CAPITAL DIRECT I INCOME TRUST

For the Three Month Period Ended September 30, 2014

(Unaudited - Management Prepared)

See accompanying notes to the financial statements.

CAPITAL DIRECT I INCOME TRUST

Statement of Financial Position

Three month period ended September 30, 2014

(Unaudited - Management Prepared)

	Sep-30-14	Dec-31-13	Jan-1-13
ASSETS			
Cash	$353,977	$569,309	$187,552
Accounts receivable	$8,809	$0	$0
Mortgage investments *(Notes 3,4,7)*	$48,562,073	$36,139,391	$19,781,725
Assets held for sale	$0	$0	$15,949
	$48,924,858	**$36,708,700**	**$19,985,226**
LIABILITIES			
Accounts payable and accrued liabilities	$809,284	$664,922	$478,948
Loan Payable *(Note 6)*	$21,076,481	$15,631,451	$5,083,066
	$21,885,765	$16,296,373	$5,562,014
UNITHOLDERS' EQUITY			
Net Assets	$27,039,094	$20,412,327	$14,423,212
	$48,924,858	**$36,708,700**	**$19,985,226**

Approved by the Board of Governors

"Richard Nichols" Director

"Richard Nichols

"Derek Tripp" Director

Derek Tripp

See accompanying notes to the financial statements.

NOTE: All investments carry risk, past performance is not an indication of future returns.

CAPITAL DIRECT I INCOME TRUST

Statement of Change in Net Assets

Three month period ended September 30, 2014

(Unaudited - Management Prepared)

	Sep-30-14	Sep-30-13
Net assets - beginning of period	$25,355,804	$17,360,839
Comprehensive income	$589,508	$400,205
	$25,945,313	$17,761,043
Distribution to unitholders *(Note 9)*	($530,557)	($360,184)
Distribution to the Manager	($58,951)	($40,020)
Capital transactions		
Subscriptions *(Note 10)*	$2,146,912	$1,251,230
Reinvested distributions	$294,620	$177,088
Redemptions	($758,243)	($395,574)
Net assets - end of period	**$27,039,094**	**$18,393,583**

See accompanying notes to the financial statements.

NOTE: All investments carry risk, past performance is not an indication of future returns.

CAPITAL DIRECT I INCOME TRUST

Statement of Comprehensive Income

Three month period ended September 30, 2014

(Unaudited - Management Prepared)

		Sep-30-14	Sep-30-13
Revenue			
	Mortgage Interest Income	$994,957	$652,651
	Mortgage Discount Income	$33,961	$33,093
	Prepayment Income	$53,104	$37,037
	Early Redemption Income	$3,977	$9,943
	Sundry Mortgage Income	$33,509	$18,911
		$1,119,508	**$751,635**
General and administrative expenses			
	Audit Fees	$20,000	$20,000
	Bank Charges	$14,225	$9,970
	Filing Fees	$13,382	$12,834
	Interest Expense on loan payable	$179,058	$92,111
	Legal Expense	$93,857	$46,840
	Management Fees	$121,649	$85,275
	Provision for Loan Loss	$62,102	$76,195
	Trustee Fees	$10,570	$0
	Sundry Mortgage Expense	$15,157	$8,206
		$530,000	**$351,430**
Net income and comprehensive income for the period		**$589,508**	**$400,205**

See accompanying notes to the financial statements.

NOTE: All investments carry risk, past performance is not an indication of future returns.

CAPITAL DIRECT I INCOME TRUST

Statement of Cash Flows

Three month period ended September 30, 2014

(Unaudited - Management Prepared)

	Sep-30-14	Sep-30-13
Operating activities		
Net income for the period	$589,508	$400,205
Items not affecting cash:		
Provision for loan losses	$62,102	$76,195
	$651,611	$476,400
Changes in non-cash working capital:		
Accounts receivable	$6,120	($363,161)
Prepaid expenses	$0	$5,000
Account payable and accrued liabilities	$80,517	$84,380
	$86,637	($273,781)
Cash flow from operating activities	$738,247	$202,619
Investing activity		
Purchase of mortgage investments, net	($5,496,137)	($7,227,090)
Cash flow used by investing activities	($5,496,137)	($7,227,090)
Financing activities		
Distribution to unitholders and Manager	($294,889)	($223,117)
Advances on loan payable	$3,883,542	$6,285,135
Cash received on subscriptions	$2,146,912	$1,251,230
Redemptions	($758,243)	($395,574)
Cash flow from financing activities	$4,977,323	$6,917,675
Increase in cash	$219,434	($106,795)
Cash - beginning of period	$134,543	$727,980
Cash - end of period	$353,977	$621,184
Cash flow supplementary information		
Interest paid	$179,058	$92,111
Interest income	$994,957	$652,651

See accompanying notes to the financial statements.

NOTE: All investments carry risk, past performance is not an indication of future returns.

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”). These are the Trust’s first semi-annual financial statements prepared using accounting policies under International Financial Reporting Standards (“IFRS”) and accordingly IFRS 1, First-time Adoption of IFRS (“IFRS 1”) has been applied.

The semi-annual financial statements should be read in conjunction with the Trust’s annual financial statements for the year ended December 31, 2013.

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 semi-annual financial statements, there were no significant differences in accounting policies previously applied in the GAAP financial statements and therefore no adjustments were required in order to comply with IFRS.

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, which for the Trust will be December 31, 2014. 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.

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.

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3. 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 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.

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 three months ended September 30, 2014 and no opening or closing balances for accumulated other comprehensive income or

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 September 30, 2014 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.

Assets held for sale

A long lived asset is classified as held for sale when the Manager commits to a plan to sell, it is available for sale in its present condition, an active program to initiate sale has been initiated, the sale is probable and expected to complete within a year, it is being actively marketed for sale, and there are unlikely to be significant changes to the plan of sale. Assets held for sale are measured at their fair value less costs to sell.

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.

CAPITAL DIRECT I INCOME TRUST

Notes to Financial Statements

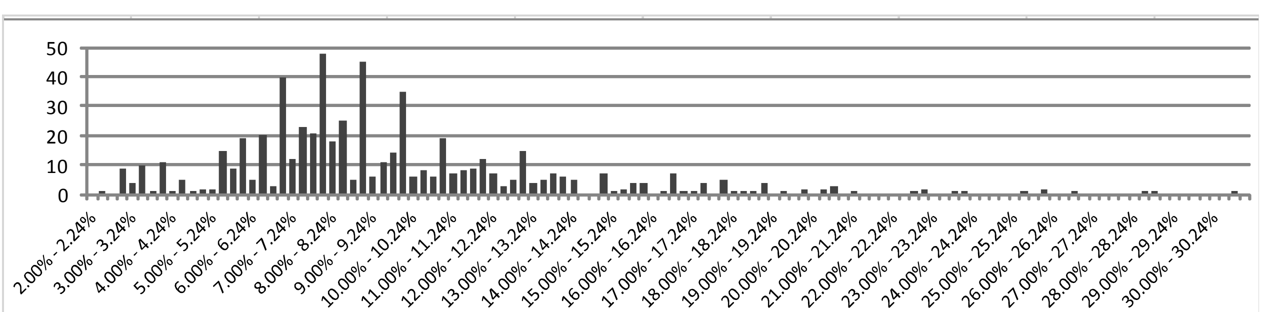
Three Month Period Ended September 30, 2014

(Unaudited - Management Prepared)

4. MORTGAGE INVESTMENTS

Interest rates vary on the mortgages as noted below:

Interest Rate	#Loans	Carrying Value
2.25% - 2.49%	1	$115,453
2.75% - 2.99%	9	$942,109
3.00% - 3.24%	4	$463,189
3.25% - 3.49%	10	$877,092
3.50% - 3.74%	1	$181,206
3.75% - 3.99%	11	$1,208,008
4.00% - 4.24%	1	$240,172
4.25% - 4.49%	5	$784,991
4.50% - 4.74%	1	$111,595
4.75% - 4.99%	2	$104,378
5.00% - 5.24%	2	$363,161
5.25% - 5.49%	15	$1,288,389
5.50% - 5.74%	9	$932,274
5.75% - 5.99%	19	$2,089,903
6.00% - 6.24%	5	$1,179,798
6.25% - 6.49%	20	$1,854,275
6.50% - 6.74%	3	$163,371
6.75% - 6.99%	40	$3,403,289
7.00% - 7.24%	12	$1,275,931
7.25% - 7.49%	23	$1,922,467
7.50% - 7.74%	21	$1,545,670
7.75% - 7.99%	48	$4,219,451
8.00% - 8.24%	18	$1,718,177
8.25% - 8.49%	25	$1,453,839
8.50% - 8.74%	5	$454,538
8.75% - 8.99%	45	$3,153,057
9.00% - 9.24%	6	$486,877
9.25% - 9.49%	11	$1,287,818
9.50% - 9.74%	14	$1,102,392
9.75% - 9.99%	35	$2,419,926
10.00% - 10.24%	6	$327,207
10.25% - 10.49%	8	$379,181
10.50% - 10.74%	6	$642,684
10.75% - 10.99%	19	$1,189,673
11.00% - 11.24%	7	$302,860
11.25% - 11.49%	8	$621,642
11.50% - 11.74%	9	$337,765
11.75% - 11.99%	12	$648,040
12.00% - 12.24%	7	$219,038
12.25% - 12.49%	3	$160,376
12.50% - 12.74%	5	$212,155
12.75% - 12.99%	15	$1,282,173
13.00% - 13.24%	4	$298,979
13.25% - 13.49%	5	$382,235
13.50% - 13.74%	7	$372,232
13.75% - 13.99%	6	$260,517
14.00% - 14.24%	5	$448,722
14.75% - 14.99%	7	$480,363
15.00% - 15.24%	1	$35,788
15.25% - 15.49%	2	$121,896
15.50% - 15.74%	4	$158,524
15.75% - 15.99%	4	$153,847
16.25% - 16.49%	1	$247,643
16.50% - 16.74%	7	$277,181
16.75% - 16.99%	1	$24,426
17.00% - 17.24%	1	$172,178
17.25% - 17.49%	4	$128,321
17.75% - 17.99%	5	$224,054
18.00% - 18.24%	1	$20,705
18.25% - 18.49%	1	$607,419
18.50% - 18.74%	1	$48,633
18.75% - 18.99%	4	$118,246
19.25% - 19.49%	1	$14,306
19.75% - 19.99%	2	$55,428
20.25% - 20.49%	2	$33,531
20.50% - 20.74%	3	$273,705
21.00% - 21.24%	1	$20,402
22.50% - 22.74%	1	$24,403
12.75% - 22.99%	2	$41,086
23.50% - 23.74%	1	$9,087
23.75% - 23.99%	1	$40,542
25.25% - 25.49%	1	$69,556
25.75% - 25.99%	2	$32,640
26.50% - 26.74%	1	$36,118
28.25% - 28.49%	1	$51,329
28.50% - 28.74%	1	$38,087
30.50% - 30.74%	1	$8,383
	618	$48,996,099



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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%	4	$138,378	0%
5% to 9.99%	18	$821,839	2%
10% to 14.99%	13	$824,752	2%
15% to 19.99%	13	$1,132,433	2%
20% to 24.99%	15	$1,018,258	2%
25% to 29.99%	18	$1,211,638	2%
30% to 34.99%	19	$1,308,799	3%
35% to 39.99%	18	$1,506,633	3%
40% to 44.99%	34	$3,444,465	7%
45% to 49.99%	31	$2,777,195	6%
50% to 54.99%	28	$2,520,416	5%
55% to 59.99%	55	$6,292,668	13%
60% to 64.99%	71	$7,435,592	15%
65% to 69.99%	89	$6,777,578	14%
70% to 74.99%	112	$7,272,900	15%
75% to 79.99%	80	$4,512,558	9%
80% to 84.99%	0		
85% to 89.99%	0		
90% to 94.99%	0		
95% to 99.99%	0		
	618	$48,996,099	100%
General Loan loss provision		($331,014)	
Deferred mortgage discount income		($103,012)	
		$48,562,073	

Prov	#Loans	Fair Value	%Portfolio
Atlantic	5	$389,745	0.80%
AB	77	$6,697,643	13.67%
BC	282	$23,675,515	48.32%
ON	254	$18,233,197	37.21%
TOTAL	618	$48,996,099	100.00%

On December 31, 2013, the general loan loss provision was $286,310 or 0.9% of the gross mortgage loan balance. During the nine month period ended September 30, 2014 the Trust increased the general provision by $223,278.91 to 0.68% of the gross mortgage loan balance. The Trust wrote off loans totalling $178,574.77 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.

	Sep-30-14			Sep-30-13
	Carrying Value	Fair Value	Difference	Difference
Assets:				
Loans and receivables:				
Cash	$353,977	$353,977	-	-
Accounts receivable	$8,809	$8,809	-	-
Mortgage investments	$48,562,073	$48,562,073	-	-
			-	-
Liabilities:				
Other liabilities:				
Accounts payable	$809,284	$809,284	-	-
Loan payable	$21,076,481	$21,076,481	-	-
			-	-
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 0.7% (December 31, 2013: 0.9%) 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 September 30, 2014 management had identified loans totaling 7% of the portfolio in arrears over 120 days. This includes loans totaling 5% of the portfolio balance which 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 investments are subject to liquidity risk due to the fact that the investments are collateralized by real estate. As a result, the Trust may not be able to realize the full fair value of the investments in the event that these financial assets need to be sold quickly. 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.

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 assets, liabilities and unitholders' equity. The Trust is exposed to interest rate risk on the mortgage investments and the loan payable.

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 $25,000 for the period ended September 30, 2014.

6. 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) which bears interest at a rate of 0.75% per annum above the bank's prime lending rate. For the six month period ended September 30, 2014, the bank's average prime lending rate was 3.00% 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.

7. RELATED PARTY TRANSACTIONS

During the three month period ended September 30, 2014, the Trust purchased 99.2% of its mortgages totaling $10,655,362 from Capital Direct Lending Corp., and 0.8% of its mortgages totaling $86,327 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.

Units are permitted to be retracted on June 30 or December 31 in any year by giving written notice to the Manager. The retraction proceeds payable for each unit is determined by a formula based on a percentage of net asset value per unit and the length of time since the unit was acquired.

For the three month period ended September 30, 2014 214,691 units were issued for a total subscription price of $2,146,912.

Units outstanding, Jun-30-2014	2,535,580
Units issued on subscription	214,691
Units issued on reinvestment	29,462
Units redeemed	75,824
Units outstanding, Sep-30-2014	2,703,909

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 three month period was $121,649.

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 three month period ended September 30, 2014. The amount waived was returned to the Fund and was distributed to the unitholders. The total distribution paid to the Manager for the three month period was $58,951.

Of these amounts, $180,600 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.

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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 three month period ended September 30, 2014, 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:				
Jul-31-14	$25,644,005	$25,644,005	$513,830	8.015%
Aug-31-14	$880,700	$587,133	$11,764	8.015%
Sep-30-14	$285,749	$95,250	$1,909	8.015%
Class A Total:	$26,810,454	$26,326,388	$527,503	8.015%
Class F:				
Aug-31-14	$228,630	$152,420	$3,054	8.015%
Class F Total:	$228,630	$152,420	$3,054	8.015%
Total:	$27,039,094	$26,478,808	$530,557	