



Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2010

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements and the accompanying notes of DirectCash Income Fund (the "Fund") for the three months ended March 31, 2010 (the "2010 Q1 Financial Statements"), along with Management's Discussion and Analysis and consolidated financial statements for the year ended December 31, 2009 (the "2009 Year End Financial Statements"). Results are reported in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Definitions

In this MD&A:

"DirectCash" means, collectively, DirectCash Management Inc., DirectCash Limited Partnership, DirectCash ATM Management Partnership, DirectCash ATM Processing Partnership, DirectCash Acquisition Corp., DirectCash USA, Inc., DirectCash México S.A. De C.V., DSM Services S.A. De C.V., DirectCash Management Australia Pty. Ltd. and any of their controlled affiliates (i.e. the entities involved in the actual operation of the businesses being carried on).

"DirectCash Group" means, collectively, the Fund, DirectCash Commercial Trust and the entities comprised in the definition of "DirectCash".

Forward-looking Statements

This MD&A contains certain forward-looking statements relating to future events. Forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond DirectCash's ability to control, including the impact to DirectCash's business, general economic conditions, consumer spending, borrowing trends and regulatory changes to name a few. Certain statements that contain words such as "could", "believe", "expects", "expected", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words relating to matters that are not historical facts constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. In particular, forward-looking information and statements contained in this MD&A include statements related to DirectCash's projected growth in Canada and Mexico in the ATM business, projected growth in the prepaid and debit terminal business, accretive acquisitions on a go forward basis, expansion of DirectCash's merchant base through new and innovative products, entry into new geographic markets, ability to continue to acquire long-term recurring services contracts and expected increase in capital expenditures due to regulatory mandated security upgrade changes are all statements that have been stated or referred to throughout this MD&A. Readers are cautioned that actual results may vary from the forward-looking information provided.

Business Strategy

ATM business - Canada

DirectCash's focus on growth in the ATM business has historically been organic, using an in-house sales force as well as established distributor relationships. Organic growth, which includes adding other ATM related services along with ATM site additions, continues to be a strong focus; however, in recent years DirectCash has also focused on adding ATM assets through acquisitions of competitors and the purchase of some of DirectCash's existing distributor relationships. Historically, DirectCash has been able to make acquisitions at reasonable valuations, providing accretive returns to DirectCash's Unitholders and DirectCash believes this will continue to be the case going forward.

DirectCash continues to use its in-house sales force to drive Canadian organic growth, focusing on new ATM sales and placements as well as attracting customers that already have ATMs and are looking for a new supplier. In addition, new industry upgrades to ATMs presents DirectCash with the opportunity to incent customers to switch to DirectCash from alternate suppliers by providing new upgraded ATMs. With the placement of ATMs at new locations in the Canadian marketplace and the willingness of the owners of such ATMs to sell them, DirectCash's business may continue to grow through accretive acquisitions.

DirectCash intends to continue to manage its cost structure efficiently in this stable cash flow business in which customers execute long term contracts.

ATM business – Mexico

DirectCash started reporting ATM business results for Mexican operations in the first quarter of 2009. Mexico provides a solid growth opportunity for DirectCash.

Effective May 5, 2010, the Reserve Bank of Mexico has eliminated the interchange fee paid for Mexico domestic transactions in Mexico and has added an additional fee to be paid to local banks by ATM operators for Mexico domestic transactions. DirectCash's ATMs in Mexico are located primarily in tourist locations and on an aggregate basis, only 20% of the transactions processed in Mexico are domestic. The remainder of the transactions processed on DirectCash ATMs in Mexico are international transactions, which continue to have interchange paid. This change in regulation is expected to cost DirectCash less than \$200,000 per annum based on current transaction levels.

Prepaid products business

The prepaid products business has been DirectCash's highest organic growth line of business in recent years, largely resulting from the expansion of DirectCash's customer base as well as growth within DirectCash's existing customers' businesses.

DirectCash offers prepaid card products for both the MasterCard (a credit card product) and Interac (a debit card product) networks. A prepaid Visa product is also being introduced in DirectCash's Australia operations. DirectCash's focus in this line of business is the development of new products and the diversification of the customer base in order to reduce the dependency on DirectCash's existing concentrated customer base. DirectCash expects to see continued growth through DirectCash's existing customer base as customers expand their site locations both domestically and internationally.

To this end, DirectCash has developed and expanded products such as the sale of prepaid telephone cards, virtual voucher telephone cards, prepaid telephone land line connectivity, money transfer, cheque cashing solutions and electronic fund transfer services.

Through DirectCash's strategic alliance with DirectCash Bank, DirectCash can now arrange for bank accounts and related financial services to be offered to customers of DirectCash's prepaid card products.

DirectCash's strategy is to continue to develop and offer new products and expand merchant relationships including expansion into new geographic locations, such as Australia, in order to continue to diversify this line of business. DirectCash also intends to pursue acquisition opportunities in this line of business where feasible.

Debit terminal business

Historically, the debit terminal business has been the smallest business segment in terms of gross profit contribution. DirectCash's growth strategy is to continue to offer unique products and services through DirectCash debit terminals which the larger banks traditionally do not offer. As with the ATM business, industry upgrades to debit terminals provides the opportunity for DirectCash to attract new customers that already have a debit terminal by providing new upgraded devices.

Critical Accounting Policies

DirectCash believes that the accounting policies that are critical to DirectCash's businesses relate to the use of estimates regarding the valuation and amortization of intangible assets, goodwill and revenue recognition. For a detailed discussion of accounting policies which DirectCash considers significant see the notes to 2009 Year End Financial Statements filed on www.SEDAR.com.

Non-GAAP Measures

There are a number of financial calculations that are not defined performance measurements under GAAP but which DirectCash believes are useful and accepted performance measurements utilized by the investing public in assessing the overall financial performance of income trusts.

Earnings before interest, taxes, depreciation and amortization ("EBITDA")

EBITDA represents gross profits less selling, general and administrative expenses ("SG&A") and long-term incentive plan expenses, and is not a defined performance measure under GAAP. DirectCash believes that EBITDA is a useful supplementary disclosure commonly used by the investing community to assess and compare cash flows between entities. EBITDA specifically excludes depreciation, amortization, income taxes and interest expense. DirectCash's EBITDA may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to EBITDA as reported by such issuers. The most directly comparable GAAP measure is Net Earnings. A reconciliation between EBITDA and Net Earnings is disclosed in the "Financial Highlights" schedule later on.

Standardized distributable cash flow and standardized distributable cash flow per unit

On July 6, 2007, the Canadian Securities Administrators (“CSA”) published revised National Policy Statement 41-201 Income Trusts and Other Direct Offerings that includes guidance concerning distributable cash flow measures and their related disclosure. In accordance with the interpretive release issued by the Canadian Institute of Chartered Accountants (“CICA”), DirectCash has calculated a distributable cash flow measure called Standardized Distributable Cash Flow and has included it as an additional disclosure. Standardized Distributable Cash Flow is calculated as cash flow from operations including the effect of changes in non-cash working capital less total capital expenditures required to preserve productive capacity, and restrictions on distributions resulting from compliance covenants. Due to normal course changes of non-cash working capital between periods, Standardized Distributable Cash Flow has the potential to be volatile between periods compared to DirectCash’s existing measure of Distributable Cash Flow, which is calculated as cash flow from operations excluding the impact of non-cash working capital changes less productive capital maintenance requirements (see discussion below). In order to reconcile the two measures, DirectCash has calculated Standardized Distributable Cash Flow and reconciled it to Distributable Cash Flow.

Distributable cash flow and distributable cash flow per unit

Distributable cash flow and distributable cash flow per unit are non-GAAP measures generally used by Canadian open-ended income funds as an indicator of financial performance. Readers are cautioned that distributable cash flow is not a defined performance measure under GAAP and that distributable cash flow cannot be assured to continue at equivalent levels in the future. DirectCash calculates distributable cash flow as equal to the consolidated funds flow from operations before changes in non-cash working capital, after provision for productive capital maintenance capital expenditures (see discussion below). DirectCash’s distributable cash flow and distributable cash flow per unit may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to distributable cash flow and distributable cash flow per unit as reported by such issuers.

Unitholders receive cash distributions sourced from distributions made by DirectCash LP indirectly to the Fund. DirectCash Group’s policy is to distribute, to the maximum extent possible, the cash earned from operations to Unitholders, less amounts estimated to be required for expenses, productive capital maintenance, cash redemptions or repurchases of Units, any current tax liability, or other obligations, debt repayments and any reasonable reserves established. The Fund makes monthly cash distributions to Unitholders on the last business day of each month to Unitholders of record on the last business day of the preceding month.

Since August 2006, monthly distributions have been paid at \$0.115 per Unit per month (\$1.38 per Unit annualized). A special distribution of \$0.120 per Unit was paid December 31, 2009. Distributions are funded from cash flows generated by the operation of the business.

Productive capital maintenance expenditures

DirectCash differentiates capital expenditures between growth and productive capital maintenance (“Maintenance Capital”). There is no such distinction under GAAP. However, DirectCash believes it is important to differentiate between them as

maintenance capital expenditures represent a discretionary adjustment to distributable cash flow while growth capital does not.

Maintenance capital expenditures are defined as expenditures required to service and maintain DirectCash's existing productive capacity, while growth capital is expended to increase DirectCash's productive capacity by adding additional sources of revenue not currently in existence. Current measures of productive capacity that DirectCash utilizes include ATMs and debit terminals under contract (see "Operational Highlights"), Software and hardware upgrades to existing infrastructure, ATM and debit terminal equipment upgrades necessary to meet changing regulatory requirements, contract extension incentives, and fleet vehicle purchases and upgrades, are some examples of maintenance capital expenditures.

Examples of growth capital expenditures include the acquisition of a competitor's assets, the cost of an ATM in a new location, or technology costs related to new sources of revenue.

Readers are cautioned that productive capital maintenance expenditure is not a defined performance measure under GAAP. DirectCash's computation of productive maintenance capital expenditure may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to maintenance capital expenditures as reported by such issuers.

Non-cash working capital

Non-cash working capital is not a defined GAAP measure. DirectCash calculates non-cash working capital as current assets less current liabilities, but excluding cash and credit facilities. A summary of this calculation is provided later in the MD&A.

Summary of Quarterly Results

The following table presents a summary of DirectCash's selected consolidated financial information for the eight quarters ended March 31, 2010:

Quarterly information

<i>(thousands)</i>	2010	2009				2008		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues								
ATM business	\$ 9,802	\$ 10,344	\$ 11,268	\$ 10,606	\$ 10,085	\$ 9,733	\$ 10,229	\$ 9,346
Prepaid products business	15,836	13,375	13,234	12,887	13,104	12,021	12,024	12,044
Debit terminal business	478	498	543	426	433	472	457	437
	\$ 26,116	\$ 24,217	\$ 25,045	\$ 23,919	\$ 23,622	\$ 22,226	\$ 22,710	\$ 21,827
Gross Profit								
ATM business	\$ 5,602	\$ 6,027	\$ 6,314	\$ 6,275	\$ 6,076	\$ 5,442	\$ 5,856	\$ 5,774
	57.2%	58.3%	56.0%	59.2%	60.3%	55.9%	57.2%	61.8%
Prepaid products business	5,845	4,665	4,614	4,338	4,223	4,050	3,602	3,577
	36.9%	34.9%	34.9%	33.7%	32.2%	33.7%	30.0%	29.7%
Debit terminal business	358	375	386	307	319	347	289	305
	74.9%	75.3%	71.1%	72.0%	73.7%	73.5%	63.2%	69.7%
Total Gross Profit	\$ 11,805	\$ 11,067	\$ 11,314	\$ 10,920	\$ 10,618	\$ 9,839	\$ 9,747	\$ 9,656
	45.2%	45.7%	45.2%	45.7%	45.0%	44.3%	42.9%	44.2%
EBITDA	\$ 8,025	\$ 7,089	\$ 7,481	\$ 7,220	\$ 7,102	\$ 6,563	\$ 6,392	\$ 6,447
<i>EBITDA margin</i>	30.7%	29.3%	29.9%	30.2%	30.1%	29.5%	28.1%	29.5%
Net earnings/(loss)	\$ 9,404	\$ 4,868	\$ 4,286	\$ 3,565	\$ 2,196	\$ 343	\$ 116	\$ 706
Net earnings per unit, basic and diluted	\$ 0.75	\$ 0.39	\$ 0.34	\$ 0.29	\$ 0.18	\$ 0.03	\$ 0.01	\$ 0.06
Distributions declared								
Trust units	\$ 2,740	\$ 3,693	\$ 2,740	\$ 2,740	\$ 2,740	\$ 2,740	\$ 2,491	\$ 2,491
Exchangeable partnership units	1,562	2,105	1,562	1,562	1,562	1,562	1,811	1,811
	\$ 4,302	\$ 5,798	\$ 4,302	\$ 4,302	\$ 4,302	\$ 4,302	\$ 4,302	\$ 4,302
Distributions declared per unit, basic and diluted	\$ 0.3450	\$ 0.4650	\$ 0.3450	\$ 0.3450	\$ 0.3450	\$ 0.3500	\$ 0.3450	\$ 0.3450

Results of Operations for the three months ended March 31, 2010

Operational Highlights

	Three months ended	
	March 31	
	2010	2009
	(unaudited)	(unaudited)
Number of machines		
ATM terminals - active ¹	6,339	5,983
Debit terminals - active ¹	3,110	2,995
Number of transactions		
ATM transactions	7,285,140	7,223,190
Debit terminal transactions	2,570,473	2,285,339
Prepaid cash card activations	832,141	816,598
Prepaid cash card transactions	2,030,113	2,067,622

¹DirectCash has included statistics only for sites that recorded a transaction in the last calendar month of the period indicated.

On a year over year basis, the number of active ATMs increased by 356. The net increase is a result of the gain of a customer with approximately 90 locations and an acquisition made during 2009, as well as additional ATMs placed in Mexico.

As compared to 2009, ATM revenues declined due to DirectCash benefiting from two large legal settlements in 2009, as well as increased MasterCard network fees associated with international transactions on ATMs.

The small increase in ATM transactions reflects the impact of Mexican ATM operations and the overall increase in the number of ATMs in operation during the period. ATM transactions from DirectCash's Canadian operations were relatively flat on a year over year basis. Based on statistics provided by Interac, ATM transactions in the Canadian industry as a whole continued their historical decline on a per ATM basis (this results from a combination of a decrease in total transactions and an increase in the number of ATMs that the total transactions are spread among).

DirectCash's goal in the ATM business is to continue to add sites and grow aggregate transactions both organically and through accretive acquisitions and to maximize site profitability through cost and quality control. In addition, DirectCash is considering new geographic markets, such as the Mexican operation which continues to add to recurring services revenue growth and gross profit margins.

On a year over year basis, the number of active debit terminals has increased by 115. In the first quarter of 2009 DirectCash lost a large debit terminal customer due to insolvency, which impacted 185 debit terminal sites. DirectCash has since recovered the majority of this loss. The 12% growth in transactions for the three months ended March 31, 2010 over the prior year period is reflective of both the increased number of devices deployed and higher transaction volumes on newly deployed terminals. DirectCash continues to pursue organic growth in this business segment and to grow market share by providing retailers with unique products and services to enhance the business viability of the debit terminal for the retailer.

The growth in prepaid card activations is a result of new customer relationships and growth within existing relationships. The MasterCard prepaid card program continues to find traction and displace some debit card activations.

The decrease in prepaid card transactions is due to a decline in seasonal transactions from a large prepaid customer. Notwithstanding the slight seasonal decline in transactions in this line of business revenue increased due to the addition of new products, including the new bank account product offered through DirectCash's strategic alliance with DC Bank and one of DirectCash's significant customers. Prepaid credit card transactions experienced significant growth during the three months ended March 31, 2010 compared to prior year period. Activation and transaction volume figures include both prepaid debit and prepaid credit cards.

The following table presents a summary of the DirectCash's selected consolidated financial information for the three months ended March 31, 2010 and 2009:

Financial Highlights

<i>(thousands)</i>	Three Months Ended	
	March 31	
	2010	2009
Revenues		
Recurring services revenue	\$ 20,924	\$ 17,980
Products revenue	5,190	5,589
Interest income	2	53
Total revenue	\$ 26,116	\$ 23,622
Gross Profit		
Recurring services and interest	\$ 11,289	\$ 10,262
<i>Gross profit margin</i>	<i>53.9%</i>	<i>56.9%</i>
Products	516	356
<i>Gross profit margin</i>	<i>9.9%</i>	<i>6.4%</i>
Total gross profit	\$ 11,805	\$ 10,618
<i>Total gross profit margin</i>	<i>45.2%</i>	<i>44.9%</i>
Expenses and other income:		
Selling, general and administrative	3,420	3,211
Long-term incentive plan	378	305
Interest	268	301
Unrealized loss on foreign exchange	(18)	-
Purchase gain on acquisition	(4,238)	-
Depreciation of equipment	766	712
Amortization of intangible assets	2,058	3,793
	\$ 2,634	\$ 8,322
Net earnings before income taxes	\$ 9,171	\$ 2,296
Income taxes - Current (Mexico)	53	100
Income taxes - Future	(286)	-
Net earnings	\$ 9,404	\$ 2,196
<i>Net earnings per unit</i>	<i>0.75</i>	<i>0.18</i>
Add back:		
Interest	268	301
Purchase gain on acquisition	(4,238)	-
Depreciation of equipment	766	712
Amortization of intangible assets	2,058	3,793
Income taxes - Current	53	100
Income taxes - Future	(286)	-
EBITDA	\$ 8,025	\$ 7,102
<i>EBITDA margin</i>	<i>30.7%</i>	<i>30.1%</i>
Total assets	\$ 129,033	\$ 119,752
Total debt	\$ 42,562	\$ 40,272
Total debt net of cash	\$ 16,211	\$ 14,386

Revenue

Total revenue has increased by 11% for the three months ended March 31, 2010, as compared to the prior year period. Revenue by line of business, which includes both recurring services and products revenue, is as follows:

Revenue by Line of Business

(thousands)	Three months ended March 31	
	2010	2009
ATM Business	\$ 9,802	\$ 10,085
Prepaid products business	15,836	13,104
Debit terminal business	478	433
Total Revenue	\$ 26,116	\$ 23,622

Revenue by type

Recurring services	\$ 20,924	\$ 17,980
Products	5,190	5,589
Interest	2	53
Total Revenue	\$ 26,116	\$ 23,622

Revenue – Recurring Services

Recurring services revenue relates to revenue earned from transaction processing activities, including DirectCash's ATM, debit terminal and prepaid product lines of business.

The increase of 16% over 2009 in recurring services revenue is primarily attributable to the prepaid products line of business. The increase in prepaid products recurring services revenue comes primarily from the MasterCard prepaid card product as customers show greater acceptance and use of this product. Additional revenue was also earned through fees associated with bank accounts now offered to DirectCash's prepaid customers through DirectCash's strategic alliance with DirectCash Bank and one of DirectCash's significant customers. DirectCash's prepaid card merchant customers are also continuing to expand their customer base through the growth of their retail locations.

There is historic seasonality in processing transaction volumes, with the highest ATM transaction activity in Canada typically occurring in the second and third quarters of the year. The first and fourth quarters are traditionally DirectCash's weakest quarters in terms of processing transactions and gross profitability. In Mexico, seasonality in the ATM business is the opposite of what is seen from DirectCash's Canadian operations. DirectCash has eliminated the impact of seasonal fluctuations in cash flows to Unitholders by equalizing monthly cash distributions. This seasonality is considered when determining levels of available cash at the end of each reporting period.

Revenue – Products

Product revenue includes sales of ATM machines, debit terminals and related parts, as well as prepaid products, consisting of prepaid cards (debit and credit), prepaid telephone cards, both physical (“hard cards”) and electronic (“virtual vouchers”).

For the three months ended March 31, 2010 revenue from product sales was down 7% compared to the prior year. The primary reason for the lower revenues is the decline in the sales of telephone and prepaid debit cards. DirectCash has seen a reduction in the sale of long-distance telephone and cellular cards in Alberta, where a number of clients are dependent upon the transient oil and gas work force which has been reduced. The reduction in the sale of prepaid debit cards is a direct result of the MasterCard prepaid product continuing to displace prepaid debit card use.

ATM and debit terminal sales were relatively flat on a year over year comparison as customer preference continues to lean towards full placement and rental of units rather than full ownership.

Interest Income

Interest income declined significantly during the period on a year over year basis as a result of the impact of lower interest rates that can be realized on funds held in short term deposits.

Gross Profits

In total, gross profits have increased by 11% for the three months ended March 31, 2010, as compared to the same period last year. Gross profit by line of business, which includes both recurring services and products revenue, is as follows:

Gross profit by Line of Business

	Three months ended March 31	
	2010	2009
ATM Business	\$ 5,602	\$ 6,076
<i>gross profit margin</i>	57.2%	60.3%
Prepaid products business	5,845	4,223
<i>gross profit margin</i>	36.9%	32.3%
Debit terminal business	358	319
<i>gross profit margin</i>	74.9%	73.7%
Total Gross Profit	\$ 11,805	\$ 10,618
<i>gross profit margin</i>	45.2%	45.0%

Gross profit by type

Recurring services and interest	\$ 11,289	\$ 10,262
<i>gross profit margin</i>	53.9%	56.9%
Products	516	356
<i>gross profit margin</i>	9.9%	6.4%
Total Gross Profit	\$ 11,805	\$ 10,618
<i>gross profit margin</i>	45.2%	45.0%

Gross Profitability – Recurring Services

Total gross profits from recurring services revenue and interest income for the three months ended March 31, 2010 increased by 10% over the prior year.

The increase in gross profits for recurring services can be attributed to the following factors:

- (a) higher margin contributions from the debit terminal business, and
- (b) higher activity in prepaid credit card activations and transactions.

Gross profit margins were maintained at prior year levels.

The debit terminal recurring services gross margins increased as a result of more active machines and higher revenue per transaction.

The increase in activation levels and improved performance from the prepaid credit card product in the prepaid products line of business resulted in the increase in contribution from the recurring services business segment.

Gross Profitability - Products

Gross profit from the sale of products for the three months ended March 31, 2010 increased by 45% from 2009 levels.

The increase can be explained primarily by:

- (a) positive contribution from the sales of prepaid telephone land line connectivity, a service added to the prepaid business segment in Q4 2009, and
- (b) higher margin contributions from the sale of ATM and debit terminals on a year over year basis.

DirectCash has a strategic goal of keeping ATM and debit terminal purchase prices as low as possible for the DirectCash customer in order to maximize the number of machines that can be placed. DirectCash believes that this strategy will result in additional long-term revenue generating services contracts.

Selling, General & Administrative Expenses (“SG&A”)

For the three months ended March 31, 2010 SG&A expenses increased by 6% from the prior year.

The increase is the result of higher salaries and benefits incurred from Mexican operations, as well as the addition of some key staff members brought on to assist in DirectCash's growth.

As a percentage of gross profits, SG&A was 29% during the three months ended March 31, 2010 compared to 30% for the same period last year.

Long-term incentive plan (“LTIP”)

Details of the Long-term incentive plan can be found in the notes to the financial statements.

The board increased the base threshold from \$1.65 to \$1.80, effective from January 1, 2010. This resulted in lowering the expected LTIP expense for the year by \$626,581.

Interest Expense

For the quarter ended March 31, 2010 interest expense has decreased by 11% compared to the prior year period. DirectCash is benefiting from the lower interest rate environment as well as lower outstanding balance on DirectCash’s credit facility.

All DirectCash debt is currently on floating interest rates. A one percent change in interest rates would result in an approximate \$104 thousand change in interest expense for the period.

Net Earnings

Net earnings for the three months ended March 31, 2010 were significantly higher than prior year periods mainly due to amortization of intangible assets being lower by \$1.7 million for the first quarter and a \$4.2 million purchase gain on acquisition.

The disparity between net earnings and cash distributions is primarily due to amortization of intangible assets related to ATM, debit terminal and prepaid product contracts. Typically, these contracts include automatic renewals for a further minimum six year period, unless the customer terminates the contract within a specified time period and includes a right of first refusal to match a competitor’s bona fide offer on renewal. Thus, while a contract acquired by DirectCash may have a fixed initial term (which is the time period over which amortization of this intangible asset occurs) DirectCash’s experience is that DirectCash is usually able to keep the applicable ATMs attached to the DirectCash network with no or little capital expenditure. Also, any ATM added by organic growth (i.e. through the DirectCash sales force) has a much lower capital cost that ATM locations added through acquisition.

EBITDA

For the quarter ended March 31, 2010, EBITDA increased by 13% over prior year levels, which is slightly greater than the 11% increase in gross profits. As a percentage of revenue, EBITDA was 31% during the three months ended March 31, 2010 as compared to 30% during Q1 2009.

For comparative purposes, we have eliminated the \$4.2 million purchase gain from our EBITDA calculations due to its extraordinary nature.

Standardized Distributable Cash Flow and Distributable Cash Flow per Unit

Standardized Distributable Cash Flow and Distributable Cash Flow per Unit

(thousands, except for per unit amounts)	Three months ended March 31		
	2010	2009	Cumulative ⁽¹⁾
Per consolidated financial statements:			
Net earnings	\$ 9,404	\$ 2,196	\$ 30,278
Add/(Deduct):			
Minority interest	-	-	838
Purchase gain on acquisition	(4,238)	-	(4,238)
Future income tax	(286)	-	(826)
Depreciation of equipment	766	712	11,711
Amortization of intangible and other assets	2,058	3,794	81,136
Changes in non-cash working capital	(2,339)	1,152	(493)
Cash provided by operations:	\$ 5,365	\$ 7,853	\$ 118,406
Productive capacity maintenance	(557)	(361)	(6,690)
Standardized distributable cash flow	\$ 4,808	\$ 7,492	\$ 111,716
<i>Per unit</i>	<i>\$ 0.39</i>	<i>\$ 0.60</i>	<i>\$ 8.94</i>
Changes in non-cash working capital	2,339	(1,152)	493
Distributable Cash Flow	\$ 7,147	\$ 6,340	\$ 112,209
<i>Per Unit</i>	<i>\$ 0.57</i>	<i>\$ 0.51</i>	<i>\$ 8.99</i>
Distributions declared	\$ 4,302	\$ 4,302	\$ 86,705
<i>Distributions declared per unit</i>	<i>\$ 0.35</i>	<i>\$ 0.35</i>	<i>\$ 6.96</i>
Standardized Distributable Cash Flow Payout ratio	89.5%	57.4%	77.6%
Distributable Cash Flow Payout Ratio	60.2%	67.9%	75.9%

⁽¹⁾ Since the DirectCash's initial public offering in December, 2004.

Distributions typically exceed net earnings as a result of non-cash expenses, such as depreciation of equipment and amortization of intangible assets. These non-cash expenses result in a reduction to net earnings, with no impact on cash flow from operating activities. DirectCash's policy is to distribute all available cash from operations after cash required to maintain productive capacity, debt repayments, growth opportunities, working capital reserves and other reserves as considered advisable by DirectCash Management Inc.'s board, which reflects the difference between distributions declared and distributable cash flow.

The lower distributable cash flow payout ratio in 2010 versus 2009 reflects the higher distributable cash flows being generated by DirectCash without a corresponding increase in cash distribution levels. Since inception, DirectCash has distributed 76% of its distributable cash flow to holders of units, exchangeable partnership units and Class B subordinated partnership units.

Cash distributions and productive maintenance capital programs have been historically funded via cash from operations, while growth capital expenditures have primarily been funded with debt. Over time, additional borrowing and equity issues may be required to increase productive capacity.

Neither standardized distributable cash flow nor distributable cash flow can be assured to continue at historical levels. See “Key Business Risks” for a list of factors which could negatively impact cash flows. DirectCash intends to utilize DirectCash’s credit facilities as part of its capital structure in order to fund future capital growth, operating within the covenants of DirectCash’s credit facility, thus enhancing distributable cash flow from operations.

Since inception, 100% of DirectCash’s distributions declared are considered “other income” by Unitholders.

Changes in Non-Cash Working Capital

The changes in non-cash working capital, as disclosed in the Consolidated Statements of Cash Flows, is calculated as follows:

Changes in Non-Cash Working Capital			
<i>(thousands)</i>	March	December	
	2010	2009	Change
Accounts receivable	\$ 2,997	\$ 2,010	\$ (987)
Loans receivable	417	718	301
Inventories	3,961	3,484	(477)
Prepaid expenses	646	379	(267)
Accounts payable and accrued liabilities	(8,733)	(9,629)	(896)
	(712)	(3,038)	(2,326)
Other			(13)
Change in non-cash working capital			\$ (2,339)

Non-cash working capital fluctuates between periods and is dependent upon factors such as short term inventory requirements, the timing of bulk inventory shipments, and the timing of accounts receivable collections and payment of liabilities.

The increase in accounts receivable and the increase in inventory can be attributed to industry upgrades to ATM and debit terminal hardware, which started during the three months ended March 31, 2010. The decrease in accounts payable is due to normal course fluctuations in the timing of payments. The increase in prepaid expenses is primarily related to DirectCash’s insurance renewal cycle. In addition, prepaid expenses can vary dependent upon the requirement for deposits and the timing of prepaid interest on bankers acceptances related to the acquisition credit facility.

Fluctuations in DirectCash’s non-cash working capital requirements are funded with DirectCash’s revolving credit facility.

Contractual Obligations

DirectCash has entered into various office and warehouse leases across Canada, as well as equipment leases that require aggregate minimum annual payments as follows:

Contractual Obligations

	Year ended March 31
2011	\$601,721
2012	372,911
2013	331,394
2014	331,963
2015	313,671
Thereafter	329,099

Capital Expenditures

DirectCash incurred the following expenditures of a capital nature:

Capital Expenditures

	Three months ended March 31	
	2010	2009
Per consolidated financial statements:		
Equipment	\$ 1,004	\$ 1,053
Intangible assets	2,013	499
	\$ 3,017	\$ 1,552
Split between growth and maintenance:		
Growth capital	\$ 2,460	\$ 1,191
Maintenance capital	557	361
	\$ 3,017	\$ 1,552

Growth capital expenditures relate to acquisitions and other expenditures that increase DirectCash's productive capacity, while maintenance capital expenditures maintain productive capacity at existing levels.

Productive capital maintenance expenditures are expected to trend slightly higher in 2010 due to increased security infrastructure and ATM hardware upgrade expenditure requirements. Growth capital expenditures can vary widely between reporting periods due to the intermittent nature and varying size of acquisitions.

Acquisition

Asset Acquisitions

On January 15 2010, The Fund acquired certain assets of a privately held corporation engaged in ATM services for consideration of \$1.2 million, subject to a customary performance holdback and normal course purchase adjustments. The total consideration will be paid out over five years given certain minimum performance covenants and

conditions are met. The assets acquired consist of the residual rights in contracts to operate and place ATM machines at certain locations as well as contracts not to compete with DirectCash and a profit sharing contract in Mexico. These contracts are valued based on the remaining term of each agreement and the expected net cash flow from that agreement value is allocated to intangible assets and amortized in accordance with DirectCash's policy. As part of the consideration, DirectCash agreed to provide up to 20 ATM machines to be used as incentive to extend existing contract length before transferring them to DirectCash.

The fair recorded values of the assets acquired are as follows:

Acquisitions

	2010
Assets acquired:	
Intangible assets	\$ 1,265,612
Total consideration	1,265,612

Business Acquisitions

On January 29 2010, DirectCash acquired certain assets from Mint Technology Inc as well as 100% of the shares in three of its subsidiaries, Mint Inc., Mint Capital and Mint Shared Services.

The acquired prepaid business specializes in internet based prepaid MasterCard sales and loading, which is a similar and like business to DirectCash's prepaid cash card business. The assets consist mainly of contracts with companies to issue custom branded prepaid cards via the internet and the intellectual property required to operate such business.

After determining the fair value of all identifiable assets and liabilities the resulting excess of \$4.2 million has been recognized as a purchase gain (Purchase gain on acquisition). The purchase gain mainly resulted from the availability of the tax pools.

These acquisitions were initially funded from DirectCash's working capital.

Identifiable assets acquired and liabilities assumed:

	2010
Assets acquired:	
Future tax asset	\$ 4,692,732
Intangible assets	285,602
Equipment	10,000
Working capital	(270,491)
Total	4,717,843
Deferred payment	125,000
Consideration	354,508
Purchase gain	4,238,335

The fair values of intangibles and tax assets have been determined on a provisional basis and will be completed over the course of 2010.

Related party transactions

DirectCash LP makes distributions to the holders of Exchangeable Partnership Units. The holders of these units are related parties by virtue of their significant ownership interest in the business. Distributions to holders of the Exchangeable Partnership Units for the three months ended March 31, 2010 were \$1,561,989.

DirectCash has entered into various services and marketing agreements with DirectCash Bank ("DC Bank") whereby DirectCash will provide transaction processing and technology services to DC Bank.

DC Bank is indirectly owned by the three original principals of DirectCash, who continue to maintain significant indirect ownership of DirectCash's assets through their holdings of (a) DirectCash LP Exchangeable Partnership Units and (b) Participating Units issued by DirectCash.

One of the DC Bank's principals is also DirectCash's President and CEO. During the quarter DirectCash paid \$240,591 (2009 - \$218,378) of fees to DC Bank associated with the various agreements with DC Bank.

All contracts with DC Bank are negotiated at market terms and rates and are approved by the independent members of DirectCash Management Inc.'s board of directors.

Liquidity and Capital Resources

DirectCash believes that the funds generated from operations will be sufficient to allow DirectCash to meet ongoing requirements for working capital, maintenance capital expenditures including investments in technology capital, interest expense, and cash distributions to Unitholders.

DirectCash's actual cash generated from operations will be dependent upon future financial performance, which in turn will be subject to financial, tax, business and other factors.

As of March 31, 2010, DirectCash utilized approximately \$42.6 million of a total available credit facilities of \$60.0 million. A summary of DirectCash's available credit at March 31, 2010 is as follows:

Credit facilities	Utilized	Limit	Available
<i>(thousands)</i>			
Revolving credit facility	\$ 10,062	\$ 20,000	\$ 9,938
Acquisition credit facility	32,500	40,000	7,500
	<u>\$ 42,562</u>	<u>\$ 60,000</u>	<u>\$ 17,438</u>

The revolving credit facility is used for ATM cash loading, working capital requirements and commercial letters of credit. A letter of credit in favour of MasterCard International of US\$ 1.5 million (CDN\$ 1.6 million) is outstanding.

The acquisition credit facility is used to facilitate acquisitions and to fund business growth opportunities.

Both facilities are demand in nature. Notwithstanding the demand nature of the facilities, there are no scheduled principal repayments.

During the second quarter of 2009 DirectCash's lender increased the interest rate charged to DirectCash due to current global market conditions on both facilities to Prime plus 1%. This increase is being phased in over four quarters in equal increments, starting July 1, 2009.

DirectCash is subject to the following primary lending covenants:

Lending covenants	March 31	Covenant Limit
Funded Debt to Recurring Quarterly Revenue	2.0:1	< 10:1
Fixed Charge Cover Ratio	20.8:1	> 4:1
Senior Debt to EBITDA	1.4:1	< 2:1

DirectCash operated well within its loan covenant limits and anticipates continuing to do so in the future. Breach of DirectCash's bank loan covenants could result in the triggering of remedies by DirectCash's lenders, which could negatively impact distribution payments.

Changes in Capital Structure

There were no changes in capital structure during the three months ended March 31, 2010.

Normal Course Issuer Bid

In September 2009, DirectCash announced that it intended to purchase up to a maximum of 397,000 of the Fund's Participating Trust Units ("PTUs"), representing approximately 5.0% of the 7,941,775 issued and outstanding PTUs, through a Normal Course Issuer Bid ("NCIB"). This NCIB commenced on October 1, 2009 and will terminate on September 30, 2010 or such earlier date as the NCIB is completed.

The Fund's manager believes that, on occasion, PTUs become available at prices that do not give full effect to the PTUs underlying value, based solely on the manager's opinion of the Fund's future prospects. Accordingly, the Fund's manager believes that the proposed NCIB purchases are in the best interests of the Fund and are a desirable use of available cash flow.

To date no purchases has been made under this program.

Significant Customers

DirectCash had two customers which accounted for approximately 22% and 10% respectively of DirectCash's overall revenues for the quarter ended March 31, 2010 (2009 – 18% and 11% respectively). The revenues from these customers are spread

across all lines of business. DirectCash has contractual agreements to provide services to these customers.

Off Balance Sheet Arrangements

As at March 31, 2010 DirectCash has not entered into any off balance sheet arrangements

New Accounting Policies

(a) Change in accounting policies:

Effective January 1, 2010, the DirectCash Group early adopted CICA Handbook Section 1582 "Business Combinations", which replaced Section 1581 with the same name. This new section is aligned with IFRS and broadens the scope of a business. As a result more transactions will be accounted for as business combinations. Under this guidance, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of the exchange and generally requires all acquisition costs to be expensed. Contingent liabilities are to be recognized at fair value at the acquisition date and re-measured at fair value through earnings each period until settled. In addition, all assets acquired and liabilities assumed are measured at fair value. Negative goodwill is required to be recognized immediately in earnings as a purchase gain. Consequently, the DirectCash Group also early adopted Handbook Section 1601, "Consolidated Financial Statements" and Handbook Section 1602, "Non-controlling Interests".

1) Consolidated Financial Statements

The DirectCash Group early adopted Handbook Section 1601, "Consolidated Financial Statements", which was issued January 2009 and replaces CICA Section 1600 of the same name. This guidance requires uniform accounting policies to be consistent throughout all consolidated entities. The early adoption did not have an impact on equity or profit for the period.

2) Non-controlling Interests

The DirectCash Group early adopted Handbook Section 1602, "Non-controlling Interests", which was issued January 2009 and replaces CICA section 1600, "Consolidated Financial Statements". Minority interest is referred to as Non-Controlling Interest ("NCI"), and presented within equity. Under this new standard, when there is a loss or gain of control the Fund's previously held interest is revalued at fair value. In addition, NCI may be reported at fair value or at the proportionate share of the fair value of the acquired net assets and allocation of the net income to the NCI will be on this basis. The early adoption did not have an impact on equity or profit for the period.

(b) Future accounting policies:

1) IFRS

The CICA Accounting Standards Board ("AcSB") confirmed in February 2008 that Canadian publicly accountable enterprises will adopt International

Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), effective January 1, 2011. The Fund has developed a conversion plan to complete the transition by January 1, 2011, including the preparation of required comparative information. The impact of IFRS on the Fund’s Consolidated Financial Statements is not reasonably determinable at this time.

Outlook

DirectCash believes it is well positioned with a strong balance sheet and a steady cash flow stream based on long term contracts. DirectCash’s focus for 2010 will be to continue to grow the business in a reasonable and sustainable manner via organic means and through accretive acquisitions as opportunities arise.

In the ATM business emphasis continues to be on the streamlining of DirectCash’s operations as well as continuing to pursue organic growth opportunities within Canada and geographic expansion outside of Canada, such as Mexico. As at March 31, 2010, DirectCash had approximately 225 ATMs operating in Mexico. DirectCash’s goal is to add to the initial growth of DirectCash’s ATM business in Mexico.

High quality accretive acquisitions will be pursued using DirectCash’s available credit facility and access to capital markets.

In the prepaid products line of business DirectCash will continue to try to increase diversification of DirectCash’s prepaid products line of business, both in terms of product offerings such as MasterCard prepaid cards and in terms of the number of customers DirectCash serves in order to reduce DirectCash’s dependence on a small group of large volume customers.

DirectCash will continue to try to organically grow the Debit terminal business via cross selling to existing customers and through the pursuit of new customer relationships.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior DirectCash management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at the end of 2009, DirectCash management evaluated the effectiveness of the design and operation of DirectCash’s disclosure controls and procedures and concluded that DirectCash’s disclosure controls and procedures, as defined in Multilateral Instrument 52-109, “Certification of Disclosure in Issuers Annual and Interim Filings” are not effective to ensure that material information relating to DirectCash is made known to management of DirectCash on a timely basis and is included in DirectCash’s public disclosures, due to the weaknesses in internal control identified below in the “Report on Internal Control” section.

Report on Internal Control

DirectCash’s management is responsible for establishing and maintaining adequate internal control over financial reporting of DirectCash. Internal control over financial

reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles (GAAP).

DirectCash's internal control over financial reporting includes those policies and procedures that

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of DirectCash;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of DirectCash are being made only in accordance with authorizations of management and directors of DirectCash; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of DirectCash's assets that could have a material effect on the financial statements.

A material weakness in internal controls is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected on a timely basis by DirectCash.

Internal control over financial reporting, no matter how well designed has inherent limitations and cannot provide absolute assurance that the objectives of the control system will be met. Therefore internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Management of DirectCash conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework from "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this evaluation, DirectCash's management concluded that DirectCash's internal control over financial reporting was not effective as at the reporting date, due to the following material weaknesses:

- Due to the small size of DirectCash, it did not maintain effective segregation of duties over certain transactions which can lead to ineffective monitoring, supervision and potential misappropriation of assets.
- Due to the limited number of people employed, DirectCash does not have in-house expertise to deal with complex legal, IT, taxation, accounting and reporting issues.

Impact of Material Weaknesses

Due to their nature, the potential impact of these material weaknesses cannot be assessed or predicted with any degree of accuracy.

Remediation to Address Material Weakness

DirectCash does not plan to remediate the above mentioned weaknesses as the cost would outweigh the benefits. DirectCash engages outside expertise to assist with complex issues when deemed necessary.

Changes in Internal Control over Financial Reporting

There were no significant changes in DirectCash's Internal Control over Financial Reporting that have or are expected to materially affect DirectCash's internal control over financial reporting.

Key Business Risks

Regulatory Regime

DirectCash is dependent upon the continuation of a favourable regulatory regime with respect to the continuing operations and the future growth and development of independent ATM, Debit terminal and prepaid card operators.

Should the regulatory regime or the interpretation of the legislation in an applicable jurisdiction be modified in a manner which adversely affects these businesses, including increases in taxes or increased regulatory burdens and security requirements (including burdens imposed by Interac, Cirrus, Maestro, Canadian Payments Association, MasterCard, Visa, Plus, and other government agencies tasked with preventing money laundering, terrorism, and corruption), DirectCash's distributable cash flow may be adversely affected. The failure to obtain all necessary licences or permits, including renewals thereof or modifications thereto, may adversely affect Distributable Cash.

Security upgrades are required under Interac, MasterCard, and Visa rules. These upgrades include the requirements to have: (a) EMV (Europay, MasterCard, Visa) certified chip card (the replacement technology for the historical magnetic stripe cards) software/readers, and (b) network approved encrypted PIN pad ("EPP") devices, installed on all ATMs and debit terminals thereby providing the ability to accept EMV chip card transactions. Complying with these security upgrades will also require upgrading the DirectCash Switch to process EMV chip card transactions and adding additional encryption methods to ATMs and Debit terminals which include Triple Des Encryption. If Interac, MasterCard or VISA mandate additional hardware or software security upgrades for ATMs, Debit terminals or the DirectCash Switch, or change the rules and regulations around approved devices, members or security, Distributable Cash may be adversely impacted.

The result of non-compliance is contractual penalties by the applicable Network(s) and ultimately disconnection of the ATM and Debit terminal device or card from the Network for failure to comply by the end dates. DirectCash has and will be investing maintenance capital and prioritizing DirectCash's IT department to meet these upgrade deadlines. Customers of DirectCash who own their own equipment are encouraged to make the necessary changes to their equipment and in some cases DirectCash has the contractual right to make the necessary changes for the customer (and charge the customer for the cost of the change).

Payday Loan Companies

The majority of the customers for DirectCash's prepaid cards are payday loan and cheque cashing companies, and this industry is currently subject to a number of class

action lawsuits and regulatory inquiries which could adversely impact the volume of business that DirectCash realizes from these companies. Currently many of the provinces have enacted legislation which limits fees that may be collected on payday loans. DirectCash's customers in the payday loan industry have or are in the process of complying with this legislation.

DirectCash has a payday loan customer which accounts for over 22% of DirectCash's overall revenues.

Network and Internal Fraud

If a fraud occurs on any of the networks DirectCash connects to or in the DirectCash network, a cost could result to DirectCash if it is determined that the breach is a result of DirectCash's negligence or failure to follow network rules or regulations (or where the fault is not DirectCash's but the perpetrator of the fraud cannot be located or cannot be collected from). As new methods of intrusion and fraud emerge in the industry, DirectCash may have to incur significant additional costs to implement additional security precautions (which may be undertaken by DirectCash voluntarily or as a result of network rule changes). Furthermore, the occurrence of frauds can result in a loss of consumer confidence which may result in declining transaction volumes at ATMs and Debit Terminals. Any of these circumstances could lead to DirectCash's cash flow being adversely impacted.

Disaster Recovery

DirectCash has a limited Disaster Recovery Site in DirectCash's Toronto office, and it may not be possible to effectively transition on a timely basis all of DirectCash operations and functions to the Toronto facility in the event of disaster or equipment failure. DirectCash maintains redundancy in DirectCash's Calgary facility which includes a backup generator and UPS device.

Software Viruses and Network Intrusion

DirectCash maintains many different networks and management information systems (some of which are interconnected) and some of which are connected to the internet or to other external networks. DirectCash may be susceptible to viruses and network intrusions by third parties.

For a discussion of additional business risks, see "Risk Factors" detailed in the Annual Information Form dated March 23, 2010 available on SEDAR (www.sedar.com).

Additional Information

Additional information about DirectCash, including DirectCash's Annual Information Form and other public filings is available on SEDAR (www.sedar.com) and on DirectCash's website (www.directcash.net).