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Capital Direct I Income Trust Confidential Offering Memorandum

March 29, 2024



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	March 29, 2024
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 Website Address: www.incometrustone.com E-mail Address: subscriptions@capitaldirect.ca Fax #: (604) 430-3287
Currently listed or Quoted	These securities do not trade on any exchange or market.
Reporting issuer	The Trust is not a reporting issuer.
SEDAR+ filer	The Trust is not a SEDAR+ filer.
The Offering	
Securities offered	Trust Units (the "Units") designated as either Class A, Class C 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: \$975,000,000 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.
Income Tax consequences	There are important tax consequences to these securities. See "Income Tax Consequences and Certain Deferred Plan Eligibility".
Connected Issuer	The Trust, the manager of the Trust, Capital Direct Management Ltd. (the "Manager"), Capital Direct Lending Corp. (the "Mortgage Broker") (including Capital Direct Atlantic Inc., a subsidiary controlled by the Mortgage Broker) and Capital Direct II Management Ltd. ("Capital Direct II"), an inactive, wholly-owned subsidiary of the Mortgage Broker, which is a party to the Loan Agreement, as defined below, are "connected issuers", and are "related issuers" of Capital Direct Financial Ltd. ("CDFL"), as such terms are defined in National Instrument 33-105 – <i>Underwriting Conflicts</i> (in Québec, Regulation 33-105 respecting <i>Underwriting Conflicts</i>). The Trust, the Manager, the Mortgage Broker and Capital Direct II have determined that they are connected issuers and may be related issuers of CDFL by virtue of CDFL's role as an exempt market dealer engaged to sell Class A Units and Class C Units offered hereby and based on the fact that the Manager, the Mortgage Broker, Capital Direct II and CDFL have common directors, officers and securityholders. In addition, the Trust is managed by the Manager and its activities are overseen by a Board of Governors consisting of five persons, three of whom are also directors, officers and securityholders of the Manager, the Mortgage Broker, Capital Direct II and CDFL. See "Risk Factors – <i>Conflicts of Interest</i>" and "Board of Governors, Management, Promoters and Principal Holders – Management Experience".
Compensation Paid to Sellers and Finders	A person has received or will receive compensation for the sale of securities under this Offering. See "Compensation Paid to Sellers and Finders". 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 must be conducted through a Dealer, which includes CDFL, an Exempt Market Dealer registered in all of the Provinces and Territories of Canada (the "Jurisdictions"). The Manager will pay to CDFL, and in its discretion, may pay to other Dealers, the following fees, which fees will be negotiated between the Manager and the applicable Dealer, however, the maximum fee that the Manager is authorized to pay to a Dealer, including CDFL is: (i) a commission equal to 1.5% of the gross proceeds received by the Trust from the sale of Class A Units; and (ii) an ongoing Trailer Fee equal to 1.0% of the gross proceeds received by the Trust from the sale of Class A Units and Class C Units made by the Trust through the Dealer. CDFL may pay a commission of 0.3% to dealing representatives of CDFL who facilitate purchases of Class A Units and Class C Units. No service fees are payable in respect of the Class F Units. In addition, CDFL will be paid a monthly dealer services fee by the Manager in consideration for performing dealer services in connection with prospectus exempt purchases made in the Jurisdictions.

Resale restrictions

You will be restricted from selling your securities for an indefinite period. However the Units are retractable as of the last Business Day (as defined below) of every month, subject to certain restrictions and deferred sales charges. See "Resale Restrictions".

Conditions on Repurchases

You will have a right to require the Trust to repurchase the securities from you, but this right is qualified by restrictions and fees. As a result, you might not receive the amount of proceeds that you want. See "The Trust - Material Contracts – Summary of the Declaration of Trust – Redemption of Units".

Purchasers' rights

You have 2 (two) Business Days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have a right to 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".

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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 B.C. 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 MNP LLP, Chartered Professional 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”, “tax-free savings account” or “registered retirement income fund” 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 Business Day of March, June, September and December;
- (m) “Capital Direct II” means Capital Direct II Management Ltd., a company validly existing under the laws of the Province of British Columbia;
- (n) “CDFL” means Capital Direct Financial Ltd., a company validly existing under the laws of the Province of British Columbia;
- (o) “CDOR Loan” means an advance in Canadian Dollars that bears interest at a rate based upon the CDOR Rate;
- (p) “CDOR Rate” means on any day the annual rate of interest which is the rate determined as being the greater of (i) zero, and (ii) the arithmetic average of the quotations of all institutions listed in respect of the rate for Canadian Dollar denominated bankers’ acceptances for the relevant period displayed and identified as such on the “Refinitiv CDOR Page” (as defined in the International Swap Dealer Association, Inc. definitions, as modified and amended from time to time) as of approximately 10:15 A.M. (Vancouver time) on such day; provided that if such rates are not available on the “Refinitiv CDOR Page” on any particular day, then the CDOR Rate on that day shall be the average of the rates applicable to Canadian Dollar bankers’ acceptances for the relevant period quoted for customers in Canada by the Lenders as of approximately 10:15 A.M. (Vancouver time) on such day;

- (q) “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;
- (r) “Cost Sharing and Dealer Services Fee Agreement” means the dealer services and cost sharing agreement entered into effective February 14, 2020 and amended and restated as of November 1, 2020, May 31 and November 30, 2021 between CDFL and the Manager;
- (s) “Credit Committee” means the credit committee of the Board of Governors;
- (t) “Dealer” means a securities dealer or an exempt market dealer registered under the securities legislation of a jurisdiction in Canada where the Offering Memorandum is filed or where the Offering is being made pursuant to exemptions from the prospectus requirements available in those jurisdictions;
- (u) “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, July 14, 2014, January 27, 2016, April 28, 2017 and January 15, 2022 creating the Trust under the laws of the Province of Ontario;
- (v) “Deferred Plans” means registered retirement savings plans, registered retirement income funds, registered education savings plans, tax-free savings accounts, registered disability savings plans and deferred profit sharing plans;
- (w) “Distribution Payment Date” means in respect of a distribution to the Unitholders, for the first three calendar quarters of a year, by the 15th day of the month following the Calculation Date for such calendar quarter, and for the fourth quarter of a year, by March 31 of the year following the Calculation Date for such calendar quarter;
- (x) “Exempt Market Dealer” means a person or company registered in the category of exempt market dealer under National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* in Québec, Regulation 31-103 *respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations* (collectively, “NI 31-103”);
- (y) “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;
- (z) “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;
- (aa) “Income Participation” 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;
- (bb) “Initial Closing” means the initial Closing of the sale of the Units offered hereby;
- (cc) “Lenders” means a syndicate of lenders led by Canadian Western Bank and their successors and assigns;
- (dd) “Lenders’ Loan” means the committed revolving credit facility established by the Lenders for the purpose of financing the day-to-day operations of the business in the ordinary course, including without limitation, to fund Mortgages;
- (ee) “Loan Agreement” means the \$180,000,000 committed loan facilities amended and restated credit agreement between the Lenders, the Trust, the Mortgage Broker, the Manager and Capital Direct II and Canadian Western Bank as agent, pursuant to which the Lenders established the Lenders’ Loan;
- (ff) “Manager” means Capital Direct Management Ltd., a company validly existing under the laws of the Province of British Columbia;

- (gg) “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 Class C 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;
- (hh) “Manitoba Securities Act” means *The Securities Act* (Manitoba);
- (ii) “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;
- (jj) “Mortgage Broker” means Capital Direct Lending Corp., a company validly existing under the laws of the Province of British Columbia;
- (kk) “Mortgage Broker Agreement” means the agreement dated January 15, 2007 as amended August 21, 2007 and as amended and restated on August 31, 2007, between the Mortgage Broker and the Manager, pursuant to which the Mortgage Broker will provide its services to the Manager;
- (ll) “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;
- (mm) “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;
- (nn) “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;
- (oo) “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;
- (pp) “New Brunswick Securities Act” means the *Securities Act* (New Brunswick), 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;

- (qq) “Newfoundland and Labrador Securities Act” means the *Securities Act* (Newfoundland and Labrador), 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;
- (rr) “Northwest Territories Securities Act” means the *Securities Act* (Northwest Territories), 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;
- (ss) “Nova Scotia Securities Act” means the *Securities Act* (Nova Scotia), 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;
- (tt) “Nunavut Securities Act” means the *Securities Act* (Nunavut), 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;
- (uu) “Offering” means the sale of Units to raise maximum gross subscription proceeds of \$975,000,000;
- (vv) “Ontario Mortgage Brokers Act” means the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (Ontario);
- (ww) “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;
- (xx) “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;
- (yy) “Person” means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;
- (zz) “Prime Lending Rate” means the floating rate of interest announced 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;
- (aaa) “Prime Rate Loan” means an advance in Canadian Dollars that bears interest at the Prime Lending Rate;
- (bbb) “Prince Edward Island Securities Act” means the *Securities Act* (Prince Edward Island), 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;
- (ccc) “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;
- (ddd) “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;
- (eee) “Redemption” means a redemption of Units by the Trust;
- (fff) “Retraction” means a redemption of Units by a Unitholder;

- (ggg) “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;
- (hhh) “Saskatchewan Securities Act” means the *Securities Act, 1988* (Saskatchewan), 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;
- (iii) “Services Agreement” means the services agreement dated November 7, 2012 between the Manager and SGGG pursuant to which SGGG provides unitholder record-keeping services to the Manager in relation to the Trust;
- (jjj) “SGGG” means SGGG Fund Services Inc.;
- (kkk) “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;
- (lll) “Subscriber” means a subscriber for Units;
- (mmm) “Subscription Form” means the subscription form to subscribe for Units;
- (nnn) “Subscription Price” means \$10.00 per Unit;
- (ooo) “Tax Act” means the *Income Tax Act* (Canada), R.S.C. 1985 (5th Supp.) c.1, as amended from time to time;
- (ppp) “Term” means, the period of time from date of issue to the Termination Date of the Units;
- (qqq) “Termination Date” means the termination date of the Trust, being the earlier of (i) 25 years from the date of the Declaration of Trust (January 15, 2047), and (ii) the date on which the Trust is otherwise terminated in accordance with its terms;
- (rrr) “Trailer Fee” means the fee paid by the Manager from time to time following the Closing in respect of Class A Units and Class C Units sold under this Offering, as more particularly described in the section entitled “Compensation Paid to Sellers and Finders”;
- (sss) “Trust” means Capital Direct I Income Trust, a trust created pursuant to the Declaration of Trust;
- (ttt) “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;
- (uuu) “Trustee” means Computershare Trust Company of Canada, the trustee named under the Declaration of Trust;
- (vvv) “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;

- (www) “Unit” means a unit of beneficial interest in the Trust and includes any Class A Unit, Class C Unit or Class F Unit and “Units” means Class A Units, Class C Units and Class F Units;
- (xxx) “Unitholders” means those investors whose subscriptions to purchase Class A Units, Class C Units or Class F Units offered by this Offering Memorandum are accepted by the Trust and thereafter at any particular time the persons are entered in the register or registers of the Trust as holders of Units and the singular form means one such registered holder;
- (yyy) “Valuation Day” means the last Business Day of each calendar month or any other day on which the Manager determines valuation is necessary; and
- (zzz) “Yukon Securities Act” means the *Securities Act* (Yukon), 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.

CANADIAN CURRENCY

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

MARKETING MATERIALS

In addition to and apart from this Offering Memorandum, the Trust may utilize certain marketing materials in connection with the Offering, including an executive summary of certain of the material set forth in this Offering Memorandum. This material may include fact sheets and investor sales promotion brochures, question and answer booklets, and presentations. All such marketing materials are specifically incorporated by reference into and form an integral part of this Offering Memorandum. All such marketing materials will be made reasonably available to prospective purchasers of Units.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this Offering Memorandum to the extent that a statement contained herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact or that is necessary to make another statement not misleading. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

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 last Business Day of 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 used for expenses associated with the making of the investments and the general operation of the Trust. All sales commissions or fees paid to Dealers in connection with the Offering will be paid by the Manager. The ongoing expenses of the Trust will be primarily the Manager’s Fee, the Manager’s Income Participation, the annual fee payable to the Trustee pursuant to the Declaration of Trust, fees payable to SGGG as registrar and transfer agent, fees payable to SGGG pursuant to the Services Agreement, payments to the Mortgage Broker under the Mortgage Broker Agreement, legal and accounting expenses in connection with the ongoing operation of the Trust and other Trust related matters, such as meetings of and reporting to Unitholders, Offering

expenses, which will be paid by the Trust and other general and administrative expenses. Investments in Mortgages will be made as set out in “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	\$975,000,000 ⁽¹⁾
B	Selling commissions and fees	\$0 ⁽²⁾	\$0 ⁽²⁾
C	Estimated Offering costs (e.g., legal, accounting and audit)	\$0	\$0
D	Net Proceeds: $D = A - (B+C)$	\$0	\$975,000,000
E	Additional sources of funding required	\$0	\$0
F	Working capital deficiency ⁽³⁾	\$0	\$0
G	Total: $G = (D+E) - F$	\$0	\$975,000,000

- (1) Although the Trust is authorized to raise a maximum of \$975,000,000, the Trust anticipates raising \$50,000,000 in the next 12 months.
- (2) The Trust will be selling the Units through Dealers, including CDFL, an Exempt Market Dealer in the Jurisdictions. The Manager will pay to CDFL, and in its discretion, may pay to other Dealers, the following fees, which fees will be negotiated between the Manager and the applicable Dealer, however, the maximum fee that the Manager is authorized to pay to a Dealer, including CDFL is: (i) a commission equal to 1.5% of the gross proceeds received by the Trust from the sale of Class A Units; and (ii) an ongoing Trailer Fee equal to 1.0% of the gross proceeds received by the Trust from the sale of Class A Units and Class C Units made by the Trust through the Dealer. No service fees are payable in respect of the Class F Units, which are intended for fee-based accounts. In addition, CDFL will be paid a monthly dealer services fee by the Manager in consideration for performing dealer services in connection with prospectus exempt purchases made in the Jurisdictions. See “Compensation Paid to Sellers and Finders”.
- (3) Amounts drawn from time to time on the Lenders’ Loan are not included in calculating working capital deficiency. The Lenders’ Loan is a committed revolving credit facility 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 available funds listed in order of priority	Assuming min. Offering	Assuming max. Offering⁽¹⁾
Investment in Mortgages and Working Capital	\$0	\$975,000,000

- (1) Although the Trust is authorized to raise a maximum of \$975,000,000, the Trust anticipates raising \$50,000,000 in the next 12 months.

Reallocation

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

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 “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. Units are retractable as of the last Business Day of every month (the “Retraction Date”) on not less than 21 days notice by the Unitholder at the Net Asset Value Per Unit, plus any accrued and unpaid Return.

There are three classes of Units (Class A, Class C 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 address of the Trust is 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. The Manager is the manager of the Trust under the Declaration of Trust. The principal place of business for the Trustee is located at 800, 324 – 8th Avenue S.W., Calgary, Alberta, T2P 2Z2. 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 located at 2500 Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8.

Investment

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 Trust 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, 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 as 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. Since 1997, the Mortgage Broker has successfully originated, underwritten and serviced Mortgage investments aggregating raising \$2.38 billion as of December 31, 2023, and as of such date is placing between \$200 million and \$260 million in Mortgages annually and directly administered approximately \$449 million in Mortgages on behalf of numerous investor clients and financial institutions.

The Mortgage Broker 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 Investment Portfolio

Since its inception in 2006, the Trust has raised capital through private placement Offerings using various prospectus exemptions including the offering memorandum exemption (the "OM Exemption") set out in section 2.9 of National Instrument 45-106 – *Prospectus Exemptions* (in Québec, Regulation 45-106 *respecting Prospectus Exemptions*) (collectively, "NI 45-106").

Portfolio Summary

As of December 31, 2023, the Trust's Mortgage portfolio consisted of 2074 Mortgage investments with a combined net balance of \$395 million. The Mortgages mature between 2024 and 2026 and rank in position of collateral from first to third. Mortgages bear interest at rates ranging between 4.25% and 26% and bear interest at a weighted average rate of 9.96%. The majority of Mortgage investments are on Real Properties located in British Columbia, Alberta and Ontario. As of December 31, 2023, the weighted average loan to value (LTV) of the investments was 52.46% LTV. The average LTV ratio of the Mortgages is calculated for each Mortgage by dividing the total principal amount of the Mortgage and all other loans ranking in equal or greater priority to the Mortgage by the fair market value of the property. The weighted average is weighted by the principal amount of each Mortgage.

The Trust invests in senior (1st) Mortgages and in junior (2nd) Mortgages in British Columbia, Alberta, Ontario and Atlantic Canada, where management feels there is a definable active real estate market. The Mortgage investments of the Trust relate to Real Property located in British Columbia, Alberta, Ontario and Atlantic Canada. Of the 2074 (\$395 million) Mortgages, 806 (\$175 million) or 44% are in British Columbia, 259 (\$43 million) or 11% are in Alberta, 869 (\$156 million) or 40% are in Ontario and 140 (\$21 million) or 5% are in Atlantic Canada. Mortgage loans are considered on a case-by-case basis recognizing that the amount of the Mortgage will vary in relation to the value of the property. The Trust intends to continue to diversify geographically by making investments in Mortgages on Real Property in 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, 2022 and December 31, 2023:

	December 31, 2022	December 31, 2023
Mortgages	\$364,338,645	\$395,457,663

The following table provides a description of the Trust's Mortgage portfolio as at December 31, 2023 by type of mortgage, nature of the underlying property, and location of the underlying property:

December 31, 2023				
Description	# of Mortgages	Principal Amount	% of Portfolio	Weighted Average Interest Rate
Type of Mortgage				
First Priority	657	\$218,542,791	55.3%	9.27%
Second Priority	1351	\$169,975,660	43.0%	12.31%
Third or Lower Priority	66	\$6,939,212	1.7%	14.94%
Total	2074	\$395,457,663	100.00%	10.63%
Nature of Underlying Property				
Residential	2074	\$395,457,663	100%	10.63%
Commercial	0	\$0	0%	0%
Total	2074	\$395,457,663	100.00%	10.63%
Location of Underlying Property				
British Columbia	806	\$174,866,416	44.0%	10.80%
Alberta	259	\$43,311,111	11.0%	10.56%
Atlantic	140	\$20,857,055	5.0%	11.23%
Ontario	869	\$156,423,081	40.0%	10.39%
Total	2,074	\$395,457,663	100.00%	10.63%

The following table provides a description of the Mortgages as at December 31, 2023 that are overdue on payments or have an impaired value:

December 31, 2023				
Description	# of Mortgages	Outstanding Amount	% of Portfolio	Weighted Average Gross Interest Rate
Payment more than 90 days overdue	56	\$18,140,294	4.59%	10.89%
Mortgages that have an impaired value	0	\$0	0%	0%
Mortgages with financial accommodations	0	\$0	0%	0%

The average credit score of the borrowers, weighted by the principal amount of the Mortgages, is 620 for the main applicants and 655 for the main applicants and co-applicants.

No Mortgage comprises 10% or more of the total principal amount of the Trust's Mortgages.

Portfolio Performance

The table below shows the portfolio performance for the last 10 years. The performance is calculated by dividing net income for the year by the net mortgage portfolio balance.

	2013	2014	2015	2016	2017	2018
Mortgage Balance	\$36,139,391	\$53,633,836	\$88,672,929	\$147,121,047	\$165,613,676	\$182,156,694
Net Income	\$1,536,217	\$2,197,504	\$3,691,507	\$7,339,429	\$10,279,629	\$13,315,679
Return on Portfolio	4.25%	4.10%	4.16%	4.99%	6.21%	7.31%

	2019	2020	2021	2022	2023
Mortgage Balance	\$200,483,054	\$259,760,322	\$334,981,715	\$364,338,646	\$395,457,663
Net Income	\$15,372,537	\$16,193,008	\$17,564,199	\$21,397,295	\$26,423,407
Return on Portfolio	7.67%	6.23%	5.24%	5.87%	6.68%

Ongoing Disclosure

The Trust makes available annual audited financial statements on the Trust's website at www.incometrustone.com on or before April 30 of each calendar year. In addition, the Trust provides to the Trustee and makes reasonably available to each Unitholder, interim financial statements within 60 days of the end of the interim period and provides Unitholders with quarterly statements reflecting their investment in the Trust. See "Reporting Obligations".

Conflicts of Interest

As described more thoroughly under "Risk Factors – *Conflicts of Interest*", the Manager, the Mortgage Broker, CDFL and Capital Direct II are related parties and the directors, officers and the securityholders of the Manager, the Mortgage Broker, CDFL and Capital Direct II are the same individuals. The Manager and the Mortgage Broker are parties to the Mortgage Broker Agreement, pursuant to which 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 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. Any conflict of interest between the Mortgage Broker and the Manager is mitigated by the fact that the Trust is governed by its own Board of Governors that has certain independent members and that is required at all times to act in the best interests of the Trust.

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

2022:

		Q1	Q2	Q3	Q4	Total
Net Income allocated to Unitholders	Class A	\$1,285,342 ⁽¹⁾	\$1,344,826	\$1,409,198	\$1,493,336 ⁽²⁾	\$5,532,702 ⁽³⁾
	Class C	\$955,497 ⁽¹⁾	\$1,103,703	\$1,303,829	\$1,428,187 ⁽²⁾	\$4,791,216 ⁽³⁾
	Class F	\$1,705,931 ⁽¹⁾	\$1,840,485	\$1,957,046	\$2,078,137 ⁽²⁾	\$7,581,599 ⁽³⁾
Average annualized rate of return	Class A	6.04% ⁽¹⁾	6.30%	6.56%	6.91% ⁽²⁾	6.45% ⁽³⁾
	Class C	6.04% ⁽¹⁾	6.30%	6.56%	6.91% ⁽²⁾	6.45% ⁽³⁾
	Class F	7.04% ⁽¹⁾	7.30%	7.56%	7.91% ⁽²⁾	7.45% ⁽³⁾

- (1) The Board of Directors of the Manager unanimously agreed to waive 25% of the distribution to which it was entitled to for the first quarter of the year ended December 31, 2022, which amount was distributed to Unitholders.
- (2) The Board of Directors of the Manager unanimously agreed to waive 50% of the distribution to which it was entitled to for the fourth quarter of the year ended December 31, 2022, which amount was distributed to Unitholders.
- (3) The Manager agreed to waive 18% of the Income Participation it was entitled to during the year ended December 31, 2022, thereby increasing the distribution to Unitholders to 82%.

2023:

		Q1	Q2	Q3	Q4	Total
Net Income allocated to Unitholders	Class A	\$1,467,940 ⁽¹⁾	\$1,625,681	\$1,775,486	\$1,867,529 ⁽¹⁾	\$6,736,636 ⁽²⁾
	Class C	\$1,337,968 ⁽¹⁾	\$1,357,485	\$1,500,012	\$1,597,538 ⁽¹⁾	\$5,793,003 ⁽²⁾
	Class F	\$2,108,597 ⁽¹⁾	\$2,336,922	\$2,500,272	\$2,699,587 ⁽¹⁾	\$9,645,378 ⁽²⁾
Average annualized rate of return	Class A	6.77% ⁽¹⁾	7.40%	8.01%	8.33% ⁽¹⁾	7.63% ⁽²⁾
	Class C	6.77% ⁽¹⁾	7.40%	8.01%	8.33% ⁽¹⁾	7.63% ⁽²⁾
	Class F	7.77% ⁽¹⁾	8.40%	9.01%	9.33% ⁽¹⁾	8.63% ⁽²⁾

- (1) The Board of Directors of the Manager unanimously agreed to waive 25% of the distribution to which it was entitled to for each of the first and fourth quarters of the year ended December 31, 2023, which amounts were distributed to Unitholders.
- (2) The Manager agreed to waive 20% of the Income Participation it was entitled to during the year ended December 31, 2023, thereby increasing the distribution to Unitholders to 84%.

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 Mortgage Broker, on behalf of the Trust, will not offer a new renewal term for a Mortgage unless an updated valuation of a property connected to a Mortgage is obtained, when the original appraisal was obtained more than 38 months after origination. This valuation may be obtained from the tax assessed value, a PurView online property valuation value, or an updated appraised value, depending on the LTV of the subject property.

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. The Trust does not intend to restrict itself to investing in senior (first) Mortgages only and intends to also invest in junior Mortgages such as second and third Mortgages;
- (b) regardless of the position of the Mortgages being junior or senior, the Trust will apply its usual level of diligence on each Real Property as well as the borrower(s), guarantor(s) and covenantor(s) to assure itself that the aggregate principal of the senior and junior Mortgages fall within the maximum LTV ratio prescribed by the Trust;

- (c) 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;
- (d) 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 (f). 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;
- (e) unless approved by the Board of Governors, 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;
- (f) 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;
- (g) the Trust may co-invest with a third party or third parties in a Mortgage;
- (h) the Trust may invest in any Mortgage where the term of the Mortgage exceeds five years;
- (i) 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;
- (j) when not invested in Mortgages, the funds of the Trust are to be placed in Authorized Interim Investments;
- (k) 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
- (l) 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 \$50,000,000 pursuant to this Offering, and invest all of the Offering proceeds in Mortgages and loan securities after the payment of the Trust's operating expenses.

Material Contracts

The following is a list of contracts 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 "The Trust – Material Contracts – 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 "The Trust – Material Contracts – The Mortgage Broker Agreement";
- (c) the Loan Agreement between the Lenders, the Trust, the Mortgage Broker, the Manager and Capital Direct II, pursuant to which the Lenders established a committed revolving operating loan credit facility in favour of the Trust for the purpose of financing the investment operations of the Trust. See "The Trust – Material Contracts – The Loan Agreement";
- (d) the Services Agreement between the Manager and SGGG pursuant to which SGGG provides unitholder record-keeping services to the Manager in relation to the Trust. See "The Trust – Material Contracts – The Services Agreement";
- (e) the Cost Sharing and Dealer Services Fee Agreement between the Manager and CDFL. See "Compensation Paid to Sellers and Finders"; and
- (f) the ATB ISDA Agreement. See "The Trust – Material Contracts – The ATB ISDA 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.

Redemption of Units

A Unitholder is entitled, as of the Retraction Date to make a request to the Trust to retract all or any of the Unitholder's Units in increments of not less than \$5,000, by the Unitholder or the Dealer, as applicable, giving written notice or notice by electronic means, as acceptable to the Manager, to the Manager not less than 21 days prior to the applicable Retraction Date, of a specified number of Units to be redeemed by the Trust or the dollar amount which the Unitholder requires to be paid. If a Unitholder elects to retract and holds Units with a value of \$5,000 or less, the Unitholder must retract all of his or her investment.

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.

The Retraction proceeds payable for each Class A Unit retracted, 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 the Retraction occurs 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 (Return + 95% of Net Asset Value – handling fee, if applicable);

- (b) if the Retraction occurs 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 (Return + 96% of Net Asset Value – handling fee, if applicable);
- (c) if the Retraction occurs 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 (Return + 97% of Net Asset Value – handling fee, if applicable);
- (d) if the Retraction occurs 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 (Return + 98% of Net Asset Value – handling fee, if applicable);
- (e) if the Retraction occurs 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 (Return + 99% of Net Asset Value – handling fee, if applicable); and
- (f) if the Retraction occurs 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 (Return + 100% of Net Asset Value – handling fee, if applicable).

The Retraction proceeds payable for each Class C Unit or Class F Unit retracted, prior to termination of the Trust, will be equal to the Unitholder's *pro rata* portion of the Return, less, if the Retraction occurs on or prior to the 180th day after the acquisition by the Unitholder of such Class C Units or Class F Units, a short term trading fee of 2%, which will be paid into the Trust (Return + 100% Net Asset Value – 2% short term trading fee, if applicable, – handling fee, if applicable). If the Retraction occurs after the 180th day following the acquisition by the Class C Unitholder of the Class C Unit or the Class F Unitholder of the Class F Unit, or in the event of death or permanent infirmity of the Class C Unitholder or Class F Unitholder (and for greater certainty, in the case of jointly held units, of both individuals jointly holding such units), the Unitholder of the Class C Unit or Class F Unit will receive 100% of the Net Asset Value per Class C Unit or Class F Unit on the Retraction Date. Although the Declaration of Trust does not specifically provide for a waiver of early Retraction fees in the event of the death or permanent infirmity of a Class A Unitholder, the Manager would reasonably consider also waiving early Retraction fees in respect of Class A Unitholders in such extraordinary circumstances. 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 retraction 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 0.833% (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 0.833% 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 0.833% 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 retracted will be eligible for retraction on the next (successive) Retraction Date(s) without the necessity of submitting a new Retraction notice.

Retractions will be funded 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 retracted pursuant to such notice(s) has been paid in full, reserve funds for the purpose of funding Retractions in an amount equal to the Retraction price. The Trustee or Manager on behalf of 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 retracted (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 or the Manager on behalf of 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 Death of Unitholder

Upon the Manager being advised in writing of the death of a Unitholder and upon the Manager being provided with the appropriate documentation in form satisfactory to the Manager, the Retraction of 100% of the Net Asset Value of the Units will be processed by the Manager at the next Retraction Date if not sooner, subject to any applicable retraction fees that are not waived by the Manager.

Redemption on Termination

The Trustee will redeem each Unit (“Redemption”) 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 “The Trust – Material Contracts – 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 “Redemption of Units”.

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.

Conversion of Units

Unitholders may convert Units of any class into Units of a different class in any given month by delivering notice of such conversion to the Manager prior to the last Business Day in any month. Any conversion of a Class A or Class C Unit to a Class F Unit would require the Unitholder to participate in a fee-based program, in respect of such converted Class F Units, through an authorized third-party Dealer or broker who has signed an agreement with the Manager. The Units surrendered for conversion will be converted on the last Business Day of that month. The Unitholder will receive the number of Units the fair market value of which is equal to the fair market value of the Units to be converted, both as determined at the time of conversion.

In the case of a conversion of Class A Units, the Unitholder will pay the applicable retraction fee as if such Class A Units were redeemed at the time of conversion. If a Unitholder pays the applicable retraction fee upon conversion of its Class A Units, the Unitholder shall not be required to pay any further retraction fees. In the case of a conversion of Class C Units or Class F Units, the original retraction fees attached to such Units will continue to apply.

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 investment 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 investment of Trust assets.

Powers and Duties of Manager

The Declaration of Trust grants the Manager the full authority and responsibility to manage the investments 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 Manager's Fee for each of the applicable classes of Units, as follows:

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

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

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

All sales commissions or fees paid to Dealers in connection with the Offering will be paid by the Manager. No sales commissions or fees will be paid to Dealers in connection with the Class F Units, which are intended for fee-based accounts.

In addition to the Manager's Fee, the Manager is entitled to the Income Participation on a quarterly basis.

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 in connection with the creation of the Trust and sales commissions or fees paid to Dealers in connection with the offer and sale of Class A Units and Class C 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

As of the Calculation Date, the Manager will calculate the Return and 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. The Return shall become payable on the Calculation Date, however, in respect of the first three calendar quarters of a year, the Unitholders' proportionate share of the Return will be paid by the 15th day of the month following the Calculation Date for such calendar quarter, and in respect of the fourth quarter of a year the Unitholders' proportionate share of the Return will be paid by March 31 of the year following the Calculation Date for such calendar quarter. Although the Return for the fourth quarter is payable by March 31 of the year following the Calculation Date, the Trust now generally intends to pay 75% of the estimated fourth quarter Return in early January and the remaining 25% of the fourth quarter Return in March.

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 by 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.

Each Unitholder may elect to receive their Return in cash or in Units of the Trust pursuant to the Trust's Distribution Reinvestment Plan (the "DRIP"). The DRIP is open to all Unitholders of the Trust. A copy of the DRIP is available on the Trust's website at www.incometrustone.com or upon request.

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 C Units or Class F Units only and (ii) Class C 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 or Class F Units only and (iii) 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 or Class C Units only.

Termination of the Trust

The Trust will continue in force until 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, 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 made available on the Trust's website at: www.incometrustone.com, on or before April 30 in each calendar year and will include a notice describing how the funds raised pursuant to the OM exemption have been used. In addition, the Manager will provide each Unitholder, as applicable, who received a distribution at any time during the previous calendar year, tax reporting information enabling such person to report the income tax consequences of an investment in Units for Canadian income tax purposes.

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 was incorporated as Capital Direct Lending Corp. in December, 1997, as a near-prime mortgage lender, specializing in single-family, residential Mortgages and equity loans for borrowers that do not meet the strict lending criteria of traditional lenders or who require customized mortgage solutions. 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 has entered into the Mortgage Broker Agreement with the Manager pursuant to which the Mortgage Broker acts as the mortgage broker to the Trust and is responsible for identifying Mortgage investment opportunities for the Trust that fall within the investment objectives and investment policies of the Trust. The shareholders of the Mortgage Broker are Richard F.M. Nichols, Derek R. Tripp and Timothy P.J. Wittig. 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, as of December 31, 2023, the Mortgage Broker has originated investments aggregating \$2.38 billion in Mortgages, as of such date is placing between \$200 million and \$260 million in Mortgages annually and directly administered approximately \$449 million in Mortgages for itself and its investors.

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 the Mortgage Broker 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 Broker 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 Manager, the Mortgage Broker, Capital Direct II and CDFL have common directors, officers and securityholders. The Manager has determined that it is a connected issuer and is considered a related issuer of the Mortgage Broker, Capital Direct II and CDFL by virtue of the Mortgage Broker's role as a mortgage broker and based on the fact that the Manager, the Mortgage Broker, Capital Direct II and CDFL have common directors, officers and securityholders. In addition, the Trust is managed by the Manager and its activities are overseen by a Board of Governors consisting of five persons, three of whom are also directors, officers and securityholders of the Manager, the Mortgage Broker, CDFL and Capital Direct II.

Mortgage Broker Regulation

Activities of mortgage brokers in Canada are regulated by provincial legislation. All activities that constitute mortgage brokering activities under the laws of British Columbia, Alberta and Ontario, are carried out exclusively by 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.

After some previous correspondence with the Manager and despite the Trust's and the Manager's continued operations using the current structure since 2007, in March of 2023, the B.C. Financial Services Authority took the position that the activities of the Trust and the Manager constitute registrable mortgage broker activities under the B.C. Mortgage Brokers Act and notified the Trust and the Manager that the Trust and the Manager must each register under the B.C. Mortgage Brokers Act. Each of the Trust and the Manager are therefore in the process of preparing an application to register under the B.C. Mortgage Brokers Act and intend to register accordingly as soon as possible.

The Loan Agreement

The Trust, by the Manager, the Mortgage Broker and Capital Direct II, have entered into the Loan Agreement with the Lenders for the Lenders' Loan in the amount of \$180 million. Of the \$180 million, up to \$5,500,000 is available to the Manager (the "**Manager Facility**"), for which a separate overdraft lending agreement has been provided to Canadian Western Bank. The Manager Facility bears interest at the Prime Lending Rate plus three-quarters of one percent (0.75%) per annum. In connection with the Loan Agreement, a swingline facility of up to a maximum of \$5,000,000 was advanced by Canadian Western Bank to the Trust (the "**Swingline Facility**"), the Manager and the Mortgage Broker. The Swingline Facility bears interest at the Prime Lending Rate plus three-quarters of one percent (0.75%) per annum. The remaining \$169,500,000 is available to the Trust (the "**Operating Facility**"). The Trust uses the Lenders' Loan to manage cash flows and as part of its investment program. The Lenders' Loan is a committed revolving credit facility, subject to margin requirements on eligible mortgage investments. For Prime Rate Loans, the Operating Facility bears interest at the Prime Lending Rate plus three-quarters of one percent (0.75%) per annum or at the Prime Lending Rate plus one and one-half percent (1.50%) per annum, depending on the Lenders advancing the loan. For CDOR Loans, the Operating Facility bears interest at the CDOR Rate plus two and two-tenths percent (2.20%) per annum or at the CDOR Rate plus three percent (3.00%) per annum, depending on the Lenders advancing the loan. Interest rates are calculated by weighting the interest rates for the Lenders according to their share of the borrowing limit, above the Prime Lending Rate and the CDOR Rate, respectively. To date, the Manager, the Mortgage Broker and Capital Direct II have elected that the Operating Facility be a Prime Rate Loan, as described above.

The funds secured pursuant to the Lenders' Loan are used to pay expenses pending the receipt of proceeds from Mortgage sales or repayments and receipt of proceeds from the Offering, and to make new Mortgage investments. The Lenders' 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 Lenders' Loan adds leverage to the portfolio, the Manager attempts to prudently manage the Lenders' Loan so as not to expose the Mortgage portfolio to undue risk. In accordance with the Lenders' usual practice, the Lenders have reserved the right to withdraw the whole or part of the credit facility at any time without notice.

As security for the Lenders' Loan: (i) the Trust, by the Manager, the Mortgage Broker, in its capacity as nominee for the Trust and to the extent that it holds assets on behalf of the Trust, and Capital Direct II, have executed a general security agreement in favour of the Lenders, including a fixed first charge over the real and personal property of the Trust, the Mortgage Broker, the Manager and Capital Direct II; (ii) the Trust, by the Manager, the Mortgage Broker, in its capacity as mortgage broker and nominee for the Manager, and Capital Direct II, have executed a general assignment of Mortgages in favour of the Lenders; and (iii) the Trust, by the Manager, the Mortgage Broker and Capital Direct II have executed an assignment of insurance interests in favour of the Lenders.

The Lenders' Loan is subject to the following covenants:

- to maintain a cash flow coverage ratio of not less than 3.0:1 in each quarter;
- to maintain a tangible net worth of not less than \$120,000,000 in each quarter; and
- to maintain a debt to tangible net worth ratio not greater than 0.85:1 in each quarter.

The Services Agreement

The Manager has entered into the Services Agreement with SGGG pursuant to which SGGG provides unitholder record-keeping services to the Manager in relation to the Trust. The Manager pays a monthly fee for these services. The Services Agreement automatically renews on a month-to-month basis until terminated by either party upon three months' written notice.

The Cost Sharing and Dealer Services Fee Agreement

The Cost Sharing and Dealer Services Fee Agreement was entered into effective February 14, 2020 by the Manager and CDFL and amended and restated as of November 1, 2020, May 31, 2021 and November 30, 2021. The Manager is a connected issuer and is considered a related issuer of CDFL, as such terms are defined in National Instrument 33-105 – *Underwriting Conflicts* (in Québec, Regulation 33-105 *respecting Underwriting Conflicts*) (collectively, “NI 33-105”). The Manager has determined that it is a connected issuer and a related issuer of CDFL by virtue of CDFL’s role as an Exempt Market Dealer engaged to sell the Class A Units and Class C Units offered hereby and based on the fact that the Manager and CDFL have common directors, officers and securityholders. In addition, CDFL is currently considered a “captive dealer” as defined in CSA Staff Notice 31-343 – *Conflicts of Interest in Distributing Securities of Related or Connected Issuers* because it solely or primarily distributes securities of the Trust. See “Risk Factors - *Conflicts of Interest*”.

Under the Cost Sharing and Dealer Services Fee Agreement, CDFL shall use its commercially reasonable efforts to sell the Class A Units and the Class C Units under the Offering to qualified purchasers in one or more of the Jurisdictions. For CDFL’s services, CDFL shall receive those commissions or Trailer Fees outlined in the section entitled “*Compensation Paid to Sellers and Finders*” for each completed sale of Class A Units and Class C Units sold through CDFL. CDFL will also receive a dealer services fee for costs incurred by CDFL for general and administration costs of operations. The Manager and CDFL intend to review the terms of the Cost Sharing and Dealer Services Fee Agreement periodically and will make such adjustments to the dealer services fee payable to CDFL thereunder as the Manager and CDFL may deem reasonable and mutually agree upon.

Under the Cost Sharing and Dealer Services Fee Agreement, CDFL acknowledges that the Manager will be relying on a prospectus exemption contained in section 2.3, 2.9 or 2.10 of NI 45-106 to distribute Class A Units and Class C Units under the Offering to Subscribers on a prospectus exempt basis and accordingly, CDFL shall take reasonable steps to ensure that each Subscriber executes the Subscription Forms as evidence that: (i) each Subscriber is purchasing as principal; (ii) each Subscriber meets the qualifications and requirements of the prospectus exemption under which the Subscriber is purchasing the Class A Units or Class C Units; and (iii) each Subscriber purchasing Units pursuant to the OM Exemption has been provided with a copy of this Offering Memorandum and has been given an opportunity to read and seek independent legal, tax and other professional advice respecting this Offering Memorandum before entering into an agreement to purchase Class A Units or Class C Units.

The Manager may also enter into agreements with Dealers other than CDFL that are unrelated to the Manager, to use commercially reasonable efforts to sell the Class A Units, the Class C Units and the Class F Units under the Offering to qualified purchasers in one or more of the Jurisdictions in Canada in exchange for commissions and Trailer Fees. See the section entitled “*Compensation Paid to Sellers and Finders*”.

During the Offering, the Manager shall promptly notify the applicable Dealers, including CDFL, of: (i) any material change (actual, anticipated, contemplated, proposed or threatened, financial or otherwise) in the business, management, financial condition, affairs, operations, assets, liabilities or obligations (contingent or otherwise) or capital of the Manager; (ii) any material fact that has arisen or has been discovered which would have been required to have been stated in this Offering Memorandum had the fact arisen or been discovered on, or prior to, the date of this Offering Memorandum; and (iii) any change in any material fact or matter covered by a statement contained in this Offering Memorandum which change is, or may be, of such a nature as to render any statement in this Offering Memorandum misleading or untrue, or which would result in a misrepresentation in this Offering Memorandum.

The ATB ISDA Agreement

The Manager, on behalf of the Trust, entered into an ISDA 2002 Master Agreement with ATB Financial (“ATB”) dated as of March 1, 2022 (the “ATB ISDA Agreement”). The form of the ISDA 2002 Master Agreement is an internationally recognized document published by the International Swaps and Derivatives Association, Inc. that provides terms and conditions under which parties may enter into over-the-counter derivatives transactions. The ATB ISDA Agreement was put in place to govern over-the-counter derivatives transactions between the Trust and ATB including (without limitation): (a) interest rate swap, option or forward rate transactions; (b) currency exchange swap, option and forward rate transactions; (c) cross-currency rate swap, option or forward rate transactions; (d) equities related swap, option and forward rate transactions; (e) commodity swap, option or forward rate transactions; and (f)

any derivative or combination of the foregoing and any cap, floor, collar, buy, sell, borrow, lend or similar transaction with respect thereto.

The Trust has used the ATB ISDA Agreement to enter into interest rate swap agreements in an effort to manage risks from fluctuations in interest rates in the past and does not anticipate entering into any additional swaps at this time.

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

Full legal name and place of 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 and the compensation expected 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 Frederick Maurice Nichols, Vancouver, BC	Managing Director and Director of the Manager – 2005 President and Director of the Mortgage Broker – 1997 Governor – 2006 President, Managing Director and Director of CDFL – 2018	\$45,000 was paid during the year ended December 31, 2023. Currently, it is anticipated that \$45,000 will be paid during the year ended December 31, 2024.	15,851.27 Class A Units ⁽²⁾ 0.17% of Class A Units issued and outstanding and 0.06% of all Units issued and outstanding at December 31, 2023	15,851.27 Class A Units ⁽²⁾ 0.02% of the Units issued and outstanding assuming completion of maximum Offering
Derek Ray Tripp, Calgary, AB	Managing Director and Director of the Manager – 2005 Vice President and Director of the Mortgage Broker – 1997 Governor – 2006 Managing Director and Director of CDFL – 2018	\$45,000 was paid during the year ended December 31, 2023. Currently, it is anticipated that \$45,000 will be paid during the year ended December 31, 2024.	24,374.161 Class A Units ⁽²⁾ 0.27% of Class A Units issued and outstanding and 0.08% of all Units issued and outstanding at December 31, 2023	24,374.161 Class A Units ⁽²⁾ 0.02% of the Units issued and outstanding assuming completion of maximum Offering

Full legal name and place of 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 and the compensation expected 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
Timothy Patrick Joseph Wittig, Vancouver, BC	Vice President and Director of the Manager – 2010 Vice President and Director of the Mortgage Broker – 2010 Governor – 2010 Vice-President and a Director of CDFL – 2018	\$45,000 was paid during the year ended December 31, 2023. Currently, it is anticipated that \$45,000 will be paid during the year ended December 31, 2024.	120,170.278 Class A Units ⁽²⁾⁽³⁾ 1.32% of Class A Units issued and outstanding and 24,108.823 Class C Units ⁽²⁾⁽³⁾ 0.31% of Class C Units issued and outstanding and 0.5% of all Units issued and outstanding at December 31, 2023	120,170.278 Class A Units ⁽²⁾⁽³⁾ 24,108.823 Class C Units ⁽²⁾⁽³⁾ 0.15% of the Units issued and outstanding assuming completion of maximum Offering
David Boyd Rally, Richmond, BC	Vice President, Legal Affairs, of the Mortgage Broker – 1997 Governor – 2006	\$45,000 was paid during the year ended December 31, 2023. Currently, it is anticipated that \$45,000 will be paid during the year ended December 31, 2024.	89,921.786 Class A Units ⁽²⁾⁽⁴⁾ 0.99% of Class A Units issued and outstanding and 0.31% of all Units issued and outstanding at December 31, 2023	89,921.786 Class A Units ⁽²⁾⁽⁴⁾ 0.09% of the Units issued and outstanding assuming completion of maximum Offering
Brian Alexander Korpan, Port Moody, BC	Governor – 2023	\$45,000 was paid during the year ended December 31, 2023. Currently, it is anticipated that \$45,000 will be paid during the year ended December 31, 2024.	None	None

* A "principal holder" is a person that has beneficial ownership of, or direct or indirect control over, or a combination of beneficial ownership and direct or indirect control over, 10% or more of any class of voting securities of the Trust.

(1) The Manager agreed to waive 18% of the Income Participation it was entitled to during the year ended December 31, 2022, thereby increasing the distribution to Unitholders to 82%. The Board of Directors of the Manager also unanimously agreed to waive 25% of the distribution to which it was entitled to for the first quarter of the year ended December 31, 2022 and agreed to waive 50% of the distribution to which it was entitled to for the fourth quarter of the year ended December 31, 2022, which amounts were distributed to Unitholders. The Manager agreed to waive 20% of the Income Participation it was entitled to during the year ended December 31, 2023, thereby increasing the distribution to Unitholders to 84%. The Board of Directors of the Manager also unanimously agreed to waive 25% of the distribution to which it was entitled to for each of the first and fourth quarters of the year ended December 31, 2023, which amounts

were distributed to Unitholders. The Board of Directors of the Manager may determine to waive or not to waive any portion of the net income to which the Manager is entitled in the future.

- (2) Each of Messrs. Nichols, Tripp, Wittig and Rally have subscribed for Units of the Trust at a price of \$10 per Unit. No discounted Units have been purchased by Messrs. Nichols, Tripp, Wittig and Rally.
- (3) Of this amount 105,411.344 Class A Units are held by Mr. Wittig through 597753 BC Ltd., a corporation owned by Mr. Wittig and his family trust.
- (4) Of this amount 49,998.482 Class A Units are held by Mr. Rally through David B. Rally Law Corporation, a corporation wholly owned by Mr. 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 Unit Option 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

Full Legal Name	Principal Occupation and Description of Experience Associated with the Occupation
Richard Frederick Maurice Nichols President and Director	Founding Partner and President of the Mortgage Broker from 1997 to the present. Mr. Nichols brings over 30 years of financial experience to the Mortgage Broker. 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. From 2010 to 2015 Mr. Nichols was a volunteer member of the board of the CKNW Kids' Fund and continues to serve on the grants committee.

Full Legal Name

Principal Occupation and Description of Experience Associated with the Occupation

Derek Ray Tripp
Vice President and
Director

Founding Partner and Vice President of the Mortgage Broker from 1997 to the present. Mr. Tripp brings over 30 years of financial experience to the Mortgage Broker. He has underwritten over \$2 billion 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 Patrick Joseph
Wittig
Vice President and
Director

Partner, Vice President and Director of the Mortgage Broker from 2010 to the present. Mr. Wittig brings over 30 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 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 Boyd Rally
Vice President, Legal
Affairs

Vice President, Legal Affairs, of the Mortgage Broker from 1997 to the present. Mr. Rally is a partner at Beck, Robinson & Company where he has practiced exclusively 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 Bar of British Columbia and was previously a member of the Bar of 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/J.D. from the University of British Columbia in 1988.

The Manager

Full Legal Name	Principal Occupation and Description of Experience Associated with the Occupation
Richard Frederick Maurice 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 Ray 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 Patrick Joseph 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 and 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 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 members of the Board of Governors are Richard F.M. Nichols, Derek R. Tripp, Timothy P.J. Wittig and David B. Rally, who are described above, and Brian A. Korpan, who is profiled below:

Brian Alexander Korpan

Mr. Korpan is a retired Banker with over 30 years of financial experience obtained working for two major Canadian financial institutions. Over a 20 year career with CIBC, Mr. Korpan attained the level of Sr. Director and was responsible for the management of the largest portfolio of premier Commercial accounts in the Vancouver Region, which included the Bank’s Mortgage Investment Corporation (MIC) portfolio. In late 2011, Mr. Korpan was recruited to join Canadian Western Bank as a board-level Vice President, responsible for their flagship operation in Vancouver which accounted for a significant portion of the Bank’s annual profit. In 2018, he was promoted to Vice President and District Manager, responsible for all branch operations in the Vancouver region.

Mr. Korpan’s educational background also brings important and relevant skills to his role on the Board of Governors. After the successful completion of the Canadian Securities Course and Canadian Investment Finance programs, Mr. Korpan attended Simon Fraser University where he studied finance and received his Bachelors of Business Administration (BBA) in 1989/1990. In subsequent years, Mr. Korpan completed numerous management development programs with CIBC and CWB which included time in Toronto and New York studying financial

modelling, completion of the Banff Centre Leadership Development program, as well as the Global Institute for Leadership Development (GILD) in 2012. During his career, he was also a longstanding member of the Vancouver Board of Trade, Association for Corporate Growth (ACG), Acetech, the Vancouver Club, and represented the Banks at numerous corporate and community events.

The Credit Committee

The Declaration of Trust provides that the Board of Governors will appoint a Credit Committee consisting of at least 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, David B. Rally and Brian A. Korpan.

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 made available to Unitholders. The members of the Audit Committee are David B. Rally and Brian A. Korpan.

CDFL

CDFL was incorporated on November 23, 2018 under the *Business Corporations Act* (British Columbia) for the purpose of becoming registered as an Exempt Market Dealer under NI 31-103 in the Jurisdictions. CDFL is also extra provincially registered in the Jurisdictions in order to allow it to conduct business in the Jurisdictions and in order to facilitate the growth of CDFL in those Jurisdictions.

In August, 2018, the British Columbia Securities Commission announced that it would permanently rescind BC Instrument 32-517 - *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities* effective February 15, 2019, which allowed for a dealer registration exemption for mortgage investment entities, such as the Manager. This rescission of the dealer registration exemption substantially harmonizes dealer registration requirements across Canada. As a result, effective February 14, 2020, CDFL was registered as an Exempt Market Dealer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, effective February 24, 2023 CDFL was registered as an Exempt Market Dealer in the Yukon Territory, effective September 1, 2023 CDFL was registered as an Exempt Market Dealer in Québec and effective February 2, 2024 CDFL was registered as an Exempt Market Dealer in all of the remaining Provinces and Territories of Canada and therefore is able to sell Class A Units and Class C Units to Subscribers resident in the Jurisdictions on behalf of the Trust. CDFL also entered into a Cost Sharing and Dealer Services Fee Agreement with the Manager in connection with the services it provides as an Exempt Market Dealer. Units of the Trust will be offered for sale to residents of the Jurisdictions through CDFL and other Dealers.

CDFL is a connected issuer and is considered to be a related issuer of the Trust, the Manager, the Mortgage Broker and Capital Direct II. CDFL is related to the Manager, the Mortgage Broker and Capital Direct II because Richard Nichols, Derek Tripp and Timothy Wittig control voting shares and have the power to elect directors of those entities and are officers and directors of those entities. In addition, the Trust is managed by the Manager and its activities are overseen by a Board of Governors consisting of five persons, three of whom are also directors, officers and securityholders of the Manager, the Mortgage Broker, CDFL and Capital Direct II. CDFL, in its capacity as an Exempt Market Dealer, has had no involvement in the decision to distribute the Units under this Offering, is not underwriting the Offering, and has not been retained as the sole Exempt Market Dealer used by the Manager for this Offering.

The Manager may appoint Dealers as agents under agency agreements to sell the Units. The Manager appointed CDFL as agent under the Cost Sharing and Dealer Services Fee Agreement to sell the Class A Units and the Class C Units. The Manager has determined that it is a connected issuer and is a related issuer of CDFL by virtue of CDFL's role as an Exempt Market Dealer engaged to sell the Class A Units and Class C Units offered hereby and based on the fact that the Manager and CDFL have common securityholders and directors and officers.

The following table discloses the principal occupations of the directors and senior officers of CDFL since incorporation:

Full Legal Name	Principal Occupation and Description of Experience Associated with the Occupation
Richard Frederick Maurice Nichols President, Managing Director and Director	President, Managing Director and Director of CDFL since 2018. Mr. Nichols is registered as the ultimate designated person of CDFL. Mr. Nichols will supervise all functional areas of CDFL. See experience set out above under “Board of Governors, Management, Promoters and Principal Holders – Management Experience – The Mortgage Broker”.
Derek Ray Tripp Managing Director and Director	Managing Director and Director of CDFL since 2018. Mr. Tripp will not be engaged in registerable activities on behalf of CDFL.
Timothy Patrick Joseph Wittig Vice President and Director	Vice President and Director of CDFL since 2018. Mr. Wittig is registered as a dealing representative of CDFL. See experience set out above under “Board of Governors, Management, Promoters and Principal Holders – Management Experience – The Mortgage Broker”.
Barbara Dianne Insley Chief Compliance Officer and Chief Operating Officer	Chief Compliance Officer and Chief Operating Officer of CDFL since September, 2019. Ms. Insley is registered as a dealing representative of CDFL. Ms. Insley has been part of the securities industry for 25 years in various legal and compliance roles. Ms. Insley practiced securities and corporate/commercial law for public issuers and dealers from 1995 to 1999. From 1999 to 2000 Ms. Insley was corporate counsel at TSX Venture Exchange before she was appointed Chief Compliance Officer (Director, Compliance & Disclosure) in 2002 and continued until January 2016. Most recently, Ms. Insley was VP, Compliance at an independent Dealer from September 2017 to June 2019, in charge of Product Compliance and Risk (including exempt product), Privacy, Portfolio Investment Management Group, Regulatory Change Management, Compliance Policy and Head Office reporting.

Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters

There are no penalties or sanctions imposed by a court or regulatory authority relating to a contravention of securities legislation or 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 ten years preceding the date of the Offering Memorandum against or in connection with any of the directors, executive officers or control persons of the Trust, the Manager, the Mortgage Broker, CDFL or Capital Direct II, or any issuer of which any director, executive officer or control person of the Trust, the Manager, the Mortgage Broker, CDFL or Capital Direct II was a director, executive officer or control person.

None of the Trust, the Manager, the Mortgage Broker, CDFL or Capital Direct II, or a director, executive officer or control person of the Trust, the Manager, the Mortgage Broker, CDFL or Capital Direct II have pled guilty to or been found guilty of: (a) a summary conviction or indictable offence under the Criminal Code (Canada); (b) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction; (c) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America; or (d) an offence under the criminal legislation of any other foreign jurisdiction, save for Richard Nichols who pled guilty to a charge of assault and received a sentence of 18 months probation.

CAPITAL STRUCTURE

The following are the details of the outstanding securities of the Trust:

Description of Security ⁽¹⁾	Number Authorized to be Issued	Price per Security	Number Outstanding as at February 29, 2024 ⁽²⁾	Number Outstanding after Maximum Offering
Class A Trust Units	Unlimited	\$10	8,953,054.499	97,500,000 ⁽³⁾
Class C Trust Units	Unlimited	\$10	7,960,046.222	
Class F Trust Units	Unlimited	\$10	12,190,495.551	

- (1) The attributes and characteristics of the Units are set forth under the heading “Securities Offered – Terms of Securities”, “The Trust - Material Contracts - Summary of the Declaration of Trust” and “The Trust - Material Contracts – Summary of the Declaration of Trust – Redemption of Units”.
- (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 per Unit. This number will vary if the Units are subsequently sold at the Net Asset Value Per Unit.

Long Term Debt

The following table sets out information about outstanding debt of the Trust for which all or a portion is due, or may be outstanding, more than 12 months from the date of this Offering Memorandum:

Description of debt (including whether secured)	Interest rate ⁽¹⁾	Repayment terms	Amount outstanding at February 29, 2024 ⁽²⁾
A committed revolving credit facility, subject to margin requirements on eligible mortgage investments, secured by a general security agreement including a fixed charge over the real and personal property of the Trust, the Mortgage Broker, the Manager and Capital Direct II, a general assignment of mortgages agreement and a general assignment of insurance	0.75% per annum above the Prime Lending Rate or at 1.5% per annum above the Prime Lending Rate and 2.2% per annum above the CDOR Rate or at 3% per annum above the CDOR Rate, depending on the Lenders advancing the loan. See "Material Contracts - The Loan Agreement".	On demand by the Lenders	\$117,663,023.63

- (1) The interest rates are calculated by weighting the interest rates for the Lenders according to their share of the borrowing limit, above the Prime Lending Rate and the CDOR Rate, respectively. The Trust has used the ATB ISDA Agreement to enter into interest rate swap agreements in an effort to manage risks from fluctuations in interest rates in the past in connection with the Lenders’ Loan. See The Trust – Material Contracts – The ATB ISDA Agreement.
- (2) The Trust is not obligated to repay any portion of this debt within 12 months from the date of this Offering Memorandum unless a demand notice is issued to the Trust by the Lenders.

Prior Sales

The following table sets out 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
February 29, 2024	Class A Units	29,571.4	\$10	\$295,714.00
	Class C Units	67,540.82	\$10	\$675,408.20
	Class F Units	207,961	\$10	\$2,079,610.00
January 31, 2024	Class A Units	40,149.23	\$10	\$401,492.30
	Class C Units	134,679.703	\$10	\$1,346,797.03
	Class F Units	244,687.482	\$10	\$2,446,874.82
December 29, 2023	Class A Units	8,335.89	\$10	\$83,358.90
	Class C Units	79,997.68	\$10	\$799,976.80
	Class F Units	120,501	\$10	\$1,205,010.00
November 30, 2023	Class A Units	108,929.34	\$10	\$1,089,293.40
	Class C Units	79,417.54	\$10	\$794,175.40
	Class F Units	217,451.608	\$10	\$2,174,516.08
October 31, 2023	Class A Units	162,628.53	\$10	\$1,626,285.30
	Class C Units	158,854.369	\$10	\$1,588,543.69
	Class F Units	138,285	\$10	\$1,382,850.00
September 29, 2023	Class A Units	6,785	\$10	\$67,850.00
	Class C Units	50,362.77	\$10	\$503,627.70
	Class F Units	62,700.002	\$10	\$627,000.02
August 31, 2023	Class A Units	82,516.18	\$10	\$825,161.80
	Class C Units	72,940	\$10	\$729,400.00
	Class F Units	108,333.5	\$10	\$1,083,335.00
July 31, 2023	Class A Units	22,889.33	\$10	\$228,893.30
	Class C Units	128,577	\$10	\$1,285,770.00
	Class F Units	140,619.754	\$10	\$1,406,197.54
June 30, 2023	Class A Units	24,742.12	\$10	\$247,421.20
	Class C Units	250,688.48	\$10	\$2,506,884.80
	Class F Units	132,670	\$10	\$1,326,700.00
May 31, 2023	Class A Units	9,739.12	\$10	97,391.20
	Class C Units	20,355	\$10	203,550.00
	Class F Units	97,214.522	\$10	972,145.22
April 28, 2023	Class A Units	127,757.4	\$10	\$1,277,574.00
	Class C Units	66,513.7	\$10	\$665,137.00
	Class F Units	64,094.637	\$10	\$640,946.37

Date of Issuance	Type of Security Issued	Number of Securities Issued⁽¹⁾	Price per Security	Total Funds Received
April 3, 2023	Class A Units	Nil	\$10	Nil
	Class C Units	75,000	\$10	\$750,000.00
	Class F Units	13,700	\$10	\$137,000.00
March 30, 2023	Class A Units	8,188.29	\$10	\$81,882.90
	Class C Units	53,950	\$10	\$539,500.00
	Class F Units	92,204	\$10	\$922,040.00

- (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 “The Trust – Material Contracts – 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, Class C 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 all of the Provinces and Territories of Canada at a Subscription Price of \$10.00 per Unit. The maximum Offering amount is \$975,000,000. Each investor must subscribe for a minimum of \$5,000.

Subscription Procedure

Investors in all of the Provinces and Territories of Canada may 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. If purchasing through CDFL, the aggregate Subscription Price is payable upon subscription, by wire to the Manager, or to such

other account determined by the Manager. If purchasing Units through a registered account, funds should be available for transfer to Bennett Jones LLP, in trust, or to such other trust account determined by the Manager.

Class A Units and Class C Units are only available to investors who purchase through CDFL or a Dealer that has signed an agreement with the Manager.

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

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

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, as follows:

- (a) if the Subscriber is purchasing Units pursuant to the OM Exemption, complete and sign Form 45-106F4 – Risk Acknowledgement (“Form 45-106F4”) attached as Appendix I to the Subscription Form (a copy is to be retained by the Subscriber and delivered to the Trust);
- (b) if the Subscriber is resident in Manitoba, Prince Edward Island, the Northwest Territories, the Yukon or Nunavut, and is purchasing Units having an aggregate acquisition cost of greater than \$10,000 pursuant to the OM Exemption, the Subscriber must also be an Eligible Investor and complete and sign the Eligible Investor Questionnaire attached as Appendix II to the Subscription Form;
- (c) if the Subscriber is an individual and resident in Alberta, Saskatchewan, Ontario, Québec, Nova Scotia or New Brunswick and is relying on the OM Exemption, complete Schedules 1 and 2 attached to the Form 45-106F4. If the Subscriber is investing greater than \$10,000 in a 12 month period, the Subscriber must meet the definition of “Eligible Investor”. If the Subscriber is investing greater than \$30,000 (but no more than \$100,000) in a 12 month period, Eligible Investors must seek suitability advice with respect to the investment from a portfolio manager or Dealer. These limits do not apply to Subscribers who meet the definition of “Eligible Investor” because they are “Accredited Investors” as defined in NI 45-106 or non-individuals;
- (d) if the Subscriber is an “Accredited Investor” as defined in NI 45-106 and is purchasing Units pursuant to the Accredited Exemption set out in section 2.3 of NI 45-106, complete and sign the Accredited Investor Status Certificate attached as Appendix III to the Subscription Form (including the Form 45-106F9 risk acknowledgement form contained therein, if applicable);
- (e) if the Subscriber is purchasing Units through CDFL, a certified cheque or bank draft for the aggregate Subscription Price payable for the Units subscribed for, made payable to Capital Direct Management Ltd., or to such other trust account determined by CDFL, or have funds available in your registered account where your purchase is being made for transfer to Bennett Jones LLP, or to such other trust account determined by the Manager; and
- (f) if the Subscriber is purchasing Units through a Dealer, 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.

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 all of the Provinces and Territories of Canada by way of private placement pursuant to the exemptions from the prospectus requirements afforded by NI 45-106.

The prospectus exemptions relieve the Trust from the provisions of the applicable securities laws of the applicable Provinces and Territories, 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.

All sales of Units 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 funds accompanying the subscription without interest thereon. In the case of acceptance, the Manager will forthwith forward either directly or through the applicable Dealer, 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 or through the applicable Dealer. 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 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 or Territories of Canada and does not presently intend to become a reporting issuer in any Province or Territory of Canada. The Units will not be transferable without the Manager's prior consent. 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.

REPURCHASE REQUESTS

The Trust received Retraction requests from Unitholders as follows during the two most recently completed financial years:

Description of security	Date of end of financial year	Number of securities with outstanding repurchase requests on the first day of the year	Number of securities for which investors made repurchase requests during the year	Number of securities repurchased during the year	Average price paid for the repurchased securities	Source of funds used to complete the repurchases	Number of securities with outstanding repurchase requests on the last day of the year
Class A Units	Dec. 31/23	0	479,223.74	479,223.74	\$10	(1)	0
Class C Units	Dec. 31/23	0	1,603,554.76	1,603,554.76	\$10	(1)	0
Class F Units	Dec. 31/23	0	1,255,571.42	1,255,571.42	\$10	(1)	0
Class A Units	Dec. 31/22	0	791,655.73	791,655.73	\$10	(1)	0
Class C Units	Dec. 31/22	0	1,622,776.20	1,622,776.20	\$10	(1)	0
Class F Units	Dec. 31/22	0	848,677.60	848,677.60	\$10	(1)	0

- (1) Repurchases are funded from monies received from the payout of existing Mortgages, monies received from Mortgage payments, funds received from the sale of Units to Subscribers and/or the utilization of the Lenders' Loan.

From January 1, 2024 to February 29, 2024, the Trust has received Retraction requests from Unitholders as follows:

Description of security	Beginning and end dates of the period	Number of securities with outstanding repurchase requests on the first day of the year	Number of securities for which investors made repurchase requests during the period	Number of securities repurchased during the period	Average price paid for the securities repurchased	Source of funds used to complete the repurchases	Number of securities with outstanding repurchase requests on the last day of the period
Class A Units	Jan. 1, 2024 to Feb. 29, 2024	0	172,880.60	172,880.60	\$10	(1)	0

Description of security	Beginning and end dates of the period	Number of securities with outstanding repurchase requests on the first day of the year	Number of securities for which investors made repurchase requests during the period	Number of securities repurchased during the period	Average price paid for the securities repurchased	Source of funds used to complete the repurchases	Number of securities with outstanding repurchase requests on the last day of the period
Class C Units	Jan. 1, 2024 to Feb. 29, 2024	0	72,215.04	72,215.04	\$10	(1)	0
Class F Units	Jan. 1, 2024 to Feb. 29, 2024	0	141,213.91	141,213.91	\$10	(1)	0

- (1) Repurchases are funded from monies received from the payout of existing Mortgages, monies received from Mortgage payments, funds received from the sale of Units to Subscribers and/or the utilization of the Lenders' Loan.

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 assumes that at all relevant times there will be no fewer than 150 beneficiaries of a class of units of the Trust, that qualified for distribution to the public, holding not less than 100 units of the class, having an aggregate fair market value of not less than \$500 and, as such, the Trust will not only be a Unit Trust but also a mutual fund trust. The Trust may lose its status as a mutual fund trust if it is maintained primarily for the benefit of non-resident persons. The terms of the Declaration of Trust provide that no Subscriber may be a non-resident of Canada. Thus, it is not reasonable to consider the Trust is being maintained primarily for the benefit of non-resident persons.

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 pay or make payable to Unitholders 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.

The Trust may be denied a deduction in respect of the portion of an allocation made to a Unitholder on a redemption of a Unit that is greater than the capital gain that would otherwise have been realized by the Unitholder on redemption of the Unit.

Provided the Trust continues to qualify as a mutual fund trust it will not be subject to tax under Part XII.2 of the Tax Act on its "designated income" regardless of whether it has a "designated beneficiary". 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.

Provided the Trust continues to qualify as a mutual fund trust it will not be subject to 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 no Units of the Trust are 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 paid or made payable to the Unitholder (including any amounts paid 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 paid or made payable, 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 qualifies as a "mutual fund trust" as defined by the Tax Act. The Units of the Trust are therefore a qualified investment under the Tax Act for Deferred Plans.

If the Trust ceases to be a mutual fund trust, the Units may not constitute a qualified investment for Deferred Plans.

Deferred Plans that hold 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 are 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 Deferred Plan; and
- (ii) the time the property became a non-qualified investment or a prohibited investment of the Deferred Plan.

The Units will be a prohibited investment for a Deferred Plan where the holder of the Deferred Plan 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 and realized capital gains attributable to a prohibited investment are subject to a penalty tax of 100%.

COMPENSATION PAID TO SELLERS AND FINDERS

The Manager plans to sell the Units through Dealers, including CDFL. The Manager will pay to CDFL, and in its discretion, may pay to Dealers, the following fees, which fees will be negotiated between the Manager and the Dealer, as applicable, however, the maximum fee that the Manager is authorized to pay to a Dealer, including CDFL is: (i) a commission equal to 1.5% of the gross proceeds received by the Trust from the sale of Class A Units; and (ii) an ongoing Trailer Fee equal to 1.0% of the gross proceeds received by the Trust from the sale of Class A Units and Class C Units made by the Trust through the Dealer. CDFL may pay a commission of 0.3% to dealing representatives of CDFL who facilitate purchases of Class A Units and Class C Units. No service fees are payable in respect of the Class F Units. Any fees to be paid to Dealers will be disclosed to Subscribers prior to their purchase of the Units.

In addition, the Manager will pay a monthly Dealer Services Fee to CDFL in consideration for CDFL performing dealer services in connection with prospectus exempt purchases in the Jurisdictions. The Dealer Services Fee is equal to a fixed amount of \$15,000 per month; however, this amount will be subject to further consideration at the end of each year. The Dealer Services Fee will be used by CDFL to cover its general and administrative costs of operation. The amount of the Dealer Services Fee may be reviewed more frequently at the discretion of the Ultimate Designated Person of CDFL to confirm that such Dealer Services Fee is reasonable and sufficient to cover the operations of CDFL.

CDFL may, in its sole discretion, pay a fee to selling agents and finders who assist CDFL in identifying prospective Subscribers under written referral agreements. The fee will be negotiated between CDFL and the selling agent or finder, as applicable, however, the maximum fee that CDFL is authorized to pay to a selling agent or finder who assists CDFL in identifying prospective Subscribers is an ongoing Trailer Fee equal to 1.0% of the gross proceeds received by the Trust from the sale of Class A Units and Class C Units by the selling agent or finder. The material terms of the referral agreement and any fees to be paid to sellers and finders will be disclosed to Subscribers prior to their purchase of the Units.

The Manager may, at its sole discretion, pay a 1.5% cashback fee to those Subscribers of Class A Units only, for new subscriptions made directly, or arranged for transfer in, through CDFL, instead of paying any such commission to a dealing representative. This cashback offered by the Manager may be modified or discontinued by the Manager at any time.

The Manager is a connected issuer and is a related issuer of CDFL, the Mortgage Broker and Capital Direct II, as such terms are defined in NI 33-105. The Manager has determined that it is a connected issuer and a related issuer of CDFL, the Mortgage Broker and Capital Direct II by virtue of CDFL’s role as an Exempt Market Dealer engaged to sell the Class A Units and Class C Units offered hereby and based on the fact that the Manager, CDFL, the Mortgage Broker and Capital Direct II have common directors, officers and securityholders. See “Risk Factors - *Conflicts of Interest*”.

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 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 affairs. 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 underserved. 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 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 “The Trust – Material Contracts – Summary of the Declaration of Trust – Forced Redemption Upon Non-Residency” and “Resale Restrictions”.

Lack of Liquidity

The Units are not transferable without the Manager’s prior consent and there are limits on the rights of a Unitholder to retract their Units. In addition, any Retraction of Class A Units prior to the fifth anniversary of the issue of the Class A Units, and any Retraction of Class C Units or Class F Units prior to the 180th day from the issue of the Class C Units or Class F Units, will be at a discount to their Net Asset Value Per Unit. This investment may not be suitable for investors who will require short term liquidity.

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 investments.

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 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 Manager's Fee, all commissions and Trailer Fees paid to selling agents.

Conflicts of Interest

Due to the relationships and contractual arrangements outlined elsewhere in this Offering Memorandum, there is the potential for conflicts of interest between the Trust, the Manager, the Mortgage Broker, CDFL and Capital Direct II.

As the Manager's directors, officers and securityholders are also directors, officers and securityholders of the Mortgage Broker, CDFL and Capital Direct II, there may be conflicts of interest if the interests of these companies is inconsistent. Although none of the directors or officers of the Manager will devote all of his or her full time to the business and affairs of the Manager, each will devote as much time as is necessary to manage or advise on the business and affairs of the Manager. In addition, the Board of Directors is required by law to act honestly and in good faith with a view to the best interests of the Manager and to disclose the nature and extent of any interest that they may have in any actual or proposed material contract or transaction with the Manager. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose the nature and extent of his or her interest and act in accordance with applicable corporate law.

Mortgage Broker

The Manager, CDFL and Capital Direct II are connected issuers and are related issuers of the Mortgage Broker, as such terms are defined in NI 33-105. The Manager, CDFL and Capital Direct II have determined that they are connected issuers and may be considered related issuers of the Mortgage Broker based on the fact that the Manager, CDFL, Capital Direct II and the Mortgage Broker have common directors, officers and securityholders. In addition, the Trust is a connected issuer and a related issuer of the Mortgage Broker, as such terms are defined in NI 33-105, as it is managed by the Manager and its activities are overseen by a Board of Governors consisting of five persons, three of whom are also directors, officers and securityholders of the Manager, CDFL, the Mortgage Broker and Capital Direct II.

CDFL

The Manager, the Mortgage Broker and Capital Direct II are connected issuers and related issuers of CDFL, as such terms are defined in NI 33-105. The Manager, the Mortgage Broker and Capital Direct II have determined that they are connected issuers and may be considered related issuers of CDFL by virtue of CDFL's role as an Exempt Market Dealer engaged to sell the Class A Units and the Class C Units offered hereby, on a non-exclusive basis, and based on the fact that the Manager, the Mortgage Broker, Capital Direct II and CDFL have common directors, officers and securityholders, and CDFL is currently considered a "captive dealer" as defined by CSA Staff Notice 31-343 – *Conflicts of Interest in Distributing Securities of Related or Connected Issuers* because it solely or primarily distributes securities of related or connected issuers. In addition, the Trust is a connected issuer and a related issuer of CDFL, as such terms are defined in NI 33-105, as it is managed by the Manager and its activities are overseen by a Board of Governors consisting of five persons, three of whom are also directors, officers and securityholders of CDFL, the Mortgage Broker and Capital Direct II. Under the Cost Sharing and Dealer Services Fee Agreement, the Manager and

CDFL share common premises and services, including human resources, administration, legal, accounting and information technology. Additionally, in connection with the distribution of Class A Units and Class C Units, CDFL receives commissions or Trailer Fees from the Manager and CDFL may pay a commission of 0.3% to dealing representatives of CDFL who facilitate purchases of Class A Units and Class C Units. Dealing representatives, supervisory staff and directors of CDFL are engaged in other business activities outside of their duties with CDFL, which may include being a director, officer, licensed mortgage broker or employee of a related entity or related issuer. The dealer services fee paid by CDML to CDFL was \$15,000 per month for the full calendar year of 2022.

In light of the potential conflicts of interest arising from the foregoing, CDFL has adopted policies and procedures for identifying and responding to conflicts of interest by avoiding, controlling or disclosing conflicts of interest, however Unitholders should be aware that such conflicts of interest do exist. CDFL attempts to control conflicts of interest through employing a Chief Compliance Officer to identify existing material or potential conflicts of interest, but given the common management of the Manager and CDFL, conflicts of interest are impossible to completely avoid. Further disclosure regarding such conflicts is made by CDFL to its clients in client disclosure documents, on its website, in trade confirmation reports and in marketing materials. Any Unitholders who are purchasing Units through CDFL should read such materials and understand the relationship between CDFL, the Manager, the Trust, the Mortgage Broker and Capital Direct II as related parties.

As disclosed in this Offering Memorandum, net subscription proceeds from the Offering will be used for Mortgages and Authorized Interim Investments and are not applied for the benefit of CDFL. See the section entitled "Material Contracts".

CDFL acts as the Exempt Market Dealer for the Manager to execute purchases of Class A Units and Class C Units and CDFL is compensated by the Manager for this service.

CDFL may agree in the future to act as an Exempt Market Dealer in respect of offerings of securities by other entities or third-party companies that may compete directly or indirectly with the Trust. CDFL has, however, agreed to use commercially reasonable efforts to perform its duties and responsibilities under the Cost Sharing and Dealer Services Fee Agreement in a conscientious, reasonable and competent manner, honestly and in good faith, and in compliance with applicable securities laws.

The Trust will be subject to various conflicts of interest arising from its relationship with the Mortgage Broker, the Manager, CDFL, Capital Direct II, 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, the Manager, CDFL, Capital Direct II 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, the Manager and CDFL.* They will devote to the Trust's affairs only such time as may be necessary to conduct its affairs 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 higher or lower interest rate to entities such as the Trust. CDFL will also receive fees pursuant to the Cost Sharing and Dealer Services Fee Agreement.

- (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.

Novel Coronavirus Pandemic

Global financial conditions and the global economy in general have, at various times in the past and may in the future, experience extreme volatility in response to economic shocks or other events, such as the recent and somewhat ongoing situation concerning COVID-19. Many industries, including the mortgage industry, are impacted by volatile market conditions in response to the widespread outbreak of epidemics, pandemics or other health crises. Such public health crises and the responses of governments and private actors can result in disruptions and volatility in economies, financial markets and global supply chains as well as declining trade and market sentiment and reduced mobility of people, all of which could impact commodity prices, interest rates, credit ratings, credit risk and inflation.

The Trust could still be materially adversely affected by the effects of the COVID-19 pandemic which began in 2019 or similar occurrences. As at the date of this Offering Memorandum, the global reactions to the spread of COVID-19 led to, among other things, significant restrictions in many jurisdictions on travel and gatherings of individuals, quarantines, temporary business closures, mandatory vaccination policies, supply chain disruptions and a general reduction in consumer activity in certain industries.

Restrictions similar to the foregoing could have a material adverse impact on the Trust's investments in Mortgages, business prospects, cash flows, results of operations, Net Asset Value and overall financial condition, the Trust's ability to obtain equity or debt financing, re-finance existing debt, satisfy redemption requests by Unitholders, redeem Units and make distributions to Unitholders, and service its debt, and may cause the Trust to be in non-compliance

with the financial covenants or default under its existing debt. Generally, the COVID-19 outbreak or similar occurrences could magnify and have unpredictable effects on each of the factors described in this section “Risk Factors”.

To the knowledge of the Trust’s management as of the date hereof, COVID-19 does not present, at this time, any specific known impacts to the Trust, nor to the timelines, business objectives or disclosed milestones related thereto. The Trust is not currently aware of any changes in laws, regulations or guidelines, including tax and accounting requirements, arising from COVID-19 which would be reasonably anticipated to materially affect the Trust’s business. However, there is no guarantee that our operations will not be suspended or shut- down, in whole or in part, in the future voluntarily or as a result of a resurgence the COVID-19 pandemic.

Derivative Instruments

The Trust may enter into certain derivative transactions pursuant to the ATB ISDA Agreement and other agreements including (without limitation): (a) interest rate swap, option or forward rate transactions; (b) currency exchange swap, option and forward rate transactions; (c) cross-currency rate swap, option or forward rate transactions; (d) equities related swap, option and forward rate transactions; (e) commodity swap, option or forward rate transactions; and (f) any derivative or combination of the foregoing and any cap, floor, collar, buy, sell, borrow, lend or similar transaction (together, the “Derivative Instruments”) or hedging transactions that are intended to manage the Trust's equity, debt, currency or interest rate exposure, however there is no obligation to enter into any such transactions. The use of Derivative Instruments, even when used with the intent to manage risks associated with the Trust’s investments, involves additional expenses as well as risks that are different from those of the Trust's mortgage investments, including the possible default by the counterparty to the Derivative Instruments. In addition, any hedging Derivative Instrument which the Trust enters may be imperfect. The successful use of hedging strategies depends upon the availability of a liquid market and appropriate hedging instruments and there can be no assurance that the Trust will be able to employ such strategies effectively.

REPORTING OBLIGATIONS

As the Trust is not a “reporting issuer” as defined in the B.C. Securities Act, the Alberta Securities Act, the Saskatchewan Securities Act, the Manitoba Securities Act, the Ontario Securities Act, the Québec Securities Act, the Newfoundland and Labrador Securities Act, the New Brunswick Securities Act, the Nova Scotia Securities Act, the Prince Edward Island Securities Act, the Northwest Territories Securities Act, the Yukon Securities Act or the Nunavut Securities Act, the continuous reporting requirements of those acts and the rules, regulations and policies thereunder do not generally apply to the Trust. The Trust will, however, furnish to the Trustee within 90 days of the date of the year end, a copy of the annual financial statements of the Trust. Furthermore, the Trust will make available annual audited financial statements, including a notice describing how the funds raised pursuant to the OM Exemption have been used, on the Trust’s website at www.incometrustone.com on or before April 30 of each calendar year. All other information required to file Canadian income tax returns will be provided to Unitholders, as applicable, by March 31 each calendar year. In addition, the Trust will provide to the Trustee and will make reasonably available to each Unitholder, interim financial statements within 60 days of the end of the interim period and will notify investors within 10 days of a discontinuation of the Trust’s affairs, a change in the Trust’s industry and a change of control of the Trust or Manager. In addition, Unitholders are provided with quarterly statements reflecting their investment in the Trust.

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

Two Day Cancellation Right

You can cancel your agreement to purchase Units. To do so, you must send a notice by email to the Trust, c/o the Manager, at CDML@capitaldirect.ca, by midnight on the second Business Day after you sign the agreement to buy the Units.

Rights of Action in the Event of a Misrepresentation

Securities legislation in certain of the Provinces and Territories of Canada provides investors in the Trust (the "Investors") with a statutory right of action for damages or rescission in cases where an offering memorandum or any amendment thereto contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or is necessary to make any statement contained therein not misleading in light of the circumstances in which it was made (a "misrepresentation").

These rights, or notice with respect thereto, must be exercised or delivered, as the case may be, by Investors within the time limits prescribed and are subject to the defenses and limitations contained under applicable securities legislation.

The following summaries are subject to the express provisions of the securities legislation applicable in each of the Provinces and Territories of Canada and the regulations, rules and policy statements thereunder. Investors should refer to the securities legislation applicable in their Province or Territory along with the regulations, rules and policy statements thereunder for the complete text of these provisions or should consult with their legal advisor. The contractual and statutory rights of action described in this Offering Memorandum are in addition to and do not undermine from any other right or remedy that Investors may have at law.

Rights for Investors in Alberta, British Columbia, Prince Edward Island, Newfoundland and Labrador, the Northwest Territories, Nunavut and the Yukon

If you are a resident of Alberta, British Columbia, Prince Edward Island, Newfoundland and Labrador, the Northwest Territories, Nunavut or the Yukon, and 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 the Units, or
- (b) for damages against the Trust, every person who was a director of the Manager at the date of this Offering Memorandum and every person who signed this Offering Memorandum.

In Alberta, Prince Edward Island, Newfoundland and Labrador, the Northwest Territories, Nunavut or the Yukon, if you exercise your right against the Trust to cancel your agreement to buy the Units, you will have no right of action for damages against any of the persons described in (b) above. In British Columbia, if you exercise your right against the Trust to cancel your agreement to buy the Units, you will have no right of action 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 Units. In an action for damages, the amount recoverable shall not exceed the price at which the Units were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the Units as a result of the misrepresentation.

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

Rights for Investors in Saskatchewan

If you are a resident of Saskatchewan, and 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 the Units, or
- (b) for damages against the Trust, every promoter of the Trust or director of the Manager at the date this Offering Memorandum was sent or delivered, every person or company whose consent has been filed respecting the Offering (but only with respect to reports, opinions or statements that have been made by them), every person who or company that signed this Offering Memorandum and every person who or company that sells Units on behalf of the Trust under this Offering Memorandum.

If you exercise your right against the Trust to cancel your agreement to buy the Units, you will have no right of action 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 Units. In an action for damages, the amount recoverable shall not exceed the price at which the Units were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the Units as a result of the misrepresentation.

If you intend to rely on the rights described in (a) to (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days from the day of the transaction. You must commence your action for damages within the earlier of one year of learning of the misrepresentation and six years from the date of the transaction.

Similar rights of action for damages and rescission are provided under the securities legislation of Saskatchewan in respect of a misrepresentation in advertising and sales literature disseminated or in case of a verbal misrepresentation made in connection with an offering of securities.

Rights for Investors in Manitoba

If you are a resident of Manitoba, and 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 the Units, or

- (b) for damages against the Trust, every person who was a director of the Manager at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

If you exercise your right against the Trust to cancel your agreement to buy the Units, you will have no right of action for damages against any of the persons described in (b) above.

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 Units. In an action for damages, the amount recoverable shall not exceed the price at which the Units were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the Units as a result of the misrepresentation.

If you intend to rely on the rights described in (a) to (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days from the day of the transaction. You must commence your action for damages within the earlier of 180 days of learning of the misrepresentation and two years from the date of the transaction.

Rights for Investors in Ontario

If you are a resident of Ontario, and 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 the Units, or
- (b) for damages against the Trust.

If you exercise your right against the Trust to cancel your agreement to buy the Units, you will have no right of action 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 Units. In an action for damages, the amount recoverable shall not exceed the price at which the Units were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the Units as a result of the misrepresentation.

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

Rights for Investors in Québec

If you are a resident of Québec and are relying on the OM exemption in purchasing the Units, and there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy the Units or to revise the price of the Units, or
- (b) for damages against the Trust, its officers or directors, the dealer under contract to the Trust, any person who is required to sign an attestation in the Offering Memorandum and the expert whose opinion, containing a misrepresentation, appeared, with his consent, in this Offering Memorandum.

If you exercise your right against the Trust to cancel your agreement to buy the Units, you will still have a right of action for damages against the Trust.

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

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within three years from the day of the transaction. You must commence your action for damages within three years from knowledge of the facts giving rise to the action except on proof that delayed knowledge of the misrepresentation is attributed to you but in any event no later than five years from the filing of this Offering Memorandum.

Please note that if you are a resident of Québec and are purchasing the Units in reliance on the accredited investor exemption under section 2.3 of NI 45-106 or the minimum amount exemption under section 2.10 of NI 45-106, you do not have the statutory rights described in paragraphs (a) and (b) above and should consult a lawyer for further information regarding your rights.

Rights for Investors in New Brunswick

If you are a resident of New Brunswick, and 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 the Units, or
- (b) for damages against the Trust, every person who was a director of the Manager at the date of this Offering Memorandum and every person who signed this Offering Memorandum.

If you exercise your right against the Trust to cancel your agreement to buy the Units, you will have no right of action 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 Units. In an action for damages, the amount recoverable shall not exceed the price at which the Units were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the Units as a result of the misrepresentation.

If you intend to rely on the rights described in (a) to (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days from the day of the transaction. You must commence your action for damages within the earlier of one year of learning of the misrepresentation and six years from the date of the transaction.

Similar rights of action for damages and rescission are provided under the securities legislation of New Brunswick in respect of a misrepresentation in advertising and sales literature disseminated or in case of a verbal misrepresentation made in connection with an offering of securities.

Rights for Investors in Nova Scotia

If you are a resident of Nova Scotia, and if there is a misrepresentation in this Offering Memorandum or any related advertising or sales literature, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy the Units, or

- (b) for damages against the Trust, every person who was a director of the Manager at the date of this Offering Memorandum and every person who signed this Offering Memorandum or any amendment thereto.

If you exercise your right against the Trust to cancel your agreement to buy the Units, you will have no right of action for damages against any of the persons described in (b) above.

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 Units. In an action for damages, the amount recoverable shall not exceed the price at which the Units were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the Units as a result of the misrepresentation.

If you intend to rely on the rights described in (a) to (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days from the day of the transaction. You must commence your action for damages within the earlier of 180 days of learning of the misrepresentation and three years from the date of the transaction. Furthermore, no action shall be commenced to enforce the right of action described in (a) to (b) above unless an action is commenced to enforce that right not later than 120 days after the date on which payment was made for the securities or after the date on which the initial payment for the securities was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

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, 2023.

Capital Direct I Income Trust
Financial Statements

For the years ended December 31, 2023 and December 31, 2022

Capital Direct I Income Trust

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For the years ended December 31, 2023 and December 31, 2022

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To the Unitholders of **Capital Direct I Income Trust**:

Opinion

We have audited the financial statements of **Capital Direct I Income Trust** (the "Trust"), which comprise the statements of financial position as at December 31, 2023, and the statements of income and comprehensive income, net assets and cash flows for the years then ended, and notes to the financial statements, including a summary significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Matter

The financial statement for the year ended December 31, 2022 were audited by another auditor who expressed an unqualified opinion on those statements on February 22, 2023.

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

Management is responsible for the preparation and fair presentation of the 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Surrey, British Columbia

February 26, 2024

MNP LLP

Chartered Professional Accountants

Capital Direct I Income Trust
Statement of Financial Position
As at December 31, 2023 and December 31, 2022

	2023	2022
Assets		
Current		
Cash	13,303,792	13,619,660
Accounts receivable (Note 6)	6,883,133	5,916,889
Mortgage investments, current portion (Note 5)	283,768,783	264,375,368
	303,955,708	283,911,917
Non-current		
Mortgage investments, net of current portion (Note 5)	108,848,313	99,963,278
	412,804,021	383,875,195
Total assets		
Liabilities		
Current		
Loan payable (Note 7)	116,662,856	101,459,633
Accounts payable and accrued liabilities (Note 8)	8,522,326	9,383,013
	125,185,182	110,842,646
Contingent liabilities (Note 7), (Note 13)		
	287,618,839	273,032,549
	412,804,021	383,875,195
Net assets attributable to unitholders (Note 10)		
	287,618,839	273,032,549
	412,804,021	383,875,195
Approved on behalf of the Manager		
e-Signed by Richard Nichols 2024-02-27 14:55:13:13 PST	e-Signed by Tim Wittig 2024-02-28 12:48:43:43 PST	
Director	Director	

The accompanying notes are an integral part of these financial statements

Capital Direct I Income Trust
Statement of Profit and Other Comprehensive Income
For the years ended December 31, 2023 and December 31, 2022

	2023	2022
Revenue		
Interest	38,633,064	28,560,753
Other income	1,738,467	1,638,514
	40,371,531	30,199,267
General and administrative expenses		
Bank charges	502,777	448,918
Interest on loan payable	8,134,065	4,954,360
Management fees (Note 12)	4,396,632	4,207,029
Professional fees	551,054	372,536
Provision for loan loss	59,942	197,366
Trustee and registrar fees	232,791	159,763
	13,877,261	10,339,972
Operating profit	26,494,270	19,859,295
Other income (loss)		
Unrealized loss on interest rate swap	(70,863)	-
Realized gain on interest rate swap	-	1,538,000
Profit and comprehensive income for the year	26,423,407	21,397,295

The accompanying notes are an integral part of these financial statements

Capital Direct I Income Trust Statement of Changes in Equity

For the years ended December 31, 2023 and December 31, 2022

	<i>Class A</i>	<i>Class C</i>	<i>Class F</i>	<i>Total</i>
Balance January 1, 2022	85,481,042	61,333,159	94,550,216	241,364,417
Comprehensive income for the year	6,611,639	5,725,557	9,060,099	21,397,295
Distribution to unitholders	(5,532,702)	(4,791,216)	(7,581,599)	(17,905,517)
Distribution to the manager	(1,078,938)	(934,342)	(1,478,498)	(3,491,778)
Subscriptions	6,645,954	30,393,359	16,082,075	53,121,388
Reinvested distributions	3,281,969	2,876,879	5,018,991	11,177,839
Interchanges	(1,034,731)	710,921	323,810	-
Redemptions	(7,916,557)	(16,227,762)	(8,486,776)	(32,631,095)
Balance January 1, 2023	86,457,676	79,086,555	107,488,318	273,032,549
Comprehensive income for the year	8,081,919	6,884,851	11,456,637	26,423,407
Distributions to unitholders	(6,736,636)	(5,793,003)	(9,645,378)	(22,175,017)
Distribution to the manager	(1,345,283)	(1,100,686)	(1,802,421)	(4,248,390)
Subscriptions	6,586,133	11,656,480	16,076,605	34,319,218
Reinvested distributions	3,808,287	3,781,402	6,077,299	13,666,988
Interchanges	(815,708)	(252,851)	1,068,559	-
Redemptions	(4,792,237)	(16,035,548)	(12,572,131)	(33,399,916)
Balance December 31, 2023	91,244,151	78,227,200	118,147,488	287,618,839

The accompanying notes are an integral part of these financial statements

Capital Direct I Income Trust Statement of Cash Flows

For the years ended December 31, 2023 and December 31, 2022

	2023	2022
Cash provided by (used for) the following activities		
Operating activities		
Profit for the year	26,423,407	21,397,295
Provision for loan loss	59,942	197,366
Interest accrued on mortgage investments	(817,855)	(539,649)
	25,665,494	21,055,012
Changes in working capital accounts		
Accounts receivable	(128,049)	(2,901,691)
Accounts payable and accrued liabilities	3,172,860	23,369
	28,710,305	18,176,690
Financing activities		
Distributions to unitholders, net of distributions reinvested	(8,508,029)	(6,166,190)
Distribution to the manager	(4,248,390)	(3,624,409)
Cash received on subscriptions	33,481,024	53,535,437
Redemptions	(37,433,464)	(35,967,414)
Proceeds from loan payable, net	15,203,223	3,138,896
	(1,505,636)	10,916,320
Investing activities		
Purchase of mortgage investment, net	(27,520,537)	(29,014,648)
Increase (decrease) in cash resources	(315,868)	78,362
Cash resources, beginning of year	13,619,660	13,541,298
Cash resources, end of year	13,303,792	13,619,660
Supplementary cash flow information		
Interest received	37,815,209	26,424,834
Interest paid	8,134,065	4,954,360

The accompanying notes are an integral part of these financial statements

Capital Direct I Income Trust

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

1. Reporting entity

Capital Direct I Income Trust (the "Trust") is an open-ended investment trust established under the laws of the Province of Ontario pursuant to Declaration of Trust dated June 23, 2006, as amended from time to time, 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 W 8th Ave, Vancouver, BC 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

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of presentation

These audited annual financial statements, including comparatives, are prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB") and interpreted by the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on the basis of historical cost, except for financial instruments classified as fair value through profit and loss, which are measured at fair value.

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

These annual financial statements for the year ended December 31, 2023 were authorized for issuance by the Manager on February 21, 2024.

Significant accounting estimates and judgments

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. Such estimates include valuation of accounts receivable, the provision for loan losses, and completeness of accrued liabilities.

Estimation uncertainty on accounts receivable and accrued liabilities arises due to the fact the financial statements may be completed before all receivables are settled, or all liabilities identified. Uncertainty is low due to the relatively low balances, and that they tend to be recurring in nature and have short term settlement windows.

Estimation uncertainty on the loan loss provision is higher due to greater variability in the mortgage portfolio and a longer settlement horizon. Mortgages are frequently renewed beyond their initial term and it can take several years before credit issues arise. In addition, the collateral held as security for mortgage loans depends on the real estate market and changes in real estate prices may increase or decrease the risk of loss on mortgages. Management assesses potential credit losses based on factors described in Note 5.

These estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results may differ from these estimates.

Financial instruments

Recognition and initial measurement

The Trust recognizes financial assets and liabilities including derivatives and embedded derivatives, on the balance sheet at their initial fair value when the Trust becomes party to the contractual provisions of the instrument.

Capital Direct I Income Trust

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

2. Summary of significant accounting policies (Continued from previous page)

Financial instruments (Continued from previous page)

Classification and subsequent measurement

On initial recognition, financial assets and liabilities are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Trust determines the classification of its financial assets and liabilities, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics. Under certain circumstances the Trust may designate any financial asset and liability at its inception to be measured at fair value through profit and loss. The Trust has not made such a designation.

A financial asset may only be measured at amortized cost if it meets both of the following conditions:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Trust subsequently measures all financial liabilities at amortized cost unless they arise from a derivative liability, or the Trust chooses to designate them at inception as being measured at fair value through profit and loss.

Cash, accounts receivable, mortgage investments, loan payable, and accounts payable and accrued liabilities are measured at amortized cost. Amortized cost is determined using the effective interest rate method. The Trust has entered into a interest rate swap which is a derivative and is measured at fair value through profit and loss.

Comprehensive income

Comprehensive income consists of profit 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 financial instruments carried at fair value through OCI. 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, 2023 (2022: \$nil) and no opening or closing balances for accumulated other comprehensive income or loss.

Derecognition of financial assets and liabilities

The Trust derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire. The Trust derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Fair value measurements

The Trust classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the Trust to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

Capital Direct I Income Trust

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

2. Summary of significant accounting policies (Continued from previous page)

Redeemable Units

The Trust's redeemable and retractable units entitle the holders to retract their interest in the Trust for cash at \$10 per unit, amongst other contractual rights. These retractable units involve contractual obligations on the part of the Trust and therefore meet the criteria for classification as financial liabilities. The Trust's obligation for net assets attributable to unitholders is measured at amortized cost, which is equal to the redemption amount as of the reporting date. Redeemable units are presented as net assets attributable to the unitholders in the statement of financial position.

Mortgage investments

The contractual terms of the mortgage investments give rise to scheduled cash flows which are solely payments of principal and interest. As such mortgage investments are measured at amortized cost using the effective interest method, net of an allowance for credit losses.

Interest income from mortgages is recorded on an accrual basis in accordance with the effective interest method. Mortgage investments are assessed for impairment at each reporting date. A mortgage investment is classified as impaired when its credit risk has increased significantly from its credit risk at the date of inception of the contract. When a mortgage is classified as impaired, interest revenue is calculated by applying the effective interest rate to the amortized (i.e. impaired) cost of the mortgage. If the credit risk on the mortgage subsequently improves such that it is no longer impaired, interest revenue is calculated again using the effective interest rate on the gross mortgage balance. Subsequent payments received on an impaired mortgage investment are recorded as a reduction in the amortized cost balance or as a reduction in the impairment loss.

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 an allowance for losses in its mortgage investment portfolio. The allowance for loan losses is increased by a provision for mortgage investment impairment charged to income and reduced by write-offs during the year. Impairment losses are determined using a 3-stage approach based on the change in credit risk from inception.

Stage 1 – When there has not been a significant increase in credit risk since inception of the loan, the impairment provision is assessed based on the probability of default in the following 12 month period, to the extent of credit losses estimated to occur in the next 12 months.

Stage 2 – When there has been a significant increase in credit risk since inception but a loan is not considered to be in default, impairment losses are determined based on the probability of default over the lifetime of the loan to the extent of expected credit losses over the remaining estimated life of the loan.

Stage 3 – When a loan is considered to be in default, the loss provision represents the lifetime expected credit loss on the instrument.

The Trust groups loans in Stage 1 according to similar credit risk characteristics, and evaluates the credit risk of on each group of loans with such similar characteristics, recording an allowance for loan losses on an aggregate basis. Credit risk on mortgage loans is presumed to have increased significantly and a loan enters Stage 2 when payments are in arrears over 120 days. A loan is considered to be in Stage 3 when all attempts at recovery with the mortgagee have failed and the Trust enters the foreclosure process to recover the loan balance. The lifetime expected credit losses on the loan take into account the present value of future cash flows including the recovery expected from the disposition of the collateral. The Trust incorporates mortgage investment loss history as well as macroeconomic factors such as trends in interest rates, real estate prices, and insolvency rates, both historical and forecast, into its assessment of credit risk.

A loan is considered to be in default when the borrower has defaulted on their interest or principal payments and the Manager has made various attempts to contact the borrower. The Trust considers that a default has occurred when the borrower refuses to contact the broker and the loan has entered the foreclosure process. Loans are written off when all collection efforts have failed and collateral has been realized.

Capital Direct I Income Trust

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

2. Summary of significant accounting policies *(Continued from previous page)*

Income taxes

The Trust qualifies as a "Mutual Fund 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 profit and comprehensive income, and such distributions are eligible for deduction against taxable income, the Trust does not recognize a deferred tax asset or liability for any temporary differences.

3. 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.

4. Capital Management

The Trust defines capital as loan payable and net assets attributable to unitholders. 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 net assets attributable to unitholders is described in Note 9.

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 redeemable trust units may be retracted or repurchased.

1. To maintain a Cash Flow Coverage Ratio of not less than 3:1 in each quarter.
2. To maintain a Tangible Net Worth of not less than \$120,000,000 in each quarter
3. To maintain a Debt to Tangible Net Worth Ratio not greater than 0.85:1 in each quarter.

As at December 31, 2023 the Trust was in compliance with the above covenants.

Capital Direct I Income Trust

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

5. Mortgage Investments

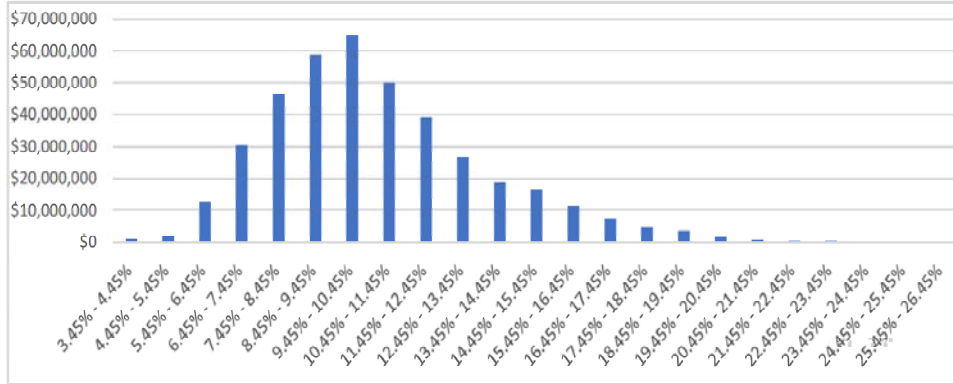
Interest rates vary on the mortgages as noted below. The weighted average interest rate for the year was 9.96% (2022: 8.40%).

Interest rate	# of loans	Carrying value	Interest Rate	# of loans	Carrying Value
4.25 - 4.49%	1	\$ 172,463	14.25 - 14.49 %	37	\$ 4,712,760
4.75 - 4.99 %	3	748,512	14.50 - 14.74 %	27	2,684,140
5.00 - 5.24 %	1	374,142	14.75 - 14.99 %	52	4,918,328
5.25 - 5.49%	4	1,760,861	15.00 - 15.24 %	30	4,424,933
5.75 - 5.99 %	14	7,277,855	15.25 - 15.49 %	37	3,130,699
6.00 - 6.24 %	3	1,031,678	15.50 - 15.74 %	24	2,538,896
6.25 - 6.49 %	8	2,589,773	15.75 - 15.99 %	40	3,495,514
6.50 - 6.74 %	4	1,663,918	16.00 - 16.24 %	22	2,247,445
6.75 - 6.99 %	33	13,732,969	16.25 - 16.49 %	31	3,109,986
7.00 - 7.24 %	3	751,044	16.50 - 16.74 %	16	1,528,387
7.25 - 7.49 %	56	22,384,956	16.75 - 16.99 %	27	2,678,555
7.50 - 7.74 %	11	5,567,216	17.00 - 17.24 %	18	1,368,077
7.75 - 7.99 %	49	16,307,303	17.25 - 17.49 %	14	1,363,102
8.00 - 8.24 %	17	9,428,395	17.50 - 17.74 %	5	500,922
8.25 - 8.49 %	52	13,674,872	17.75 - 17.99 %	16	1,684,374
8.50 - 8.74 %	27	12,894,583	18.00 - 18.24 %	11	1,188,663
8.75 - 8.99 %	98	22,955,370	18.25 - 18.49 %	17	1,277,842
9.00 - 9.24 %	28	7,317,443	18.50 - 18.74 %	3	553,465
9.25 - 9.49 %	85	16,131,501	18.75 - 18.99 %	14	773,459
9.50 - 9.74 %	26	8,253,755	19.00 - 19.24 %	8	1,099,298
9.75 - 9.99 %	155	29,153,513	19.25 - 19.49 %	10	1,244,595
10.00 - 10.24 %	31	11,156,586	19.50 - 19.74 %	4	266,421
10.25 - 10.49 %	104	19,011,447	19.75 - 19.99 %	12	921,702
10.50 - 10.74 %	26	6,520,613	20.00 - 20.25 %	3	293,455
10.75 - 10.99 %	163	22,745,370	20.50 - 20.74 %	1	46,466
11.00 - 11.24 %	32	5,408,522	20.75 - 20.99 %	5	606,226
11.25 - 11.49 %	60	10,320,486	21.00 - 21.24 %	4	116,244
11.50 - 11.74 %	44	8,691,184	21.25 - 21.49 %	1	57,698
11.75 - 11.99 %	84	13,345,149	21.50 - 21.74 %	2	278,620
12.00 - 12.24 %	32	9,119,911	21.75 - 21.99 %	3	82,373
12.25 - 12.49 %	47	8,234,365	22.00 - 22.24 %	1	47,310
12.50 - 12.74 %	32	4,505,591	22.25 - 22.49 %	1	51,190
12.75 - 12.99 %	63	10,647,152	22.50 - 22.74 %	1	46,446
13.00 - 13.24 %	27	3,713,799	22.75 - 22.99 %	3	150,594
13.25 - 13.49 %	30	3,123,342	23.00 - 23.49 %	3	180,243
13.50 - 13.74 %	31	3,979,559	23.50 - 23.74 %	2	85,570
13.75 - 13.99 %	51	6,757,758	23.75 - 24.00 %	1	20,922
14.00 - 14.24 %	28	4,002,165	24.25 - 24.49 %	1	118,052
			24.50 - 24.74 %	1	56,820
			25.25 - 25.49 %	1	34,608
			25.75 - 26.00 %	2	40,864
			26.00 - 26.24 %	1	10,021
				2,074	\$ 395,457,663

Capital Direct I Income Trust Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

5. Mortgage Investments (Continued from previous page)



Capital Direct I Income Trust

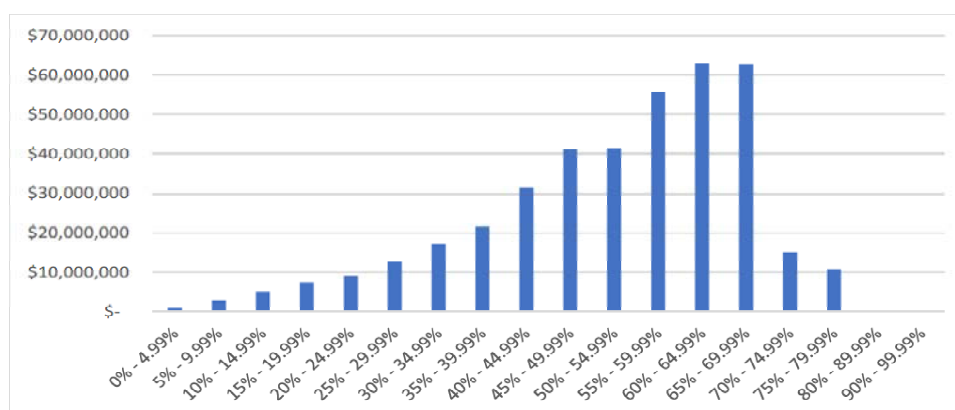
Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

5. Mortgage Investments (Continued from previous page)

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 (2022: nil) under the National Housing Act (Canada). Loan to value ratios on the mortgages vary as noted below. The weighted average loan to value as at December 31, 2023 was 52% (2022: 52%). Balances shown include accrued interest receivable totaling \$2,866,919 (2022: \$2,049,064).

Loan to Value Ratio	Number of Loans	Carrying Value
0.00 - 4.99 %	19	\$ 964,286
5.00 - 9.99 %	34	2,826,093
10.00 - 14.99 %	48	5,061,257
15.00 - 19.99 %	56	7,333,620
20.00 - 24.99 %	55	9,117,387
25.00 - 29.99 %	86	12,724,715
30.00 - 34.99 %	104	16,253,999
35.00 - 39.99 %	136	21,524,038
40.00 - 44.99 %	160	30,354,040
45.00 - 49.99 %	208	41,205,026
50.00 - 54.99 %	194	40,618,833
55.00 - 59.99 %	255	55,597,779
60.00 - 64.99 %	238	62,960,051
65.00 - 69.99 %	265	62,849,060
70.00 - 74.99 %	127	14,894,067
75.00 - 79.99 %	87	10,827,305
80.00 - 89.99 %	1	109,435
90.00 - 99.99 %	1	236,672
	2,074	\$ 395,457,663
Loan loss provision		(1,315,152)
Deferred mortgage discount income		(1,525,415)
		\$ 392,617,096



Capital Direct I Income Trust Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

5. Mortgage Investments (Continued from previous page)

The tables below provides a breakdown of the allowance for credit losses of the investment portfolio.

As at December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Gross mortgage balance	366,385,533	-	29,072,130	395,457,663
Impairment allowance	(1,304,068)	-	(11,084)	(1,315,152)
Deferred discount income	(1,525,415)	-	-	(1,525,415)
Net	363,556,050	-	29,061,046	392,617,096

As at December 31, 2022	Stage 1	Stage 2	Stage 3	Total
Gross mortgage balance	354,176,227	1,030,038	11,756,409	366,962,674
Impairment allowance	(1,284,126)	-	(20,000)	(1,304,126)
Deferred discount income	(1,319,902)	-	-	(1,319,902)
Net	351,572,199	1,030,038	11,736,409	364,338,646

Details of allowance for credit losses

Opening balance	1,284,126	-	20,000	1,304,126
Additional provision	19,942	-	40,000	59,942
Transfer between stages	-	-	-	-
Balances written off	-	-	(48,916)	(48,916)
Closing balance	1,304,068	-	11,084	1,315,152

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

	2023	2022
12 months or less	283,768,783	264,375,368
13 to 24 months	108,754,553	99,963,278
Over 24 months	93,760	-
Total	392,617,096	364,338,646

Capital Direct I Income Trust

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

6. Financial instruments

Fair value of financial instruments

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.

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

	2023			2022	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Difference</u>	<u>Fair Value Hierarchy</u>	<u>Difference</u>
<u>Assets</u>					
Loans and receivables:					
Cash	13,303,792	13,303,792	-	Level 1	-
Accounts receivable	6,883,133	6,883,133	-	Level 3	-
Mortgage investments	392,617,096	390,627,514	(1,989,582)	Level 3	(2,383,251)
			(1,989,582)		(2,383,251)
<u>Liabilities</u>					
Other financial liabilities:					
Loan payable	116,662,856	116,662,856	-	Level 2	-
Accounts payable and accrued liabilities	8,522,326	8,522,326	-	Level 3	-
			-		-
Net difference			(1,989,582)		(2,383,251)

There is no quoted price in an active market for mortgage investments. As such the Manager estimates the fair value of mortgage investments based on its assessment of the current lending market for mortgage investments of same or similar terms. Fair value has been estimated 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. As a result the fair value of mortgage investments is based on Level 3 inputs.

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.

There were no transfers between Level 1, Level 2, and Level 3 during the year ended December 31, 2023.

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.

Capital Direct I Income Trust

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

6. Financial instruments (Continued from previous page)

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. Maximum exposure to credit risk at December 31, 2023 is the carrying value of mortgage investments which total \$392,617,096 (2022: \$364,338,645). The credit risk is mitigated as all mortgage investments are collateralized by residential real estate property and the Manager regularly reviews and monitors the fair value of the collateral.

The Trust uses a 3-stage process to evaluate credit risk and potential impairment on mortgage investments. Loans are grouped in Stage 1 at inception and credit risk is reviewed and evaluated on a regular basis. The Trust incorporates mortgage investment loss history as well as macroeconomic factors such as trends in interest rates, real estate prices, and insolvency rates, both historical and forecast, into its assessment of credit risk. Management regularly reviews the mortgage listing for balances in arrears and follows up with borrowers as needed regarding repayment. The Trust closely monitors loan activity for increased credit risks and is in communication with borrowers who have missed a payment. Overdue payments of 30 days are not uncommon and do not on their own indicate a significant decline in credit risk. When payments are in arrears over 120 days, in absence of any other indicators, credit risk on mortgage loans is presumed to have increased significantly and a loan enters Stage 2. Management continues to evaluate credit risk as discussions with the borrower proceed.

For individual accounts in arrears where discussion with the borrower has not succeeded, foreclosure proceedings commence and a loan is considered to be in Stage 3. Balances receivable include accrued interest income and legal and other costs related to attempts at collection net of any provision for expected losses management deems necessary. 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.

The loss provision for the mortgage investments includes a provision for specifically identified impaired mortgage investments and a general provision applied to other loans based on similar credit characteristics. The Manager has provided a loan loss provision of approximately 0.33% (2022: 0.36%) of gross mortgage investments. As at December 31, 2023 management had identified loans totaling 4.21% (2022: 3.48%) of the portfolio in arrears over 120 days. Of these, \$16.7 million (2022: \$11.8 million) of loans have entered some form of legal proceedings in attempt to recover the balance. The loan loss provision includes specific provisions totaling \$40,000 (2022: \$20,000) relating to two loans with a combined carrying value of \$1,299,767 (2022: \$27,537).

During the year ended December 31, 2022, the Trust identified 8 mortgages which had been initiated by fraudulent borrowers. The Trust is attempting to recover the balance through title insurance. During the year the Trust recovered 3 of the mortgages and there remain 5 mortgages totaling approximately \$3 million included in accounts receivable.

As at December 31, 2023, the Trust has outstanding mortgages totaling \$174,866,416, or 44% (2022: \$186,109,339, or 51%) of the balance in British Columbia, \$ 156,423,081, or 40% (2021: \$140,046,886, or 38%) of the balance in Ontario. These loans are concentrated in Greater Vancouver Area and the Greater Toronto Area, respectively. The remaining mortgages are in Alberta and Atlantic Canada.

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 redemptions if it feels that the Trust's financial position will become impaired. Contractual maturities of all financial liabilities are 12 months or less.

Capital Direct I Income Trust

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

6. Financial instruments *(Continued from previous page)*

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 the changing interest rates on their loan payable (Note 6). 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 denominated in Canadian dollars.

During the year, the Trust entered into an interest note swap to manage its interest rate risk. The swap was a financial derivative measured at fair value through profit and loss. As at the balance sheet date the fair value of the interest rate swap was \$(70,863).

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 in 0.5% in the prime lending rate would result in an increase in interest expense on the loan payable of approximately \$545,000 (2022: \$580,000).

7. Loan Payable

Jointly with Capital Direct Management Ltd., Capital Direct Lending Corp. and Capital Direct II Management Ltd., the Trust has entered into a syndicated loan agreement with Canadian Western Bank ("CWB"), providing a \$180,000,000 (2022: \$135,000,000) demand revolving operating loan. The syndicated debt currently bears interest at an average blended rate of CWB's prime rate plus 0.94% (2022: 0.94%) per annum. For the year ended December 31, 2023, CWB's average prime lending rate was 6.94% (2022: 4.14%) per annum. The facility is secured by general security agreements provided by all four borrowers, a general assignment of mortgages by the Trust and an assignment of insurance.

The loan agreement includes within the \$180,000,000 limit a \$5,000,000 swingline facility and a \$5,500,000 demand revolving facility, both of which bear interest at CWB's prime lending rate plus 0.75% per annum. These facilities are drawn by Capital Direct II Management and total \$8,970,893 (2022: \$8,466,829 drawn by Capital Direct Management Ltd.)

The facility is subject to certain financial covenants as outlined in Note 12. As at December 31, 2023, the Trust was in compliance with these covenants.

The maximum and minimum amounts borrowed during the year were \$116,662,846 (2022: \$126,858,353) and \$92,322,680 (2022: \$91,497,000) respectively.

8. Trade and other payables

	2023	2022
Redemptions	1,266,360	5,299,907
Unitholder distributions	2,373,630	1,979,175
Manager distribution and management fees	2,540,080	1,662,977
Other	2,342,256	440,954
	8,522,326	9,383,013

Capital Direct I Income Trust

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

9. Related party transactions

During the year, the Trust purchased 93.5% (2022: 96.0%) of its mortgages with a face value totaling \$201,865,111 (2022: \$199,202,259) from Capital Direct Lending Corp. and 6.5% (2022: 4.0%) of its mortgages totaling \$13,979,500 (2022: \$8,279,400) from Capital Direct Atlantic Inc.

Accounts receivable includes \$503,000 (2022: \$Nil) due from the Manager and \$784,390 (2022: \$Nil) due from Capital Direct II Management Ltd. (a company controlled by Capital Direct Lending Corp.), and \$Nil (2022: \$901,682) due from Capital Direct Lending Corp.

10. Net Assets Attributable to Unitholders

Pursuant to the Declaration of Trust, the Trust is authorized to issue an unlimited number of redeemable and retractable and transferable units, each of which represent 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's current offering authorizes Class A, Class C and Class F redeemable and retractable units totaling 37,500,000 units for a combined maximum of \$375,000,000. Class A, Class C, and Class F units are issued and retracted as listed below.

Class A, Class C and Class F units share pro rata in distributions from the Trust. All classes or units are permitted to be retracted on the last day of each month by giving written notice to the Manager. Class C and Class F units may be retracted after 180 days with no penalty. Class A units bear a retraction fee which diminishes over 5 years from 5% to zero.

Prior to December 31, 2023, 126,636 (2022: 529,991) units were called for retraction. The retraction price of \$1,266,360 (2022: \$5,299,907) is accrued in accounts payable. 250,250 (2022: 166,431) units were issued for subscription prior to December 31, 2023 for which proceeds are receivable from brokers at year end. The subscription price of \$2,502,503 (2022: \$1,664,308) is accrued in accounts receivable.

	Class A	Class C	Class F	Total
Units outstanding beginning of period	8,645,767	7,908,656	10,748,832	27,303,255
Units issued on subscription	658,613	1,165,648	1,607,661	3,431,922
Units issued on reinvestment	380,830	378,140	607,730	1,366,700
Units interchanged	(81,571)	(25,285)	106,856	-
Units retracted	(479,224)	(1,604,439)	(1,256,330)	(3,339,993)
Units outstanding, end of period	9,124,415	7,822,720	11,814,749	28,761,884
Net assets attributable to unitholders:	\$ 91,244,151	\$ 78,227,200	\$ 118,147,488	287,618,839
Net asset value per unit	\$ 10	\$ 10	\$ 10	\$ 10

During the year, 106,856 units were interchanged from Class A and Class C to Class F. The overall units outstanding remained unchanged (2022: Nil).

Capital Direct I Income Trust

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

11. Distributions to Unitholders

The Trust distributes 80% of the profit and comprehensive income from operations to 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.

The Manager has waived 20% (2022: 18%) of the distribution profit and comprehensive income to which it was entitled during the year ended December 31, 2023, thereby providing distributions of 84% (2022: 82%) of profit for the year to unitholders.

12. 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 Class A net asset value plus 2% of the Class C net asset value plus 1% of the Class F net asset value. The total management fee for the year was \$4,396,632 (2022: \$4,207,029).

In addition, 20% of the profit and comprehensive income from operations are distributed to the Manager on a quarterly basis (Note 11).

The Board of Directors of the Manager unanimously agree to waive 25% of the distribution to which it was entitled for the first quarter of the year ended December 31, 2023 and 25% of the distribution for the fourth quarter (2022: 25% for the first quarter and 50% for the fourth quarter). The amount waived was distributed to the unitholders. The total distribution paid to the Manager for the year was \$4,248,390 (2022: \$3,491,778).

Of the above amounts, \$2,540,080 (2022: \$1,662,977) 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.

13. Contingent Liabilities

From time to time the Trust may be subject to various lawsuits arising from investing in mortgages in which claims for monetary damages are asserted in the ordinary course of business. While any litigation involves an element of uncertainty, it is the opinion of the Manager that liabilities, if any arising from such litigation will not have a material adverse effect on the Trust's financial condition, liquidity, or results of operations.

14. Key Management Compensation

The compensation of the senior management of the Manager is paid through the management fees paid to the Manager

Capital Direct I Income Trust

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

15. Annualized Rate of Return

Class A Redeemable Units

	Net asset value	Weighted average net assets per quarter	Profit and comprehensive income to be allocated to holders of redeemable units
First quarter - March 31, 2023	87,364,020	86,713,981	\$ 1,467,940
Second quarter - June 30, 2023	88,958,721	87,852,007	\$ 1,625,681
Third quarter - September 30, 2023	88,586,095	88,660,038	\$ 1,775,486
Fourth quarter - December 31, 2023	91,244,151	89,662,448	\$ 1,867,529
Year ended December 31, 2023	91,244,151	88,222,118	\$ 6,736,636

	Average annualized rate of return calculated quarterly	Compounded annual rate of return	Weighted average return weighted by net assets outstanding	Effective weighted average annual rate of return
First quarter - March 31, 2023	6.77 %		1.69 %	
Second quarter - June 30, 2023	7.40 %		1.85 %	
Third quarter - September 30, 2023	8.01 %		2.00 %	
Fourth quarter - December 31, 2023	8.33 %		2.08 %	
Year ended December 31, 2023	7.63 %	7.85 %	7.63 %	7.85 %

Capital Direct I Income Trust Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

15. **Annualized Rate of Return** *(Continued from previous page)*

Class C Redeemable Units

	Net asset value	Weighted average net assets per quarter	Profit and comprehensive income to be allocated to holders of redeemable units
First quarter - March 31, 2023	74,290,159	79,036,276	\$ 1,337,968
Second quarter - June 30, 2023	74,569,020	73,358,642	\$ 1,357,485
Third quarter - September 30, 2023	76,423,092	74,904,050	\$ 1,500,012
Fourth quarter - December 31, 2023	78,357,102	76,712,509	\$ 1,597,538
Year ended December 31, 2023	78,357,102	76,002,869	\$ 5,793,003

	Average annualized rate of return calculated quarterly	Compounded annual rate of return	Weighted average return weighted by net assets outstanding	Effective weighted average annual rate of return
First quarter - March 31, 2023	6.77 %		1.69 %	
Second quarter - June 30, 2023	7.40 %		1.85 %	
Third quarter - September 30, 2023	8.01 %		2.00 %	
Fourth quarter - December 31, 2023	8.33 %		2.09 %	
	7.63 %	7.85 %	7.63 %	7.85 %

Capital Direct I Income Trust Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

15. **Annualized Rate of Return** *(Continued from previous page)*

Class F Redeemable Units

	Net asset value	Weighted average net assets per quarter	Profit and comprehensive income to be allocated to holders of redeemable units
First quarter - March 31, 2023	112,212,265	108,530,962	\$ 2,108,597
Second quarter - June 30, 2023	110,444,685	111,256,771	\$ 2,336,922
Third quarter - September 30, 2023	113,485,932	110,996,066	\$ 2,500,272
Fourth quarter - December 31, 2023	118,147,488	115,737,921	\$ 2,699,587
	118,147,488	111,630,430	\$ 9,645,378

	Average annualized rate of return calculated quarterly	Compounded annual rate of return	Weighted average return weighted by net assets outstanding	Effective weighted average annual rate of return
First quarter - March 31, 2023	7.77 %		1.94 %	
Second quarter - June 30, 2023	8.40 %		2.10 %	
Third quarter - September 30, 2023	9.01 %		2.25 %	
Fourth quarter - December 31, 2023	9.33 %		2.33 %	
	8.63 %	8.91 %	8.63 %	8.91 %

CERTIFICATE

This Offering Memorandum does not contain a misrepresentation.

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

DATED this 29th day of March, 2024.

(signed) Richard F.M. Nichols
Richard F.M. Nichols, Managing Director

(signed) Derek R. Tripp
Derek R. Tripp, Managing Director

(signed) Timothy P.J. Wittig
Timothy P.J. Wittig, Vice-President

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

(signed) Richard F.M. Nichols
Richard F.M. Nichols, Director

(signed) Derek R. Tripp
Derek R. Tripp, Director

(signed) 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

(signed) Richard F.M. Nichols
Richard F.M. Nichols, Director of the Manager

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