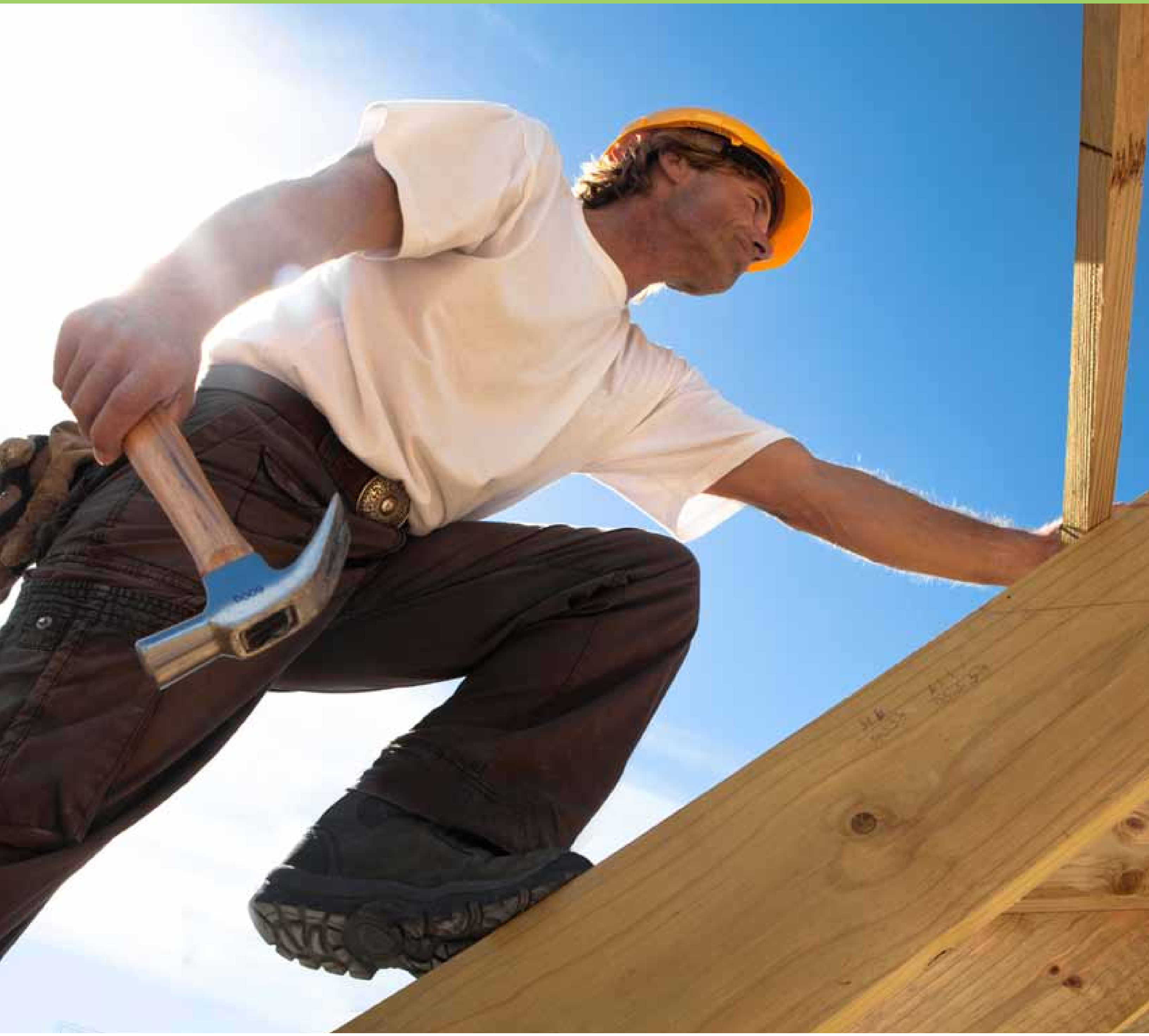
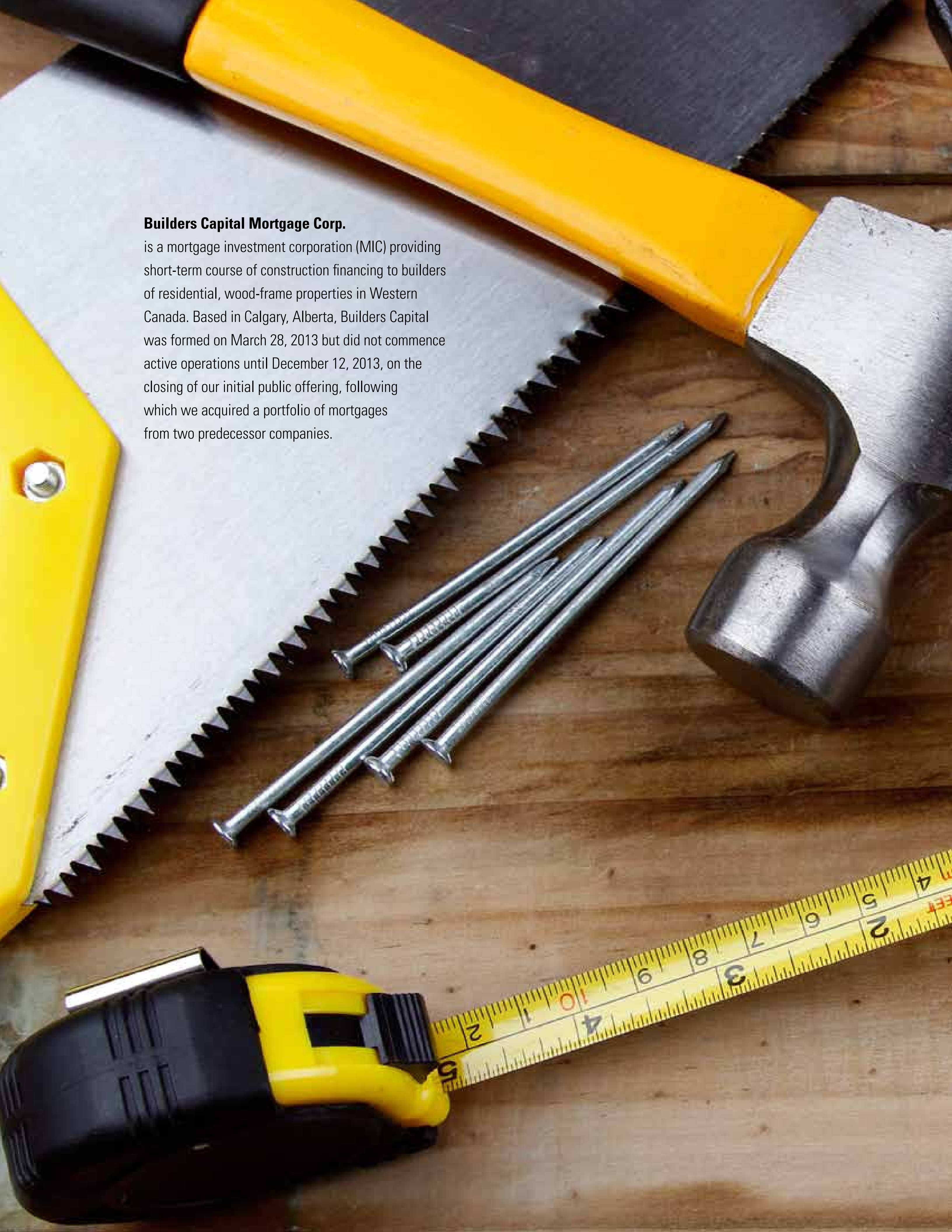
BUILDER'SCAPITAL

# BUILDERS CAPITAL MORTGAGE CORP. **2014 ANNUAL REPORT**



**Builders Capital Mortgage Corp.**
is a mortgage investment corporation (MIC) providing short-term course of construction financing to builders of residential, wood-frame properties in Western Canada. Based in Calgary, Alberta, Builders Capital was formed on March 28, 2013 but did not commence active operations until December 12, 2013, on the closing of our initial public offering, following which we acquired a portfolio of mortgages from two predecessor companies.



**INVESTMENT OBJECTIVE**

To generate attractive returns, relative to risk, in order to provide stable and steady distributions to shareholders while remaining focused on capital preservation and staying within the criteria mandated for MICs under the Income Tax Act.

**INVESTMENT STRATEGY**

In order to deliver above average risk weighted returns, our strategy is to invest primarily in short-term construction mortgages that are secured by development-stage residential real property.

Future investments in our portfolio will be strategically concentrated in:

> First or subordinate mortgages on real estate up to a maximum of 75% of value;
> Mortgages on residential wood-frame construction projects; and
> Mortgages on properties in typically more liquid and less volatile urban markets and their surrounding areas, with a focus on Western Canada.

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# TO OUR SHAREHOLDERS

We are happy to report that Builders Capital's financial performance in our first full fiscal year tracks favourably against the financial forecast in our IPO prospectus on all counts. The bulk of our funds were invested in mortgages to our target borrowers throughout the 12 months of 2014 and we achieved a full turnover of invested capital at the 6.9 month mark, well ahead of our goal to turn our capital approximately every nine months. We are also very pleased with the progress we made in the fourth quarter in expanding our geographic footprint.

## Fourth Quarter Results

Mortgage revenue for the three months ended December 31, 2014 was $967,975. This represented annualized gross revenue of 16.0% of gross share capital. Our Q4 revenue consisted of $891,590 in interest and $76,385 in lender fees charged to borrowers. The revenue generated by lender fees more than offset the management fee expense incurred during the quarter, exceeding it by a healthy 24.6%.

Consistent with our expectations, operating expenses for the three month, excluding funds set aside to provide for mortgage losses and interest expense, were $89,301, or 9.2% of revenue.

We estimated a provision for loan losses for the quarter of $71,489. This amount was based on an analysis of historical bad debts by Builders Capital Management Corp., which manages Builders Capital's mortgage portfolio, as well as on our current analysis of the construction finance marketplace. This is a collective provision and does not relate to any individual mortgage.

Comprehensive income for the fourth quarter was $770,675, or $0.32 per share, based on the weighted average number of shares outstanding for the period. This translates into earnings of $0.53 per Class A Non-Voting Share. Given the dividend priority granted to Class A Non-Voting Shares held by the public, the effective Class A Non-Voting Share dividend cover ratio for the three months was 2.5 times.

During the quarter, as planned, we enhanced the geographic diversity of our portfolio, adding new mortgages in Saskatchewan and British Columbia. At year-end, the new mortgages in Saskatchewan represented 6% the portfolio's total value, while those in BC represented 5%. The remaining 89% of the portfolio was invested in mortgages in Alberta.

## Full-year Results

Our mortgage revenue for the 12 months ended December 31, 2014 was $3.5 million, representing 14.8% of the weighted average gross amount of share capital employed during the year. This revenue consisted of $3.3 million in interest and $220,922 in lender fees charged to borrowers. As anticipated, since the initial basis of our operations was an acquired portfolio of existing mortgages on which lender fees had already been paid, the lender fees earned in the first half of 2014 were lower than management fees paid. As a result, for the 12 months, lender fees represented 92% of management fees paid. In future, we expect that lender fees will consistently exceed management fees.

Operating expenses for the year, excluding funds set aside to provide for loan losses and interest expense, were $342,477, or 9.7% of revenue, comparing favourably to the 10.5% of revenue we forecast in our IPO prospectus. The annual provision for loan losses amounted to $265,343.

Based on the weighted average number of shares outstanding during the year, comprehensive income for the 12 months was $2.8 million, or $1.19 per share, which was slightly higher than projected. This translates into earnings of $2.00 per Class A Non-Voting Share. As with the quarterly result, the effective Class A Non-Voting Share dividend cover ratio for the year was 2.5 times.

## Mortgage Portfolio

At December 31, 2014, our mortgage portfolio consisted of 43 mortgage loans with an aggregate value of $27.2 million. During the year, we purchased or funded $43.4 million in mortgages and received $42.5 million as proceeds of sale, or as repayments on loans.

The respective acquisition and sale of $4.9 million and $8.4 million in mortgages helped to ensure full cash utilization and propelled a $5.6 million total net increase in the value of our portfolio.

We experienced no difficulties with borrowers or loan defaults in 2014. All mortgage transactions conducted during the year were consistent with our tight focus on financing short-term, wood-frame residential construction in strong urban markets, assuring liquidity for ongoing mortgage investments and funding commitments.

## Distributions

On December 18, 2014, based on income for the third quarter, and considering the expected annual comprehensive income for 2014, our Board of Directors declared a dividend of $0.2016 per Class A Non-Voting Share to shareholders of record on December 31, 2014. This distribution was paid on January 31, 2015. The dividend amount was calculated to provide a cumulative 8% return for the year on the $10.00 initial Class A Non-Voting Share price. In total, dividends of $1.1 million were declared in 2014 on the Class A Non-Voting Shares.

Subsequent to the year-end, on January 28, 2015, the Board declared a dividend of $0.4134 per share to Class B Non-Voting shareholders of record on that date. This distribution was paid on January 31, 2015. Dividends declared on the 972,076 Class B Non-Voting Shares in 2014 totaled $1.5 million.

## Outlook

While declining oil prices in the second half of 2014 and into 2015 have created uncertainty in Alberta, which remains our primary market for construction mortgages, we believe that Builders Capital is well positioned to continue to grow our mortgage portfolio and deliver attractive returns to our shareholders.

Our profitability is not driven by a sky-high real estate market, but rather a marketplace in which builders can be profitable. Construction costs have recently become inflated, particularly in Calgary. A correction in real estate prices will result in a drop in raw land costs and likely a concurrent drop in sub-trade costs as a result of decreased activity. Accordingly, we expect that margins on new construction will remain viable and we are optimistic that a smaller, but still profitable, construction marketplace in Alberta will allow us to keep our lending book in the province reasonably full. We also anticipate that some lenders will respond to the tighter economic environment by pulling back, providing an opportunity for us to increase market share.

With a foothold now secured in both Saskatchewan and BC, we expect to steadily gain ground in each of these new markets as we access additional mortgage opportunities that satisfy our lending criteria. Overall, we believe that the levels of housing starts forecast by Canada Housing and Mortgage Corporation in Western Canada are more than sufficient to support the growth of our business.

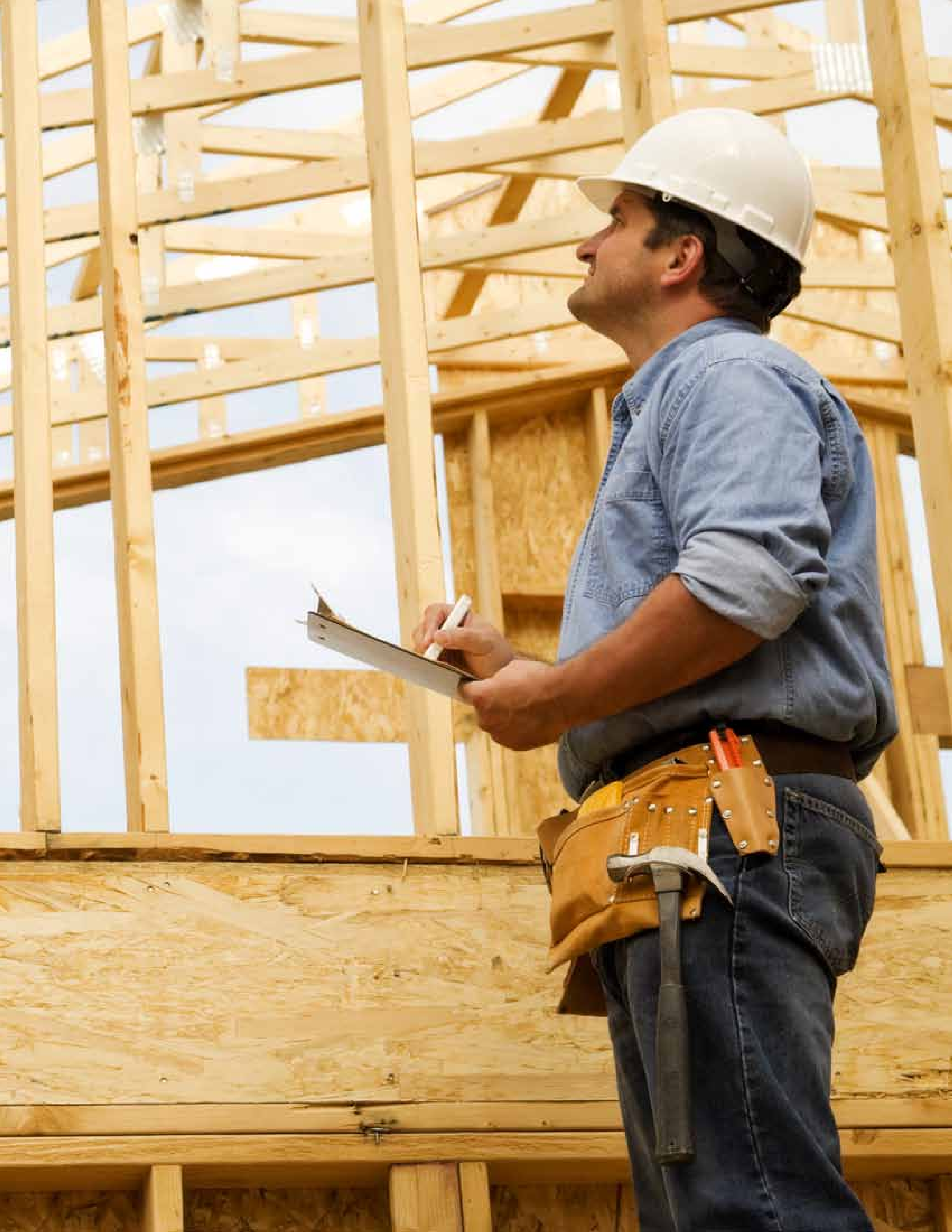
In the meantime, we have a number of strategies in place to limit our downside risk. We generally restrict mortgage lending to 75% of what we believe to be the fair market value of a property at any given time, ensuring that we hold at least 25% of the value of the project in owners' equity. Each quarter, we take an allowance for doubtful accounts before paying dividends, allowing us to build a cushion of funds to further protect investors. Finally, by investing only in short-term mortgages, we maintain the liquidity necessary to preserve capital.

Since our inception we have had a sufficient number of quality lending opportunities to easily keep our capital fully utilized. Given the size of the marketplace, our current relatively small market share and the opportunities that exist to expand our geographic footprint, we expect to be able to source sufficient quality lending opportunities to keep our capital utilized throughout the coming year.

On behalf of management and the board, we offer our appreciation to our shareholders for your confidence in Builders Capital and your support of our business in our first full year of operation. We look forward to reporting back to you at the end of the first quarter on our continued progress in profitably managing our mortgage portfolio.

Sincerely,

Sandy L. Loutitt
President and CEO, Chair of the Board of Directors
Builders Capital Mortgage Corp.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2014

This management's discussion and analysis (MD&A) has been prepared by Builders Capital Mortgage Corp. (Builders Capital or the company) as of March 6, 2015. It should be read in conjunction with the company's audited financial statements and accompanying notes for the period ended December 31, 2014. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and all financial information is presented in Canadian dollars.

## NOTICE REGARDING FORWARD-LOOKING INFORMATION

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities legislation, including statements with respect to management's beliefs, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect our current beliefs and are based on information currently available to us. These statements are not guarantees of future performance and are based on our estimates and assumptions, which are subject to risks and uncertainties, and could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. These risks and uncertainties include, among other things, risks associated with mortgage lending, competition for mortgage lending, real estate values, interest rate fluctuations, environmental matters and the general economic environment. We caution that the foregoing list is not exhaustive, as other factors could adversely affect our results, performance or achievements. Readers are also cautioned against undue reliance on any forward-looking statements. Although the forward-looking information contained in this MD&A is based upon what we believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

## BACKGROUND AND OVERVIEW

Builders Capital is a mortgage lender providing short-term course of construction financing to residential builders. The company was formed on March 28, 2013 and commenced active operations on December 12, 2013, on the closing of our initial public offering and our listing on the TSX Venture Exchange under the symbol BCF. The company is a mortgage investment corporation (MIC) within the meaning of Section 130.2(6) of the Income Tax Act (Canada) and is governed by the laws of the Province of Alberta.

As a MIC, Builders Capital is not subject to income tax provided that we distribute all of our taxable income as dividends to shareholders within 90 days of our December 31st year-end. Such dividends are generally treated by shareholders as interest income, so that each shareholder is in the same tax position as if their proportionate share of mortgage investments made by the company had been made directly by the shareholder.

The company is structured with two classes of shares, Class A Non-Voting Shares and Class B Non-Voting Shares. This two-tier share structure grants dividend priority to the Class A Non-Voting Shares, providing additional security of both principal and dividends to the Class A Non-Voting shareholders, as detailed under the section entitled Distributions later in this MD&A.

In addition to the Non-Voting Shares, Builders Capital has a limited number of Voting Shares, which are held by the company's principal shareholders.

## INITIAL PUBLIC OFFERING (IPO)

Builders Capital began marketing shares to the public after the filing of our final prospectus on October 25, 2013. The company's IPO raised $13.8 million through the sale of Class A Non-Voting Shares and was immediately followed by a private placement of Class B Non-Voting Shares, which raised an additional $9.7 million. With the funds raised, we acquired a portfolio of 30 mortgages, which formed the basis for our operations. Detailed information about the IPO and the subsequent transactions can be found in our final prospectus and the Initial Portfolio Acquisition Agreement (IPAA), both available at www.sedar.com.

## PRIVATE PLACEMENT

On July 3, 2014, Builders Capital completed a private placement of an additional 82,500 Class A Non-Voting Shares at a price of $10.00 per share for gross aggregate proceeds of $825,000. Costs associated with this private placement included legal and filing fees, and a commission, and totaled $14,184, or 1.7% of the funds raised. The net proceeds were used immediately to reduce our line of credit balance.

## OPERATIONS

Builders Capital provides short-term, course of construction financing to builders of residential, wood-frame properties. We believe that staying focused on this niche market reduces business risk and enhances our capacity to generate above average risk weighted returns for investors.

Our portfolio of mortgages is managed by Builders Capital Management Corp. (the manager). The manager sources and services mortgage loans and directs the company's business operations. Extensive experience in all aspects of residential construction and in-depth, up-to-date residential real estate industry knowledge ensure that the manager is able to make prudent mortgage underwriting decisions and efficiently manage potential mortgage defaults. The manager has the ability to complete any unfinished development projects that Builders Capital may acquire through enforcement proceedings or otherwise in a timely and cost-effective manner.

All investments are subject to a rigorous underwriting review. When sourcing investment opportunities, the manager conducts an initial review to confirm that a mortgage prospect satisfies the lending parameters set out in our Asset Allocation Model (AAM). The AAM dictates the allocation of the aggregate funded and committed assets, based on geographic, economic sector, term, borrower and loan-to-appraised value criteria.

Subsequent to the initial review, the manager is required to perform comprehensive due diligence of the underlying assets. The due diligence process follows the manager's established system for evaluating projects and borrowers. The process includes a detailed re-costing of each project based on the assumption that we are going to build it ourselves and an analysis or appraisal of the project's worth once completed. This assessment gives us the information we need to ascertain the value proposition inherent in the project. We only underwrite loans on projects that we believe are economically sound and that we have the capability to complete and sell if necessary.

All of our loans are secured by mortgages and none are written for terms longer than one year. While we sometimes continue to hold mortgages over completed properties, our goal is to keep the terms short and to have borrowers repay loans on completion of construction, either through the sale of the property or by refinancing with another institution.

Our investment objective is to maintain a portfolio of mortgages that generates attractive returns, relative to risk, in order to permit Builders Capital to pay distributions to our shareholders. We aim to achieve this objective while assuring capital preservation and staying within the criteria mandated for MICs.

## INVESTMENT STRATEGY

In order to deliver above average risk-weighted returns, our strategy is to invest primarily in short-term construction mortgages that are secured by development-stage residential real property. Lending on development property is limited, with mortgages generally provided only in circumstances where a borrower intends to complete the development and build on the land.

Future investments in our portfolio will be strategically concentrated on:

- First or subordinate mortgages on real estate up to a maximum of 75% of value;
- Mortgages on residential wood-frame construction projects; and
- Mortgages on properties located in typically more liquid and less volatile urban markets and their surrounding areas, with a focus on Western Canada.

## INVESTMENT RESTRICTIONS

Our share terms provide for a number of investment restrictions that can only be changed by a vote of all of the shareholders:

- Builders Capital will not make any investment or conduct any activity that would result in the company failing to qualify as a "mortgage investment corporation" within the meaning of the Tax Act.
- We will not invest in asset-backed commercial paper or in securitized pools of mortgage loans, including securitized pools of sub-prime mortgages.
- We will not invest in securities other than first and subordinate mortgages secured by real property and, on a temporary basis only, interim investments consisting of cash and cash equivalents, Government of Canada treasury bills and Government of Canada bonds with a term to maturity of three years or less (although the company shall not be precluded from owning securities of our subsidiaries or affiliates).
- Builders Capital will not engage in securities lending.
- The company will not engage in derivative transactions for speculative purposes and will only take part in derivative transactions in order to hedge interest rate or exchange rate risk.

## INVESTMENT PORTFOLIO

The following tables illustrate the composition of our portfolio of mortgages as at December 31, 2014.

### Total Portfolio by Property Types

| | Mortgage Portfolio | December 31, 2014 Outstanding Principal | Total Committed Mortgage Principal | | AAM Allocation* |
|---|---|---|---|---|---|
| Property Type | No. | $ | $ | % | % |
| Residential | | | | | |
| Single family – Detached | 32 | 18,780,000 | 40,960,000 | 68% | 100% |
| Single family – Attached | 11 | 8,676,000 | 17,090,000 | 32% | 100% |
| Total: | 43 | 27,456,000 | 58,050,000 | 100% | N/A |

### Total Portfolio by Geographic Location

| | Mortgage Portfolio | December 31, 2014 Outstanding Principal | Total Committed Mortgage Principal | | AAM Allocation* |
|---|---|---|---|---|---|
| Geographic Location of Property | No. | $ | $ | % | % |
| Calgary and Area | 25 | 15,321,000 | 37,215,000 | 56% | 100% |
| Edmonton and Area | 3 | 3,174,000 | 7,500,000 | 12% | 100% |
| Other Alberta | 10 | 5,631,000 | 9,055,000 | 21% | 100% |
| British Columbia | 2 | 1,565,000 | 2,000,000 | 5% | 50% |
| Saskatchewan | 3 | 1,765,000 | 2,280,000 | 6% | 25% |
| Total | 43 | 27,456,000 | 58,050,000 | 100% | N/A |

### Total Portfolio by Contractual Interest Rates

| | Mortgage Portfolio | September 30, 2014 Outstanding Principal | Total Committed Mortgage Principal | |
|---|---|---|---|---|
| Interest Rate (excluding fees earned by the entities) | No. | $ | $ | % |
| 12%-12.99% | 1 | 340,000 | 3,000,000 | 1% |
| 13%-13.99% | 33 | 21,983,000 | 46,855,000 | 80% |
| 14%-14.99% | 8 | 4,897,000 | 7,959,000 | 18% |
| 15% or greater | 1 | 236,000 | 236,000 | 1% |
| Total: | 43 | 27,456,000 | 58,050,000 | 100% |

*Indicates the maximum percentage of the portfolio allowable under Builders Capital's Asset Allocation Model.

## OPERATING RESULTS FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2014

We are very pleased with our financial results for our first full fiscal year. Cash advances and invoiced interest for the 12 months ended December 31, 2014 totaled $43.2 million and mortgage repayments from borrowers totaled $34.1 million. Using an average of these figures, or $38.7 million, our operations achieved a full turnover of invested capital every 6.9 months, well ahead of our goal to turn our capital approximately every nine months. Weighted average net amount of share capital employed during the year was $22.4 million, with slightly less than double our capital advanced to borrowers and 1.5 times the amount collected back.

In addition to underwriting mortgages, we engaged in the purchase and sale of mortgages to help ensure full cash utilization. During the year, we respectively acquired and sold $4.9 million and $8.4 million in mortgages, resulting in a $5.6 million total net increase in the value of our portfolio.

In the fourth quarter, we enhanced the geographic diversity of our portfolio, as planned, adding new mortgages in British Columbia and Saskatchewan. At the year-end, we had a total of 43 mortgages outstanding with an average balance of $630,000. No mortgages were in default and we experienced no difficulties with borrowers in 2014.

## Revenue

Mortgage revenue for the three months ended December 31, 2014 was $967,975, representing annualized gross revenue of 16.0% of gross share capital. Annual mortgage revenue was $3.5 million, representing of 14.8% of the weighted average gross amount of share capital employed in the year. Annual revenue consisted of $3.3 million in interest and $220,922 in lender fees charged to borrowers.

Lender fees are tied to the negotiation of new mortgages, generally at 1% of the approved loan amount, and are charged for an annual term to borrowers when new loans are made or existing loans are renewed. Our expectation is that these fees will exceed the fees that are paid to the manager. As anticipated, since the initial basis of the company's operations was an acquired portfolio of existing mortgages, lender fees earned in the first half of 2014 were lower than management fees paid. In the third quarter of the year, lender fees slightly exceeded management fees. In the fourth quarter, lender fees of $76,385 exceeded management fees by $15,061, or 24.6%. For the 12 months of 2014, lender fees represented 92% of management fees paid.

## Expenses

Excluding a provision for loan losses and interest expense, operating expenses for the fourth quarter were $89,301, or 9.2% of revenue, which was consistent with our expectations. Annual operating expenses, again excluding a provision for loan losses and interest expense, were $342,477, or 9.7% of revenue. This level of expense was consistent with expectations, comparing favourably to the 10.5% we forecast.

The fourth quarter provision for loan losses was $71,489 and the annual provision was $265,343, both estimated by management based on an analysis of the manager's historical bad debts and current analysis of the construction finance marketplace. These are collective provisions and do not relate to any individual mortgage.

Management fees were $61,324 for the quarter and $239,189 for the year, calculated on the total gross amount of Class A and Class B Non-Voting Shares outstanding during 2014.

Interest expense was $36,509 for the quarter and $81,813 for the year. This expense applies to our operating line of credit, which we use as a cash flow tool to fund mortgage draws. A higher utilization rate for our capital provides better returns in the form of additional interest income but also necessitates increased use of our line of credit for funding draws when our own funds are fully employed.

## Comprehensive Income

Comprehensive income was $770,675 for the quarter and $2.8 million for the year. These amounts were in line with our expectations and, in fact, slightly higher than projected. On a weighted average basis, with 1,420,645 Class A Non-Voting shares outstanding during the year, the annual figure equated to comprehensive earnings of $2.00 per Class A Non-Voting share for the year.

Bearing out the reduced risk carried by Class A Non-Voting shareholders, annual per-share earnings represented 2.5 times the 8% annual dividend granted to Class A Non-Voting shareholders prior to any dividends being paid to other shareholders. Even if earnings had been only 40% of the actual amount, Class A shareholders would have still been paid their full dividend.

## IPO Financing Costs

Financing costs associated with the IPO and private placement totaled $1.5 million, including professional fees for preparation of the prospectus; offering, agent and brokerage fees and commissions; and other marketing and offering costs. In accordance with IFRS, the costs of the offering are not treated as expenses in the financial statements, but instead are shown as a reduction in the value of the equity of the company. These costs are, however, deductible for tax purposes over a five-year amortization period.

Our intent is to restrict the distributions to less than 100% of net income in order to utilize the tax deductibility of these expenditures. This distribution policy will, over time, have the result of retaining income equal to the offering costs within Builders Capital, which will increase the Net Asset Value of the company while ensuring that no corporate taxes are paid. Because of the two-tier share structure, and the priority on distributions that the Class A Non-Voting Shares hold over the Class B Non-Voting Shares, we expect the restriction in distributions to come entirely from the portion of income otherwise available for distribution to the Class B Non-Voting shareholders. At December 31, 2014, $241,011 had been retained toward these financing costs.

## Balance Sheet

At December 31, 2014, total assets were $27.2 million, consisting entirely of funded mortgages.

Liabilities of $4.2 million consisted of a $3.2 million line of credit balance, dividends relating to the fiscal year (which were paid on January 31, 2015), trade payables and unearned lender fees.

**Quarterly Financial Information**

| | Year ended December 31, 2014 | Quarter ended December 31, 2014 | Quarter ended September 30, 2014 | Quarter ended June 30, 2014 | Quarter ended March 31, 2014 | 12 days ended December 31, 2013 |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Revenues | 3,536,223 | 967,975 | 899,007 | 882,831 | 786,410 | 101,028 |
| Earnings and total comprehensive earnings | 2,846,590 | 770,675 | 731,493 | 706,258 | 637,965 | 61,834 |
| Total assets | 27,191,077 | 27,191,077 | 24,226,077 | 24,404,039 | 24,542,111 | 22,306,706 |
| Shareholders' equity | 23,017,233 | 23,017,233 | 23,324,074 | 22,451,891 | 22,356,772 | 21,990,962 |
| Basic and fully diluted earnings per share | 1.19 | 0.32 | 0.30 | 0.30 | 0.27 | 0.45 |
| Cash dividends declared | 2,631,135 | 1,077,514 | 670,328 | 611,138 | 272,155 | 36,278 |
| Cash dividends declared per Class A share | 0.8000 | 0.2016 | 0.2016 | 0.1995 | 0.1973 | 0.0263 |
| Cash dividends declared per Class B share | 1.4910 | 0.4134 | 0.3864 | 0.3456 | 0.3456 | - |

## FINANCIAL FORECAST

Included in the company's final prospectus is a Financial Forecast of our financial position and results of operations for fiscal periods subsequent to the closing of the IPO. The forecast was prepared on the assumption that the IPO and subsequent private placement would raise net share capital of $40.7 million. In fact, net capital of $22.0 million was raised, which, while within the range contemplated in the prospectus, represented approximately 54% of the amount on which the forecast was based. The private placement that closed in July of 2014 increased share capital to 55.6% of the forecasted amount.

For the year ended December 31, 2014, actual comprehensive income of $2.8 million represented 11.9% of the weighted average gross amount of share capital employed during the year, versus the 11.2% of capital originally forecasted. This additional 0.7% translates into an additional $167,000 in annual earnings available for distribution.

As a proportion of capital raised, revenues for the year were better than anticipated, representing 62.3% of the $5.7 million forecasted for the comparable period. Revenue for the 12 months represented 14.8% of capital raised, compared to the forecasted 13.9% of capital.

Operating costs, including management fees and the provision for loan losses, for the comparable period were forecasted to equal 19.8% of revenues, or $1.1 million. In fact, actual operating costs of $0.7 million represented 19.5% of revenues earned in 2014.

Overall, when adjusted for the actual amount of capital employed, the forecast agrees closely to the actual results. We believe that the assumptions used in the forecast remain valid, and that the material differences between actual and forecasted results were primarily due to the amount of capital raised. As well, the line of credit was used somewhat more extensively than originally forecasted due to the availability of quality lending opportunities.

## DISTRIBUTIONS

Class A Non-Voting shareholders are entitled to receive annual dividends of 8% in preference to all other shareholder distributions. Once these dividends have been paid, Class B Non-Voting shareholders are entitled to receive total annual dividends of up to 16%. At our fiscal year-end, any remaining income available for distribution after these dividends are paid is allocated pro-rata between the classes of shares, including the Voting Shares.

On December 18, 2014, based on income for the third quarter, and considering the expected annual comprehensive income for 2014, the company's Board of Directors declared a dividend of $0.2016 per Class A Non-Voting Share to shareholders of record on December 31, 2014. This distribution was paid on January 31, 2015 and is recorded as payable in the accompanying financial statements. The dividend amount was calculated to provide a cumulative 8% return for the year on the $10.00 initial Class A Non-Voting Share price. In total, based on income for the 2014 fiscal year, dividends of $1.1 million were declared on the Class A Non-Voting Shares.

Subsequent to the year-end, on January 28, 2015, based on the income for the third quarter, and considering the actual comprehensive income for 2014, the Board declared a dividend of $0.4134 per share to Class B Non-Voting shareholders of record on that date. This distribution was paid on January 31, 2015 and is recorded as payable in the accompanying financial statements. In total, based on income for the 2014 fiscal year, dividends of $1.5 million were declared on the 972,076 Class B Non-Voting Shares.

## LIQUIDITY AND CAPITAL RESOURCES

Cash flow and liquidity were good during 2014 and will continue to be monitored daily as both are critical factors in the success of the business. Liquidity risk for the company comes primarily from the prospect of committing to a mortgage for which sufficient funds are not available to make draws as requested by the borrower. We have a number of tools to manage liquidity and to ensure that commitments can be met. These include our $3.5 million line of credit (increased from $2.5 million during the third quarter of 2014), detailed cash-flow planning procedures, and Builders Capitals' well-established network of affiliates and mortgage industry contacts, through which mortgages can be sold or syndicated as required for cash flow purposes. In addition, our mortgage documents include language whereby a borrower cannot compel the company to advance funds. Our primary goal is to minimize unused cash balances, while ensuring that borrower needs and other commitments can always be met.

In 2014, mortgages were purchased or funded in the amount of $43.4 million and $42.5 million was received as proceeds of sale, or as repayments on loans. As the company's mortgages are predominantly short-term in nature, the continual repayment by borrowers of existing mortgage investments creates liquidity for ongoing mortgage investments and funding commitments.

Builders Capital has no plans or commitments for capital expenditures. The company is financed, and will continue to be financed, primarily by the issuance of common shares and intends to issue additional common shares in the future to finance growth in the mortgage portfolio.

## RELATED-PARTY TRANSACTIONS

Our manager is a company controlled by certain Builders Capital directors. The manager receives a management fee calculated as 1% per annum of the book value of the share capital of the company. For 2014, this amounted to $239,189. In addition to this fee, the manager charges lender fees directly to borrowers with 28.6% of these fees being paid to the company and the remaining 71.4% going to the manager. During 2014, the company's share of these fees was $220,923, or 92% of the management fees paid. In 2015, we expect that our portion of lender fees will exceed management fees.

During the year, the company purchased mortgages with an aggregate value of $4.9 million and sold mortgages with an aggregate value of $8.1 million to corporations which are related as they are owned by certain directors of the company and are under common control. These purchases and sales of mortgages were entered into in order to help manage liquidity and cash utilization. In each case, the transactions occurred at fair market value.

## FINANCIAL INSTRUMENTS

The company's significant financial instruments are our mortgages receivable. The risks associated with the mortgages are fairly typical for any lender and primarily revolve around the possibility of default on the part of the borrowers. The mortgages receivable are all written with fixed interest rates and no gains or losses are associated with these instruments. Virtually all of the company's revenue is derived from our mortgages, either as interest or as lender fees charged to borrowers at the inception and renewal of their loans.

## CRITICAL ACCOUNTING ESTIMATES

The determination of an impairment provision for the mortgage portfolio is a critical accounting estimate. Builders Capital considers evidence of impairment for mortgages receivable at both a specific and collective level. All individually significant mortgages are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but is not yet identifiable at an individual mortgage level. Mortgages that are not individually significant are grouped according to risk characteristics and each group is collectively assessed for impairment.

In assessing collective impairment, we review historical trends of probability of default, the timing of recoveries and the amount of loss incurred. This information is weighed against our judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a specific mortgage receivable is calculated as the difference between its carrying amount, including accrued interest, and the present value of the estimated future cash flows, discounted at the mortgage's original effective interest rate. Losses are recognized in the statement of comprehensive income and reflected in an allowance account against the mortgages receivable. When a subsequent event causes the amount of an impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

## RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and has in place the appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is materially complete and reliable. In addition, our Audit Committee and Board of Directors provide oversight with respect to our public and financial disclosures. Both have reviewed and approved this MD&A and the accompanying financial statements for the year ended December 31, 2014.

## CONTROLS AND PROCEDURES

Internal control over financial reporting encompasses controls and processes designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

As the management of Builders Capital, we are responsible for establishing and maintaining these controls. Under the supervision and with the participation of the CEO and the CFO, management carries out, on an ongoing basis, an assessment of the design of these internal controls. This assessment includes a risk evaluation of internal controls and documentation and testing of the key processes and controls. Due to the inherent limitations in any control system, an evaluation can only provide reasonable assurance over the effectiveness of the controls and internal controls are not expected to prevent and detect all misstatements due to error or fraud.

Based on our ongoing assessment, the CEO and the CFO have concluded that Builders Capital's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes as at March 6, 2015.

## OUTSTANDING SHARE DATA

The company's authorized share capital as at March 6, 2015 consists of 1,000 Voting Shares, of which 100 were outstanding at period-end; an unlimited number of Class A Non-Voting Shares, of which 1,461,895 were outstanding at period-end; and an unlimited number of Class B Non-Voting Shares, of which 972,076 were outstanding at period-end.

In addition, as part of the compensation for closing the IPO, the company granted 82,764 options to agents. Each of these options entitles the agent to purchase one Class A Non-Voting Share at the IPO price of $10.00 at any time prior to their expiry on December 12, 2016. None of the options had been exercised at year-end.

## MARKET OUTLOOK

The following discussion is qualified in its entirety by the Notice Regarding Forward-Looking Information at the beginning of this MD&A and by the section entitled Risks and Uncertainties that follows this Outlook section.

Declining oil prices in the second half of 2014 and into 2015 have had a significant impact on the Alberta economy and created uncertainty in the province's real estate market, particularly in Calgary. As Alberta is our primary market for construction mortgages, investors in Builders Capital may justifiably be concerned that a downturn in real estate values could put our existing portfolio in jeopardy, and negatively impact our ability to generate profits and pay dividends going forward. While the lower oil prices will definitely have a dampening effect on the Alberta construction market in 2015, we believe that we are well positioned to continue to grow our mortgage portfolio and deliver attractive returns to shareholders.

For Builders Capital, profitability is not driven by a sky-high real estate market, but rather a marketplace in which builders can be profitable. Construction costs have recently become inflated, particularly in Calgary. A correction in real estate prices will result in a drop in raw land costs and likely a concurrent drop in sub-trade costs as a result of decreased activity. Accordingly, we expect that margins on new construction will remain viable and are optimistic that a smaller, but still profitable, construction marketplace in Alberta will allow us to keep our lending book in the province reasonably full. Some construction lenders will undoubtedly pull back from lending in Alberta. We believe that the tighter economic environment creates an opportunity for us to increase our market share, as our predecessor business has done under similar business conditions in the past.

While Builders Capital is currently primarily invested in the Alberta market, we have successfully taken the first steps toward geographically diversifying our mortgage portfolio across Western Canada. In the final quarter of 2014, we added new mortgages in Saskatchewan and British Columbia, which respectively represented 6.4% and 5.7% of the portfolio's value at year-end. With a foothold now secured in both provinces, we expect to steadily gain ground in our new markets as we access additional mortgage opportunities that satisfy our lending criteria.

In the meantime, we have a number of strategies in place to limit our downside risk. Mortgage lending is generally restricted to 75% of what we believe to be the fair market value of a property at any given time, ensuring that we have at least 25% of the value of the project in owners' equity ahead of us. We take a general allowance for doubtful accounts each quarter before paying dividends, allowing us to build a cushion of funds to further protect investors. Should we deem it necessary, we can and will increase this allowance. Finally, by investing only in short-term mortgages, we maintain the liquidity necessary to preserve capital. In the event that we believe a market has become too risky, we will work on converting our investments to cash, and will forego returns in order to protect the capital with which we've been entrusted.

Through 2013 and 2014, the inflow of migrants to Alberta kept demand for housing high and contributed to record high housing starts. While declining world oil prices are expected to reduce in-migration to Alberta, Canada Mortgage and Housing Corporation (CMHC) forecasts a continued inflow of migrants, with net migration of 56,000 people in 2015. CMHC expects that housing starts in Alberta will also be impacted by oil pricing volatility in 2015, but to an extent that remains to be seen. It forecasts that total housing starts will range from 23,400 to 38,700 units, compared to 40,500 units in 2014, with a point forecast of 36,000 units. In Saskatchewan, CHMC expects that total housing starts will decline somewhat, ranging from 5,800 to 7,900 units, compared to 8,257 units in 2014, with a point forecast of 7,300 units. In BC, total housing starts for the year are expected to range from 24,500 to 30,500 units, with a point forecast of 28,300 units, just slightly below the 28,356 starts recorded in 2014. Overall, we believe that the forecast levels of housing starts in our key markets are more than adequate to support the growth of our business.

The Bank of Canada's recent reduction in administered interest rates has helped to stimulate housing activity, but sustained low interest rates have increased borrowers sensitivity to price. While rates charged to borrowers on mortgages purchased as part of the Initial Portfolio Acquisition were generally 14%, subsequent new mortgage agreements have generally specified somewhat lower rates, a trend we expect to continue.

Since our inception we have had a sufficient number of quality lending opportunities to easily keep our capital fully utilized. Given the size of the marketplace, our current relatively small market share and the opportunities that exist to expand our geographic footprint, we expect to be able to source sufficient quality lending opportunities to keep our capital fully utilized throughout the coming year.

## RISK AND UNCERTAINTIES

There are two primary areas of risk for us as a lender. The first is the risk that borrowers will fail to meet their obligations and repay mortgages as they come due. Secondly, there is a risk that sufficient quality investment opportunities will not be available to keep our capital fully deployed. As our primary goal is the preservation of our investors' capital, even at the expense of potential returns, we consider the risk of borrower default to be our primary concern.

A robust new-home construction market greatly reduces both of these risks, as it provides a strong marketplace into which builders can sell their completed projects, it maintains or increases the value of the security for our loans, and it provides an ongoing source of new projects and borrowers. A downturn in the market that substantially decreases security values could have a significant negative effect on our business. We cannot predict the performance of the housing market in the future with certainty.

In order to mitigate these risks, we restrict our loan amounts to 75% of what we consider the fair market value of the security to be. The 25% equity component is a requirement for our borrowers and we believe it provides us with a sufficient margin for error in the event of a drop in property values. The short-term nature of our loans also gives us the flexibility to convert our entire portfolio of mortgages to cash within a 12-month period, if economic conditions warrant. We also maintain sufficient construction expertise to allow us to economically complete any project on which we've loaned funds.

Our share terms provide that the Class A Non-Voting shareholders have a priority over other shareholders with respect to both the payment of dividends at an 8% rate, and any potential return of capital. This creates a significant reduction in the risk profile of the Class A Non-Voting shares, as an impairment in the value of the mortgage portfolio, or a lack of funds available for distributions, will always be absorbed, to the full extent of their investment, by the Class B Non-Voting shares before the Class A shareholders' rights are affected. We believe that this structure substantially reduces risk for the Class A shareholder.

Other risks and uncertainties exist for our business that are typical for business in general and for lenders in particular. These include changes in interest rates, potential environmental issues associated with the mortgage security, borrower solvency, any significant changes in competition, changes in tax legislation and other factors as described under Forward-Looking Information.

## ADDITIONAL INFORMATION

Additional information about Builders Capital is available on SEDAR at www.sedar.com and on our website at www.builderscapital.com.

# MANAGEMENT'S RESPONSIBILITY

**To the Shareholders of Builders Capital Mortgage Corp.**

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors (the "Board") is composed primarily of directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

February 23, 2015

John Strangway
Chief Financial Officer

# INDEPENDENT AUDITORS' REPORT

**To the Shareholders of Builders Capital Mortgage Corp.**

We have audited the accompanying financial statements of Builders Capital Mortgage Corp., which comprise the statement of financial position as at December 31, 2014 and 2013, and the statements of comprehensive income, changes in shareholders' equity and cash flows for the year ended December 31, 2014 and for the period from inception on March 28, 2013 to December 31, 2013, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Builders Capital Mortgage Corp. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the year ended December 31, 2014 and for the period from inception on March 28, 2013 to December 31, 2013 in accordance with International Financial Reporting Standards.

MNP LLP

Calgary, Alberta
February 23, 2015

Builders Capital Mortgage Corp.

# STATEMENT OF FINANCIAL POSITION

As at December 31,
(Expressed in Canadian dollars)

| | | 2014 | 2013 |
|---|---|---|---|
| | Note | $ | $ |
| **ASSETS** | | | |
| Mortgages receivable | 6 | 27,191,043 | 21,889,257 |
| Cash | | 34 | 256,949 |
| Amounts held in trust | | - | 160,500 |
| **TOTAL ASSETS** | | 27,191,077 | 22,306,706 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **LIABILITIES** | | | |
| Line of credit | 7 | 3,151,371 | - |
| Accounts payable and accrued liabilities | | 49,653 | 138,992 |
| Due to related parties | 13 | 107,849 | 140,474 |
| Dividends payable | 11 | 696,644 | 36,278 |
| Deferred lender fees | | 168,327 | - |
| **TOTAL LIABILITIES** | | 4,173,844 | 315,744 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 8 | 22,776,222 | 21,965,406 |
| Retained earnings | | 241,011 | 25,556 |
| | | 23,017,233 | 21,990,962 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | 27,191,077 | 22,306,706 |

Approved on behalf of the Board:

I. Michael Matishak
Director

Sandy L. Loutitt
Director

The accompanying notes are an integral part of these condensed interim financial statements

Builders Capital Mortgage Corp.

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2014 and the period
from inception on March 28, 2013 to December 31, 2013
(Expressed in Canadian dollars)

| | Note | Year ended December 31, 2014<br>$ | From inception on March 28, 2013 to December 31, 2013<br>$ |
|---|---|---|---|
| **REVENUES** | | | |
| Interest | | 3,315,300 | 101,028 |
| Lender Fees | | 220,923 | - |
| Total revenues | | 3,536,223 | 101,028 |
| **EXPENSES** | | | |
| General and administrative | | 103,288 | 31,463 |
| Interest | | 81,813 | - |
| Allowance for mortgage losses | 6 | 265,343 | - |
| Management fees | 13 | 239,189 | 7,731 |
| Total expenses | | 689,633 | 39,194 |
| **TOTAL COMPREHENSIVE INCOME** | | 2,846,590 | 61,834 |
| | | | |
| **EARNINGS PER SHARE** | 10 | | |
| Basic and diluted | | 1.19 | 0.45 |

The accompanying notes are an integral part of these condensed interim financial statements

Builders Capital Mortgage Corp.

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

| | | Share Capital | | | |
|---|---|---|---|---|---|
| | | Number | Amount | Retained Earnings | Total |
| | Note | | $ | $ | $ |
| **BALANCE AT INCEPTION, MARCH 28, 2013** | | - | - | - | - |
| Class A Non-Voting Common Shares issued for cash | 8 (ii) | 1,379,395 | 13,793,950 | - | 13,793,950 |
| Class B Non-Voting Common Shares issued for cash | 8 (iv) | 972,076 | 9,720,760 | - | 9,720,760 |
| Voting Common Shares issued for cash | 8 (i) | 100 | 1,000 | - | 1,000 |
| Offering costs | 8 (ii and iv) | - | (1,550,304) | - | (1,550,304) |
| Dividends declared | 11 | - | - | (36,278) | (36,278) |
| Total comprehensive income for the period | | - | - | 61,834 | 61,834 |
| Balance at December 31, 2013 | | 2,351,571 | 21,965,406 | 25,556 | 21,990,962 |
| Class A Non-Voting Common Shares issued for cash | 8 (iii) | 82,500 | 825,000 | - | 825,000 |
| Offering costs | 8 (iii) | - | (14,184) | - | (14,184) |
| Dividends declared | 11 | - | - | (2,631,135) | (2,631,135) |
| Total comprehensive income for the year | - | - | 2,846,590 | 2,846,590 | |
| **BALANCE AT DECEMBER 31, 2014** | | 2,434,071 | 22,776,222 | 241,011 | 23,017,233 |

The accompanying notes are an integral part of these condensed interim financial statements

Builders Capital Mortgage Corp.

# STATEMENT OF CASH FLOWS

For the year ended December 31, 2014 and the
period from inception on March 28, 2013 to December 31, 2013
(Expressed in Canadian dollars)

| | Note | Year ended December 31, 2014 $ | March 28, 2013 to December 31, 2013 $ |
|---|---|---|---|
| **CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:** | | | |
| **OPERATING ACTIVITIES** | | | |
| Total comprehensive income | | 2,846,590 | 61,834 |
| Items not affecting cash: | | | |
| Allowance for mortgage losses | | 265,343 | - |
| Changes in non-cash operating items: | | | |
| Mortgages receivable | | (4,611,771) | (99,960) |
| Amounts held in trust | | 160,500 | (160,500) |
| Accounts payable and accrued liabilities | | (152,851) | 138,992 |
| Due to related parties | | 30,887 | 140,474 |
| Deferred lender fees | | 168,327 | - |
| **NET CASH FLOWS (USED)/GENERATED FROM OPERATING ACTIVITIES** | | (1,292,975) | 80,840 |
| **INVESTING ACTIVITIES** | | | |
| Mortgages funded during the period | | (43,407,900) | (22,652,293) |
| Mortgages repaid during the period | | 42,452,542 | 862,996 |
| **NET CASH FLOWS USED IN INVESTING ACTIVITIES** | | (955,358) | (21,789,297) |
| **FINANCING ACTIVITIES** | | | |
| Increase in line of credit | 7 | 3,151,371 | - |
| Dividends paid | 11 | (1,970,769) | - |
| Proceeds from issuance of common shares, net of offering costs | 8 | 810,816 | 21,965,406 |
| **NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES** | | 1,991,418 | 21,965,406 |
| **NET (DECREASE)/INCREASE IN CASH** | | (256,915) | 256,949 |
| Cash, beginning of period | | 256,949 | - |
| **CASH AT END OF PERIOD** | | 34 | 256,949 |
| Interest paid | | 81,813 | - |

The accompanying notes are an integral part of these condensed interim financial statements

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014 and the period from inception on March 28, 2013 to December 31, 2013 (Expressed in Canadian dollars)

## 1. INCORPORATION AND OPERATIONS

Builders Capital Mortgage Corp. (the "Company") was incorporated under the laws of the province of Alberta on March 28, 2013 ("Inception"). The principal business of the Company is to acquire, originate and maintain a portfolio consisting primarily of construction mortgages that are secured by development stage residential real property. The Company operates as a Canadian mortgage investment corporation ("MIC") as defined in the Income Tax Act. The Company is managed by Builders Capital Management Corp. (the "Manager").

The Company became a reporting issuer on October 25, 2013 and the shares of the Company are publicly listed on the TSX Venture Exchange (the "Exchange") under the symbol "BCF". The address of the registered office is 405, 1210-8th Street SW, Calgary, Alberta T2R 1L3.

Effective December 12, 2013, the Company completed an initial public offering of its shares. On December 19, 2013, substantially all of the net proceeds from the offering were used to acquire a portfolio of interest bearing mortgages. Accordingly, these financial statements include income from these mortgages for the last 12 days of the fiscal period 2013 and a full 12 months for fiscal period 2014.

## 2. BASIS OF PREPARATION

**Statement of compliance**
The financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") in effect as of December 31, 2014.

The financial statements of the Company for the year ended December 31, 2014 were approved by the Board of Directors on February 23, 2015.

**Basis of measurement**
These financial statements were prepared on a going concern basis, under the historical cost convention, except for financial instruments classified as fair value through profit or loss, which are measured at fair value.

**Use of estimates and judgments**
The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. Areas where judgements and estimates are significant to the financial statements are disclosed in note 5.

**Functional and presentation currency**
These financial statements are presented in Canadian dollars, which is the Company's functional currency.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

**Non-derivative financial instruments**
The Company determines the classification of its non-derivative financial instruments at initial recognition. Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

i) Financial instruments at fair value through profit or loss
Financial assets or financial liabilities are classified as fair value through profit or loss ("FVTPL") when the financial asset or liability is either held for trading or it is designated as such by management on initial recognition. Financial assets or financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized immediately in the statement of comprehensive income. The net gain or loss recognized in the statement of comprehensive income incorporates any dividend or interest earned. The Company has classified cash as FVTPL.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivable instruments are comprised of mortgages receivable and amounts held in trust. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

iii) Other financial liabilities

Other financial liabilities are non-derivative liabilities recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost each period. The Company has classified accounts payable and accrued liabilities, due to related parties and dividends payable as other financial liabilities.

**Revenue recognition**

Interest income is accounted for using the effective interest method. Lender fees received are an integral part of the yield on the mortgages receivable and are amortized to the statement of comprehensive income over the expected life of the specific mortgage receivable using the effective interest method. Forfeited lender fees are taken to the statement of comprehensive income at the time a borrower has not fulfilled the terms and conditions of a lending commitment and payment has been received.

**Income taxes**

The Company is a MIC pursuant to the Income Tax Act (Canada). As such, the Company is entitled to deduct from its taxable income dividends paid to shareholders during the period or within 90 days of the end of the period to the extent the dividends were not deducted previously. The Company intends to maintain its status as a MIC and intends to distribute sufficient dividends in the period and in future periods to ensure that the Company is not subject to income taxes. Accordingly, for financial statement reporting purposes, the tax deductibility of the Company's dividends results in the Company being effectively exempt from taxation and no provision for current or deferred taxes is required.

**Mortgages receivable**

Mortgages receivable are classified as loans and receivable financial instruments. Such receivables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the receivables are measured at amortized cost using the effective interest method, less any impairment losses. The mortgages receivable are assessed on each reporting date to determine whether there is objective evidence of impairment. A financial asset is considered to be impaired only if evidence indicates that one or more events have occurred after its initial recognition that have had a negative effect on the estimated future cash flows of that asset.

The Company considers evidence of impairment for mortgages receivable at both a specific and collective level. All individually significant mortgages are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identifiable at an individual mortgage level. Mortgages that are not individually significant are collectively assessed for impairment by grouping together mortgages with similar risk characteristics.

In assessing collective impairment, the Company reviews historical trends of probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgments as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a specific mortgage receivable is calculated as the difference between its carrying amount including accrued interest and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. Losses are recognized in the statement of comprehensive income and reflected in an allowance account against the mortgages receivable. When a subsequent event causes the amount of an impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

**Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, which include legal, accounting and brokerage commissions, are recognized as a deduction from equity.

**Basic and diluted per share calculation**

The Company presents basic and diluted earnings per share data for its common shares. Basic per-share amounts are calculated by dividing earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted per-share amounts are calculated using the "if converted method" and are determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential agent options.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

# 4. ACCOUNTING STANDARDS ADOPTED AND RECENT ACCOUNTING PRONOUNCEMENTS

**Accounting standards adopted in the current year**

The following amendments to standards were adopted in the current year:

i) IFRS 2 Share-based payment - The amendments to IFRS 2, issued in December 2013, clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The adoption did not have a significant impact on the Company's financial statements.

ii) IFRS 7 Financial instruments: disclosures and IAS 32 Financial instruments: presentation - Financial assets and financial liabilities may be offset, with the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and when there is either an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32, issued in December 2011, clarify the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. The adoption did not have a significant impact on the Company's financial statements.

iii) IAS 24 Related party disclosures - The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The adoption did not have a significant impact on the Company's financial statements.

**Recent accounting pronouncements**

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2015 with earlier application permitted.

(i) IFRS 9, "Financial Instruments" - This standard, which will eventually replace IAS 39 in its entirely, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. While determination is made at initial recognition, classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The most significant change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement. IFRS 9 has a mandatory effective date for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of IFRS 9 on its financial statements.

(ii) IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") - In May 2014, the IASB issued IFRS 15 as a single comprehensive model to account for revenue arising from contracts with customers. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle of the standard is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods and services. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Company is currently assessing the impact of IFRS 15 on its financial statements.

# 5. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates, assumptions and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

(Expressed in Canadian dollars)

**Specific allowance for mortgage losses:**
The Company is required to make estimates and assumptions that relate to the specific allowances for mortgage losses. These estimates may include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of present or future legislation or regulation, prior encumbrances and other factors affecting the mortgages and underlying security of the mortgages. These assumptions are limited by the availability of reliable comparable data, economic uncertainty and the uncertainty of predictions concerning future events. Illiquid credit markets and volatile equity markets have combined to increase the uncertainty inherent in such estimates and assumptions. Accordingly, by their nature, estimates of impairment are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could vary a material amount.

**Collective allowance for mortgage losses:**
The Company estimates collective allowance for mortgage losses based on an assessment of the recoverability of mortgages receivable. Allowances are applied to mortgages receivable where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts based on industry experience and current economic trends when making a judgment to evaluate the adequacy of the allowance for mortgage losses. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

## 6. MORTGAGES RECEIVABLE

Mortgages receivable consist of the following:

| | 2014 | 2013 |
|---|---|---|
| Conventional first mortgages | $ 22,839,477 | $ 15,380,325 |
| Conventional non-first mortgages | 4,616,909 | 6,508,932 |
| | 27,456,386 | 21,889,257 |
| Allowance for mortgage losses | 265,343 | - |
| Total portfolio | $ 27,191,043 | $ 21,889,257 |

Mortgages receivable consist of conventional mortgages which are secured by a mortgage charge with aggregate loan to values not exceeding 75%. As at December 31, 2014, conventional first mortgages comprised 83% (2013 – 70%) and conventional non-first mortgages comprised 17% (2013 – 30%) of the total portfolio.

Mortgages receivable are stated at amortized cost. There was $265,343 (2013 - $nil) collective allowance for mortgage loss as at December 31, 2014. There was no specific allowance for mortgage loss for the periods ended December 31, 2014 and 2013

All mortgages are located in Alberta, British Columbia, or Saskatchewan and are residential in nature.

The mortgages comprising the portfolio bear interest at the weighted average rate of 13.15% (2013 – 13.47%) per annum and mature between January 1, 2015 and January 1, 2016.

Principal repayments based on contractual maturity dates are as follows:

| | |
|---|---|
| 2015 | $ 27,453,535 |
| 2016 | 2,851 |
| | $ 27,456,386 |

## 7. CREDIT FACILITY

The Company obtained a due on demand operating credit facility of $2,500,000, of which $nil had been drawn as at December 31, 2013. In July 2014, the due on demand operating credit facility limit was extended to $3,500,000 from $2,500,000. As at December 31, 2014, $3,151,371 was drawn. The purpose of the facility is to finance the day-to-day operations of the Company, specifically, financing the placement of mortgages. The loan bears interest while outstanding before and after maturity and default at a rate of 2.50% per annum above the bank's prime lending rate ("prime"). As at December 31, 2014, prime was 3.0% (2013 – 3.0%). All interest is payable without demand on the dates specified by the bank and is calculated daily and compounded monthly. The demand facility is secured by all present and after acquired property in the Company. The credit agreement contains certain financial covenants that must be maintained. As at December 31, 2014 and 2013, the Company was in compliance with all financial covenants.

(Expressed in Canadian dollars)

## 8. SHARE CAPITAL

### Authorized shares

| Authorized | Name |
|---|---|
| 1,000 | Voting Common Shares |
| Unlimited | Class A – Non-Voting Common Shares |
| Unlimited | Class B – Non-Voting Common Shares |

### Issued and outstanding – Voting Common Shares

| | Number of Shares | $ |
|---|---|---|
| At Inception - - | | |
| Shares issued for cash (i) | 100 | 1,000 |
| As at December 31, 2013 and 2014 | 100 | 1,000 |

i) During 2013, the Company issued 100 Voting Common Shares to directors and officers of the Company, at a price of $10.00 per share. There were no offering costs associated with the issuance.

### Issued and outstanding – Class A – Non-Voting Common Shares

| | Number of Shares | $ |
|---|---|---|
| At Inception | - | - |
| Shares issued for cash (ii) | 1,379,395 | 13,793,950 |
| Offering costs (ii) | - | (1,532,797) |
| As at December 31, 2013 | 1,379,395 | 12,261,153 |
| Shares issued for cash (iii) | 82,500 | 825,000 |
| Offering costs (iii) | - | (14,184) |
| As at December 31, 2014 | 1,461,895 | 13,071,969 |

ii) The Company completed its initial public offering ("IPO") on December 12, 2013 and issued 1,379,395 subscription receipts at a price of $10.00 per subscription receipt for gross proceeds of $13,793,950. Each subscription receipt entitled the holder to receive, for no additional consideration and without further action, one Class A Non-Voting Common Share in the capital of the Company upon the closing of the acquisition of certain portfolios of mortgages discussed in note 13. Included in offering costs are consideration of $583,423 commissions paid to the Agents of the IPO, $444,532 for reimbursement of Agents of the IPO and filing expenses as they relate to the IPO and $504,842 in legal and audit fees.

As a result of completion of the initial portfolio acquisition, described in note 13, each subscription receipt has been converted into one Class A Non-Voting Common Share in the capital of the Company for no additional consideration and without further action by the holder.

iii) In July 2014, the Company closed a private placement totalling 82,500 Class A Non-Voting Common Shares at a price of $10.00 per share for gross proceeds of $825,000. Included in offering costs are $14,184 in fees paid in connection with the private placement.

### Issued and outstanding – Class B – Non-Voting Common Shares

| | Number of Shares | $ |
|---|---|---|
| At Inception | - | - |
| Shares issued for cash (iv) | 972,076 | 9,720,760 |
| Offering costs (iv) | - | (17,507) |
| As at December 31, 2013 and 2014 | 972,076 | 9,703,253 |

iv) With completion of the initial portfolio acquisition described in note 13, the Company also closed a private placement of 972,076 Class B Non-Voting Common Shares at a price of $10.00 per share in order to fund the acquisition. Offering costs consist of $17,507 for legal costs incurred from the offering.

(Expressed in Canadian dollars)

## 9. AGENT OPTIONS

On December 12, 2013, in consideration for closing the IPO, the Company granted to Agents non-transferable compensation options ("agent compensation option") equal to 6% of the aggregate number of subscription receipts sold. Each agent compensation option entitles the agent to purchase one Class A Non-voting share of the Company at $10.00 per share at any time prior to December 12, 2016. The Company's fair value of the agent options granted is $47,027 which is included in offering costs in share capital.

At December 31, 2014, stock options outstanding and exercisable are as follows:

| Grant date | Number of options outstanding and exercisable | Exercise price ($) | Expiry date | Remaining contractual life (years) |
|---|---|---|---|---|
| December 12, 2013 | 82,764 | 10.00 | December 12, 2016 | 1.95 |

The fair value of agent compensation options was estimated at the grant date based on the Black-Scholes option pricing model, using the following weighted average assumptions:

| | |
|---|---|
| Expected dividend yield | 8% |
| Risk-free interest rate | 1.18% |
| Expected life | 3 yrs |
| Expected volatility | 22.58% |
| Forfeiture rate | 0% |

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions may have a material effect on the fair value of the agent compensation options.

## 10. PER SHARE AMOUNTS

Basic and diluted earnings per share calculation

| | 2014 | 2013 |
|---|---|---|
| Numerator for basic earnings per share: | | |
| Total comprehensive income | $ 2,846,590 | $ 61,834 |
| Denominator for basic earnings per share: | | |
| Weighted average number of shares | 2,392,482 | 137,235 |
| Basic and diluted earnings per share | $1.19 | $ 0.45 |

## 11.DIVIDENDS

The Company makes quarterly cash distributions by way of dividends on the last business day of each quarter. The Class A Non-Voting Common Shares rank first, the Class B Non-Voting Common Shares rank second and the Voting Common Shares rank third with respect to an initial non-cumulative dividend at a rate up to, but not exceeding, 8% per annum on each class of Common Shares. In each financial year, if the maximum amount of this initial dividend has been paid on all classes of Common Shares, then the Class B Non-Voting Common Shareholders, at the discretion of the Board of Directors, are entitled to an additional non-cumulative dividend at a rate of up to, but not exceeding 8% per annum. In each financial year, if the maximum amount of both the initial dividend and the additional dividend are paid, then all further dividends declared in such year shall be declared and paid in equal amounts per common share on all the classes of Common Shares.

For the year ended December 31, 2014, the Company declared dividends of $2,631,135 (2013 - $36,278) to its Class A and Class B Non-Voting Common Shareholders and Voting Common Shareholders. As at December 31, 2014, $696,644 (2013 - $36,278) is payable and outstanding. All dividends payable as at December 31, 2014 were paid in January of 2015.

## 12. INCOME TAXES

The Company has non capital tax loss carry forwards of $48,294 (2013 - $211,449) as at December 31, 2014. These tax losses can be applied against future taxable income and will, if not utilized, expire in the year 2033.

(Expressed in Canadian dollars)

## 13. RELATED PARTY TRANSACTIONS

On December 19, 2013, the Company completed its initial portfolio acquisition of mortgage portfolios from two privately-held entities, Builders Capital Mortgage Investment Corp. ("BCMIC") and Builder's Capital Inc. ("BCI") for an aggregate purchase price of $22,260,925. Both parties are related by virtue of common control. The transaction is considered to be in the normal course of business and has been initially recorded at its fair value.

Due to related parties are comprised of the following:

| | 2014 | 2013 |
|---|---|---|
| Builders Capital Management Corp. | $107,849 | $ 63,512 |
| BCMIC | - | 24,350 |
| BCI | - | 52,612 |
| Due to related parties | $107,849 | $ 140,474 |

Amounts payable to BCMIC and BCI relate to mortgage interest and fee revenue earned by these parties on the mortgage portfolio prior to the Company taking ownership of the mortgage portfolio.

The Company's Manager (a company controlled by some of the directors) receives a management fee, calculated at 1.0% per annum of the book value of the share capital of the Company, calculated daily, aggregated and paid monthly in arrears plus applicable taxes. For the year ended December 31, 2014, this amount was $239,189 (2013 – $7,731).

The total directors' fees paid for the period were $17,500 (2013 - $nil). Directors' fees are set at $1,000 annually together with $500 for each meeting attended. The key management personnel are also directors of the Company and receive compensation from the Company's Manager.

During the year, the Company purchased mortgages with an aggregate value of $2,946,465 from, and sold mortgages with an aggregate value of $4,663,249 to, Builders Capital (2014) Ltd. There were also advances totaling $715,929, which were made and repaid during the year between the two companies.

During the year, the Company purchased mortgages with an aggregate value of $1,923,674 from, and sold mortgages with an aggregate value of $3,440,576 to, Builders Capital Inc. There were also advances totaling $249,133, which were made and repaid during the year between the two companies.

Both Builders Capital (2014) Ltd and Builders Capital Inc. are related to the Company by virtue of common control, and the transactions are considered to be in the normal course of business and have been recorded at fair value.

**Key management compensation:**
None of the Company's key management personnel received compensation from the Company for the periods ended December 31, 2014 and 2013. The Manager directs the affairs and manages the Company's business and administers or arranges for the administration of the Company's operations. The Company has no employment agreement with members of management and the Company does not pay any cash compensation to any individuals serving as the Company's officers. Rather, those individuals are compensated by the Manager. In considerations for services provided to the Company by the Manager, it is paid a management fee, as discussed above.

## 14. CAPITAL DISCLOSURES

The Company's capital consists of shareholders' equity. The Company's objectives when managing capital are, with a focus on capital preservation, to acquire, originate and maintain a portfolio consisting primarily of construction mortgages that generates attractive returns relative to risk in order to permit the Company to pay quarterly distributions to its shareholders.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,

ii) to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is subject to externally imposed capital requirements. The credit facility contains certain financial covenants that must be maintained. As at December 31, 2014 and 2013, the Company was in compliance with all financial covenants.

## 15. FINANCIAL INSTRUMENTS

The Company, as part of its operations, carries financial instruments consisting of cash, mortgages receivable, amounts held in trust, accounts payable and accrued liabilities, due to related parties and dividends payable. It is management's opinion that the Company is not exposed to significant credit, interest, currency and liquidity risks arising from these financial instruments except as otherwise disclosed.

### Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash is determined on level 1 inputs. The carrying amount of cash approximates their fair value due to the short-term maturities of this item.

The carrying value of mortgages receivable, amounts held in trust, line of credit, accounts payable and accrued liabilities, due to related parties and dividends payable approximate their fair value because of the short-term nature of these instruments.

There were no transfers between levels 1, 2 and 3 inputs during the period (2013 – none).

### Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Any instability in the real estate sector and an adverse change in economic conditions in Canada could result in declines in the value of real property securing the Company's mortgages. The Company mitigates this risk by adhering to the investment and operating policies of the Company. Cash is held at a major Canadian financial institution. The Company's maximum exposure to credit risk is represented by the fair values of the cash, mortgages receivable and amounts held in trust.

### Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

i) Interest rate risk
Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will vary as a result of changes in market interest rates. The Company manages its financial instruments with the objective of mitigating any potential interest rate risks. The interest rates on the Company's mortgages receivable are fixed for the term. Therefore, the Company is not exposed to significant cash flow interest rate risk. As at December 31, 2014, the Company's mortgages receivable are subject to fair value interest rate risk as a decrease in market interest rates will increase the fair value of the fixed rate financial asset. Any change in market interest rates will however have no impact on the Company's cash flows or comprehensive income for the period as mortgages receivable are carried at amortized cost.

ii) Foreign currency risk
The Company does not have assets or liabilities in foreign currency.

### Liquidity risk

Liquidity risk arises from the possibility of not having sufficient ability to obtain debt financing or equity capital to fund future growth or meet the Company's obligations as they arise. Furthermore, liquidity risk also arises from the Company not being able to obtain financing on favorable terms.

The Company's main liquidity requirements will arise from property acquisitions, manager fees and distributions to shareholders. All of the aforementioned liquidity requirements, except for property acquisitions, are generally funded from cash flows earned on mortgage interest and fees. Property acquisitions are generally funded through equity issuances. The Company's financial condition and results of operations would be adversely affected if it were unable to obtain additional funds through equity issuances or financing, or if it were unable to meet its other liquidity requirements from ongoing operating activities.

The Company's approach to managing liquidity is to ensure that it will have sufficient financial resources available to meet its liabilities as they become due. This includes monitoring of cash, amounts held in trust and accounts payables and accrued liabilities. The Company intends to mitigate its liquidity risk by not entering into property acquisitions unless it has secured or is confident that it can secure the appropriate capital (debt and/or equity) to fund the particular acquisition. Liquidity risk is also mitigated by the terms offered to investors, which state that all redemptions are at the discretion of management and are dependent on the circumstances, and to borrowers, which state that the Company is never obligated to advance additional mortgages or funding.

# DIRECTORS + SENIOR MANAGEMENT

## DIRECTORS

**John A. Drummond** | Member, Audit Committee
John Drummond is President of Drummond Financial Services Ltd., a private company engaged in mortgage lending for selected market areas. Mr. Drummond received an LL.B. degree from the University of Windsor in 1976 and became a member of the Law Society of Alberta in 1977. He practiced privately for 28 years, specializing in litigation relating to interests in land, and was Chair of the Foreclosure Subsection of the Canadian Bar Association in Calgary. From 2004 to 2005, he served as appointed counsel at Gowling Lafleur Henderson LLP.

**Victor P. Harwardt** | Member, Audit Committee
Victor Harwardt is a partner with the Vancouver law firm of Salley, Bowes, Harwardt LC, practicing in the areas of securities, corporate finance, and corporate and commercial law. He assists companies in the natural resource and technology sectors in a variety of matters, including public and private equity financings, stock exchange listings, mergers, acquisitions and other corporate combinations. A significant element of his practice is international in scope. Mr. Harwardt holds a Bachelor of Arts, with distinction, from the University of Calgary. He obtained his LL.B. from the University of British Columbia in 1982 and was admitted to the Law Society of British Columbia in 1984. In addition to his law practice, Mr. Harwardt has served as a director or senior officer of a number of publicly listed companies.

**Sandy L. Loutitt** | Chair
Sandy Loutitt founded the predecessor businesses of Builders Capital Mortgage Corp. and serves as President and Chief Executive Officer of the both the company and its manager, Builders Capital Management Corp., for which he also chairs the Board of Directors. In addition, Mr. Loutitt is President of Builders Capital Construction Corp. A licensed mortgage broker, he has been actively involved in construction financing for over 10 years and is a member of the Alberta Mortgage Brokers Association. Mr. Loutitt received a Bachelor of Arts degree in Economics from the University of British Columbia in 1996.

**I. Michael Matishak** | Member, Audit Committee
Michael Matishak is a Chartered Accountant who provides financial advisory services to companies operating in the energy sector. He has served as Chief Financial Officer of Caltor Corporation since 2007. Mr. Matishak began his career with Arthur Andersen in 1983, where he became a senior auditor and tax accountant, and subsequently obtained extensive international accounting experience during a 13-year tenure with International Advisory Services Ltd. (IAS) in Bermuda. Mr. Matishak received a Bachelor of Commerce degree from the University of Alberta in 1983 and obtained his CA designation from the Institute of Chartered Accountants of Alberta in 1986.

**David E. T. Pinkman**
David Pinkman has served as Chief Financial Officer and Director of Saccharum, a junior oil and gas exploration company (TSX-V), since its inception in 2007. Previously, he was a director and officer of a number of other public companies, including PanWestern Energy Inc. (now Valeura Energy Inc.), Explorator Resources Inc. and Powermax Energy Inc. Mr. Pinkman also previously served on the Board of Directors of Renewable Energy Inc. (TSX-V) and Renewable Power & Light Plc. From 1991 to 2000, he was a partner in the law firm of Pinkman, McArdle Barristers and Solicitors, practicing primarily in the areas of corporate and securities law. Mr. Pinkman received a Bachelor of Arts degree from the University of Calgary in 1980 and an LL.B. degree from the University of British Columbia in 1984, and became a member of the Law Society of Alberta in 1985.

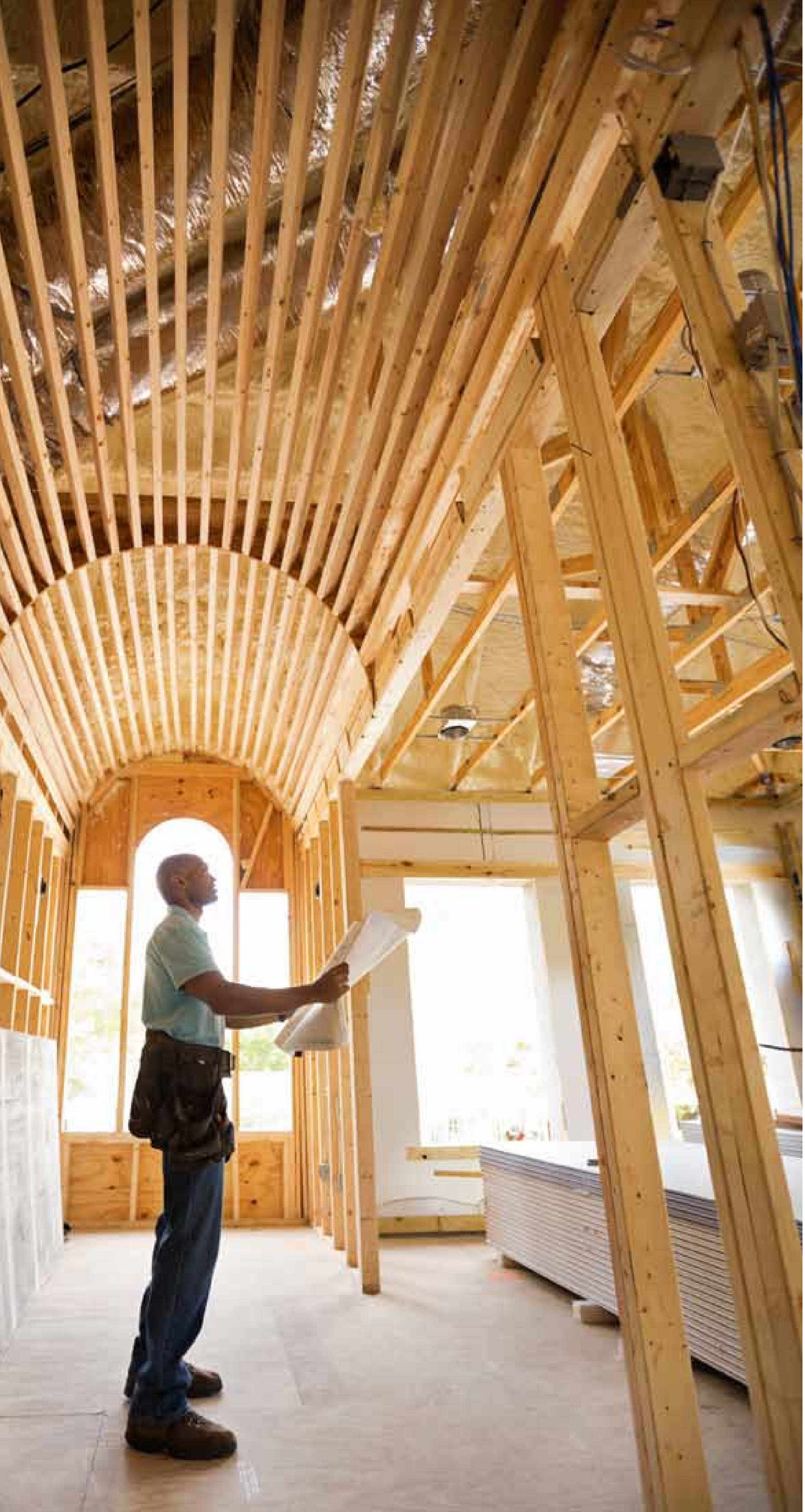
**John Strangway**
John Strangway is Chief Financial Officer of Builders Capital Mortgage Corp. and is responsible for overseeing reporting and compliance issues. A Chartered Accountant with an extensive background in public practice, he also serves on the Board of Directors of the company's manager, Builders Capital Management Corp., for which he is also Chief Compliance Officer. Mr. Strangway received a Bachelor of Commerce degree from the University of British Columbia in 1990 and obtained his CA designation from the Institute of Chartered Accountants of British Columbia in 1993.

**Brent J. Walter**
Brent Walter is a partner of ProVenture Law LLP in Calgary, Alberta, practicing primarily in the areas of securities and corporate/commercial law. Mr. Walter currently serves as a director and officer of a number of public and private corporations, including Infrastructure Materials Corp. (TSX-V, OTCBB), Canadian Platinum Corp. (TSX-V), and Pacific Iron Ore Corporation (TSX-V). He is a member of the audit committees of Infrastructure Materials Corp. and Canadian Platinum Corp. Mr. Walter received a Juris Doctor law degree from the University of Saskatchewan in 1990 and is a member of the Law Societies of Alberta (active) and Saskatchewan (inactive).

## SENIOR MANAGEMENT

**Sandy L. Loutitt**
President and CEO

**John Strangway, CA**
Chief Financial Officer



## SHAREHOLDER INFORMATION

**Investor Relations**
587.390.0165

ir@builderscapital.ca

www.builderscapital.ca

**Auditors**
MNP LLP
Chartered Accountants
Calgary, Alberta

**Share Listing**
TSX VENTURE: BCF

**Registrar and Transfer Agent**
Valiant Trust Company
Calgary, Alberta

BUILDER'SCAPITAL

405 – 1210 8th Street SW
Calgary, AB T2R 1L3

Phone: 403.685.9888
Fax: 403.225.9470

**www.builderscapital.ca**

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