



incometrustone.com  
we take another approach

## **CAPITAL DIRECT I INCOME TRUST**

For the Three Month Period Ended March 31, 2024

(Unaudited - Management Prepared)

# CAPITAL DIRECT I INCOME TRUST

## Statement of Financial Position

Three month period ended March 31, 2024

(Unaudited - Management Prepared)

|   | Mar-31-24            | Dec-31-23            |
|---|----------------------|----------------------|
| <b>ASSETS</b>                             |                      |                      |
| Cash                                      | \$9,785,514          | \$13,303,792         |
| Accounts receivable                       | \$3,275,173          | \$6,883,133          |
| Mortgage investments <i>(Notes 3,4,7)</i> | \$419,111,371        | \$392,617,096        |
| Assets held for sale                      | \$0                  | \$0                  |
| Interest Rate Swap                        | (\$865,566)          | \$0                  |
|   | <b>\$431,306,493</b> | <b>\$412,804,021</b> |
| <b>LIABILITIES</b>                        |                      |                      |
| Accounts payable and accrued liabilities  | \$5,371,546          | \$8,522,326          |
| Loan Payable <i>(Note 6)</i>              | \$129,650,966        | \$116,662,856        |
|   | <b>\$135,022,512</b> | <b>\$125,185,182</b> |
| <b>UNITHOLDERS' EQUITY</b>                |                      |                      |
| Net Assets                                | \$296,283,981        | \$287,618,839        |
|   | <b>\$431,306,493</b> | <b>\$412,804,021</b> |

Contingent liability *(Note 6)*

### Approved by the Board of Governors

"Richard Nichols"

Richard Nichols, Director

"Derek Tripp"

Derek Tripp, Director

See accompanying notes to the financial statements.

## CAPITAL DIRECT I INCOME TRUST

### Statement of Change in Net Assets

Three month period ended March 31, 2024

(Unaudited - Management Prepared)

|  | Class A<br>Mar-31-24 | Class C<br>Mar-31-24 | Class F<br>Mar-31-24 | Total<br>Mar-31-24   | Mar-31-23            |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Net assets - beginning of period</b>        | \$91,244,151         | \$78,227,200         | \$118,147,488        | \$287,618,839        | \$273,032,549        |
| Comprehensive income                           | \$2,105,312          | \$3,142,146          | \$1,846,413          | \$7,093,872          | \$5,781,769          |
|  | \$93,349,463         | \$81,369,346         | \$119,993,901        | \$294,712,711        | \$278,814,318        |
| Distribution to unitholders<br><i>(Note 9)</i> | (\$1,894,781)        | (\$2,827,932)        | (\$1,661,772)        | (\$6,384,485)        | (\$4,914,504)        |
| Distribution to the Manager                    | (\$210,531)          | (\$314,214)          | (\$184,641)          | (\$709,386)          | (\$867,264)          |
| Capital transactions                           |                      |                      |                      |                      |                      |
| Subscriptions <i>(Note 10)</i>                 | \$950,820            | \$3,048,183          | \$5,688,725          | \$9,687,728          | \$7,993,224          |
| Reinvested distributions                       | \$1,078,099          | \$1,200,057          | \$1,753,897          | \$4,032,053          | \$3,051,251          |
| Interchanges                                   | (\$834,275)          | \$127,018            | \$740,794            | \$33,538             | (\$1)                |
| Redemptions                                    | (\$2,178,473)        | (\$1,171,855)        | (\$1,737,735)        | (\$5,088,063)        | (\$10,210,579)       |
| <b>Net assets - end of period</b>              | <b>\$90,260,323</b>  | <b>\$81,430,604</b>  | <b>\$124,593,168</b> | <b>\$296,284,094</b> | <b>\$273,866,445</b> |

See accompanying notes to the financial statements.

## CAPITAL DIRECT I INCOME TRUST

### Statement of Comprehensive Income

Three month period ended March 31, 2024

(Unaudited - Management Prepared)

|   | Mar-31-24           | Mar-31-23          |
|---|---------------------|--------------------|
| <b>Revenue</b>  |                     |                    |
| Mortgage Interest Income                                  | \$11,234,118        | \$8,198,633        |
| Mortgage Discount Income                                  | \$471,729           | \$413,271          |
| Prepayment Income   | \$207,812           | \$270,155          |
| Early Redemption Income                                   | \$2,919             | \$419              |
| Sundry Mortgage Income                                    | \$118,204           | \$97,941           |
| Interest Rate Swap  | (\$1,539,131)       | 0                  |
| Sundry Interest Income                                    | \$29,313            | 0                  |
|   | <b>\$10,524,965</b> | <b>\$8,980,420</b> |
| <b>General and administrative expenses</b>                |                     |                    |
| Bank Charges  | \$137,598           | \$76,224           |
| Interest Expense on loan payable                          | \$2,333,128         | \$1,860,658        |
| Management Fees   | \$1,148,140         | \$1,100,079        |
| Professional Fees   | \$68,017            | \$115,353          |
| Provision for Loan Loss                                   | (\$267,235)         | \$34,892           |
| Trustee and Registrar Fees                                | \$11,445            | \$11,445           |
|   | <b>\$3,431,093</b>  | <b>\$3,198,650</b> |
| <b>Net income and comprehensive income for the period</b> | <b>\$7,093,872</b>  | <b>\$5,781,769</b> |

See accompanying notes to the financial statements.

# CAPITAL DIRECT I INCOME TRUST

## Statement of Cash Flows

Three month period ended March 31, 2024

(Unaudited - Management Prepared)

|  | Mar-31-24      | Mar-31-23      |
|--|----------------|----------------|
| <b>Operating activities</b>                |                |                |
| Net income for the period                  | \$7,093,872    | \$5,781,769    |
| Items not affecting cash:                  |                |                |
| Provision for loan losses                  | (\$267,235)    | \$34,892       |
| Gain on Interest Swap                      | (\$1,539,131)  | \$0            |
|  | \$5,287,506    | \$5,816,661    |
| Changes in non-cash working capital:       |                |                |
| Accounts receivable                        | \$3,607,960    | (\$1,249,002)  |
| Account payable and accrued liabilities    | (\$3,150,780)  | \$2,174,217    |
|  | \$457,180      | \$925,215      |
| Cash flow from operating activities        | \$5,744,685    | \$6,741,875    |
| <b>Investing activity</b>                  |                |                |
| Purchase of mortgage investments, net      | (\$19,752,866) | (\$2,305,368)  |
| Cash flow used by investing activities     | (\$19,752,866) | (\$2,305,368)  |
| <b>Financing activities</b>                |                |                |
| Distribution to unitholders and Manager    | (\$7,093,872)  | (\$5,781,769)  |
| Advances on loan payable                   | \$12,988,110   | (\$1,070,750)  |
| Cash received on subscriptions             | \$9,683,728    | \$1,543,423    |
| Redemptions                                | (\$5,088,063)  | (\$6,042,613)  |
| Cash flow from financing activities        | \$10,489,903   | (\$11,351,708) |
| <b>Increase in cash</b>                    | (\$3,518,278)  | (\$6,915,201)  |
| Cash - beginning of period                 | \$13,303,792   | \$14,931,542   |
| <b>Cash - end of period</b>                | \$9,785,514    | \$8,016,342    |
| <b>Cash flow supplementary information</b> |                |                |
| Interest paid                              | \$2,333,128    | \$1,860,658    |
| Interest income                            | \$11,234,118   | \$8,198,633    |

See accompanying notes to the financial statements.

# CAPITAL DIRECT I INCOME TRUST

## Notes to Financial Statements

Three Month Period Ended March 31, 2024

(Unaudited - Management Prepared)

---

### 1. ORGANIZATION OF THE TRUST

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

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

### 2. BASIS OF PRESENTATION-DISCLOSURE FOR INTERIM FS

These unaudited interim financial statements, including comparatives, are prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34").

The interim financial statements should be read in conjunction with the Trust's annual financial statements for the year ended December 31, 2023.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Significant accounting estimates and judgements

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

#### Financial instruments

##### Recognition and measurement

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

(continues)

# CAPITAL DIRECT I INCOME TRUST

## Notes to Financial Statements

Three Month Period Ended March 31, 2024

(Unaudited - Management Prepared)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

| Assets:                                  | Category                    | Measurement    |
|--|-----------------------------|----------------|
| Cash                                     | Loans and receivables       | Amortized cost |
| Accounts receivable                      | Loans and receivables       | Amortized cost |
| Mortgage investments                     | Loans and receivables       | Amortized cost |
| Interest Rate Swap                       | Held for Trading            | Fair Value     |
| Liabilities:                             |                             |                |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost |
| Loan payable                             | Other financial liabilities | Amortized cost |

#### Comprehensive income

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

The Trust had no "other comprehensive income or loss" transactions during the three months ended March 31, 2024 and no opening or closing balances for accumulated other comprehensive income or loss.

#### Mortgage investments

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

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

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

(continues)

# CAPITAL DIRECT I INCOME TRUST

## Notes to Financial Statements

Three Month Period Ended March 31, 2024

(Unaudited - Management Prepared)

---

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Provision for loan losses

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

A loan is considered to be impaired when payments are in arrears, all attempts at recovery with the mortgagee have failed and the Trust enters the foreclosure process to recover the loan balance. A specific provision is recorded to the extent the fair value of the collateral charged against the loan does not exceed the loan balance. Interest income continues to be accrued until the courts begin selling the property. Legal fees and other costs are also accrued to the loan balance to the extent they are expected to be recovered. At March 31, 2024 there are no impaired loans for which a specific loss provision has been recorded.

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

#### Income taxes

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



# CAPITAL DIRECT I INCOME TRUST

## Notes to Financial Statements

Three Month Period Ended March 31, 2024

(Unaudited - Management Prepared)

### 4. MORTGAGE INVESTMENTS

Interest rates vary on the mortgages as noted below:

| Interest Rate   | #Loans | Carrying Value | Interest Rate   | #Loans | Carrying Value |
|-----------------|--------|----------------|-----------------|--------|----------------|
| 4.75% - 4.99%   | 1      | \$144,403      | 13.00% - 13.24% | 34     | \$4,527,498    |
| 5.00% - 5.24%   | 1      | \$80,213       | 13.25% - 13.49% | 32     | \$4,989,192    |
| 5.25% - 5.49%   | 2      | \$701,233      | 13.50% - 13.74% | 44     | \$8,742,764    |
| 5.75% - 5.99%   | 12     | \$5,327,160    | 13.75% - 13.99% | 51     | \$5,943,693    |
| 6.00% - 6.24%   | 2      | \$859,191      | 14.00% - 14.24% | 40     | \$5,644,738    |
| 6.25% - 6.49%   | 4      | \$1,418,339    | 14.25% - 14.49% | 32     | \$3,860,966    |
| 6.50% - 6.74%   | 4      | \$1,671,876    | 14.50% - 14.74% | 29     | \$3,335,305    |
| 6.75% - 6.99%   | 27     | \$12,314,519   | 14.75% - 14.99% | 58     | \$6,082,451    |
| 7.00% - 7.24%   | 5      | \$1,522,771    | 15.00% - 15.24% | 30     | \$4,389,572    |
| 7.25% - 7.49%   | 56     | \$21,776,786   | 15.25% - 15.49% | 29     | \$3,331,515    |
| 7.50% - 7.74%   | 10     | \$5,390,453    | 15.50% - 15.74% | 30     | \$3,394,405    |
| 7.75% - 7.99%   | 44     | \$14,761,873   | 15.75% - 15.99% | 46     | \$3,750,542    |
| 8.00% - 8.24%   | 21     | \$12,862,531   | 16.00% - 16.24% | 22     | \$2,313,438    |
| 8.25% - 8.49%   | 55     | \$12,906,891   | 16.25% - 16.49% | 33     | \$3,130,079    |
| 8.50% - 8.74%   | 26     | \$13,110,093   | 16.50% - 16.74% | 19     | \$1,944,609    |
| 8.75% - 8.99%   | 96     | \$23,872,509   | 16.75% - 16.99% | 23     | \$2,538,939    |
| 9.00% - 9.24%   | 21     | \$6,057,815    | 17.00% - 17.24% | 17     | \$1,311,677    |
| 9.25% - 9.49%   | 79     | \$16,408,330   | 17.25% - 17.49% | 12     | \$1,162,713    |
| 9.50% - 9.74%   | 29     | \$9,705,028    | 17.50% - 17.74% | 9      | \$886,994      |
| 9.75% - 9.99%   | 187    | \$35,082,087   | 17.75% - 17.99% | 19     | \$1,973,864    |
| 10.00% - 10.24% | 37     | \$14,120,154   | 18.00% - 18.24% | 11     | \$1,121,027    |
| 10.25% - 10.49% | 96     | \$15,390,374   | 18.25% - 18.49% | 19     | \$1,545,203    |
| 10.50% - 10.74% | 31     | \$8,344,225    | 18.50% - 18.74% | 5      | \$665,293      |
| 10.75% - 10.99% | 167    | \$23,706,850   | 18.75% - 18.99% | 12     | \$757,811      |
| 11.00% - 11.24% | 33     | \$6,708,110    | 19.00% - 19.24% | 12     | \$1,355,042    |
| 11.25% - 11.49% | 68     | \$12,262,450   | 19.25% - 19.49% | 13     | \$1,429,678    |
| 11.50% - 11.74% | 41     | \$7,388,806    | 19.50% - 19.74% | 5      | \$316,955      |
| 11.75% - 11.99% | 92     | \$14,151,355   | 19.75% - 19.99% | 7      | \$827,437      |
| 12.00% - 12.24% | 38     | \$11,030,595   | 20.00% - 20.24% | 2      | \$202,888      |
| 12.25% - 12.49% | 51     | \$10,359,662   | 20.25% - 20.49% | 3      | \$251,899      |
| 12.50% - 12.74% | 41     | \$6,183,783    | 20.50% - 20.74% | 4      | \$335,716      |
| 12.75% - 12.99% | 65     | \$10,942,788   | 20.75% - 20.99% | 6      | \$640,722      |
|                 |        |                | 21.00% - 21.24% | 2      | \$49,687       |
|                 |        |                | 21.25% - 21.49% | 2      | \$103,811      |
|                 |        |                | 21.50% - 21.74% | 3      | \$312,117      |
|                 |        |                | 21.75% - 21.99% | 3      | \$81,755       |
|                 |        |                | 22.00% - 22.24% | 3      | \$523,118      |
|                 |        |                | 22.25% - 22.49% | 5      | \$458,009      |
|                 |        |                | 22.50% - 22.74% | 2      | \$77,096       |
|                 |        |                | 12.75% - 22.99% | 4      | \$238,577      |
|                 |        |                | 23.00% - 23.24% | 2      | \$91,502       |
|                 |        |                | 23.25% - 23.49% | 1      | \$94,885       |
|                 |        |                | 23.50% - 23.74% | 2      | \$86,012       |
|                 |        |                | 24.00% - 24.24% | 1      | \$22,411       |
|                 |        |                | 24.25% - 24.49% | 1      | \$123,636      |
|                 |        |                | 24.50% - 24.74% | 1      | \$60,640       |
|                 |        |                | 24.75% - 24.99% | 2      | \$84,917       |
|                 |        |                | 25.25% - 25.49% | 1      | \$34,404       |
|                 |        |                | 26.00% - 26.24% | 2      | \$20,497       |
|                 |        |                | 28.25% - 28.49% | 1      | \$30,655       |
|                 |        |                |                 | 2188   | \$421,761,607  |

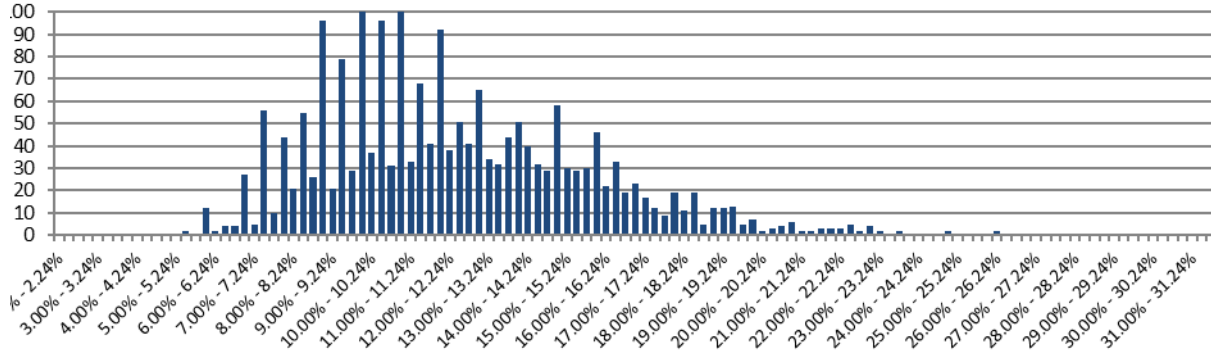
(continues)

# CAPITAL DIRECT I INCOME TRUST

## Notes to Financial Statements

Three Month Period Ended March 31, 2024

(Unaudited - Management Prepared)



# CAPITAL DIRECT I INCOME TRUST

## Notes to Financial Statements

Three Month Period Ended March 31, 2024

(Unaudited - Management Prepared)

### 4. MORTGAGE INVESTMENTS (continued)

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

| LTV                               | Number of Loans | Carrying Value | % Carrying Value |
|-----------------------------------|-----------------|----------------|------------------|
| 0% to 4.99%                       | 19              | \$1,008,975    | 0%               |
| 5% to 9.99%                       | 36              | \$3,154,279    | 1%               |
| 10% to 14.99%                     | 48              | \$4,782,774    | 1%               |
| 15% to 19.99%                     | 62              | \$7,423,116    | 2%               |
| 20% to 24.99%                     | 57              | \$8,564,500    | 2%               |
| 25% to 29.99%                     | 96              | \$13,892,952   | 3%               |
| 30% to 34.99%                     | 109             | \$19,077,143   | 5%               |
| 35% to 39.99%                     | 121             | \$21,077,886   | 5%               |
| 40% to 44.99%                     | 167             | \$29,406,077   | 7%               |
| 45% to 49.99%                     | 215             | \$43,640,628   | 10%              |
| 50% to 54.99%                     | 202             | \$43,088,824   | 10%              |
| 55% to 59.99%                     | 270             | \$60,394,446   | 14%              |
| 60% to 64.99%                     | 269             | \$71,354,162   | 17%              |
| 65% to 69.99%                     | 293             | \$66,509,937   | 16%              |
| 70% to 74.99%                     | 133             | \$15,150,111   | 4%               |
| 75% to 79.99%                     | 86              | \$11,752,745   | 3%               |
| 80% to 84.99%                     | 2               | \$735,889      | 0%               |
| 85% to 89.99%                     | 1               | \$117,692      | 0%               |
| 90% to 94.99%                     | 2               | \$629,472      | 0%               |
| 95% to 99.99%                     | 0               |                |                  |
|                                   | 2188            | \$421,761,607  | 100%             |
| General Loan loss provision       |                 | (\$1,034,992)  |                  |
| Deferred mortgage discount income |                 | (\$1,615,244)  |                  |
|                                   |                 | \$419,111,371  |                  |

| Prov     | #Loans | Fair Value    | %Portfolio |
|----------|--------|---------------|------------|
| AB       | 293    | \$49,348,374  | 11.7%      |
| Atlantic | 168    | \$24,081,209  | 5.7%       |
| BC       | 801    | \$177,981,603 | 42.2%      |
| ON       | 926    | \$170,350,420 | 40.4%      |
| TOTAL    | 2188   | \$421,761,607 | 100.0%     |

# CAPITAL DIRECT I INCOME TRUST

## Notes to Financial Statements

Three Month Period Ended March 31, 2024

(Unaudited - Management Prepared)

### 5. FINANCIAL INSTRUMENTS

#### a) Fair value of financial assets and liabilities

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

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

|                        | Mar-31-24             |                   |                   | Mar-31-23         |
|------------------------|-----------------------|-------------------|-------------------|-------------------|
|                        | <u>Carrying Value</u> | <u>Fair Value</u> | <u>Difference</u> | <u>Difference</u> |
| <u>Assets:</u>         |                       |                   |                   |                   |
| Loans and receivables: |                       |                   |                   |                   |
| Cash                   | \$9,785,514           | \$9,785,514       | -                 | -                 |
| Accounts receivable    | \$3,275,173           | \$3,275,173       | -                 | -                 |
| Mortgage investments   | \$419,111,371         | \$419,111,371     | -                 | -                 |
| Interest Rate Swap     | (\$865,566)           | (\$865,566)       | -                 | -                 |
|                        |                       |                   | <u>-</u>          | <u>-</u>          |
| <u>Liabilities:</u>    |                       |                   |                   |                   |
| Other liabilities:     |                       |                   |                   |                   |
| Accounts payable       | \$5,371,546           | \$5,371,546       | -                 | -                 |
| Loan payable           | \$129,650,966         | \$129,650,966     | -                 | -                 |
|                        |                       |                   | <u>-</u>          | <u>-</u>          |
| Net difference         |                       |                   | <u>-</u>          | <u>-</u>          |

#### (b) Risk management

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

#### Credit Risk

Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to the Trust. It is the Manager's opinion that the Trust is exposed to credit risks on all mortgage investments. The credit risk is mitigated as all mortgage investments are collateralized, there is no significant geographical concentration of mortgage investments, and the Manager regularly reviews and monitors the fair value of the collateral. The loss provision for the mortgage investments is established based on a provision for identified specific mortgage investments and a general provision applied to loans with similar credit characteristics. The Manager has assessed that there are no specifically identified mortgage investments exposed to credit risks. The Manager has provided a general loan loss provision based on approximately 0.25% (December 31, 2023: 0.32%) of mortgage investments.

(continues)

# CAPITAL DIRECT I INCOME TRUST

## Notes to Financial Statements

Three Month Period Ended March 31, 2024

(Unaudited - Management Prepared)

---

### 5. FINANCIAL INSTRUMENTS (continued)

#### Liquidity Risk

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

#### Market Risk

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

### 6. LOAN PAYABLE

The Trust, by the Manager, the Mortgage Broker and Capital Direct II Management Ltd., 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. All parties to the Loan Agreement have entered into cross-guarantee arrangements and the Loan Agreement described above is secured by the assets of the Trust, the Manager, the Mortgage Broker and Capital Direct II Management Ltd.

### 7. RELATED PARTY TRANSACTIONS

During the three month period ended March 31, 2024, the Trust purchased 92.2% of its mortgages totaling \$115,539,715 from Capital Direct Lending Corp., and 7.8% of its mortgages totaling \$9,730,508 from Capital Direct Atlantic Inc.

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

# CAPITAL DIRECT I INCOME TRUST

## Notes to Financial Statements

Three Month Period Ended March 31, 2024

(Unaudited - Management Prepared)

### 8. TAXATION

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

### 9. DISTRIBUTION TO UNITHOLDERS

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

### 10. UNITHOLDER EQUITY

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

The Trust has authorized Class A, Class C and Class F units totaling 37,500,000 units for a combined maximum of \$375,000,000. Class C and Class F units bear similar features where units may be retracted after 180 days with no penalty, whereas Class A units bear a retraction fee which diminishes over five years from 5% prior to the first anniversary of issue to zero. Class A, Class C and Class F units share pro rata in distributions from the Trust. In accordance with the Declaration of Trust, redemption requests for all classes of units can be submitted twice annually, by giving written notice to the Manager 30 days prior to June 30 or December 31 in any year. Class A, Class C and Class F units are issued as listed below.

For the three month period ended March 31, 2024, 968,773 units were issued for a total subscription price of \$9,687,727.

|                                | Class A   | Class C   | Class F    | Total      |
|--------------------------------|-----------|-----------|------------|------------|
| Units outstanding, Dec-31-2023 | 9,124,415 | 7,822,720 | 11,814,749 | 28,761,884 |
| Units issued on subscription   | 95,082    | 304,818   | 568,873    | 968,773    |
| Units issued on reinvestment   | 107,810   | 120,006   | 175,390    | 403,206    |
| Units Interchanged             | -83,428   | 12,702    | 74,079     | 3,353      |
| Units redeemed                 | -217,847  | -117,185  | -173,774   | -508,808   |
| Units outstanding, Mar-31-2024 | 9,026,032 | 8,143,060 | 12,459,317 | 29,628,409 |

# CAPITAL DIRECT I INCOME TRUST

## Notes to Financial Statements

Three Month Period Ended March 31, 2024

(Unaudited - Management Prepared)

---

### 11. MANAGEMENT FEES AND EXPENSES

#### Management fees

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

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

The Board of Directors of the Manager unanimously agreed to waive 50% of the distribution to which it is entitled for the three month period ended March 31, 2024. The amount waived was returned to the Fund and was distributed to the unitholders. The total distribution paid to the Manager for the three month period was \$709,387.

Of these amounts, \$1,857,527 remains in accounts payable.

#### Expenses

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

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

### 12. CAPITAL MANAGEMENT

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

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

1. To maintain a Cash Flow Coverage Ratio of not less than 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.

For the three month period ended March 31, 2024, the Trust was in compliance with the above covenants.

# CAPITAL DIRECT I INCOME TRUST

## Notes to Financial Statements

Three Month Period Ended March 31, 2024

(Unaudited - Management Prepared)

### 13. ANNUALIZED RATE OF RETURN

|                | Subscription Month | Net Asset Value | Weighted Average Net Asset Value Per Month | Net Income Allocated to Unitholders | Annualized Return |
|----------------|--------------------|-----------------|--|-------------------------------------|-------------------|
| Class A:       | Jan-31-24          | \$91,244,151    | \$91,244,151                               | \$1,917,339                         | 8.4053%           |
|                | Feb-29-24          | (\$186,853)     | (\$124,569)                                | (\$2,618)                           | 8.4053%           |
|                | Mar-31-24          | (\$1,526,753)   | (\$508,918)                                | (\$10,694)                          | 8.4053%           |
|                | Mar-31-24          | \$729,778       | \$0  |                                     |                   |
| Class A Total: |                    | \$90,260,323    | \$90,610,665                               | \$1,904,027                         | 8.4053%           |
| Class C:       | Jan-31-24          | \$78,227,200    | \$78,227,200                               | \$1,643,810                         | 8.4053%           |
|                | Feb-29-24          | \$1,151,153     | \$767,435                                  | \$16,126                            | 8.4053%           |
|                | Mar-31-24          | \$222,110       | \$74,037                                   | \$1,556                             | 8.4053%           |
|                | Mar-31-24          | \$1,830,141     | \$0  |                                     |                   |
| Class C Total: |                    | \$81,430,603    | \$79,068,672                               | \$1,661,492                         | 8.4053%           |
| Class F:       | Jan-31-24          | \$118,147,488   | \$118,147,488                              | \$2,778,035                         | 9.4053%           |
|                | Feb-29-24          | \$1,432,192     | \$954,795                                  | \$22,450                            | 9.4053%           |
|                | Mar-31-24          | \$2,325,275     | \$775,092                                  | \$18,225                            | 9.4053%           |
|                | Mar-31-24          | \$2,688,213     | \$0  |                                     |                   |
| Class F Total: |                    | \$124,593,169   | \$119,877,375                              | \$2,818,710                         | 9.4053%           |
| Total:         |                    | \$296,284,095   | \$289,556,711                              | \$6,384,230                         |                   |