

The securities offered by this prospectus have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws. Accordingly, these securities may not be offered or sold in the United States, or to or for the account or benefit of a U.S. person as defined in Regulation S under the 1933 Act. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States or to, or for the account or benefit of, U.S. persons. See "Plan of Distribution".

This prospectus constitutes a public offering of securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

PROSPECTUS

New Issue

May 24, 2017



Builders Capital Mortgage Corp.

\$15,000,000 (1,500,000 Class A Non-Voting Shares) Maximum

\$10.00 per Class A Non-Voting Share

This prospectus qualifies the distribution of up to 1,500,000 Class A non-voting shares (each a "**Class A Non-Voting Share**") of Builders Capital Mortgage Corp. (the "**Corporation**") at a price of \$10.00 per Class A Non-Voting Share (the "**Offering**"). The Class A Non-Voting Shares are being offered on a "commercially reasonable efforts" agency basis pursuant to an agency agreement entered into among the Corporation, the Manager (as hereinafter defined) and PI Financial Corp. (the "**Agent**") executed on May 24, 2017 (the "**Agency Agreement**").

The Corporation will provide investors with the opportunity to invest in Mortgages (as hereinafter defined) selected by Builders Capital Management Corp. (the "**Manager**"). Pursuant to the terms of a management services agreement entered into between the Corporation and the Manager dated December 12, 2013 (the "**Management Services Agreement**"), the Manager acts as the manager of and portfolio advisor to the Corporation. See "**Organization and Management Details of the Corporation**".

The Corporation, an incorporated company under the laws of the Province of Alberta, qualifies as a mortgage investment corporation under the Tax Act (as defined herein) and is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. The Class A Non-Voting Shares are not "deposits" within the meaning of the *Canadian Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation. By qualifying as a mortgage investment corporation, the Corporation will be a non-bank provider of residential and construction real estate finance.

The investment objective of the Corporation is, with a focus on capital preservations, to acquire and maintain a Portfolio (as defined herein) consisting primarily of construction Mortgages (as defined herein) that generates attractive returns relative to risk in order to permit the Corporation to pay distributions to its shareholders. See "**Investment Objective**", "**Attributes of the Share Capital**" and "**Risk Factors**".

| | Price to the Public⁽¹⁾ | Agent's Fees⁽²⁾⁽⁵⁾ | Net Proceeds to the Corporation⁽³⁾ |
|---|--|--|--|
| Per Class A Non-Voting Shares | \$10.00 | \$0.50 | \$9.50 |
| Maximum Offering⁽⁴⁾ | <u>\$15,000,000</u> | <u>\$750,000</u> | <u>\$14,250,000</u> |

Notes:

- (1) The price of the Class A Non-Voting Shares has been determined by negotiations between the Corporation and the Agent.
- (2) The Corporation has agreed to pay the Agent a cash commission equal to 5% of the gross proceeds received from the Offering. The Corporation shall also pay the Agent a corporate finance fee of \$30,000 plus GST (\$31,500) (the "**Corporate Finance Fee**"). The Corporate Finance Fee will be refunded to the Corporation at the closing of the Offering if the Offering exceeds \$7,500,000.
- (3) Before deducting expenses of the Offering estimated to be \$300,000, which will be, together with the Agent's commission referred to in Note (2) above, paid out of the proceeds of the Offering. Assumes the Corporate Finance Fee is refunded to the Corporation.
- (4) Each investor in Class A Non-Voting Shares must subscribe for a minimum of 100 Class A Non-Voting Shares.
- (5) The Agent may form a sub-agency group including other qualified investment dealers, provided that the participation of other agents will be mutually agreed to by the Agent and the Corporation. The Agent shall pay a selling concession of 4.0% to members of such group, which commission will be paid by the Agent out of its commission.

The Agent conditionally offers the Class A Non-Voting Shares on a "commercially reasonable efforts" basis if, as and when issued, sold and delivered by the Corporation in accordance with the conditions contained in the Agency Agreement referred to under "**Plan of Distribution**". In connection with this Offering and in accordance with and subject to applicable laws, the Agent is permitted to engage in transactions that stabilize or maintain the market price of the Class A Non-Voting Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "**Plan of Distribution**".

No minimum amount of funds must be raised under this Offering. This means that the Corporation could complete this Offering after raising only a small proportion of the Offering amount set out above.

Subject to regulatory approvals and satisfaction of conditions precedent, the Corporation intends to utilize the net proceeds from the sale of the Class A Non-Voting Shares (after the payment of the Agent's fees and expenses) to acquire (the "**Portfolio Acquisition**") a portfolio of Mortgages currently owned by BCL (as hereinafter defined), a privately-held entity which is a related party to the Corporation, in accordance with the Portfolio Acquisition Agreement (as hereinafter defined), all as described in more detail under "**Acquisition of the BCL Mortgage Portfolio**". Any net proceeds which are not used to complete the Portfolio Acquisition will be used to fund Mortgages invested in from time to time in a manner consistent with the investment objective and investment strategies of the Corporation and for general working capital purposes. As the Mortgage investments which form the BCL Mortgage Portfolio will primarily be construction draw Mortgages, a portion of the net proceeds will be retained to fund continuing Mortgage advances and to ensure that sufficient working capital is available in order to meet the Corporation's commitments and the requirements of its borrowers.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. One or more global certificates representing the Class A Non-Voting Shares will be issued in registered form to CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and will be deposited with CDS on the date of the closing of the Offering, which is expected to occur on or about May 31, 2017, or such later date as the Corporation and the Agent may agree, but in any event not later than June 30, 2017. Alternatively, at the option of the Corporation, the Class A Non-Voting Shares will be issued using CDS' book-entry only procedures. In either such case, a purchaser of Class A Non-Voting Shares will receive only a customer confirmation from a registered dealer that is a Participant (as defined herein) and from or through which the Class A Non-Voting Shares are purchased and CDS will record the Participant who holds Class A Non-Voting Shares on behalf of beneficial owners who have purchased them in accordance with the book-based system. See "**Plan of Distribution**".

The issued and outstanding Class A Non-Voting Shares are listed on the TSX Venture Exchange (the "**TSX-V**") under the symbol "BCF". The Corporation has received conditional approval to list the Class A Non-Voting Shares distributed under this prospectus on the TSX-V. Such listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX-V. On December 19, 2016, the last trading day prior to the date of announcement of the Offering, the closing price of the Class A Non-Voting Shares on the TSX-V was \$9.67 per Class A Non-Voting Share. On May 23, 2017, the last completed trading

day prior to the filing of this prospectus, the closing price of the Class A Non-Voting Shares on the TSX-V was \$9.81 per Class A Non-Voting Share. The offering price of the Class A Non-Voting Shares was determined by negotiations between the Corporation and the Agent.

A return on your investment in the Corporation is not comparable to the return on an investment in a fixed-income security. The recovery of your initial investment is at risk, and the anticipated return on your investment is based on many performance assumptions. Further, there may be limited or no liquidity in the Mortgages that make up the Portfolio and, if no secondary market for such Mortgages exists, the valuation and ability to resell such Mortgages will be impaired if a resale is required. Although the Corporation intends to declare dividends on its Class A Non-Voting Shares, these dividends are non-cumulative and may be suspended or not made at all. The actual declaration of dividends will depend on numerous factors, including without limitation, risks related to the Corporation's ability to acquire and maintain a portfolio of Mortgages that generates the returns targeted by the Manager and borrower defaults. In addition, the market value of the Class A Non-Voting Shares may decline if the Corporation is unable to meet dividend payment expectations in the future, and that decline may be significant. See "**Risk Factors**". **Dividend distributions for Class A Non-Voting Shares issued under this prospectus for quarter ended June 30, 2017, or any later quarter during which a closing of the Offering occurs, will be calculated as if such Class A Non-Voting Shares have been held for the entire quarter.**

Investors should rely only on the information contained in this prospectus. The Corporation has not authorized anyone to provide investors with different information. The Corporation is not offering the Class A Non-Voting Shares in any jurisdiction in which the Offering is not permitted. Investors should not assume that the information contained in this prospectus is accurate as of any date other than the date of this prospectus. Subject to the Corporation's obligations under applicable securities laws, the information contained in this prospectus is accurate only as of the date of this prospectus regardless of the time of delivery of this prospectus or of any sale of the Class A Non-Voting Shares.

The Class A Non-Voting Shares are "restricted securities" within the meaning of such term under applicable Canadian securities laws. In accordance with the requirements of section 12.1 of NI 41-101, the Class A Non-Voting Shares have been referred to in this prospectus using a term or a defined term that includes the appropriate restricted security term. **The Corporation has complied with the requirements of Section 12.3 of NI 41-101 in obtaining approval from a majority of disinterested Class A Non-Voting Shareholders and Class B Non-Voting Shareholders, voting separately by class, in its special meeting of Class A Non-Voting Shareholders and Class B Non-Voting Shareholders held on December 8, 2016.**

TABLE OF CONTENTS

| | |
|--|-----------|
| GLOSSARY OF TERMS | 1 |
| SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS | 4 |
| PROSPECTUS SUMMARY | 7 |
| SUMMARY OF FEES AND EXPENSES | 16 |
| THE CORPORATION | 17 |
| Overview of the Legal Structure of the Corporation | 17 |
| Status of the Corporation | 17 |
| Restriction on the Business of the Corporation..... | 17 |
| The Manager | 17 |
| Development and Rationale of the Corporation..... | 17 |
| DEVELOPMENT AND HISTORY OF THE BUSINESS | 19 |
| The Portfolio | 19 |
| Investment Objectives..... | 21 |
| Investment Strategies | 21 |
| Investment Process | 21 |
| Initial Funding Process | 23 |
| Investment by the Corporation..... | 23 |
| Amendments to Investment Policies..... | 25 |
| Leverage..... | 26 |
| Competitive Advantages | 26 |
| Overview of the Western Canadian Construction Mortgage Lending Industry..... | 27 |
| Lending and Investment Restrictions..... | 28 |
| USE OF PROCEEDS | 29 |
| FEES AND EXPENSES | 31 |
| Initial Fees and Expenses..... | 31 |
| Management Fees and Operating Expenses..... | 31 |
| ACQUISITION OF A PORTION OF THE BCL MORTGAGE PORTFOLIO | 32 |
| PRINCIPAL AGREEMENTS | 35 |
| Portfolio Acquisition Agreement | 35 |
| Management Services Agreement | 36 |
| RISK FACTORS | 36 |
| No Assurance of Achieving Investment Objectives or Paying Distributions | 36 |
| Changes in Land Values | 36 |
| Concentration and Composition of the Portfolio | 37 |
| Construction Mortgages Involve a Higher Degree of Risk than Non-construction Mortgages | 37 |
| Subordinated Loans and Mortgages..... | 38 |
| Fair Allocation | 38 |
| No Guarantees..... | 38 |

| | |
|---|-----------|
| Reliance on Borrowers..... | 39 |
| Competition | 39 |
| Sensitivity to Interest Rates | 39 |
| Fluctuations in NAV and Distributions | 39 |
| Availability of Investments..... | 40 |
| Possible Failure to Complete the Portfolio Acquisition | 40 |
| Dilution..... | 40 |
| Risks Related to Mortgage Extensions and Mortgage Defaults..... | 41 |
| Renewal of Mortgages Comprising the Portfolio | 41 |
| Foreclosure and Related Costs..... | 41 |
| Litigation Risks..... | 41 |
| Ability to Manage Growth..... | 42 |
| Speculative Nature of Class A Non-Voting Shares | 42 |
| Significant Redemptions of Shares | 42 |
| Trading Price of Class A Non-Voting Shares and Liquidity | 43 |
| Qualification as a MIC..... | 43 |
| Reliance on the Manager | 43 |
| The Corporation may be Unable to Fund Investments | 44 |
| Borrowing and Leverage..... | 44 |
| Potential Liabilities Associated with the Purchase of Mortgages | 44 |
| Share Class Risk | 44 |
| Conflicts of Interest | 44 |
| Restrictions on Ownership and Repurchase of Class A Non-Voting Shares | 45 |
| Change in Legislation | 45 |
| Reliance on Assumptions..... | 46 |
| Environmental Matters..... | 46 |
| DISTRIBUTION POLICY..... | 46 |
| DISTRIBUTION OF CLASS A NON-VOTING SHARES..... | 48 |
| Book-Entry Only System..... | 49 |
| ATTRIBUTES OF THE SHARE CAPITAL..... | 49 |
| Description of Share Capital..... | 49 |
| Voting Shares..... | 50 |
| Class A Non-Voting Shares and Class B Non-Voting Shares | 50 |
| Restrictions on Ownership..... | 52 |
| Purchase for Cancellation | 52 |
| Amendments | 52 |
| Termination of the Corporation | 52 |
| REDEMPTION OF SHARES..... | 53 |
| Annual Redemptions..... | 53 |
| Exercise of Redemption Privileges | 53 |

| | |
|---|-----------|
| Limitation and Suspension of Redemptions | 53 |
| Dividend Reinvestment Plan..... | 54 |
| CONSOLIDATED CAPITALIZATION | 54 |
| PRIOR SALES | 55 |
| PRICE HISTORY | 55 |
| PRINCIPAL SHAREHOLDERS | 56 |
| ORGANIZATION AND MANAGEMENT DETAILS OF THE CORPORATION AND THE MANAGER.. | 57 |
| Directors and Management..... | 57 |
| Biographies | 58 |
| Cease Trade Orders and Bankruptcies | 59 |
| Committees of the Corporation..... | 60 |
| Manager and Portfolio Advisor of the Corporation | 60 |
| Role of the Manager and Details of the Management Services Agreement | 60 |
| Mortgage Servicing..... | 62 |
| Directors and Officers of the Manager | 62 |
| Conflicts of Interest | 62 |
| Promoter..... | 62 |
| Auditors | 63 |
| Transfer Agent and Registrar | 63 |
| Valuation Policies and Procedures of the Corporation | 63 |
| Net Asset Value per Share | 63 |
| EXECUTIVE COMPENSATION | 63 |
| Compensation Discussion and Analysis | 63 |
| Compensation of Named Executive Officers of the Corporation | 64 |
| Principal Elements of Compensation..... | 64 |
| Summary of Compensation..... | 65 |
| Director Compensation | 66 |
| Termination and Change of Control Benefits | 67 |
| Insurance Coverage and Indemnification | 67 |
| CORPORATE GOVERNANCE | 67 |
| Board of Directors | 67 |
| Corporate Strategy | 67 |
| Composition of the Board..... | 67 |
| Director Independence | 67 |
| Other Public Company Directorships | 68 |
| Succession Planning..... | 68 |
| Roles of the Chair of the Board, Audit Committee Chair and the CEO | 68 |
| Director Attendance | 68 |
| Orientation and Continuing Education | 68 |
| Ethical Business Conduct | 69 |

| | |
|--|------------|
| Nomination of Directors | 69 |
| Compensation | 69 |
| Assessments | 69 |
| AUDIT COMMITTEE | 70 |
| Composition of the Audit Committee | 70 |
| Pre-Approval Policies and Procedures | 70 |
| External Auditor Service Fees (By Category) | 70 |
| LEGAL PROCEEDINGS AND REGULATORY ACTIONS | 70 |
| INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS | 71 |
| MATERIAL CONTRACTS | 71 |
| MARKETING MATERIALS | 71 |
| EXPERTS | 72 |
| PLAN OF DISTRIBUTION | 72 |
| SELECTED FINANCIAL INFORMATION | 73 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 73 |
| CANADIAN FEDERAL INCOME TAX CONSIDERATIONS | 73 |
| Status of the Corporation | 74 |
| Taxation of the Corporation | 75 |
| Taxation of Shareholders | 76 |
| Eligibility for Investment | 77 |
| PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION | 77 |
| SCHEDULE "A" FINANCIAL STATEMENTS | A-1 |
| SCHEDULE "B" MANAGEMENT DISCUSSION AND ANALYSIS | B-1 |
| SCHEDULE "C" MANDATE OF THE AUDIT COMMITTEE | C-1 |
| CERTIFICATES OF THE CORPORATION, THE MANAGER AND THE PROMOTER | D-1 |
| CERTIFICATE OF THE AGENT | E-1 |

GLOSSARY OF TERMS

The following is a glossary of terms used in this prospectus.

"**ABCA**" means the *Business Corporations Act* (Alberta), as may be amended from time to time.

"**ABCP**" means asset backed commercial paper.

"**affiliate**" has the meaning under the *Securities Act* (Alberta).

"**Agency Agreement**" means the agency agreement executed on May 24, 2017 among the Corporation, the Manager and the Agent.

"**Agent**" means PI Financial Corp.

"**Aggregate Funded and Committed Assets**" means (a) all existing Mortgage investments and interim investments comprising the Portfolio; plus (b) all Mortgage investments previously approved and Mortgage investments committed by or on behalf of the Corporation; plus (c) in the context of a Mortgage loan approval review, the proposed Mortgage investment being considered for approval; plus (d) cash and cash equivalents.

"**Annual Redemption Date**" means the last business day of October of each year.

"**Annual Redemption Payment Date**" means on or before the last business day of the month following the Annual Redemption Date.

"**Annual Redemption Price**" means (a) in respect of the Class A Non-Voting Shares, 95% of the NAV per Share, and (b) in respect of the Class B Non-Voting Shares, (i) 100% of the NAV per Share if the Class B Non-Voting Shares are not listed for trading on the TSX-V or such other recognized stock exchange in Canada or (ii) 95% of the NAV per Share if the Class B Non-Voting Shares are listed for trading on the TSX-V or such other recognized stock exchange in Canada, in each case on the applicable Annual Redemption Date.

"**Annual Redemption Right**" means the right to redeem Class A Non-Voting Shares on the Annual Redemption Date, as described under "**Redemption of Shares – Annual Redemptions**".

"**Asset Allocation Model**" means, collectively, the set of investment guidelines governing the allocation of investments in which the Corporation's assets are placed, as summarized under "**Investment Strategies – Asset Allocation Model**".

"**Audit Committee**" means the audit committee of the Board.

"**Authorized Investments**" means cash and guaranteed investment certificates.

"**Automatic Repurchase**" has the meaning set forth under "Attributes of the Share Capital – Restrictions on Ownership".

"**Automatic Repurchase Shareholder**" has the meaning set forth under "Attributes of the Share Capital – Restrictions on Ownership".

"**BCL**" means Builders Capital (2014) Ltd., a corporation governed by the laws of the Province of Alberta, which is a related party of the Corporation as BCL is owned, as to 100% of the voting shares of BCL, by Sandy Loutitt, the CEO and a director of the Corporation. See also "**Acquisition of the BCL Mortgage Portfolio**".

"**BCL Mortgage Portfolio**" means the existing portfolio of Mortgages that has been assembled and funded by BCL and managed by the Manager as of the closing date of the Portfolio Acquisition, a portion of which may be acquired by the Corporation pursuant to the terms of the Portfolio Acquisition Agreement.

"**Board**" or "**Board of Directors**" means the board of directors of the Corporation.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**CEO**" means Chief Executive Officer.

"**CFO**" means Chief Financial Officer.

"**Class A Non-Voting Share**" means a class A non-voting share of the Corporation.

"**Class A Non-Voting Shareholder**" means a holder of Class A Non-Voting Shares.

"**Class B Non-Voting Share**" means a class B non-voting share of the Corporation.

"**Class B Non-Voting Shareholder**" means a holder of Class B Non-Voting Shares.

"**Committed Mortgages**" has the meaning set forth under "**The Portfolio**".

"**construction Mortgages**" means Mortgages provided to borrowers to assist with the funding of the construction of a new project or the construction or redevelopment of an existing project.

"**Conventional Mortgages**" has the meaning set forth under "**Overview of the Western Canadian Construction Mortgage Lending Industry – Types of Mortgage Investments**".

"**Corporation**" means Builders Capital Mortgage Corp., a corporation governed by the laws of the Province of Alberta.

"**DPSPs**" means deferred profit sharing plans as defined in the Tax Act.

"**DRIP**" means the dividend reinvestment plan implemented by the Corporation for its Class A Non-Voting Shares.

"**independent director**" means a member of the Board who is not an associate, director, officer or employee of the Manager or of an affiliate of any of the foregoing and who is independent (as such term is defined in NI 52-110) of the Corporation and the Manager.

"**IFRS**" means International Financial Reporting Standards and Canadian generally accepted accounting principles in accordance with Part I of the Handbook of the Canadian Institute of Chartered Accountants.

"**Lender Fees**" means the Mortgage origination and servicing fees generated in connection with Mortgages sourced and managed by the Manager and acquired by the Corporation.

"**Management Services Agreement**" has the meaning set forth on the face page of this prospectus.

"**Manager**" means Builders Capital Management Corp., a corporation governed by the laws of the Province of Alberta.

"**Manager Fee**" has the meaning set forth under "**Fees and Expenses – Management Fees and Operating Expenses**".

"**Maximum Offering**" means \$15,000,000 or 1,500,000 Class A Non-Voting Shares.

"**MIC**" means a "mortgage investment corporation" as defined under the Tax Act.

"**Mortgage**" means an interest in a mortgage, a mortgage of a leasehold interest (or other like instrument, including an assignment of or an acknowledgement of an interest in a mortgage), a hypothecation, a deed of trust, a charge or other security interest of or in real property used to secure obligations to repay money by a charge upon the real property.

"**Mortgage Loan Impairment**" means any loan, where, in the Manager's opinion, there has been a deterioration of credit quality to the extent that the Corporation no longer has reasonable assurance as to the timely collection of the full amount of the principal and interest.

"**NAV**" means the net asset value of the Corporation and is the value of the consolidated assets of the Corporation less (a) the consolidated liabilities of the Corporation and (b) the stated capital of the Voting Shares of the Corporation, being \$1,000.

"NAV per Share" has the meaning set forth under "**Organization and Management Details of the Corporation - Net Asset Value per Share**".

"NI 41-101" means National Instrument 41-101 – *General Prospectus Requirements* of the Canadian Securities Administrators.

"NI 52-110" means National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators.

"NI 58-101" means National Instrument 58-101 – *Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators.

"Non-Conventional Mortgage" has the meaning set forth under "**Overview of the Western Canadian Mortgage Lending Industry – Types of Mortgage Investments**".

"Offering" means the offering of Class A Non-Voting Shares pursuant to this prospectus.

"Participant" has the meaning set forth under "**Distribution of Class A Non-Voting Shares – Book-Entry Only System**".

"Plans" means collectively, the RDSPs, RESPs, RRIFs, RRSPs and DPSPs.

"Portfolio" means the portfolio of Mortgages of the Corporation.

"Portfolio Acquisition" means the proposed acquisition by the Corporation of the BCL Mortgage Portfolio from BCL in accordance with the terms of the Portfolio Acquisition Agreement.

"Portfolio Acquisition Agreement" means the acquisition agreement to be executed on or prior to the closing of the Offering, between the Corporation and BCL pursuant to which, among other things, the Corporation will acquire a portion of the BCL Mortgage Portfolio.

"Principal Shareholders" means the holders of the Voting Shares, being Sandy Loutitt, John Strangway, Brent Walter, David Pinkman and John Drummond.

"RDSPs" means registered disability savings plans as defined in the Tax Act.

"real property" means land, rights or interest in land in Canada (including, without limitation, leaseholds, air rights and rights in condominiums, but excluding Mortgages) and any buildings, structures, improvements and fixtures located thereon.

"Related Persons" has the meaning as defined in the Tax Act.

"Repurchased Shares" has the meaning set forth under "**Attributes of the Share Capital – Restrictions on Ownership**".

"RESPs" means registered education savings plans as defined in the Tax Act.

"RRIFs" means registered retirement savings plans as defined in the Tax Act.

"RRSPs" means registered retirement savings plans as defined in the Tax Act.

"Shareholders" means, collectively, the Class A Non-Voting Shareholders and the Class B Non-Voting Shareholders.

"Shares" means, collectively, the Class A Non-Voting Shares and the Class B Non-Voting Shares.

"Target Allocation" has the meaning set forth under "**The Portfolio**".

"Tax Act" means, collectively, the *Income Tax Act* (Canada) and the Income Tax Regulations.

"TFSA" means tax-free savings accounts as defined in the Tax Act.

"Triggering Transaction" has the meaning set forth under "**Attributes of the Share Capital – Restrictions on Ownership**".

"**TSX**" means the Toronto Stock Exchange.

"**TSX-V**" means the TSX Venture Exchange.

"**U.S. Securities Act**" has the meaning set forth on the face page of this prospectus.

"**Voting Shares**" means the common voting shares of the Corporation.

"**Voting Share Unanimous Shareholders Agreement**" has the meaning set forth under "**Principal Shareholders**".

ABOUT THIS PROSPECTUS

The Corporation, a company incorporated on March 28, 2013 under the ABCA and which amended its Articles of Incorporation on December 10, 2013, is authorized to issue an unlimited number of Class A Non-Voting Shares, an unlimited number of Class B Non-Voting Shares and 1,000 Voting Shares. The rights, privileges, conditions and restrictions of the Class A Non-Voting Shares, Class B Non-Voting Shares and Voting Shares are as set forth under the heading "**Attributes of the Share Capital**".

Capitalized terms used in this prospectus have defined meanings. Please refer to "Glossary of Terms" for a list and the meaning of defined terms used herein.

In this prospectus, references to "\$" are to Canadian dollars.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus, and in certain documents incorporated by reference into this prospectus, constitute forward-looking statements and forward-looking information (collectively referred to herein as "**forward-looking statements**") within the meaning of applicable Canadian securities laws. Such forward-looking statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact may be forward-looking statements. Such forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this prospectus should not be unduly relied upon. These forward-looking statements speak only as of the date of this prospectus or as of the date specified in the documents incorporated by reference into this prospectus, as the case may be.

In particular, this prospectus, and the documents incorporated by reference herein, contain forward-looking statements, pertaining to the following:

- the closing date and the expected use of proceeds of the Offering;
- obtaining of all required regulatory approvals in connection with the Offering;
- obtaining the necessary regulatory approvals for the Portfolio Acquisition;
- closing of the Portfolio Acquisition;
- the use of proceeds from the Offering
- the estimated purchase price for the BCL Mortgage Portfolio; and
- the annualized yield of the Corporation that the Manager is targeting and the amount and the timing of the payment of such dividends.

Although the forward-looking statements contained in this prospectus are based upon assumptions which management of the Corporation believes to be reasonable, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this prospectus, the Corporation has made assumptions regarding, but not limited to:

- the Corporation's ability to fulfil all of the conditions and obtain all of the approvals required in relation to the Offering;

- the completion of the Offering and the Portfolio Acquisition;
- the ability of the Corporation to maintain a portfolio of Mortgages capable of generating the necessary annual yield or returns to enable the Corporation to achieve its investment objective and to pay dividends;
- the ability of the Corporation to establish and maintain relationships and agreements with key strategic and financial partners;
- the qualification of the Corporation as a MIC under the Tax Act;
- the maintenance of prevailing interest rates at favourable levels;
- the ability of borrowers to service their obligations under the Mortgages of the Corporation;
- the ability of the Manager to effectively perform its obligations owed to the Corporation;
- anticipated costs and expenses;
- competition;
- changes in general economic conditions;
- no material variations in the current tax and regulatory environments; and
- future levels of indebtedness and the current economic conditions remaining unchanged.

The Corporation's actual results could differ materially from those anticipated in the forward-looking statements as a result of the risk factors set forth herein and in the documents incorporated by reference herein, including but not limited to:

- general business, economic, competitive, political and social uncertainties;
- general capital market conditions and market prices for securities;
- delay or failure to receive regulatory approvals;
- the actual results of future operations;
- competition;
- changes in legislation, including environmental legislation, affecting the Corporation;
- the timing and availability of external financing on acceptable terms;
- conclusions of economic evaluations and appraisals;
- lack of qualified, skilled labour or loss of key individuals;
- changes in operating and capital costs;
- the availability of Mortgages;
- discretion in the use of proceeds of the Offering;
- interest changes;
- fluctuations in NAV and Distributions;
- unforeseen potential liabilities of BCL Mortgage Portfolio; and
- other factors, many of which are beyond the control of the Corporation, which are discussed under the heading "*Risk Factors*" in this prospectus.

Forward-looking statements and other information contained herein concerning the residential and commercial Mortgage industry in Canada and the Corporation's general expectations concerning this industry are based on estimates prepared by management of the Corporation using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry, which the Corporation believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Corporation is not aware of any material misstatements regarding any industry data presented herein, the storage industry involves numerous risks and uncertainties and is subject to change based on various factors.

Management of the Corporation has included the above summary of assumptions and risks related to forward-looking information provided in this prospectus in order to provide shareholders with a more complete perspective on the Corporation's current and future operations and such information may not be appropriate for other purposes. The Corporation's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Corporation will derive therefrom.

Readers are cautioned that the foregoing list of important factors is not exhaustive and they should not unduly rely on the forward looking statements included in this prospectus or in any of the documents incorporated by reference herein. These forward-looking statements are made as of the date of this prospectus and the Corporation disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other

than as required by applicable securities laws. All forward looking statements contained in this prospectus are expressly qualified by this cautionary statement. Readers should refer to the Corporation's filings under its SEDAR profile at www.sedar.com for further information about the factors affecting forward looking statements and management's assumptions and analysis thereof.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data contained elsewhere in this prospectus. Capitalized terms used in this prospectus have defined meanings. Please refer to "Glossary of Terms" for a list and the meaning of defined terms used herein.

The Corporation

Builders Capital Mortgage Corp. is a company under the ABCA. The Corporation does not currently have any corporate subsidiaries. The Corporation qualifies as a MIC. See "**The Corporation**".

Offering

The Class A Non-Voting Shares are being offered at a price of \$10.00 per Class A Non-Voting Share with no minimum offering amount and a maximum offering amount of \$15,000,000 (1,500,000 Class A Non-Voting Shares). **As no minimum amount of funds must be raised under this Offering, this means that the Corporation could complete this Offering after raising only a small proportion of the Offering amount set out above.** See "**Attributes of the Share Capital**", "**Distribution of Class A Non-Voting Shares**", "**Plan of Distribution**" and "**Fees and Expenses**".

Minimum Purchase

\$1,000 (100 Class A Non-Voting Shares).

Investment Objective

The investment objective of the Corporation is, with a focus on capital preservation, to acquire Mortgages and maintain a Portfolio consisting primarily of construction Mortgages that generates attractive returns relative to risk in order to permit the Corporation to pay distributions to its shareholders. See "**Investment Objective**", "**Attributes of the Share Capital**" and "**Risk Factors**".

Investment Strategies

The Corporation plans to achieve its investment objective, in part, by investing in the BCL Mortgage Portfolio consisting primarily of construction Mortgages that are secured by development stage residential (including multi-residential) real property. The Corporation intends to focus its investments primarily in urban markets and their surrounding areas, which the Corporation believes are typically more liquid and provide less volatile security for Mortgage loans. The Corporation intends to focus its investment in western Canada, however, the Corporation's Asset Allocation Model permits the Corporation to invest in Mortgages across Canada if the Manager determines it to be advisable.

The Corporation's primary focus on short-term construction Mortgages, though principally designed to reduce risk in the Portfolio and increase liquidity of the investments, is also expected to enhance returns in certain circumstances as a portion of the Lender Fees will be credited to the Corporation by the Manager as Mortgage loans mature and new Mortgage loans are placed.

The Corporation has been created to provide investors an opportunity to invest indirectly, by holding shares of the Corporation, in Mortgages selected by the Manager in accordance with the Corporation's Asset Allocation Model and its investment objectives and restrictions. The Corporation intends to build on the track record and experience of the Manager to offer investors an opportunity to benefit from its Mortgage investment strategy. The Corporation intends to grow its Portfolio by periodically raising capital through equity offerings and using the proceeds of such equity offerings to fund or purchase additional Mortgages. Subject to important limitations and in certain cases, shareholder approval, future equity offerings of Class A Non-Voting Shares may be made for net proceeds to the Corporation per Share that are less than NAV per Share. See "**The Corporation – Development and Rationale of the Corporation**".

Competitive Advantages of the Corporation

Experienced and Reputable Management

The directors, officers and principals of the Corporation and the Manager have experience, an established reputation and a network of long-term relationships in the construction and Mortgage lending industries in western Canada.

The directors, officers and principals of the Corporation and the Manager have expertise in three areas they consider key to generating attractive returns for the Corporation, namely: (a) knowledge of Mortgage underwriting and finance structuring; (b) knowledge of residential construction and the construction process; and (c) the capacity to provide comprehensive and structured Mortgage loan oversight, servicing and collection methodology.

The Manager has built a full-service asset management platform that has the capacity to successfully underwrite, finance, acquire and manage assets that fit the investment profile and mandate of the Corporation.

Structured to Enhance Returns and Investor Confidence

The structure of the Corporation is designed to enhance returns through:

(i) alignment of the interests of the Manager with those of the Shareholders through the participation by the Corporation with the Manager in 28.6% of the Lender Fees; and (ii) alignment of the interests of the Manager with those of the Shareholders through compensation arrangements which obligate the Manager to contribute a portion of the Lender Fees back to the Corporation in the case of a Mortgage Loan Impairment where the Corporation is not able to fully recover the original principal amount in the applicable Mortgage; (iii) Mortgage lending Asset Allocation Model; and (iv) governance practices.

Construction Capabilities

The Manager has experience with all aspects of residential construction, which provides the Manager with the ability to complete any unfinished development projects which the Corporation (or its subsidiaries, if any, created solely for development purposes) holds or may acquire through enforcement proceedings or otherwise in a timely and cost efficient manner.

Leverage

The Corporation will not generally utilize leverage to enhance returns. However, the Corporation may from time to time, including either prior to or following the closing of the Offering, enter into one or more additional credit facilities with arm's length financial institutions or other lenders to, among other things: (i) facilitate operating activities and fund ordinary course of business expenses; (ii) facilitate payment of redemptions and enhance liquidity of assets; and (iii) facilitate entering into Mortgage loans or funding subsequent advances in an expedient manner. As of the date of this Prospectus, the Corporation had \$3,233,122 balance outstanding under its existing credit facility.

The Corporation is also restricted in its use of leverage by the requirements to maintain its status as a MIC. See "**Investment Strategies – Leverage**".

Use of Proceeds

The Corporation will use the net proceeds of the Offering as follows:

| | Assuming Subscription of 50,000 Class A Non-Voting Shares ⁽⁷⁾ | Assuming Subscription of 750,000 Class A Non-Voting Shares ⁽⁷⁾ | Assuming Maximum Offering ⁽⁷⁾ |
|--|--|---|--|
| Gross Proceeds to the Corporation | \$500,000 | \$7,500,000 | \$15,000,000 |
| Agent's Commission ⁽¹⁾ | \$25,000 | \$375,000 | \$750,000 |
| Estimated Expenses of the Offering | \$330,000 ⁽²⁾ | \$300,000 ⁽³⁾ | \$300,000 ⁽³⁾ |
| Net Proceeds to the Corporation | \$145,000 | \$6,825,000 | \$13,950,000 |
| Purchase Price for the Portfolio Acquisition | -(⁴) | \$6,000,000 ⁽⁵⁾ | \$12,000,000 ⁽⁵⁾ |
| Remaining Proceeds of the Offering | \$145,000 ⁽⁴⁾ | \$825,000 ⁽⁶⁾ | \$1,950,000 ⁽⁶⁾ |

Notes:

- (1) The Corporation has agreed to pay the Agent a cash commission equal to 5% of the gross proceeds of the Offering. The Corporation has also agreed to pay the Agent a Corporate Finance Fee of \$30,000 plus GST (\$31,500). The Corporate Finance Fee will be refunded to the Corporation at the closing of the Offering if the Offering exceeds \$7,500,000.
- (2) The expenses of the Offering are to be paid from the proceeds of the Offering, estimated to be \$330,000 and include the costs of printing and preparing this prospectus, legal expenses, marketing expenses and certain other expenses incurred in connection with the Offering, including the Corporate Finance Fee. See Note (1) above.
- (3) The expenses of the Offering are to be paid from the proceeds of the Offering, estimated to be \$300,000 and include the costs of printing and preparing this prospectus, legal expenses, marketing expenses and certain other expenses incurred in connection with the Offering, assuming the Corporate Finance Fee is refunded to the Corporation. See Note (1) above.
- (4) If the Corporation raises less than \$500,000, the Corporation will not proceed with the Portfolio Acquisition. Instead, the proceeds will be used firstly, to pay down the principal balance of its existing credit facility, which as of the date of this Prospectus, has a balance of \$3,233,122 and then any excess proceeds will be used by the Corporation for the following:
 - (a) to pay general operating expenses, which currently average approximately \$33,000 per month;
 - (b) to pay dividends for the upcoming quarter end, which are expected to be declared in June and July, 2017 based on dividend rates similar to amounts previously declared; and
 - (c) to fund Committed Mortgages or other Mortgage loans invested in from time to time in a manner consistent with the investment objective and investment strategies of the Corporation.
- (5) Assumes closing of the Portfolio Acquisition and the composition of the BCL Mortgage Portfolio as of the date of closing of the Portfolio Acquisition. Represents the estimated Portfolio Acquisition purchase price as of such date. The Corporation intends to acquire Mortgages under the Portfolio Acquisition in accordance with the terms of the Portfolio Acquisition Agreement. The Portfolio Acquisition will be completed by the Corporation upon the terms of the Portfolio Acquisition Agreement. The purchase price for the Portfolio Acquisition will vary prior to the closing thereof due to changes in the value of the BCL Mortgage Portfolio (for example, additional Mortgages will have been funded or Mortgages repaid). The purchase price for the BCL Mortgage Portfolio will be equal to the aggregate outstanding principal amount of the applicable Mortgages to be acquired plus all interest incurred and unpaid as of the closing time of the Portfolio Acquisition. In the event that the Maximum Offering is not achieved, pursuant to the Portfolio Acquisition Agreement, the amount of the Portfolio Acquisition will be adjusted to equal a substantial portion of the net proceeds actually raised under this Offering. See "**Acquisition of the BCL Mortgage Portfolio**".

- (6) Assuming the closing of the Offering and the Portfolio Acquisition. Any net proceeds raised under this Offering that are not used for the Portfolio Acquisition will be used firstly, to pay down the principal balance of its existing credit facility, which as of the date of this Prospectus, has a balance of \$3,233,122 and then any excess proceeds will be used by the Corporation for the following:
- (a) to pay general operating expenses, which currently average approximately \$33,000 per month;
 - (b) to pay dividends for the upcoming quarter end, which are expected to be declared in June and July, 2017 based on dividend rates similar to amounts previously declared; and
 - (c) to fund Committed Mortgages or other Mortgage loans invested in from time to time in a manner consistent with the investment objective and investment strategies of the Corporation.
- (7) For each of the potential thresholds of proceeds raised from the Offering, there will be little or no impact on the Corporation's liquidity, operations, capital resources and solvency. Depending on the amount raised, the Corporation will adjust the amount of the BCL Mortgage Portfolio to be purchased from BCL accordingly. Although the proceeds from the Offering are not required by the Corporation to fund its working capital, the Corporation will retain between 10% to 15% of the net proceeds raised for general working capital purposes to ensure liquidity and solvency.

Subject to receipt of a valuation of the Mortgages comprising the BCL Mortgage Portfolio from an independent valuator and regulatory approvals, the Corporation will use a substantial portion of the net proceeds of the Offering for the Portfolio Acquisition. See "**Acquisition of the BCL Mortgage Portfolio**" and "**Use of Proceeds**". Any net proceeds of the Offering (after the payment of the Agent's fees and expenses) which are not used to complete the Portfolio Acquisition will be used firstly, to pay down the principal balance of its existing credit facility, which as of the date of this Prospectus, has a balance of \$3,233,122 and then any excess proceeds will be used by the Corporation for the following:

- (a) to pay general operating expenses, which currently average approximately \$33,000 per month;
- (b) to pay dividends for the upcoming quarter end, which are expected to be declared in June and July, 2017 based on dividend rates similar to amounts previously declared; and
- (c) to fund Committed Mortgages or other Mortgage loans invested in from time to time in a manner consistent with the investment objective and investment strategies of the Corporation.

As the Mortgage investments which form the BCL Mortgage Portfolio will primarily be construction draw Mortgages, a portion of the net proceeds will be retained to fund continuing Mortgage advances and to ensure that sufficient working capital is available in order to meet the Corporation's commitments and the requirements of its borrowers. Pending use for any of the foregoing purposes, the Corporation will invest the balance of the net proceeds of the Offering in Authorized Investments.

If the Portfolio Acquisition does not take place, any net proceeds raised under this Offering will be used firstly, to pay down the principal balance of its existing credit facility, which as of the date of this Prospectus, has a balance of \$3,233,122 and then any excess proceeds will be used by the Corporation for the following:

- (a) to pay general operating expenses, which currently average approximately \$33,000 per month;
- (b) to pay dividends for the upcoming quarter end, which are expected to be declared in June and July, 2017 based on dividend rates similar to amounts previously declared; and
- (c) to fund Committed Mortgages or other Mortgage loans invested in from time to time in a manner consistent with the investment objective and investment strategies of the Corporation.

Risk Factors

An investment in Class A Non-Voting Shares is subject to numerous risks, including, but not limited to: (a) no assurance is given that the investment objective of the Corporation will be achieved or that the Corporation will be able to make distribution payments to Class A Non-Voting Shareholders (which are non-cumulative) at targeted levels or at all; (b) fluctuations in the value of real estate and the effect of general economic conditions thereon, including an increase in interest rates; (c) Mortgages are concentrated and composed of construction and development Mortgages; (d) construction Mortgages involve a higher degree of risk than non-construction Mortgages; (e) Corporation has some Mortgages that do not have first-ranking charge on the underlying properties; (f) no assurance of guaranteed rate of return or any return to Class A Non-Voting Shareholders; (g) reliance on borrowers; (h) competition for investment opportunities in the financing of real property; (i) sensitivity to interest rates; (j) possible fluctuations in NAV per share and funds available for distributions; (k) availability of suitable investments; (l) possible failure to complete the Portfolio Acquisition; (m) dilutive effect on purchasers of Class A Non-Voting Shares if Corporation issues additional Class A Non-Voting Shares subsequent to the Offering; (n) risks related to Mortgage defaults; (o) renewals of Mortgages may not occur or if it does occur, not on the same terms and conditions; (p) foreclosure and related costs; (q) litigation risks; (r) Corporation may not be able to manage growth of the Corporation's business; (s) investment in Class A Non-Voting Shares is speculative in nature; (t) significant redemption in Class A Non-Voting Shares may affect trading liquidity of the Class A Non-Voting Shares and/or cause cash flow issues; (u) the trading premium or discount at which Class A Non-Voting Shares may trade relative to NAV per Share; (v) no assurance that Corporation will qualify at all times as a MIC; (w) reliance of the Corporation on the Manager; (x) Corporation may not be able to fund investments; (y) potential liabilities associated with purchase of Mortgages; (z) potential conflicts of interest between Corporation and any of its directors and/or officers; (aa) share class voting implications; (bb) restrictions on ownership and repurchase of Class A Non-Voting Shares; (cc) adverse changes in legislation; (dd) reliance on assumptions for Corporation's investment objectives and strategy; and (ee) potential environmental liability associated with foreclosed underlying properties. See "**Risk Factors**" for more detailed descriptions.

Selected Financial Information

The following selected financial data is derived from (and is qualified in its entirety by) the Corporation's audited consolidated financial statements appearing elsewhere in this prospectus, all of which were prepared in accordance with IFRS. The information should be read in conjunction with those financial statements attached as Schedule "A" hereto, and the notes thereto, and "**Management's Discussion and Analysis**", also appearing elsewhere in this prospectus.

| | Year Ended December 31, 2016 (audited) (\$) | Year Ended December 31, 2015 (audited) (\$) | Year Ended December 31, 2014 (audited) (\$) |
|---------------------|--|--|--|
| Current Assets | 23,678,390 | 24,256,975 | 27,191,077 |
| Total Assets | 23,678,390 | 24,256,975 | 27,191,077 |
| Current Liabilities | 549,783 | 1,853,893 | 4,173,844 |
| Total Liabilities | 549,783 | 1,853,893 | 4,173,844 |
| Share Capital | 22,046,836 | 21,855,197 | 22,776,222 |
| Retained Earnings | 1,081,771 | 547,885 | 241,011 |
| Revenue | 3,397,522 | 3,775,940 | 3,536,223 |
| Expenses | 678,278 | 793,060 | 689,633 |

Income Tax Considerations

The summary in this section is qualified in its entirety by reference to the description of the Canadian federal income tax considerations in this prospectus under the heading "Canadian Federal Income Tax Considerations".

Mortgage Investment Corporation. The Corporation qualifies as a MIC under the Tax Act throughout its current taxation year and intends to continue to qualify for all of its future taxation years. A MIC is generally able to operate as a flow-through entity so that a shareholder of a MIC is put in a similar position from an income tax perspective as if the investments made by the MIC had been made directly by the shareholder.

The Tax Act imposes certain requirements in order for a corporation to qualify as a MIC in a taxation year. These requirements generally will be satisfied by the Corporation if, throughout the taxation year: (i) the Corporation was a Canadian corporation for the purposes of the Tax Act; (ii) the only undertaking of the Corporation was the investing of its funds and it did not manage or develop real property; (iii) none of the Corporation's property consisted of specified types of foreign property; (iv) the Corporation had at all times at least 20 shareholders; (v) no shareholder (together with related persons) held directly or indirectly more than 25% of any class of the issued shares of the Corporation; (vi) any preferred shares had certain rights to participate in dividends payable by the Corporation; (vii) at least 50% of the cost amount to the Corporation of its property consisted of certain residential Mortgages, deposits and money; (viii) not more than 25% of the cost amount to the Corporation of its property was attributable to real property or leasehold interests therein; and (ix) the Corporation's ratio of liabilities to the Corporation's cost amount of its property did not exceed certain limits.

Investment in Class A Non-Voting Shares by Deferred Income Plans. Class A Non-Voting Shares are qualified investments for trusts governed by RRSPs, DPSPs, RRIFs, RDSPs, RESPs and TFSAs, provided that either (i) the Corporation qualifies as a MIC and does not hold any indebtedness of a person who is an annuitant, a beneficiary, an employer, or a subscriber under such plan or fund, or of any other person who does not deal at arm's length with that person, or (ii) the Class A Non-Voting Shares are listed on a designated stock exchange, which includes the TSX and the TSX-V.

Taxation of the Corporation. The Corporation is deemed to be a public corporation for tax purposes and as such is subject to tax at the full corporate rate on its taxable income. As long as the Corporation is a MIC, however, the Corporation is able to deduct in computing its income for a taxation year the amount that it distributes to shareholders. The Corporation is entitled to deduct in computing its income for a taxation year: (i) all taxable dividends, other than capital gains dividends, paid by the Corporation to its shareholders during the year or within 90 days after the end of the year; and (ii) one-half of all capital gains dividends paid by the Corporation to its shareholders during the period commencing 91 days after the commencement of the year and ending 90 days after the end of the year. The Corporation must elect to have the full amount of a dividend qualify as a capital gains dividend. The payment of capital gains dividends will allow the Corporation to flow capital gains it realizes, if any, through to its shareholders.

The Corporation intends to pay dividends to the extent necessary so that it will generally have no taxes payable under Part I of the Tax Act and to elect to have dividends be capital gains dividends to the maximum extent allowable. Any dividends deemed to be paid by the Corporation on the redemption of Class A Non-Voting Shares will be deductible and will qualify for treatment as capital gains dividends on the same basis as other dividends.

Taxation of Class A Non-Voting Shares. Capital gains dividends on the Class A Non-Voting Shares will be treated as a capital gain of the shareholder from a disposition of capital property. Ordinary dividends (i.e., dividends other than capital gains dividends) paid by the Corporation on the Class A Non-Voting Shares will be included in the shareholder's income as bond interest. A disposition of Class A Non-Voting Shares (other than to the Corporation) by a shareholder who holds Class A Non-Voting Shares as capital property will give rise to a capital gain (or loss) to the extent that the proceeds of disposition of the Class A Non-Voting Shares exceed (or are exceeded by) the shareholder's adjusted cost base of the Class A Non-Voting Shares disposed of and any reasonable disposition costs. One-half of capital gains ("**taxable capital gains**") realized in the year by a shareholder on the disposition of Class A Non-Voting Shares generally will be included in the shareholder's income for the year, and one-half of capital losses ("**allowable capital losses**") realized in the year on the disposition of Class A Non-Voting Shares generally is required to be deducted from the shareholder's taxable capital gains realized in such year.

On a redemption or acquisition of Class A Non-Voting Shares by the Corporation, the shareholder will be deemed to have received, and the Corporation will be deemed to have paid, a dividend in an amount equal to the amount by which the redemption price exceeds the paid-up capital of the Class A Non-Voting Shares. This deemed dividend will be treated in the same manner as other dividends received by the shareholder from the Corporation and will depend on whether the Corporation elects that the entire dividend be a capital gains dividend. The balance of the redemption price will constitute proceeds of disposition of the Class A Non-Voting Shares for purposes of the capital gains rules.

Redemptions

Annual Redemptions

Outstanding Class A Non-Voting Shares may be surrendered for redemption on each Annual Redemption Date for a redemption price per Class A Non-Voting Share equal to the Annual Redemption Price. Payment of the proceeds of redemption will be made on or before the Annual Redemption Payment Date. Any declared and unpaid distributions payable on or before an Annual Redemption Date in respect of Class A Non-Voting Shares tendered for redemption on such Annual Redemption Date will also be paid on the Annual Redemption Payment Date. See "**Redemption of Shares**".

Limitations on Redemptions

Redemptions are subject to certain limitations including that the Corporation shall not be required to accept for redemption in the same calendar year Class A Non-Voting Shares or Class B Non-Voting Shares representing more than 15% of the average number of such Shares outstanding for the 180-day period immediately preceding the Annual Redemption Date. See "**Redemption of Shares – Limitation and Suspension of Redemptions**".

Distributions

The registered holders of Class A Non-Voting Shares have the right to receive initial preferential annualized non-cumulative dividends at the rate of up to, but not exceeding, 8% calculated on the Offering price of \$10.00 per Class A Non-Voting Share as and when declared from time to time by the directors of the Corporation, acting in their sole discretion, out of the assets of the Corporation properly available for the payment of dividends and other distributions.

After payment of the initial preferential annualized non-cumulative dividends of 8% calculated on \$10 per share on the Class A Non-Voting Shares, the registered holders of Class B Non-Voting Shares have the right to receive initial annualized non-cumulative dividends at the rate of up to, but not exceeding 8% calculated on \$10 per Class B Non-Voting Shares, as and when declared from time to time by the directors of the Corporation, acting in their sole discretion and always in preference and priority

to any further distributions on the Class A Non-Voting Shares and distributions on the Voting Shares.

After payment of the initial dividends of 8% on the Class A Non-Voting Shares and the Class B Non-Voting Shares, registered holders of Voting Shares have the right to receive initial annualized non-cumulative dividends at the rate of up to, but not exceeding, 8% calculated on \$10 per Voting Share as and when declared from time to time by the directors of the Corporation, acting in their sole discretion and always in preference and priority to any further distributions on the Class A Non-Voting Shares and Class B Non-Voting Shares.

After payment of the initial amount of dividends of 8% on the Class A Non-Voting Shares, Class B Non-Voting Shares and Voting Shares, registered holders of Class B Non-Voting Shares have the right to receive additional annualized non-cumulative dividends at the rate of up to, but not exceeding, 8% calculated on \$10 per Class B Non-Voting Share as and when declared from time to time by the directors of the Corporation, acting in their sole discretion and always in preference and priority to any further distributions on the Class A Non-Voting Shares and Voting Shares.

After payment of the above noted priority dividends on the Class A Non-Voting Shares, Class B Non-Voting Shares and Voting Shares, the holders of Class A Non-Voting Shares will participate equally with holders of Class B Non-Voting Shares and Voting Shares in any subsequent dividend distributions.

The Corporation intends to make quarterly cash distributions by way of dividends to holders of Class A Non-Voting Shares of record on the last business day of each quarter. However, there is no assurance that the Corporation will be able to declare any dividends in any period or at all. Declared dividends, if any, may be paid by the end of the month following the quarter in which they are declared. Notwithstanding the above, the Corporation has the right to determine the applicable record date that is other than the last business day of each quarter as it deems advisable. For the purposes of the calculating dividend distributions, the Class A Non-Voting Shares issued under this prospectus for the quarter ended June 30, 2017, or any later quarter during which a closing of the Offering occurs, will be calculated as if such Class A Non-Voting Shares have been held for the entire quarter.

The Manager will use its best efforts to achieve the targeted yield set forth above, however, no assurance is given that the Corporation will achieve such yield. If the Corporation's annual return is less than the amount necessary to fund the distributions, the Corporation may not pay the full distribution amounts set forth in the articles of the Corporation or at all. See "**Distribution Policy**", "**Risk Factors**" and "**Attributes of the Share Capital**".

Voting Rights

The holders of Class A Non-Voting Shares will not be entitled to receive notice of or to attend any meeting of shareholders, other than in connection with any amendments to the Investment Restrictions or in limited circumstances under the ABCA and in accordance with applicable securities laws and the rules and policies of the TSX-V. See "**Attributes of the Share Capital**".

The percentage of the aggregate voting rights attached to the Corporation's securities that will be represented by the Class A Non-Voting Shares after the closing of the Offering is nil.

Termination of the Corporation

The Corporation does not have a fixed termination date but may wind up its affairs at any time with the approval of its shareholders of each class in certain circumstances and shall provide notice to shareholders of such wind up, each in accordance with applicable law. In addition, if the Manager believes that it is no longer economically practical to continue the Corporation or that it would be in the best interests of the

Corporation's shareholders to wind-up the affairs of the Corporation, the Manager may, with the approval of each class of its shareholders, initiate a winding-up of the Corporation. See "**Attributes of the Share Capital – Termination of the Corporation**".

Organization and Management of the Corporation

Manager, Portfolio Advisor and Promoter. Builders Capital Management Corp. acts as manager of and portfolio advisor to the Corporation. The Manager was incorporated under the laws of the Province of Alberta on January 27, 2011. The Manager has a value oriented investment philosophy, and specializes in originating and managing residential construction Mortgages on behalf of the Corporation, BCL and certain other entities. The Manager also provides, directly or indirectly through licensed service providers, as applicable, Mortgage management and day-to-day Mortgage administration services, including the sourcing, structuring and management of secured Mortgages on behalf of the Corporation. The Manager has taken the initiative in founding and organizing the Corporation and is a "promoter" of the Corporation within the meaning of applicable securities legislation. The Manager is responsible for directing the affairs and managing the business of the Corporation, including the execution of the Corporation's investment strategy.

Auditor: MNP LLP, Chartered Accountants, at its offices in Suite 1500, 640 – 5th Avenue S.W., Calgary, Alberta T2P 3G4, is the auditor of the Corporation.

Registrar and Transfer Agent: Computershare Trust Company of Canada at its offices in Calgary, Alberta is the registrar and transfer agent for the Class A Non-Voting Shares.

See "**Organization and Management Details of the Corporation**".

Agent

PI Financial Corp., as agent, conditionally offers the Class A Non-Voting Shares to be distributed pursuant to this prospectus on a "commercially reasonable efforts" basis if, as and when issued, sold and delivered by the Corporation in accordance with the terms and conditions contained in the Agency Agreement. The Corporation has agreed to pay the Agent a commission equal to 5% of the gross proceeds of the Offering. The Agent may form a sub-agency group including other qualified investment dealers, provided that the participation of other agents will be mutually agreed to by the Agent and the Corporation. The Agent shall pay a selling concession of 4.0% to members of such group, which commission will be paid by the Agent out of its fees. Furthermore, the Corporation has agreed to pay the Agent the Corporate Finance Fee of \$30,000 plus GST (\$31,500), which is refundable to the Corporation at the closing of the Offering if the Offering exceeds \$7,500,000.

See "**Plan of Distribution**".

Priority

The Class A Non-Voting Shares rank in priority to the Class B Non-Voting Shares and Voting Shares with respect to the payment of dividends and with respect to the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation. However, after the satisfaction of such priority payments on the Class A Non-Voting Shares and any on the Class B Non-Voting Shares and Voting Shares, the Class A Non-Voting Shares participate equally with the Class B Non-Voting Shares and Voting Shares in any subsequent dividends or distributions, as applicable. See "**Attributes of the Share Capital**" and "**Distribution Policy**". Upon completion of the Portfolio Acquisition and the Offering, the Corporation expects to maintain a ratio of not more than three Class A Non-Voting Shares for each Class B Non-Voting Share outstanding.

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Corporation. The fees and expenses payable by the Corporation will reduce the value of your investment in the Corporation. For further particulars, see "**Fees and Expenses**".

| <u>Type of Fee</u> | <u>Amount and Description</u> |
|--|---|
| Fees Payable to the Agent | Commission of \$0.50 per Class A Non-Voting Share (5% in respect of all other sales). In addition, the Corporation shall pay to the Agent the Corporate Finance Fee of \$30,000 plus GST (\$31,500) which is refundable to the Corporation at the closing of the Offering if the Offering exceeds \$7,500,000. |
| Expenses of Issue | The expenses of the Offering, estimated to be \$300,000, will, together with the Agent's commission in respect of the Offering, be paid from the proceeds of the Offering. See " Plan of Distribution ". |
| Management Fees | For acting as manager and portfolio advisor of the Corporation, the Manager will receive from the Corporation a management fee equal to 1% per annum of the book value of the share capital of the Corporation, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. In addition, the Manager will be entitled to charge, collect and retain Lender Fees from borrowers. Lender Fees are charged as compensation for services rendered by the Manager in the origination, undertaking and oversight of Mortgages. As a result of the increased effort required to oversee construction Mortgages involving multiple advances compared to Conventional Mortgages, Lender Fees will be higher for construction Mortgages. Generally, the Lender Fees will equal 3.5% of the approved loan amount. However there is no assurance that the Lender Fees will be equal to or be greater than 3.5%. In circumstances where Lender Fees are payable, the Corporation will receive an amount equal to 28.6% of the Lender Fee with the remaining portion, being 71.4%, retained by the Manager. See " Fees and Expenses – Management Fees and Operating Expenses ". |
| Operating Expenses of the Corporation | The Corporation will pay for all expenses it incurs in connection with its operation and management. The Corporation will also be responsible for all taxes, commissions, brokerage commissions and other costs of securities transactions, debt service and costs relating to any credit facilities and any extraordinary expenses which it may incur or which may be incurred on its behalf from time to time, as applicable. See " Fees and Expenses – Management Fees and Operating Expenses ". |
| Loan Loss | In the event of a Mortgage Loan Impairment and the Corporation is not able to fully recover the original principal amount invested in the applicable Mortgage, the Manager is obligated to contribute to the Corporation in connection with a Mortgage, the lesser of: (a) the portion of the loss of the principal amount invested by the Corporation; and (b) the portion of the Lender Fees the Manager received in respect of the then current term of such loan. |

THE CORPORATION

Overview of the Legal Structure of the Corporation

Builders Capital Mortgage Corp. was incorporated on March 28, 2013 under the ABCA. On December 10, 2013, the Corporation amended its Articles of Incorporation to create and authorize the issuance of an unlimited number of Class A Non-Voting Shares and Class B Non-Voting Shares and 1,000 Voting Shares. The head office of the Corporation is located at Suite 405, 1210 – 8th Street SW, Calgary, Alberta, T2R 1L3 and its registered office is at #310, 525 -11 Avenue S.W.

Status of the Corporation

The Corporation invests and reinvests its assets in construction and other Mortgages. For greater certainty, the Corporation is not considered to be an investment fund or mutual fund under applicable Canadian securities legislation. Consequently, the Corporation is not subject to certain policies and regulations that apply to publicly offered investment funds or mutual funds and accordingly is permitted to invest in Mortgages and to borrow funds.

The Corporation qualifies as a MIC under the Tax Act. By qualifying as a MIC, the Corporation is a non-bank provider of residential and construction real estate finance. The Corporation holds all registrations or licenses that may be necessary to be a non-bank provider of residential real estate finance that carries on business as a non-bank provider of residential and construction real estate finance in any jurisdiction. The Corporation is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. The Class A Non-Voting Shares are not "deposits" within the meaning of the *Canadian Deposit Insurance Fund Act* (Canada) and are not insured under the provisions of that act or any other legislation.

Restriction on the Business of the Corporation

The Corporation will not make any investment or conduct any activity that would result in the Corporation failing to qualify as a MIC.

The Manager

The Corporation was created to provide investors an opportunity to invest indirectly by holding Class A Non-Voting Shares in Mortgages selected by the Manager in accordance with the Corporation's Asset Allocation Model and its investment objectives and restrictions.

The Manager is the manager and portfolio advisor of the Corporation. The Manager is also responsible for directing the affairs and managing the business of the Corporation. The Manager has a value oriented investment philosophy, and specializes in originating and managing residential construction Mortgages on behalf of qualified investors. The Manager also provides, directly or indirectly through licensed service providers, as applicable, Mortgage management and day-to-day Mortgage administration services, including the sourcing, structuring and management of Mortgages on behalf of the Corporation. The directors, officers and principals of the Manager have experience sourcing, underwriting, structuring and syndicating Mortgages. The Manager will source Mortgages, evaluate projects, collect payments from borrowers, deal with enforcement proceedings and administer Mortgages. The Manager charges Lender Fees directly to borrowers as compensation for such services. For details regarding the services provided by the Manager, see "**Organization and Management Details of the Corporation**".

The Manager is also the manager and portfolio advisor of BCL. It provides services similar those described above to BCL and uses the same investment strategy, investment objectives and investment processes, including processes similar to the Asset Allocation Model, when it manages the BCL Mortgage Portfolio.

Development and Rationale of the Corporation

The principals behind the Corporation have a history of operations in the Mortgage lending business in Alberta. For the past fourteen years, Sandy Loutitt and his associates have managed a pool of funds which as of the date of this Prospectus, is in excess of \$56 million (the "**Pooled Funds**") which has been used to finance small-scale residential construction projects in western Canada. Currently this managed pool of funds consists of the Portfolio and the BCL Mortgage Portfolio.

In addition to the Manager's experience in sourcing and administering residential construction Mortgages, the Manager also has construction capabilities for both residential and small scale commercial construction projects. The Manager has experience with all aspects of residential construction, and through staffing, and its relationships with industry partners, has ready access to building trades and materials at preferred rates. This construction expertise provides the Manager with the opportunity to complete any unfinished development projects which the Corporation holds or may acquire through enforcement proceedings or otherwise in a timely and cost efficient manner. Generally, the Corporation will transfer any unfinished development projects to a newly created corporate subsidiary or limited partnership in which the Corporation will hold limited partnership units, for the purposes of managing liability. The Corporation and the Manager will ensure that all activities, if any, undertaken by the Manager or any subsidiary or limited partnership of the Corporation to complete a property acquired through foreclosure will not cause the Corporation to cease qualifying as a MIC.

In order to acquire and develop real estate, most participants in the Canadian residential real estate industry require some form of Mortgage financing. The Manager's view is that the Canadian construction Mortgage lending market for smaller residential builders is generally underserved, as most Canadian financial institutions tend to focus on loans with larger principal values and longer terms. The Manager believes that construction Mortgages also generally require more active and ongoing management oversight than those required in conventional lending, which does not typically fit well within larger institutional structures. In the Manager's experience, such market conditions create an opportunity for the Corporation to source and invest in a portfolio of construction Mortgages, secured by development stage residential real property (including multi-residential), which may generate attractive yields relative to their risk. These construction Mortgages are generally offered for terms of one year or less, which the Manager believes greatly reduces the Corporation's exposure to the systemic risk that presently exists in the Canadian Mortgage lending industry. Systemic risks include risks that the mortgage rates or property values change significantly. Shorter mortgage terms allow the Corporation to adapt to the changing market.

The Manager believes that it has a specialized skill set in the construction lending market, and therefore has established the Corporation for the purpose of bringing the business concept to the public. The Corporation focuses its investments primarily in urban markets and their surrounding areas, which the Corporation believes are typically more liquid and provide less volatile security for Mortgage loans. The Corporation also focuses its investment in western Canada, however, the Corporation's Asset Allocation Model permits the Corporation to invest in Mortgages across Canada if the Manager deems it to be advisable. The Corporation intends to further grow its portfolio by periodically raising capital through equity offerings and using the proceeds of such offerings to fund additional construction Mortgages generated through the Manager or other sources.

The Manager manages and administers the Mortgages, for and on behalf of the Corporation, from sourcing the borrowers through to repayment of the loan, which is intended to provide the Corporation and the Shareholders full knowledge and control of the composition and performance of the portfolio.

In accordance with the investment restrictions of the Corporation (as discussed in "**Lending and Investment Restrictions**"), the Corporation has, and will have, no exposure to the ABCP securitization market and will not invest directly or indirectly in securitized pools of Mortgages, including securitized pools of sub-prime Mortgages. It is the Corporation's view that the term "sub-prime", while not conclusively defined, typically refers to loans made to borrowers with bad or no credit history on completed properties with no commercial intent. The Corporation's primary security on any Mortgages will be real property. The due diligence process the Manager undertakes with respect to each investment will determine if the real property securing a loan is able to adequately support the Mortgage loan. Further, the Manager as part of its underwriting process assesses the ultimate remedy that includes taking ownership of the project or property. The Corporation will only advance Mortgage credit if the Manager is reasonably satisfied that this security will potentially mitigate risk.

Focusing on preservation of invested capital by way of directly secured lending positions, the Corporation takes advantage of opportunities to invest in loans in the Canadian construction Mortgage lending market in an effort to generate returns that are greater than those typically generated by other MICs and fixed income products.

DEVELOPMENT AND HISTORY OF THE BUSINESS

Since the Corporation filed a final prospectus on October 25, 2013, the Corporation has raised approximately \$24.4 million through the sale of Class A Non-Voting Shares and Class B Non-Voting Shares. With the funds raised, the Corporation originally acquired a portfolio of 30 Mortgages, and has since continued to operate an active lending business with ongoing Mortgage loan originations and repayments.

The Corporation has completed more than two and a half financial years since the initial public offering ("**IPO**") in December of 2013, during which time dividends have been paid as planned, and financial results have been consistent with original forecasts. Consistent with our preference for short Mortgage terms, the Portfolio has turned over approximately 3.3 times the weighted average invested capital during this time.

Since the IPO, the Corporation has regularly distributed its earnings to shareholders, and has paid dividends totaling \$8.5 million. The holders of Class A Non-Voting Shares of the Corporation have received their planned 8% return consistently despite challenging market conditions which have arisen in Alberta in the past year. See "**Distribution Policy**" and "**History of Dividends**".

During the period between the date the final prospectus was filed on October 25, 2013 to December 31, 2016, the proportion of the Portfolio consisting of loans against properties in Alberta has been reduced from 100% to 68% with 28% being added in British Columbia and a further 4% in Saskatchewan. It's expected that this geographic diversification will continue in the future.

The Portfolio

As of December 31, 2016, the Portfolio consists of 32 Mortgage loans of various types with approximately \$23 million in outstanding balance, all of which are in good standing and not in default. All Mortgages in the Portfolio have a term of one year or less and are payable on demand. During the term of the Mortgage, no payments of either principal or interest is received by the Corporation. Interest accrues until the end of the term, at which time, principal and accrued interest are paid by the borrower to the Corporation.

Since acquiring the original Portfolio in 2013 to December 31, 2016, the Manager has funded a total of approximately \$96 million in Mortgage investments, including charged interest and fees of approximately \$10.6 million, of which \$92.1 million has been repaid by borrowers during this period. The Manager regularly extends to potential borrowers, commitment letters to fund new Mortgage loans. Collectively, all such outstanding commitments are referred to as "**Committed Mortgages**". There can be no assurance that Committed Mortgages will become funded Mortgage loans until executed by the borrowers, however, the Manager anticipates that the majority of the Committed Mortgages outstanding from time to time will be accepted and become funded Mortgage loans ("**Funded Mortgages**"). As of December 31, 2016, there were Committed Mortgages representing approximately \$38.7 million in principal amount. Funded Mortgages are Mortgages in which all previously negotiated funds have been advanced to the borrower. Mortgages in which construction is progressing and the Manager issues progress draws based on the applicable development stage are referred to as "**Partially Funded Mortgages**".

Portfolio – Property Types

The following table illustrates, as of December 31, 2016, the Portfolio by property type relative to the allocation targeted by the Manager ("**Target Allocation**") and the maximum allocation levels specified in the Asset Allocation Model ("**AAM Allocation**"):

| | Mortgage Portfolio | Outstanding Balance (\$) ⁽¹⁾ | Total Committed Mortgage Principal | % | AAM Allocation⁽²⁾ |
|---|---------------------------|--|---|-------------|-------------------------------------|
| Residential | | | | | |
| Single family – Detached | 25 | 16,138,747 | 29,225,000 | 69% | 100% |
| Single family – Attached | 7 | 7,215,803 | 9,467,000 | 31% | 100% |
| Total: | 32 | 23,354,550 | 38,692,000 | 100% | N/A |
| Geographic Location of Property | | | | | |
| Calgary and Area | 15 | 10,599,580 | 19,397,000 | 45% | 100% |
| Edmonton and Area | 1 | 1,201,754 | 3,000,000 | 5% | 100% |
| Other Alberta | 10 | 4,197,234 | 7,775,000 | 18% | 100% |
| British Columbia | 5 | 6,436,704 | 7,570,000 | 28% | 50% |
| Saskatchewan | 1 | 919,278 | 950,000 | 4% | 25% |
| Total: | 32 | 23,354,550 | 38,692,000 | 100% | N/A |
| Interest Rate (excluding fees) | | | | | |
| Less than 11% | 5 | 6,309,484 | 10,650,000 | 27% | N/A |
| 11%-11.99% | 4 | 2,444,238 | 8,027,000 | 11% | N/A |
| 12%-12.99% | 13 | 4,897,398 | 6,370,000 | 21% | N/A |
| Greater than 12.99% | 10 | 9,703,429 | 13,645,000 | 41% | N/A |
| Total: | 32 | 23,354,550 | 38,692,000 | 100% | N/A |
| Original Funding Date ⁽³⁾ | | | | | |
| Calendar 2016 | 17 | 9,475,684 | 17,322,000 | 41% | N/A |
| Calendar 2015 | 7 | 6,339,696 | 8,845,000 | 27% | N/A |
| Calendar 2014 | 5 | 5,818,111 | 7,950,000 | 25% | N/A |
| Calendar 2013 or earlier | 3 | 1,721,059 | 4,575,000 | 7% | N/A |
| Total: | 32 | 23,354,550 | 38,692,000 | 100% | N/A |

Notes:

- (1) Of the \$23,354,550 of outstanding principal, \$11,263,181 are Partially Funded Mortgages
- (2) Indicates the maximum percentage of the portfolio allowable under Builders Capital's Asset Allocation Model.
- (3) Loans are originally written for terms of up to one year but are renewed in cases where a builder continues to roll new security onto the loan facility or if the project has not been sold but is still progressing or being actively marketed.

The Portfolio consists of a diversified pool of construction Mortgages, or interests therein, meeting the criteria established in the Asset Allocation Model. The Mortgage loans comprising the Portfolio typically include the following attributes:

1. interest only loans with a typical duration of 12 months;
2. first and subordinate Mortgage positions;

3. Mortgages invested primarily in urban markets across western Canada, primarily in Alberta;
4. Mortgages secured by the properties to which they relate and which typically include corporate and/or personal guarantees of the borrowers or the principals thereof; and
5. all loans are uninsured Conventional Mortgage loans.

Investment Objectives

The investment objective of the Corporation is, with a focus on capital preservation, to acquire and maintain a Portfolio consisting primarily of construction Mortgages that generates attractive returns relative to their risk in order to permit the Corporation to pay distributions to its shareholders. The Corporation has declared and intends to continue to declare quarterly cash distributions by way of dividends to holders of Class A Non-Voting Shares and Class B Non-Voting Shares of record on the last business day of each quarter. However, there is no assurance that the Corporation will be able to declare any dividends in any period or at all. See "**Attributes of the Share Capital**" and "**Risk Factors**".

Investment Strategies

The Corporation works to achieve its investment objective by investing in a Portfolio consisting primarily of construction Mortgages combined with other Mortgages which the Manager deems advisable that are secured by development stage residential (including multi-residential) real property. The Corporation intends to focus its investments primarily in urban markets and their surrounding areas, which the Corporation believes are typically more liquid and provide less volatile security for Mortgage loans. The Corporation intends to focus its investment in western Canada, however, the Corporation's Asset Allocation Model permits the Corporation to invest in Mortgages across Canada if the Manager determines it to be advisable.

The Manager is responsible for directing the affairs and managing the business of the Corporation. The Manager sources Mortgages, evaluates projects, collects payments from borrowers, deals with enforcement proceedings and administers the Mortgages. The Manager charges Lender Fees directly to borrowers as compensation for such services. For details regarding the services provided by the Manager, see "**Manager and Portfolio Advisor of the Corporation**". Through direct marketing to the construction industry, and through a network of Mortgage brokers, the Manager sources construction projects for which the Corporation can provide loans. The Corporation charges premium interest rates due to the inefficient nature of this marketplace. In addition, a portion of Lender Fees charged to borrowers will be paid to the Corporation which will enhance the income of the Corporation and the return on investment for investors. In circumstances where Lender Fees are payable, the Corporation is entitled to receive an amount equal to 28.6% of the Lender Fees with the remaining portion, being 71.4%, retained by the Manager. The Corporation's focus on short-term Mortgages is primarily designed to reduce risk in the Portfolio and increase liquidity of the investments, but also contributes to the Corporation's income by increasing the opportunities of the Corporation to generate Lender Fees. The Manager believes that these strategies combine to provide the Corporation with opportunities to:

- obtain favourable yields and maximize returns through efficient sourcing and management of Mortgages secured by real property and through participation in the underserved construction lending niche market which requires more active management and provides premium returns,
- gain access to a continuous supply of construction Mortgage investment opportunities; and
- mitigate risk in the lending process by focusing on short-term Mortgages and utilizing the construction and lending experience and underwriting practices of the Manager.

The long-term strategy of the Corporation is to grow the Portfolio by continuing to fund construction Mortgages. This continuing growth will enhance the economies of scale and returns achieved by the Corporation as a whole. Moreover, the Manager expects that a larger size Portfolio will provide the Corporation with greater diversification of Mortgages and increased Mortgage funding capacity and flexibility.

Investment Process

The Corporation utilizes an investment process that is characterized by a macro to micro approach to identify attractive Mortgage investment opportunities, beginning first with a macro-level economic analysis of various geographic housing

markets and properties, and second with the identification of individual Mortgage investment opportunities and the assessment of specific details of each project and borrower. This macro to micro approach to loan selection is expected to yield Mortgage investments that are determined to be high quality by the Manager. The constant assessment of macro-economic factors affecting local lending markets allows the Manager to react proactively to negative factors by reducing lending limits and/or reducing new Mortgage origination in lending markets in which the Manager has identified negative factors. In the Manager's opinion, "high quality" Mortgage investments are investments in Mortgage loans where: (a) the Corporation has a clear exit strategy, (b) the Mortgage is secured by real property that is reasonably liquid, (c) the borrower has a reasonable amount of equity invested in the specific asset securing the loan and (d) the borrower has the skills and abilities necessary to successfully complete the project.

At an early stage of the identification and evaluation process, the Manager confirms that a Mortgage opportunity satisfies the Corporation's lending criteria and Asset Allocation Model. Once determined by the Manager to be satisfactory based on an initial review, the Manager is required to perform comprehensive due diligence of the underlying assets. This due diligence process revolves around the Manager's system of underwriting loans, and evaluating projects and borrowers and includes a thorough assessment of the costs and valuation of the project. The process may include (but is not limited to), obtaining structural reports, environmental reports, appraisals and title insurance.

The due diligence procedures undertaken by the Manager generally include, but are not limited to, the following considerations:

| Duties Performed | Matters Considered |
|----------------------------|--|
| A. General Market Analysis | <ul style="list-style-type: none"> • Macroeconomic variables • Demographic characteristics • Socioeconomic outlook |
| B. Local Market Analysis | <ul style="list-style-type: none"> • Assessment of local market conditions • Level of infrastructure development • Assessment of potential liquidity of local market |
| C. Project Analysis | <ul style="list-style-type: none"> • Valuation of completed project • Costs to complete |
| D. Debt Analysis | <ul style="list-style-type: none"> • Interest rate sensitivity • Market appetite for increased leverage |
| E. Borrower Analysis | <ul style="list-style-type: none"> • Financial status of borrower • Borrower's skills and ability to successfully complete the project, and credentials of all borrowers and sponsors |
| F. Type of Due Diligence | <ul style="list-style-type: none"> • Financial due diligence • Legal due diligence - including title and off-title searches (property tax payments, work orders, fire code compliance, etc.) • Regular physical inspections of properties and progress by inspectors with construction experience • Analysis of taxes/utilities/expenses • Environmental and soil/structural reports completed by consultants • Independent valuation/appraisal report |

The due diligence procedures undertaken by the Manager are tailored to each lending opportunity according to the relevant aspects thereof. The Manager does not believe that all due diligence considerations are required or are performed for all loan investments. As the Corporation is an asset based lender, the bulk of the evaluation of a loan investment centers on the value proposition inherent in the project itself, and on the equity which the borrower has invested. Only minimal, if any, reliance is placed on an assessment of the credit worthiness of the borrower.

Funding Process

Mortgages that are determined to be satisfactory by the Manager upon completion of its due diligence and that meet the requirements of the Asset Allocation Model (on a stand-alone basis as well as in the context of the Aggregate Funded and Committed Assets), or which are otherwise considered desirable due to certain attractive features, are funded.

The Manager considers each Mortgage lending opportunity and makes the lending decision on behalf of the Corporation.

The Mortgages that the Manager funds are generally for a one-year term or less, are granted to experienced builders for the purpose of construction or renovation of wood-frame residential housing, have a flexible security structure which allows them to be re-advanced upon the substitution of acceptable additional security, generally do not require payments until after substantial completion or the sale of the constructed property, are generally kept, at the beginning of the loan, within an 80% loan-to-value ratio, and generally allow for an unlimited number of draws.

In practice, any or all of the Corporation's Mortgages may become “revolving” in nature, however there is no obligation on the part of either the Corporation or the borrower for any loan to be “revolving”. The revolving aspect, if any, is entirely dependent on the Corporation's satisfaction with, among other things, the performance of the borrower, the state of the real estate markets, the current value of available security and other factors, including the borrower's desire to continue to utilize the Corporation's financing.

In cases where the project being funded has not been completed and/or sold by the end of the initial term, and assuming that the Manager is comfortable with the marketing efforts made by the borrower and its security position, then the Corporation will generally renew the Mortgage to give additional time for completion and marketing. In these cases, no cash is generally received on the renewal, although the Corporation sometimes requires a payment or additional security from the borrower.

In other cases, the intention of the Corporation is to continue financing the ongoing construction of projects for a borrower on a revolving basis. In these situations, each time a project is completed and sold, cash is received to pay-down the loan balance, in some cases to zero. As the loan balance is reduced, new projects can be added to the Mortgage. Borrowers who are builders will generally have a number of projects under construction at varying stages of completion. At term-end, the Mortgages are typically renewed and the borrower draws down on the renewed Mortgage to continue to fund their other projects. In these cases, there is a revolving aspect to the Mortgage but no cash is generally received on the renewal.

Payments of principal, interest and fees are generally only required on the sale or refinancing of the property forming the security for the Corporation's Mortgages. However, the standard Mortgage terms stipulate that payments are expected after substantial completion of a project. Further, all of the Mortgages are demand loans, which can be called at the Corporation's discretion.

At inception, the Corporation targets a loan to value ratio not exceeding 80%. For various reasons including accruing interest, delays in completion of projects and changing market values, this target ratio is sometimes exceeded. The Corporation generally considers any loan that exceeds an estimated 85% loan to value to be impaired.

Calculating a loan to value ratio requires estimates of value, which are subject to uncertainty.

Liquidity risk for the Corporation comes primarily from the prospect of funding the full amount of Committed Mortgages for which sufficient funds may not be available to make draws as requested by the borrower. The Corporation has different methods to manage liquidity and to ensure that commitments can be met. These methods include the availability of the Corporation's \$3.5 million line of credit to address short term cash flow issues, detailed cash flow planning procedures and the Corporation's network of affiliates and mortgage industry contacts, through which Mortgages can be sold or syndicated as required for cash flow purposes. The Corporation may purchase Mortgages when excess cash is on hand, quality Mortgages are available to purchase, and opportunities to immediately fund additional Mortgages are not available. The acquisition of Mortgages helps to minimize excess cash balances and maximize interest revenue. Mortgages are sold when, notwithstanding the availability of the Corporation's line of credit, additional cash is required or is forecast to be required in order to fund Mortgage draws, commitments or new Mortgages.

Notwithstanding the fact that the Corporation may sell or purchase Mortgages to or from a variety of third parties, historically almost all of the sales and purchases of Mortgages, which have helped keep the Mortgage book full and

which have been a source of liquidity as required, have been to and from related parties, in particular BCL. The Corporation has often been reliant on BCL (a related party) as a vendor and purchaser of Mortgages and as a source for liquidity, including at certain times of low cash flow, for payment of its dividends.

This reliance means that if BCL was unwilling, or unable, to act as a purchaser or vendor of Mortgages then the Corporation, would have to leave a substantially larger margin for error in its cash management practices, which would reduce profitability. The Corporation expects to continue to be able to rely on BCL as a source of liquidity in the future. It is unlikely that another party could be found which could provide liquidity as quickly or as efficiently. See "**Risk Factors – The Corporation may be Unable to Fund Investments**".

Mortgages purchased from BCL are often subsequently sold back and vice versa. The purchase and sale of Mortgages from and to BCL sometimes results in balances due to or from BCL being outstanding for short periods of time. These balances are unsecured and are non-interest bearing. In some instances, the Corporation may purchase and sell the same Mortgages with BCL within a short period of time (potentially occurring within a day of each other) in order to meet its cash flow commitments. The nature of the Corporation's business results in extremely variable cash flows, with fluctuations from excess cash to shortages of cash occurring very quickly.

In addition to the foregoing methods of managing liquidity, the Corporation's Mortgage documents include language whereby a borrower cannot compel the Corporation to advance funds. One of the Corporation's primary goals is to minimize unused cash balances, while ensuring that borrower needs and other commitments can always be met.

Investment by the Corporation

The Corporation funds Mortgage loans generated for the Corporation through the Manager. The Manager reviews the loans for compliance with its underwriting guidelines and the Asset Allocation Model (based on the Aggregate Funded and Committed Assets) and, if deemed appropriate or otherwise considered desirable, approves the funding or purchase of the loan and investment of the portfolio assets in the subject Mortgage. The Corporation intends to acquire additional Mortgages by way of an asset acquisition from BCL. As BCL follows the same investment strategy as the Corporation, the BCL Mortgage Portfolio will have the same attributes as the Corporation's existing Mortgages. The Manager currently manages a portfolio of Mortgages, in one or both tranches, which includes both the Portfolio and the BCL Mortgage Portfolio owned by BCL. In order to generate administrative efficiencies and to eliminate any perceived or potential conflicts of interest, the Corporation and its management believe that it would be in the best interests of the Corporation to eventually consolidate both the Portfolio and the BCL Mortgage Portfolio overseen by the Manager into the Corporation.

Other than the Portfolio Acquisition, the Corporation does not intend to purchase Mortgages from third parties, but is not precluded from making any such purchases. Subsequent to the Portfolio Acquisition and as such Mortgages rollover, the Manager may source additional Mortgages through various methods, including, but not limited to, asset acquisitions, origination, syndication with other participants or in such other manner deemed advisable.

Asset Allocation Model

The Manager has instituted an Asset Allocation Model in order to seek to manage the risk profile of the Portfolio. Accordingly, the Manager actively and regularly evaluates the Aggregate Funded and Committed Assets for compliance with the Asset Allocation Model. The Manager also uses a model similar to the Asset Allocation Model to manage the risk profile of the BCL Mortgage Portfolio.

The Asset Allocation Model is a dynamic investment tool that assists the Manager in its development and maintenance of the Portfolio with a view to achieving the investment objective of the Corporation. Based on evolving market conditions and the investment history of the Portfolio, the Asset Allocation Model may be amended from time to time by the Manager in order to maintain the currency and relevance of the model on the overall investment approach of the Corporation.

The Asset Allocation Model, as summarized below, dictates the allocation of the Aggregate Funded and Committed Assets based upon geographical, economic sector, term, borrower and loan-to-appraised value criteria. The Asset Allocation Model criteria include, without limitation, the following:

1. not more than 15% of the Aggregate Funded and Committed Assets can be allocated to a Mortgage loan secured by any one property;
2. not more than 20% of the Aggregate Funded and Committed Assets can be allocated to a Mortgage loan with any one borrower or group of related borrowers;
3. the average term to maturity on Mortgage loans, comprising the Aggregate Funded and Committed Assets, shall not exceed 14 months. The target term to maturity on any one Mortgage investment, shall be 12 months;
4. not more than 80% of the Aggregate Funded and Committed Assets shall be secured by second Mortgage positions;
5. not more than the following percentages set out below of the Aggregate Funded and Committed Assets can be invested in the corresponding regions:

| | |
|--|------|
| Alberta | 100% |
| Ontario | 50% |
| British Columbia | 50% |
| Quebec | 35% |
| Atlantic Provinces | 25% |
| Manitoba and Saskatchewan | 25% |
| Yukon, Northwest Territories and Nunavut | 10% |

6. not more than the following percentages set out below of the Aggregate Funded and Committed Assets can be invested in Mortgages secured by the product type set out below:

| | |
|---|------|
| Residential and Multi-Residential Buildings | 100% |
| Retail Buildings | 10% |
| Industrial Buildings | 10% |
| Office Buildings | 10% |
| Self-Storage Buildings | 5% |
| Hotels | 5% |

7. on the date of funding, the maximum loan-to-value ratio of any one Mortgage loan comprising the Aggregate Funded and Committed Assets shall not exceed 80%; and
8. the Corporation will not borrow money in excess of 25% of the Corporation's NAV at the time of borrowing.

Exceptions to the Corporation's Asset Allocation Model may be made by the Manager, provided that (i) each individual exception, excluding the effect of any subsequent exceptions, must be remedied within 120 days from the date of funding of the subject Mortgage; and (ii) in the aggregate at any given time, permitted exceptions to the Asset Allocation Model shall not represent more than 15% of the Corporation's NAV. Based on evolving market conditions and the investment history of the Portfolio, the Asset Allocation Model may be amended from time to time by the Manager in order to maintain the currency and relevance of the model on the overall investment approach of the Corporation.

Unless expressly approved by the Board, the Corporation's assets will not be invested in (i) loans made against the security of property owned or against which the senior Mortgage interest is held by any affiliate of the Corporation or the Manager, or (ii) any other non-arm's length loans.

Amendments to Investment Policies

The Corporation's investment policies as set out above may be changed, or waived in respect of specific Mortgage applications, with the approval of the shareholders.

Leverage

The Corporation will not generally utilize leverage to enhance returns. However, the Corporation does have and will continue to maintain one or more credit facilities with arms-length financial institutions or other lenders to, among other things: (i) facilitate operating activities and fund ordinary course of business expenses; (ii) facilitate payment of redemptions and enhance liquidity of assets; and (iii) facilitate entering into Mortgage loans or funding subsequent advances in an expedient manner. In connection with any funding facility, the Corporation may grant security over any individual asset or over any pool of assets. As of the date of this Prospectus, the Corporation had \$3,233,122 balance outstanding under its existing credit facility. Also see "**Capitalization**".

The two key debt covenants of the Corporation's credit facilities are:

Total Cash Flow Coverage Ratio of no more than 12 months: This debt covenant provides that the balance outstanding on the credit facility at month end plus accrued interest is not to exceed the total amount of the outstanding principal balance of Mortgages with maximum terms of 12 months or less.

Interest on the line of credit is paid monthly, so no significant interest accrual is outstanding. None of the Corporation's Mortgages have terms of greater than 12 months, and interest receivable on the Corporation's Mortgage loans is compounded and added to the outstanding principal balance monthly. Therefore, the Mortgages receivable balance in the financial statements is equal to the outstanding principal balance of the Mortgages as defined in the covenant.

At December 31, 2015, the credit facility balance, including accrued interest, was \$909,467 and the outstanding principal balance of Mortgages was \$24,187,167. At December 31, 2016, the credit facility balance was \$nil and the outstanding principal balance of Mortgages was \$23,354,550. In each case the threshold was exceeded by approximately 25 times.

Tangible Net Worth of not less than 10,000,000: Tangible net worth is defined as the aggregate of share capital and retained earnings, less intangible assets. At December 31, 2015 it was \$22,403,082 and at December 31, 2016 it was \$23,128,607. In each case, it exceeded \$10,000,000 by more than 2 times.

The Corporation is also restricted in its use of leverage by the requirement to maintain its status as a MIC. See "**Canadian Federal Income Tax Considerations – Status of the Corporation – MIC Requirements**".

Competitive Advantages

The Manager believes that the following competitive advantages will allow the Corporation to continue to achieve its investment objectives.

Experienced and Reputable Management

The directors, officers and principals of the Corporation and the Manager have experience, a proven track record, an established reputation and a network of long-term relationships in the construction and Mortgage lending industries in western Canada.

The Corporation benefits from the construction, asset management and debt recovery experience of the Manager. Since the inception of the Manager and its predecessor, its team of professionals has founded and built a full-service Mortgage management platform that has the capacity to successfully underwrite, finance, acquire and manage assets that fit the investment profile and mandate of the Corporation. As of the date of this Prospectus the Manager had over \$56 million in assets under management. The directors, officers and principals of the Corporation and the Manager have expertise in three areas they consider key to generating attractive returns for the Corporation, namely (a) knowledge of Mortgage underwriting and finance structuring; (b) knowledge of residential construction and the construction process; and (c) the capacity to provide comprehensive and structured Mortgage loan oversight, servicing and collection methodology.

Structured to Enhance Returns and Investor Confidence

The structure of the Corporation is designed to enhance returns and instill investor confidence in the Corporation. The principal components of this structure are:

Aligned Interests; Simple Fee Arrangements. The Manager's interests are aligned with those of the Corporation and the Shareholders. The Corporation receives 28.6% of the Lender Fees from borrowers. In the event of a Mortgage Loan Impairment where the Corporation is not able to fully recover the original principal amount invested in the applicable Mortgage, the Manager is obligated to contribute to the Corporation in connection with a Mortgage the lesser of: (a) the portion of the loss of the principal amount invested by the Corporation; and (b) the portion of the Lender Fees the Manager received in respect of the then current term of such loan.

Subject to compliance with the MIC requirements under the Tax Act, the principals of the Manager and the members of the Board as well as certain affiliates and associates have invested in the Corporation's subordinated Class B Non-Voting Shares.

The expenses of the Manager will be satisfied by the Manager from the Manager Fee and the Lender Fees. See "**Fees and Expenses – Management Fees and Operating Expenses**".

Asset Allocation Model. The Corporation has adopted an Asset Allocation Model that is focused on capital preservation and on the achievement of the Corporation's investment objective and prescribed or targeted returns. The Corporation's Asset Allocation Model sets specific thresholds that are regularly monitored and that must be complied with at the time of issuance of every Mortgage investment commitment (subject to duly approved exceptions). See "**Investment Objectives – Asset Allocation Model**".

Construction Experience and Capabilities. The Manager has experience with all aspects of residential construction and through staffing, and its relationships with industry partners, has ready access to building trades and materials at preferred rates. This construction expertise provides the Manager with the opportunity to complete any unfinished development projects which the Corporation holds or may acquire through enforcement proceedings or otherwise in a timely and cost efficient manner.

Overview of the Western Canadian Construction Mortgage Lending Industry

The investment real estate market in Canada is comprised of residential (including multi-residential), office, retail and industrial real property, as well as unimproved land. In the Manager's experience, real estate investors in small residential construction projects are typically smaller entrepreneurial investors, such as privately managed funds, real estate builders and developers with net assets of less than \$20 million, and individuals.

Underserviced Demand, Niche Market

In order to acquire and develop real estate, most market participants in the Canadian residential real estate industry require some form of Mortgage financing. The Manager's view is that the Canadian construction Mortgage lending market for smaller residential builders is generally underserviced, as most Canadian financial institutions tend to focus on loans with larger principal values and longer terms. The principal amount of such loans must be large enough to justify the additional costs of quantity surveyors, engineers and outside experts required to assist the bank's portfolio managers. The Manager believes that construction Mortgages also generally require more active and ongoing management oversight than that required in conventional lending, which does not typically fit well within larger institutional structures.

With a limited supply of financing available, borrowers are often willing to pay premium interest rates to obtain construction Mortgage financing. Once the construction of the underlying property is complete, these borrowers are generally able to sell the property, or to refinance it with longer-term, lower interest financing arranged through Canadian financial institutions. In the Manager's experience, these market conditions create a compelling opportunity for the Corporation to source and invest in a diversified pool of construction Mortgage loans, secured by real property, with attractive yields relative to their risk. The Manager is a specialized firm focused exclusively on funding short-term residential construction projects.

The primary market for loans offered by the Corporation is currently residential builders located in Alberta. The BCL Mortgage Portfolio to be acquired pursuant to the Portfolio Acquisition was comprised at December 31, 2016 and will approximately be comprised (at the closing of the Offering) 70% (by dollar value) of loans to builders in the greater Calgary area and 30% in the Edmonton area. The Corporation intends to initially grow within these local markets and subsequently, as market conditions warrant, through planned expansion throughout western Canada. The Corporation primarily funds new construction of residential units and accordingly targets market areas that include regions with

growing populations. Stable or increasing prices in housing markets serve to protect the value of the security for the Corporation's loans.

Western Canadian Real Estate Market

In the short term, the Manager intends to invest primarily within the Alberta market, however in the longer term, the Manager believes that prospects for the real estate market in the rest of western Canada are good.

Residential

The Corporation intends to invest in residential real estate, consisting primarily of single family homes, multi-family units and small apartment complexes. Demand in residential real estate is driven by various community characteristics including security, access to public transportation, education and well-maintained infrastructure. The Manager has in-house construction expertise providing management with a set of proprietary tools allowing better risk management, thereby enhancing returns. The Manager's construction expertise improves the Corporation's ability to better realize on defaulted loans.

Undeveloped Land

Mortgages on undeveloped land often relate to land servicing. Funds are typically used to finance the acquisition of the land and the installation and construction thereon of roads, drainage and sewage systems, utilities, recreational facilities and similar improvements.

Other Sectors

The Corporation's Asset Allocation Model also permits modest investment in Mortgages secured by retail buildings, industrial, office and self-storage buildings as well as hotels. The demand for retail real estate is driven by location, visibility, population density and traffic.

Returns from these other types of properties can be more variable than residential and industrial properties as the market is more sensitive to economic performance.

Types of Mortgage Investments

There exists a broad range of types of Mortgage loans available to real estate purchasers and owners. At the highest level, Mortgage loans can be classified into two categories: conventional Mortgages and non-conventional Mortgages. Conventional Mortgages are Mortgage loans for which the principal amount of the loan, at the time of commitment, together with all other equal and prior ranking Mortgages does not exceed 80% of the value of the underlying real property securing the loan ("**Conventional Mortgages**"). Non-conventional Mortgages are Mortgage loans that do not satisfy such criteria ("**Non-Conventional Mortgages**").

Mortgages can be distinguished by their priority ranking with respect to repayment on a foreclosure. The holder of a first ranking Mortgage (a senior Mortgage) is repaid first, the holder of a second ranking Mortgage (or, together with any lower ranking Mortgage, a subordinate Mortgage) is repaid second, and so on. Further, Mortgages can also be distinguished by term requirements, type of asset secured and whether or not syndicated.

In order to achieve the Corporation's investment objective, the Manager will invest primarily in first and second charge Conventional Mortgages which will be provided to borrowers to assist with the funding of the construction of a new project or the construction or redevelopment of an existing project.

Lending and Investment Restrictions

As a general rule, the assets of the Corporation will be invested in accordance with its investment objective and, subject to certain duly approved exceptions described above, the Asset Allocation Model. However, as the Corporation is a MIC, the Corporation is subject to certain other investment restrictions under applicable law or otherwise that, among other things, limit the investments that may be made by the Corporation. The articles of the Corporation provide the following investment restrictions. These investment restrictions may not be changed without the approval of the Shareholders in accordance with applicable law:

1. the Corporation will not make any investment or conduct any activity that would result in the Corporation failing to qualify as a "mortgage investment corporation" within the meaning of the Tax Act;
2. the Corporation will not invest in ABCP or in securitized pools of Mortgage loans, including securitized pools of sub-prime Mortgage loans (being loans to borrowers with bad or no credit history);
3. the Corporation 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 3 years or less (collectively, "**Authorized Investments**"). For greater certainty, the Corporation shall not be precluded from owning securities of its subsidiaries or affiliates;
4. the Corporation will not engage in securities lending; and
5. the Corporation will not engage in derivative transactions, other than derivative transactions to hedge interest rate and not for speculative purposes.

USE OF PROCEEDS

The Corporation will use the net proceeds of the Offering as follows:

| | Assuming Subscription of 50,000 Class A Non- Voting Shares ⁽⁷⁾ | Assuming Subscription of 750,000 Class A Non- Voting Shares ⁽⁷⁾ | Assuming Maximum Offering ⁽⁷⁾ |
|---|---|--|--|
| Gross Proceeds to the Corporation | \$500,000 | \$7,500,000 | \$15,000,000 |
| Agent's Commission ⁽¹⁾ | \$25,000 | \$375,000 | \$750,000 |
| Estimated Expenses of the Offering | \$330,000 ⁽²⁾ | \$300,000 ⁽³⁾ | \$300,000 ⁽³⁾ |
| Net Proceeds to the Corporation | \$145,000 | \$6,825,000 | \$13,950,000 |
| Purchase Price for the Portfolio Acquisition | - ⁽⁴⁾ | \$6,000,000 ⁽⁵⁾ | \$12,000,000 ⁽⁵⁾ |
| Remaining Proceeds of the Offering | \$145,000 ⁽⁴⁾ | \$825,000 ⁽⁶⁾ | \$1,950,000 ⁽⁶⁾ |

Notes:

- (1) The Corporation has agreed to pay the Agent a cash commission equal to 5% of the gross proceeds of the Offering. The Corporation has also agreed to pay the Agent a Corporate Finance Fee of \$30,000 plus GST (\$31,500). The Corporate Finance Fee will be refunded to the Corporation at the closing of the Offering if the Offering exceeds \$7,500,000.
- (2) The expenses of the Offering are to be paid from the proceeds of the Offering, estimated to be \$330,000 and include the costs of printing and preparing this prospectus, legal expenses, marketing expenses and certain other expenses incurred in connection with the Offering, including the Corporate Finance Fee. See Note (1) above.
- (3) The expenses of the Offering are to be paid from the proceeds of the Offering, estimated to be \$300,000 and include the costs of printing and preparing this prospectus, legal expenses, marketing expenses and certain other expenses incurred in connection with the Offering, assuming the Corporate Finance Fee is refunded to the Corporation. See Note (1) above.
- (4) If the Corporation raises less than \$500,000, the Corporation will not proceed with the Portfolio Acquisition. Instead, the proceeds will be used firstly, to pay down the principal balance of its existing credit facility, which as of the date of this Prospectus, has a balance of \$3,233,122 and then any excess proceeds will be used by the Corporation for the following:
 - (a) to pay general operating expenses, which currently average approximately \$33,000 per month;
 - (b) to pay dividends for the upcoming quarter end, which are expected to be declared in June and July, 2017 based on dividend rates similar to amounts previously declared; and

- (c) to fund Committed Mortgages or other Mortgage loans invested in from time to time in a manner consistent with the investment objective and investment strategies of the Corporation.
- (5) Assumes closing of the Portfolio Acquisition and the composition of the BCL Mortgage Portfolio as of the date of closing of the Portfolio Acquisition. Represents the estimated Portfolio Acquisition purchase price as of such date. The Corporation intends to acquire Mortgages under the Portfolio Acquisition in accordance with the terms of the Portfolio Acquisition Agreement. The Portfolio Acquisition will be completed by the Corporation upon the terms of the Portfolio Acquisition Agreement. The purchase price for the Portfolio Acquisition will vary prior to the closing thereof due to changes in the value of the BCL Mortgage Portfolio (for example, additional Mortgages will have been funded or Mortgages repaid). The purchase price for the BCL Mortgage Portfolio will be equal to the aggregate outstanding principal amount of the applicable Mortgages to be acquired plus all interest incurred and unpaid as of the closing time of the Portfolio Acquisition. In the event that the Maximum Offering is not achieved, pursuant to the Portfolio Acquisition Agreement, the amount of the Portfolio Acquisition will be adjusted to equal a substantial portion of the net proceeds actually raised under this Offering. See "**Acquisition of the BCL Mortgage Portfolio**".
- (6) Assuming the closing of the Offering and the Portfolio Acquisition. Any net proceeds raised under this Offering that are not used for the Portfolio Acquisition will be used firstly, to pay down the principal balance of its existing credit facility, which as of the date of this Prospectus, has a balance of \$3,233,122 and then any excess proceeds will be used by the Corporation for the following:
 - (a) to pay general operating expenses, which currently average approximately \$33,000 per month;
 - (b) to pay dividends for the upcoming quarter end, which are expected to be declared in June and July, 2017 based on dividend rates similar to amounts previously declared; and
 - (c) to fund Committed Mortgages or other Mortgage loans invested in from time to time in a manner consistent with the investment objective and investment strategies of the Corporation.
- (7) For each of the potential thresholds of proceeds raised from the Offering, there will be little or no impact on the Corporation's liquidity, operations, capital resources and solvency. Depending on the amount raised, the Corporation will adjust the amount of the BCL Mortgage Portfolio to be purchased from BCL accordingly. Although the proceeds from the Offering are not required by the Corporation to fund its working capital, the Corporation will retain between 10% to 15% of the net proceeds raised for general working capital purposes to ensure liquidity and solvency.

Subject to receipt of a valuation of the Mortgages comprising the BCL Mortgage Portfolio from an independent valuator and regulatory approvals, the Corporation will use a substantial portion of the net proceeds of the Offering for the Portfolio Acquisition. In the event the Maximum Offering is not achieved, the Corporation still intends to complete the Portfolio Acquisition, adjusting the amount of the BCL Mortgage Portfolio to be purchased accordingly. See "**Acquisition of the BCL Mortgage Portfolio**". Any net proceeds of the Offering (after the payment of the Agent's fees and expenses) which are not used to complete the Portfolio Acquisition, will be used firstly, to pay down the principal balance of its existing credit facility, which as of the date of this Prospectus, has a balance of \$3,233,122 and then any excess proceeds will be used by the Corporation for the following:

- (a) to pay general operating expenses, which currently average approximately \$33,000 per month;
- (b) to pay dividends for the upcoming quarter end, which are expected to be declared in June and July, 2017 based on dividend rates similar to amounts previously declared; and
- (c) to fund Committed Mortgages or other Mortgage loans invested in from time to time in a manner consistent with the investment objective and investment strategies of the Corporation.

As the Mortgage investments which form the BCL Mortgage Portfolio will primarily be construction draw Mortgages, a portion of the net proceeds will be retained to fund continuing Mortgage advances and to ensure that sufficient working capital is available in order to meet the Corporation's commitments and the requirements of its borrowers. Pending use for any of the foregoing purposes, the Corporation will invest the balance of the net proceeds of the Offering not used as consideration for the Portfolio Acquisition in Authorized Investments.

If the Portfolio Acquisition does not take place either because less than \$500,000 of proceeds are raised or if any conditions in the Portfolio Acquisition Agreement is not satisfied, any net proceeds raised under this Offering will be used firstly, to pay down the principal balance of its existing credit facility, which as of the date of this Prospectus, has a balance of \$3,233,122 and then any excess proceeds will be used by the Corporation for the following:

- (a) to pay general operating expenses, which currently average approximately \$33,000 per month;

- (b) to pay dividends for the upcoming quarter end, which are expected to be declared in June and July, 2017 based on dividend rates similar to amounts previously declared; and
- (c) to fund Committed Mortgages or other Mortgage loans invested in from time to time in a manner consistent with the investment objective and investment strategies of the Corporation.

FEES AND EXPENSES

Initial Fees and Expenses

The expenses of the Offering, estimated to be \$300,000 (including the costs of printing and preparing this prospectus, legal expenses, marketing expenses and certain other expenses incurred in connection with the Offering) will, together with the Agent's commission, fees and expenses in respect of the Offering, be paid from the proceeds of the Offering. The Corporation agreed to pay a Corporate Finance Fee of \$30,000 plus GST (\$31,500) to the Agent but such fee is refundable to the Corporation if the Offering exceeds \$7,500,000.

The Corporation has agreed to pay the Agent a cash commission equal to 5% of the gross proceeds of the Offering. See "**Plan of Distribution**".

Management Fees and Operating Expenses

For acting as manager and portfolio advisor of the Corporation, the Manager receives from the Corporation a management fee (the "**Manager Fee**") equal to 1% per annum of the book value of the share capital of the Corporation, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. In addition, the Manager charges, collects and retains Lender Fees from borrowers. Lender Fees are charged as compensation for services rendered by the Manager in the origination, undertaking and oversight of Mortgages. As a result of the increased effort required to oversee construction Mortgages involving multiple advances compared to Conventional Mortgages, Lender Fees are higher for construction Mortgages. Generally, the Lender Fees charged to the borrower will equal 3.5% of the approved loan amount. However, there is no assurance that the Lender Fees will be equal to or be greater than 3.5%. In circumstances where Lender Fees are payable, the Corporation will receive an amount equal to 28.6% of the Lender Fee with the remaining portion, being 71.4%, retained by the Manager. The Corporation collects these fees from the borrower, both on its own behalf and on behalf of the Manager, by adding them to the principal amount of the Mortgage, generally on the first advance to the borrower. The Corporation then pays the Manager's share of the fees to the Manager, regardless of whether or not any payments have been received on the Mortgage. Such payments to the Manager are generally paid within 30 days of having been charged to the borrower. Renewal fees are also charged to the borrower and paid to the Manager during the term of the Mortgage.

In the event of a Mortgage Loan Impairment and the Corporation is not able to fully recover the original principal amount invested in the applicable Mortgage, the Manager is obligated to contribute to the Corporation in connection with the Mortgage, the lesser of: (a) the portion of the loss of principal amount invested by the Corporation; and (b) the portion of the Lender Fees the Manager received in respect of the then current term of such loan.

The Corporation, directly or indirectly, will pay for or cause to be paid all expenses the Manager incurs in connection with the Corporation's operations and management. In addition to the fees and expenses referenced elsewhere in this prospectus, it is expected that these expenses will include, without limitation: (a) financial reporting costs, and mailing and printing expenses for periodic reports to securityholders (including Class A Non-Voting Shareholders) and other securityholder communications including marketing and advertising expenses; (b) fees payable to its transfer agent; (c) costs and fees payable to any agent, legal counsel, actuary, valuator, technical consultant, accountant or auditor or other third party service provider; (d) ongoing regulatory filing fees, license fees and other fees (including in respect of the Corporation, stock exchange fees, corporate filing fees and listing fees); (e) any expenses incurred in connection with any foreclosure proceedings and any other legal proceedings in which the Manager participates on behalf of the Corporation for the purpose of providing the property of the Corporation, including without limitation, costs associated with the enforcement of Mortgages; (f) all expenses related to foreclosure administration and disposal and costs incurred by the Corporation in repairing or completing the property as deemed necessary by the Manager, provided that the Corporation shall be entitled to all net sales proceeds resulting from the disposal of any foreclosed properties and the Manager will not receive any profit from such foreclosure activities; (g) any fees, expenses or indemnity payable to, and expenses incurred by, the Board; (h) any additional fees payable to the Manager for performance of extraordinary services on behalf of the Corporation; (i) allowance for bad debts expense; (j) consulting fees including website maintenance

costs and expenses associated with the preparation of tax filings; and (k) other administrative expenses of the Corporation (including the calculation of NAV). The aggregate annual amount of the general operating and administrative fees and expenses payable by the Corporation (excluding the Manager Fee, interest and the annual allowance for bad debts) are estimated to be \$100,000 per annum (assuming a NAV of the Corporation of approximately \$30 to \$40 million). The Corporation will also be responsible for all taxes, commissions, brokerage commissions and other costs of securities transactions, debt service and costs or amounts relating to any credit facilities and any extraordinary expenses which it may incur or which may be incurred on its behalf from time to time, as applicable.

The expenses of the Manager will be satisfied by the Manager. Pursuant to the terms of the Management Services Agreement, the Manager will bear all costs and expenses incurred by the Manager in connection with: (a) the salaries, wages and other employee expenses; (b) expenses and fees payable to any investment advisor(s) for services rendered to the Corporation; (c) rent payable for space used by the Manager and utilities, office furniture and equipment for such space; (d) other expenses customarily considered to be overhead expenses; and (e) all costs and fees associated with obtaining, maintaining and complying with licensing requirements of the *Real Estate Act* (Alberta) and similar legislation in other jurisdictions of Canada where the Corporation carries on business.

Certain other fees associated with Mortgage loans are generally paid by the borrowers thereunder. For instance, Mortgage brokers are generally compensated for services by brokerage fees paid by the Mortgage loan borrower. Further, the costs of initially establishing a Mortgage loan (e.g., legal expenses, administrative fees, etc.) are generally paid by the Mortgage loan borrower.

ACQUISITION OF A PORTION OF THE BCL MORTGAGE PORTFOLIO

The BCL Mortgage Portfolio consists of a portfolio of construction Mortgages generally having terms of one year or less and all secured by real property with buildings at different stages of completion. All Mortgages in the BCL Mortgage Portfolio have a term of one year or less and are payable on demand. Unless and until (i) the term of the Mortgage expires; (ii) the construction process is completed; or (iii) BCL demands repayment in full for any reason, no payments of either principal or interest is received by the BCL. Interest accrues until the end of the term or upon repayment, at which time, principal and accrued interest are paid by the borrower to BCL.

The BCL Mortgage Portfolio, currently owned by BCL, is under the direct management and control of the Manager. BCL is a Canadian controlled private corporation, of which 100% of the voting shares are owned by Sandy Loutitt. Sandy Loutitt is also the Director, President, Chief Executive Officer of the Corporation and owns Class A Non-Voting Shares, Class B Non-Voting Shares and 20% of the Voting Shares in the capital of the Corporation. As a result, the Portfolio Acquisition is considered a related party transaction and on December 8, 2016, at a special meeting of the shareholders, the Corporation received a majority of disinterested shareholders approving the Portfolio Acquisition.

The Portfolio Acquisition will be contingent on completion of the Offering, receipt of a valuation of the Mortgages comprising the BCL Mortgage Portfolio from an independent valuator and regulatory approvals. Value of the BCL Mortgage Portfolio will be determined by the independent valuator.

Within 30 days of the closing of the Offering, the Corporation intends to complete the Portfolio Acquisition utilizing a substantial portion of the net proceeds from the Offering (after the payment of the Agent's fees and expenses) to purchase the BCL Mortgage Portfolio in accordance with the terms of the Portfolio Acquisition Agreement. If the Maximum Offering is not achieved, pursuant to the Portfolio Acquisition Agreement, the amount of the Portfolio Acquisition will be adjusted to equal a substantial portion of the net proceeds actually raised under this Offering. If less than \$500,000 is raised under the Offering or certain conditions set forth in the Portfolio Acquisition Agreement are not satisfied, the Corporation will not proceed with the Portfolio Acquisition and instead will use the proceeds firstly, to pay down the principal balance of its existing credit facility, which as of the date of this Prospectus, has a balance of \$3,233,122 and then any excess proceeds will be used by the Corporation for the following:

- (a) to pay general operating expenses, which currently average approximately \$33,000 per month;
- (b) to pay dividends for the upcoming quarter end, which are expected to be declared in June and July, 2017 based on dividend rates similar to amounts previously declared; and
- (c) to fund Committed Mortgages or other Mortgage loans invested in from time to time in a manner consistent with the investment objective and investment strategies of the Corporation.

The following table illustrates, as of December 31, 2016, the BCL Mortgage Portfolio by property type relative to the Target Allocation and the maximum allocation levels specified in the AAM Allocation:

| | Mortgage Portfolio | Outstanding Balance (\$) | Total Committed Mortgage Principal (\$) | % | AAM Allocation |
|--|--------------------|--------------------------|---|-------------|----------------|
| Residential | | | | | |
| Single family – Detached | 7 | 12,939,718 | 18,005,000 | 75% | 100% |
| Single family – Attached | 6 | 4,242,869 | 8,344,000 | 25% | 100% |
| Total: | 13 | 17,182,587 | 26,349,000 | 100% | N/A |
| Geographic Location of Property | | | | | |
| Calgary and Area | 7 | 12,041,102 | 16,605,000 | 70% | 100% |
| Edmonton and Area | 6 | 5,141,485 | 9,744,000 | 30% | 100% |
| Total: | 13 | 17,182,587 | 26,349,000 | 100% | N/A |
| Interest Rate (excluding fees) | | | | | |
| Less than 11% | 1 | 1,034,471 | 1,175,000 | 6% | N/A |
| 11%-11.99% | 4 | 7,999,672 | 9,900,000 | 47% | N/A |
| 12%-12.99% | 5 | 4,603,670 | 10,530,000 | 27% | N/A |
| Greater than 12.99% | 3 | 3,544,774 | 4,744,000 | 20% | N/A |
| Total: | 13 | 17,182,587 | 26,349,000 | 100% | N/A |
| Mortgage Security | | | | | |
| First Priority | 11 | 13,839,438 | 20,174,000 | 81% | N/A |
| Subordinate Priority | 2 | 3,343,149 | 6,175,000 | 19% | N/A |
| Total: | 13 | 17,182,587 | 26,349,000 | 100% | N/A |
| Original Funding Date | | | | | |
| Calendar 2016 | 4 | 4,249,254 | 4,944,000 | 25% | N/A |
| Calendar 2015 | 1 | 11,671,098 | 17,605,000 | 68% | N/A |
| Calendar 2014 or earlier | 8 | 1,262,235 | 3,800,000 | 7% | N/A |
| Total: | 13 | 17,182,587 | 26,349,000 | 100% | N/A |
| Estimated loan to value | | | | | |
| 85% or Greater | 2 | 2,094,230 | 3,175,000 | 12% | N/A |
| 80% - 84.9% | 5 | 7,941,360 | 11,600,000 | 46% | N/A |
| 75% - 79.9% | 3 | 3,074,078 | 4,374,000 | 18% | N/A |
| 70% - 74.9% | 3 | 4,072,919 | 7,200,000 | 24% | N/A |
| Total: | 13 | 17,182,587 | 26,349,000 | 100% | N/A |

In the event that the Portfolio Acquisition is not completed or there are net proceeds remaining for any reason, then any net proceeds of the Offering (after the payment of the Agent's fees and expenses) which are not used to complete the Portfolio Acquisition will be used firstly, to pay down the principal balance of its existing credit facility, which as of the date of this Prospectus, has a balance of \$3,233,122 and then any excess proceeds will be used by the Corporation for the following:

- (a) to pay general operating expenses, which currently average approximately \$33,000 per month;

- (b) to pay dividends for the upcoming quarter end, which are expected to be declared in June and July, 2017 based on dividend rates similar to amounts previously declared; and
- (c) to fund Committed Mortgages or other Mortgage loans invested in from time to time in a manner consistent with the investment objective and investment strategies of the Corporation.

The Corporation may acquire Mortgages from BCL under the Portfolio Acquisition Agreement in one or more stages. See "**Use of Proceeds**".

In the event that any Mortgages contained in the BCL Mortgage Portfolio do not meet eligibility requirements as set forth in the Portfolio Acquisition Agreement, such assets will not be purchased by the Corporation. A summary of the eligibility requirements for each of the Mortgages are as follows:

- (a) valid priority of assignment of rents on the Mortgage;
- (b) the Mortgage has not been modified, altered, satisfied, cancelled, subordinated or rescinded, except, in certain circumstances;
- (c) if title insurance is required, the title insurance policy is in the name of BCL is issued by a nationally recognized title insurance company, is in full force and effect at each advance, all premiums have been paid in full, no claims have been made, no impairment of coverage has occurred and the policy insures a first priority lien on the related mortgaged property in the outstanding principal amount of such Mortgage;
- (d) none of the permitted encumbrances individually or in the aggregate, materially interferes with the security intended to be provided by such Mortgage or with the mortgagor's ability to pay its obligations;
- (e) with the exception of construction Mortgages, the Mortgage has been fully disbursed in accordance with the direction of each mortgagor and there is no requirement for future advances thereunder;
- (f) with respect to the mortgaged property of the Mortgage, no notice of any proceeding is pending or threatened for expropriation or for claims related to disposal, release or discharge of hazardous substances,
- (g) all taxes and governmental charges affecting or which would be a lien on the mortgaged property will have been paid before closing of the Portfolio Acquisition;
- (h) the interest rate of each Mortgage complied with applicable laws as of the date of origination;
- (i) there are no facts, circumstances, events or conditions or defects in the Mortgage documents which could reasonably be expected to have a material adverse effect on the value of the Mortgage or collateral;
- (j) there is a valid, legal, subsisting and enforceable first priority Mortgage in favour of BCL and the Mortgage is properly secured by collateral, enforceable by BCL and its successors in interest and assigns;
- (k) the Mortgage has not been otherwise sold, transferred or assigned by BCL and BCL is the legal and beneficial owner of the Mortgage, free and clear of all encumbrances, other than permitted encumbrances and immediately upon the sale thereof to the Corporation, the Corporation shall have title to each Mortgage, free and clear of all encumbrances, other than permitted encumbrances; and neither the Mortgages nor any other applicable Mortgage loan documents prohibits such transfer and no third party consents are required in connection therewith except as have been obtained and provided to the Corporation;
- (l) the Corporation will be fully entitled to the benefits of the Mortgage and of the related rights, without further consent or filing or recording or obtaining a consent under any federal or provincial legislation;
- (m) BCL has complied in all material respects with all of its obligations under the Mortgage, the Mortgage loan documents and under all other agreements, instruments and documents entered into by it in connection therewith;

- (n) the Mortgage has not been rewritten as a result of the delinquency of, or credit issues associated with, the related mortgagor;
- (o) no material default, breach, violation or event permitting acceleration under the terms of any Mortgage or Mortgage loan documents has occurred;
- (p) each Mortgage Loan has been underwritten by BCL or by an affiliate or subsidiary of BCL under commercially reasonable credit and collection policies;
- (q) Each Mortgage shall provide that the mortgagor is required to insure the mortgaged property in accordance with BCL's insurance practices and has provided proof of such insurance to the Corporation;
- (r) The Mortgage is not in default (i.e., not in arrears or subject to enforcement proceedings);
- (s) the Mortgage shall not be subject to any dispute, contractual set-off, counterclaim or defence, whatsoever, shall be free of any adverse claim, and shall not have been extended or otherwise modified except in the ordinary course of business in accordance with BCL's credit and collection policy; and
- (t) The Mortgage loan documents contain no material defects and are all of the documents relating to the Mortgage.

Accordingly, the Corporation may not acquire any or all of the Mortgages held by BCL. Pursuant to the Portfolio Acquisition Agreement, the purchase price for the BCL Mortgage Portfolio will be equal to the aggregate outstanding principal amount of the applicable Mortgages plus all interest accrued and unpaid as of the closing time of the Portfolio Acquisition. Each of the Mortgages comprising the BCL Mortgage Portfolio must meet, at the closing date of the Portfolio Acquisition, certain eligibility criteria as set forth in the Portfolio Acquisition Agreement, taking into account the Corporation's investment objectives and restrictions. Pursuant to the Portfolio Acquisition Agreement, promptly upon discovering that (i) an eligibility requirement contained was not satisfied with respect to any Mortgage purchased as at the closing date of the acquisition or (ii) an adverse claim arising through BCL in respect of any Mortgage purchased has been successfully asserted against BCL's or the Corporation's interest in any purchased Mortgage, BCL shall inform the Corporation in writing, in reasonable detail, with respect thereto, or the Corporation shall so inform BCL with respect thereto as the case may be.

Further, if any Mortgage purchased was not in compliance, as at the closing date of the Portfolio Acquisition, with any eligibility requirements (an "**Ineligible Mortgage**"), then, unless such event or state of facts shall have been cured within thirty (30) days of notice thereof, BCL shall either:

- (i) replace the Ineligible Mortgage with a Mortgage that has been approved in writing by the Corporation, acting reasonably (an "**Eligible Mortgage**"), provided that the outstanding principal amount thereon together with all interest accrued and accelerated and all costs and expenses ("**Outstanding Balance**") of the Eligible Mortgage as at the date of the replacement will be equal to or less than the Outstanding Balance of the Ineligible Mortgage and, to the extent that it is less, pay the difference to the Corporation; or
- (ii) repurchase such Ineligible Mortgage and pay to the Corporation an amount equal to the Outstanding Balance as at the date of repurchase of such Ineligible Mortgage.

The Corporation will pay the purchase price for the Portfolio Acquisition using the cash net proceeds from this Offering.

PRINCIPAL AGREEMENTS

Portfolio Acquisition Agreement

The Portfolio Acquisition Agreement will provide, among other things, for the acquisition by the Corporation of the BCL Mortgage Portfolio from BCL. The Portfolio Acquisition Agreement contains certain customary representations and warranties from BCL in favour of the Corporation. These representations and warranties address various matters relating to BCL and certain organizational and operational matters. The Corporation's sole recourse against BCL in respect of a breach of representations or warranties of BCL, following the closing of the Portfolio Acquisition is to have Ineligible

Mortgages replaced or repurchased in accordance with the terms and conditions of the Portfolio Acquisition Agreement. In these circumstances, a notice of claim must be provided by the Corporation to BCL within twelve (12) months of the date of closing the Portfolio Acquisition.

The completion of the Portfolio Acquisition will be conditional upon, among other things, receipt of a valuation of the Mortgages comprising the BCL Mortgage Portfolio from an independent valuator and regulatory approvals, the completion of the Offering, all of the Mortgages purchased by the Corporation not being in default (i.e., not in arrears), and BCL representing that the fair values of such Mortgage loans are at least equal to carrying values at the time of their purchase by the Corporation.

Management Services Agreement

The Corporation has entered into the Management Services Agreement with the Manager to provide management and portfolio advisory services as well as underwriting and Mortgage management services. See "**Fees and Expenses - Management Fees and Operating Expenses**". For a description of the duties to be provided under the agreement by the Manager, see "**Organization and Management Details of the Corporation – Manager and Portfolio Advisor of the Corporation**" and "**Organization and Management Details of the Corporation – Role of the Manager and Details of the Management Services Agreement**".

RISK FACTORS

There are certain risks inherent in an investment in the Class A Non-Voting Shares of the Corporation, including the following factors, which investors should carefully consider before investing. Some of the following factors are interrelated and, consequently, investors should treat such risk factors as a whole. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this prospectus. These risks and uncertainties are not the only ones that could affect the Corporation and additional risks and uncertainties not currently known to the Corporation or the Manager, or that they currently deem immaterial, may also impair the returns, NAV, NAV per Share, financial condition and results of operations of the Corporation. If any such risks actually occur, the returns, NAV, NAV per Share, financial condition and results of operations of the Corporation could be materially adversely affected and each of the financial performance of the Corporation and the ability of the Corporation to make cash distributions or satisfy requests for redemptions of Class A Non-Voting Shares and Class B Non-Voting Shares could be materially adversely affected.

No Assurance of Achieving Investment Objectives or Paying Distributions

There is no assurance that the Corporation will be able to achieve its investment objectives or be able to pay distributions at all or at the targeted levels or preserve capital. The funds available for distribution to Class A Non-Voting Shareholders will vary according to, among other things, the interest and principal payments received in respect of the Mortgage loans comprising the Portfolio. There is no assurance that the Portfolio will earn any return or that distributions will be made. The Manager, on behalf of the Corporation, may periodically re-evaluate the Corporation's targeted level of distributions and adjust it higher or lower, provided applicable Shareholder approval is obtained, which may have a material effect on the price or value of the Class A Non-Voting Shares.

An investment in the Corporation is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of distributions not being paid in any period or at all.

Changes in Land Values

The Corporation's investments in Mortgage loans will be secured by real estate, the value of which can fluctuate. The value of real estate is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants where applicable, competition from other available properties, fluctuations in occupancy rates, operating expenses and other factors. The value of income-producing real property may also depend on the credit worthiness and financial stability of the borrowers and/or the tenants. Changes in market conditions may decrease the value of the secured property and reduce the cash flow from the property, thereby impacting the ability of the borrower to service the debt and/or repay the loan based on the property income. In particular, recent disruptions to the credit and financial markets in North America, Europe and worldwide and local economic disruptions in areas where the borrowers of the Mortgage loans are located may adversely affect the value of the real estate on which the Mortgage loans are secured

and the ability of the borrowers to repay the Mortgage loans and thereby negatively impact the Corporation's business and the value of the Class A Non-Voting Shares.

Given the uncertainty in the current economic environment, there is a heightened risk of a decline in the value of real property. A decline in value of real property provided as security for a Mortgage may cause the value of the property to be less than the outstanding principal amount of the Mortgage loan held by the Corporation, and where applicable, amounts owed to other creditors with prior ranking security. Foreclosure by the Corporation or any creditor holding security in priority to the Corporation on any such Mortgage loan would not provide the Corporation, or the other secured creditors, with proceeds sufficient to satisfy the outstanding principal amount of the Mortgage loan.

While independent appraisals are often obtained before the Corporation makes any Mortgage investments, the appraised values provided therein, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying real property. The market value of real property may fluctuate substantially within a short period at times of economic instability and turmoil. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion of construction, or rehabilitation, remediation or leasehold improvements on the real property providing security for the loan. There can be no assurance that these conditions will be satisfied and if, and to the extent they are not satisfied, the appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

Concentration and Composition of the Portfolio

The Portfolio and the BCL Mortgage Portfolio are primarily invested in construction and development Mortgages although the Corporation also may hold some cash and cash equivalents on a transitional basis. Given the concentration of the Corporation's exposure to the construction and the Mortgage lending sector, the Corporation will be more susceptible to adverse economic or regulatory occurrences affecting real property than an investment fund that holds a diversified portfolio of Mortgages and that is not concentrated in a single sector. The Portfolio and the BCL Mortgage Portfolio are also primarily invested in the Province of Alberta. A lack of diversification may result in the Corporation being exposed to economic downturns or other events that have an adverse and disproportionate effect on particular types of security, industry or geography. Investments in Mortgages are relatively illiquid. Such illiquidity will tend to limit the Corporation's ability to vary its Portfolio promptly in response to changing economic or investment conditions.

The Asset Allocation Model, investment objectives and investment restrictions of the Corporation permit the assets of the Corporation to be invested in a broad spectrum of Mortgages. In addition, exceptions may be made to the Asset Allocation Model provided they are made by the Manager and provided that certain conditions are met. Based on evolving market conditions and the investment history of the Corporation's Portfolio, the Manager may also amend the Asset Allocation Model in order to maintain the currency and relevance of the model on the overall investment approach of the Corporation. Therefore, the composition of the Portfolio may vary widely from time to time, subject to the investment objective and investment restrictions of the Corporation. The Portfolio will be invested and may from time to time be concentrated by location of the properties, type of property, or other factors resulting in the Portfolio being less diversified than at other times and as anticipated. As a result, the returns of the Portfolio may change as its composition changes. See "**Investment Objectives - Investment By the Corporation – Asset Allocation Model**".

Construction Mortgages Involve a Higher Degree of Risk than Non-construction Mortgages

Construction Mortgages generally require more active and ongoing management oversight than that required for non-construction Mortgages that are secured by fully-developed properties. Properties that are not fully developed are also generally less liquid than fully-developed properties. Further, with Construction Mortgages the lender will typically defer receipt of interest payments which will accrue but only be made upon completion of the construction. The rules under the Tax Act governing MICs prohibit the Corporation from managing or developing real or immovable property, and therefore there are restrictions on the manner in which the Corporation is able to complete the development of properties that the Corporation assumes ownership or control of by taking enforcement steps against defaulting borrowers. Accordingly, construction Mortgages generally involve a higher degree of risk for a MIC lender than non-construction Mortgages.

Subordinated Loans and Mortgages

Some of the Mortgages in which the Corporation intends to invest may be considered to be higher risk than senior debt financing because the Corporation may not have a first-ranking charge on the underlying property. When a charge on property is in a position other than first-ranking, it is possible for the holder of a senior-ranking charge on the property, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower in priority to the subordinate charge and ultimately against the property to realize on the security given for the loan. Such actions may include a foreclosure action, the exercising of a quit claim or an action forcing the property to be sold. A foreclosure action or the exercise of a giving-in-payment clause may have the ultimate effect of depriving any person having other than a first-ranking charge on the property of the security of the property. If an action is taken to sell the property and sufficient proceeds are not realized from such sale to pay off creditors who have prior charges on the property, the holder of a subsequent charge may lose its investment or part thereof to the extent of such deficiency unless the holder can otherwise recover such deficiency from other property owned by the debtor. The Corporation may remedy a default under the terms of a prior charge on a property or satisfy the obligation of a borrower towards the holder of a prior ranking charge if required to protect the Corporation's investments.

Fair Allocation

It is the general policy of the Manager that all of its managed accounts that have investment objectives and restrictions that are compatible with a particular investment opportunity should, when practicable, participate pro rata in that investment opportunity based upon, among other things, the relative amount of assets under management in each such account and the relative importance of the investment opportunity to the fulfillment of each such account's investment objective. Accordingly, the Manager will generally present to the Corporation any investment opportunity available to the Manager that is consistent with the investment objectives and restrictions of the Corporation based upon, and subject to, (a) the amount of assets under management on behalf of the Corporation relative to the amount of assets under management on behalf of all other accounts of the Manager that have investment objectives and restrictions that are compatible with the investment opportunity, and (b) the importance of the investment opportunity to the fulfillment of the investment objective of the Corporation relative to the importance of the investment opportunity to the fulfillment of the investment objectives of such other accounts of the Manager. An assessment of the relative importance of an investment opportunity to the fulfillment of a client account's investment objective is dependent upon a number of factors that include the availability of the resources that are required to make the investment, alternative investment opportunities, the composition of the client account's portfolio at the time, the geographic and industry sector exposure associated with the investment opportunity and the liquidity of the account. As a result of this fair allocation policy, the Corporation may, from time to time, be presented with, yet precluded from participating in, an investment opportunity available to the Manager that would otherwise be compatible with the Corporation's investment objectives and restrictions based upon the Manager's assessment of the relative importance of the investment opportunity to each of its managed accounts, including the Corporation. In addition, a substantial portion of the assets of the Corporation may be co-invested, either directly or indirectly, in Mortgage loans that have been syndicated by the Manager among the Corporation and one or more other funds that are managed or advised by the Manager.

No Guarantees

There can be no assurance that Mortgage loans of the Corporation will result in a guaranteed rate of return or any return to Class A Non-Voting Shareholders or that losses will not be suffered on one or more Mortgage loans. Moreover, at any point in time, the interest rates being charged for Mortgages are reflective of the general level of interest rates and, as interest rates fluctuate, it is expected that the aggregate yield on Mortgage investments will also change.

A Mortgage borrower's obligations to the Corporation or any other person are not guaranteed by the Government of Canada, the government of any province or any agency thereof nor are they insured under the *National Housing Act* (Canada). In the event that additional security is given by the borrower or a third party or that a private guarantor guarantees the Mortgage borrower's obligations, there is no assurance that such additional security or guarantee will be sufficient to make the Corporation whole if and when resort is to be had thereto. Further, the Class A Non-Voting Shares are not "deposits" within the meaning of the *Canadian Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation.

Reliance on Borrowers

After funding a Mortgage, although the Corporation may monitor the situation and has its own limited insurance policies in place, the Corporation relies upon borrowers to maintain adequate insurance and for proper adherence to environmental regulations.

Competition

The performance of the Corporation depends, in large part, on the Manager's ability to source or acquire Mortgage loans at favourable yields. The Manager competes with individuals, corporations and institutions for investment opportunities in the financing of real property. Certain of these competitors may have greater resources than the Corporation and may therefore operate with greater flexibility. As a result, the Manager may not be able to source or acquire sufficient Mortgage loans at favourable yields or at all.

Sensitivity to Interest Rates

It is anticipated that the market price for the Class A Non-Voting Shares and the value of the Portfolio at any given time may be affected by the level of interest rates prevailing at such time. The Corporation's income will consist primarily of interest payments on the Mortgages comprising the Portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Corporation's Mortgages are based), the Corporation may find it difficult to source or otherwise generate additional Mortgages bearing rates sufficient to achieve targeted annualized dividends or other distributions on the Class A Non-Voting Shares. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Corporation's ability to maintain distributions on the Class A Non-Voting Shares at a consistent level. Increasing interest rates may also adversely affect the Corporation's performance and/or the value of the Class A Non-Voting Shares and the Corporation's Portfolio.

Due to the term of the Mortgages comprising the Portfolio and BCL Mortgage Portfolio and the inability to accurately predict the extent to which the Corporation's Mortgages may be prepaid, it is possible that the Corporation may not be able to sufficiently reduce interest rate risk associated with the replacement of such Mortgages through new investments in Mortgages.

Fluctuations in NAV and Distributions

The NAV per share and the funds available for distributions will vary according to, among other things, the value of the Portfolio and the interest earned thereon. Fluctuations in the market value of the Portfolio and the BCL Mortgage Portfolio may occur for a number of reasons beyond the control of the Manager or the Corporation.

The Corporation will depend on revenue generated from the Portfolio and the BCL Mortgage Portfolio. There can be no assurance regarding the amount of revenue that will be generated by the Mortgages comprising the Portfolio and the BCL Mortgage Portfolio. The shareholders of the Corporation will be entitled to receive distributions as and when declared from time to time by the directors of the Corporation, acting in their sole discretion, out of the assets of the Corporation properly available for the payment of dividends. The amount of distributions will depend upon numerous factors, including the ability of borrowers to make applicable payments under Mortgages, composition of the Corporation's Mortgages, availability of Mortgage investments, interest rates, unexpected costs, the Corporation's financial performance, debt covenants and obligations under credit facilities, working capital requirements and other factors which may not now be known by or which may be beyond the control of the Corporation or the Manager. If the directors of the Corporation, on the advice of the Manager, determine that it would be in the best interests of the Corporation, they may reduce or suspend for any period or altogether cease indefinitely the distributions to be made to the shareholders.

No distributions will be made to holders of Class B Non-Voting Shares unless, for the year in question, the Class A Non-Voting Shareholders have or will receive in such year an initial preferential annualized non-cumulative distribution being at a rate of up to, but not exceeding 8% per annum calculated on \$10.00 per Class A Non-Voting Share, as and when declared from time to time by the directors of the Corporation, acting in their sole discretion, out of the assets of the Corporation properly available for the payment of dividends and other distributions. After payment of the initial preferential annualized non-cumulative of dividends of 8% calculated on \$10 per share on the Class A Non-Voting Shares, the registered holders of Class B Non-Voting Shares have the right to receive initial annualized non-cumulative dividends at the rate of up to, but not exceeding 8% calculated on \$10 per Class B Non-Voting Shares, as and when

declared from time to time by the directors of the Corporation, acting in their sole discretion and always in preference and priority to any further distributions on the Class A Non-Voting Shares and distributions on the Voting Shares. After payment of the initial dividends of 8% on the Class A Non-Voting Shares and the Class B Non-Voting Shares, registered holders of Voting Shares have the right to receive initial annualized non-cumulative dividends at the rate of up to, but not exceeding, 8% calculated on \$10 per Voting Share as and when declared from time to time by the directors of the Corporation, acting in their sole discretion and always in preference and priority to any further distributions on the Class A Non-Voting Shares and Class B Non-Voting Shares. After payment of the initial amount of dividends of 8% on the Class A Non-Voting Shares, Class B Non-Voting Shares and Voting Shares, registered holders of Class B Non-Voting Shares have the right to receive additional annualized non-cumulative dividends at the rate of up to, but not exceeding, 8% calculated on \$10 per Class B Non-Voting Share as and when declared from time to time by the directors of the Corporation, acting in their sole discretion and always in preference and priority to any further distributions on the Class A Non-Voting Shares and Voting Shares. After payment of the above noted priority dividends on the Class A Non-Voting Shares, Class B Non-Voting Shares and Voting Shares, the holders of Class A Non-Voting Shares will participate equally with holders of Class B Non-Voting Shares and Voting Shares in any subsequent dividend distributions. There is no assurance that the Corporation will be able to declare any dividends in any period or at all. See "**Attributes of the Share Capital**".

Distributions made to holders of Shares may exceed actual cash available to the Corporation from time to time because of items such as debt payment obligations, fluctuations in Portfolio returns and redemptions of Shares, if any. This excess cash required to fund distributions may be funded from an operating credit facility, to the extent that one is available, or from the capital of the Corporation.

Availability of Investments

Because the Corporation relies on the Manager to source Mortgages it invests in, the Corporation is exposed to adverse developments in the business and affairs of the Manager, to its management and financial strength and to its ability to operate its businesses profitably. The ability of the Corporation to make investments in accordance with its investment objective and investment strategies depends upon the availability of suitable investments and the amount of funds available to make such investments. Additionally, the Corporation may occasionally hold excess funds to be invested in additional Mortgages, which may negatively impact returns.

There can be no assurance that the past yields on the Mortgages comprising the Portfolio will be representative of yields that can be obtained on future investments in Mortgages made by the Corporation.

Possible Failure to Complete the Portfolio Acquisition

The Portfolio Acquisition is subject to receipt of a valuation of the Mortgages comprising the BCL Mortgage Portfolio from an independent valuator, all regulatory approvals and to customary commercial risks that the transaction may not be completed on the terms negotiated or at all. If the Portfolio Acquisition does not take place, any net proceeds raised under this Offering will be used firstly, to pay down the principal balance of its existing credit facility, which as of the date of this Prospectus, has a balance of \$3,233,122 and then any excess proceeds will be used by the Corporation for the following:

- (a) to pay general operating expenses, which currently average approximately \$33,000 per month;
- (b) to pay dividends for the upcoming quarter end, which are expected to be declared in June and July, 2017 based on dividend rates similar to amounts previously declared; and
- (c) to fund Committed Mortgages or other Mortgage loans invested in from time to time in a manner consistent with the investment objective and investment strategies of the Corporation.

Dilution

The Corporation is authorized to issue an unlimited number of Class A Non-Voting Shares, an unlimited number of Class B Non-Voting Shares and 1,000 Voting Shares. The Board has the discretion to issue additional Class A Non-Voting Shares and Class B Non-Voting Shares from time to time. The Corporation may issue Class A Non-Voting Shares and Class B Non-Voting Shares at a discount to the NAV applicable to such Shares, without the prior approval of the Shareholders. The issuance of any additional Shares may, and the issuance of Shares at a price or for net proceeds per

Share that are less than the applicable NAV per Share will, have a dilutive effect on the purchasers of Class A Non-Voting Shares and Class B Non-Voting Shares under the Offering.

Risks Related to Mortgage Extensions and Mortgage Defaults

The Manager may from time to time deem it appropriate to extend or renew the term of a Mortgage past its maturity, or to accrue the interest on a Mortgage, in order to provide the borrower with increased repayment flexibility. The Manager generally will do so if it believes that there is a low risk to the Corporation of not being repaid the full principal and interest owing on the Mortgage. In these circumstances, however, the Corporation is subject to the risk that the principal and/or accrued interest of such Mortgage may not be repaid in a timely manner or at all, which could impact the cash flows of the Corporation during the period in which it is granting this accommodation. Further, in the event that the valuation of the asset has fluctuated substantially due to market conditions, there is a risk that the Corporation may not recover all or substantially all of the principal and interest owed to the Corporation in respect of such Mortgage.

When a Mortgage is extended past its maturity, the loan can either be held over on a month-to-month basis, or renewed for an additional term at the time of its maturity. Notwithstanding any such extension or renewal, if the borrower subsequently defaults under any terms of the Mortgage, the Manager has the ability to exercise its Mortgage enforcement remedies in respect of the extended or renewed Mortgage. Exercising Mortgage enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact the cash flows of the Corporation during the period of enforcement. In addition, as a result of potential declines in real estate values, there is no assurance that the Corporation will be able to recover all or substantially all of the outstanding principal and interest owed to the Corporation in respect of such Mortgages by exercising its Mortgage enforcement remedies. Should the Corporation be unable to recover all or substantially all of the principal and interest owed to the Corporation in respect of such Mortgages, the NAV would be reduced, and the returns, financial condition and results of operations of the Corporation could be adversely impacted.

Renewal of Mortgages Comprising the Portfolio

There can be no assurances that any of the Mortgages comprising the Portfolio and BCL Mortgage Portfolio can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each Mortgage comprising the Portfolio and BCL Mortgage Portfolio, it is possible that the mortgagor, the Mortgagee or both, will elect to not renew. In addition, if the Mortgages in the Portfolio and BCL Mortgage Portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such Mortgages will be subject to negotiation between the mortgagors and the Mortgagees at the time of renewal.

Foreclosure and Related Costs

One or more borrowers could fail to make payments according to the terms of their loan and the Corporation could therefore be forced to exercise its rights as Mortgagee. The recovery of a portion of the Corporation's assets may not be possible for an extended period of time during this process and there are circumstances where there may be complications in the enforcement of the Corporation's rights as Mortgagee. Legal fees and expenses and other costs incurred by the Corporation in enforcing its rights as Mortgagee against a defaulting borrower are borne by the Corporation. Although these fees, costs and expenses are usually recoverable from the borrower directly or through the sale of the Mortgaged property by power of sale or otherwise, there is no assurance that they will actually be recovered.

Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, Mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income or whether Mortgage payments are being made. The Corporation may therefore be required to incur additional outlays to protect its investment, even if the borrower is not honouring its contractual obligations. The Corporation and the Manager will ensure that all activities, if any, undertaken by the Corporation to complete a property acquired through foreclosure will not cause the Corporation to cease qualifying as a MIC.

Litigation Risks

The Corporation may, from time to time, become involved in legal proceedings in the course of its business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. During litigation, the Corporation may not be receiving payments of interest on a Mortgage loan that is the subject

of litigation, thereby impacting cash flows. The unfavorable resolution of any legal proceedings could have an adverse effect on the Corporation and its financial position and results of operations that could be material.

Ability to Manage Growth

The Corporation intends to grow its Portfolio. In order to effectively deploy its capital and monitor its loans and investments in the future, the Corporation will need to retain additional personnel and may be required to augment, improve or replace existing systems and controls, each of which can divert the attention of management from their other responsibilities and present numerous challenges. As a result, there can be no assurance that the Corporation will be able to effectively manage its growth and, if it is unable to do so, the Corporation's Mortgages, the Portfolio and the price and NAV of the Class A Non-Voting Shares, may be materially adversely affected.

Speculative Nature of Class A Non-Voting Shares

Investment in the Class A Non-Voting Shares is speculative due to the nature of the Corporation's business and involves certain risks. There is no guarantee that an investment in Class A Non-Voting Shares of the Corporation will earn any positive return in the short or long term and investors must be able to bear the risk of a complete loss of their investment and have no need for immediate liquidity in their investment.

Significant Redemptions of Shares

Shares can be redeemed only on an annual basis as described under "**Attributes of Share Capital - Redemption of Shares**". The purpose of the Annual Redemption Right is to prevent, or reduce the likelihood of, the Class A Non-Voting Shares from trading at a substantial discount to the NAV per share and to provide holders of Class A Non-Voting Shares with the right to realize their investment once per year without any trading discount to the NAV per Share or incurring selling commissions. While the Annual Redemption Right provides Class A Non-Voting Shareholders with the option of annual liquidity at 95% of NAV per Share, there can be no assurance that it will reduce trading discounts or allow a holder to redeem all of the Class A Non-Voting Shares sought to be redeemed. If a significant number of Class A Non-Voting Shares are redeemed, the trading liquidity of the Class A Non-Voting Shares could be significantly reduced. Class B Non-Voting Shares may be redeemed at the Annual Redemption Price, as applicable, which is currently 100% of the NAV per Share. The holders of Class A Non-Voting Shares and Class B Non-Voting Shares are also subject to certain restrictions and limitations on their ability to redeem Shares. See "**Attributes of Share Capital – Limitations and Suspension of Redemptions**".

In addition, if a significant number of Class A Non-Voting Shares or Class B Non-Voting Shares are redeemed: (i) the Corporation may be required to sell Portfolio assets in order to satisfy redemption payment obligations and may not be able to complete such Portfolio asset sales on favourable terms or at all; (ii) the expenses of the Corporation would be spread among fewer Class A Non-Voting Shares or Class B Non-Voting Shares resulting in a higher management expense ratio per Share; (iii) Class A Non-Voting Shares submitted for redemption in excess of the redemption limits described under "**Attributes of Share Capital – Limitations and Suspension of Redemptions**" may not be redeemed; and (iv) the satisfaction of the redemption payment obligations may cause cash flow issues for the Corporation in its funding of Mortgages, dividend payments or payments of operating expenses.

The share terms of the Class A Non-Voting Shares and the Class B Non-Voting Shares help to mitigate the risk of significant redemption of Shares in a period of time. Under the share terms, the Corporation has the right to suspend redemptions for certain periods of time. In the Corporation's view, the conditions for suspension are broad enough that, effectively, redemptions can be suspended indefinitely. The Schedule to the Articles of the Corporation provide that "for any period not exceeding 120 days during which the Corporation or Manager determines that conditions exist which render impractical the sale of Mortgages comprising the Portfolio or which impair the ability of the Manager to determine the value of the assets of the Corporation or the Portfolio, the Corporation may suspend redemptions of Shares."

Furthermore if, as a result of significant redemptions, the Manager determines that it is in the best interests of Class A Non-Voting Shareholders to terminate the Corporation, the Manager could seek to dissolve the Corporation with the approval of the Corporation's shareholders.

Trading Price of Class A Non-Voting Shares and Liquidity

The Class A Non-Voting Shares may trade in the market at a premium or discount to the NAV per share and there can be no assurance that the Class A Non-Voting Shares will trade at a price equal to the NAV applicable to such Shares or that a liquid market will develop. This risk is separate and distinct from the risk that the NAV applicable to Class A Non-Voting Shares may decrease.

In recognition of the possibility that the Class A Non-Voting Shares may trade at a discount, the terms and conditions attaching to the Class A Non-Voting Shares have been designed to attempt to reduce or eliminate a market value discount from the NAV per share. The Corporation believes that optional purchases of Class A Non-Voting Shares by the Corporation, as described under "**Attributes of Share Capital - Purchase for Cancellation**", and redemptions described under "**Attributes of Share Capital – Redemption of Shares**" are attributes that may help to reduce or eliminate a market value discount from the NAV per Class A Non-Voting Share. There can be no assurance that such measures will result in the Class A Non-Voting Shares trading at a price which is equal to the NAV per share. In the past year, the trading history of the Corporation has been consistently below the NAV per share. See "**Consolidated Capitalization – Price History**". The Corporation anticipates that the market price of the Class A Non-Voting Shares will in any event vary from the NAV applicable to such Shares. The market price of the Class A Non-Voting Shares will be determined by, among other things, the relative demand for and supply of Class A Non-Voting Shares in the market, trading liquidity, the Corporation's investment performance, the Class A Non-Voting Shares' yield and investor perception of the Corporation's overall attractiveness as an investment as compared with other investment alternatives.

Qualification as a MIC

Although the Corporation intends to qualify at all times as a MIC, no assurance can be provided in this regard. If for any reason the Corporation does not maintain its qualification as a MIC under the Tax Act, dividends paid by the Corporation on the Class A Non-Voting Shares will cease to be deductible by the Corporation in computing its income and will no longer be deemed to have been received by Class A Non-Voting Shareholders as bond interest or a capital gain, as the case may be. In such event, as long as the Class A Non-Voting Shares are listed on a designated stock exchange, or the Corporation otherwise qualifies as a public corporation for purposes of the Tax Act, the rules in the Tax Act regarding the taxation of public corporations and their shareholders apply, with the result that the combined corporate and shareholder tax may be significantly greater. In addition unless the Class A Non-Voting Shares are listed on a designated stock exchange, the Class A Non-Voting Shares may not constitute qualified investments for an RRSP, DPSP, RRIF, RDSB and RESP if the Corporation does not qualify as a MIC. See "**Income Tax Considerations**".

The Corporation intends to monitor major positions held in Class A Non-Voting Shares and Class B Non-Voting Shares in relation to their applicable outstanding balances to ensure that no one shareholder of the Corporation exceeds the 25% maximum ownership limit set by the Tax Act for the Corporation to maintain its qualification as a MIC. The terms of the Shares include certain provisions intended to prevent this condition from being violated. See "**Attributes of Share Capital - Restrictions on Ownership**".

Reliance on the Manager

Pursuant to the Management Services Agreement, the Manager will advise the Corporation in a manner consistent with the investment objective, the Asset Allocation Model and the investment restrictions of the Corporation and will be responsible for the management and direction of the affairs of the Corporation relating to the administration and evaluation of the existing and potential Mortgages of the Corporation. Although the employees of the Manager who will be primarily responsible for the performance of the respective obligations of each such entity owed to the Corporation have extensive experience, there is no certainty that such individuals will continue to be employees of the Manager in the future. In addition, the Management Services Agreement may be terminated in certain circumstances. There is no assurance that the Manager will continue to provide services to the Corporation.

In addition, there is no certainty that the persons who are currently officers and directors of the Manager will continue to act in such capacity. Shareholders will be required to rely on the good faith, expertise and judgment of the individuals comprising the management of the Manager from time to time. Shareholders do not have the right to direct or influence in any manner the business or affairs of the Manager.

The Corporation may be Unable to Fund Investments

The Corporation may commit to making future Mortgage investments in anticipation of repayment of principal outstanding and/or the payment of interest under existing Mortgage investments. In the event that such repayments of principal or payments of interest are not made, the Corporation may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may be required to obtain interim financing and to fund such commitments or face liability in connection with its failure to make such advances.

The Corporation has different methods to manage liquidity and to ensure that commitments can be met. See "**Development and History of the Business – Funding Process**".

One of the sources of liquidity has been the purchase from and sale to BCL of the Corporation's Mortgages. The Corporation has often been reliant on BCL as a vendor and purchaser of its Mortgages and as a source for liquidity, including at certain times of low cash flow, for payment of its dividends. This reliance means that if BCL was unwilling, or unable, to act as a purchaser or vendor of Mortgages then the Corporation would have to leave a substantially larger margin for error in its cash management practices, which would reduce profitability.

Borrowing and Leverage

The Corporation currently borrows funds using its Mortgages as security in order to provide operating flexibility. The Corporation intends to maintain access to a revolving credit facility which is primarily utilized to fund Mortgage advances when cash is not otherwise available. The credit facility may be used by the Corporation for other purposes including for the payment of dividends and to fund Committed Mortgages or other Mortgage loans invested in from time to time in a manner consistent with the investment objective and investment strategies of the Corporation. While the credit facility will revolve over time, it is not the intent of the Corporation to utilize credit for purposes of leverage. The Tax Act also imposes restrictions on a MIC's use of borrowed funds which are listed under "**Canadian Federal Income Tax Considerations – Status of the Corporation – MIC Requirements**", the Corporation and the Manager intend to ensure that these restrictions are complied with and that the Corporation remains a MIC under the Tax Act. In the event that the Corporation could not meet the obligations of such loans pertaining to the payment of interest or the repayment of principal, the Corporation could incur substantial costs in order to protect the investments of the Corporation while managing the repayment of such a loan facility and/or the Corporation could lose some or all of its assets as a result of lenders exercising their rights of foreclosure and sale.

The interest expense and banking fees incurred in respect of any credit facilities of the Corporation may exceed the incremental capital gains/losses and income generated by the incremental investments in Mortgages made with the credit facility. Accordingly, any event which adversely affects the value of Mortgages would be magnified to the extent that leverage is employed to purchase such Mortgages. In addition, the Corporation may not be able to renew any credit facility on acceptable terms or at all. There can be no assurance that the borrowing strategy employed by the Corporation will enhance returns.

Potential Liabilities Associated with the Purchase of Mortgages

Although the Corporation completes due diligence reviews in respect of any Mortgage it intends to purchase, there may be liabilities and contingencies that the Corporation did not discover or failed to quantify in its due diligence conducted prior to consummation of any Mortgage acquisition and accordingly, the Corporation may not be indemnified for some or all of these liabilities and contingencies, which will negatively affect distributions to Shareholders.

Share Class Risk

Certain matters require the approval of holders of Class A Non-Voting Shares and Class B Non-Voting Shares voting together as a class. To the extent Class B Non-Voting Shares are issued, the voting rights of Class A Non-Voting Shares on these matters (and *vice versa*) will be diluted.

Conflicts of Interest

Except as set forth in this prospectus, there are no existing material conflicts of interest between the Corporation and any of its directors and officers. However, certain directors and officers of the Corporation are, and may continue to be, directors, officers or shareholders of other entities, including the Manager and BCL, whose operations may, from time

to time, be in direct competition with those of the Corporation or with entities which may, from time to time, provide financing to, or make equity investments in competitors of the Corporation. In accordance with the ABCA, such directors and officers will be required to disclose all conflicts of interest as such conflicts arise. If a conflict of interest arises at a meeting of the board of directors of the Corporation, any director in a conflict will disclose his interest and abstain from voting on such matter.

The Manager, its officers, directors, employees, or shareholders and their respective affiliates and associates are not limited or affected in their ability to carry on other business ventures for their own account, or for the account of others, and may be engaged in the development of, investment in, or management of businesses that may compete with the business of the Corporation. The Corporation has not entered into any non-competition agreements with any of the Manager or its directors, officers or employees. Similarly, the Manager does not have any non-competition agreements with its respective directors, officers and employees. Accordingly, any one or more of the Manager, and their respective directors, officers and employees may compete with or otherwise have a conflict of interest in carrying out its obligations to the Corporation.

For example, the Manager may manage or advise with respect to accounts or funds (including separate accounts and other funds and pooled investment vehicles) that have investment objectives similar to those of the Corporation and may engage in transactions in the same types of securities and instruments as the Corporation. Such transactions will, except as discussed below, be executed independently of transactions of the Corporation and thus at prices or rates that may be more or less favourable than those obtained by the Corporation.

The Corporation will rely upon the Manager to manage the business of the Corporation and to provide managerial skill. The directors and officers of the Manager may have a conflict of interest in allocating their time between the respective businesses and interests of the Manager and the Corporation, and other businesses or projects in which they may become involved.

The directors and officers of the Manager have agreed to devote as much time to the Corporation as is required for the effective management of the Corporation. The Manager and its affiliates, their respective directors and officers may, at any time, engage in promoting or managing other entities and their investments.

Restrictions on Ownership and Repurchase of Class A Non-Voting Shares

No shareholder of the Corporation is permitted, together with related persons, at any time to hold directly or indirectly more than 25% of any class of the issued shares of the Corporation. The terms and conditions of the Class A Non-Voting Shares and Class B Non-Voting Shares provide that the portion of such Class A Non-Voting Shares or Class B Non-Voting Shares, as the case may be, held by a Shareholder, as applicable, together with related persons, that exceeds 24.9% of the issued shares of any class of Shares will be repurchased by the Corporation on the same terms as an annual redemption for the Class A Non-Voting Shares or Class B Non-Voting Shares, as applicable, completed on the applicable date. Such repurchases of Shares could be significant and could engender similar risks to those that arise in the context of significant redemptions of Shares. See "**Risk Factors – Significant Redemptions of Shares**".

Change in Legislation

There can be no assurance that certain laws applicable to the Corporation, including Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation thereof, will not change in a manner that will adversely affect the Corporation, its business or fundamentally alter the tax consequences to Shareholders of acquiring, holding or disposing of Class A Non-Voting Shares.

Recently, on August 2, 2016, a new provincial law in British Columbia imposed a one-time tax on real estate purchased by foreign buyers, foreign-register corporations and Canadian corporations controlled fully or in part by foreign nationals or foreign corporations in metro Vancouver. The effect of this new law could slow down the real estate market in British Columbia and could adversely affect the Corporation's business in British Columbia.

Also recently, on October 3, 2016, the Canadian Finance Minister announced changes in Mortgage rules which includes an expansion of a Mortgage rate stress test to all insured Mortgages, new restrictions on when insurance would be provided for low-ratio Mortgages, new reporting rules for the primary residence capital gains exemption and consultants

on lender risk sharing. These changes may slow down the real estate market on a country wide level and could adversely affect the Corporation's business.

Reliance on Assumptions

The Corporation's investment objectives and strategy have been formulated based on the Manager's analysis and expectations regarding recent economic developments in Canada, and specifically Western Canada. Such analysis may be incorrect and such expectations may not be realized, in which case the Corporation may not generate sufficient funds to allow the Corporation to pay targeted distributions.

Environmental Matters

The Corporation may in the future take possession, through enforcement proceedings, of properties that secured defaulted Mortgage loans to recover its investment in such Mortgage loans. Prior to taking possession of properties which secure a Mortgage investment, the Manager will assess the potential environmental liability associated with such investment and determine whether it is significant, having regard to the value of the property. If the Manager subsequently determines to take possession of the property, the Corporation could be subject to environmental liabilities in connection with such real property, which could exceed the value of the property. As part of the due diligence performed in respect of the Corporation's proposed Mortgage investments, the Manager may, although it has not obtained such audits in the past, obtain a Phase I Environmental Audit on the underlying real property provided as security for a Mortgage, when it has determined that a Phase I Environmental Audit is appropriate. However, there can be no assurance that any such Phase I Environmental Audit will reveal any or all existing or potential environmental liabilities necessary to effectively insulate the Corporation from potential liability for a materially adverse environmental condition at any Mortgaged property. If hazardous substances are discovered on a property of which the Corporation has taken possession, the Corporation may be required to remove such substances and clean up the property. The Corporation may also be liable to tenants and other users of neighbouring properties and may find it difficult or not possible to resell the property prior to or following such remediation.

DISTRIBUTION POLICY

The registered holders of Class A Non-Voting Shares, Class B Non-Voting Shares and Voting Shares will be entitled to receive distributions as and when declared from time to time by the directors of the Corporation, acting in their sole discretion, out of the assets of the Corporation properly available for the payment of dividends. The Class A Non-Voting Shares rank in priority to the Class B Non-Voting Shares and Voting Shares in terms of distributions. The Class A Non-Voting Shareholders are entitled to receive as and when declared by the directors of the Corporation initial preferential non-cumulative dividends at rate of up to, but not exceeding 8% per annum calculated on \$10.00 per Class A Non-Voting Share payable in one or more installments. The Class B Non-Voting Shareholders and Voting Shareholders shall not be entitled to receive dividends in any period unless and until the above-noted initial preferential annualized non-cumulative dividends have been paid or declared and set apart for payment to the Class A Non-Voting Shareholders.

After payment of the initial preferential annualized non-cumulative of dividends of 8% calculated on \$10 per share on the Class A Non-Voting Shares, the registered holders of Class B Non-Voting Shares have the right to receive initial annualized non-cumulative dividends at the rate of up to, but not exceeding 8% calculated on \$10 per Class B Non-Voting Shares, as and when declared from time to time by the directors of the Corporation, acting in their sole discretion and always in preference and priority to any further distributions on the Class A Non-Voting Shares and distributions on the Voting Shares.

After payment of the initial dividends of 8% on the Class A Non-Voting Shares and the Class B Non-Voting Shares, registered holders of Voting Shares have the right to receive initial annualized non-cumulative dividends at the rate of up to, but not exceeding, 8% calculated on \$10 per Voting Share as and when declared from time to time by the directors of the Corporation, acting in their sole discretion and always in preference and priority to any further distributions on the Class A Non-Voting Shares and Class B Non-Voting Shares.

After payment of the initial amount of dividends of 8% on the Class A Non-Voting Shares, Class B Non-Voting Shares and Voting Shares, registered holders of Class B Non-Voting Shares have the right to receive additional annualized non-cumulative dividends at the rate of up to, but not exceeding, 8% calculated on \$10 per Class B Non-Voting Share as and when declared from time to time by the directors of the Corporation, acting in their sole discretion and always in preference and priority to any further distributions on the Class A Non-Voting Shares and Voting Shares.

After payment of the above noted priority dividends on the Class A Non-Voting Shares, Class B Non-Voting Shares and Voting Shares, the holders of Class A Non-Voting Shares will participate equally with holders of Class B Non-Voting Shares and Voting Shares in any subsequent dividend distributions.

The Corporation intends to make quarterly cash distributions by way of dividends to holders of Class A Non-Voting Shares of record on the last business day of each quarter. However, there is no assurance that the Corporation will be able to declare any dividends in any period or at all. Declared distributions, if any, may be paid by the end of the month following the quarter in which they are declared. Notwithstanding the above, the Corporation has the right to determine the applicable record date that is other than the last business day of each quarter as it deems advisable.

Distribution for Class A Non-Voting Shares issued under this prospectus for quarter ended June 30, 2017, and any later quarter during which a closing of the Offering occurs, will be calculated as if such Class A Non-Voting Shares have been held for the entire quarter.

The Manager will use its best efforts to achieve the yields set forth above, however, no assurance is given that the Corporation will achieve them. If the Corporation's annual return is less than the amount necessary to fund the distributions, the Corporation may not pay the full distribution amount noted above or at all. See "**Risk Factors**" and "**Attributes of the Share Capital**".

The following quarterly cash dividends on the Class A Non-Voting Shares, Class B Non-Voting Shares and Voting Shares were declared by the Board for the periods indicated below:

| Declaration Date | Days | Payment Date | Cash Dividend per Class A Non-Voting Share (\$ per Class A Non-Voting Share) | Cash Dividend per Class B Non-Voting Share (\$ per Class B Non-Voting Share) | Cash Dividend per Voting Share (\$ per Voting Share) |
|-------------------------|-------------|---------------------|---|---|---|
| March 28, 2017 | 90 | April 28, 2017 | - | \$0.3119 | - |
| March 21, 2017 | 90 | April 28, 2017 | \$0.1973 | - | - |
| January 30, 2017 | 92 | January 31, 2017 | - | \$0.3718 | - |
| December 20, 2016 | 92 | January 31, 2017 | \$0.2016 | - | - |
| October 24, 2016 | 92 | October 31, 2016 | - | \$0.3717 | - |
| September 20, 2016 | 92 | October 31, 2016 | \$0.2016 | - | - |
| July 25, 2016 | 90 | July 29, 2016 | - | \$0.3677 | - |
| June 20, 2016 | 90 | July 29, 2016 | \$0.1995 | - | - |
| April 25, 2016 | 91 | April 30, 2016 | - | \$0.3667 | - |
| March 21, 2016 | 91 | April 30, 2016 | \$0.1973 | - | - |
| January 25, 2016 | 92 | January 31, 2016 | - | \$0.4234 | \$0.8000 |
| December 18, 2015 | 92 | January 31, 2016 | \$0.2216 | - | - |
| October 26, 2015 | 92 | October 31, 2015 | - | \$0.4032 | - |
| September 21, 2015 | 92 | October 31, 2015 | \$0.2016 | - | - |

| Declaration Date | Days | Payment Date | Cash Dividend per Class A Non-Voting Share (\$ per Class A Non-Voting Share) | Cash Dividend per Class B Non-Voting Share (\$ per Class B Non-Voting Share) | Cash Dividend per Voting Share (\$ per Voting Share) |
|-------------------------|-------------|---------------------|---|---|---|
| July 27, 2015 | 91 | July 31, 2015 | - | \$0.3989 | - |
| June 22, 2015 | 91 | July 31, 2015 | \$0.1995 | - | - |
| April 27, 2015 | 90 | April 30, 2015 | - | \$0.3945 | - |
| April 8, 2015 | 90 | April 30, 2015 | \$0.1973 | - | - |
| January 28, 2015 | 92 | January 31, 2015 | - | \$0.4134 | \$0.8000 |
| December 18, 2014 | 92 | January 31, 2015 | \$0.2016 | - | - |
| October 27, 2014 | 92 | October 31, 2014 | - | \$0.3918 | - |
| September 18, 2014 | 92 | October 31, 2014 | \$0.2016 | - | - |
| July 29, 2014 | 91 | July 31, 2014 | - | \$0.3864 | -- |
| June 20, 2014 | 91 | July 31, 2014 | \$0.1995 | - | - |
| April 23, 2014 | 90 | April 30, 2014 | - | \$0.3456 | - |
| March 21, 2014 | 90 | April 30, 2014 | \$0.1973 | - | - |
| December 31, 2013 | 12 | January 31, 2014 | \$0.0263 | - | - |

The directors may not declare dividends, make a return of capital or otherwise make a distribution on (i) the Class B Non-Voting Shares, Voting Shares or any other class of shares of the Corporation ranking junior to the Class A Non-Voting Shares if following such declaration of dividends, return of capital or distribution the Corporation will be unable to redeem all of the outstanding Class A Non-Voting Shares or (ii) the Voting Shares or any other class of shares of the Corporation ranking junior to the Class B Non-Voting Shares if following such declaration of dividends, return of capital or distribution the Corporation will be unable to redeem all of the outstanding Class B Non-Voting Shares.

Cash required for the payment of dividends declared from time to time may come from various sources, including cash on hand, the use of any credit facility available to the Corporation or through the Corporation's other methods of generating liquidity, including the sale of Mortgages to third parties and BCL.

DISTRIBUTION OF CLASS A NON-VOTING SHARES

Pursuant to the Prospectus Offering, the Corporation proposes to issue Class A Non-Voting Shares at a price of \$10.00 per Class A Non-Voting Share with no minimum offering and a Maximum Offering amount of \$15,000,000 (1,500,000 Class A Non-Voting Shares). Prospective purchasers may subscribe for such Class A Non-Voting Shares through the Agent or any member of a sub-agency group that the Agent may form. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. See also "**Plan of Distribution**".

No minimum amount of funds must be raised under this Offering. This means that the Corporation could complete this Offering after raising only a small proportion of the Offering amount set out above.

Book-Entry Only System

Registration of interests in and transfers of the Class A Non-Voting Shares may be made through the book-entry only system maintained by CDS. On the closing of the Offering, the Corporation will deliver to CDS one or more global certificates evidencing the number of Class A Non-Voting Shares subscribed for under the Offering. Alternatively, at the option of the Corporation, the Class A Non-Voting Shares will be issued using CDS' book-entry only procedures. In either such case, a purchaser of Class A Non-Voting Shares will receive only a customer confirmation from a registered dealer that is a participant in the depository service of CDS ("**Participant**") and from or through which the Class A Non-Voting Shares are purchased and CDS will record the Participant who holds Class A Non-Voting Shares on behalf of owners who have purchased them in accordance with the book-based system. Class A Non-Voting Shares must be purchased, transferred and surrendered for redemption through a Participant. All rights of an owner of Class A Non-Voting Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by CDS. Upon the acquisition of Class A Non-Voting Shares, the owner will receive only the customary confirmation. References in this prospectus to a Class A Non-Voting Shareholder means, unless the context otherwise requires, the owner of the beneficial interest in Class A Non-Voting Shares.

The ability of an owner of Class A Non-Voting Shares to pledge such Shares or otherwise take action with respect to such owner's interest in such Class A Non-Voting Shares (other than through a Participant) may be limited due to the lack of a physical certificate.

An owner of Class A Non-Voting Shares who desires to exercise redemption privileges must do so by causing a Participant to deliver to CDS (at its office in the City of Calgary) on behalf of the owner a written notice of the owner's intention to redeem such Class A Non-Voting Shares, no later than 4:00 p.m. (Calgary time) on the relevant notice date. Accordingly, an owner who desires to redeem Class A Non-Voting Shares should ensure that the Participant is provided with a redemption notice sufficiently in advance of the relevant notice date so as to permit the Participant to deliver notice to CDS by the required time. The form of redemption notice will be available from a Participant. Any expense associated with the preparation and delivery of redemption notices will be for the account of the owner of Class A Non-Voting Shares exercising the redemption privilege.

By causing a Participant to deliver to CDS a redemption notice, an owner shall be deemed to have irrevocably surrendered his, her or its Class A Non-Voting Shares for redemption and appointed such Participant to act as exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any redemption notice which CDS determined to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the owner's instructions will not give rise to any obligations or liability on the part of the Corporation or the Manager to the Participant or to the owner.

The Corporation has the option to terminate registration for any one or more of the Class A Non-Voting Shares through the book entry only system in which case certificates for such securities in fully registered form would be issued to beneficial owners of such shares or to their nominees.

ATTRIBUTES OF THE SHARE CAPITAL

Description of Share Capital

The Corporation is authorized to issue an unlimited number of Class A Non-Voting Shares and Class B Non-Voting Shares and 1,000 Voting Shares, a summary of the terms and conditions of which is set forth below. As of the date hereof, there are 1,400,295 Class A Non-Voting Shares, 974,576 Class B Non-Voting Shares and 100 Voting Shares issued and outstanding.

Class A Non-Voting Shares will be issued upon the closing of this Offering and any offerings that may be completed by the Corporation in the future. The holder of a Voting Share, Class A Non-Voting Share or Class B Non-Voting Share shall not be precluded on the reduction or redemption of the capital stock of the Corporation from participating in the assets of the Corporation beyond the amount paid up on such share plus a fixed premium and a fixed rate of dividend.

Voting Shares

The Voting Shares have nominal value and are owned by the Principal Shareholders, being Sandy Loutitt, John Strangway, Brent Walter, David Pinkman and John Drummond, as to 20% each. Accordingly, the Principal Shareholders, as holders of all of the issued and outstanding Voting Shares, will have the power to vote on all matters to be considered by the holders of Voting Shares. Voting Shares are subject to a Voting Share Unanimous Shareholders Agreement. See "**Principal Shareholders**".

The holders of Voting Shares are entitled to receive dividends as and when declared by the Board subject to the preference and priority rights of the Class A Non-Voting Shares and Class B Non-Voting Shares, as discussed below. The Voting Shares rank subsequent to both the Class A Non-Voting Shares and the Class B Non-Voting Shares with respect to distributions on the dissolution, liquidation or winding-up of the Corporation. See "**Class A Non-Voting Shares and Class B Non-Voting Shares**" below for further discussion of the share attributes of the Voting Shares.

Class A Non-Voting Shares and Class B Non-Voting Shares

The Class A Non-Voting Shares and Class B Non-Voting Shares are entitled to receive dividends as and when declared by the Board. The holders of Class A Non-Voting Shares and the holders of Class B Non-Voting Shares will not be entitled to vote at any meeting of shareholders, other than at meetings in connection with any amendments to the investment restrictions, an amendment or variation in the share terms or rights, a change in the Manager, in limited circumstances under the ABCA and in accordance with applicable securities laws and the rules and policies of the TSX-V or the TSX, as applicable or any acquisition or disposition by the Corporation to a Non-Arm's Length Party (as defined under the rules and policies of the TSX-V) or a related party, for which the approval of the holders of the Shares is required by the TSX-V pursuant to its policies or rules, in effect from time to time (any one of the foregoing a "**Shareholder Matter**"). For greater certainty, holders of the Shares are not entitled to vote for among other things, the election of directors and the appointment of auditors.

At any meetings of holders of Shares, or a class thereof, with respect to a Shareholder Matter, holders of Shares shall have one vote for each Share held. The holders of Class A Non-Voting Shares and Class B Non-Voting Shares shall be given notice of all meetings of shareholders at least 21 days in advance of such meetings and shall be permitted to attend, in person or by proxy, and to speak at all meetings of shareholders to the extent that a holder of Voting Shares would be entitled to attend, speak and vote at meetings of shareholders.

The Corporation intends to declare quarterly cash distributions by way of dividends to holders of Class A Non-Voting Shares of record on the last business day of each quarter. However, there is no assurance that the Corporation will be able to declare any dividends in any period or at all. Declared dividends, if any, will be paid by the end of the month following the quarter in which they are declared. Notwithstanding the above, the Corporation has the right to determine the applicable record date that is other than the last business day of each quarter as it deems advisable. **Distribution for Class A Non-Voting Shares issued under this prospectus for quarter ended June 30, 2017, and any later quarter during which a closing of the Offering occurs, will be pro-rated based on date of closing of this Offering.**

The Manager will use its best efforts to achieve the targeted yields set forth below, however, no assurance is given that the Corporation will achieve such yield. If the Corporation's annual return is less than the amount necessary to fund dividends, the Corporation may not pay the full distribution amounts to shareholders as set forth in the articles of the Corporation or at all.

The Class A Non-Voting Shares rank in preference to the Class B Non-Voting Shares and Voting Shares with respect to the payment of distributions by way of dividends and the repayment of capital on the dissolution, liquidation or winding up of the Corporation.

The Class A Non-Voting Shareholders are entitled to receive as and when declared by the directors of the Corporation initial preferential non-cumulative dividends at rate of up to, but not exceeding 8% per annum calculated on the Offering price of \$10.00 per Class A Non-Voting Share payable in one or more installments.

The Class B Non-Voting Shares shall not be entitled to receive dividends in any period unless and until the maximum amount of the above-noted dividends have been paid or declared and set apart for payment to the Class A Non-Voting Shareholders, following which holders of Class B Non-Voting Shares may receive in preference and priority to any further dividends on the Class A Non-Voting Shares and Voting Shares, initial non-cumulative dividends at a rate of up

to, but not exceeding 8% per annum on the initial issue price of \$10.00 per Class B Non-Voting Shares, payable in one or more installments.

The holders of Voting Shares are entitled to receive initial dividends as and when declared by the board of directors of the Corporation subject to the preference and priority rights of the Class A Non-Voting Shares and Class B Non-Voting Shares, described above at a rate of up to, but not exceeding 8% per annum on the initial issue price of \$10.00 per Voting Share, payable in one or more installments.

In each financial year, after the maximum amounts as stated above in respect of Class A Non-Voting Shares, Class B Non-Voting Shares and Voting Shares have been paid or declared and set apart for payment, the holders of Class B Non-Voting Shares shall, in the discretion of the board of directors of the Corporation and in preference and priority to any further distributions on the Class A Non-Voting Shares or on the Voting Shares, be entitled to an additional Class B non-cumulative dividend at the rate of up to, but not to exceed 8% per annum calculated in the initial issue price of \$10 per Share.

In each financial year of the Corporation, after the maximum amount of the dividends provided for above have been paid or declared and set apart for payment, any and all further dividends declared in such year shall be declared and paid in equal amounts per share on all the Voting Shares, Class A Non-Voting Shares and Class B Non-Voting Shares without preference or distinction.

The Articles of the Corporation provide that the directors may not declare dividends, make a return of capital or otherwise make a distribution on (a) the Class B Non-Voting Shares, Voting Shares or any other class of shares of the Corporation ranking junior to the Class A Non-Voting Shares if following such declaration of dividends, return of capital or distribution the Corporation will be unable to redeem all of the outstanding Class A Non-Voting Shares or (b) the Voting Shares or any other class of shares of the Corporation ranking junior to the Class B Non-Voting Shares if following such declaration of dividends, return of capital or distribution the Corporation will be unable to redeem all of the outstanding Class B Non-Voting Shares.

In the event of any liquidation, dissolution or winding-up of the Corporation or other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs:

- (a) the holders of Class A Non-Voting Shares are entitled, in preference to the rights of holders of the Voting Shares, Class B Non-Voting Shares and any shares of a class ranking junior to the Class A Non-Voting Shares, but subject to the rights of holders of any class of shares ranking senior to the Class B Non-Voting Shares, to be paid out of the assets of the Corporation available for distribution to holders of the Corporation's capital stock, for each Class A Non-Voting Share, \$10 together with all declared but unpaid dividends on each Class A Non-Voting Share; and
- (b) the holders of Class B Non-Voting Shares are entitled in preference to the rights of holders of Voting Shares and any other shares of a class ranking junior to the Class B Non-Voting Shares, but subject to the rights of the holders of the Class A Non-Voting Shares to receive the payment described in clause (a) above and the rights of any other class of shares ranking senior to the Class B Non-Voting Shares, to be paid out of the assets of the Corporation available for distribution to holders of the Corporation's capital stock, for each Class B Non-Voting Share, an amount equal to \$10, together with all declared but unpaid dividends on each Class B Non-Voting Share.
- (c) after the payments referred to above in clauses (a) and (b) have been made in full to the holders of Class A Non-Voting Shares and Class B Non-Voting Shares, or funds necessary for such payments have been set aside by the Corporation in trust for the exclusive benefit of holders of Class A Non-Voting Shares and Class B Non-Voting Shares so as to be available for such payments, the holders of Voting Shares are entitled to receive, subject to the rights of the holders of Class A Non-Voting Shares and Class B Non-Voting Shares to receive the payments described above and the rights of any other class of shares ranking senior to the Voting Shares, to be paid out of the assets of the Corporation available for distribution to holders of the Corporation's capital stock, for each Voting Share, an amount equal to \$10, together with all declared but unpaid dividends on each Voting Share.

After the payments referred to above have been made in full to the holders of Class A Non-Voting Shares, Class B Non-Voting Shares and Voting Shares, or funds necessary for such payments have been set aside by the Corporation in trust

for the exclusive benefit of such holders of Class A Non-Voting Shares, Class B Non-Voting Shares and Voting Shares so as to be available for such payments, any assets remaining available for distribution shall be distributed equally, share for share, to the holders of the Voting Shares, Class A Non-Voting Shares and the Class B Non-Voting Shares, without preference or distinction.

The Corporation intends to maintain a ratio of not more than three Class A Non-Voting Shares for each Class B Non-Voting Share outstanding.

The percentage of the aggregate voting rights attached to the Corporation's securities that will be represented by the Class A Non-Voting Shares after the closing of the Offering is nil. The Class A Non-Voting Shares are "restricted securities" within the meaning of such term under applicable Canadian securities laws. In accordance with the requirements of section 12.1 of NI 41-101, the Class A Non-Voting Shares have been referred to in this prospectus using a term or a defined term that includes the appropriate restricted security term. **The Corporation has complied with the requirements of Section 12.3 of NI 41-101 in obtaining approval from a majority of disinterested Class A Non-Voting Shareholders and Class B Non-Voting Shareholders, voting separately by class, in its special meeting of Class A Non-Voting Shareholders and Class B Non-Voting Shareholders held on December 8, 2016.**

Restrictions on Ownership

No shareholder of the Corporation is permitted, together with related persons, at any time to hold more than 25% of any class of the issued shares of the Corporation.

In the event that (i) the exercise by any Shareholder of an annual redemption right associated with Class A Non-Voting Shares or Class B Non-Voting Shares, as applicable, or (ii) as determined by the Board in its sole discretion, any other transaction affecting the Shares (each a "**Triggering Transaction**"), if completed, would cause any Shareholder(s) (each an "**Automatic Repurchase Shareholder**"), together with Related Persons, to hold more than 25% of any class of the issued Shares of the Corporation, that portion of the Shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the issued shares of any class of Shares (the "**Repurchased Shares**") will, simultaneously with the completion of a Triggering Transaction, automatically be repurchased and cancelled by the Corporation (an "**Automatic Repurchase**") without any further action by the Corporation or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to the Annual Redemption Price, as applicable, on the date of the Triggering Transaction. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder within 60 days of the Automatic Repurchase.

Purchase for Cancellation

Subject to applicable law, the Corporation may at any time or times purchase Shares for cancellation at a price per share not exceeding the applicable NAV per Share calculated on the business day immediately prior to such purchase.

Amendments

Amendments to the terms of the Class A Non-Voting Shares, Class B Non-Voting Shares or Voting Shares must be approved by the applicable shareholders of the Corporation in accordance with applicable laws.

Termination of the Corporation

The Corporation does not have a fixed termination date but may be terminated at any time with the approval of its shareholders of each class in certain circumstances and shall provide notice to shareholders of such wind-up, each in accordance with applicable law. In addition, if the Manager believes that it is no longer economically practical to continue the Corporation or that it would be in the best interests of the Corporation's shareholders to wind-up the affairs of the Corporation, the Manager may, with the approval of each class of its shareholders, initiate a winding-up of the Corporation. Upon termination of the Corporation, the net assets of the Corporation will be distributed to the shareholders of the Corporation in accordance with its articles. Prior to the date fixed for the termination of the Corporation (the "**Corporation End Date**"), the Manager will, to the extent practicable, convert the assets of the Corporation to cash. The Corporation shall advise shareholders by press release or written notice of the Corporation End Date upon not less than ten business days' prior written notice to shareholders. The Corporation will be dissolved following the distribution of its net assets to the shareholders.

REDEMPTION OF SHARES

Annual Redemptions

Subject to the restrictions set forth under "**Redemption of Shares – Limitation and Suspension of Redemptions**" below, Class A Non-Voting Shares may be redeemed on the last business day in October of each year (each, an "**Annual Redemption Date**") at a redemption price per Class A Non-Voting Share equal to 95% of NAV per Share less any costs associated with such redemption. Class B Non-Voting Shares may be redeemed on an Annual Redemption Date at a redemption price per Class B Non-Voting Share equal to (a) 100% of NAV per Share if the Class B Non-Voting Shares are not listed for trading on the TSX-V or such other recognized stock exchange in Canada or (b) 95% of NAV per Share if the Class B Non-Voting Shares are listed for trading on the TSX-V or such other recognized stock exchange in Canada, in each case less any costs associated with such redemption. See "**Calculation of Net Asset Value**". Class A Non-Voting Shares must be surrendered for annual redemption to the Corporation's registrar and transfer agent by no later than 4:00 p.m. (Calgary time) on October 1st of such year or the immediately preceding business day, in the event that October 1st is not a business day. Payment of the proceeds of redemption will be made on or before the last business day of the month following the Annual Redemption Date.

Exercise of Redemption Privileges

The redemption right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner described under "**Redemption of Shares – Book-Entry Only System**". Such exercise will be irrevocable upon the delivery of notice to CDS through a Participant.

Limitation and Suspension of Redemptions

The Corporation shall not be required to accept for redemption in the same calendar year Class A Non-Voting Shares or Class B Non-Voting Shares representing more than 15% of the average number of such Shares outstanding for the 180-day period immediately preceding the Annual Redemption Date (the "**Threshold**"). In the event that the number of Shares tendered for redemption in respect of an Annual Redemption Date exceeds the Threshold and the board of directors of the Corporation determined not to redeem shares in excess of the Threshold, the Corporation shall redeem such Class A Non-Voting Shares or Class B Non-Voting Shares, as applicable tendered for redemption and not withdrawn or revoked, on a *pro rata* basis.

The directors of the Corporation may, in their sole discretion, redeem Class A Non-Voting Shares and Class B Non-Voting Shares in excess of the Threshold on one or more Annual Redemption Dates.

If the redemption by the Corporation of all Shares surrendered for redemption in any period would be contrary to applicable law, the Corporation will redeem only the maximum number of Shares (rounded to the next lower multiple of 1,000 Shares) which it is then permitted to redeem on a *pro rata* basis.

In addition, for any period not exceeding 120 days during which the Corporation or Manager determines that conditions exist which render impractical the sale of Mortgages comprising the Portfolio or which impair the ability of the Manager to determine the value of the assets of the Corporation or the Portfolio, the Corporation may suspend redemptions of Shares. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All holders of Shares making such requests shall be advised by the Corporation or the Manager of the suspension and that the redemption will be effected at a price determined on the first Annual Redemption Date, following the termination of the suspension or such other date as the Manager may determine upon the conditions giving rise to such suspension having ceased to exist or no longer being applicable. All such holders of Shares shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with the rules and regulations promulgated by any governmental body having jurisdiction over the Corporation, any declaration of suspension made by the Corporation or the Manager shall be conclusive.

Dividend Reinvestment Plan

The Corporation implemented a dividend reinvestment plan (the "DRIP") effective June 9, 2016. Registered Shareholders who are residents of Canada may elect to participate in the DRIP. Participation in the DRIP is optional and will not affect shareholders' cash dividends unless they elect to participate in the DRIP. Quarterly dividends are only payable as and when declared by the Corporation's Board of Directors and there is no entitlement to any dividend prior thereto. The DRIP allows shareholders to reinvest their cash dividends into additional Class A Non-Voting Shares which will either be issued from treasury at a fixed value of \$10.00 per Class A Non-Voting Share or purchased in the open market. No more than an aggregate of 10% of the current issued and outstanding Class A Non-Voting Shares of the Corporation may be issued from treasury pursuant to the DRIP without public disclosure and the approval of the Board of Directors of the Corporation and the TSX-V. No commissions, service charges or brokerage fees are payable by shareholders who elect to participate in the DRIP. Participation in the DRIP does not relieve shareholders of any liability for taxes that may be payable in respect of dividends that are reinvested in Class A Non-Voting Shares under the DRIP. A complete copy of the DRIP is available on SEDAR at www.sedar.com and on the Corporation's website at www.builderscapital.ca.

CONSOLIDATED CAPITALIZATION

The Corporation is authorized to issue an unlimited number of Class A Non-Voting Shares and Class B Non-Voting Shares and 1,000 Voting Shares. The share and loan capitalization of the Corporation as at the date of this prospectus is set forth in the table below.

| Description of Security | Number/ Amount Authorized | Outstanding as at the Date of this Prospectus | Outstanding Assuming Subscription of 50,000 Class A Non-Voting Shares ⁽¹⁾ | Outstanding Assuming Subscription of 750,000 Class A Non-Voting Shares ⁽¹⁾ | Outstanding Assuming Maximum Offering ⁽¹⁾ |
|---------------------------|---------------------------|---|--|---|--|
| Class A Non-Voting Shares | Unlimited | \$14,002,950 ⁽²⁾ (1,400,295 shares) | \$14,502,950 (1,450,295 shares) | \$21,502,950 (2,150,295 shares) | \$29,002,950 (2,900,295 shares) |
| Class B Non-Voting Shares | Unlimited | \$9,745,760 ⁽³⁾ (974,576 shares) | \$9,745,760 (974,576 shares) | \$9,745,760 (974,576 shares) | \$9,745,760 (974,576 shares) |
| Voting Shares | 1,000 | \$1,000 (100 shares) | \$1,000 (100 shares) | \$1,000 (100 shares) | \$1,000 (100 shares) |
| Credit Facilities | \$3,500,000 | \$3,233,122 | \$3,088,122 | \$2,408,122 | \$1,283,122 |

Note:

- (1) Prior to taking into effect the Agent's fees and other financing expenses of the Offering.
- (2) Financing costs as of December 31, 2016 totaled \$1,685,367 for the Class A Non-Voting Shares.
- (3) Financing costs as of December 31, 2016 totaled \$17,507 for the Class B Non-Voting Shares.

PRIOR SALES

The following table sets forth sales of security of the Corporation in the last twelve months:

| Date of Issuance | Type of Security Issued | Number of Securities Issued | Price per Security | Total Funds Received |
|-------------------------|--------------------------------|------------------------------------|---------------------------|-----------------------------|
| September 15, 2016 | Class A Non-Voting Shares | 32,400 ¹ | \$10.00 | \$324,000 |

Note:

- (1) Issued pursuant to a private placement.

PRICE HISTORY

The Class A Non-Voting Shares are listed on the TSX-V under the trading symbol "BCF". The following table sets out the high and low daily closing prices and the volumes of trading of Class A Non-Voting Shares for the relevant periods as reported by the TSX-V:

| Period: | Price Range | | Volume |
|------------------|--------------------|-----------------|---------------|
| | High (\$) | Low (\$) | |
| May 1 - 23, 2017 | 9.93 | 9.50 | 16,474 |
| April 2017 | 9.95 | 9.84 | 7,710 |
| March 2017 | 9.95 | 9.90 | 13,455 |
| February 2017 | 9.94 | 9.55 | 7,583 |
| January 2017 | 9.91 | 9.50 | 8,165 |
| December 2016 | 9.90 | 9.67 | 2,645 |
| November 2016 | 9.92 | 9.41 | 14,467 |
| October 2016 | 9.75 | 9.40 | 8,800 |
| September 2016 | 9.75 | 9.35 | 7,350 |
| August 2016 | 9.72 | 9.22 | 8,750 |
| July, 2016 | 9.74 | 9.11 | 10,122 |
| June 2016 | 9.61 | 9.05 | 4,100 |
| May 2016 | 9.85 | 9.10 | 8,740 |
| April 2016 | 9.42 | 8.75 | 18,750 |
| March 2016 | 9.60 | 9.31 | 7,930 |
| February 2016 | 9.85 | 9.30 | 21,280 |

| Period: | Price Range | | Volume |
|---------------|-------------|----------|--------|
| | High (\$) | Low (\$) | |
| January 2016 | 9.60 | 9.41 | 22,068 |
| December 2015 | 10.00 | 8.36 | 22,480 |
| November 2015 | 9.60 | 9.48 | 7,510 |
| October 2015 | 9.60 | 9.28 | 7,900 |

The closing price of the Class A Non-Voting Shares on the TSX-V on May 23, 2017 (as reported by the TSX-V), being the last trading day the Class A Non-Voting Shares traded prior to the date of this prospectus was \$9.81.

PRINCIPAL SHAREHOLDERS

The Principal Shareholders are Messrs. Sandy Loutitt, John Strangway, Brent Walter, David Pinkman and John Drummond as each owns beneficially and of record 20% of the issued and outstanding Voting Shares of the Corporation. The following tables set out information about each of the holders and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of shares. To the knowledge of the Corporation, no other person holds more than 10% of the Voting Shares except as disclosed below:

| Name and municipality of principal residence | Position held and date of obtaining that position ⁽¹⁾ | Number, type and percentage of securities of the Corporation held | Number, type and percentage of securities of the Corporation held after the completion of the Maximum Offering |
|--|--|--|--|
| Sandy L. Loutitt Calgary, Alberta | Director March 28, 2013 | 20 Voting Shares (20%) 16,795 Class A Non-Voting Shares (1.2%) 211,240 Class B Non-Voting Shares (21.7%) | 20 Voting (20%) 16,795 Class A (<1%) 211,240 Class B (21.7%) |
| John Strangway Abbotsford, British Columbia | Director March 28, 2013 | 20 Voting (20%) 550 Class A (<1%) | 20 Voting (20%) 550 Class A (<1%) |
| Brent J. Walter Calgary, Alberta | Director March 28, 2013 | 20 Voting (20%) 13,850 Class A (1.0%) 121,200 Class B (12.4%) | 20 Voting (20%) 13,850 Class A (<1%) 121,200 Class B (12.4%) |
| John A. Drummond Calgary, Alberta | Director March 28, 2013 | 20 Voting (20%) 10,000 Class A (<1%) 6,050 Class B (<1%) | 20 Voting (20%) 10,000 Class A (<1%) 6,050 Class B (<1%) |
| David E.T. Pinkman Calgary, Alberta | Director March 28, 2013 | 20 Voting (20%) 63,320 Class B (6.5%) | 20 Voting (20%) 63,320 Class B (6.5%) |

Note:

1. Each of the above persons has held these positions since the establishment of the Corporation.

All of the Voting Shares of the Corporation to be held by the Principal Shareholders are subject to a unanimous shareholders' agreement (the "**Voting Share Unanimous Shareholders Agreement**") dated December 10, 2013 among the Principal Voting Shareholders. Under the Voting Share Unanimous Shareholders Agreement, none of the Voting Shares of the Corporation may be disposed of or dealt with in any manner except in accordance with the terms thereof.

Messrs. Sandy Loutitt and John Strangway are considered to be associates of each other in accordance with applicable Canadian securities law as each are shareholders, directors and officers of the Manager.

ORGANIZATION AND MANAGEMENT DETAILS OF THE CORPORATION AND THE MANAGER

Directors and Management

The Articles of Incorporation of the Corporation provide that the Corporation will have a minimum of three and maximum of eleven directors. The Articles of the Corporation also provide that the directors may appoint from time to time one or more directors within the limits provided in the ABCA. The Corporation currently has six directors, a majority of whom are independent (within the meaning of applicable securities laws). The directors of the Corporation have a broad background of investment and real estate experience. See "**Organization and Management Details of the Corporation – Directors and Management – Biographies**".

The following table sets forth the name, municipality of residence, position as it relates to the Corporation, and principal occupation of each of the directors and executive officers of the Corporation and the Manager.

| Name and Municipality of Principal Residence | Office Held | Date appointed as Director or Officer ⁽⁴⁾ | Principal Occupation |
|--|--|--|---|
| Sandy L. Loutitt ⁽¹⁾ Calgary, Alberta | Director, President and CEO of the Corporation Director and CEO of the Manager | March 28, 2013 January 27, 2011 | President, CEO and director of (a) BCL since 2014; and (b) the Manager since January 2011; and (c) Red Rock Energy Inc. (TSX-V) (" Red Rock ") from April 2005 to May 2017. |
| John Strangway Abbotsford, British Columbia | Director and CFO of the Corporation Director, Chief Compliance Officer and CFO of the Manager | March 28, 2013 January 27, 2011 | CFO of BCL and the Manager since 2014; prior thereto Chartered Accountant (self- employed) from 1995 to January 2011. |
| Brent J. Walter ⁽²⁾ Calgary, Alberta | Director of the Corporation | March 28, 2013 | Lawyer, ProVenture Law LLP since 2004. |
| David E.T. Pinkman ⁽²⁾⁽³⁾ Calgary, Alberta | Director of the Corporation | March 28, 2013 | CEO, CFO and director of International Softrock Oil Company Limited (" Softrock "), (TSX-V) since January 2013. CFO and director of SynStream Energy Corp. (" SynStream "), (TSX-V) since May 2007; prior thereto CFO and director of PanWestern Energy Inc. (now Valeura Energy Corp.) from November 2001 to April 2010 (TSX-V). |
| John A. Drummond ⁽²⁾⁽³⁾ Calgary, Alberta | Director of the Corporation | March 28, 2013 | President of Drummond Financial Services Ltd. since January 2006. |
| Victor Harwardt ⁽²⁾⁽³⁾ Vancouver, BC | Director of the Corporation | March 11, 2014 | Lawyer, Salley, Bowes Harwardt Law Corp. since 1995 |

Notes:

- (1) Chair of the Board.
- (2) Independent director of the Board.
- (3) Member of the Audit Committee. Mr. Drummond is the Chair of the Audit Committee.
- (4) Each person elected as a director of the Corporation or the Manager, as applicable, will hold office until the close of the next annual meeting of the shareholders or until his successor is duly elected or appointed or his office is earlier vacated in accordance with the ABCA and the articles and by-laws of the Corporation or Manager as applicable.

As at the date hereof, the directors and executive officers of the Corporation as a group beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 100 Voting Shares of the Corporation (representing 100% of the outstanding voting securities) and 120 class D voting shares of the Manager (representing 100% of the outstanding voting securities of the Manager). See also "**Organization and Management Details of the Corporation – Conflicts of Interest**".

Biographies

The following are biographies of the directors and executive officers of the Corporation and the Manager, as applicable:

Sandy L. Loutitt – Mr. Sandy Loutitt is the founder of the various organizations under the "Builders Capital" name and the President and CEO of BCL, the Corporation and the Manager. Mr. Loutitt serves on the board of directors of BCL, the Corporation and the Manager. He is a licensed Mortgage broker and has been actively involved in construction financing for over 10 years. Mr. Loutitt is an active member of the Alberta Mortgage Brokers Association. He was also President and CEO of Red Rock, a TSX-V listed resource company from April 2005 to May 2017 and continues to be a director of Red Rock. He received a Bachelor of Arts degree in Economics from the University of British Columbia in 1996. His previous experience includes ownership and operation of a design/build construction company for 15 years. Mr. Loutitt is 48 years old.

John Strangway – Mr. John Strangway is the CFO for various organizations under the "Builders Capital" name, including BCL and the Manager and is responsible for overseeing reporting and compliance issues. He has an extensive background in public practice and also serves as the chief compliance officer for the Manager. He is a member of the board of directors of BCL, the Corporation and the Manager. Mr. Strangway received his Bachelor of Commerce degree from the University of British Columbia in 1990 and obtained his Chartered Accountant designation from the Institute of Chartered Accountants of British Columbia in 1993. Mr. Strangway is 48 years old.

Brent J. Walter – Mr. Brent Walter is a partner with the firm ProVenture Law LLP in Calgary, Alberta, and practices primarily in the areas of securities and corporate/commercial law. Mr. Walter served as a director and officer of Red Rock from April 2005 to May 2017 and is currently a director of one publicly listed company and a number of private corporations. Mr. Walter received a J.D. degree from the University of Saskatchewan in 1990. Mr. Brent Walter is a member of the Law Societies of Alberta (active) and Saskatchewan (inactive). Mr. Walter is 51 years old.

David E. T. Pinkman – Mr. Pinkman has been the CFO and a director of SynStream (formerly Saccharum Energy Ltd.), a junior oil and gas exploration company (TSX-V) since its inception in May 2007. He was appointed CEO, CFO and a director of Softrock (formerly SFR Energy Ltd.) in January 2013. In April 2013, Softrock became a reporting issuer upon its completion of its initial public offering on the TSX-V as a capital pool company. He has been a director of Red Rock (TSX-V) since April 2005. Previously, he was the CFO and a director of PanWestern Energy Inc. (now Valeura Energy Corp.), a junior oil and gas company from November 2001 to April 2010 (TSX-V). He was also President and a director of Explorator Resources Inc., a capital pool company from September 2005 to January 2007. Prior to that, he was Vice President and a director of Powermax Energy Inc., an oil and gas issuer (TSX-V), from November 2001 until September 2005. He has also served on the board of directors of Renewable Energy Inc., (TSX-V) and Renewable Power & Light Plc., an AIM-listed independent power production company. From 1991 to 2000, Mr. Pinkman was also a partner practicing primarily in the fields of corporate and securities law with the firm of Pinkman, McArdle Barristers and Solicitors. He received a Bachelor of Arts degree from the University of Calgary in 1980, an LL.B. degree from the

University of British Columbia in 1984, and became a member of the Law Society of Alberta in 1985 (currently inactive). Mr. Pinkman is 59 years old.

John A. Drummond – Mr. John Drummond is the 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. From 2003 to 2005, Mr. Drummond was appointed counsel at Gowling Lafleur Henderson LLP. In private practice for 28 years, Mr. Drummond was Chair of the Foreclosure Subsection of the Canadian Bar Association in Calgary and specialized in litigation relating to interests in land. Mr. Drummond is 65 years old.

Victor P. Harwardt – Victor P. Harwardt received a Bachelor of Arts degree from the University of Calgary and, in 1982, a Bachelor of Laws degree from the University of British Columbia. He was admitted to the Law Society of British Columbia in 1984. Mr. Harwardt's preferred areas of practice are securities, corporate finance and corporate and commercial law. He represents companies in the natural resource and technology sectors and assists them 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 has served as a director or senior officer of a number of publicly listed companies. He is Past President and sits on the advisory board of the British Columbia Housing Foundation, a non-profit society which provides affordable housing in Vancouver for low income seniors. Mr. Harwardt is 59 years old.

Cease Trade Orders and Bankruptcies

No director, officer or controlling shareholder of the Corporation has or is, within the past ten years, been a director or chief executive officer or chief financial officer of any other issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions under Canadian securities legislation for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exception under Canadian securities legislation, for a period of more than 30 consecutive days; or
- (c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets,

except that: (a) Mr. David Pinkman is a director of Softrock which recently was cease traded by the TSX-V on May 9, 2017 for failure to file annual financials. Softrock is in the process of having the audit completed on its financial statements and anticipates all required documents will be filed before the expiry of the 30-day period with respect to this cease trade order; (b) Mr. Pinkman, was a director of SynStream since September 2007, which corporation was cease traded by the TSX-V on April 1, 2010 for failure to complete its qualifying transaction. The qualifying transaction was subsequently completed and the cease trade order was lifted on July 2, 2010; (c) Mr. Pinkman, was the chief financial officer and director of International Sasha Corp. from November 2004 to April 2010, which corporation's shares were halted and suspended by the TSX-V for failure to complete its qualifying transaction within the prescribed time period. The qualifying transaction was subsequently completed and the halt was lifted and the resulting corporation subsequently resumed trading under the name PanWestern Energy Inc. (now known as Valeura Energy Corp.); (d) Mr. Walter was a director of Mystique Energy, Inc., a corporation which filed a petition under the *Companies' Creditors Arrangement Act* (Canada) on April 23, 2007, seeking an arrangement with certain of its creditors. Mr. Walter resigned as a director on or about May 21, 2009. The CCAA process was completed by way of an Order of the Court of Queen's Bench of Alberta, Judicial District of Calgary (the "**Court**"), on October 29, 2009; (e) Mr. Walter was a director of Fair Sky Resources Inc. until shortly before a receivership order was granted by the Court on December 7, 2007; and (f) Mr. Walter was a director of Maskal Energy Ltd. until December 2009, which corporation has been cease traded by the securities commissions of Alberta and British Columbia since on or about June 4, 2008 for failure to file interim financial disclosure.

Committees of the Corporation

Audit Committee

The Board has established an audit committee comprised of three directors, being Messers. Pinkman, Drummond and Harwardt, each of whom is independent (within the meaning of applicable securities laws). The Corporation currently has four independent directors. The audit committee assists the directors of the Corporation in fulfilling their responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures of the Corporation and the quality and integrity of financial statements of the Corporation. In addition, the audit committee is responsible for compliance with legal and regulatory matters directing the auditors' examination of specific areas and for the selection of independent auditors appointed by the Manager. See "**Audit Committee**".

Manager and Portfolio Advisor of the Corporation

Builders Capital Management Corp., being the manager to and portfolio advisor of the Corporation, was incorporated under the ABCA on January 27, 2011. Mr. Sandy Loutitt is principally responsible for making investment decisions on behalf of the Corporation in his capacity as investment advisor with the Manager. The head office and principal business address of the Manager is located at Suite 405, 1210 - 8th Street SW, Calgary, Alberta. The registered office of the Manager is Suite 310, 525 - 11 Avenue SW. The Manager is principally owned, directly or indirectly, by Sandy Loutitt and John Strangway, each of whom are directors of the Corporation and the Manager.

Role of the Manager and Details of the Management Services Agreement

The following is a summary of the Management Services Agreement and is qualified in its entirety by reference to the Management Services Agreement.

Pursuant to the terms of the Management Services Agreement, the Manager has been appointed as the portfolio adviser and manager of the affairs of the Corporation and as such, is responsible for making investment decisions of the Corporation in accordance with its investment objective, strategies and restrictions and for arranging for the execution of all Portfolio transactions. See "**Development and History of the Business - Investment Objective**" and "**Development and History of the Business - Investment Strategies**". In such capacity, the Manager is responsible for the day-to-day activities of the Corporation (including in connection with the Mortgages) and, as applicable, any subsidiary entity of the Corporation from time to time. The services provided by the Manager under the terms of the agreement include, without limitation: (i) managing the businesses, operations and affairs of the Corporation, including its investments, (ii) seeking out and evaluating investment opportunities for the Corporation, (iii) appointing, supervising and removing service providers for the Corporation as the Manager sees fit, (iv) attending meetings of the board of directors of the Corporation, (v) carrying out all capital markets responsibilities, such as securities offerings, (vi) preparing or causing to be prepared the requisite continuous disclosure documents of the Corporation, (vii) determining the NAV and the NAV per Share, (viii) actively and regularly evaluating the Portfolio in the context of the investment objective of the Corporation and for compliance with the Asset Allocation Model and the Corporation's investment restrictions and monitoring regularly on an ongoing basis the Corporation's compliance with applicable laws and regulatory requirements, and with the requirements under the Tax Act to qualify as a "mortgage investment corporation" thereunder, (ix) maintaining proper books, accounts and records of the Corporation and its Portfolio, (x) providing employees having the requisite experience and skill to perform the obligations of the Manager under the Management Services Agreement, and (xi) doing all such other acts or things as may be necessary or ancillary to the performance of the Manager's obligations and entering into agreements or documents on behalf of the Corporation to seek to achieve the investment objective of the Corporation or as the Corporation may from time to time reasonably request. In carrying out its obligations under the Management Services Agreement, the Manager is required to exercise its powers and discharge its duties diligently, honestly and in good faith and in the best interests of the Corporation, including without limitation exercising the standard of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. The Manager has undertaken not to, or omit to, do or take any actions, proceeding or thing that would cause or result in the Corporation ceasing to qualify as a MIC.

The Management Services Agreement also provides for the Manager to deliver to the Corporation, without limitation, the additional following services: (i) to seek out and evaluate opportunities for investments by the Corporation in Mortgages and refer to the Corporation any Mortgage investment opportunity it directly or indirectly sources that may meet the investment restrictions and the Asset Allocation Model with the goal of achieving the investment objective of the Corporation; (ii) the ongoing evaluation and, as required, adjustment of the Asset Allocation Model; and (iii) as

required to perform its obligations, engage the services of third parties registered under the *Real Estate Act* (Alberta) and other similar legislation in jurisdictions of Canada where the Corporation carries on business.

The Manager will continue as manager until the dissolution of the Corporation unless: (i) the Manager resigns by written notice to the Corporation upon not less than 120 days' notice to the Corporation, (ii) the Manager is removed by written notice given by the Corporation following the occurrence of certain specified events of default (as described below), (iii) Manager is removed by written notice given by the Corporation only if the Manager is in material breach or default of the agreement and, if capable of being cured, any such breach or default has not been cured within 30 days of notice of such breach or default to the Manager; (iv) termination by mutual agreement of the Corporation and the Manager; (v) the Manager elects to resign if the Corporation is in breach or default of the provisions of the Management Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days of notice of such breach or default to the Corporation; and (vi) the holders of Class A Non-Voting Shares and holders of Class B Non-Voting Shares approve by extraordinary resolution, to remove the Manager as manager of the Corporation and appoint a successor manager. The following comprise an event of default under the Management Services Agreement: (i) the bankruptcy or insolvency of the Manager, or if the Manager either voluntarily or under an order of a court of competent jurisdiction makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency; (ii) the Manager's willful misconduct, bad faith, negligence or breach of its standard of care owed under the Management Services Agreement, which in the case of negligence which is capable of being cured, is not cured within 30 days following written notice to the Manager from the Corporation specifying in reasonable detail the nature of such negligence; or (iii) the Manager no longer holds the licenses, registrations or other authorizations necessary to carry out its obligations under the Management Services Agreement and is unable to obtain them within a reasonable period after their loss.

The Management Services Agreement contains indemnification provisions whereby the Corporation indemnifies the Manager against any loss, expense, damage or injury suffered in the scope of its authority under the agreement, provided the same does not result from willful misconduct, bad faith, negligence or breach of its standard of care owed under the agreement or breach or default of its obligations under the agreement. In addition, under the Management Services Agreement, the Manager indemnifies the Corporation against any loss, expense, damage or injury suffered as a result of the Manager's willful misconduct, bad faith, negligence or breach of its standard of care owed under the agreement or breach or default of its obligations under the agreement.

For its services, the Manager will be paid the Management Fee described under "**Fees and Expenses – Management Fees and Operating Expenses**". Pursuant to the terms of the Management Services Agreement, the Manager will bear all costs and expenses incurred by the Manager in connection with (a) salaries, wages and other employee expenses of the Manager; (b) expenses and fees payable to any investment advisor(s) for services rendered to the Corporation; (c) rent for space used by the Manager and other expenses customarily considered to be overhead expenses; and (d) all costs and fees associated with obtaining, maintaining and complying with licensing requirements of the *Real Estate Act* (Alberta) and other similar legislation in jurisdictions of Canada where the Corporation carries on business.

The management services to be provided by the Manager under the Management Services Agreement are to be provided on a non-exclusive basis to the Corporation, and accordingly, there are no restrictions on the Manager from providing similar management services to other entities, including investment funds or from engaging in other activities in the future (whether or not their investment objectives, strategies and policies are similar to those of the Corporation). Pursuant to the Management Services Agreement, the Corporation has agreed that the Manager will allocate opportunities for Mortgage investment among the Corporation and the Manager's other clients and managed accounts in accordance with the Manager's investment allocation policy provided that the Manager is carrying out its duties in an honest and diligent manner, in good faith and in the best interests of the Corporation. See "**Risk Factors – Fair Allocation**".

Messrs. Sandy Loutitt and John Strangway, each directors and officers of the Corporation and the Manager will act as portfolio advisors pursuant to the terms of the Management Services Agreement.

The Manager will carry out any regulated activities through duly licensed third parties in accordance with applicable legislation and will perform such activities directly as it is licensed to perform under the *Real Estate Act* (Alberta).

The Manager has sole discretion in determining which Mortgages and investments it will make available to the Corporation, that may meet the investment objectives of the Corporation and the Asset Allocation Model with the goal of achieving the investment objective of the Corporation.

Mortgage Servicing

The Manager will actively oversee the servicing of all Mortgages in the Portfolio in order to monitor the status of all loans and respond to any potential issues that may arise. The Manager will provide day-to-day administration of individual Mortgages in the Portfolio either directly or in instances where the Corporation is a participant in a syndicated Mortgage, other direct participants in the investment may act as the servicing agent for such investment. The Manager will ensure that the servicing agents appointed to administer an individual Mortgage are licensed in accordance with the requirements of the *Real Estate Act* (Alberta) or other applicable legislation in jurisdictions of Canada where the Corporation carries on business. The Manager's duties are the day-to-day administration of individual Mortgages including, among other things, responsibilities such as the collection of monthly payments, management of property tax and other escrow accounts, regular remittance to the Corporation of interest (and other income) collected, monitoring the status of loans, and regular reporting to the Corporation, as required.

There may be circumstances in which servicing agents or other appropriate entities are registered on title. In such cases, these entities will hold the Mortgages in trust as custodian for the Corporation pursuant to a bare trust arrangement. The Manager will monitor the placement and servicing of all Mortgages.

Directors and Officers of the Manager

Messrs. Sandy Loutitt and John Strangway, each directors of the Corporation and providing services identical or similar to an executive officer to the Corporation, are also directors and/or officers of the Manager. Accordingly, such individuals will be required to comply with the disclosure and other requirements of applicable Canadian securities legislation imposed on insiders of a reporting issuer. These requirements include, but are not limited to, the requirement to file insider reports regarding any purchase, sale or other acquisition or disposition of securities of the Corporation.

Conflicts of Interest

The Manager and its affiliates are engaged in a wide range of investment management, investment advisory and other business activities. The services provided by the Manager under the Management Services Agreement will not be exclusive and nothing in such agreement will prevent the Manager, or any of its affiliates from establishing or providing similar services to other entities, including investment funds and other persons (whether or not their investment objectives, strategies and policies are similar to those of the Corporation) or from engaging in other or competing activities. The Manager's investment decisions for the Corporation will be made independently of those made for other persons and independently of its own investments. On occasion, however, the Manager may decide on the same investment for the Corporation and for one or more of its other clients. If the Corporation and one or more of the other clients of the Manager or its affiliates are engaged in the purchase or sale of the same investment, the transaction will be effected on an equitable basis.

When the Manager presents an investment opportunity to the Corporation, it will provide details of any interest, direct or indirect, or proposed interest that the Manager or any of its affiliates has in such investment.

As a result of the relationships between the Corporation, the Manager and certain of their respective directors and officers, there are potential conflicts of interest that could arise in connection with the Manager acting in those capacities. The securities laws of the Province of Alberta require securities dealers and advisers, when they trade in or advise with respect to their own securities or securities of certain other issuers (including Mortgages) to which they, or certain other parties related to them, are related or connected, to do so only in accordance with particular disclosure and other rules. These rules require dealers and advisers, prior to trading with or advising their customers or clients, to inform them of the relevant relationships and connections with the issuer of the securities.

Promoter

The Manager has taken the initiative in organizing the Corporation and, accordingly, may be considered to be a "promoter" of the Corporation within the meaning of the securities legislation of certain provinces of Canada. The Manager will receive fees from the Corporation and may be entitled to reimbursement of expenses incurred in relation to the Corporation as described under "**Fees and Expenses**". The Manager does not own any Voting Shares, Class A Non-Voting Shares or Class B Non-Voting Shares. However, Sandy Loutitt and John Strangway, the directors, officers and director or indirect shareholders of the Manager, own shares of the Corporation as disclosed in "**Principal Shareholders**".

Auditors

The auditors of the Corporation are MNP LLP. The auditors of the Corporation are independent of the Corporation pursuant to the rules of professional conduct applicable to auditors in the Province of Alberta. The address of MNP LLP is Suite 1500, 640 – 5th Avenue S.W., Calgary, Alberta T2P 3G4. The auditors were appointed on March 28, 2013. MNP LLP is independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

Transfer Agent and Registrar

Pursuant to a transfer agency and registrar agreement dated December 12, 2013, Computershare Trust Company of Canada has been appointed the registrar and transfer agent for the Class A Non-Voting Shares at its principal offices located in Calgary, Alberta and Toronto, Ontario.

Valuation Policies and Procedures of the Corporation

The NAV is the value of the consolidated assets of the Corporation less (a) the consolidated liabilities of the Corporation and (b) the stated capital of the Voting Shares of the Corporation (being \$1,000).

In calculating the NAV:

- (a) the value of any cash, receivables and prepaid expenses, will be carried at face value unless the Manager, or its delegate, deems otherwise;
- (b) Mortgage loans will be stated at fair value. Interest income is recorded on the accrual basis provided that there is no Mortgage Loan Impairment. As the Mortgages comprising the Portfolio do not trade in actively quoted markets, the Manager will estimate fair value based upon: market interest rates, credit spreads for similar loans and the specific creditworthiness and status of an existing borrower. The Manager will consider, but not be limited in considering, the following as part of the creditworthiness and status of a borrower: payment history, value of underlying property securing the loan or Mortgage, overall economic conditions, status of construction or property development (if applicable) and other conditions specific to the underlying property or building;
- (c) the value of short-term investments (treasury bills, money market instruments, or similar) will be the cost of such instrument plus accrued interest up to and including the Valuation Date;
- (d) the value of any other property will be the value determined by the Manager, or its delegate, which most accurately reflects its fair value; and
- (e) all expenses or liabilities will be recorded on an accrual basis.

Net Asset Value per Share

The net asset value per Share (in each case, the "**NAV per Share**") will be the quotient obtained by dividing the NAV of the Corporation by the total number of Class A and Class B Non-Voting Shares issued and outstanding (immediately before any share redemptions and subscriptions) at the close of business on the relevant valuation date.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Corporation's senior management team consists of individuals employed by the Manager. Pursuant to the Management Services Agreement, the Manager directs the affairs and manages the Corporation's business and administers or arranges for the administration of the Corporation's day-to-day operations. The Corporation has no employment agreements with members of senior management and the Corporation does not pay any cash compensation to any individuals serving as the Corporation's officers, directly or indirectly. Rather, those individuals are compensated by the Manager. In consideration for the services provided to the Corporation by the Manager, the Manager is paid a Management Fee equal to 1% per annum of the book value of share capital of the Corporation, calculated daily,

aggregated and paid monthly in arrears, plus applicable taxes and the Manager will be entitled to charge, collect and retain Lender Fees from borrowers. Lender Fees are charged as compensation for services rendered by the Manager in the origination, undertaking and oversight of Mortgages. Generally, the Lender Fees charged to the borrower will equal 3.5% of the approved loan amount. However, there is no assurance that the Lender Fees will be equal to or be greater than 3.5%. In circumstances where Lender Fees are payable, the Corporation will receive an amount equal to 28.6% of the Lender Fee with the remaining portion, being 71.4%, retained by the Manager.

Although certain individuals hold the titles as the Corporation's officers, these officers are employees of the Manager and the board of directors of the Manager has sole responsibility for determining their compensation.

As a result of the Corporation's arrangements with the Manager, the Corporation does not employ any individuals and accordingly, does not require a compensation committee. Instead, the Board, as a whole is, responsible for compensation matters, to the extent applicable.

Compensation of Named Executive Officers of the Corporation

Securities legislation requires the disclosure of the compensation received by each Named Executive Officer of the Corporation for each of the Corporation's two most recently completed financial years. "Named Executive Officer" is defined by securities legislation to mean: (i) the CEO; (ii) the CFO; (iii) each of the three most highly compensated executive officers of the Corporation, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually more than \$150,000 for that financial year; and (iv) each individual who would be a "Named Executive Officer" under paragraph (iii) but for the fact that the individual was neither an executive officer of the Corporation or its subsidiaries, nor acting in similar capacity, at the end of the most recently completed financial year.

In the period from incorporation on March 28, 2013 to the date hereof, the Corporation had two Named Executive Officers, Sandy Loutitt, the President and CEO and director and John Strangway, the CFO and director. None of the Corporation's executive officers, received any compensation directly from the Corporation at any time for their roles as President and CEO and CFO. See "**Executive Compensation – Principal Elements of Compensation**" below.

Principal Elements of Compensation

The compensation of the Named Executive Officers will be paid by the Manager from the Manager's revenues. As a private company, the Manager's process for determining executive compensation is relatively straightforward, involving input from senior management of the company. There is no specific formula for determining the amount of each element of compensation, nor is there a formal approach applied by the Manager for determining how one element of compensation fits into the overall compensation objectives in respect of the activities of the Corporation. Objectives and performance measures may vary from year to year as determined to be appropriate by the Manager.

For 2014, 2015 and 2016, the Manager has determined that the portion of the compensation paid by Manager to Sandy Loutitt for functioning as President and CEO for the Corporation is \$60,000. For 2014, 2015 and 2016, the Manager has determined that the portion of the compensation paid by Manager to John Strangway for functioning as CFO for the Corporation is \$50,000. Sandy Loutitt and John Strangway receive additional compensation from the Manager for services provided in connection with the Manager's other business activities. The Manager derives a portion of its revenues from Lender Fees charged to borrowers of the Corporation as described under "**Fees and Expenses – Management Fees and Operating Expenses.**"

The Board has not specifically considered the implications of the risks associated with the Corporation's compensation policies and practices given that the role of the Board in this regard is limited. Nevertheless, the Board has determined that, generally, processes and controls are in place to mitigate any risks and, overall, such risks are not significant and not reasonably likely to have a material adverse effect on the Corporation. Although the Board has not adopted any policies in this regard, in the event that a Named Executive Officer or director of the Corporation purchases financial instruments that are designed to hedge or offset a decrease in market value of the Corporation's equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officer or director, such purchases must be disclosed in the insider reporting filings of a Named Executive Officer or director.

Remuneration

Remuneration paid by the Manager is intended to provide an appropriate level of compensation that will assist in employee retention and recruitment. Remuneration is determined on an individual basis, taking into consideration the past, current and potential contribution to the success of the Corporation, the position and responsibilities of the Named Executive Officers and competitive industry pay practices for other mortgage investment corporations and corporations of comparable size. Remuneration will also be based on qualitative and quantitative performance standards and will reward performance of the Corporation as a whole or the Named Executive Officer individually. The Manager does not engage compensation consultants or advisors for the purposes of performing benchmarking or apply specific criteria for the selection of comparable Mortgage lending businesses.

Long Term Incentive Plan, Stock Appreciation Rights and Stock Option Grants

The Corporation does not have a long term incentive plan pursuant to which cash or non-cash compensation has been or will be paid or distributed to any Named Executive Officer. The Corporation does not have any stock appreciation rights or incentive plans. The Corporation has not issued any stock options to any Named Executive Officer.

Pension Plan Benefits

The Corporation does not have a pension plan or provide any benefits following or in connection with retirement.

Summary of Compensation

The following table sets forth a summary of the annual and long-term compensation for services paid for the three most recently completed financial years to the Corporation's Named Executive Officers.

| Name | Year | Fees earned (\$) | Share-based awards (\$) | Option-based awards (\$) | Non-equity incentive plan compensation (\$) | Pension value (\$) | All other compensation \$ | Total (\$) |
|--|------|------------------|-------------------------|--------------------------|---|--------------------|---------------------------|------------|
| Sandy Loutitt ¹ President & CEO | 2016 | \$60,000 | Nil | Nil | Nil | Nil | Nil | \$60,000 |
| | 2015 | \$60,000 | Nil | Nil | Nil | Nil | Nil | \$60,000 |
| | 2014 | \$60,000 | Nil | Nil | Nil | Nil | Nil | \$60,000 |
| John Strangway ² CFO | 2016 | \$50,000 | Nil | Nil | Nil | Nil | Nil | \$50,000 |
| | 2015 | \$50,000 | Nil | Nil | Nil | Nil | Nil | \$50,000 |
| | 2014 | \$50,000 | Nil | Nil | Nil | Nil | Nil | \$50,000 |

Notes:

1. Sandy Loutitt is not an employee of the Corporation. For services to the Corporation, the Corporation pays the Manager the Management Fee described under "**Fees and Expenses – Management Fees and Operating Expenses.**" A portion of this fee is designated as for providing executive management services to the Corporation. For 2014, 2015 and 2016 this portion was set as \$60,000 for Mr. Loutitt's services as President and CEO.
2. John Strangway is not an employee of the Corporation. For services to the Corporation, the Corporation pays the Manager the Management Fee described under "**Fees and Expenses – Management Fees and Operating Expenses.**" A portion of this fee is designated as for providing executive management services to the Corporation. For 2014, 2015 and 2016 this portion was set as \$50,000 for Mr. Strangway's services as CFO.

Director Compensation

Summary Table

The following table sets forth a summary of the annual and long-term compensation for services paid for the three most recently completed financial years to the Corporation's directors.

| Name | Year | Fees earned (\$) | Share-based awards (\$) | Option-based awards (\$) | Non-equity incentive plan compensation (\$) | Pension value (\$) | All other compensation \$ | Total (\$) |
|---------------------------------|------|------------------|-------------------------|--------------------------|---|--------------------|---------------------------|------------|
| Sandy Loutitt | 2016 | \$2,500 | Nil | Nil | Nil | Nil | Nil | \$2,500 |
| | 2015 | \$3,000 | Nil | Nil | Nil | Nil | Nil | \$3,000 |
| | 2014 | \$2,500 | Nil | Nil | Nil | Nil | Nil | \$2,500 |
| John Strangway | 2016 | \$2,500 | Nil | Nil | Nil | Nil | Nil | \$2,500 |
| | 2015 | \$3,000 | Nil | Nil | Nil | Nil | Nil | \$3,000 |
| | 2014 | \$2,500 | Nil | Nil | Nil | Nil | Nil | \$2,500 |
| Brent J. Walter | 2016 | \$2,500 | Nil | Nil | Nil | Nil | Nil | \$2,500 |
| | 2015 | \$2,500 | Nil | Nil | Nil | Nil | Nil | \$2,500 |
| | 2014 | \$2,500 | Nil | Nil | Nil | Nil | Nil | \$2,500 |
| John A. Drummond | 2016 | \$2,500 | Nil | Nil | Nil | Nil | Nil | \$2,500 |
| | 2015 | \$3,000 | Nil | Nil | Nil | Nil | Nil | \$3,000 |
| | 2014 | \$2,500 | Nil | Nil | Nil | Nil | Nil | \$2,500 |
| Victor P. Harwardt ¹ | 2016 | \$2,500 | Nil | Nil | Nil | Nil | Nil | \$2,500 |
| | 2015 | \$3,000 | Nil | Nil | Nil | Nil | Nil | \$3,000 |
| | 2014 | \$2,500 | Nil | Nil | Nil | Nil | Nil | \$2,500 |
| David E.T. Pinkman | 2016 | \$2,500 | Nil | Nil | Nil | Nil | Nil | \$2,500 |
| | 2015 | \$3,000 | Nil | Nil | Nil | Nil | Nil | \$3,000 |
| | 2014 | \$2,500 | Nil | Nil | Nil | Nil | Nil | \$2,500 |
| Michael Matishak ² | 2016 | \$500 | Nil | Nil | Nil | Nil | Nil | \$500 |
| | 2015 | \$3,000 | Nil | Nil | Nil | Nil | Nil | \$3,000 |
| | 2014 | \$2,500 | Nil | Nil | Nil | Nil | Nil | \$2,500 |

Notes:

1. Victor P. Harwardt was appointed director of the Corporation on March 11, 2014.
2. Michael Matishak resigned as director of the Corporation on April 26, 2016.

The Corporation has set compensation for directors at \$1,000 annually together with \$500 for each meeting attended in person, by telephone or teleconference. There has been no other arrangement pursuant to which directors are compensated by the Corporation in their capacity as directors, except as disclosed herein and in the consolidated financial statements attached hereto.

Long Term Incentive Plan, Stock Appreciation Rights and Stock Option Grants

The Corporation does not have a long term incentive plan pursuant to which cash or non-cash compensation has been or will be paid or distributed to any director of the Corporation. The Corporation does not have any stock appreciation rights or incentive plans. The Corporation has not issued any stock options to any director of the Corporation.

Termination and Change of Control Benefits

The Corporation does not have any plan or arrangement with respect to compensation to its executive officers which would result from the resignation, retirement or any other termination of employment of the Named Executive Officers' responsibilities following a change in control.

Insurance Coverage and Indemnification

The Manager has obtained insurance policies that cover corporate indemnification of the Corporation's directors and officers and the Corporation's individual directors and officers in certain circumstances. In addition, the Corporation's by-laws also provide for the indemnification of the Corporation's directors and officers from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties or office, either for the Corporation or any affiliated entity, subject to certain customary limitations.

CORPORATE GOVERNANCE

Board of Directors

The Board is responsible for oversight of the Corporation's business and affairs. The Board discharges its responsibilities directly and through the Audit Committee. The Audit Committee operates under a mandate that will be reviewed, and if necessary, updated annually. In fulfilling its responsibilities, the Board delegates day-to-day authority to the Manager, while reserving the right to review decisions of the Manager and exercise final judgment on any matter. To date, the Board has not adopted a formal mandate, although the Corporation's investment policies require that Mortgages must meet certain criteria, including the Asset Allocation Model. The Manager will review with the Board on a periodic basis its strategic plan for the Corporation and deliver to the Board ongoing reports on the status of the Corporation's business and operations. In addition, in accordance with applicable legal requirements, all matters of a material nature will be presented to the Board for approval.

Corporate Strategy

The Manager is responsible for directing the affairs of the Corporation's long term strategy, and the role of the Board is to review, question, validate and propose changes to that strategy, in order to arrive at an approved strategy to be implemented. The Board will review the Corporation's long term strategy on an ongoing basis.

Composition of the Board

The Board is comprised of six directors. The Board is of the view that its current size permits a diversity of experience and knowledge and is the appropriate size to foster and promote effective participation, decision making and oversight.

The Board is comprised of a majority of independent directors. It has not established fixed term limits for directors as it is of the view that such a policy would have the effect of forcing directors to resign from the Board who have developed, over a period of service, increased insight into the Corporation's business and who, therefore, can be expected to provide an increasing contribution to the Board.

Director Independence

Of the six members of the Board, four are independent under NI 58-101, being Brent J. Walter, David E. T. Pinkman, John A. Drummond and Victor P. Harwardt. For the purposes of NI 58-101, a director is independent if he has no direct or indirect material relationship with the Corporation. A "material relationship" is defined as a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of such member's independent judgment, and certain relationships are deemed to be material. Consequently, a majority of the members of the Board are independent.

The Board has determined that Sandy L. Loutitt, Chair of the Board of Directors, is not independent by virtue of his position as President and CEO of the Corporation and director and CEO of the Manager and his ownership of securities of the Manager.

The Board has determined that John Strangway is not independent by virtue of his position as CFO of the Corporation and director, Chief Compliance Officer and CFO of the Manager and his ownership of securities of the Manager.

The Board has established procedures to enable it to function independently of management and to facilitate open and candid discussion among the independent directors. The Board intends to hold in camera director meetings without management following every scheduled Board meeting as well as following special Board meetings as deemed necessary.

Other Public Company Directorships

Sandy Loutitt is a director of Red Rock, which is a reporting issuer in Canada.

David E.T. Pinkman is a director of Softrock, SynStream and Red Rock, each of which is a reporting issuer in Canada.

Brent J. Walter is a director of Infrastructure Materials Corp., which is listed on OTC Pink Marketplace.

Succession Planning

Management succession will be an ongoing activity to be reviewed by the Board, with input from the Manager, as appropriate. This planning process will include, on a continuous basis, the CEO's recommendation of a possible successor in the event of an unexpected departure of the CEO.

Roles of the Chair of the Board, Audit Committee Chair and the CEO

While the Board has not adopted written position descriptions for the Chair of the Board, the Audit Committee chair or the CEO of the Corporation, the roles of each are understood. The responsibilities of the Chair of the Board, include the efficient organization and operation of the Board. The Chair of the Board is also responsible for ensuring that effective communication exists between the Board and management and that the Board effectively carries out its mandate. Similarly, the Audit Committee chair is responsible for the effective organization and operation of the Audit Committee. The Chair of the Board will chair meetings of the independent directors and assume other responsibilities which the non-management directors may designate from time to time.

The Corporation's CEO reports formally to the Board, and, where appropriate, to the Audit Committee, as well as less formally through discussions with members of the Board and the Audit Committee, to advise the Board and the Audit Committee on a timely basis of courses of action that are being considered and are being followed. The CEO establishes the strategic and operational orientation of the Corporation and, in so doing, provides leadership and vision for the effective overall management, profitability, increase in shareholder value and growth of the Corporation and for conformity with policies agreed upon by the Board. The CEO is directly accountable to the Board for all activities of the Corporation. The corporate objectives for which the CEO of the Corporation is responsible will be determined by strategic and financial plans initiated by the CEO, and developed with input from the Board.

Director Attendance

Board members are expected to attend all Board meetings and meetings of Board committees on which they serve. Five members of the Board were appointed as directors of the Corporation on March 28, 2013 and one was appointed on March 11, 2014. Since such date, the Board has met quarterly with all directors attending all meetings either in person or by telephone conference call.

Orientation and Continuing Education

The Corporation will establish a practice with respect to the orientation and education of new directors. They will be given the opportunity to meet with senior management and other directors to familiarize themselves with the Corporation's business and activities and their responsibilities as directors. Directors will be provided with the Corporation's recent regulatory filings, such as the Corporation's annual information form and proxy material, the reporting requirements of the directors, information with respect to the Audit Committee and its written charter and certain policies and procedures of the Board.

On a continuing basis, management will provide periodic presentations to the Board to ensure that the Corporation's directors are fully informed with respect to the Corporation's business, and directors are free to contact the CEO and the CFO at any time to discuss any aspect of the Corporation's business.

Ethical Business Conduct

The Corporation has not yet adopted a Code of Business Conduct. The Corporation may adopt a Code of Business Conduct and Ethics subsequent to the closing of the Offering which would apply to the directors, officers and employees of the Corporation and the Manager (or any successor manager of the Corporation) in respect of its activities in connection with the Corporation, or any of their respective subsidiaries. The Code of Business Conduct and Ethics, if implemented, will address such matters as compliance with laws, conflicts of interest, confidential information, protection and proper use of the Corporation's assets, rules and regulations and the reporting of illegal and unethical behaviour. The Corporation encourages those who become aware of a conflict or potential conflict or information relating to non-compliance with laws or improper activity to bring it to the attention of either the CEO, the CFO or the Chair of the Board. The Board requires every director and officer to disclose any direct or indirect conflict of interest that he has and, if applicable, not to vote on any resolution in connection with such matter unless permitted by the ABCA.

Nomination of Directors

The Board does not currently have a nominating committee. The Manager and members of the Board may recommend suitable individuals for nomination as directors. To ensure objectivity in the nomination process, the independent directors will review and approve any director nominations proposed by the Manager.

The Board and the Manager are responsible for determining the appropriate criteria for selecting and assessing potential directors and selects candidates for nomination to the Board accordingly. At such time as it is determined that a new director is desirable, the Board and the Manager will engage in various activities to ensure an effective process for selecting candidates for nomination, including developing criteria for the selection of a new director, developing and maintaining a director skills matrix (identifying the desired competencies, independence, expertise, skills, background and personal qualities that are being sought in potential candidates), identifying and recommending individuals qualified and suitable to become directors, the Chair of the Board and/or the CEO will meet with potential new candidates prior to nomination to discuss the time commitments and performance expectations of the position and formal approval will be sought and obtained from the Board in respect of candidates for nomination.

Compensation

The Board does not currently have a compensation committee. As a result of the Corporation's arrangements with the Manager, the Corporation does not employ any individuals (and has no employment contracts with any individuals), and thus the Board has determined that there is no requirement for a separate compensation committee. The compensation of the Manager is determined based on the provisions of the Management Services Agreement, which can only be amended with the approval of a majority of the Board.

The Board, as a whole, is responsible for implementing a process for reviewing the adequacy and form of compensation of directors of the Corporation and ensuring that compensation realistically reflects the responsibilities and risk involved in being a director of the Corporation. The Board requires that remuneration be at a level that will attract and motivate competent members. Compensation is also based on the compensation of directors of similarly situated issuers. In order to ensure an objective process for determining compensation, the Board, through the Manager, reviews compensation paid to directors of various mortgage investment corporations and publicly traded companies.

Assessments

The Board is responsible for implementing a process for assessing the effectiveness of the Board as a whole, the Audit Committee, and the contribution of individual directors. In carrying out its responsibilities, the Board is required to periodically review the mandate of the Audit Committee and will make an assessment of the effectiveness of the directors. The Board has determined that the number of directors of the Corporation is appropriate for the Board to function at this time and that the Board is properly constituted to reflect the investment of all Shareholders in the Corporation. On an ongoing basis, the Board will review the size and composition of the Board.

AUDIT COMMITTEE

The Audit Committee is responsible for overseeing, among other matters, the work of the Corporation's external auditors, the integrity of the Corporation's consolidated financial statements and financial reporting process, the qualifications and independence of the external auditors of the Corporation and the Corporation's compliance with legal and regulatory requirements. The Audit Committee reviews and recommends to the Board for approval, the Corporation's annual and interim consolidated financial statements and related management's discussion and analysis, earnings press releases, selected disclosure documents, including information pertaining to the Audit Committee contained in the Corporation's and any other financial statements required by regulatory authorities, before they are released to the public or filed with the appropriate regulators. The Audit Committee shall review and consider the adequacy of its mandate as it deems appropriate and recommend changes to the Board. The performance of the Audit Committee shall be evaluated with reference to this mandate on an annual basis.

In accordance with NI 52-110, the Audit Committee establishes and monitors procedures for the receipt and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or audit matters and the anonymous submission by employees of concerns regarding questionable accounting, auditing or financial matters and review periodically with management these procedures and any significant complaints received on such issues or on any other business practices.

The Audit Committee Mandate is attached as Schedule "C".

Composition of the Audit Committee

The Audit Committee is comprised of John Drummond (Chair), Victor P. Harwardt and David E.T. Pinkman. Each member of the Audit Committee is independent and is financially literate in that each has the ability to read and understand a set of consolidated financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's consolidated financial statements.

See the biographies of Messrs. Drummond, Harwardt and Pinkman under "**Organization and Management Details of the Corporation**" for a description of their education and experience that is relevant to the performance of their responsibilities as Audit Committee members.

At no time since the establishment of the Corporation has the Audit Committee relied on the exemptions in Sections 2.4 or Part 8 of National Instrument 52-110 – *Audit Committees*. At no time since the establishment of the Corporation has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board. The Audit Committee has not yet adopted specific policies and procedures for the engagement of non-audit services.

Pre-Approval Policies and Procedures

The Audit Committee will pre-approve all non-audit services to be provided to the Corporation by the external auditors of the Corporation.

External Auditor Service Fees (By Category)

The aggregate Audit Fees paid to the external auditor, MNP LLP, for the fiscal years ended December 31, 2016 and 2015 were approximately \$24,000 and \$25,000, plus GST, respectively. Non-Audit-Related Fees paid to the external auditor for the fiscal years ended December 31, 2016 and 2015 were \$12,000 and \$nil, respectively.

The aggregate Tax Fees, fees paid for professional services rendered by the Corporation's external auditor for tax compliance, tax advice, and tax planning and filing of tax returns, for the fiscal years ended December 31, 2016 and 2015, were \$2,000 and \$2,000, respectively.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than recovery proceedings instituted in the ordinary course of the lending business, the Corporation is not aware of any outstanding or contemplated legal proceedings that are material to the business and affairs of the Corporation, to

which the Corporation is or was a party to or which any of its property is or was the subject of, since the beginning of 2015.

The Corporation has not been nor is it presently involved in any regulatory proceedings material to it and no such proceedings are, to the best of its knowledge, contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager will receive the fees described under "**Fees and Expenses – Management Fees and Operating Expenses**" for its services to the Corporation and will be reimbursed by the Corporation, for certain expenses incurred in connection with the operation and administration of the Corporation and may invest in Mortgage loans in respect of property that the Manager or any of its affiliates has an interest in. The Manager or any of its affiliates may earn fees from providing investment advisory services to funds invested in such properties. See "**Fees and Expenses**" and "**Risk Factors – Conflicts of Interest**". Moreover, the Corporation's activities may from time to time be restricted due to regulatory restrictions applicable to the Manager and/or its internal policies designed to comply with such restrictions. As a result, there may be periods, for example, during which the Manager or the Corporation may be restricted from engaging in certain transactions.

Sandy Loutitt a director and executive officer of the Corporation holds an interest in Mortgages forming the BCL Mortgage Portfolio. Sandy Loutitt is the sole shareholder of BCL.

MATERIAL CONTRACTS

Contracts material to investors in the Class A Non-Voting Shares offered by this prospectus that have been or that will have been entered into by the Corporation on the closing date of the Offering and on the closing date of the Portfolio Acquisition are:

- (a) the Management Services Agreement described under "**Organization and Management Details of the Corporation – Manager and Portfolio Advisor of the Corporation – Role of the Manager and Details of the Management Services Agreement**";
- (b) the Agency Agreement described under "**Plan of Distribution**";
- (c) the Voting Share Unanimous Shareholders Agreement described under "**Principal Shareholders**"; and
- (d) the Portfolio Acquisition Agreement described under "**Principal Agreements – Portfolio Acquisition Agreement**".

Copies of the foregoing agreements, after the execution thereof as applicable, may be inspected during business hours at the principal office of the Corporation during the course of distribution of the Class A Non-Voting Shares offered hereby.

MARKETING MATERIALS

A "template version" of the following "marketing materials" (as such terms are defined under applicable Canadian securities laws) has been, or will be, filed on SEDAR before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) and is deemed to be incorporated into this prospectus:

2. the corporate presentation filed on SEDAR on January 13, 2017 (the "**January 2017 Presentation**");
3. the term sheet filed on SEDAR on January 13, 2017 (the "**Term Sheet**"); and
4. the revised corporate presentation filed on SEDAR on May 17, 2017 (the "**May 2017 Presentation**").

The May 2017 Presentation revised the January 2017 Presentation to update the biographies of the directors of the Corporation and to remove outdated BCL Mortgage Portfolio composition information and outdated financial information of the Corporation. These revisions are reflected in this Prospectus. Pursuant to subsection 13.7(7) of NI

41-101, the May 2017 Presentation, as well as blacklines to the January 2017 Presentation, are available under the Corporation's profile on SEDAR at www.sedar.com.

In addition, any template version of any marketing materials that are utilized by the Agent in connection with the Offering are not part of this prospectus to the extent that the contents of the template version of the marketing materials that has been modified or superseded by a statement contained in this prospectus.

EXPERTS

Certain legal matters in connection with this Offering will be passed upon by ProVenture Law LLP, on behalf of the Corporation, and by DLA Piper (Canada) LLP on behalf of the Agent. As of the date hereof, Brent Walter of ProVenture Law LLP owns 20% of the Voting Shares, 1% of the Class A Non-Voting Shares and 12.4% of the Class B Non-Voting Shares of the Corporation. The auditor of the Corporation is MNP LLP, Chartered Accountants. MNP LLP is independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agent has agreed to conditionally offer the Class A Non-Voting Shares to be distributed pursuant to this prospectus, as agent of the Corporation, on a "commercially reasonable efforts" basis, if, as and when issued by the Corporation. The Offering is expected to close on May 31, 2017 or such other date agreed to by the Corporation and the Agent, but in any event no later than June 30, 2017.

Assuming completion of the Offering, the Agent will receive a commission of \$0.50 (5%) for each Class A Non-Voting Share sold to persons by the Agent. The Agent may form a sub-agency group including other qualified investment dealers, provided that the participation of other agents will be mutually agreed to by the Agent and the Corporation. The Agent shall pay a selling concession of 4.0% to members of such group, which commission will be paid by the Agent out of its fees. In addition, the Corporation will pay the Agent a Corporate Finance Fee of \$30,000 plus GST (\$31,500) with such fee refunded to the Corporation at the closing of the Offering if the Offering exceeds \$7,500,000.

While the Agent has agreed to use their commercially reasonable efforts to sell the Class A Non-Voting Shares offered hereby, the Agent will not be obligated to purchase Class A Non-Voting Shares which are not sold. The offering price for the Class A Non-Voting Shares is fixed at \$10.00 and, together with the aggregate number of Class A Non-Voting Shares offered under the Offering, was determined by negotiation between the Corporation and the Agent.

The Offering consists of no minimum offering and a Maximum Offering of 1,500,000 Class A Non-Voting Shares. The minimum purchase by each investor is 100 Class A Non-Voting Shares. **As no minimum amount of funds must be raised under this Offering, this means that the Corporation could complete this Offering after raising only a small proportion of the Offering amount set out above.**

If subscriptions for the Offering have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue without the consent of the securities regulatory authorities. Under the terms of the Agency Agreement, the Agent may, at its discretion on the basis of its assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement.

Subscriptions for Class A Non-Voting Shares will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice.

The issued and outstanding Class A Non-Voting Shares are listed on the TSX-V under the symbol "BCF". The Corporation has received conditional approval to list the Class A Non-Voting Shares distributed under this prospectus on the TSX-V. Such listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX-V. On December 19, 2016, the last trading day prior to the date of announcement of the Offering, the closing price of the Class A Non-Voting Shares on the TSX-V was \$9.67 per Class A Non-Voting Share. On May 23, 2017, the last completed trading day prior to the filing of this prospectus, the closing price of the Class A Non-Voting Shares on the TSX-V was \$9.81 per Class A Non-Voting Share. The offering price of the Class A Non-Voting Shares was determined by negotiations between the Corporation and the Agent.

Pursuant to policy statements of certain securities regulatory authorities, the Agent may not, throughout the period of distribution, bid for or purchase Class A Non-Voting Shares. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Class A Non-Voting Shares. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

The Class A Non-Voting Shares have not been nor will they be registered under the U.S. Securities Act or the securities laws of any state in the United States and, subject to certain exemptions, may not be offered or sold or otherwise transferred or disposed of in the United States.

SELECTED FINANCIAL INFORMATION

The following selected financial data for the Corporation is derived from (and is qualified in its entirety by) the Corporation's consolidated financial statements appearing elsewhere in this prospectus, all of which were prepared in accordance with IFRS (current Canadian generally accepted accounting principles). The information should be read in conjunction with those consolidated financial statements, and the notes thereto, and "**Management's Discussion and Analysis**", also appearing elsewhere in this prospectus.

| | Year Ended December 31, 2016 (audited) (\$) | Year Ended December 31, 2015 (audited) (\$) | Year Ended December 31, 2014 (audited) (\$) |
|---------------------|--|--|--|
| Current Assets | 23,678,390 | 24,256,975 | 27,191,077 |
| Total Assets | 23,678,390 | 24,256,975 | 27,191,077 |
| Current Liabilities | 549,783 | 1,853,893 | 4,173,844 |
| Total Liabilities | 549,783 | 1,853,893 | 4,173,844 |
| Share Capital | 22,046,836 | 21,855,197 | 22,776,222 |
| Retained Earnings | 1,081,771 | 547,885 | 241,011 |
| Revenue | 3,397,522 | 3,775,940 | 3,536,223 |
| Expenses | 678,278 | 793,060 | 689,633 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis, a review of the financial condition and results of operations of the Corporation as at and for the years ended December 31, 2014, 2015 and 2016 are attached to this prospectus as Schedule "B". The management's discussion and analysis should be read in conjunction with the consolidated financial statements of the Corporation and the notes thereto attached to this prospectus as Schedule "A".

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of ProVenture Law LLP, counsel to the Corporation, and DLA Piper (Canada) LLP, counsel to the Agent, the following summary describes, as of the date hereof, the principal Canadian federal income tax considerations generally applicable to a purchaser who is an individual (other than a trust) and who acquires as beneficial owner Class A Non-Voting Shares pursuant to this Offering and who, at all relevant times, for purposes of the Tax Act, (1) is, or is deemed to be, resident in Canada, (2) deals at arm's length with the Corporation; (3) is not affiliated with the Corporation; and (4) holds the Class A Non-Voting Shares and the Class A Non-Voting Shares issued pursuant to the Offering (the "**Securities**") as capital property (a "**Holder**"). Generally, the Securities will be capital property to a Holder provided the Holder does not acquire or hold the Securities in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain Holders may be entitled to make or may have already made the irrevocable election permitted by subsection 39(4) of the Tax Act the effect of which may be to deem to be capital property any Class A Non-Voting Shares (and all other "Canadian securities", as defined in the Tax Act) owned by such Holder in the taxation year

in which the election is made and in all subsequent taxation years. Holders whose Class A Non-Voting Shares might not otherwise be considered to be capital property should consult their own tax advisors concerning this election.

This summary is not applicable to (i) a purchaser that is a "specified financial institution", (ii) a purchaser an interest in which is a "tax shelter investment", (iii) a purchaser that is, for purposes of certain rules (referred to as the mark-to-market rules) applicable to securities held by financial institutions, a "financial institution", (iv) a purchaser that reports its "Canadian tax results" in a "functional currency", or (v) a purchaser that enters into, with respect to their Class A Non-Voting Shares, a "derivative forward agreement", each as defined in the Tax Act. Such purchasers should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act, the facts contained in this prospectus, a certificate of an officer of the Corporation as to certain factual matters and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, administrative or judicial action nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

This summary is based upon the further assumption that the Corporation qualifies as a MIC at all relevant times. The Corporation has advised counsel that it intends to meet all of the requirements under the Tax Act to qualify as a MIC throughout its current taxation year and for all of its future taxation years. Counsel expresses no opinion as to the status of the Corporation as a MIC. If the Corporation were to cease to qualify as a MIC at any time, the income tax considerations would be materially different from those described below.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular prospective purchaser. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, prospective purchasers of Class A Non-Voting Shares should consult their own tax advisors having regard to their own particular circumstances.

Status of the Corporation

Classification under Tax Act

As noted above, this summary assumes that the Corporation will qualify as a MIC at all relevant times. The Company has advised counsel that it intends to meet all of the requirements under the Tax Act to qualify as a MIC throughout its current taxation year and for all of its further taxation years. A MIC is deemed to be a public corporation under the Tax Act. However, the Tax Act effectively treats a corporation that qualifies as a MIC as operating as a flow-through entity to the extent it distributes its income and capital gains to its shareholders. Accordingly, with respect to such distributions, a shareholder of a MIC is generally put in a similar position from an income tax perspective as if the investments made by the MIC had been made directly by the shareholder. Counsel express no opinion as to the status of the company as a MIC. If the Company were not to qualify as a MIC at any time, the income tax considerations would be materially different from those described below.

MIC Requirements

The following requirements must have been met throughout a taxation year in order for the Corporation to qualify as a MIC for that taxation year:

- (1) *Canadian Corporation.* The Corporation must be a "Canadian corporation" as defined in the Tax Act, which generally means a corporation incorporated or resident in Canada;
- (2) *Undertaking.* The Corporation's only undertaking must be the investing of funds of the corporation and it did not manage or develop any real or immovable property.

- (3) *Prohibited Foreign Investment.* None of the property of the Corporation consisted of debts owing to the Corporation secured by real or immovable property situated outside Canada, debts owing to the Corporation by non-resident persons unless such debts were secured on real or immovable property situated in Canada, shares of the capital stock of corporations not resident in Canada, or real or immovable property situated outside of Canada or any leasehold interest in such property;
- (4) *Shareholder Requirements.* The Corporation must have had at least 20 shareholders, except that in the Corporation's first taxation year, this requirement will be met if the Corporation had at least 20 shareholders on the last day of that taxation year. In addition, no shareholder (together with Related Persons, see below) of the Corporation at any time in the year may have owned, directly or indirectly, more than 25% of the invested shares of any class of the Corporation. Special rules apply for the purposes of counting shareholders that are registered pension plans or deferred profit sharing plans;
- (5) *Preferred Shareholders.* Holders of preferred shares of the Corporation must have had the right, after payment to them of their preferred dividends and payment of dividends in a like amount per share to the holders of the common shares of the Corporation, to participate *pari passu* (equally) with the holders of the common shares in any further payment of dividends;
- (6) *50% Asset Test.* The cost amount for tax purposes to the Corporation of its property in the form of, or as a combination of, money, debts secured on certain specified residential properties, and funds on deposit with a bank or other corporation who is a member of an whose relevant deposits are insured by the Canada Deposit Insurance Corporation or Régie de l'assurance-dépôts du Québec insured institution or credit union (such debts and deposits referred to as "**Required Property**"), must have constituted at least 50% of the cost amount to the Corporation of all of its property;
- (7) *25% Asset Test.* The cost amount for tax purposes to the Corporation of its property in the form of interests in real or immovable property (including leaseholds but excepting real or immovable property acquired by foreclosure after default by the mortgagor) did not exceed 25% of the cost amount to the Corporation of all of its property; and
- (8) *Debt to Equity Ratio.* Where at any time in the year the cost amount to the Corporation of its money and Required Property represented less than two-thirds of the aggregate cost amount to the Corporation of all of its property, the Corporation's liabilities may not exceed 75% of the cost amount to the Corporation of all of its property. Where, however, throughout the year the cost amount to the Corporation of its money and Required Property represented two-thirds or more of the aggregate cost amount to the Corporation of all of its property, the Corporation's liabilities may not exceed 83.33% of the cost amount to the Corporation of all of its property.

With respect to the requirement noted above that no shareholder (together with Related Persons) may own more than 25% of the shares of any class of the Corporation, for these purposes "Related Persons" include a corporation and the person or persons that control the corporation, a parent corporation and its subsidiary corporation(s) and corporations that are part of the same corporate group, and an individual and that individual's spouse, common-law partner or child under 18 years of age. The rules in the Tax Act defining "related persons" are complex and holders should consult with their own tax advisors in this regard.

For the purposes of the 50% asset test noted above, the requirement is that the Corporation's investments must comprise the specified minimum amount of debts that are secured by Mortgages, hypothecs or in any other manner, on "houses" or on property included within a "housing project", as those terms are defined in the *National Housing Act* (Canada). Generally, a "house" includes all or part of a building or moveable structure that is intended for human habitation containing not more than two family housing shares, and "housing project" includes all or part of a building or movable structure intended for human habitation, any property intended to be converted or developed to provide housing accommodation, or property associated with housing accommodation such as parking, public and recreational facilities excluding hotels.

Taxation of the Corporation

The Corporation will be considered to be a public corporation either on the basis that it qualifies as a MIC or on the basis that the Class A Non-Voting Shares are listed on the TSX-V. As a public corporation, the Corporation is subject to tax

at the full general corporate income tax rates on its taxable income. However, as long as the Corporation is a MIC, special rules in the Tax Act apply to the Corporation which generally enable it to deduct in computing its income for a taxation year the amount of its income for that taxation year that is distributed to its shareholders. Specifically, the Corporation will be entitled to deduct, in computing its income for a taxation year, the total of:

- (a) all taxable dividends, other than capital gains dividends, paid by the Corporation to its shareholders during the year (to the extent not deductible in computing the Corporation's income for the previous year) or within 90 days after the end of the year; and
- (b) one-half of all capital gains dividends paid by the Corporation to its shareholders during the period commencing 91 days after the commencement of the year and ending 90 days after the end of the year.

The Corporation must elect to have a dividend qualify as a capital gains dividend. The Corporation may elect that dividends paid during a 12-month period commencing 91 days after the commencement of a taxation year and ending 90 days after the end of the year be capital gains dividends to the extent of the Corporation's capital gains for the year less any applicable capital losses. The election must be made in respect of the full amount of a dividend and can only be made if the Corporation qualifies as a MIC throughout the taxation year in respect of which the dividend is paid. The payment of capital gains dividends will allow the Corporation to flow capital gains it realizes through to its shareholders.

The Corporation has advised counsel that the Corporation intends to make distributions to the extent necessary so that it will generally have no taxes payable under Part I of the Tax Act and to generally elect to have dividends be capital gains dividends to the maximum extent allowable.

Taxation of Shareholders

Taxation of Distributions

The Corporation may pay a capital gains dividend on Class A Non-Voting Shares. The receipt by a Holder of such a capital gains dividend will be treated as a capital gain of the Holder from a disposition in the year of capital property for the year in which the dividend is received. See below under the subheading "Disposition of Class A Non-Voting Shares" for a description of the tax treatment of capital gains.

The Corporation may also pay dividends on the Class A Non-Voting Shares. Taxable dividends (other than capital gains dividends) received by a Holder on Class A Non-Voting Shares will be deemed by the Tax Act to have been received by the Holder as interest payable on a bond issued by the Corporation. Holders will therefore be required to include in their income as interest all amounts received as, or on account of, any taxable dividends. The provisions of the Tax Act providing for interest accrual, the gross-up and dividend tax credit in respect of taxable dividends received by individuals from taxable Canadian corporations, and for the deduction generally available to corporations for inter-corporate dividends received, will not apply in respect of taxable dividends. Similarly, the provisions of Part IV of the Tax Act will not be applicable to the receipt of taxable dividends by a Holder that is a corporation.

Disposition of Class A Non-Voting Shares

Generally, subject to the discussion below under the heading "Redemption", on a disposition or deemed disposition of a Class A Non-Voting Share, a Holder will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Holder of the Class A Non-Voting Share immediately before the disposition or deemed disposition.

The adjusted cost base to the Holder of a Class A Non-Voting Share acquired pursuant to this Offering will be determined by averaging the cost of such Class A Non-Voting Share with the adjusted cost base of all other Class A Non-Voting Shares owned by the Holder as capital property at that time, if any.

Generally, a Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized by the Holder in the year and allowable capital losses in excess of taxable capital gains for the year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years.

Shareholders realizing capital gains on the disposition of Class A Non-Voting Share or receiving capital gains dividends on the Class A Non-Voting Share may be subject to alternative minimum tax under the Tax Act.

Redemption of Class A Non-Voting Shares

On a redemption or acquisition of Class A Non-Voting Shares by the Corporation, a Holder will be deemed to have received, and the Corporation will be deemed to have paid, a dividend in an amount equal to the amount by which the redemption price exceeds the paid-up capital of the redeemed Class A Non-Voting Shares. This deemed dividend will be treated in the same manner as other dividends received by the shareholder from the Corporation, and will depend on whether the Corporation elects that the entire dividend be a capital gains dividend (to the extent the Corporation has realized sufficient capital gains in the year). The balance of the redemption price will constitute the proceeds of disposition of the Class A Non-Voting Shares for purposes of the capital gains rules described above under the heading "**Disposition of Class A Non-Voting Shares**".

Eligibility for Investment

On the date of issue, the Class A Non-Voting Shares will be qualified investments under the Tax Act for trusts governed by RRSPs, RRIFs, RESPs, DPSPs, RDSPs and TFSAs (collectively, the "**Plans**"), provided that either: (i) the Class A Non-Voting Shares are listed at that time on a designated stock exchange (which includes the TSX and the TSX-V) or (ii) the Corporation qualifies as a MIC throughout the taxation year that includes that date and further provided that at any time in the calendar year that includes that date, the Corporation does not hold any indebtedness, whether by way of Mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, or a subscriber under the Plans, or of any other person who does not deal at arm's length with that person.

Notwithstanding that the Class A Non-Voting Shares may be qualified investments for a trust governed by a RRSP, RRIF or TFSA, the annuitant of an RRSP or RRIF or the holder of a TFSA will be subject to a penalty tax on the Class A Non-Voting Shares (and other tax consequences may result) if the Class A Non-Voting Shares are a "prohibited investment" for the RRSP, RRIF or TFSA, as the case may be. The Class A Non-Voting Shares will not be a "prohibited investment" under the Tax Act for such RRSP, RRIF or TFSA provided the annuitant of the RRSP or RRIF or the holder of the TFSA, as the case may be, (i) deals at arm's length with the Corporation and (ii) does not have a "significant interest" (within the meaning of the Tax Act) in the Corporation or a corporation, partnership or trust under which the Corporation does not deal with at arm's length for purposes of the Tax Act. A "significant interest" in a corporation generally means ownership of 40% or more of the issued shares of any class of the capital stock of the corporation (or any related corporation), either alone or together with persons with which the shareholder does not deal at arm's length for purposes of the Tax Act. In addition, the Class A Non-Voting Shares will generally not be a "prohibited investment" if the Class A Non-Voting Shares are "excluded property" (as defined in Tax Act). Annuitants under a RRSP or RRIF or holders of a TFSA should consult their own tax advisors as to whether the Securities will be a "prohibited investment" for such RRSP, RRIF or TFSA in their particular circumstances.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

Purchasers of Class A Non-Voting Shares under the Offering will have a contractual right of rescission following the issuance of Class A Non-Voting Shares to such purchaser to receive the amount paid for the Class A Non-Voting Shares if this prospectus or any amendment contains a misrepresentation or is not delivered to such purchaser, provided such remedy for rescission is exercised within 180 days of closing of the Offering.

SCHEDULE "A"
FINANCIAL STATEMENTS

Annual Consolidated Financial Statements for December 31, 2016, December 31, 2015 and December 31, 2014 attached.

Builders Capital Mortgage Corp.
Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

Independent Auditors' Report

To the Shareholders of Builders Capital Mortgage Corp.:

We have audited the accompanying consolidated financial statements of Builders Capital Mortgage Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Builders Capital Mortgage Corp. as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Calgary, Alberta
May 1, 2017

MNP LLP
Chartered Professional Accountants

MNP LLP

Builders Capital Mortgage Corp.
Consolidated Statements of Financial Position
As at December 31,
(Expressed in Canadian dollars)

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Assets | | |
| Cash | \$ 399,699 | \$ 776 |
| Mortgages receivable (Note 6) | 23,010,181 | 23,589,190 |
| Prepaid expenses | 55,110 | 5,104 |
| Assets held for sale (Note 7) | 213,400 | 661,905 |
| Total Assets | \$ 23,678,390 | \$ 24,256,975 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities | | |
| Line of credit (Note 8) | \$ - | \$ 908,267 |
| Accounts payable and accrued liabilities | 59,232 | 37,132 |
| Due to related party (Note 14) | 105,431 | 73,732 |
| Dividends payable (Note 12) | 282,300 | 715,761 |
| Deferred lender fees | 102,820 | 119,001 |
| Total Liabilities | \$ 549,783 | \$ 1,853,893 |
| Shareholders' Equity | | |
| Share capital (Note 9) | \$ 22,046,836 | \$ 21,855,197 |
| Retained earnings | 1,081,771 | 547,885 |
| | \$ 23,128,607 | \$ 22,403,082 |
| Total Liabilities and Shareholders' Equity | \$ 23,678,390 | \$ 24,256,975 |

Approved on behalf of the Board:

(Signed) "Brent J. Walter"
 Director

(Signed) "Sandy L. Loutitt"
 Director

The accompanying notes are an integral part of these consolidated financial statements

Builders Capital Mortgage Corp.
Consolidated Statements of Comprehensive Income
For the years ended December 31,
(Expressed in Canadian dollars)

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Revenues | | |
| Interest | \$ 3,129,479 | \$ 3,429,775 |
| Lender fees | 268,043 | 346,165 |
| Total revenues | 3,397,522 | 3,775,940 |
| Expenses | | |
| General and administrative | 100,915 | 78,867 |
| Interest | 89,371 | 127,743 |
| Provision for mortgage losses (Note 6) | 251,645 | 343,370 |
| Management fees (Note 14) | 236,347 | 243,080 |
| Total expenses | 678,278 | 793,060 |
| Total comprehensive income | \$ 2,719,244 | \$ 2,982,880 |
| Earnings per share (Note 11) | | |
| Basic and diluted | \$ 1.15 | \$ 1.23 |

The accompanying notes are an integral part of these consolidated financial statements

Builders Capital Mortgage Corp.
Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

| | Number | Share Capital | | Retained Earnings | Total |
|---|------------------|---------------|-------------------|-------------------|-------------------|
| | | | Amount | | |
| | | | \$ | \$ | \$ |
| Balance at December 31, 2014 | 2,434,071 | | 22,776,222 | 241,011 | 23,017,233 |
| Class A Non-Voting Common Shares issued for cash <i>(Note 9 (i))</i> | 7,500 | | 75,000 | - | 75,000 |
| Offering costs <i>(Note 9 (i))</i> | - | | (6,025) | - | (6,025) |
| Class A Non-Voting Common Shares redeemed for cash <i>(Note 9 (ii))</i> | (101,500) | | (1,015,000) | 82,723 | (932,277) |
| Class B Non-Voting Common Shares issued for cash <i>(Note 9 (iv))</i> | 2,500 | | 25,000 | - | 25,000 |
| Dividends declared <i>(Note 12)</i> | - | | - | (2,758,729) | (2,758,729) |
| Total comprehensive income for the year | - | | - | 2,982,880 | 2,982,880 |
| Balance at December 31, 2015 | 2,342,571 | | 21,855,197 | 547,885 | 22,403,082 |
| Class A Non-Voting Common Shares issued for cash <i>(Note 9 (iii))</i> | 32,400 | | 324,000 | - | 324,000 |
| Offering costs <i>(Note 9)</i> | - | | (132,361) | - | (132,361) |
| Dividends declared <i>(Note 12)</i> | - | | - | (2,185,358) | (2,185,358) |
| Total comprehensive income for the year | - | | - | 2,719,244 | 2,719,244 |
| Balance at December 31, 2016 | 2,374,971 | | 22,046,836 | 1,081,771 | 23,128,607 |

The accompanying notes are an integral part of these consolidated financial statements

Builders Capital Mortgage Corp.
Consolidated Statement of Cash Flows
For the years ended December 31,
(Expressed in Canadian dollars)

| | 2016 | 2015 |
|--|-----------------------|-----------------------|
| Cash flows related to the following activities: | | |
| Operating activities | | |
| Cash receipts of interest and fees from borrowers | \$ 2,652,063 | \$ 3,395,087 |
| Cash receipt of principal payments from borrowers | 19,880,527 | 28,065,004 |
| Cash receipts on proceeds on sales of mortgages | 4,030,060 | 8,643,865 |
| Cash receipts on sale of assets held for sale <i>(Note 7)</i> | 2,289,017 | - |
| | | |
| Cash advanced to borrowers | (18,119,734) | (27,233,265) |
| Cash advanced to purchase mortgages | (6,398,475) | (6,548,219) |
| Cash paid to prepare assets held for sale for sale | (176,248) | - |
| Cash paid for operating expenses | (422,840) | (500,710) |
| Total cash flows generated from operating activities | \$ 3,734,370 | \$ 5,821,762 |
| | | |
| Financing activities | | |
| Cash paid to reduce line of credit balance | \$ (908,267) | \$ (2,243,106) |
| Proceeds from issuance of common shares, net of offering costs <i>(Note 9)</i> | 191,639 | 93,975 |
| Redemption of common shares <i>(Note 9)</i> | - | (932,277) |
| Dividends paid | (2,618,819) | (2,739,612) |
| Total cash flows (used in) generated from financing activities | \$ (3,335,447) | \$ (5,821,020) |
| | | |
| Net increase (decrease) in cash | \$ 398,923 | \$ 742 |
| Cash, beginning of year | 776 | 34 |
| Cash, end of year | \$ 399,699 | \$ 776 |

The accompanying notes are an integral part of these consolidated financial statements

Builders Capital Mortgage Corp. **Notes to the Consolidated Financial Statements**

*For the years ended December 31, 2016 and 2015
(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.

2. Basis of preparation

Statement of compliance

The consolidated 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 January 1, 2016.

The consolidated financial statements of the Company for the year ended December 31, 2016 were approved by the Board of Directors on May 1, 2017.

Basis of measurement

These consolidated 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 consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. 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 consolidated financial statements are disclosed in note 5.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency for the Company's subsidiary, Builders Capital Limited Partnership is also Canadian dollars.

3. Summary of significant accounting policies

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

Basis of consolidation

These consolidated financial statement include the accounts of the Company and its 99.999% interest in its subsidiary, Builders Capital Limited Partnership. All inter-company balances and transactions are eliminated upon consolidation. Total comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Subsidiaries are all entities (included structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control transferred to the Company. They are deconsolidate from the date that control ceases. The amount of total comprehensive income attributed to non-controlling interests for the year ended December 31, 2016 is \$Nil.

Builders Capital Mortgage Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

3. **Summary of significant accounting policies** *(continued from previous page)*

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 re-measurement recognized immediately in the consolidated statement of comprehensive income. The net gain or loss recognized in the consolidated 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 comprise of mortgages receivable. Loans and receivables are initially recognized at the amount expected to be received less, 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 year. The Company has classified accounts payable and accrued liabilities and due to related party 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 consolidated 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 consolidated 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 year or within 90 days of the end of the year 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 year and in future years 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.

Builders Capital Mortgage Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

3. **Summary of significant accounting policies** *(continued from previous page)*

Mortgages receivable

Mortgages receivable are classified as loans and receivable financial instruments. Such receivables are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgages receivable 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 consolidated 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 consolidated 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.

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.

Assets held for sale

Assets are considered held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to be completed within one year from the date of classification.

Assets held for sale include property that has been repossessed following foreclosure on mortgages that are in default.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell and are not depreciated. An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell, but not exceeding any cumulative impairment losses previously recognized.

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 year. 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.

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) IAS 1 Presentation of Financial Statements (Amendment) - In December 2014, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments are part of the IASB's Disclosure Initiative to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgment when preparing their consolidated financial statements. These amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The adoption of the amendment did not have a significant impact on the consolidated financial statements.
- (ii) IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Amendment) - Amendments to IAS 16 and IAS 38, issued by IASB in May 2014, incorporated into the Handbook by the AcSB in July 2014, clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. Amendments to IAS 38 specify that an amortization method based on revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. These amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The adoption of the amendment did not have a significant impact on the consolidated financial statements.

Recent accounting pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

- (i) IFRS 9 Financial Instruments is a new standard on accounting for financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. The International Accounting Standards Board ("IASB") has deferred the mandatory effective date for IFRS 9 to annual periods beginning on or after January 1, 2018. Earlier application is permitted. If an entity applies this IFRS in its consolidated financial statements for a period beginning before January 1, 2018, it shall disclose that fact and at the same time apply the consequential amendments to other IFRSs. An entity that did not already apply IFRS 9 as issued in 2009 must apply IFRS 9 as issued in 2010 in its entirety if electing early application. If an entity has already early applied IFRS 9 as issued in 2009, prior to the amendments issued in 2010, the entity may elect to continue to apply IFRS 9 as issued in 2009. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding the instrument to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is recorded at fair value through profit or loss. IFRS 9 requires an expected-loss impairment model (replacing the current incurred loss impairment model) that will require more timely recognition of expected losses and requires accounting for expected credit losses when financial instruments are first recognized and to accelerate the recognition of full lifetime expected losses. The Company is currently assessing the impact of this new standard on its consolidated financial statements.
- (ii) IFRS 15 Revenue from Contracts with Customers - In May 2014, the IASB issued a new standard on the recognition of revenue from contracts with customers. IFRS 15 specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. The Section provides a single, principles-based five-step model to be applied to all contracts with customers, with certain exceptions. The standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is currently assessing the impact of this new standard on its consolidated financial statements.
- (iii) IFRS 16 Leases - On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

Builders Capital Mortgage Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

5. Significant accounting estimates, assumptions and judgments

The preparation of the consolidated 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 consolidated financial statements and reported amounts of revenues and expenses during the reporting year. 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 consolidated financial statements are:

Specific allowance for mortgage losses

The Company is required to make estimates and assumptions that relate to the specific allowance 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 by 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 mortgages receivable.

Management judgments that may affect reported amounts of assets and liabilities, income and expenses include but are not necessarily limited to:

Classification of non-voting shares with redemption feature

Under IFRS, IAS 32 requires that shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liabilities. The Company's Class A and Class B non-voting shares contain a redemption feature whereby the holders can request redemption of the shares during a specified period during the year. The redemption feature is subject to certain restrictions which give Management the ability to effectively defer redemption indefinitely. Accordingly, management has applied judgment in assessing whether the redemption feature would create a contractual obligation to repurchase or redeem shares for cash or another financial asset and has determined that it would not and that the shares should be classified as equity.

6. Mortgages receivable

Mortgages receivable consist of the following:

| | 2016 | 2015 |
|-----------------------------------|----------------------|----------------------|
| Conventional first mortgages | \$ 19,478,717 | \$ 15,909,834 |
| Conventional non-first mortgages | 3,875,833 | 8,277,333 |
| | 23,354,550 | 24,187,167 |
| Allowance for mortgage losses | 344,369 | 597,977 |
| Total mortgages receivable | \$ 23,010,181 | \$ 23,589,190 |

Mortgages receivable consist of conventional mortgages which are secured by a mortgage charge with aggregate loan to values not exceeding 75% at their initiation. As at December 31, 2016, conventional first mortgages comprised 83% (2015 – 66%) and conventional non-first mortgages comprised 17% (2015 – 35%) of the total portfolio. Of the total balance of mortgages receivable, 3 mortgages totalling \$1,721,059 were first advanced in 2013 or earlier, 5 mortgages totalling \$5,818,111 were first advanced in 2014, 7 mortgages totalling \$6,339,696 were first advanced in 2015 and the balance of 17 mortgages totalling \$9,475,684 were first advanced in 2016.

Builders Capital Mortgage Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

6. Mortgages receivable *(continued from previous page)*

At year-end, the mortgages receivable balance included \$1,995,794 (2015 - \$1,652,326) in interest and fees receivable and \$21,358,756 (2015 - \$22,534,841) in principal amounts.

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 12.01% (2015 – 13.05%) per annum and mature between January 1, 2017 and January 1, 2018. The mortgages are initially entered into for a term of one year. At each maturity date the mortgages are assessed for renewal and if collection of the mortgage is reasonably assured, the mortgages are renewed for an additional term of one year or less. If collection is not reasonably assured, the mortgage is not renewed and collection procedures are initiated. As at December 31, 2016, the Company had no mortgages receivable that had not been renewed (2015 – nil). Additional information regarding mortgages which could be considered past due but not impaired is contained in note 16 below.

Principal repayments based on contractual maturity dates are as follows:

| | 2016 | 2015 |
|--------|----------------------|----------------------|
| Year 1 | \$ 23,351,707 | \$ 23,684,442 |
| Year 2 | 2,843 | 502,725 |
| | \$ 23,354,550 | \$ 24,187,167 |

The Company records a collective allowance for mortgage losses based on past experience regarding losses, and an ongoing assessment of the market. The mortgage portfolio is regularly reviewed by management for individual mortgages which could be considered to be impaired. To the extent such individual impairment exists, the amounts are compared to the collective allowance to ensure that the overall allowance is sufficient. If it's considered sufficient even given the total assessment of individual impairment, then no additional impairment is recorded. If it is considered insufficient, an additional allowance is recorded. As at December 31, 2016, the Company has a collective impairment provision of \$29,369 (2015 - \$597,977).

As at December 31, 2016 the Company has recognized a specific impairment provision of \$315,000 (2015-\$nil) which is related to two specific mortgages with balances totalling \$1,787,708. Each of these mortgages is a conventional first mortgage which may be collected through foreclosure proceedings. Both mortgages were originally due in December of 2015. In determining impairment, the primary consideration is the value of the security compared to the value of the outstanding mortgage. Consideration is also placed on an assessment of the current state of the market and of the borrower's efforts to sell the property. The two mortgages considered to be impaired at year-end both have loans to value which exceed 85% which, combined with other concerns regarding the borrowers has caused the Company to record an impairment loss in an amount calculated to reduce the net carrying value of the loans to their realizable value. In both cases, the construction is complete, and the homes have failed to sell at least in part due to downturns in the local real estate markets. Interest and fees continuing to accrue have made full collection of our loan balance on eventual sale unlikely.

Measuring loan to value ratios on construction mortgages requires judgement and is subject to a significant degree of uncertainty. The Company estimates that the weighted average loan-to-value of the overall mortgage portfolio at year-end is 77.9%.

The changes in the allowance for mortgage losses during the years ended December 31, 2016 and 2015 were as follows:

| | 2016 | 2015 |
|-------------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 597,977 | \$ 265,343 |
| Provision for mortgage losses | 251,645 | 343,370 |
| Less: accounts written off | (505,253) | (10,736) |
| Balance, end of year | \$ 344,369 | \$ 597,977 |

Builders Capital Mortgage Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

7. Assets held for sale

| | 2016 | 2015 |
|---------------------|------------|------------|
| Foreclosed property | \$ 213,400 | \$ 661,905 |

During the year ended December 31, 2016 four properties (2015 – one property) were obtained in foreclosure actions on mortgages receivable. Three of these properties, together with one obtained in a foreclosure in the previous year, were disposed of during the year for proceeds totalling \$2,289,017. At December 31, 2016, the assets held for sale consisted of one vacant building lot in Fort McMurray which is currently listed for sale.

The write-down required on the related mortgages receivables prior to foreclosure totalled \$476,055 which was taken from the accumulated allowance for mortgage losses in the year.

8. Credit facility

The Company has a due on demand operating credit facility with a limit of \$3,500,000 available. As at December 31, 2016 \$Nil (2015 - \$908,267) 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, 2016, prime was 2.70% (2015 - 2.78%). 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. These covenants include:

- (i) A cash flow coverage test under which the balance at the end of each month plus accrued interest may not exceed the total amount of outstanding principal balances of mortgages with maximum terms of 12 months or less. At year-end, the principal balances of such mortgages exceeded the credit facility balance by \$23,010,181 (2015 - \$22,680,923).
- (ii) Maintaining a tangible net worth defined as the aggregate of share capital and retained earnings, less intangible assets, of not less than \$10,000,000. At December 31, 2016, this balance exceeded \$10,000,000 by \$13,126,607 (2015 - \$12,403,082).

9. 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 |

The Class A Non-Voting Common Shares and Class B Non-Voting Common shares carry a redemption feature under which shareholders can request redemption of up to 15% of the outstanding shares in any given year. Class A Non-Voting Common Shares redeemed under this feature are redeemed for 95% of the Company's net asset value per share, while Class B Non-Voting Common Shares are redeemed for the net asset value per share. The objective to this feature is to provide additional liquidity for our shareholders. The Company's policy is to honour any redemption requests to the best of its ability. The redemption feature is available only once per year and has specific notice periods which allow the Company 60 days between receiving notice and making payment. The amount of possible redemptions is not determinable, but based on the number of Class A and B Non-Voting Common shares outstanding at year-end and the net asset value per share on that date, the maximum potential redemption would be \$3,366,472. The redemption feature is subject to certain restrictions which give Management the ability to effectively defer redemption indefinitely.

Builders Capital Mortgage Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

9. Share capital (continued from previous page)

Issued and outstanding – Voting Common Shares

| | Number of Shares | \$ |
|----------------------------------|---------------------|-------|
| As at December 31, 2016 and 2015 | 100 | 1,000 |

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

| | Number of Shares | \$ |
|------------------------------|---------------------|-------------|
| As at December 31, 2014 | 1,461,895 | 13,071,969 |
| Shares issued for cash (i) | 7,500 | 75,000 |
| Offering costs (i) | - | (6,025) |
| Shares redeemed (ii) | (101,500) | (1,015,000) |
| As at December 31, 2015 | 1,367,895 | 12,125,944 |
| Shares issued for cash (iii) | 32,400 | 324,000 |
| Offering costs (iv) | - | (132,361) |
| As at December 31, 2016 | 1,400,295 | 12,317,583 |

- (i) On May 26, 2015, the Company closed a private placement totalling 7,500 class A Non-Voting Common Shares at a price of \$10.00 per share for gross proceeds of \$75,000. Included in offering costs are \$6,025 in fees paid in connection with the private placement.
- (ii) On October 31, 2015, the Company repurchased 101,500 Class A Non-Voting Common Shares at a discount for \$932,277. The discount on the repurchase was charged to retained earnings.
- (iii) On September 15, 2016, the Company closed a private placement totalling 32,400 Class A Non-Voting Common Shares at a price of \$10.00 per share for gross proceeds of \$324,000. Included in offering costs are \$16,200 in fees paid in connection with the private placement.
- (iv) During the year, offering costs totalling \$116,161 were incurred in the preparation of a prospectus with the intent of raising additional capital. These costs were incremental costs directly attributable to the equity transaction that otherwise would have been avoided. It is anticipated that the offering will close in the spring of 2017.

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

| | Number of Shares | \$ |
|----------------------------------|---------------------|-----------|
| As at December 31, 2014 | 972,076 | 9,703,253 |
| Shares issued for cash (v) | 2,500 | 25,000 |
| As at December 31, 2016 and 2015 | 974,576 | 9,728,253 |

- (v) On May 26, 2015, the Company closed a private placement totalling 2,500 Class B Non-Voting Common Shares at a price of \$10.00 per share for gross proceeds of \$25,000.

10. Agent options

There were no agent options granted in 2016 and 2015. All previously outstanding options expired on December 12, 2016.

Builders Capital Mortgage Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

11. Per share amounts

Basic and diluted earnings per share calculation

| | 2016 | 2015 |
|---|----------------|----------------|
| Numerator for basic earnings per share: | | |
| Total comprehensive income | \$ 2,719,244 | \$ 2,982,880 |
| Denominator for basic earnings per share: | | |
| Weighted average number of shares | 2,358,860 | 2,422,857 |
| Basic and diluted earnings per share | \$ 1.15 | \$ 1.23 |

The agent options were anti-dilutive in nature.

12. 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, 2016, the Company declared dividends of \$2,185,358 (2015 - \$2,758,729) to its Class A and Class B Non-Voting Common Shareholders and Voting Common Shareholders. As at December 31, 2016, \$282,299 (2015 - \$715,761) is payable and outstanding. All dividends payable as at December 31, 2016 were paid prior to January 31, 2017.

13. Income taxes

The Company has non-capital tax loss carry forwards of \$180,909 (2015 - \$310,613) as at December 31, 2016. These tax losses can be applied against future taxable income and will, if not utilized, expire as follows:

| | |
|------|-------------------|
| 2035 | \$ 180,909 |
|------|-------------------|

14. Related party transactions

Due to related party is comprised of the following:

| | 2016 | 2015 |
|-----------------------------------|-------------------|----------|
| Builders Capital Management Corp. | \$ 105,430 | \$73,732 |

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, 2016, this amount was \$236,347 (2015 - \$243,080).

In addition to the management fee, lender fees are charged directly to borrowers both on mortgage originations and on mortgage renewals, with 28.6% of these fees being retained by the Company and the remaining 71.4% being paid to the Manager. The Company collects these fees from the borrower, both on its own behalf and on behalf of the Manager, by adding them to the principal amount of the mortgage, generally on the first advance to the borrower. The company then pays the Manager's share of the fees to the manager, regardless of whether or not any payments have been received on the mortgage. Such payments to the manager are generally paid within 30 days of having been charged to the borrower. Renewal fees are also charged to the borrower and paid to the manager during the term of the mortgage. During the year, the fees paid to the Manager totaled \$624,650 (2015 - \$734,495).

The total directors' fees paid for the year were \$15,000 (2015 - \$20,500). 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.

Builders Capital Mortgage Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

14. Related party transactions *(continued from previous page)*

During the year, the Company purchased mortgages with an aggregate value of \$6,398,475 (2015 - \$6,548,219) from, and sold mortgages with an aggregate value of \$4,030,060 (2015 - \$8,643,865) to, Builders Capital (2014) Ltd. There were also advances totaling \$1,141,811 (2015 - \$2,993,056), which were made and repaid during the year between the two companies.

Builders Capital (2014) Ltd is 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 on initial recognition.

Key management compensation:

None of the Company's key management personnel received compensation from the Company for the years ended December 31, 2016 and 2015. 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 key 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.

15. 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, 2016 and 2015, the Company was in compliance with all financial covenants.

16. Financial instruments

The Company, as part of its operations, carries financial instruments consisting of cash, mortgages receivable, line of credit, accounts payable and accrued liabilities and due to related party. 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 and line of credit is determined on level 1 inputs.

The carrying value of mortgages receivable, accounts payable and accrued liabilities and due to related party 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 year (2015 – none).

Builders Capital Mortgage Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

16. Financial instruments (continued from previous page)

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.

Although the Company writes mortgages for periods of one year or less, the mortgages are often renewed based either on the borrower's ongoing requirement for capital for additional projects, or because the project which was originally financed has not been completed and sold. In each case, prior to renewal the Company assesses the mortgage for impairment. Mortgages are regularly assessed impairment and the Company records a specific allowance as required. Based on historical information about customer default rates the management considers that the Company's financial assets that are not impaired or past due are of good credit quality.

Mortgages which were funded prior to January 1, 2016 and which have been renewed due to delays in completing the construction or the sale of the underlying security rather than due to a revolving arrangement for ongoing construction having been made, and for which no specific allowance has been recognized, can be considered to be past due, but not impaired. These loans are not considered to be impaired and no specific allowance has been taken for these mortgages as management considers collection to be reasonably assured due to the estimated value of the mortgage security held.

In all cases, the Company's mortgages receivable are secured by registered charges over real property which is considered to reduce the credit risk to approximate the amount of the allowance for doubtful loans.

Amounts which meet these criteria can be summarized by the time period in which the loan was originally due as follows:

| | Q1 2015 | Q4 2015 | Q2 2016 | Q4 2016 |
|--------------|-------------------|-------------------|---------------------|---------------------|
| Principal | \$ 236,491 | \$ 241,244 | \$ 1,366,917 | \$ 1,281,916 |
| Interest | 23,371 | 68,839 | 208,164 | 122,864 |
| Total | \$ 259,862 | \$ 310,083 | \$ 1,575,081 | \$ 1,404,780 |

Cash is held at a major Canadian financial institution. The Company's maximum exposure to credit risk is represented by the carrying values of the cash and mortgages receivable which are considered to be their fair values.

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, 2016, 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 year as mortgages receivable are carried at amortized cost.
- ii) Foreign currency risk
 The Company does not have assets or liabilities in foreign currency.

Builders Capital Mortgage Corp.
Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

16. Financial instruments *(continued from previous page)*

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 mortgage acquisitions, manager fees and distributions to shareholders. All of the aforementioned liquidity requirements, except for mortgage acquisitions, are generally funded from cash flows earned on mortgage interest and fees. Mortgage 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, line of credit 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.

17. Change in presentation of the consolidated statement of cash flows

During review of the consolidated financial statement of cash flows performed by the management of the Company, it was concluded that presentation of cash flows using the direct method would provide more relevant and useful information to enable users of the consolidated financial statements to evaluate the changes in net assets of the Company and to assess the Company's ability to generate cash. In addition, management of the Company concluded it was more appropriate to classify the cash advances and repayments on mortgages, including purchases and sales of mortgages, as operating activities rather than investing activities due to the fact that the funding and collection of mortgages is in the ordinary course of operations, and all of the mortgages are considered to be current assets. This change in presentation resulted in cash flows relating to mortgages funded and repaid no longer being presented as investing activities in the consolidated statement of cash flows. Comparative figures have been reclassified to conform to the current year presentation. As a result, Cash flows from investing activities decreased by \$7,313,045 in the comparative figures, and cash flows from operating activities increased an equivalent amount.

Builders Capital Mortgage Corp.
Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Builders Capital Mortgage Corp. (the "Company"):

Management is responsible for the preparation and presentation of the accompanying consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. The Board fulfills 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 Professional Accountants, is appointed by the Board to audit the consolidated 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.

March 31, 2016



John Strangway
Chief Financial Officer



Sandy L. Loutitt
President

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Builders Capital Mortgage Corp.:

We have audited the accompanying consolidated financial statements of Builders Capital Mortgage Corp., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Builders Capital Mortgage Corp. as at December 31, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Calgary, Alberta
March 31, 2016

Chartered Professional Accountants

Builders Capital Mortgage Corp.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31,

(Expressed in Canadian dollars)

| | Note | 2015 \$ | 2014 \$ |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| Cash | | 776 | 34 |
| Mortgages receivable | 6 | 23,589,190 | 27,191,043 |
| Prepaid expenses | | 5,104 | - |
| Assets held for sale | 7 | 661,905 | - |
| TOTAL ASSETS | | 24,256,975 | 27,191,077 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| LIABILITIES | | | |
| Line of credit | 8 | 908,267 | 3,151,371 |
| Accounts payable and accrued liabilities | | 37,132 | 49,653 |
| Due to related party | 14 | 73,732 | 107,849 |
| Dividends payable | 12 | 715,761 | 696,644 |
| Deferred lender fees | | 119,001 | 168,327 |
| TOTAL LIABILITIES | | 1,853,893 | 4,173,844 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 9 | 21,855,197 | 22,776,222 |
| Retained earnings | | 547,885 | 241,011 |
| | | 22,403,082 | 23,017,233 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 24,256,975 | 27,191,077 |

Approved on behalf of the Board:



Ivan M. Matishak
Director



Sandy L. Loutitt
Director

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

Builders Capital Mortgage Corp.**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the years ended December 31,

(Expressed in Canadian dollars)

| | Note | 2015 \$ | 2014 \$ |
|-----------------------------------|------|------------------|------------------|
| REVENUES | | | |
| Interest | | 3,429,775 | 3,315,300 |
| Lender Fees | | 346,165 | 220,923 |
| Total revenues | | 3,775,940 | 3,536,223 |
| EXPENSES | | | |
| General and administrative | | 78,867 | 103,288 |
| Interest | | 127,743 | 81,813 |
| Provision for mortgage losses | 6 | 343,370 | 265,343 |
| Management fees | 14 | 243,080 | 239,189 |
| Total expenses | | 793,060 | 689,633 |
| TOTAL COMPREHENSIVE INCOME | | 2,982,880 | 2,846,590 |
| EARNINGS PER SHARE | | | |
| Basic and diluted | 11 | 1.23 | 1.19 |

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

Builders Capital Mortgage Corp.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

| | Note | Share Capital | | Retained Earnings | Total |
|--|---------|---------------|-------------|-------------------|-------------|
| | | Number | Amount | | |
| | | | \$ | \$ | \$ |
| 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 | 9 (i) | 82,500 | 825,000 | - | 825,000 |
| Offering costs | 9 (i) | - | (14,184) | - | (14,184) |
| Dividends declared | 12 | - | - | (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 |
| Class A Non-Voting Common Shares issued for cash | 9 (ii) | 7,500 | 75,000 | - | 75,000 |
| Offering costs | 9 (ii) | - | (6,025) | - | (6,025) |
| Class A Non-Voting Common Shares redeemed for cash | 9 (iii) | (101,500) | (1,015,000) | 82,723 | (932,277) |
| Class B Non-Voting Common Shares issued for cash | 9 (iv) | 2,500 | 25,000 | - | 25,000 |
| Dividends declared | 12 | - | - | (2,758,729) | (2,758,729) |
| Total comprehensive income for the year | | - | - | 2,982,880 | 2,982,880 |
| BALANCE AT DECEMBER 31, 2015 | | 2,342,571 | 21,855,197 | 547,885 | 22,403,082 |

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

Builders Capital Mortgage Corp.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31,

(Expressed in Canadian dollars)

| | Note | 2015 \$ | 2014 \$ |
|---|------|--------------------|--------------------|
| CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES: | | | |
| OPERATING ACTIVITIES | | | |
| Total comprehensive income | | 2,982,880 | 2,846,590 |
| Items not affecting cash: | | | |
| Provision for mortgage losses | 6 | 343,370 | 265,343 |
| Changes in non-cash operating items: | | | |
| Mortgages receivable | | (4,716,467) | (4,611,771) |
| Prepaid expenses | | (5,104) | |
| Amounts held in trust | | - | 160,500 |
| Accounts payable and accrued liabilities | | (12,521) | (152,851) |
| Due to related party | | (34,117) | 30,887 |
| Deferred lender fees | | (49,326) | 168,327 |
| TOTAL CASH FLOWS USED IN OPERATING ACTIVITIES | | (1,491,285) | (1,292,975) |
| INVESTING ACTIVITIES | | | |
| Mortgages funded | | (33,083,815) | (43,407,900) |
| Mortgages repaid | | 40,396,860 | 42,452,542 |
| TOTAL CASH FLOWS GENERATED FROM (USED IN) INVESTING ACTIVITIES | | 7,313,045 | (955,358) |
| FINANCING ACTIVITIES | | | |
| Amounts drawn (paid) on line of credit | | (2,243,104) | 3,151,371 |
| Proceeds from issuance of common shares, net of offering costs | 9 | 93,975 | 810,816 |
| Redemption of common shares | 9 | (932,277) | - |
| Dividends paid | 12 | (2,739,612) | (1,970,769) |
| TOTAL CASH FLOWS (USED IN) GENERATED FROM FINANCING ACTIVITIES | | (5,821,018) | 1,991,418 |
| NET INCREASE (DECREASE) IN CASH | | 742 | (256,915) |
| Cash, beginning of year | | 34 | 256,949 |
| CASH, END OF YEAR | | 776 | 34 |

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

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014 (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.

2. BASIS OF PREPARATION

Statement of compliance

The consolidated 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 January 1, 2015.

The consolidated financial statements of the Company for the year ended December 31, 2015 were approved by the Board of Directors on March 31, 2016.

Basis of measurement

These consolidated 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 consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. 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 consolidated financial statements are disclosed in note 5.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency for the Company's subsidiary, Builders Capital Limited Partnership is also Canadian dollars.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

These consolidated financial statement include the accounts of the Company and its 99.999% interest in its subsidiary, Builders Capital Limited Partnership. All inter-company balances and transactions are eliminated upon consolidation. Total comprehensive income is attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Subsidiaries are all entities (included structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control transferred to the Company. They are deconsolidated from the date that control ceases. The amount of total comprehensive income attributed to non-controlling interests for the year ended December 31, 2015 is \$nil.

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 re-measurement recognized immediately in the consolidated statement of comprehensive income. The net gain or loss recognized in the consolidated statement of comprehensive income incorporates any dividend or interest earned. The Company has classified cash and line of credit 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 comprise mortgages receivable. Loans and receivables are initially recognized at the amount expected to be received, less 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 year. The Company has classified accounts payable and accrued liabilities and due to related party 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 consolidated 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 consolidated 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 year or within 90 days of the end of the year 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 year and in future years 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 initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgages receivable 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 consolidated 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 consolidated 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.

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.

Assets held for sale

Assets are considered held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to be completed within one year from the date of classification.

Assets held for sale include property that has been repossessed following foreclosure on mortgages that are in default.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell and are not depreciated. An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell, but not exceeding any cumulative impairment losses previously recognized.

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 year. 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.

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 (Amendment) – The amendments clarify the definition of "vesting conditions" and "market 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 amendments had no impact on the Company's consolidated financial statements.
- ii) IFRS 3 Business Combinations (Amendment) – The amendments clarify the accounting for contingent consideration in a business combination. At each reporting year, an entity measures contingent consideration classified as an asset or a financial liability at fair value, with changes in fair value recognized in profit or loss. The amendments had no impact on the Company's consolidated financial statements.
- iii) IFRS 8 Operating Segments (Amendment) – The amendments require an entity to disclose the judgments made by management in applying the aggregation criteria for reportable segments. The amendments had no impact on the Company's consolidated financial statements.
- iv) IAS 24 Related Party Disclosures (Amendment) – The amendments 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 amendments resulted in additional disclosure in the Company's consolidated financial statements.

Recent accounting pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

- (i) IFRS 9 Financial Instruments (New and Amendment) – The International Accounting Standards Board ("IASB") has deferred the mandatory effective date for IFRS 9 to annual periods beginning on or after January 1, 2018. Earlier application is permitted. If an entity applies this IFRS in its consolidated financial statements for a period beginning before January 1, 2018, it shall disclose that fact and at the same time apply the consequential amendments to other IFRSs. An entity that did not already apply IFRS 9 as issued in 2009 must apply IFRS 9 as issued in 2010 in its entirety if electing early application. If an entity has already early applied IFRS 9 as issued in 2009, prior to the amendments issued in 2010, the entity may elect to continue to apply IFRS 9 as issued in 2009. The Company is currently assessing the impact of this new standard on its consolidated financial statements.
- (ii) IFRS 15 Revenue from Contracts with Customers – In May 2014, the IASB issued a new standard on the recognition of revenue from contracts with customers. IFRS 15 specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. The Section provides a single, principles-based five-step model to be applied to all contracts with customers, with certain exceptions. The standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

- (iii) **IAS 1 Presentation of Financial Statements (Amendment)** – In December 2014, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments are part of the IASB's Disclosure Initiative to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgment when preparing their consolidated financial statements. These amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Company is currently assessing the impact of this new standard on its consolidated financial statements.
- (iv) **IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Amendment)** – Amendments to IAS 16 and IAS 38, issued by IASB in May 2014, incorporated into the Handbook by the AcSB in July 2014, clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. Amendments to IAS 38 specify that an amortization method based on revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Company is currently assessing the impact of these amendments on its consolidated financial statements.
- (v) **IFRS 16 Leases** – On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

5. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the consolidated 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 consolidated financial statements and reported amounts of revenues and expenses during the reporting year. 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 consolidated financial statements are:

Specific allowance for mortgage losses

The Company is required to make estimates and assumptions that relate to the specific allowance 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 mortgages receivable.

6. MORTGAGES RECEIVABLE

Mortgages receivable consist of the following:

| | 2015 | 2014 |
|-----------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Conventional first mortgages | 15,909,834 | 22,839,477 |
| Conventional non-first mortgages | 8,277,333 | 4,616,909 |
| | 24,187,167 | 27,456,386 |
| Allowance for mortgage losses | 597,977 | 265,343 |
| Total mortgages receivable | 23,589,190 | 27,191,043 |

Mortgages receivable consist of conventional mortgages, which are secured by a mortgage charge with aggregate loan to values not exceeding 75% at their initiation. As at December 31, 2015, conventional first mortgages comprised 66% (2014 – 83%) and conventional non-first mortgages comprised 34% (2014 – 17%) of the total portfolio.

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 13.05% (2014 – 13.15%) per annum and mature between January 1, 2016 and January 1, 2017.

Principal repayments based on contractual maturity dates are as follows:

| | 2015 | 2014 |
|------|------------|------------|
| | \$ | \$ |
| 2016 | 23,684,442 | 27,453,535 |
| 2017 | 502,725 | 2,851 |
| | 24,187,167 | 27,456,386 |

Allowance for mortgage losses details:

| | 2015 | 2014 |
|-------------------------------|----------------|----------------|
| | \$ | \$ |
| Balance, beginning of year | 265,343 | - |
| Provision for mortgage losses | 343,370 | 265,343 |
| Less: accounts written off | (10,736) | - |
| Balance, end of year | 597,977 | 265,343 |

There was \$597,977 (2014 – \$265,343) collective allowance for mortgage losses as at December 31, 2015. There was no specific allowance for mortgage losses for the years ended December 31, 2015 and 2014.

7. ASSETS HELD FOR SALE

| | 2015 | 2014 |
|---------------------|---------|------|
| | \$ | \$ |
| Foreclosed property | 661,905 | - |

8. CREDIT FACILITY

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, 2015, \$908,267 (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, 2015, prime was 2.78% (2014 – 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. These covenants include a cash flow coverage test and maintaining a tangible net worth of not less than \$10,000,000. As at December 31, 2015 and 2014, the Company was in compliance with all financial covenants.

9. 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 | \$ |
|----------------------------------|------------------|-------|
| As at December 31, 2015 and 2014 | 100 | 1,000 |

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

| | Number of Shares | \$ |
|-----------------------------|------------------|-------------|
| As at December 31, 2013 | 1,379,395 | 12,261,153 |
| Shares issued for cash (i) | 82,500 | 825,000 |
| Offering costs (i) | - | (14,184) |
| As at December 31, 2014 | 1,461,895 | 13,071,969 |
| Shares issued for cash (ii) | 7,500 | 75,000 |
| Offering costs (ii) | - | (6,025) |
| Shares redeemed (iii) | (101,500) | (1,015,000) |
| As at December 31, 2015 | 1,367,895 | 12,125,944 |

- i) 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.
- ii) On May 26, 2015, the Company closed a private placement totalling 7,500 class A Non-Voting Common Shares at a price of \$10.00 per share for gross proceeds of \$75,000. Included in offering costs are \$6,025 in fees paid in connection with the private placement.
- iii) On October 31, 2015, the Company repurchased 101,500 Class A Non-Voting Common Shares at a discount for \$932,277. The discount on the repurchase was charged to retained earnings.

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

| | Number of Shares | \$ |
|----------------------------------|------------------|-----------|
| As at December 31, 2013 and 2014 | 972,026 | 9,703,253 |
| Shares issued for cash (iv) | 2,500 | 25,000 |
| As at December 31, 2015 | 974,576 | 9,728,253 |

- iv) On May 26, 2015, the Company closed a private placement totalling 2,500 Class B Non-Voting Common Shares at a price of \$10.00 per share for gross proceeds of \$25,000.

10. AGENT OPTIONS

There were no Agent options granted in 2015 and 2014. The fair value of the agent options outstanding is \$43,027.

At December 31, 2015, agent options outstanding and exercisable were 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 | 0.95 |

11. PER SHARE AMOUNTS

Basic and diluted earnings per share calculation

| | 2015 | 2014 |
|---|-----------|-----------|
| | \$ | \$ |
| Numerator for basic earnings per share: | | |
| Total comprehensive income | 2,982,880 | 2,846,590 |
| Denominator for basic earnings per share: | | |
| Weighted average number of shares | 2,422,857 | 2,392,482 |
| Basic and diluted earnings per share | 1.23 | 1.19 |

The agent options were anti-dilutive in nature.

12. 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, 2015, the Company declared dividends of \$2,758,729 (2014 – \$2,631,135) to its Class A and Class B Non-Voting Common Shareholders and Voting Common Shareholders. As at December 31, 2015, \$715,761 (2014 – \$696,644) was payable and outstanding. All dividends payable as at December 31, 2015 were paid on January 31, 2016.

13. INCOME TAXES

The Company has non capital tax loss carry forwards of \$310,613 (2014 – \$48,294) as at December 31, 2015. These tax losses can be applied against future taxable income and will, if not utilized, expire as follows:

| | \$ |
|------|---------|
| 2033 | 48,294 |
| 2035 | 262,319 |

14. RELATED PARTY TRANSACTIONS

Due to related party is comprised of the following:

| | 2015 | 2014 |
|-----------------------------------|--------|---------|
| | \$ | \$ |
| Builders Capital Management Corp. | 73,732 | 107,849 |

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, 2015, this amount was \$243,080 (2014 – \$239,189).

The total directors' fees paid for the year were \$20,500 (2014 – \$17,500). 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 \$6,548,219 (2014 – \$2,946,465) from, and sold mortgages with an aggregate value of \$8,643,865 (2014 – \$4,663,249) to, Builders Capital (2014) Ltd. There were also advances totaling \$2,993,056 (2014 – \$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 \$nil (2014 – \$1,923,674) from, and sold mortgages with an aggregate value of \$nil (2014 – \$3,440,576) to, Builders Capital Inc. There were also advances totaling \$nil (2014 – \$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 on initial recognition.

Key management compensation

None of the Company's key management personnel received compensation from the Company for the years ended December 31, 2015 and 2014. 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 key 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.

15. 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, 2015 and 2014, the Company was in compliance with all financial covenants.

16. FINANCIAL INSTRUMENTS

The Company, as part of its operations, carries financial instruments consisting of cash, mortgages receivable, line of credit, accounts payable and accrued liabilities and due to related party. 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 and line of credit is determined on level 1 inputs.

The carrying value of mortgages receivable, accounts payable and accrued liabilities and due to related party 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 year (2014 – none).

Builders Capital Mortgage Corp.
Financial Statements
For the year ended December 31, 2014

Management's Responsibility

To the Shareholders of Builders Capital Mortgage Corp. (the "Company"):

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 fulfills 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

(Signed) "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.

Calgary, Alberta
February 23, 2015

MNP LLP
Chartered Accountants

Builders Capital Mortgage Corp.
Statement of Financial Position

*As at December 31,
(Expressed in Canadian dollars)*

| | 2014 | 2013 |
|---|----------------------|----------------------|
| Assets | | |
| Mortgages receivable (Note 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 (Note 7) | \$ 3,151,371 | \$ - |
| Accounts payable and accrued liabilities | 49,653 | 138,992 |
| Due to related parties (Note 13) | 107,849 | 140,474 |
| Dividends payable (Note 11) | 696,644 | 36,278 |
| Deferred lender fees | 168,327 | - |
| Total Liabilities | \$ 4,173,844 | \$ 315,744 |
| Shareholders' Equity | | |
| Share capital (Note 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:

(Signed) "Ivan M. Matishak"

Director

(Signed) "Sandy L. Loutitt"

Director

The accompanying notes are an integral part of these 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)*

| | Year ended December 31, 2014 | From inception on March 28, 2013 to December 31, 2013 |
|--|------------------------------------|--|
| 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 (Note 6) | 265,343 | - |
| Management fees (Note 13) | 239,189 | 7,731 |
| Total expenses | 689,633 | 39,194 |
| Total comprehensive income | \$ 2,846,590 | \$ 61,834 |
| Earnings per share (Note 10) | | |
| Basic and diluted | \$ 1.19 | \$ 0.45 |

The accompanying notes are an integral part of these financial statements

Builders Capital Mortgage Corp.
Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

| | Share Capital | | Retained Earnings | Total |
|--|------------------|-------------------|-------------------|-------------------|
| | Number | Amount | | |
| | | \$ | \$ | \$ |
| Balance at inception, March 28, 2013 | - | - | - | - |
| Class A Non-Voting Common Shares issued for cash <i>(Note 8 (ii))</i> | 1,379,395 | 13,793,950 | - | 13,793,950 |
| Class B Non-Voting Common Shares issued for cash <i>(Note 8 (iv))</i> | 972,076 | 9,720,760 | - | 9,720,760 |
| Voting Common Shares issued for cash <i>(Note 8 (j))</i> | 100 | 1,000 | - | 1,000 |
| Offering costs <i>(Note 8 (ii and iv))</i> | - | (1,550,304) | - | (1,550,304) |
| Dividends declared <i>(Note 11)</i> | - | - | (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 <i>(Note 8 (iii))</i> | 82,500 | 825,000 | - | 825,000 |
| Offering costs <i>(Note 8 (iii))</i> | - | (14,184) | - | (14,184) |
| Dividends declared <i>(Note 11)</i> | - | - | (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 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)*

| | <i>Year ended December 31, 2014</i> | <i>From inception on March 28, 2013 to December 31, 2013</i> |
|---|---|--|
| 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 (Note 7) | \$ 3,151,371 | - |
| Dividends paid (Note 11) | (1,970,769) | \$ - |
| Proceeds from issuance of common shares, net of offering costs (Note 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 financial statements

Builders Capital Mortgage Corp.

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.

Builders Capital Mortgage Corp. 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)

3. Summary of significant accounting policies (continued from previous page)

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.

Builders Capital Mortgage Corp.

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)

3. Summary of significant accounting policies (continued from previous page)

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 entirety, 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.

Builders Capital Mortgage Corp. 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)

4. Accounting standards adopted and recent accounting pronouncements (continued from previous page)

Recent accounting pronouncements (continued from previous page)

- (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:

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.

Builders Capital Mortgage Corp.
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)

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.

Builders Capital Mortgage Corp.

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)

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.

Builders Capital Mortgage Corp.

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)

8. Share capital (continued)

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.

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.

Builders Capital Mortgage Corp.

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)

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.

Builders Capital Mortgage Corp.
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)*

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.

Builders Capital Mortgage Corp.

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)

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).

Builders Capital Mortgage Corp.

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)

15. Financial instruments (continued from previous page)

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.

SCHEDULE "B"
MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis for Year Ended December 31, 2016, December 31, 2015 and December 31, 2014 attached.



Builders Capital Mortgage Corp.

Management's Discussion and Analysis
Year Ended December 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis (MD&A) has been prepared by Builders Capital Mortgage Corp. (Builders Capital or the company) as of May 1, 2017. It should be read in conjunction with the company's audited consolidated financial statements and accompanying notes for the 12 months ended December 31, 2016, available on SEDAR at www.sedar.com and on our website at www.builderscapital.com. The consolidated 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", "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. 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 management believes 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, primarily 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. For income tax purposes, such dividends are 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, held by the public, and Class B Non-Voting Shares, held by management and private investors. This two-tier share structure grants dividend priority to the Class A Non-Voting Shares, providing additional security of both principal and dividends to our public 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.

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.

Investments in our portfolio are strategically concentrated on:

- First or subordinate mortgages on real estate with a target of up to 75% of property 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 geographic 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.

Operations

Builders Capital provides short-term, course of construction financing to builders of residential, wood-frame construction projects in Western Canada. We believe that staying focused on this niche market reduces overall risk and increases the potential return on our mortgage portfolio. All of our mortgages are tailored to the specific needs of residential builders, giving Builders Capital a competitive advantage in this sector of the construction market.

Our mortgage portfolio and operations are managed by Builders Capital Management Corp. (the manager) under the terms of a management agreement. The manager sources and services mortgage loans and directs the company's business operations. Under the terms of the management agreement the manager provides staff, office space and equipment, and expertise required to operate the business of the company. The manager maintains extensive experience in all aspects of residential construction and in-depth, up-to-date residential real estate industry knowledge to ensure that it 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 and manages all such actions on behalf of the Company.

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

The manager is then required to perform comprehensive due diligence of the underlying assets. The due diligence process revolves around the manager's system of underwriting loans and evaluating projects and borrowers. This process includes a detailed re-costing of each project based on the assumption that we are going to build it ourselves and an analysis of what the completed project will be worth. This assessment gives us the information we need to ascertain the value proposition inherent in the project. We only loan on projects that we believe are economically sound and for which we have the capability to complete and sell if necessary.

All of the loans we make to borrowers consist of promissory notes secured by collateral mortgages over real property. None of the mortgages are originally written for terms longer than one year. Subject to the satisfaction of Builders Capital's rigorous lending requirements, any or all of our mortgages may be, or may become, revolving in nature.

In some cases, the mortgage is intended to be repaid on or before the end of its original one-year term, which would typically coincide with the building project being completed and sold. In cases where the project has not been completed and/or sold by the end of the term, assuming that the manager is comfortable with the marketing efforts and security position, we will generally renew the mortgage to give additional time for completion and marketing. In these cases, no cash is usually received on the renewal, although we will sometimes require a payment or additional security on the loan.

In other cases, the intention is to continue financing the ongoing construction of projects for a borrower on a revolving basis. In these situations, each time a project is completed and sold, cash is received to pay-down the loan balance, in some cases to zero. As the loan balance is reduced, new projects can be added to the mortgage. At term-end, as builders will generally have a number of projects under construction at varying stages of completion, the mortgages are typically renewed and the builder draws down on the renewed mortgage to continue to fund their projects. In these cases, there is a revolving aspect to the loan but, again, no cash is expressly due upon the renewal.

Payments of principal, interest and fees are generally only required on the sale or refinancing of the property forming the security for our loan. However, our loan terms stipulate that we can expect payments after substantial completion of a project. Further, all of our mortgages are demand loans, which can be called at our discretion.

While our mortgages often revolve, and can continue to be renewed for multiple years, our goal is to keep the terms short on any one project and to have borrowers repay advances against each project on its completion, either through the sale of the property or by refinancing with another institution.

At inception, we target a loan to value ratio not exceeding 75%. However, calculating a loan to value ratio requires estimates of value, which are subject to uncertainty. For various reasons, including accruing interest, delays in completion of projects and changing market values, this target ratio is sometimes exceeded. We generally consider any loan that exceeds an estimated 85% loan to value to be impaired.

Fiscal Year Summary

Performance Highlights

- Consistent with our targeted distribution, dividends paid to Class A public shareholders in 2016 totaled \$0.80 per share, or 8% of the original \$10.00 issue price.
- Annual mortgage revenue was \$3.4 million, representing 14.4% of gross share capital, compared to \$3.8 million, or 15.6% of gross share capital, in 2015.
- Our invested capital turnover rate continued to be impacted by the considerably slower real-estate market in Alberta.
- We continued to enhance the geographic diversity of our mortgage portfolio, increasing our mortgage holdings in British Columbia to 28% of our portfolio from 10% at the end of 2015.
- Management fees were more than offset by lender fees charged to borrowers.
- Operating expenses (excluding interest and funds set aside for potential loan losses) were within expectations at 9.9% of revenues.
- At year-end, our debt-to-equity ratio was a very conservative 2%.
- Comprehensive income for the year was \$2.7 million, compared to \$3.0 million in 2015.
- Earnings exceeded the amount required to pay planned Class A Non-Voting Share dividends by a healthy 2.5 times.

Business Environment

- In our primary Southern Alberta marketplace, the lower oil prices that have persisted since mid-2014 continued to have an economic impact through 2016.
- Uncertainty in the province's real estate market has lengthened the time it takes our borrowers to sell their completed inventory and made some builders more cautious about taking on new projects.

- While some construction lenders have pulled back from lending in Alberta, we believe that the tighter economic environment has created an opportunity for us to increase market share.
- Lower raw land costs, particularly in Calgary, our largest single market, together with a concurrent drop in sub-trade costs as a result of decreased construction activity, should keep margins on new construction viable.
- Based on CMHC forecasts for Q4 2016 and 2017/2018, we believe housing starts in our western Canadian markets will be more than adequate to support the growth and continued geographic diversification of our business.

Financial Overview

| | Year ended December 31, 2016 \$ | Year ended December 31, 2015 \$ | Year ended December 31, 2014 \$ |
|--|---------------------------------------|---------------------------------------|---------------------------------------|
| Revenues | 3,397,522 | 3,775,940 | 3,536,223 |
| Earnings and total comprehensive earnings | 2,719,244 | 2,982,880 | 2,846,590 |
| Total assets | 23,678,390 | 24,256,975 | 27,191,077 |
| Shareholders' equity | 23,128,607 | 22,403,082 | 23,017,233 |
| Basic and fully diluted earnings per share | 1.15 | 1.23 | 1.19 |
| Cash dividends declared | 2,185,358 | 2,758,729 | 2,631,135 |
| Cash dividends declared per Class A share | 0.80 | 0.82 | 0.8000 |
| Cash dividends declared per Class B share | 1.11 | 1.62 | 1.49 |

Investment Portfolio

At December 31, 2016

| Property Type | Mortgage Portfolio (No.) | Outstanding Balance (\$) | Total Committed Mortgage Principal (\$) | % | AAM Allocation* |
|--|--------------------------|--------------------------|---|-------------|-----------------|
| Residential | | | | | |
| Single family – Detached | 25 | 16,138,747 | 29,225,000 | 69% | 100% |
| Single family – Attached | 7 | 7,215,803 | 9,467,000 | 31% | 100% |
| Total: | 32 | 23,354,550 | 38,692,000 | 100% | N/A |
| Geographic Location of Property | | | | | |
| Calgary and Area | 15 | 10,599,580 | 19,397,000 | 45% | 100% |
| Edmonton and Area | 1 | 1,201,754 | 3,000,000 | 5% | 100% |
| Other Alberta | 10 | 4,197,234 | 7,775,000 | 18% | 100% |
| British Columbia | 5 | 6,436,704 | 7,570,000 | 28% | 50% |
| Saskatchewan | 1 | 919,278 | 950,000 | 4% | 25% |
| Total: | 32 | 23,354,550 | 38,692,000 | 100% | N/A |
| Interest Rate (excluding fees) | | | | | |
| Less than 11% | 5 | 6,309,484 | 10,650,000 | 27% | N/A |
| 11%-11.99% | 4 | 2,444,238 | 8,027,000 | 11% | N/A |
| 12%-12.99% | 13 | 4,897,398 | 6,370,000 | 21% | N/A |
| Greater than 12.99% | 10 | 9,703,429 | 13,645,000 | 41% | N/A |
| Total: | 32 | 23,354,550 | 38,692,000 | 100% | N/A |
| Original Funding Date ** | | | | | |
| Calendar 2016 | 17 | 9,475,684 | 17,322,000 | 41% | N/A |
| Calendar 2015 | 7 | 6,339,696 | 8,845,000 | 27% | N/A |
| Calendar 2014 | 5 | 5,818,111 | 7,950,000 | 25% | N/A |
| Calendar 2013 or earlier | 3 | 1,721,059 | 4,575,000 | 7% | N/A |
| Total: | 32 | 23,354,550 | 38,692,000 | 100% | N/A |

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

**Loans are originally written for terms of up to one year but are renewed in cases where a builder continues to roll new security onto the loan facility or if the project has not been sold but is still progressing or being actively marketed.

Operating Results for the Three and Twelve Months Ended December 31, 2016

Despite the economic difficulties that our primary Southern Alberta marketplace experienced in 2016, we maintained a full mortgage book throughout the year.

During the 12 months, we continued to focus on geographically diversifying our mortgage holdings and, in particular, on strengthening our position in British Columbia, with notable success. At December 31, 2016, mortgages on properties in BC represented 28% of the portfolio's total value, up from 13% at mid-year and 10% at the end of 2015.

Cash advances and invoiced interest totaled \$4.3 million for the fourth quarter and \$21.5 million for the 12 months. These were respectively balanced by \$4.8 million and \$22.5 million in mortgage repayments. During the quarter, based on an average of incoming and outgoing cash, we turned over 21% of our net invested capital. Over the year, we completed one full turn of our invested capital. While we generally target a nine-month cash turn-over, given market conditions and the slower pace of both home sales and new loan originations, the decreased velocity was expected. With the improving market and continued geographic diversification of our portfolio, we are optimistic that we be able to increase our turn-over rate in 2017.

In tandem with underwriting mortgages, we regularly engage in the purchase and sale of mortgages to help ensure full cash utilization and create liquidity as required. During the final quarter of 2016, we purchased \$0.8 million in mortgages and sold \$1.0 million. In the fiscal year, we respectively purchased and sold \$6.4 million and \$4.0 million in mortgages. All of the purchase and sale transactions were conducted with Builders Capital (2014) Ltd., a privately held corporation owned by certain directors of the company.

During the year, we completed the sale of four properties, one that we re-possessed in 2015 and three that were subject to default in 2016. Losses on the foreclosures totaled \$488,000, comprising \$130,000 on one property, \$69,000 on another and \$295,000 on a single loan over two properties.

The terms of the portfolio management agreement require that the manager's share of the loan origination fee for the current term be reimbursed to the company on any mortgage for which the final recovery does not at least equal the advanced principal amount. This was the case on one of the foreclosures in the year, and a \$12,000 fee collected by the manager on the loan was repaid to the company. On the two remaining loans, losses were less than the interest charged and both had positive returns.

Losses as a result of the three foreclosures, along with one additional uncollectible shortfall on a mortgage pay-out, were covered by funds from our allowance for doubtful accounts. During the year, we added \$252,000 to the previously accumulated \$597,000 in the account and applied a total of \$505,000 against loan defaults, leaving us with an accumulated allowance of \$344,000 at year-end.

As the real estate market in Alberta has slowed, selling prices have dropped and marketing times have lengthened, driving our loan-to-value ratios higher than we would like. When investing in mortgages, we target a loan to value ratio not exceeding 75%. At year-end, our weighted average loan to value ratio was approximately 78%, with two loans exceeding our 85% threshold and thus deemed at risk of

default. We are closely watching these projects and have earmarked funds from our allowance for doubtful loans to be applied as necessary. In both cases, the borrowers are struggling to sell the completed homes at prices that will fully cover selling costs and our mortgage balance.

We believe that our accumulated allowance for doubtful loans will be adequate to cover any write-downs that occur as a result of actions undertaken on at-risk properties. Builders Capital will continue to set aside funds to cover potential future losses. Owners of our Class A Non-Voting Shares can also take comfort in the fact that their 8% return on the original \$10 share issue price will always be paid prior to any dividends being declared on the \$9.7 million in Class B Non-Voting Shares.

Further reducing risk in this somewhat uncertain market is our minimal use of leverage. Our debt-to-equity ratio at the end of the year was a modest 2%. The only debt that we employ is our line of credit, which is used primarily as a cash-flow tool to facilitate making advances to borrowers. Keeping our debt to a minimum leaves us free from influence of creditors and allows us the flexibility to manage our loan portfolio to our best advantage in a downturn such as we've experienced.

At year-end, the total value of our mortgage portfolio was \$23.3 million, which was consistent with the prior year. The portfolio was made up of 32 mortgages with an average outstanding balance of \$730,000.

Revenue

Mortgage revenue for the final quarter of 2016 was \$835,000, down by 5% from the \$879,000 reported for the fourth quarter of 2015. For the year ended December 31, 2016, revenue was \$3.4 million, representing a 10% decrease from \$3.8 million in 2016. The decrease in annual interest revenue is attributable to our lower average mortgage portfolio balance and lower average lending rate in 2016, both of which reflect the more difficult economic conditions we have faced in the last 18 months. At December 31, 2016, the weighted average interest rate on our mortgages was 12.01%, down from 13.05% at the end of 2015.

The three-month revenue consisted of \$768,000 in interest and \$67,000 in lender fees charged to borrowers, equating to annualized gross revenue of 14% of the weighted average gross share capital, compared to 14.4% in 2015. The annual revenue comprised \$3.1 million in interest and \$268,000 in lender fees, representing annualized gross revenue of 14.4% of the weighted average gross share capital, compared to 15.6% in 2015.

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. Lender fees are maximized when turnover in the portfolio is highest. As anticipated, and consistent with the slower real estate market, lender fees earned in the year were down from the 2015 level; however, they still more than offset management fees. For the fourth quarter, lender fee revenue exceeded management fee expense by \$7,600, or 12.7%. For the year, lender fee revenue exceeded management fees by \$32,000, or 13.4%.

Expenses

Excluding funds set aside to provide for loan losses and interest expense, fourth quarter operating expenses were \$82,000, down from \$86,000 in 2015. As a percentage of revenue, expenses were

consistent at 9.8% in both periods. Annual operating expenses of \$337,000 were up by 5% from \$322,000 in 2015, and represented 10% of revenue, compared to 8.5% of revenue last year. The 2016 operating expenses were within expectations and compared favourably to the 10.7% of revenue we forecast.

The fourth quarter provision for loan losses was \$63,000, an estimate based on an analysis of the manager's historical bad debts and a current analysis of the construction finance marketplace. This is a collective provision calculated by reference to the portfolio as a whole. To-date, we have accumulated a total of \$860,000 to provide for loan losses, of which \$516,000 has been applied against specific foreclosed properties or discharged mortgages. We believe the remaining \$344,000 is sufficient to cover potential write-downs currently contained in the mortgage portfolio, and we will continue to accrue amounts that we consider prudent to cover future potential loan losses.

Management fees were \$60,000 for the fourth quarter and \$236,000 for the year, calculated on the total gross amount of Class A and Class B Non-Voting Shares outstanding.

Interest 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 will provide better returns in the form of additional interest income, but will also necessitate increased use of our line of credit for funding draws when our own funds are fully employed. As the real estate market in Calgary has slowed, we have actively focused on reducing our leverage and we plan to continue to closely monitor our borrowings over the next several quarters. At year-end, our line of credit had a zero balance.

For the fourth quarter, interest expense of \$21,000 was up from \$4,000 in 2015 as we started the quarter with a balance owing on the credit line, which was paid off early in December. For the full year, interest expense decreased to \$89,000 from \$128,000 in 2015.

Comprehensive Income

As expected, the slowing of the Alberta real estate market had a negative impact on our comprehensive income in 2016, as did more cautious use of our line of credit.

These two factors drove our fourth quarter comprehensive income down from our longer-term quarterly average. However, we nonetheless saw a slight (2%) improvement from Q4 2015, which was the first quarter in which the downturn began to negatively affect our earnings. Comprehensive income for the last three months of 2016 increased to \$669,000 (\$0.28 per share) from \$656,000 (\$0.27 per share) in 2015. Earnings per Class A Non-Voting Share increased by 3% to \$0.282 from \$0.276 in 2015.

For the year, comprehensive income of \$2.7 million (\$1.15 per share) was down by 8.8% from \$3.0 million (\$1.23 per share) in 2015. The 2016 income translates into earnings of \$1.96 per Class A Non-Voting Share, compared to earnings of \$2.06 per Class A Non-Voting Share in 2015.

Our share terms call for annual dividends of \$0.80 per Class A Non-Voting share per year, or approximately \$0.20 per quarter, prior to any other dividends being paid. Earnings in both the fourth quarter and the year exceeded the amount required to satisfy these dividends, by 2.4 and 2.5 times, respectively. With Class B Non-Voting shareholders bearing a much greater proportion of the risk of income fluctuations, even if earnings had been only 42% of their actual figure, the company would still

have been in a position to pay Class A shareholders their full, planned quarterly dividend. Given this margin, we anticipate that potential continued fluctuations in our comprehensive income as a result of the slower Alberta real estate market will not affect the payment of our Class A Non-Voting Share dividends.

Financing Costs

Financing costs since inception total \$1.7 million, including professional fees for preparation of our IPO prospectus; offering, agent and brokerage fees and commissions; and other marketing and offering costs. In accordance with IFRS, these financing costs are not treated as expenses in the consolidated 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 shareholder distributions to less than 100% of net income in order to utilize the tax deductibility of these payments. 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 primarily from the portion of income otherwise available for distribution to the Class B Non-Voting shareholders.

Balance Sheet

At December 31, 2016, total assets were \$23.6 million (2015 – \$24.2 million), consisting primarily of funded mortgages. The year-over-year decrease in total assets is a result of the line of credit balance being reduced to nil at year-end, at which point we thus had no borrowed funds invested in mortgages. Also included in total assets were \$400 thousand in cash in the bank and a single building lot located in Fort McMurray, Alberta that was repossessed during 2016. The property is being carried at a value of \$213,000, its estimated fair market value less a provision for anticipated selling costs.

Liabilities at year-end totaled \$550,000 (2015 – \$1.8 million), comprising dividends relating to the fiscal quarter, which were paid on January 31, 2017; trade payables; balance due to Builders Capital Management Corp.; and unearned lender fees. The year-over-year decrease was due to the line of credit balance being fully repaid at year-end, and to the usual quarterly B share dividends of approximately \$362,000 being declared later in the subsequent fiscal year, and therefore not being accrued as payable in the year-end financial statements.

Quarterly Financial Information

| | Quarter ended December 31 2016 \$ | Quarter ended September 30 2016 \$ | Quarter ended June 30 2016 \$ | Quarter ended March 31 2016 \$ | Quarter ended December 31 2015 \$ | Quarter ended September 30 2015 \$ | Quarter ended June 30 2015 \$ | Quarter ended March 31 2015 \$ |
|--|--|---|--|---|--|---|--|---|
| Revenues | 835,278 | 807,359 | 856,584 | 898,301 | 879,036 | 967,321 | 964,761 | 964,912 |
| Earnings and total comprehensive earnings | 669,068 | 646,032 | 677,932 | 726,211 | 656,198 | 778,722 | 772,711 | 775,219 |
| Total assets | 23,678,390 | 24,610,504 | 26,613,516 | 24,485,930 | 24,256,975 | 26,578,841 | 26,669,379 | 27,553,847 |
| Shareholders' equity | 23,128,607 | 23,181,001 | 22,907,067 | 22,859,407 | 22,403,083 | 23,787,589 | 23,699,823 | 23,504,020 |
| Basic and fully diluted earnings per share | 0.28 | 0.28 | 0.29 | 0.31 | 0.27 | 0.32 | 0.32 | 0.32 |
| Cash dividends declared | 644,549 | 640,651 | 272,895 | 269,886 | 1,108,710 | 681,872 | 676,628 | 288,432 |
| Cash dividends declared per Class A share | 0.2016 | 0.2016 | 0.1995 | 0.1973 | 0.2216 | 0.2016 | 0.1995 | 0.1973 |
| Cash dividends declared per Class B share | 0.3717 | 0.3677 | 0.3677 | 0.3667 | 0.4234 | 0.4032 | 0.3989 | 0.3945 |

Distributions

Under our two-tiered share structure, 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 21, 2016, based on income for the fourth quarter, 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, 2016. This distribution was paid on January 31, 2017 and is recorded as payable in the accompanying financial statements. The dividend amount was calculated to provide an annualized 8% return for the quarter and a total of an 8% return for the year on the \$10.00 initial Class A Non-Voting Share price.

Subsequent to the quarter-end, on January 30, 2017, again based on income for the fourth quarter of 2016, the Board declared a dividend of \$0.3718 per share to Class B Non-Voting shareholders of record on that date. This distribution was also paid on January 31, 2017. This dividend is not recorded in these financial statements.

Liquidity and Capital Resources

Cash flow and liquidity are critical to our success. We monitor both daily to ensure we can meet the expectations of our borrowers.

In the fourth quarter, liquidity was good and cash inflows were sufficient to fund our committed cash outflows, despite delays to some of our projected mortgage pay-downs as a result of the slower Alberta real estate market.

During the three months, mortgages were purchased or funded in the amount of \$5.1 million and \$5.8 million was received as proceeds of sale or repayments on loans. As our 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.

Our mortgage portfolio turns over approximately annually. In 2016, repayments from borrowers totaled \$22.5 million and mortgage advances totaled \$21.5 million. We expect that borrower repayments will remain at a consistent level in 2017 and plan to again fund mortgages in amounts approximately equal to the mortgage repayments received. It is likely that a number of our mortgages will be renewed as they come due, as discussed earlier under Operations.

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. As noted in the table titled Investment Portfolio above, we have mortgage commitments to borrowers totaling \$38.7 million, which exceed the current amounts funded by \$15.3 million. We anticipate funding these commitments through the repayment of existing mortgages. Should mortgage repayments fall short of our commitments, we have a number of tools to manage liquidity and to ensure that commitments can be met. These were utilized to a greater extent in 2016 than in prior years. Included are our \$3.5 million line of credit, detailed cash flow planning procedures, and Builders Capital's 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.

We have no plans or commitments for capital expenditures. Builders Capital is financed, and will continue to be financed, primarily by the issuance of common shares. In the fourth quarter, we filed a preliminary prospectus and commenced marketing to close an additional capital raise. As of the date of this MD&A, this capital raise is still ongoing, with an expectation that it will be complete and closed early in May 2017. As discussed further in the prospectus, which is available on our website at www.builderscapital.ca and on SEDAR at www.sedar.com, we are seeking funds to acquire additional mortgages, provide working capital and generally grow the business.

According to our share terms, Class A Non-voting shareholders have an annual right to redeem their shares on October 31 each year at 95% of Net Asset Value. Payment for the redemptions is to be made on November 30. In the final quarter of 2015, we redeemed 101,500 shares for a total payment of \$932,300. No redemption requests were received in 2016.

Related Party Transactions

Our manager is a company controlled by Sandy Loutitt and John Strangway, who are both also directors of Builders Capital. The manager receives a management fee calculated as 1% per annum of the book value of the share capital of the company. Management fees amounted to \$59,900 for the fourth quarter and \$236,000 for the fiscal year.

In addition to the management fee, the manager charges lender fees directly to borrowers both on loan originations and on loan renewals, with 28.6% of these fees being paid to the company and the remaining 71.4% going to the manager. The company collects these fees from the borrower, both on our own behalf and on behalf of the manager, by adding them to the principal amount of the mortgage, generally on the first advance to the borrower. The company then pays the manager's share of the fees to the manager, regardless of whether or not any payments have been received on the mortgage. Such payments to the manager are generally paid within 30 days of having been charged to the borrower. Renewal fees are also charged to the borrower and paid to the manager during the term of the mortgage. During the quarter, the amount of these fees collected on behalf of the manager totaled \$217,733 (Q4 2015 - \$300,777). During the fiscal year, these fees totaled \$624,650 (2015 - \$734,495).

During the quarter, we purchased \$0.8 million in mortgages in two transactions and sold a single mortgage for \$1.0 million. During the fiscal year, purchases and sales totaled \$6.4 million in 12 transactions and \$4.0 million in five transactions, respectively. All of the purchase and sale transactions were completed with Builders Capital (2014) Ltd., a privately held corporation of which Builders Capital directors Sandy Loutitt and John Strangway are also both directors. The transactions were conducted at the face value of the mortgage, including accrued interest, which is considered to be the fair market value.

Mortgages are purchased when the company has excess cash on hand, quality mortgages are available to purchase, and opportunities to immediately fund additional mortgages are not available. The acquisition of mortgages helps us to minimize excess balances and maximize interest revenue.

Mortgages are sold when, despite the line of credit being fully drawn, additional cash is required, or is forecast to be required, to fund mortgage draws and commitments.

Often, mortgages purchased are subsequently sold back and vice versa. The purchase and sale of mortgages sometimes results in balances due to or from related parties being outstanding for short periods of time. These balances are unsecured and are non-interest bearing.

As noted above, the company has filed a preliminary prospectus and is in the process of raising capital. Depending on the total amount raised, the intent is to purchase a portfolio of mortgages from Builders Capital (2014) Ltd. Should the capital raise be successful, and the portfolio be purchased, the net financial condition will remain essentially unchanged with an increase in assets being offset by an increase in equity. The cash position will improve as the intent is to retain a certain proportion of the proceeds for cash-flow purposes. We are currently working through the regulatory process and hope to have a receipt for a final prospectus, and be in a position to close the offering shortly.

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 Board of Directors and Audit Committee provide an oversight role with respect to our public and financial disclosures. Both have reviewed and approved this MD&A and the accompanying consolidated financial statements for the year ended December 31, 2016.

Outstanding Share Data

The company's authorized share capital as at May 1, 2017 consists of 1,000 Voting Shares, of which 100 were outstanding at year-end; an unlimited number of Class A Non-Voting Shares, of which 1,400,295 were outstanding at year-end; and an unlimited number of Class B Non-Voting Shares, of which 974,576 were outstanding at year-end.

In addition, as part of the compensation for closing the IPO, the company granted 82,764 options to agents. Each of these options entitled 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 granted were exercised, and they are all now expired.

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.

While lower oil prices have reduced real estate activities and values in our primary Southern Alberta market, we believe that we are well positioned to continue to profitably manage our mortgage portfolio and deliver attractive returns to shareholders.

High real estate prices are not a prerequisite to our success. To sustain profitable operations, Builders Capital requires a marketplace in which builders can be profitable. Over the past year, building costs in Alberta have generally decreased while Statistic Canada's New Housing Price Index, which measures changes over time in contractor's selling prices, has remained stable, decreasing by only 1.6% since January 2015. Accordingly, we expect that margins on new construction in the province will remain viable.

At the same time, availability of construction credit has tightened, with some mortgagees pulling back from lending in Alberta. This has created an opportunity for us to increase our market share, as our predecessor business has done under similar business conditions in the past. We remain optimistic that a smaller, but still profitable, construction marketplace in Alberta will allow us to keep our lending book in the province reasonably full. Our ideal borrower starts, completes and sells their projects quickly, and with a reasonable margin. We are confident that, even in the current challenging economic climate, there will still be a sufficient number of such borrowers.

While Builders Capital is currently primarily invested in the Alberta market, which initially represented 100% of our mortgage portfolio, we have made excellent progress toward our goal of geographically diversifying our mortgage holdings across Western Canada. In 2016, we reduced our Alberta holdings

from 84% to 68% of the portfolio's total value and increased our holdings in British Columbia from 10% to 28% of the portfolio. We also modestly increased our mortgage holdings in Saskatchewan.

We have a number of other strategies in place to limit the risk that a down-turn in the economy poses to our mortgage portfolio. Builders Capital maintains a prudent debt-to-equity ratio. Mortgage lending is generally restricted to 75% of what we believe to be the fair market value of a property at any given time, meaning that we plan to have 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. We believe that our provision for loan losses is sufficient. However, should we deem it necessary, we can and will increase this allowance in future.

In addition, 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.

Finally, safeguards built into our share structure give Builders Capital's public Class A Non-Voting shareholders priority on all capital and income distributions over our Class B Non-Voting shareholders. In the event of a serious decline in the earning potential or value of our portfolio, Class B shareholders would forego all distributions until the Class A shareholders have received both their 8% return and, in the case of a dissolution, their capital.

When the market changes, as it has in Alberta in the last 24 months, it takes some time to realize on an inventory of mortgages that were advanced and valued in a more robust economy. Over the past 12 months, we have foreclosed on five properties and sold four of them, holding only one empty lot with a relatively low value in inventory. While it is entirely possible that we will need to take additional steps to collect on some of our mortgage assets over the coming months, we are optimistic that the foreclosures have weeded out the most significant vulnerabilities in the portfolio. Similarly, we believe that the necessary safeguards are in place to assure our ability to maintain the Class A Non-Voting Share dividend at 8% per annum.

While the oil price shock that began in 2014 will likely continue to drag down the Alberta economy well into 2017, the longer-term outlook is positive. Higher oil prices forecast for later in 2017 are expected to stabilize investment in the province, contributing to economic and employment growth that will gain momentum in 2018, in turn driving up housing starts. CMHC forecasts that total housing starts in Alberta for 2017 will be between 21,800 and 23,800 units. Starts will then increase to between 22,900 and 25,900 units in 2018.

The BC economy is expected to expand through 2018, benefiting from growth in domestic and internal demand for goods and services, which should keep housing starts above long-term averages. According to CMHC, total starts in 2017 will moderate somewhat from the level of activity in 2016, but still be between 32,000 and 34,300 units, with a similar outlook for 2018 at 29,700 to 32,000 units.

In Saskatchewan, while CMHC forecasts that economic expansion in 2017 and 2018 will drive an upward trend in home construction. Housing starts for 2017 are forecast to range from 4,600 to 5,200 units, increasing to between 4,900 and 5,500 units in 2018.

Overall, we believe that the projected levels of housing starts in our key markets are more than adequate to support the growth of our business.

Since our inception, we have had a sufficient number of quality lending opportunities to generally 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 continue to source sufficient quality lending opportunities to keep our capital fully utilized. We also have a continuing opportunity to purchase additional mortgages that meet our lending criteria from affiliates. While purchased mortgages do not generally provide a source of lender fee revenue, they do assist in keeping our capital employed.

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 a target of up 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.



Builders Capital Mortgage Corp.

Management's Discussion and Analysis
Year Ended December 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2015

This management's discussion and analysis (MD&A) has been prepared by Builders Capital Mortgage Corp. (Builders Capital or the company) as of March 31, 2016. It should be read in conjunction with the company's audited consolidated financial statements and accompanying notes for the 12 months ended December 31, 2015, available on SEDAR at www.sedar.com and on our website at www.builderscapital.com. The consolidated 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 management's current beliefs and are based on information currently available to management. 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. Those 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 management believes 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, primarily 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, held by the public, and Class B Non-Voting Shares, held by management and private investors. This two-tier share structure grants dividend priority to the Class A Non-Voting Shares, providing additional security of both principal and dividends to our public shareholders, as detailed in 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.

OPERATIONS

Builders Capital provides short-term, course of construction financing to builders of residential, wood-frame construction projects in Western Canada. We believe that staying focused on this niche market reduces overall risk and increases the potential return on our mortgage portfolio.

The portfolio 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 will conduct an initial review to confirm that a mortgage prospect satisfies our lending criteria and Asset Allocation Model (AAM). The AAM dictates the allocation of the aggregate funded and committed assets, based on geographical, economic sector, term, borrower and loan-to-appraised value criteria.

The manager is then required to perform comprehensive due diligence of the underlying assets. The due diligence process revolves around the manager's system of underwriting loans and evaluating projects and borrowers. This 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 what the completed project will be worth. This assessment gives us the information we need to ascertain the value proposition inherent in the project. We only loan on projects that we believe are economically sound and for which 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.

Investments in our portfolio are strategically concentrated on:

- First or subordinate mortgages on real estate with a target of up to 75% of property 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 geographic 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.

FISCAL YEAR SUMMARY

Performance Highlights

- Dividends paid to Class A public shareholders in 2015 totaled \$0.82 per share, or 8.2% of the original \$10.00 issue price, exceeding our 8% target.
- Mortgage revenue of \$3.8 million was up by 6.8% over 2014.
- In line with our targeted nine-month portfolio turnover rate, we achieved a full turnover of invested capital every 8.6 months.
- We continued to enhance the geographic diversity of our portfolio, increasing our mortgage holdings in BC to 10% of the portfolio's total value, compared to 5% at the end of 2014.
- Management fees were more than offset by lender fees charged to borrowers.
- Operating expenses (excluding interest and funds set aside for potential loan losses) were down year-over-year, representing 8.5% of revenue, compared to 9.7% of revenue in 2014.
- We added \$333,000 to our accumulated allowance of funds earmarked for doubtful accounts.
- We reduced our debt-to-equity ratio to 8.3% from 18.1% at the end of 2014.
- Comprehensive income reached an annual record of \$2.9 million.
- Income for the year exceeded that required to pay planned Class A Non-Voting Share dividends by a healthy 2.6 times.

Business Environment

- In our primary southern Alberta marketplace, the low oil prices that have persisted since mid-2014 had a significant economic impact in 2015. Uncertainty in the province's real estate market has lengthened the time it takes our borrowers to sell their completed inventory and made some builders more cautious about taking on new projects.
- While some construction lenders appear to be pulling back from lending in Alberta, we believe that the tighter economic environment creates an opportunity for us to increase market share.
- We anticipate a reduction in raw land costs, particularly in Calgary, our largest single market. With a concurrent drop in sub-trade costs as a result of decreased construction activity, we expect that margins on new construction will remain viable.
- Canada Mortgage and Housing Corporation forecasts declining housing starts through 2016 in all of our western Canadian markets, except British Columbia, where little change is expected. We believe that the forecast levels will be more than adequate to support the growth and continued geographic diversification of our business.

FINANCIAL OVERVIEW

| | Year ended December 31 2015 | Year ended December 31 2014 | 12 days ended December 31 2013 |
|--|-----------------------------------|-----------------------------------|--------------------------------------|
| | \$ | \$ | \$ |
| Revenues | 3,775,940 | 3,536,223 | 101,028 |
| Earnings and total comprehensive earnings | 2,982,880 | 2,846,590 | 61,834 |
| Total assets | 24,256,975 | 27,191,077 | 22,306,706 |
| Shareholders' equity | 22,403,082 | 23,017,233 | 21,990,962 |
| Basic and fully diluted earnings per share | 1.23 | 1.19 | 0.45 |
| Cash dividends declared | 2,758,729 | 2,631,135 | 36,278 |
| Cash dividends declared per Class A share | 0.82 | 0.8000 | 0.0263 |
| Cash dividends declared per Class B share | 1.62 | 1.491 | - |

INVESTMENT PORTFOLIO

At December 31, 2015

| | Mortgage Portfolio | Outstanding Principal | Total Committed Mortgage Principal | % | AAM Allocation* |
|--|---------------------------|------------------------------|---|----------|------------------------|
| Property Type | (No.) | (\$) | (\$) | | |
| Residential | | | | | |
| Single family – Detached | 20 | 14,667,228 | 24,595,000 | 61% | 100% |
| Single family – Attached | 16 | 9,519,938 | 25,135,000 | 39% | 100% |
| Total: | 36 | 24,187,166 | 49,730,000 | 100% | N/A |
| Geographic Location of Property | | | | | |
| Calgary and Area | 25 | 15,363,652 | 35,850,000 | 64% | 100% |
| Edmonton and Area | 2 | 2,717,457 | 3,750,000 | 11% | 100% |
| Other Alberta | 4 | 2,272,237 | 5,550,000 | 9% | 100% |
| British Columbia | 2 | 2,324,680 | 2,300,000 | 10% | 50% |
| Saskatchewan | 3 | 1,509,140 | 2,280,000 | 6% | 25% |
| Total: | 36 | 24,187,166 | 49,730,000 | 100% | N/A |
| Interest Rate (excluding fees) | | | | | |
| 12%-12.99% | 2 | 2,451,069 | 5,375,000 | 10% | N/A |
| 13%-13.99% | 29 | 18,017,648 | 38,860,000 | 75% | N/A |
| 14%-14.99% | 4 | 3,472,549 | 5,250,000 | 14% | N/A |
| Greater than 14% | 1 | 245,900 | 245,000 | 1% | N/A |
| Total: | 36 | 24,187,166 | 49,730,000 | 100% | N/A |

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

OPERATING RESULTS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2015

We are happy with our financial results for the final quarter of 2015 and the year overall. Despite the economic difficulties that our primary Southern Alberta marketplace continues to experience, we have maintained a full mortgage book and remain comfortable with the valuation on our portfolio.

At December 31, 2014, 89% of our portfolio was based in Alberta, with 56% of our mortgages held on properties in Calgary. At the end of 2015, mortgages in Alberta had been reduced to 84% of our total portfolio. We intend to continue to geographically diversify our mortgage holdings both within Alberta, and in British Columbia, which accounted for 10% of the portfolio at year-end, up from 5% in 2014.

Cash advances and invoiced interest for the 12 months ended December 31, 2015 of \$31.0 million were balanced by \$32.0 million in mortgage repayments from borrowers. Using an average of these figures, or \$31.5 million, our operations achieved a full turnover of invested capital every 8.6 months which, although down from the 6.9 months achieved in 2014, was in keeping with our goal to turn our capital approximately every nine months. The slower turnover times in 2015 are a reflection of a considerably slower real-estate market in Alberta, which has resulted in our borrowers taking substantially longer to sell their completed projects. Weighted average net share capital employed during the year was \$22.6 million, with 1.4 times our capital advanced to borrowers and the same proportion collected back.

In tandem with underwriting mortgages, we regularly engage in the purchase and sale of mortgages to help ensure full cash utilization and create liquidity as required. During the final quarter of 2015, we purchased \$2.2 million and sold \$2.1 million in mortgages. This brought the total values of mortgages purchased and sold in 2015 to \$6.5 million and \$8.6 million, respectively. All of the purchase and sale transactions during the year were conducted with Builders Capital (2014) Ltd., a privately held corporation owned by certain directors of the company.

During the year, we foreclosed on one property, which is now listed for sale and is being actively marketed. Going into 2016, we are closely watching several other projects that we believe are at risk of default. As the real estate market in Alberta has continued to slow, selling prices have dropped and marketing times have lengthened, driving our loan-to-value ratios higher than we would like. However, we believe that our accumulated allowance for doubtful loans, which stood at \$598,000 at quarter-end, will be adequate to cover any potential write-downs that we determine are necessary. Owners of our Class A Non-Voting Shares can also take comfort in the fact that their 8% return on the original \$10 share issue price will always be paid prior to any dividends being declared on the \$9.7 million in Class B Non-Voting Shares.

Further reducing risk in this somewhat uncertain market is our minimal use of leverage. Our debt-to-equity ratio at the end of the quarter was 8.3%, down from 18.1% at the end of 2014.

At December 31, 2015, the total value of our mortgage portfolio was \$24.2 million. This was down by \$3.3 million from \$27.5 million at December 31, 2014, due primarily to the funds tied up in the foreclosed property and the application of generated cash to reduce our line of credit balance. At the end of the year, we had 36 mortgages outstanding with an average balance of \$672,000.

Revenue

Mortgage revenue for the three months ended December 31, 2015 was \$879,000, down by \$88,000 from the \$967,000 generated in the fourth quarter of 2014. This represents annualized gross revenue of 14.5% of the weighted average gross share capital, down from 16% in Q4 2014. The 2015 quarterly revenue consisted of \$788,000 in interest and \$91,000 in lender fees charged to borrowers.

For the 2015 fiscal year, mortgage revenue was \$3.8 million, representing annualized gross revenue of 15.6% of the weighted average gross share capital, up from \$3.5 million, or 14.8% of gross share capital, in 2014. The 2015 revenue consisted of \$3.4 million in interest and \$350,000 in lender fees.

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 when existing loans are renewed. Lender fees are maximized when turnover in the portfolio is highest. In 2015, as anticipated, lender fees earned exceeded management fees paid, although to a slightly lesser extent than anticipated due to the lower rate of capital turnover.

Expenses

Excluding funds set aside to provide for loan losses and interest expense, fourth quarter operating expenses were \$86,900, or 9.9% of revenue. In dollar terms, this was down from \$89,300, or 9.2% of revenue, in Q4 2014. The 2015 expenses were within expectations and compared favourably to the 10.7% of revenue we forecast.

The fourth quarter provision for loan losses of \$132,000 was estimated by management based on an analysis of the manager's historical bad debts and current analysis of the construction finance marketplace. This is a collective provision calculated by reference to the portfolio as a whole.

Annual operating expenses, excluding quarterly provisions for loan losses and interest, totaled \$321,900 or 8.5% of revenue. As with the quarterly result, this compares favourably to 2014 operating expenses of \$342,500, which represented 9.7% of revenue. Over the year, \$333,000 was accumulated to provide for loan losses, which we believe is sufficient to cover potential write-downs in the mortgage portfolio. Approximately \$146,000 of the accumulated balance has been earmarked for allocation to the foreclosed property discussed under Operating Results above.

Management fees were \$60,700 for the fourth quarter and \$243,100 for the year, calculated on the total gross amount of Class A and Class B Non-Voting Shares outstanding.

Interest 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 will provide better returns in the form of additional interest income, but will also necessitate increased use of our line of credit for funding draws when our own funds are fully employed. As the real estate market in Calgary has slowed, we have actively focused on reducing our leverage and we plan to continue to closely monitor use of our line of credit over the next several quarters. For the fourth quarter, interest expense of \$3,764 was down from \$38,800 in the third quarter and \$45,100 in the second. For the year, interest expense of \$127,700 was down from \$81,800 in 2014.

Comprehensive Income

As expected, the slowing of the Alberta real estate market had a negative impact on our comprehensive income in the fourth quarter, as did more cautious use of our line of credit and a decision to increase our Q4 loan loss provision by \$69,000. Due to the combined impact of these factors, comprehensive income for the three months of \$656,400 (\$0.27 per share) was down by 16% from the record \$778,800 (\$0.32 per share) reported for Q3 2015. Year-over-year, comprehensive income for Q4 decreased by 15% from \$770,700 (\$0.32 per share).

For the 12 months of 2015, comprehensive income of \$3.0 million (\$1.23 per share) was up from \$2.8 million (\$1.19 per share) the prior year. Our share terms call for annual dividends of \$0.80 per Class A Non-Voting Share prior to any other dividends being paid. Consistent with 2014, earnings during the 2015 fiscal year exceeded the amount required to satisfy these dividends by 2.6 times. With Class B Non-Voting shareholders bearing a much greater proportion of the risk of income fluctuations, even if earnings had been only 39% of their actual figure, the company would still have been in a position to pay Class A shareholders their full, planned annual dividend. Given this margin, we anticipate that potential continued fluctuations in our comprehensive income as a result of the slower Alberta real estate market will not affect the payment of our Class A Non-Voting Share dividends.

IPO Financing Costs

Financing costs associated with the IPO and private placement totaled \$1.6 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 consolidated 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 primarily from the portion of income otherwise available for distribution to the Class B Non-Voting shareholders.

BALANCE SHEET

At year-end, total assets were \$24.3 million (December 31, 2014 – \$27.2 million), consisting primarily of funded mortgages. Also included in total assets are the general partnership units that the company received from an affiliate during the second quarter in exchange for the foreclosed property discussed earlier. When this property is sold, the partnership units will be redeemed and we will realize the final write-down on disposal. This write-down will not adversely affect our balance sheet as it will be taken from the accumulated allowance for loan losses, which has already been recorded.

Liabilities of \$1.9 million (December 31, 2014 – \$4.2 million) consisted of a \$0.9 million line of credit balance (December 31, 2014 – \$3.2 million); dividends relating to the fiscal quarter, which were paid on January 31, 2016; trade payables; and unearned lender fees.

Quarterly Financial Information

| | Quarter ended Dec 31 2015 | Quarter ended Sep 30, 2015 | Quarter endedm Jun 30, 2015 | Quarter ended Mar 31, 2015 | Quarter ended Dec 31, 2014 | Quarter ended Sep 30, 2014 | Quarter ended Jun 30, 2014 | Quarter ended Mar 31, 2014 |
|--|------------------------------|-------------------------------|--------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues | 878,946 | 967,321 | 964,761 | 964,912 | 967,975 | 899,007 | 882,831 | 786,410 |
| Earnings and total comprehensive earnings | 656,198 | 778,752 | 772,711 | 775,219 | 770,874 | 731,493 | 706,258 | 637,965 |
| Total assets | 24,256,975 | 26,578,841 | 26,669,379 | 27,553,847 | 27,191,077 | 24,226,077 | 24,404,039 | 24,542,111 |
| Shareholders' equity | 22,403,082 | 23,787,559 | 23,699,823 | 23,504,020 | 23,017,233 | 23,324,074 | 22,451,891 | 22,356,772 |
| Basic and fully diluted earnings per share | 0.27 | 0.32 | 0.32 | 0.32 | 0.32 | 0.30 | 0.30 | 0.27 |
| Cash dividends declared | 1,108,710 | 684,959 | 676,628 | 288,432 | 1,077,514 | 670,328 | 611,138 | 272,155 |
| Cash dividends declared per Class A share | 0.2216 | 0.2016 | 0.1995 | 0.1973 | 0.2016 | 0.2016 | 0.1995 | 0.1973 |
| Cash dividends declared per Class B share | 0.4234 | 0.4032 | 0.3989 | 0.3945 | 0.4134 | 0.3864 | 0.3456 | 0.3456 |

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, 2015, based on income for the 2015 fiscal year, the company's Board of Directors declared a dividend of \$0.2216 per Class A Non-Voting Share to shareholders of record on December 31, 2015. This distribution was paid on January 31, 2016 and is recorded as payable in the accompanying consolidated financial statements. The dividend amount was the final dividend paid to the Class A Non-Voting shareholders out of 2015 income and was calculated to provide a cumulative 8.2% return for the year on the \$10.00 initial Class A Non-Voting Share price.

Subsequent to the quarter-end, on January 25, 2016, again based on income for 2015, the Board declared a dividend of \$0.4234 per share to Class B Non-Voting shareholders of record on that date. This distribution was also paid on January 31, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow and liquidity were good during the quarter, although the somewhat slower Alberta real estate market has delayed some of our projected mortgage pay-downs. We will continue to monitor our cash flow on a daily basis as liquidity is critical to our success. 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, which have been utilized to a greater extent in recent months than in the past. These include our \$3.5 million line of credit, detailed cash-flow planning procedures, and Builders Capital's 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.

During the final quarter of the year, mortgages were purchased or funded in the amount of \$6.9 million and \$10.2 million was received as proceeds of sale, or as repayments on loans. Over the 12 months of 2015, \$34 million in mortgages were purchased or funded and \$40 million was received as proceeds of sale, or as repayments on loans. As our 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.

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

According to our share terms, Class A Non-voting shareholders have an annual right to redeem their shares on October 31 each year. Payment for the redemptions is to be made on November 30. In the final quarter of the year, we received notice of redemption requests for a total of 101,500 shares. These shares were redeemed in accordance with our share terms for 95% of the Net Asset Value as calculated on October 31, 2015. The total redemption amount was \$932,300 and the payment reduced our share capital by \$1,015,000 for a net gain of \$82,700. This gain forms a part of the shareholders equity and has the effect of increasing the Net Asset Value per share of the remaining shareholders. While our intent in general is to grow our mortgage portfolio and our capital base, we are nonetheless pleased that the share terms are functioning as intended to provide liquidity for our investors.

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. Management fees amounted to \$60,700 for the fourth quarter and \$243,100 for the year. In addition to the management 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 2015, we conducted a number of transactions with Builders Capital (2014) Ltd., a privately held corporation owned by certain directors of the company. In the fourth quarter, we respectively purchased and sold \$2.2 million and \$2.1 million in mortgages. In total, over the 12 months of the year, we respectively purchased and sold \$6.5 million and \$8.6 million in mortgages. All transactions were completed at fair market values with the objectives of ensuring full cash utilization and creating liquidity as required.

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 an oversight role with respect to our public and financial disclosures. Both have reviewed and approved this MD&A and the accompanying consolidated financial statements for the quarter and year ended December 31, 2015.

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 consolidated financial statements for external purposes as at March 31, 2016.

OUTSTANDING SHARE DATA

The company's authorized share capital as at March 31, 2016 consisted of 1,000 Voting Shares, of which 100 were outstanding at period-end; an unlimited number of Class A Non-Voting Shares, of which 1,367,895 were outstanding at period-end; and an unlimited number of Class B Non-Voting Shares, of which 974,576 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.

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 that have persisted for the past year and a half will continue to negatively impact the market in 2016, we believe that we are well positioned to continue to manage our mortgage portfolio and deliver attractive returns to shareholders.

To sustain a profitable operation, Builders Capital requires a marketplace in which builders can be profitable. High real estate prices are not necessary; rather, profitability is dictated by the spread between raw land and construction costs and the final selling price. Construction costs have recently become inflated, particularly in Calgary. A reduction in real estate prices will result in a drop in raw land costs and, as we've begun to see in recent months, 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. Our ideal borrower starts, completes and sells their projects quickly, and with a reasonable margin. We are confident that, even in the current challenging economic climate, there will still be a sufficient number of such borrowers.

Some construction lenders already appear to be pulling 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. Canada Mortgage and Housing Corporation (CMHC), in its Fourth Quarter 2015 Housing Market Outlook, is forecasting Alberta single-detached housing starts of approximately 15,800 units in 2016, a slight increase over 15,600 in 2015, which should generate adequate demand for our services.

While Builders Capital is currently primarily invested in the Alberta market, with a concentration in Calgary, we have successfully taken the steps toward geographically diversifying our mortgage portfolio across Western Canada. In the past year, we reduced our Alberta holdings from 89% to 84% of the portfolio, and doubled our mortgage holdings in British Columbia from 5% to 10% of our portfolio.

We have a number of strategies in place to limit the risk that a down-turn in the economy poses to our mortgage portfolio. We maintain a prudent debt-to-equity ratio. Mortgage lending is generally restricted to 75% of what we believe to be the fair market value of a property at any given time, meaning that we have 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. As a prudent measure, we increased this allowance in the final quarter of 2015. Based on our year-end assessment of our portfolio on a mortgage-by-mortgage basis, we believe that our provision for loan losses is sufficient. However, should we deem it necessary, we can and will further increase this allowance in future.

In addition, 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.

Finally, safeguards built into our share structure give Builders Capital's public Class A Non-Voting shareholders priority on all capital and income distributions over our Class B Non-Voting shareholders. In the event of a serious decline in the earning potential or value of our portfolio, Class B shareholders would forego all distributions until the Class A shareholders have received both their 8% return and, in the case of a dissolution, their capital.

While we do anticipate having to take additional steps to collect on some of our mortgage assets over the coming months, we're confident in our ability to do so. Similarly, we believe that the necessary safeguards are in place to assure our ability to maintain the Class A Non-Voting Share dividend at 8% per annum.

While declining world oil prices are expected to reduce in-migration to Alberta, CMHC still forecasts a continued inflow of migrants, with net migration of 37,200 people in 2016. This will continue to drive a demand for housing, albeit at a somewhat subdued level. CMHC expects that housing starts in Alberta will also be impacted by oil pricing volatility in 2016, but to an extent that remains to be seen. It forecasts that total housing starts for the year will decline from 37,200 units in 2015 to 29,800 units in 2016, with a modest increase in 2017. In Saskatchewan, CHMC expects that total housing starts in 2016 will remain consistent with the 2015 level at 5,800 units, increasing modestly in 2017. In BC, total housing starts for the year are expected to decline slightly to 30,800 units from 31,300 units in 2015, with a further modest decline in 2017. 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.

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 continue to source sufficient quality lending opportunities to keep our capital fully utilized. We also have a continuing opportunity to purchase additional mortgages that meet our lending criteria from affiliates. While purchased mortgages do not generally provide a source of lender fee revenue, they do assist in keeping our capital fully utilized.

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 a target of up 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.



Builders Capital Mortgage Corp.

Management's Discussion and Analysis
Year Ended December 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

| Property Type | Mortgage Portfolio (#) | Outstanding Principal (\$) | Total Committed Mortgage Principal (\$) | % | AAM Allocation* |
|--------------------------|------------------------|----------------------------|---|-------------|-----------------|
| 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

| Geographic Location of Property | Mortgage Portfolio (#) | Outstanding Principal (\$) | Total Committed Mortgage Principal (\$) | % | AAM Allocation* |
|---------------------------------|------------------------|----------------------------|---|-------------|-----------------|
| 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

| Interest Rate (excluding fees earned by the entities) | Mortgage Portfolio (#) | Outstanding Principal (\$) | Total Committed Mortgage Principal (\$) | % |
|---|------------------------|----------------------------|---|-------------|
| 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 immigration 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.

SCHEDULE "C"
MANDATE OF THE AUDIT COMMITTEE

BUILDERS CAPITAL MORTGAGE CORP.
(the "Corporation")

I. PURPOSE

1. The Audit Committee (the "**Committee**") is a standing committee appointed by the Board of Directors (the "**Board**") of the Corporation. The Committee is established to fulfill applicable public issuer obligations respecting audit committees and to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting, including:
 - (a) overseeing the integrity of the Corporation's financial statements and financial reporting process, including the audit process and the Corporation's accounting controls and procedures and compliance with related legal and regulatory requirements;
 - (b) overseeing the qualifications and independence of the Corporation's independent auditor;
 - (c) overseeing the work of the Corporation's financial management team and independent auditor in these areas; and
 - (d) providing an open avenue of communication between the independent auditor, the Board and management.

In addition, the Committee shall prepare, if required, an audit committee report for inclusion in the Corporation's annual management proxy circular, in accordance with applicable rules and regulations. The Committee is also responsible for assisting the Board in fulfilling its responsibilities relating to pension matters.

2. The function of the Committee is oversight. It is not the duty or responsibility of the Committee or its members (i) to plan or conduct audits, (ii) to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles or (iii) to conduct other types of auditing or accounting reviews or similar procedures or investigations. The Committee members and its Chair are members of the Board of the Corporation, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Corporation, and are specifically not accountable or responsible for the day to day operation or performance of such activities. In particular, the member or members identified as audit committee financial experts shall not be accountable for giving professional opinions on the internal or external audit of the Corporation's financial information.
3. Management is responsible for the preparation, presentation and integrity of the Corporation's financial statements. Management is also responsible for maintaining appropriate accounting and financial reporting principles and policies and systems of risk assessment and internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported and to assure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with accounting standards and applicable laws and regulations. The independent auditor is also responsible for monitoring and reporting on the adequacy and effectiveness of the system of internal controls. The independent auditor is responsible for planning and carrying out an audit of the Corporation's annual financial statements in accordance with generally accepted auditing standards to provide reasonable assurance that, among other things, such financial statements are in accordance with generally accepted accounting principles.

II. PROCEDURES, POWERS AND DUTIES

GENERAL

4. The Committee shall have the following procedures:

- (a) *Composition* – The Committee shall be comprised of at least three members. None of the members of the Committee shall be an officer or employee of the Corporation or any of its subsidiaries and each member of the Committee shall be independent within the requirements or guidelines for audit committee service under applicable securities laws and stock exchange rules and none of the members shall have participated in the preparation of the financial statements of the Corporation or any current subsidiaries of the Corporation at any time over the past three years.

All members of the Committee must be "financially literate" (as that term is defined from time to time under the requirements or guidelines for audit committee service under applicable securities laws and stock exchange rules) or must become financially literate within a reasonable period of time after their appointment to the Committee.

- (b) *Appointment and Replacement of Committee Members* – Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a Director.

The Board may fill vacancies on the Committee by appointing another Director to the Committee. The Board shall fill any vacancy if the membership of the Committee is less than three directors. Whenever there is a vacancy on the Committee, the remaining members may exercise all of the Committee's powers as long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be appointed by the Board annually and each member of the Committee shall remain on the Committee until the next annual meeting of shareholders after his or her appointment or until his or her successor shall be duly appointed and qualified

- (c) *Committee Chair* – The members of the Committee shall designate a Chair by majority vote of the full Committee. The Chair of the Committee shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings, making committee assignments and reporting to the Board. The Chair of the Committee shall be a Canadian resident, provided that in the event of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of all resident Canadian Directors who were on the Committee, this requirement shall not be applicable for a period of 60 days after the last resident Canadian ceased to serve, during which time the remaining Directors shall appoint a Canadian resident to the Committee to act as Chair.
- (d) *Conflicts of Interest* – If a Committee member faces a potential or actual conflict of interest relating to a matter before the Committee, other than matters relating to the compensation of Directors, that member shall be responsible for alerting the Committee Chair. If the Committee Chair faces a potential or actual conflict of interest, the Committee Chair shall advise the Chair of the Board. If the Committee Chair, or the Chair of the Board, as the case may be, concurs that a potential or actual conflict of interest exists, the member faced with such conflict shall disclose to the Committee his or her interest and shall not participate in consideration of the matter and shall not vote on the matter.
- (e) *Service on Multiple Audit Committees* – If a Committee member serves on the audit committees of more than three publicly-traded entities, including the Corporation, the Board must determine that such service would not impair the ability of the member to effectively serve on the Committee and disclose such determination in the annual proxy circular.
- (f) *Compensation of Committee Members* – The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine.
- (g) *Meetings* – The Committee shall meet regularly at times necessary to perform the duties described herein in a timely manner, but not less than four times a year and any time the Corporation proposes to issue a press release with its quarterly or annual earnings information. Meetings may be held at any time deemed

appropriate by the Committee. The Committee may meet in person and by telephone or electronic means and, other than with respect to the review of the audited financial statements and the notes and management's discussion and analysis relating to such financial statements with management and the independent auditor, may act by means of a written resolution signed by all members entitled to vote on the matter.

- (h) *Calling of Meetings* – Any member of the Committee or the independent auditor may call a meeting of the Committee. Notice of the time and place of every meeting shall be given in writing, by any means of transmitted or recorded communication, including facsimile, telex, telegram or other electronic means that produces a written copy, to each member of a Committee at least 24 hours prior to the time fixed for such meeting. However, a member may in any manner waive a notice of a meeting. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting except where a Director attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened. Whenever practicable, the agenda for the meeting and the meeting materials shall be provided to members before each Committee meeting in sufficient time to provide adequate opportunity for their review.
- (i) *Quorum* – A majority of the members of the Committee constitute quorum, provided that a majority of the Directors comprising such quorum must be Canadian residents.
- (j) *Chair of Meetings* – If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present shall be chosen by the Committee to preside at the meeting.
- (k) *Secretary of Meeting* – The Chair of the Committee shall designate a person who need not be a member of the Committee to act as secretary or, if the Chair of the Committee fails to designate such a person, the secretary of the Corporation shall be secretary of the Committee. The agenda of the Committee meeting will be prepared by the Chair of the Committee, working with the secretary of the Committee and, whenever reasonably practicable, circulated to each member prior to each meeting.
- (l) *Minutes* – Minutes of the proceedings of the Committee shall be kept in a minute book provided for that purpose. The minutes of the Committee meetings shall accurately record the discussions of and decisions made by the Committee, including all recommendations to be made by the Committee to the Board and shall be distributed to all Committee members.
- (m) *Separate Executive Meetings* – The Committee shall meet periodically in separate executive sessions with management (including the CFO) and the independent auditor, and shall meet without management present at every regular meeting. The Committee shall have such other direct and independent interaction with such persons from time to time as the members of the Committee deem appropriate. The Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The independent auditor will have direct access to the Committee at their own initiative.

- (n) *Professional Assistance* – The Committee may require the independent auditor to perform such supplemental reviews or audits as the Committee may deem desirable. In addition, the Committee may retain such special legal, accounting, financial or other consultants as the Committee may determine to be necessary to carry out the Committee's duties at the Corporation's expense.
- (o) *Reliance* – Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Corporation from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by management and the independent auditor as to any information technology, internal audit and other non-audit services provided by the independent auditor to the Corporation and its subsidiaries.
- (p) *Reporting to the Board* – The Committee shall report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Mandate.

- (q) *Committee Chair Responsibilities* - The primary responsibility of the Committee Chair is to provide leadership to the Committee to enhance its effectiveness. In such capacity, the Committee Chair will schedule meetings of the Committee, organize and present agendas for Committee meetings, oversee the distribution of information to the Committee sufficiently in advance of the meeting, preside over Committee meetings and report to the Board on Committee matters.

POWERS

5. The Committee shall have the following powers:

- (a) *Access* – The Committee is entitled to full access to all books, records, facilities, and personnel of the Corporation and its subsidiaries. The Committee may require such officers, Directors and employees of the Corporation and its subsidiaries and others as it may see fit from time to time to provide any information about the Corporation and its subsidiaries it may deem appropriate and to attend and assist at meetings of the Committee.
- (b) *Delegation* – The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.
- (c) *Adoption of Policies and Procedures* – The Committee may adopt policies and procedures for carrying out its responsibilities.

AUDIT RESPONSIBILITIES OF THE COMMITTEE

Selection and Oversight of the Independent Auditor

- 6. The independent auditor is ultimately accountable to the Committee and the Board as the representatives of the shareholders of the Corporation and shall report directly to the Committee and the Committee shall so instruct the independent auditor. The Committee shall evaluate the performance of the independent auditor and make recommendations to the Board on the reappointment or replacement of the independent auditor of the Corporation to be proposed in the Corporation's proxy circular for shareholder approval. If a change in independent auditor is proposed, the Committee shall review the reasons for the change and any other significant issues related to the change, including the response of the incumbent auditors, and enquire on the qualifications of the proposed auditors before making its recommendation to the Board.
- 7. The Committee shall approve in advance the terms of engagement and, if the shareholders authorize the Board to do so, the compensation to be paid by the Corporation to the independent auditor with respect to the conduct of the annual audit. The Committee may approve policies and procedures for the pre-approval of services to be rendered by the independent auditor including any de minimus exceptions, which policies and procedures shall include reasonable detail with respect to the services covered. All non-audit services to be provided to the Corporation or any of its affiliates by the independent auditor or any of their affiliates which are not covered by pre-approval policies and procedures approved by the Committee shall be subject to pre-approval by the Committee. The Committee will review disclosure respecting fees paid to the independent auditor for audit and non-audit services.
- 8. The Committee shall review the independence of the independent auditor and shall make recommendations to the Board on appropriate actions to be taken which the Committee deems necessary to protect and enhance the independence of the independent auditor. In connection with such review, the Committee shall:
 - (a) actively engage in a dialogue with the independent auditor about all relationships or services that may impact the objectivity and independence of the independent auditor;
 - (b) require that the independent auditor submit to it on a periodic basis, and at least annually, a formal written statement delineating all relationships between the Corporation and its subsidiaries, on the one hand, and the independent auditor and their affiliates on the other hand;
 - (c) require that (i) both the lead audit partner and the partner responsible for performing a second review respecting the audit be rotated at least every five years and be subject to a five year time out and (ii) all other partners on the audit engagement team who provide more than 10 hours of audit, review or attest services

with respect to the Corporation's consolidated financial statements or who serve as the lead partner in connection with any audit or review related to financial statements of a subsidiary whose assets or revenues constitute at least 20% of the consolidated assets or revenues of the Corporation be rotated at least every seven years and be subject to a two year time out; and

- (d) consider the auditor independence standards promulgated by applicable auditing regulatory and professional bodies.
9. The Committee shall establish and monitor clear policies for the hiring by the Corporation of employees or former employees of the independent auditor.
 10. The Committee shall require the independent auditor to provide to the Committee, and the Committee shall review and discuss with the independent auditor, all reports which the independent auditor is required to provide to the Committee or the Board under rules, policies or practices of professional or regulatory bodies applicable to the independent auditor, and any other reports which the Committee may require.

Oversight and Monitoring of Audits

11. The Committee shall review with the independent auditor and management the audit function generally, the objectives, staffing, locations, co-ordination, reliance upon management and general audit approach and scope of proposed audits of the financial statements of the Corporation and its subsidiaries, the overall audit plans, the responsibilities of management and the independent auditor, the audit procedures to be used and the timing and estimated budgets of the audits.
12. The Committee shall discuss with the independent auditor any difficulties or disputes that arose with management during the course of the audit and the adequacy of management's responses in correcting audit-related deficiencies.
13. The Committee shall review with management the results of external audits.
14. The Committee shall take such other reasonable steps as it may deem necessary to satisfy itself that the audit was conducted in a manner consistent with all applicable legal requirements and auditing standards of applicable professional or regulatory bodies.

Oversight and Review of Accounting Principles and Practices

15. The Committee shall, as it deems necessary, oversee, review and discuss with management and the independent auditor:
 - (a) the quality, appropriateness and acceptability of the Corporation's accounting principles, policies and practices used in its financial reporting, changes in the Corporation's accounting principles, policies or practices and the application of particular accounting principles, policies and disclosure practices by management to new transactions or events;
 - (b) all significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including the effects of alternative methods within generally accepted accounting principles on the financial statements and any "second opinions" sought by management from an independent audit or accounting firm with respect to the accounting treatment of a particular item;
 - (c) disagreements between management and the independent auditor regarding the application of any accounting principles or practices;
 - (d) any material change to the Corporation's accounting principles, policies and practices as recommended by management or the independent auditor or which may result from proposed changes to applicable generally accepted accounting principles;
 - (e) the effect of regulatory and accounting initiatives on the Corporation's financial statements and other financial disclosures;

- (f) any reserves, accruals, provisions or estimates that may have a material effect upon the financial statements of the Corporation;
 - (g) the use of special purpose entities and the business purpose and economic effect of off-balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Corporation and their impact on the reported financial results of the Corporation;
 - (h) any legal matter, claim or contingency that could have a significant impact on the financial statements, the Corporation's compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Corporation's financial statements;
 - (i) the treatment for financial reporting purposes of any significant transactions which are not a normal part of the Corporation's operations;
 - (j) the use of any "pro forma" or "adjusted" information not in accordance with international financial reporting standards; and
 - (k) management's determination of goodwill, if any, as required by applicable accounting standards.
16. The Committee will review and resolve disagreements between management and the independent auditor regarding financial reporting or the application of any accounting principles or practices.

Oversight and Monitoring of Internal Controls

17. The Committee shall, as it deems necessary, exercise oversight of, review and discuss with management and the independent auditor:
- (a) the adequacy and effectiveness of the Corporation's internal accounting and financial controls and the recommendations of management and the independent auditor for the improvement of accounting practices and internal controls;
 - (b) any significant deficiencies or material weaknesses in the internal control environment, including with respect to computerized information system controls and security;
 - (c) any fraud that involves personnel who have a significant role in the Corporation's internal control over financial reporting; and
 - (d) management's compliance with the Corporation's processes, procedures and internal controls.

Communications with Others

18. The Committee establishes and monitors procedures for the receipt and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or audit matters and the anonymous submission by employees of concerns regarding questionable accounting, auditing or financial matters and review periodically with management these procedures and any significant complaints received on such issues or on any other business practices.

Oversight and Monitoring of the Corporation's Financial Disclosures

19. The Committee shall:
- (a) review with the independent auditor and management and recommend to the Board for approval the audited consolidated financial statements and the related notes and managements' discussion and analysis

accompanying such financial statements, the Corporation's annual report and any financial information of the Corporation contained in any prospectus or information circular of the Corporation; and

- (b) review with the independent auditor and management and recommend to the Board for approval each set of interim financial statements and the related notes and managements' discussion and analysis accompanying such financial statements and any other disclosure documents or regulatory filings of the Corporation containing or accompanying financial information of the Corporation.

Such reviews shall be conducted prior to the release of any summary of the financial results or the filing of such reports with applicable regulators.

- 20. Periodically assess procedures for the review of disclosure of financial information extracted or derived from the financial statements, other than the disclosure referred to in paragraph 19 above.
- 21. Prior to their distribution, the Committee shall discuss earnings press releases, as well as financial information and any earnings guidance provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Corporation gives earning guidance.
- 22. The Committee shall review with management and assess the Corporation's disclosure controls and procedures and material changes to the design of the Corporation's disclosure controls and procedures.
- 23. The Committee shall review disclosures made respecting the design and operation of internal controls over financial reporting and disclosure controls and procedures, including any disclosure of limitations on their assessment by the Chief Executive Officer and CFO and deficiencies in their design or operating effectiveness and any fraud involving persons who have a significant role in the Corporation's internal controls.
- 24. The Committee shall review the disclosure with respect to its pre-approval of audit and non-audit services provided by the independent auditor.

Oversight of Finance Matters

- 25. Appointments of the key financial executives involved in the financial reporting process of the Corporation, including the Chief Financial Officer, shall require the prior review of the Committee.
- 26. The Committee shall receive and review:
 - (a) periodic reports on compliance with requirements regarding statutory deductions and remittances and, in the event of any non-compliance, the nature and extent of non-compliance, the reasons therefor and the management's plan and timetable to correct any deficiencies;
 - (b) material policies and practices of the Corporation respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of the Corporation; and
 - (c) material tax policies and tax planning initiatives, tax payments and reporting and any pending tax audits or assessments.
- 27. The Committee shall meet periodically with management to review and discuss the Corporation's major financial risk exposures and the policy steps management has taken to monitor and control such exposures, including the use of financial derivatives and hedging activities and the Corporation's insurance programs.
- 28. The Committee shall receive and review the financial statements and other financial information of material subsidiaries of the Corporation and any auditor recommendations concerning such subsidiaries.
- 29. The Committee shall review the Corporation's delegation of financial authority.

30. The Committee shall make recommendations to the Board respecting the declaration of dividends and the purchase of Corporation securities.
31. With respect to pension matters, the Committee shall review and approve (a) material changes to the governance structure and processes applicable to the Corporation's pension plans, including the appointment and removal of investment and asset consultants and investment managers, plan actuaries, plan auditors, plan custodians and plan service providers, (b) the annual pension governance report, (c) the asset mix and investment strategy of the pension plans, (d) actuarial funding assumptions and methodologies proposed by actuaries (within applicable regulatory parameters) and (e) all actuarial reports and financial statements for the pension plans..

Additional Responsibilities

32. The Committee shall review and make recommendations to the Board concerning the financial structure, condition and strategy of the Corporation and its subsidiaries, including with respect to annual budgets, long-term financial plans, corporate borrowings, investments, capital expenditures, long term commitments and the issuance and/or repurchase of stock.
33. The Committee shall review or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and financial obligations of the Corporation.

III. REVIEW AND DISCLOSURE

34. The Committee shall review and consider the adequacy of this Mandate as it deems appropriate and recommend changes to the Board. The performance of the Committee shall be evaluated with reference to this Mandate annually.
35. The Committee shall ensure that this Mandate is disclosed on the Corporation's website and that this Mandate is disclosed in accordance with all applicable securities laws or regulatory requirements.

CERTIFICATES OF THE CORPORATION, THE MANAGER AND THE PROMOTER

BUILDERS CAPITAL MORTGAGE CORP.

Dated: May 24, 2017

This prospectus (which includes the marketing materials included or incorporated by reference) constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

(Signed) —*Sandy L. Loutitt*,
Chief Executive Officer and Director

(Signed) —*John Strangway*,
Chief Financial Officer and Director

(Signed) —*Brent Walter*, Director

(Signed) —*John Drummond*, Director

BUILDERS CAPITAL MANAGEMENT CORP.

(as manager, investment fund manager and promoter of Builders Capital Mortgage Corp.)

Dated: May 24, 2017

This prospectus (which includes the marketing materials included or incorporated by reference) constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

(Signed) —*Sandy L. Loutitt*,
Chief Executive Officer and Director

(Signed) —*John Strangway*,
Chief Financial Officer and Director

CERTIFICATE OF THE AGENT

To the best of our knowledge, information and belief, this prospectus (which includes the marketing materials included or incorporated by reference) constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

May 24, 2017.

(Signed) — *Tony Kinnon*
Managing Director, PI Financial Corp.