



Builders Capital Mortgage Corp.

Management's Discussion and Analysis
Quarter Ended September 30, 2025

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 November 28, 2025. It should be read in conjunction with the company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2024, available on SEDAR at www.sedar.com and on our website at www.builderscapital.ca. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). 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 an 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 and Nova Scotia.

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. 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 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, as well as the 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 in order 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 such actions are conducted by the manager 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 lend on projects that we believe are economically sound and for which we have the capability, through the manager, to complete and sell if necessary.

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 often 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.

Q3 2025 Summary

Performance Highlights

- Generated quarterly revenue of \$1.85 million, an increase of 47% over Q3 2024, representing the second-highest quarterly revenue in our history.
- Maintained our \$0.20 per share quarterly distribution to Class A shareholders, continuing our longstanding track record of consistent payments to public investors.
- Subsequent to the quarter-end, we distributed \$0.40 per share to our Class B shareholders based on Q3 2025 earnings. This provided an annualized 16% return on the original \$10.00 share issue price.
- Net annualized return on shareholders' equity increased to 12.3%, compared with 11.1% in the same quarter last year, reflecting higher interest income and improved turnover in the mortgage portfolio.
- Mortgage portfolio grew to \$54.2 million, an 22.4% year-to-date increase and 48.5% growth year-over-year, supported by the successful issuance of two bond tranches and a portfolio acquisition.
- Loan loss provisions totaled \$325,000, consistent with Q3 2024 on a percentage basis, as we continued to adopt a disciplined and conservative approach in response to ongoing market uncertainty.
- We continue to adopt a conservative lending approach, adjusting loan loss provisions in response to softening market conditions in British Columbia and increasing uncertainty due to factors such as trade tariffs and rising construction costs. As of quarter-end, **80%** of our loans are now in Alberta, up from **63 %** as of September 30, 2024.
- Line of credit utilization increased to \$10.2 million, up from \$6.9 million a year earlier, indicating full deployment of equity capital and a strong pipeline of quality mortgage opportunities.
- The company's mortgage portfolio turnover rate remained strong at approximately 7 months, exceeding the target of nine months, indicating efficient capital deployment.
- We achieved an approximate weighted average loan-to-value ratio of 78.05% on our mortgage portfolio, missing our 75% target level.

Business Environment

- Generally slower turnover is the dominant theme in both Alberta and British Columbia. Despite this, demand for our product mix is accelerating due to what we believe to be tightening credit conditions withing the lending community.
- Prices in Alberta are starting to face pressure due to accumulating inventory.
- On top of maintaining a healthy weighted average loan-to-value ratio in our portfolio, we see opportunity in our market sector for growth to service an under appreciated market segment. A growing number of purpose-built rentals are starting to put downward pressure on rents which we think will negatively affect the spring construction market.

Financial Overview

	Quarter ended September 30, 2025 \$	Quarter ended September 30, 2024 \$	Quarter ended September 30, 2023 \$	Quarter ended September 30, 2022 \$
Revenues	1,849,339	1,257,830	1,201,781	938,523
Total comprehensive earnings	918,519	820,864	817,368	700,808
Net mortgages receivable, end of period	52,478,512	35,428,965	36,327,104	30,392,071
Total assets	53,117,992	37,054,105	37,189,078	32,117,611
Shareholders' equity	29,587,087	29,400,534	29,503,926	27,075,517
Basic and Diluted Earnings per share	0.29	0.26	0.26	0.24
Cash dividends declared	806,499	814,499	817,359	654,078
Cash dividends declared per Class A share	0.20	0.20	0.20	0.2016
Cash dividends declared per Class B share	0.40	0.40	0.40	0.2742

Investment Portfolio

At SEPTEMBER 30, 2025

Property Type	Mortgage Portfolio (No.)	Outstanding Balance (\$)	Total Committed Mortgage Principal (\$)	%
Single family – Detached	26	22,826,448	33,037,500	42%
Single family – Attached	31	31,324,944	55,355,088	58%
Total:	57	54,151,392	88,392,588	100%
Geographic Location of Property				
Calgary and Area	21	23,798,263	36,287,500	45%
Edmonton and Area	11	6,223,800	15,155,000	11%
Other Alberta	17	13,044,203	25,420,000	24%
British Columbia	8	11,085,126	11,530,088	20%
Total:	57	54,151,392	88,392,588	100%
Interest Rate (excluding fees)				
Less than 11%	2	898,364	990,000	2%
11%-11.99%	1	677,069	2,300,000	1%
12%-12.99%	52	51,357,841	83,047,588	95%
14% or greater	2	1,218,118	2,055,000	2%
Total:	57	54,151,392	88,392,588	100%
Original Funding Date *				
Calendar 2025	25	16,350,151	33,695,000	30%
Calendar 2024	24	24,173,343	37,502,500	45%
Calendar 2023	2	1,837,723	1,870,000	3%
Calendar 2022	1	3,302,036	4,000,000	6%
Calendar 2021	2	1,021,346	2,890,000	2%
Calendar 2020 or earlier	3	7,466,793	8,435,088	14%
Total:	57	54,151,392	88,392,588	100%

*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.

Introduction

The anticipated sales softening has commenced. Sales prices are holding for the moment but inventory levels are rising. This will put downward pressure on prices into the spring. We have anticipated this for two quarters now and continue to position our book for slower capital turnover and increased risk of delinquency.

Construction costs have plateaued and in a few limited cases are starting to drop. It appears in the near term, the extent to which the new tariff structure has impacted unit costs for materials, is limited. New City of Calgary administration has indicated it may repeal the blanket zoning by law which should reduce costs on semi-detached lots going forward, driving a market transition away from four plex units which dominate the current application mix. Alberta still maintains strong interest in entry-level and mid-market homes, fueled by an influx of migrants seeking more affordable housing. Alberta's relative affordability, especially compared to markets like B.C., continues to attract buyers from higher-cost regions. We continue to monitor our markets carefully and are refocusing our loan portfolio on more affordable products in jurisdictions that continue to support development.

As part of our ongoing risk management process, we continue to monitor and adjust our geographic distribution of loans. This includes strategically re-directing our underwriting away from the lower mainland in British Columbia as a proactive measure against what we perceive as a diminishing value proposition in the region.

At quarter end, we had conditionally sold a lot in BC that was being held as inventory for sale. If the sale closes, it will include a small write down of interest collected. The Kings Bench in B.C. has granted us conduct of sale on another property that may also incur a write down of interest collected at the current listing price.

During the quarter, we achieved a weighted average loan-to-value (LTV) ratio of 78.05%, above our conservative target of 75%. This loan-to-value ratio, despite its susceptibility to fluctuations in property values, remains a key metric of the stability of our portfolio and is a key predictor of how likely we are to experience a loss on any given loan if future real estate markets weaken. Given that our current LTV ratio exceeds our target threshold, this factor contributed to management's decision to increase loan loss provisions in the quarter.

Alberta and British Columbia are expected to maintain robust housing demand in the face of ongoing cost pressures. In British Columbia, affordability challenges continue to sustain a shift toward multi-family housing, while Alberta continues to experience demand for both single-family and multi-family homes. Strong interest in entry-level and mid-market homes persists in Alberta, driven by ongoing migration from higher-cost regions. Alberta's relative affordability, particularly compared to markets like B.C., remains a key factor attracting buyers.

Additionally, management made a strategic decision to increase loan loss provisions this quarter compared to 2024 in response to softening market conditions in British Columbia. These conditions have affected both home sales prices and the time required to sell properties in the region. Furthermore, increasing the loan loss provisions help to mitigate uncertainty around the quantum and applicability of

tariffs from the trade war with the USA and potential impact on construction costs and profit margins for our builder clients. This adjustment reflects our commitment to maintaining a conservative approach in anticipation of potential losses in the coming year. Although these losses may not ultimately materialize, we believe it is prudent to adopt a conservative approach given the heightened market uncertainty. This approach is consistent with the actions taken in the previous quarters.

Operating Results for the Three and Nine Months Ended September 30, 2025

Market conditions in the nine months of 2025 remained largely consistent with those at our December 31, 2024 year end, as uncertainty continued to influence market sentiment. Despite this uncertainty, we continue to benefit from sustained demand for our construction financing solution which is reflected in our financial performance.

During the nine months ended September 30, 2025, our total revenues increased by 54.4%, while total comprehensive income increased by 13.3%. The primary reason the increase in revenues did not lead to a corresponding rise in total comprehensive income is that profits generated during the period are paid out to shareholders and bondholders on a pro rata basis. Dividends paid to shareholders do not affect the Statement of Comprehensive Income while the bond interest expense does. The bond interest expense in the nine-month period amounted to \$1,114,361.

For the three months ended September 30, 2025, cash advanced and invoiced interest increased 66.5% to \$22.3 million, compared to \$13.4 million in the same period in 2024. For the nine-month period, cash advanced and invoiced interest increased to \$59.4 million from \$31.8 million in the prior-year period. At the same time, mortgage repayments were \$21.1 million in the third quarter and \$51.5 million for the nine months ended September 30, 2025, representing increases of 278.6% and 125.1%, respectively, compared to the same periods last year.

The significant increase in mortgage repayments during the period is primarily due to the characteristics of certain mortgages acquired during the year. Mortgages received in exchange for bonds and those purchased from a related party were generally closer to maturity than newly originated mortgages and therefore repaid sooner, contributing to the elevated repayment levels. Approximately \$5.0 million of repayments also related to a borrower refinancing and paying down a substantial portion of projects that had completed construction but were not yet sold. Management further notes that the third and fourth quarters typically generate the highest repayment volumes, as construction is largely completed during the peak building months and properties are then listed and sold. These factors should be considered when comparing current-period repayments to prior periods

The nine-month cash advanced and invoiced interest values represented 146% of net investible capital (shareholders' equity and net bond capital) as we continued to turnover our mortgage portfolio at approximately 6.7 months. This turnover rate exceeds our target of one complete turn of net invested capital every nine months, helping to keep our portfolio current and generating additional lender fee revenues. The significant increase in cash advances and invoiced interest was primarily driven by the expansion of our mortgage portfolio, which resulted from the successful closing of two bond tranches and the execution of a portfolio purchase agreement. Additionally, increased usage of the borrowing facility with National Bank (formerly CWB) contributed to this growth.

The loan loss provision for the quarter was \$325,000, or 17.6% of gross revenue. This is generally consistent with the third quarter of 2024, when the provision was \$195,000, representing 15.5% of gross revenue. As mentioned in previous MD&A disclosures, in anticipation of a potential market slowdown, driven by ongoing economic uncertainty, we have increased our loan loss provisions to ensure adequate resources for potential future losses. During the nine months of 2025, two of the three loans that were in the enforcement process as at December 31, 2024 were sold through court proceedings, resulting in a combined write off of \$59,315. The third loan was resolved through court-ordered turnover of the property to the company. This property is a vacant lot located in Kelowna, British Columbia which is currently listed for sale. Aggregate write-offs of \$28,340 were recorded during the nine-month period to reduce the carrying value of the property to its estimated net realizable value. In addition, enforcement proceedings were initiated during the period on one loan, located in Lyalta, Alberta and conduct of sale has been awarded. Subsequent to the quarter end, we received full payment on this loan and incurred no write offs.

During the quarter, management recognized a \$346,285 impairment on a loan receivable due to market conditions that lowered the realized sale prices of underlying properties compared to original funding models. The loan, which represented approximately 8.7% of total gross mortgages prior to the write-down, has been reclassified from Stage 2 to Stage 3. Management continues to work with the borrower to maximize recoveries. Existing allowances, which have been increased in response to general market conditions, are expected to cover potential further losses on this loan, though they will be adjusted as necessary.

At the end of the third quarter, the total value of our mortgage portfolio, before considering our \$1.7 million allowance for mortgage losses, stood at \$54.2 million. This represents a 22.4% increase in the value of our mortgage portfolio compared to \$44.2 million reported at the end of 2024, and a significant 48.5% increase compared to the corresponding period a year earlier. As at September 30 2025, our loan portfolio was made up of 57 mortgages with an average outstanding balance of \$950,000. This compares to 35 mortgages averaging \$1.04 million as at September 30, 2024.

Revenue

For the three months ended September 30, 2025, we achieved quarterly gross revenue of \$1.85 million, an increase of 47% over the \$1.26 million in the same quarter last year. While not a record, this represents the second-highest quarterly revenue in the company's history, continuing the upward trend observed over the past year and a half. For the nine months ended September 30, 2025 our revenues grew 54.4% to \$5.6 million from \$3.6 million in the same period of 2024. This growth is primarily attributable to full deployment of our equity capital, additional capital from our bond offering, and increased use of our credit facility, all of which have been applied to new mortgage originations to expand the portfolio.

Our third quarter revenue was comprised of \$1.64 million in interest and \$183,000 in lender fees. Interest revenue and lender fees notably increased 45.9% and 37.4%, respectively, compared to Q3 2024. Beginning in December 31, 2024 we began to report on the net return on shareholder equity, particularly due to the inclusion of bondholders in our capital structure. The impact of bond interest expense on net income necessitated a shift in focus towards reporting the net annualized return on shareholders' equity. For the quarter ended September 30, 2025 our net annualized return on shareholders' equity is 12.3% compared to 11.1% in the same quarter of 2024. When considering our bondholders and net invested capital in the quarter, our annualized return on net invested capital is 9.0%, and our gross annualized return on net invested capital is 18.0%. These metrics offer a more accurate and comprehensive view of

our financial performance, accounting for the effect of interest expenses on returns and providing clearer insight into shareholder and bondholder value.

The weighted average interest rate of 12.86% on our loans remained fairly stable in the third quarter, compared to 12.75% a year earlier and 12.77% the end of December 2024. As mortgages are renewed and new ones are issued, we expect this average to continue to exceed 12% in 2025.

Lender fees are tied to the negotiation of new mortgages, generally at 1% of the approved loan amount, and are charged to borrowers when new loans are made or existing loans are renewed. Lender fees are maximized when turnover in the portfolio is highest. Lender fees earned in the quarter exceeded management fees paid by a healthy margin of 68.4%, consistent with our goal of maintaining lender fee revenues at amounts exceeding management fee expense.

Expenses

Operating expenses, excluding funds set aside to provide for loan losses and interest expense, were \$146,400 in the third quarter, an increase of 34.2% from \$109,000 in the same period last year. The majority of the \$37,400 increase is attributable to a \$29,000 increase in management fees, primarily related to the bond capital raise. The remaining increase reflects expenses in relation to the bond capital raise, continuous disclosure compliance costs and increased monthly bank fees. Despite the dollar increase, operating expenses remain well-managed at 7.9%, compared to 8.7% of revenues in the same period last year. Our goal is to keep operating expenses below 10% of revenues. For the nine months ended September 30, 2025 operating expenses were \$430,400 compared to \$324,000 in the same period of 2024, an increase of 32.9%.

Our third quarter provision for mortgage losses was \$325,000, representing 17.6% of revenues, as compared to \$195,000 and 15.5% in Q3 2024. Provisions for mortgage losses are determined based on our ongoing assessment of our mortgage portfolio and current market conditions. Year-to-date, our provision of \$725,300 was 46.10% higher than the \$500,000 provision recognized in the same nine month period of 2024. The year-to-date provision consisted of approximately \$127,000 due to the growth in our loan portfolio, write offs totaling \$438,000 as the result of the resolution of enforcement proceedings, legal fees for collection attempts previous foreclosure losses and the write down of an impaired loan in the third quarter and increases of \$598,000 deemed appropriate by management to mitigate future potential losses due to current market conditions.

Interest expense applies to our demand operating overdraft facility ("line of credit"), which we use as a cash flow tool to fund mortgage draws. A higher utilization rate for our available 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. This strategic approach is used during periods when the interest spread between our bank's line of credit and interest charged to borrowers is favorable. Currently, we have opted to increase our utilization of the line of credit.

Third quarter interest expense of \$125,500, was down 5.6% from \$133,000 in Q3 2024 while interest expense for the nine months increased 59.5% from \$310,000 in 2024 to \$494,000 in 2025. The increase reflects the strategic approach to increase the utilization of our line of credit to fund draws. In March 2025, the interest rate on our line of credit decreased to 7.20% from 7.70% at December 31, 2024 following a decrease of 50 BPS in the bank's prime lending rate and was further reduced to 6.95% on

September 18, 2025 where it remains as at September 30, 2025. This compared to a decrease from 9.45% at December 31, 2023 to 8.70% as at September 30, 2024.

Starting in October 2024, we began to incur bond interest expense. Total bond interest expense for the quarter and 9 months ended September 30, 2025 was \$334,000 and \$1.11 million respectively. This bond interest expense is directly related to the net distributable income for the quarter. Income is allocated to bondholders and shareholders on a prorated basis, based on the weighted average net invested capital during the quarter. Furthermore, bondholders will also participate in actual losses incurred in the mortgage portfolio on a prorated basis. Of the \$365,000 in write-offs recorded in the third quarter, the bondholders' share was \$100,529, which reduced their interest payable for the quarter.

Total Comprehensive Income

Total comprehensive income increased 11.9% to \$920,000 during the quarter compared with \$820,000 earned in the third quarter of 2024. Nine month total comprehensive income of \$2.80 million was up 13.3% from \$2.47 million in the nine months of 2024. Earnings per share grew to \$0.29 in the third quarter from \$0.26 in the same period of 2024, while nine month earnings per share increased to \$0.89 from \$0.78. The year-over-year increase is primarily driven by the injection of capital from our bond offering which was utilized to increase our loan portfolio, increasing interest and fee revenue as well as increased interest revenue and management fees from increased turnover in our loan portfolio. This enabled us to comfortably maintain our \$0.20 quarterly distribution on the Class A shares and \$0.80 quarterly distribution on the Class B shares.

The ability to uphold profits at a consistent level while also implementing precautionary measures against potential future losses underscores the success of our strategies for strengthening and diversifying our mortgage portfolio and complements our sustained ability to generate revenues, even amidst elevated interest rates charged to borrowers.

One very important aspect of our publicly traded Class A Non-Voting Shares is that they carry a dividend priority over the Class B Non-Voting Shares. Share terms provide for annual dividends of \$0.80 per Class A Non-Voting Share, or approximately \$0.20 per quarter, prior to any other dividends being paid. This means that all of the earnings attributable to the capital that Class B shareholders have invested in the company goes first to satisfy the Class A dividend. Earnings in the current quarter were \$0.29 per share overall but represent \$0.43 per Class A Non-Voting Share. These earnings exceeded the amount required to satisfy the dividend committed to the Class A Non-Voting shareholders by a factor greater than 2. Class B shareholders bear a much greater proportion of the risk of income fluctuations than do Class A shareholders. We believe the \$0.80 Class A annual distribution compares favorably to other similar investments on a risk-adjusted basis.

While Class B Non-Voting shareholders bear a much greater proportion of the risk of income fluctuations, if earnings had been 48% of the actual amount realized, the company would still have been able to pay Class A shareholders the full planned annual dividend. Given this margin, we anticipate that any potential continued fluctuations in our comprehensive income will not affect the payment of our Class A Non-Voting Share dividends.

Statement of Financial Position

Our goal is to always keep capital as fully invested as possible in quality mortgages while ensuring that sufficient cash is available to fund construction draw requests as they are received. At September 30, 2025, our net funded mortgages totaled \$52.5 million (December 31, 2024 – \$42.8 million) comprising 98.8% of our total assets of \$53.1 million (December 31, 2024 – \$43.4 million) and 177% of our shareholders' equity. This also represents an increase of 48.1% over our net funded mortgage balance of \$35.4 million balance at September 30, 2024 and reflects \$11.75 million of new bond capital invested in mortgages and increased utilization of our \$12 million line of credit.

The remaining 1.2% of our total assets, amounting to \$640,000, is currently allocated to property held for sale, prepaid expenses and cash. Assets held for sale are typically properties which we have obtained in foreclosure actions. In most cases, these properties are unfinished at the time, and we typically expend resources to complete them and prepare them for sale. At the end of 2024, we were holding one such property, consisting of a vacant building lot in Cochrane, Alberta, which we foreclosed on in early 2022. At September 30, 2025, this property was still held, and non-refundable deposits have been received against its eventual sale reducing its carrying value. We have a signed "Offer to Purchase and Agreement of Sale" for the Cochrane property, with a closing date set for on or before December 15, 2025. A monthly fee will be charged for holding the property during this period.

In addition to the Cochrane lot, we hold an additional vacant building lot, in Kelowna BC, obtained in foreclosure action in Q1, 2025. The company has received a conditional offer on this property and is currently awaiting the waiver of conditions. If the conditions are satisfied, we anticipate closing the sale prior to December 31, 2025.

Current liabilities at quarter-end, excluding our line of credit and bond liabilities, totaled \$956,000 (December 31, 2024 – \$707,000), the largest component of which was dividends relating to the fiscal quarter paid on October 31, 2025. The remaining 53% of our liabilities consist of our trade payables, amounts due to related parties, and deferred lender fees. Throughout the quarter we were in compliance with all bank covenants relating to the line of credit, and we had no off-balance sheet arrangements.

Our line of credit balance stood at \$10.16 million (December 31, 2024 - \$5.96 million), up from \$6.9 million a year prior. Use of the line of credit is an indication that our equity is fully invested and that we have sufficient quality mortgage investment opportunities available.

Shareholders' Equity consists of net share capital and retained earnings. There were no share issuances or redemptions during the 9-month period.

The non-current liability balance comprised of bonds was \$12.07 million at September 30, 2025 (December 31, 2024 - \$7.22 million). The increase in the period is attributed to the successful closing of the second tranche of bond issuances on January 28, 2025. The newly issued bonds have a maturity date of January 28, 2030 with the principle repayable at maturity unless the company opts to redeem early under the terms of the bond issue. Bonds redeemed early at the option of the holder are subject to a 5% holdback, held as a surety bond covering mortgage defaults for 2 years or the original maturity date, whichever is shorter. The redemption feature is subject to certain restrictions which give Management the ability to effectively defer redemption to maturity. As of November 28, 2025 no bond redemption requests have been received.

Bonds interest payable stood at \$334,000 on September 30, 2025 (December 31, 2024 - \$241,000) and will be paid out or reinvested on or prior to March 1, 2026.

Total share issue costs since inception are now \$2.4 million, including professional fees for offering document preparation; offering, agent and brokerage fees and commissions; and other marketing and offering costs. In accordance with IFRS, these share issue costs are accounted for 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.

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 intended for distribution after these dividends are paid is allocated pro-rata between the classes of shares, including the Voting Shares.

On September 18, 2025, based on income for the third quarter of 2025, our Board of Directors declared a dividend of \$0.20 per Class A Non-Voting Share to shareholders of record on September 30, 2025. This distribution was paid on October 31, 2025 and is recorded as payable in the accompanying condensed consolidated interim financial statements.

Subsequent to the quarter-end, on October 27, 2025, based on income for the third quarter of 2025, the Board declared a dividend of \$0.40 per share to Class B Non-Voting shareholders of record on that date. This distribution was also paid on October 31, 2025. This dividend is not recorded in these condensed consolidated interim financial statements as it was declared after the quarter-end.

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.

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 every nine months. We expect that borrower repayments will remain at a reasonably consistent level throughout the coming year, and plan to continue funding mortgages in amounts approximately equal to 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 arises 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 Investment Portfolio table above, we have mortgage commitments to borrowers totaling \$88.40 million, which exceed the current amounts funded by \$34.24 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 tools include our \$12.0 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.

Since inception, almost all of our sales and purchases of mortgages have been to and from related parties, in particular Builders Capital (2014) Ltd. ("BCL"). BCL is a privately held corporation, of which

Builders Capital directors Sandy Loutitt is a director. The company has often been reliant on BCL as a vendor and purchaser of mortgages and as a source for liquidity, including at certain times of low cash flow, for payment of dividends. This reliance means that if BCL was unwilling, or unable, to act as a purchaser or vendor of mortgages, the company would have to leave a larger margin for error in our cash management practices, which could reduce profitability.

According to our share terms, Class A Non-voting shareholders have an annual right to redeem their shares on October 31st each year at 95% of Net Asset Value. Payment for the redemptions is to be made on November 30th each year. We received no such requests for redemption in 2024 and no such request in 2025.

Related-Party Transactions

Our manager is a company controlled by Sandy Loutitt, who is also a director of Builders Capital. The manager receives a management fee calculated as 1% per annum of the book value of the share and bond capital of the company. Management fees amounted to \$108,700 for the quarter (Q3 2024 - \$79,200). The increase is primarily due to the addition of management fees on bond capital, which had not yet been issued at this time last 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 any payments have been received on the mortgage. Such payments to the manager are generally made 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 third quarter of 2025, fees collected on behalf of the manager totaled \$616,000 (Q3 2024 - \$298,000). For the nine months ended September 30, 2025, fees collected were \$1.49 million as compared to \$793,000 for the same period in the prior year.

The company engages in the purchase and sale of mortgages, primarily as a cash management tool. In general, 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 minimize excess cash 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 non-interest bearing. During the 9 months ended September 30, 2025, nine mortgages were sold with an aggregate value of \$9.15 million and seven mortgages with an aggregate value of \$7.10 million were purchased. Included in the \$7.10 million in mortgage purchases is \$2.50 million resulting from the closing of a related party Portfolio Purchase Agreement between the company and BCL. The remaining \$4.6 million in purchases are considered to be in the normal course of business.

On January 28, 2025, the company closed the second tranche of bond issuances by issuing 18 unsecured variable-rate bonds, each with a face value of \$250,000, for an aggregate value of \$4,500,000 to Builders

Capital 2019 Ltd., a related party. The company paid \$127,244 in cash on \$4,500,000 of bonds in exchange for the transfer in of mortgages having a fair value of \$4,627,244.

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.

The Bank of Canada monetary policy decisions are becoming increasingly complex. On one hand, counter-tariffs are likely to contribute to elevated inflation, necessitating higher interest rates. On the other hand, slowing economic growth and weakening employment conditions may prompt calls for rate reductions. These opposing pressures heighten the risk of a stagflationary environment.

Regional disparities will continue under this environment, and based on our assessment, we anticipate that Alberta will continue to outperform British Columbia in terms of housing affordability. Market sentiment remains positive in Alberta, while continuing to weaken in the more expensive markets of British Columbia, though regions outside the Lower Mainland remain stable. Continued in-migration to Alberta from other provinces contributed to a tight rental vacancy rate of 3.6%, stimulating an increase in applications for rental unit construction. It should be noted that Alberta continues to have a high unemployment rate of 7.8%, which should provide spare capacity in human capital thereby reducing the potential for wage-driven inflation in the near term.

We continue to observe a lack of competitive products in the construction financing market, which enables us to be more conservative in our own lending while still maintaining or growing our market share. We ended the year fully invested, with demand for mortgages exceeding the cash available to fund them. We see the launch of our Participating Bond offering as a strategic opportunity for market share growth. The first tranche of bond sales successfully closed in October 2024, followed by the successful closure of a second tranche in January 2025.

We believe that despite short-term fluctuations in home prices and sales levels, demand for housing will remain strong in the medium to long term. As a result, new home construction is expected to remain at levels which will continue to provide us sufficient opportunity to maintain a full lending book.

We continue to write more loans in Alberta than in British Columbia, as we perceive the near-term opportunities in Alberta being lower risk compared to those available in British Columbia. The more robust fundamentals of Alberta continue to deliver quality lending opportunities which allow us to keep our lending book full and invested in marketable projects. We will continue to closely monitor the markets we serve and will focus our resources on capitalizing on opportunities offered by regional differences.

Minimizing unproductive assets is a key driver of our profitability and we will continue to focus on keeping future foreclosures to a minimum. Given the historic escalation in prices that occurred across much of the country in recent years, we are also ensuring that we build in a somewhat larger margin-for-error when assessing the finished value of homes under construction. Even though our LTV ratio remained stable compared to the prior quarter at 78.05%, above our conservative target of 75%, we continue to believe there is sufficient equity in the majority of loans in our portfolio to minimize the risk of loan losses. Nevertheless, due to this higher LTV ratio, we once again increased our provision in the quarter. Even if

foreclosure activity were to increase, we are confident the necessary safeguards are in place to maintain the Class A Non-Voting Share dividend at approximately \$0.80 per annum.

These safeguards include maintaining a prudent debt-to-equity ratio, generally restricting our lending to 75% of what we believe to be the fair market value of a property at any given time and taking adequate allowances for expected credit losses which enable us to build a cushion of funds to further protect investors. 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's risk level has become too high, we will work on converting our investments to cash and will forego returns in order to protect the capital with which we have 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. As demonstrated historically, with the impact of increased allocation of funds against potential loan losses and unproductive assets borne entirely by Class B Non-Voting shareholders, this structure functions as intended.

Financial Instruments

Our primary business purpose is to invest in mortgages, which are the only significant financial instrument that we carry and are the source of virtually all of our revenues. These financial instruments expose us to risks which are managed as follows:

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Credit risk arises principally from our lending activities. 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 our mortgages. We mitigate this risk by adhering to the investment and operating policies of the company.

All mortgages to which we commit are individually evaluated by our underwriters using credit risk assessment tools and are assigned risk ratings in accordance with the level of credit risk attributed to each loan. Each new mortgage is approved independently and in accordance with the authorization structure set out in our policies. Our underwriting approach places a strong emphasis on the value of the mortgage security and an assessment of the financial viability of the construction project being financed.

We have clearly defined underwriting policies and procedures that we adhere to in our mortgage approval process. These include a maximum projected loan to value ratio, standards with regard to the asset quality and marketability, geographic market restrictions and requirements regarding the overall credit quality and integrity of borrowers. We also actively analyze external market conditions including prevailing real estate values and employment conditions in the markets in which we lend. In all cases, our mortgages receivable are secured by registered charges over real property.

We utilize an internal risk rating system to categorize each mortgage in the portfolio on the basis of the perceived risk of a potential credit loss. The risk assessment of each mortgage assigned at the

underwriting stage is subsequently revised based on changes in market conditions and on factors specific to the mortgage and the borrower. One of the main factors in considering whether the credit risk of a mortgage has increased significantly is the estimated loan to value ratio. Loan to value ratios can change due to declining property values, as well as other factors such as the inability of the borrower to continue to inject equity into the project. Mortgages are considered to be impaired when the expectation is that full collection of principal and interest is no longer likely.

The company's lending is for construction purposes, and all loans are made only on the strength of mortgage security over real property. The value of the underlying security is subject to change for a variety of factors, including the degree of completion of the construction, possible deterioration in structures left incomplete and market forces which can cause values to both increase or decrease.

In the case of mortgage impairment, probable recovery is determined using a combination of updated property-specific information, historical loss experience and management judgement to determine the impairment provision that may be required. The primary factor in assessing a mortgage as low risk would be a loan to value ratio which is low enough to make a potential credit loss extremely unlikely.

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. We manage our 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, we are not exposed to significant cash flow interest rate risk. Mortgages receivable are subject to fair value interest rate risk as a decrease or increase in market interest rates will decrease or increase the fair value of the fixed rate financial asset. Any change in market interest rates will, however, have no impact on our cash flows or comprehensive income for the year as mortgages receivable carry a fixed rate of interest.

We are exposed to interest rate risk on our line of credit and loan payable as they carry a variable rate of interest.

ii) Foreign Currency Risk

We do not have assets or liabilities denominated 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 our obligations as they arise and become due. Furthermore, liquidity risk also arises if we are not able to obtain financing on favourable terms.

Our main liquidity requirements will arise from mortgage advances, mortgage advances, manager fees and distributions to share and bond holders. All of the aforementioned liquidity requirements are generally funded from cash flows earned on mortgage interest and fees. Our 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 we were unable to meet our liquidity requirements from ongoing operating activities.

Our approach to managing liquidity is to ensure that we will have sufficient financial resources available to meet our liabilities as they become due. This includes monitoring of cash, line of credit, loan payable and accounts payables and accrued liabilities. We intend to mitigate our liquidity risk by not entering into property acquisitions unless we have secured or are confident that we 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.

Capital Management

Our capital consists of shareholders' equity and bond financing. Our 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 to permit the Company to pay quarterly distributions to its shareholders and attractive returns to bond holders through interest payments.

We set the amount of capital in relation to risk and manage the capital structure and make adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

Our 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.

Our company is subject to externally imposed capital requirements. The line of credit contains certain financial covenants that must be maintained. During the period, we were in compliance with all financial covenants.

Use of Estimates and Judgements

The preparation of the condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements are:

Measurement of fair values

Our accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

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. We classify the fair value of the financial instruments according to the following hierarchy based on the amounts 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.

We review significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, we will assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Measurement of expected credit loss

We are required to make estimates and assumptions that relate to the expected credit losses. These judgements include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments which would require an increase or decrease in the allowance for credit losses.

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. Our 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 us the ability to effectively defer redemption indefinitely. Accordingly, we have 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 have determined that it would not and that the shares should be classified as equity.

Classification of bonds as liabilities under IAS 32

Under IFRS, IAS 32 and IAS 37 provide guidance as to whether the bonds issued should be classified as a financial liability or equity instrument notwithstanding a financial liability is defined as a present obligation of the company arising from past events, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits. In order for the bonds to be classified as an equity instrument they must be either considered to have the characteristics of a puttable instrument with such instrument subordinate to all other classes of financial instrument or include a contractual obligation for the company to deliver to another entity a pro rata share of its net assets only on liquidation. Additionally, for an instrument to be classified as an equity instrument, in addition to the instrument having all the above features, the issuer must have no other financial instrument or contract that has total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the company (excluding any effects of such instrument or contract.) The bonds do not meet all the necessary criteria to be classified as puttable instruments or equity; therefore, it is appropriate to classify them as long-term liabilities as repayments are expected to occur in more than 1 year.

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 condensed consolidated interim financial statements for the quarter ended September 30, 2025.

Outstanding Share Data

The company's authorized share capital as at November 28, 2025 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 2,246,824 are outstanding; and an unlimited number of Class B Non-Voting Shares, of which 892,836 are outstanding.

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 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 reasonable time period, if economic conditions warrant. We also maintain sufficient construction expertise to allow us to economically complete any project on which we have loaned funds.

Our share terms provide that the Class A Non-Voting shareholders have 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.