



**For Immediate Release**

**BUILDERS CAPITAL MORTGAGE CORP. ANNOUNCES**

Calgary, Alberta – April 8, 2024 – Builders Capital Mortgage Corp. (the “Company”) (TSXV: BCF) announced today that its participating bond offering has received approval for issuance by the TSX Venture Exchange. By way of this bond offering, the Company will raise up to fifty million dollars, the proceeds of which to be used in the Company’s ongoing mortgage business to fund short-term, residential construction mortgages in Alberta and British Columbia.

The bonds will participate on a pari passu (equal) basis with the existing shares relative to returns and risk. The bonds and shares are aligned pro rata in accordance with their share capital contribution. The pro rata structure of the bond offering and equal ranking with equity shares means that shareholders are not exposed to any additional leverage risk as they would be with a traditional bond. The net result is a small increase in projected shareholder returns with no additional risk. Bond features include a redemption option every six months to facilitate short-term liquidity while still preserving mortgage quality security at a targeted 75% loan-to-value on the entirety of the bond proceeds. In contrast to a traditional bond, the participating bond derives its yield from the net yield of the mortgage portfolio versus a fixed interest rate.

Bondholders gain access to a professional management team with a long and successful track record, proven risk remediation strategies, an existing and established borrower base, and an operating credit facility for effective cash management.

The following document outlines bond features and restrictions in more detail.

Sandy Loutitt, President and CEO said, “We are excited to be proceeding with this unique and positive fund-raising development for the Company. Alberta and Western Canada present an important market for the services of Builders Capital, and this new instrument allows the Company to better expand its reach. At the same time, the bond offering benefits existing shareholders by giving them greater diversification of risk in their mortgage portfolio and by lowering their fixed cost of operations due to the larger capital pool.”

**About Builders Capital**

Builders Capital is a mortgage lender providing short-term, course-of-construction financing to builders of residential, wood-frame properties in Western Canada. The Company commenced active operations on December 12, 2013 on the closing of its initial public offering, whereupon it acquired a portfolio of mortgages from two predecessor companies.

Builders Capital’s investment objective is to generate attractive returns, relative to risk, in order to provide stable and consistent distributions to shareholders while remaining focused on capital

preservation and satisfying the criteria mandated for mortgage investment corporations (“MIC”) as defined in the Income Tax Act.

As an MIC, Builders Capital is not subject to income tax provided that it distributes all of its taxable income as dividends to shareholders within 90 days of its December 31<sup>st</sup> 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.

**For further information, please contact:**

Sandy Loutitt, Chief Executive Officer  
Telephone: (403) 685-9888

Builders Capital Mortgage Corp.  
Suite 260, 1414 – 8th Street SW  
Calgary, Alberta T2R 1J6

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

# Participating Bond Offering

## Executive Summary

---

### **What is Builders Capital?**

Builders Capital Mortgage Corp. (Builders Capital or BCMC) is a publicly traded mortgage investment corporation that provides construction financing to builders for residential wood frame properties primarily in Alberta and British Columbia. The mortgage portfolio includes single family houses and small multi-family units.

### **What is the ask?**

Builders Capital is seeking up to \$50 million to increase its internal construction mortgage lending capacity. This capital raise will be secured by participating bonds issued by Builders Capital.

### **Why is this a good investment?**

Builders Capital has been operating successfully in Western Canada for over 20 years, 10 of which have been as a publicly-listed mortgage investment corporation (BCF: TSXV).

- Arrears and losses have been small through active management by the portfolio managers.
- Quarterly dividend payments to the MIC Class A shareholders have never been missed and never been reduced.
- Over the last five years, there has been more demand than supply for Builders Capital funds.

As a public company, BCMC offers open disclosure, consistent, third-party oversight via audits and operational transactional history on a quarterly basis.

### **What can bondholders expect?**

Mortgages are currently issued at a fixed rate of 12.95%. After expenses, investors can reasonably expect a yield of 11%. Historic yields can be found online ([www.sedar.ca](http://www.sedar.ca)) and in Appendix A.

*For further demonstration of the strong track record of Builders Capital, refer to Appendix A. The roles and expertise within the Builders Capital team is detailed in Appendix B.*

## Bonds and Fees

---

### Bonds

Up to \$50 million in participating bonds will be issued with a minimum of \$250,000.00 per issuance. **Bonds will have a yield equal to the net return of the mortgage portfolio** which is anticipated to be between 11% and 12%. Bondholders must qualify under exempt market rules to participate.

**Full redemption will be paid over two tranches.** The first will be at 95% of investment plus accrued interest, available every six months via a call mechanism. The balance of 5% will be held for two years against potential defaults on the portfolio loans that existed at the date of the 95% payout. This 5% holdback will cover the default risk on the **full paid out amount** and will accrue and receive interest based on the portfolio yield. The 5% holdback ensures that the bondholders who receive interest yield on a mortgage accept their proportionate share of risk through a full foreclosure cycle. The two-year cycle is based on historical evidence that the default cycle can take up to two years to remedy.

**Call executed redemption payments will be on an “as available” basis.** Since historic portfolio turnover is approximately every ten months, it is a reasonable assumption in normal markets that the “as available” payouts should be within six months of the requested call option being exercised.

BCMC will reserve the right to redeem the bonds after six months on a 100% basis if business conditions warrant such redemption.

### Fees

**Borrowers will be charged a fee of 3.5% of the authorized mortgage amount.** This fee revenue will be split between BCMC at 28% and the manager (Builders Capital Management) at 72%. The 28% essentially equates to 1% of the mortgage amount.

The manager charges BCMC (shareholders and bondholders) an annual 1% fee of the capital under management. The fee covers most of the operating costs with some exceptions listed under the Distributions section below. In the event the portfolio of loans turns over once per year the fee revenue earned is offset by the manager's fee thus making the fund neutral from a management cost perspective. If the portfolio of loans turns over more than once per year, the extra fee revenue forms part of the total returns for BCMC. Historical turnover has been just under one year thus, historically, BCMC derives a net boost to its total return from sharing in the fee revenue.

## Bonds and Fees (cont'd)

---

### Basic Bond Terms

The basic terms for all bond issuances are as follows:

- Callable (by investor) every 6 months. Repayment after call is on an “as available” basis.
- Redeemable (by BCMC) every 6 months. Redemptions by the company are paid immediately. Builders Capital will not exercise a redemption request if it does not have the capital to payout.
- Interest compounds semi-annually.
- Interest is paid every 6 months. Bondholders can elect to reinvest their interest.
- Term to maturity is 5 years.
- Minimum bond size is \$250,000.00.
- Bondholders must qualify to invest under the exempt market rules.

## Distribution

---

**Mortgage portfolio returns are split on a pro rata basis between the bondholders and the shareholders pari passu.**

Currently, share capital (Sc) equals \$31.739 million. The new bond capital (Bc) raised from any bond issuance will be added to the share capital to make up the total capital (Tc) invested.

The net distributable amount to bondholders (i.e., net distributable profit for bond capital) will be calculated as follows:

1. Gross Profit = Mortgage Revenue + Lender Fee Revenue
2. Net distributable profit for share capital = (Gross Profit - Operating Expense) x (Sc/Tc)
3. **Net distributable profit for bond capital = (Gross Profit - Operating Expense) x (Bc/Tc)**

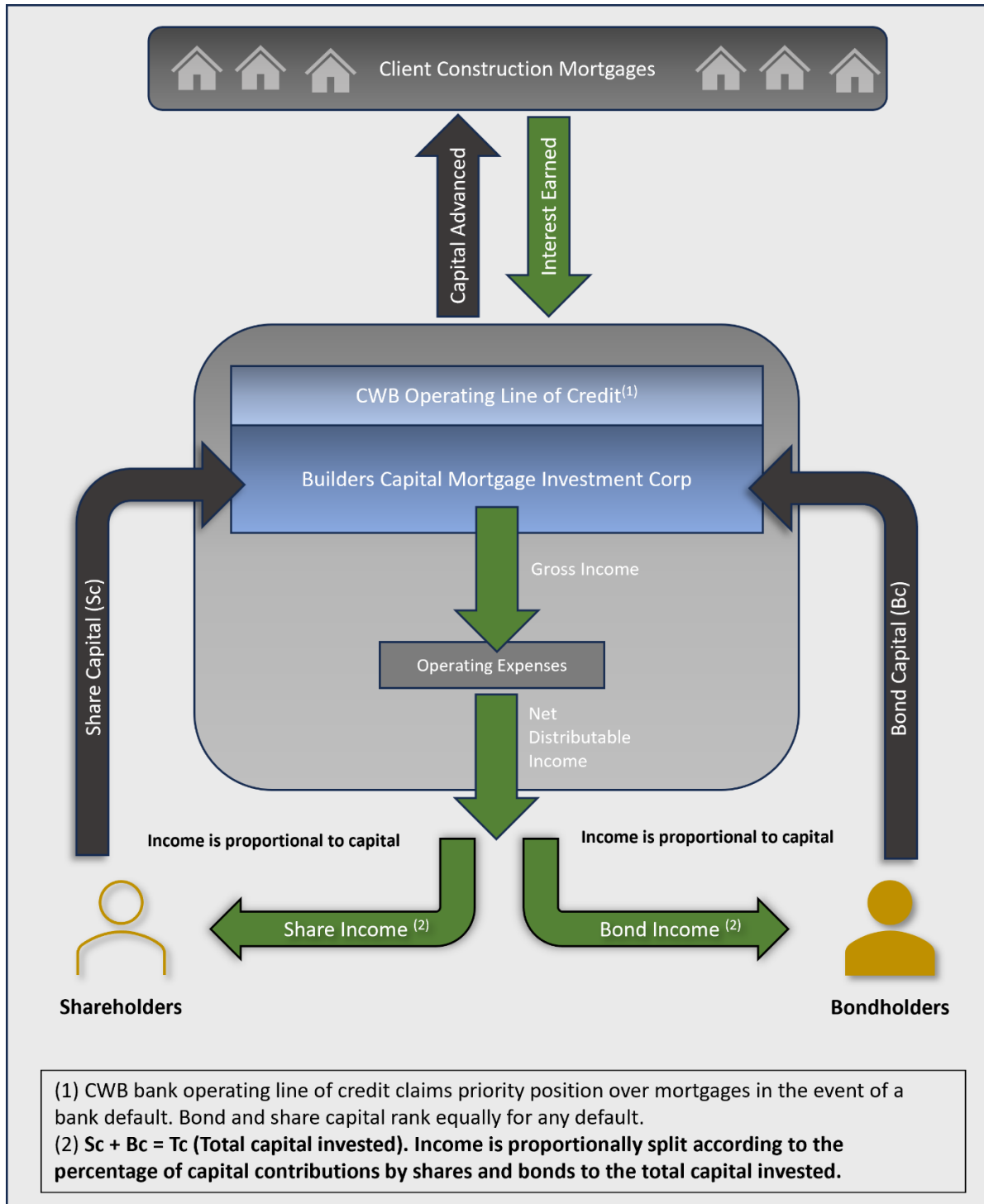
Note: Operating expenses may include, but are not limited to the following:

- Legal fees (for the administration of Builders Capital)
- Bank service charges
- Transfer agent fees
- Compliance costs
- Insurance expenses
- Interest expenses (on bank line of credit)
- Professional fees (accounting audits)
- Management fees (1% of total capital under management (Tc))
- Director fees
- Bank line of credit interest (CWB credit facility)

A Canadian Western Bank (CWB) operating line of credit provides a credit facility at prime + 2.25% equal to 24% of the current share capital. This provides flexibility and some leverage to the yield. The interest on this credit facility is paid out of gross income and is therefore a reduction of net distributable income. Since this credit facility is only utilized in the case where BCMC's entire cash position is fully deployed, it has the affect of generating a net gain on yield when utilized.

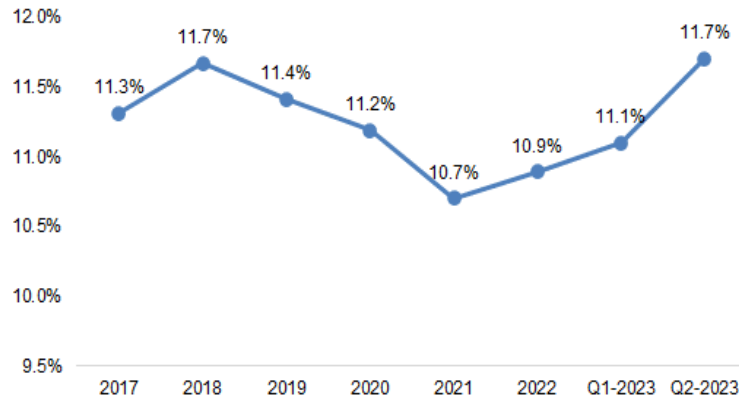
The following image illustrates how Builders Capital net distributable income is earned and shared between shareholders and bondholders. **Income is split pro-rata based on the percentage of share and bond capital contributions to the total capital invested (Sc + Bc = Tc).**

Distribution (cont'd)

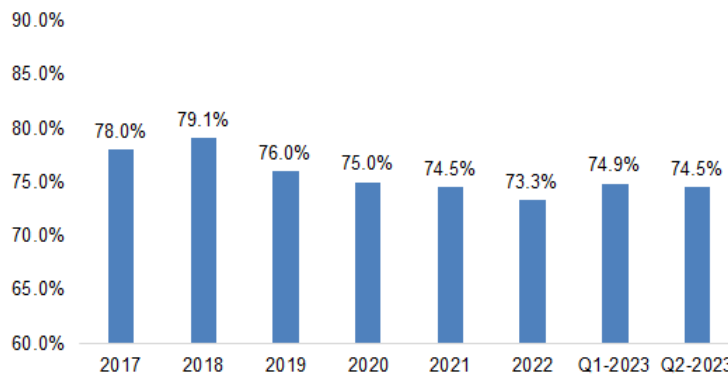


## Appendix A – Builders Capital Performance

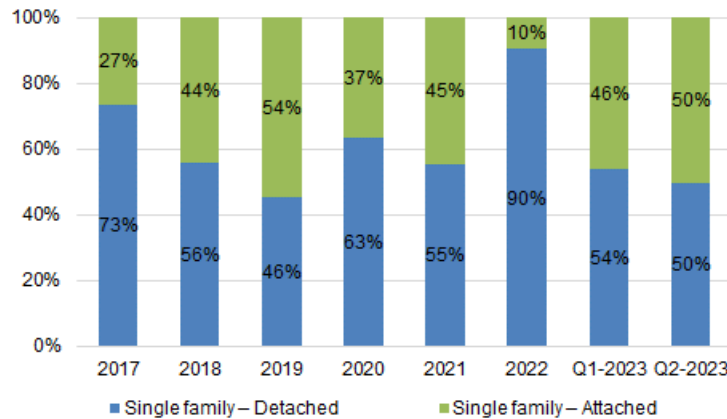
**Weighted Average Rate**



**Loan-to-value (LTV)**



**Mortgage Portfolio Mix**



## Appendix A – Builders Capital Performance

### Arrears History

	2019	2020	2021	2022	Q1 2023	Q2 2023	Q3 2023
Provision for Mortgage Losses	\$995,815	\$608,192	\$275,872	\$353,067	\$15,315	\$43,159	\$113,395
% of Mortgage Receivables	4.46%	2.51%	0.97%	1.03%	0.04%	0.12%	0.31%
Allowance for Credit Losses	\$775,657	\$301,561	\$262,818	\$400,086	\$417,790	\$460,619	\$572,902
% of Mortgage Receivables	3.47%	1.24%	0.93%	1.17%	1.19%	1.28%	
Mortgage Receivables - Net	\$22,340,692	\$24,274,040	\$28,406,141	\$34,134,123	\$35,236,623	\$36,089,264	\$36,327,104
Actual Loss	\$606,630	\$1,082,288	\$314,615	\$215,799	\$0	\$330	\$1,112
% of Mortgage Receivables	2.72%	4.46%	1.11%	0.63%	0.00%	0.00%	0.00%
Foreclosed Properties	\$3,562,573	\$2,089,916	\$1,752,075	\$1,187,064	\$765,695	\$649,768	\$661,288
% of Mortgage Receivables	15.95%	8.61%	6.17%	3.48%	2.17%	1.80%	1.82%
Impaired Mortgages	\$1,483,295	\$670,787	\$0	\$498,572	\$512,155	\$1,423,932	\$1,471,376
% of Mortgage Receivables	6.64%	2.76%	0.00%	1.46%	1.45%	3.95%	4.05%

### Financials

Income Statement	Q3-2021	Q3-2022	Q3-2023	YoY	9M-2021	9M-2022	9M-2023	YoY
YE - December 31								
<b>Revenue</b>								
Mortgage interest	\$676,922	\$829,227	\$1,082,672		\$1,915,241	\$2,383,204	\$3,057,146	
Fees	\$104,050	\$109,296	\$119,109		\$261,728	\$314,764	\$358,391	
<b>Total Revenues</b>	<b>\$780,972</b>	<b>\$938,523</b>	<b>\$1,201,781</b>	<b>28.1%</b>	<b>\$2,176,969</b>	<b>\$2,697,968</b>	<b>\$3,415,537</b>	<b>26.6%</b>
<b>Expenses</b>								
G&A	27,125	31,056	32,735		\$76,389	\$88,238	\$97,678	
Mortgage servicing and mgmt fees	\$73,552	\$73,492	\$79,546		\$217,862	\$217,498	\$235,797	
Interest + Bank Charges	9,091	78,831	158,738		\$16,685	\$174,065	\$430,171	
Loan loss provision	\$96,195	\$54,336	\$113,395		178,867	157,923	\$171,869	
<b>Total Expenses</b>	<b>\$205,963</b>	<b>\$237,715</b>	<b>\$384,414</b>	<b>61.7%</b>	<b>\$489,803</b>	<b>\$637,724</b>	<b>\$935,515</b>	<b>46.7%</b>
<b>Net Income</b>	<b>\$575,009</b>	<b>\$700,808</b>	<b>\$817,367</b>	<b>16.6%</b>	<b>\$1,687,166</b>	<b>\$2,060,244</b>	<b>\$2,480,022</b>	<b>20.4%</b>
EPS	\$0.20	\$0.24	\$0.26		\$0.58	\$0.71	\$0.78	

## Appendix B – Builders Capital Team

---

**Sandy Loutitt** (President): A carpenter by trade, Sandy received B.A. in Economics from the University of British Columbia. The founder of Builders Capital, he has been actively involved in all aspects of the residential construction and financing industries for over 20 years.

**Nicole Côté** (Office Manager): Nicole has been office manager for more than six years. Her outstanding organizational and data management skills coupled with her consistently professional client relations ensure the records of our portfolios are always accurate and current.

**Megan Pring** (Controller): Megan graduated with honours from SAIT with a Bachelor of Applied Business Administration (Accounting) and is on the cusp of attaining her CPA designation. With over a decade of providing accounting services across diverse sectors, Megan brings a wealth of knowledge and understanding of the finance industry to the benefit of both our business and our clients.

**Stefan Eschke** (Project Estimator and Construction Inspector): Stefan manages all estimating for our clients based on his solid construction background. His attention to detail and wide industry connections enable him to find cost savings by comparing sub-trade prices to our own prices. Stefan also conducts site visits and manages project development.

**Chad Prince** (Progress Inspector / Project Manager): Chad is responsible for site inspections and technical advisory to our clients. With decades of hands-on experience in general contracting in the spec and pre-sold residential building business, Chad is perfectly suited to evaluate and communicate work in place to help mitigate risk. Chad typically leads the completion efforts for any partially developed properties that Builders Capital may take back through its enforcement efforts.