2013: $5,935,548) and 86,487 units (2013: 63,652 units) were redeemed for a total redemption price of $864,874 (2013: $636,516). 79,687 were called for retraction prior to December 31, 2014. The redemption price of $796,867 is accrued in accounts payable. 111,808 units (2013: 69,008) units were issued on reinvestment of trust distributions.

	Class A	Class F	Total
Units outstanding, beginning of period	2,041,233	-	2,041,233
Units issued on subscription	744,067	47,498	791,565
Units issued on reinvestment	111,808	-	111,808
Units redeemed	(166,174)	-	(166,174)
Units outstanding, end of period	2,730,934	47,498	2,778,432
Unitholders equity:	$ 27,309,336	$ 474,984	$ 27,784,320
Net asset value per unit	$ 10	$ 10	$ 10

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10. MANAGEMENT FEES AND EXPENSES

Management fees and distributions

Pursuant to the management agreement between the Trust and the Manager, the Manager is to provide management, administration and investment advisory services to the Trust. For these services, the Manager will be entitled to receive a monthly fee (the "Manager's Fee") calculated and payable monthly in arrears based on an annual rate of 2% of the net asset value. The total management fee for the year was $461,707 (2013: $321,564).

In addition, 20% of the net income from operations will be paid to the Manager on a quarterly basis.

The Board of Directors of the Manager unanimously agreed to waive 50% of the distribution it is entitled to for the period from January to December 2014. This amount was distributed to the unitholders. The total distribution paid to the Manager for the year was $219,750 (2013: $153,622).

Of the above amounts, $188,448 (2013: $135,310) remains in accounts payable and accrued liabilities.

Expenses

All organizational expenses and sales commissions or fees paid to registered dealers in connection with the offering will be paid by the Manager.

All expenses or outlays relating to the Trust from inception including, but not limited to, the Manager's Fee, the Trustee's Fee, offering expenses (other than organizational expenses and sales commissions on fees paid to registered dealers in connection with the offer and sale of units), taxes payable by the Trust, expenses related to Unitholders' meetings, brokerage, legal and other fees and disbursements relating to the implementation of transactions for Trust investments, if any, are paid by the Trust.

11. CAPITAL MANAGEMENT

The Trust defines capital as loan payable and unitholders' equity. The Manager's objective when managing capital is to make prudent investments in mortgages so that it can continue to provide stable returns for its Unitholders. The Trust achieves its investment objectives by monitoring the Trust's mortgage investment portfolio. Information on the Unitholders' equity is described in Note 9.

The Trust's loan payable (Note 5) is subject to the following covenants as calculated in accordance with the credit facility agreement. In the event of a violation of the covenants, no trust units may be redeemed or repurchased.

1. To maintain a Cash Flow Coverage Ratio of not less than 1.50:1 in each quarter.
2. To maintain a Tangible Net Worth of not less than $20,000,000 in each quarter.
3. To maintain a Debt to Tangible Net Worth Ratio not greater than 1:1 in each quarter.

As at December 31, 2014, the Trust was in compliance with the above covenants.

12. ANNUALIZED RATE OF RETURN

Class A Units

	Net asset value	Weighted average net assets per quarter	Net income to be allocated to unitholders
First quarter - March 31, 2014	22,606,567	21,715,423	442,502
Second quarter - June 30, 2014	25,355,794	24,329,792	496,793
Third quarter - September 30, 2014	26,810,464	26,326,388	527,503
Fourth quarter - December 31, 2014	27,309,336	27,405,001	501,092
Year ended December 31, 2014	27,309,336	24,944,151	1,967,890

	Average annualized rate of return compounded quarterly	Effective annual rate of return	Weighted average return weighted by net assets outstanding	Effective weighted average annual rate of return
First quarter - March 31, 2014	8.15 %		1.77 %	
Second quarter - June 30, 2014	8.17 %		1.99 %	
Third quarter - September 30, 2014	8.01 %		2.11 %	
Fourth quarter - December 31, 2014	7.24 %		1.99 %	
Year ended December 31, 2014	7.89 %	8.13 %	7.86 %	8.09 %

(continues)

12. ANNUALIZED RATE OF RETURN *(continued)*

Class F Units

	Net asset value	Weighted average net assets per quarter	Net income to be allocated to unitholders
Third quarter - September 30, 2014	228,630	152,420	3,054
Fourth quarter - December 31, 2014	474,984	367,067	6,810
Year ended December 31, 2014	474,984	259,744	9,864

	Average annualized rate of return compounded quarterly	Effective annual rate of return	Weighted average return weighted by net assets outstanding	Effective weighted average annual rate of return
Third quarter - September 30, 2014	8.01 %		2.35 %	
Fourth quarter - December 31, 2014	7.42 %		5.24 %	
Year ended December 31, 2014	7.72 %	7.95 %	7.59 %	7.81 %

CAPITAL DIRECT I INCOME TRUST

For the Six Month Period Ended June 30, 2015

Semi-annual Financial Statements

(Unaudited - Management Prepared)

CAPITAL DIRECT I INCOME TRUST

Statement of Financial Position

Six month period ended June 30, 2015

(Unaudited - Management Prepared)

	Jun-30-15	Dec-31-14
ASSETS		
Cash	$647,640	$556,175
Accounts receivable	$14,641	$120,045
Mortgage investments *(Notes 3,4,7)*	$69,007,714	$53,633,836
Assets held for sale	$0	$0
	$69,669,995	**$54,310,056**
LIABILITIES		
Accounts payable and accrued liabilities	$1,428,603	$1,613,901
Loan Payable *(Note 6)*	$30,557,382	$24,911,835
	$31,985,985	$26,525,736
UNITHOLDERS' EQUITY		
Net Assets	$37,684,010	$27,784,320
	$69,669,995	**$54,310,056**

Approved by the Board of Governors

"Richard Nichols" Director

"Richard Nichols

"Derek Tripp" Director

Derek Tripp

See accompanying notes to the financial statements.

CAPITAL DIRECT I INCOME TRUST

Statement of Change in Net Assets

Six month period ended June 30, 2015

(Unaudited - Management Prepared)

	Class A Jun-30-15	Class F Jun-30-15	Total Jun-30-15	Jun-30-14
Net assets - beginning of period	$27,309,336	$474,984	$27,784,320	$20,412,327
Comprehensive income	$1,362,302	$137,582	$1,499,884	$1,043,661
	$28,671,638	$612,566	$29,284,204	$21,455,988
Distribution to unitholders *(Note 9)*	($1,226,072)	($123,824)	($1,349,896)	($939,295)
Distribution to the Manager	($136,230)	($13,758)	($149,988)	($104,366)
Capital transactions				
Subscriptions *(Note 10)*	$5,215,754	$4,016,793	$9,232,547	$4,548,800
Reinvested distributions	$658,584	$8,559	$667,143	$501,310
Redemptions	$0	$0	$0	($106,632)
Net assets - end of period	**$33,183,674**	**$4,500,336**	**$37,684,010**	**$25,355,805**

See accompanying notes to the financial statements.

CAPITAL DIRECT I INCOME TRUST

Statement of Comprehensive Income

Six month period ended June 30, 2015

(Unaudited - Management Prepared)

	Jun-30-15	Jun-30-14
Revenue		
Mortgage Interest Income	$2,623,462	$1,681,707
Mortgage Discount Income	$77,041	$73,050
Prepayment Income	$164,852	$74,910
Early Redemption Income	$27,362	$1,000
Sundry Mortgage Income	$83,600	$43,482
	$2,976,317	**$1,874,149**
General and administrative expenses		
Audit Fees	$45,759	$30,000
Bank Charges	$13,710	$15,086
Filing Fees	$23,131	$26,037
Interest Expense on loan payable	$493,552	$297,138
Legal Expense	$72,622	$61,248
Management Fees	$287,202	$208,045
Provision for Loan Loss	$483,842	$161,177
Trustee Fees	$16,897	$10,505
Sundry Mortgage Expense	$39,718	$21,252
	$1,476,433	**$830,488**
Net income and comprehensive income for the period	**$1,499,884**	**$1,043,661**

See accompanying notes to the financial statements.

CAPITAL DIRECT I INCOME TRUST

Statement of Cash Flows

Six month period ended June 30, 2015

(Unaudited - Management Prepared)

	Jun-30-15	Jun-30-14
Operating activities		
Net income for the period	$1,499,884	$1,043,661
Items not affecting cash:		
Provision for loan losses	$483,842	$161,177
	$1,983,726	$1,204,837
Changes in non-cash working capital:		
Accounts receivable	$105,404	($14,930)
Account payable and accrued liabilities	($185,298)	$63,845
	($79,894)	$48,915
Cash flow from operating activities	$1,903,832	$1,253,753
Investing activity		
Purchase of mortgage investments, net	($15,857,720)	($7,149,824)
Cash flow used by investing activities	($15,857,720)	($7,149,824)
Financing activities		
Distribution to unitholders and Manager	($832,741)	($542,351)
Advances on loan payable	$5,645,547	$1,561,488
Cash received on subscriptions	$9,232,547	$4,548,800
Redemptions	$0	($106,632)
Cash flow from financing activities	$14,045,353	$5,461,306
Increase in cash	$91,465	($434,766)
Cash - beginning of period	$556,175	$569,309
Cash - end of period	$647,640	$134,543
Cash flow supplementary information		
Interest paid	$493,552	$297,138
Interest income	$2,623,462	$1,681,707

See accompanying notes to the financial statements.

1. ORGANIZATION OF THE TRUST

The Capital Direct I Income Trust (the “Trust”) is an open-ended investment trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated June 23, 2006 by Capital Direct Management Ltd. (the “Manager”), as administrator of the Trust and Computershare Trust Company of Canada (the “Trustee”). The address of the Trust's registered office is #305 - 555 West 8th Avenue, Vancouver BC V5Z 1C6.

The Trust is not a reporting issuer under securities legislation and therefore is relying on Part 2.11 of National Instrument 81-106 for exemption from the requirements to file interim financial reports with the applicable regulatory authorities.

2. BASIS OF PRESENTATION-DISCLOSURE FOR INTERIM FS

These unaudited semi-annual financial statements, including comparatives, are prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”).

The semi-annual financial statements should be read in conjunction with the Trust’s annual financial statements for the year ended December 31, 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting estimates and judgements

The preparation of financial statements in conformity with IAS 34 requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates include the allowance for loan losses and completeness of accrued liabilities. These are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments

Recognition and measurement

The Trust recognizes financial assets and financial liabilities, including derivatives and embedded derivatives, on the balance sheet when the Trust becomes party to the contractual provisions of the financial instruments or non-financial derivative contract. The Trust classifies all financial assets and financial liabilities as either a) Held for trading, b) Available for sale, c) Held to maturity, d) Loans and receivables or e) Other financial liabilities, depending on the Trust's stated intention and/or historical practice. Financial assets and liabilities held for trading are measured at fair value with gains and losses recognized in net income. Financial assets held to maturity, loans and receivables, and other financial liabilities other than those held for trading, are measured at amortized cost based on the effective interest method. Available for sale instruments are measured at fair value with gains and losses, net of tax, recognized in other comprehensive income.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Trust's financial assets and liabilities are classified as follows:

	Category	Measurement
Assets:		
Cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Mortgage investments	Loans and receivables	Amortized cost
Liabilities:		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loan payable	Other financial liabilities	Amortized cost

Comprehensive income

Comprehensive income consists of net earnings and other comprehensive income ("OCI"). OCI comprises the change in fair value of the effective portion of the derivatives used as hedging items in a cash flow hedge and the change in fair value of any available for sale financial instruments. Amounts included in OCI are shown net of tax. Accumulated other comprehensive income is an equity category comprised of the cumulative amounts of OCI.

The Trust had no "other comprehensive income or loss" transactions during the six months ended June 30, 2015 and no opening or closing balances for accumulated other comprehensive income or loss.

Mortgage investments

Mortgage investments are measured at amortized cost using the effective interest method, net of an allowance for losses.

Interest income from mortgage investments is recorded on an accrual basis, except for mortgage investments that are considered to be impaired. A mortgage investment is classified as impaired when, in management's opinion, there is reasonable doubt as to the ultimate collectibility, either in whole or in part, of principal and interest. When a mortgage investment is classified as impaired, recognition of interest in accordance with the term of the original mortgage investment agreement ceases. Subsequent payments received on an impaired mortgage investment are recorded as a reduction in principal. Mortgage investments are generally returned to accrual status when the timely collection of both principal and interest is reasonably assured and all delinquent principal and interest payments are brought current.

Mortgage discount income is deferred and recognized over the term of the underlying mortgage. Other fees are recognized as the services are performed.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision for loan losses

The Trust maintains specific and general allowances for losses in its mortgage investment portfolio. The provision for loan losses is increased by a provision for mortgage investment impairment charged to income and reduced by write-offs during the year.

A loan is considered to be impaired when payments are in arrears, all attempts at recovery with the mortgagee have failed and the Trust enters the foreclosure process to recover the loan balance. A specific provision is recorded to the extent the fair value of the collateral charged against the loan does not exceed the loan balance. Interest income continues to be accrued until the courts begin selling the property. Legal fees and other costs are also accrued to the loan balance to the extent they are expected to be recovered. At June 30, 2015 there are no impaired loans for which a specific loss provision has been recorded.

The Trust also maintains a general allowance that incorporates mortgage investment loss history as the basis for estimating probability of default in mortgage investments. The Trust groups all unimpaired loans according to similar credit risk characteristics, and evaluates the likelihood of an impairment loss on a group basis. The Trust records a loss provision allowance against each group of loan with such similar characteristics.

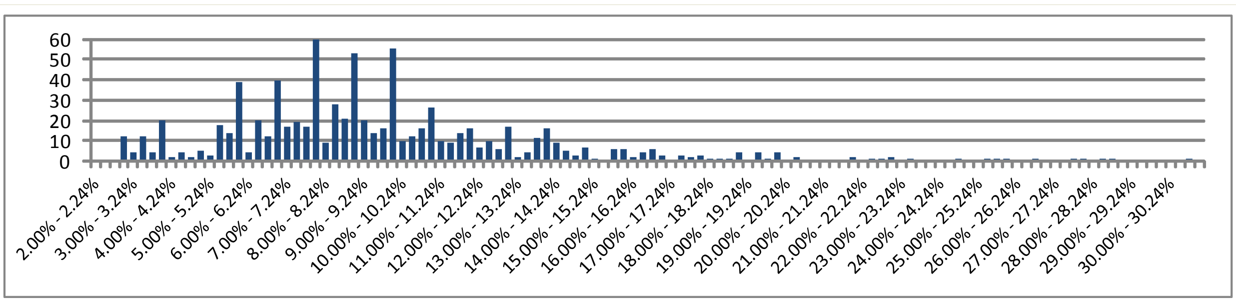
Income taxes

The Trust qualifies as a "Unit Trust" within the meaning of the Income Tax Act (Canada) (the "Act"). The Trust is subject to applicable federal and provincial taxes on its net income for tax purposes for the year, including taxable capital gains, except to the extent such amounts are distributed to unitholders. Losses incurred by the Trust cannot be allocated to unitholders, but may be deducted by the Trust in future years in accordance with the Act.

4. MORTGAGE INVESTMENTS

Interest rates vary on the mortgages as noted below:

Interest Rate	#Loans	Carrying Value	Interest Rate	#Loans	Carrying Value
2.75% - 2.99%	12	$1,059,410	13.00% - 13.24%	2	$164,571
3.00% - 3.24%	4	$550,722	13.25% - 13.49%	4	$249,036
3.25% - 3.49%	12	$1,232,481	13.50% - 13.74%	11	$696,011
3.50% - 3.74%	4	$372,381	13.75% - 13.99%	16	$925,855
3.75% - 3.99%	20	$3,366,242	14.00% - 14.24%	9	$613,553
4.00% - 4.24%	2	$105,681	14.25% - 14.49%	5	$367,036
4.25% - 4.49%	4	$526,727	14.50% - 14.74%	3	$81,476
4.50% - 4.74%	2	$144,002	14.75% - 14.99%	7	$482,484
4.75% - 4.99%	5	$647,767	15.00% - 15.24%	1	$35,594
5.00% - 5.24%	3	$488,490	15.50% - 15.74%	6	$264,254
5.25% - 5.49%	18	$2,274,933	15.75% - 15.99%	6	$338,957
5.50% - 5.74%	14	$1,370,166	16.00% - 16.24%	2	$56,309
5.75% - 5.99%	39	$4,888,772	16.25% - 16.49%	4	$108,309
6.00% - 6.24%	4	$708,584	16.50% - 16.74%	6	$245,711
6.25% - 6.49%	20	$1,860,114	16.75% - 16.99%	3	$196,241
6.50% - 6.74%	12	$1,180,321	17.25% - 17.49%	3	$95,517
6.75% - 6.99%	40	$4,338,680	17.50% - 17.74%	2	$60,952
7.00% - 7.24%	17	$2,087,213	17.75% - 17.99%	3	$110,147
7.25% - 7.49%	19	$1,278,334	18.00% - 18.24%	1	$84,240
7.50% - 7.74%	17	$1,468,082	18.25% - 18.49%	1	$33,040
7.75% - 7.99%	61	$5,009,264	18.50% - 18.74%	1	$21,868
8.00% - 8.24%	9	$876,588	18.75% - 18.99%	4	$227,254
8.25% - 8.49%	28	$2,095,602	19.25% - 19.49%	4	$112,785
8.50% - 8.74%	21	$1,841,805	19.50% - 19.74%	1	$36,663
8.75% - 8.99%	53	$3,746,015	19.75% - 19.99%	4	$92,056
9.00% - 9.24%	20	$1,862,308	20.25% - 20.49%	2	$31,543
9.25% - 9.49%	14	$1,427,064	21.75% - 21.99%	2	$305,476
9.50% - 9.74%	16	$1,331,739	22.25% - 22.49%	1	$13,416
9.75% - 9.99%	55	$4,147,061	22.50% - 22.74%	1	$25,215
10.00% - 10.24%	10	$1,091,321	12.75% - 22.99%	2	$49,235
10.25% - 10.49%	12	$692,482	23.25% - 23.49%	1	$29,428
10.50% - 10.74%	16	$1,356,030	24.50% - 24.74%	1	$9,476
10.75% - 10.99%	26	$1,416,400	25.25% - 25.49%	1	$83,506
11.00% - 11.24%	10	$545,411	25.50% - 25.74%	1	$27,789
11.25% - 11.49%	9	$929,150	25.75% - 25.99%	1	$12,674
11.50% - 11.74%	14	$975,712	26.50% - 26.74%	1	$41,232
11.75% - 11.99%	16	$787,510	27.50% - 27.74%	1	$15,606
12.00% - 12.24%	7	$276,024	27.75% - 27.99%	1	$12,233
12.25% - 12.49%	10	$628,110	28.25% - 28.49%	1	$66,298
12.50% - 12.74%	6	$381,218	28.50% - 28.74%	1	$38,863
12.75% - 12.99%	17	$1,193,159	30.50% - 30.74%	1	$8,260
				829	$69,693,715



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4. MORTGAGE INVESTMENTS (continued)

Mortgage investments consist primarily of residential mortgages acquired from Capital Direct Lending Corp., the parent company of the Manager and Capital Direct Atlantic Inc., a subsidiary of the parent company to the Manager. The mortgages have maturities ranging from 12 to 24 months and carry the option of prepayment under certain conditions. No mortgages are insured under the National Housing Act (Canada). Loan to value ratios on the mortgages vary as noted below:

LTV	Number of Loans	Carrying Value	% Carrying Value
0% to 4.99%	5	$135,511	0%
5% to 9.99%	16	$607,009	1%
10% to 14.99%	26	$1,696,829	2%
15% to 19.99%	25	$2,250,322	3%
20% to 24.99%	20	$1,565,773	2%
25% to 29.99%	25	$2,431,167	3%
30% to 34.99%	30	$2,756,883	4%
35% to 39.99%	19	$1,979,574	3%
40% to 44.99%	41	$4,208,785	6%
45% to 49.99%	42	$4,190,425	6%
50% to 54.99%	46	$4,428,652	6%
55% to 59.99%	86	$9,372,573	13%
60% to 64.99%	89	$8,613,466	12%
65% to 69.99%	123	$11,445,015	16%
70% to 74.99%	141	$8,236,643	12%
75% to 79.99%	93	$5,124,550	7%
80% to 84.99%	1	$385,658	1%
85% to 89.99%	1	$264,880	0%
90% to 94.99%	0		
95% to 99.99%	0		
	829	$69,693,715	100%
General Loan loss provision		($524,135)	
Deferred mortgage discount income		($161,866)	
		$69,007,714	

Prov	#Loans	Fair Value	%Portfolio
Atlantic	11	$1,002,807	1.44%
AB	117	$9,604,342	13.78%
BC	360	$33,204,611	47.64%
ON	341	$25,881,955	37.14%
TOTAL	829	$69,693,715	100.00%

On December 31, 2014, the general loan loss provision was $309,192 or 0.6% of the gross mortgage loan balance. During the six month period ended June 30, 2015 the Trust increased the general provision by $483,841 to 0.8% of the gross mortgage loan balance. The Trust wrote off loans totalling $268,898 against the loan loss provision.

5. FINANCIAL INSTRUMENTS

a) Fair value of financial assets and liabilities

The following table details carrying values and fair values of financial assets and financial liabilities by financial instrument classification. The fair values of financial assets and liabilities with fixed interest rates have been determined using discounted cash flow techniques based on interest rates being offered for similar types of assets and liabilities with similar terms and risks as at the balance sheet date. The fair values of other financial assets and liabilities are assumed to approximate their carrying values, principally due to their short term nature.

These fair values, presented for information only, reflect conditions that existed only at the balance sheet date.

	Jun-30-15			Jun-30-14
	Carrying Value	Fair Value	Difference	Difference
Assets:				
Loans and receivables:				
Cash	$647,640	$647,640	-	-
Accounts receivable	$14,641	$14,641	-	-
Mortgage investments	$69,007,714	$69,007,714	-	-
			-	-
Liabilities:				
Other liabilities:				
Accounts payable	$1,428,603	$1,428,603	-	-
Loan payable	$30,557,382	$30,557,382	-	-
			-	-
Net difference			-	-

(b) Risk management

Risk management involves the identification, ongoing assessment, managing and monitoring of material risks that could adversely affect the Trust. The Trust is exposed to credit risk, liquidity risk, market risk and interest rate risk. There were no significant changes in risk from those disclosed in the Trust's annual financial statements

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5. FINANCIAL INSTRUMENTS (continued)

Credit Risk

Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to the Trust. It is the Manager's opinion that the Trust is exposed to credit risks on all mortgage investments. The credit risk is mitigated as all mortgage investments are collateralized, there is no significant geographical concentration of mortgage investments, and the Manager regularly reviews and monitors the fair value of the collateral. The loss provision for the mortgage investments is established based on a provision for identified specific mortgage investments and a general provision applied to loans with similar credit characteristics. The Manager has assessed that there are no specifically identified mortgage investments exposed to credit risks. The Manager has provided a general loan loss provision based on approximately 0.8% (December 31, 2014: 0.6%) of mortgage investments.

Liquidity Risk

Liquidity risk refers to the Trust's ability to meet its own financial obligations such as funding mortgage commitments, operational expenses, trust distributions and unitholder redemptions. In this regard the Manager monitors cash regularly to ensure the Trust can meet its obligations, however, the Manager does have the right to postpone unitholder redemptions if it feels that the Trust's financial position will become impaired.

Market Risk

Market risk includes both interest rate risk and foreign currency risk. The interest rate risk relates to the Trust's ability to adjust to changing interest rates on their loan payable. To offset this risk the Trust generally lends its funds with rates adjustable within one or two years which allows the Trust to adjust rates on renewals annually. There is no foreign exchange risk as the Trust is limited to investing in mortgages situated in Canada.

6. LOAN PAYABLE

The Trust has an operating line of credit with Canadian Western Bank to a maximum of $40,000,000 which bears interest at a rate of 0.75% per annum above the bank's prime lending rate. For the six month period ended June 30, 2015, the bank's average prime lending rate was 2.85% per annum. The line of credit is secured by a general security agreement including a fixed first charge over the real and personal property of the Trust, Capital Direct Lending Corporation, and Capital Direct Management Ltd., a general assignment of mortgages agreement and a general assignment of insurance.

The maximum and minimum amounts borrowed during the six month period ended June 30, 2015 were $31,458,109 and $24,911,874 respectively.

7. RELATED PARTY TRANSACTIONS

During the six month period ended June 30, 2015, the Trust purchased 98.6% of its mortgages totaling $29,803,116 from Capital Direct Lending Corp., and 1.4% of its mortgages totaling $423,726 from Capital Direct Atlantic Inc.

These transactions were conducted in the normal course of business and are recorded at the exchange amount being the consideration agreed by the related parties.

8. TAXATION

The Trust qualifies as a “Unit Trust” within the meaning of the Canadian Income Tax Act (“The Act”). The Trust is subject to applicable federal and provincial taxes on the amounts of its net income for tax purposes for the year, including net realizable taxable capital gains, except to the extent such amounts are distributed to unitholders. Losses incurred by the Trust cannot be allocated to unitholders, but may be deducted by the Trust in future years in accordance with The Act.

9. DISTRIBUTION TO UNITHOLDERS

The Trust distributes 80% of the net income from operations to the unitholders on a quarterly basis from investments held by the Trust. The quarterly distributions are paid in arrears on the 15th day following the first three calendar quarters and on March 31 following the fourth calendar quarter to which the distribution relates. Distributions by the Trust will be paid in cash unless the unitholder elects to receive distributions in the form of units.

10. UNITHOLDER EQUITY

Pursuant to the Declaration of Trust, the Trust is authorized to issue an unlimited number of retractable, redeemable and transferable units, each of which represents an equal, undivided interest in any distributions made by the Trust and in the net assets of the Trust in the event of termination or windup. Each Unitholder is entitled to one vote for each whole unit held.

The Trust has authorized Class A and Class F units toalling 12,500,000 units for a combined maximum of $125,000,000. Class A and Class F units bear similar features except that Class F units may be retracted after 180 days without penalty whereas Class A units bear a retraction fee which diminishes over five years from 5% to zero . Class A and Class F units share pro rata in distributions from the Trust. Both classes of units are permitted to be retracted on June 30 or December 31 in any year by giving written notice to the Manager. Class A and Class F units are issued as listed below.

For the six month period ended June 30, 2015 923,255 units were issued for a total subscription price of $9,232,547.

	Class A	Class F	Total
Units outstanding, Dec-31-2014	2,730,934	47,498	2,778,432
Units issued on subscription	521,575	401,680	923,255
Units issued on reinvestment	65,858	856	66,714
Units redeemed	0	0	0
Units outstanding, Jun-30-2015	3,318,367	450,034	3,768,401

11. MANAGEMENT FEES AND EXPENSES

Management fees

Pursuant to the Management Agreement between the Trust and the Manager, the Manager is to provide management, administration and investment advisory services to the Trust. For these services, the Manager will be entitled to receive a monthly fee (the "Manager's Fee") calculated and payable monthly in arrears based on an annual rate of 2% for class A and 1% for class F of the net asset value. The Total Management Fee for the six month period was $287,202.

In addition, 20% of the net income from operations will be paid to the Manager on a quarterly basis.

The Board of Directors of the Manager unanimously agreed to waive 50% of the distribution to which it is entitled for the six month period ended June 30, 2015. The amount waived was returned to the Fund and was distributed to the unitholders. The total distribution paid to the Manager for the six month period was $149,988.

Of these amounts, $229,488 remains in accounts payable.

Expenses

All organization expenses and sales commission or fees paid to registered dealers in connection with the Offering will be paid by the Manager.

All expenses or outlays relating to the Trust from inception including, but not limited to, the Manager's Fee, the Trustee's fee, offering expenses (other than organizational expenses and sales commissions on fees paid to registered dealers in connection with the offer and sale of units), taxes payable by the Trust, expenses related to Unitholders' meetings, brokerage, legal and other fees and disbursements relating to the implementation of transactions for Trust investments, if any, will be paid by the Trust.

12. CAPITAL MANAGEMENT

The Trust defines capital as loan payable and unitholders' equity. The Manager's objective when managing capital is to make prudent investments in mortgages so that it can continue to provide stable returns for its Unitholders. The Trust achieves its investment objectives by monitoring the Trust's mortgage investment portfolio. Information on the Unitholders' equity is described in Note 10.

The Trust's loan payable (Note 6) is subject to the following covenants as calculated in accordance with the credit facility agreement. In the event of a violation of the covenants, no trust units may be redeemed or repurchased.

1. To maintain a Cash Flow Coverage Ratio of not less than 1.50:1 in each quarter.
2. To maintain a Tangible Net Worth of not less than $20,000,000 in each quarter.
3. To maintain a Debt to Tangible Net Worth Ratio not greater than 1:1 in each quarter.

For the six month period ended June 30, 2015, the Trust was in compliance with the above covenants.

13. ANNUALIZED RATE OF RETURN

Subscription Month	Net Asset Value	Weighted Average Net Asset Value Per Month	Net Income Allocated to Unitholders	Annualized Return
Initial subscription on settlement	$10			
Class A:				
Jan-31-15	$27,919,173	$27,919,173	$564,950	8.094%
Feb-28-15	$684,132	$456,088	$9,229	8.094%
Mar-31-15	$1,219,391	$406,464	$8,225	8.094%
Class A Total:	$29,822,695	$28,781,724	$582,404	8.094%
Class F:				
Jan-31-15	$571,700	$571,700	$11,895	8.322%
Feb-28-15	$628,883	$419,255	$8,723	8.322%
Mar-31-15	$1,853,774	$617,925	$12,856	8.322%
Class F Total:	$3,054,357	$1,608,880	$33,474	8.322%
Total:	$32,877,062	$30,390,604	$615,878	
Class A:				
Apr-30-15	$30,456,793	$30,456,793	$617,178	8.106%
May-31-15	$1,194,765	$796,510	$16,141	8.106%
Jun-30-15	$1,532,106	$510,702	$10,349	8.106%
Class A Total:	$33,183,664	$31,764,005	$643,667	8.106%
Class F:				
Apr-30-15	$4,019,596	$4,019,596	$85,248	8.483%
May-31-15	$240,950	$160,633	$3,407	8.483%
Jun-30-15	$239,790	$79,930	$1,695	8.483%
Class F Total:	$4,500,336	$4,260,159	$90,350	8.483%
Total:	$37,684,010	$36,024,164	$734,017	
Total January to June			$1,349,895	

CERTIFICATE

This Offering Memorandum does not contain a misrepresentation.

Capital Direct I Income Trust,
by its Manager, **Capital Direct Management Ltd.**

DATED this 15th day of July, 2015.

"Richard F.M. Nichols"
Richard F.M. Nichols, Managing Director

"Derek R. Tripp"
Derek R. Tripp, Managing Director

"Timothy P.J. Wittig"
Timothy P.J. Wittig, Director

On Behalf of the Board of Directors
of the Manager, Capital Direct Management Ltd.

"Richard F.M. Nichols"
Richard F.M. Nichols, Director

"Derek R. Tripp"
Derek R. Tripp, Director

"Timothy P.J. Wittig"
Timothy P.J. Wittig, Director

Trustee
Computershare Trust Company of Canada
by the Manager pursuant to section 17.4 of the Declaration of Trust

"Richard F.M. Nichols"
Richard F.M. Nichols, Director of the Manager