

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 001-39134

**Broadmark Realty Capital Inc.**

(Exact Name of Registrant as Specified in its Charter)

**Maryland**  
(State or other jurisdiction of  
incorporation or organization)  
**1420 Fifth Avenue, Suite 2000**  
**Seattle, WA**  
(Address of principal executive offices)

**84-2620891**  
(I.R.S. Employer  
Identification No.)  
**98101**  
(Zip Code)

**Registrant's telephone number, including area code: (206) 971-0800**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	BRMK	New York Stock Exchange
Warrants, each exercisable for one fourth (1/4th) share of Common Stock at an exercise price of \$2.875 per one fourth (1/4th) share	BRMK WS	NYSE American LLC

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of June 30, 2021, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$1.4 billion, based on the closing sales price of our common stock on such date as reported on the New York Stock Exchange.

As of February 21, 2022, there were 132,785,082 shares of common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement relating to its 2022 annual meeting of shareholders (the "2022 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2022 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

**Broadmark Realty Capital Inc.**  
**Table of Contents**

	Page
<a href="#">INTRODUCTORY NOTE</a>	<a href="#">3</a>
<a href="#">CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</a>	<a href="#">4</a>
<b><a href="#">PART I.</a></b>	
<a href="#">ITEM 1. BUSINESS</a>	<a href="#">5</a>
<a href="#">ITEM 1A. RISK FACTORS</a>	<a href="#">16</a>
<a href="#">ITEM 1B. UNRESOLVED STAFF COMMENTS</a>	<a href="#">40</a>
<a href="#">ITEM 2. PROPERTIES</a>	<a href="#">40</a>
<a href="#">ITEM 3. LEGAL PROCEEDINGS</a>	<a href="#">41</a>
<a href="#">ITEM 4. MINE SAFETY DISCLOSURES</a>	<a href="#">41</a>
<b><a href="#">PART II.</a></b>	
<a href="#">ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</a>	<a href="#">41</a>
<a href="#">ITEM 6. [RESERVED]</a>	<a href="#">41</a>
<a href="#">ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</a>	<a href="#">42</a>
<a href="#">ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</a>	<a href="#">55</a>
<a href="#">ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</a>	<a href="#">56</a>
<a href="#">ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</a>	<a href="#">92</a>
<a href="#">ITEM 9A. CONTROLS AND PROCEDURES</a>	<a href="#">92</a>
<a href="#">ITEM 9B. OTHER INFORMATION</a>	<a href="#">93</a>
<a href="#">ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS</a>	<a href="#">93</a>
<b><a href="#">PART III.</a></b>	
<a href="#">ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</a>	<a href="#">93</a>
<a href="#">ITEM 11. EXECUTIVE COMPENSATION</a>	<a href="#">93</a>
<a href="#">ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</a>	<a href="#">93</a>
<a href="#">ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</a>	<a href="#">93</a>
<a href="#">ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES</a>	<a href="#">93</a>
<b><a href="#">PART IV.</a></b>	
<a href="#">ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES</a>	<a href="#">94</a>
<a href="#">ITEM 16. FORM 10-K SUMMARY</a>	<a href="#">96</a>
<b><a href="#">SIGNATURES</a></b>	<a href="#">97</a>

---

**Broadmark Realty Capital Inc.**

**Introductory Note**

On November 14, 2019 (the “Closing Date”), Broadmark Realty Capital Inc., a Maryland corporation (formerly named Trinity Sub Inc.) (“Broadmark Realty” or the “Company”), consummated the business combination (the “Business Combination”), pursuant to an Agreement and Plan of Merger, dated August 9, 2019 (the “Merger Agreement”), by and among Broadmark Realty, Trinity Merger Corp. (“Trinity”), Trinity Merger Sub I, Inc. (“Merger Sub I”), Trinity Merger Sub II, LLC (“Merger Sub II” and together with Trinity, and Merger Sub I, the “Trinity Parties”), PBRELF I, LLC (“PBRELF”), BRELF II, LLC (“BRELF II”), BRELF III, LLC (“BRELF III”), BRELF IV, LLC (“BRELF IV” and, together with PBRELF, BRELF II and BRELF III, the “Predecessor Companies” and each a “Predecessor Company”), Pyatt Broadmark Management, LLC (“MgCo I”), Broadmark Real Estate Management II, LLC (“MgCo II”), Broadmark Real Estate Management III, LLC (“MgCo III”), and Broadmark Real Estate Management IV, LLC (“MgCo IV” and, together with MgCo I, MgCo II and MgCo III, the “Predecessor Management Companies” and each a “Predecessor Management Company,” and the Predecessor Management Companies, together with the Predecessor Companies and their subsidiaries, the “Predecessor Company Group”). Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, (i) Merger Sub I merged with and into Trinity, with Trinity being the surviving entity of such merger (the “Trinity Merger”), (ii) immediately following the Trinity Merger, each of the Predecessor Companies merged with and into Merger Sub II, with Merger Sub II being the surviving entity of such merger (the “Company Merger”), and (iii) immediately following the Company Merger, each of the Predecessor Management Companies merged with and into Trinity, with Trinity being the surviving entity of such merger (the “Management Company Merger” and, together with the Trinity Merger and the Company Merger, the “Mergers”). As a result, Merger Sub II and Trinity became wholly owned subsidiaries of Broadmark Realty.

From November 15, 2019, Broadmark Realty’s consolidated financial statements reflect BRELF II, one of the Predecessor Companies, as the accounting acquirer and successor entity, acquiring the other three Predecessor Companies, the four Predecessor Management Companies, and Trinity in the successor period. The Business Combination transaction reflects a change in accounting basis for the Predecessor Company Group (other than BRELF II). As Trinity was a special purpose acquisition company, its acquisition is reflected as the issuance of shares for cash. For periods prior to November 15, 2019, in lieu of presenting separate financial statements of each of the Predecessor Companies and Predecessor Management Companies, the Predecessor Company Group presents consolidated financial statements, as these entities were under common management. Broadmark Realty was a shell company prior to November 15, 2019, with no assets or operations.

Unless the context otherwise requires references to “Broadmark Realty,” “Company,” “we,” “us” and “our,” refer to Broadmark Realty and its consolidated subsidiaries after the Business Combination and refer to the Predecessor Company Group for periods prior to the Business Combination.

As a result of the Mergers and by operation of Rule 12g-3(a) promulgated under the Exchange Act, Broadmark Realty is the successor issuer to Trinity.

**Broadmark Realty Capital Inc.**

**CAUTIONARY STATEMENT REGARDING FORWARD -LOOKING STATEMENTS**

This Annual Report on Form 10-K (this “Annual Report”) contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact contained in this Annual Report, including statements regarding our future results of operations and financial position, strategy and plans, and our expectations of future operations, are forward-looking statements. Forward-looking statements reflect the Company’s current views with respect to, among other things, capital resources, portfolio performance and projected results of operations. Likewise, the Company’s statements regarding anticipated growth in its operations, anticipated market conditions, demographics and results of operations are forward-looking statements. In some cases, you can identify these forward-looking statements by the use of terminology such as “outlook,” “believes,” “expects,” “projects,” “potential,” “continues,” “may,” “will,” “should,” “could,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of these words or other comparable words or phrases.

The forward-looking statements contained in this Annual Report are based on the Company’s current expectations and beliefs concerning future developments and their potential effects on the Company. There can be no assurance that future developments affecting the Company will be those that it has anticipated. Actual results may differ materially from those in the forward-looking statements. Some factors that could cause the Company’s actual results to differ include, but are not limited to:

- mitigation of loan default rates and ability to timely resolve loans in contractual default status with positive economic outcomes;
- the adequacy of collateral securing our loans and declines in the value of real estate property securing our loans;
- increased competition from entities engaged in construction lending activities;
- availability of origination and acquisition opportunities acceptable to us;
- potential mismatches in the timing of asset repayments and the maturity of the associated financing agreements;
- disruptions in our business operations, including construction lending activity, relating to the COVID-19 pandemic;
- the current and future health and stability of the economy and residential housing market, including potential impacts on the real estate markets as a result of COVID-19;
- general economic uncertainty and the effect of general economic conditions on the real estate and real estate capital markets in particular;
- general and local commercial and residential real estate property conditions;
- changes in U.S. federal government policies;
- changes in U.S. federal, state and local governmental laws and regulations that impact our business, assets or classification as a real estate investment trust;
- our ability to pay, maintain or grow the dividend in the future;
- changes in interest rates;
- the availability of, and costs associated with, sources of liquidity;
- compliance with covenants contained in our debt documents;
- the adequacy of our policies, procedures and systems for managing risk effectively;
- the ability to manage future growth;
- changes in personnel and availability of qualified personnel; and
- other factors set forth in our periodic filings with the Securities and Exchange Commission.

Should one or more of these risks or uncertainties materialize, or should any of the assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

**Broadmark Realty Capital Inc.**

**PART I.**

**ITEM 1. BUSINESS**

Broadmark Realty Capital Inc. (“Broadmark Realty,” “the Company,” “Successor,” “we,” “us” and “our”), a Maryland corporation, is an internally managed commercial real estate finance company that has elected to be taxed as a real estate investment trust (“REIT”) for U.S. federal income tax purposes beginning with its taxable year ended December 31, 2019. Based in Seattle, Washington, we specialize in underwriting, funding, servicing and managing a portfolio of short-term, first deed of trust loans to fund the construction and development of, or investment in, residential or commercial properties. We generally operate in states that we believe to have favorable demographic trends and that provide more efficient and quicker access to collateral in the event of borrower default. Beginning in early 2021, we have increased the number of states in which we operate in order to expand our potential lending markets. As of December 31, 2021, our portfolio of 215 active loans had approximately \$1.5 billion of total commitments and \$924.7 million of principal outstanding. Our active loans are made across 164 borrowers in 19 states and the District of Columbia. We refer to loans that have outstanding commitments or principal balances that have not been repaid or retired, including loans in foreclosure, as “active loans.” Total commitments refer to the aggregate sum of outstanding principal balances, construction holdbacks and committed amounts for future draws and interest reserves on our loans. Historically, our loan portfolio was 100% equity funded, and we had no outstanding debt. On November 12, 2021, we issued \$100.0 million aggregate principal amount of 5.0% senior unsecured notes due in 2026 in a private placement. We plan to opportunistically issue debt and raise capital in the public and private markets from time to time based on market conditions to fund the growth of our loan portfolio and produce attractive returns for our stockholders. On February 19, 2021, we closed on a \$135.0 million revolving credit facility, which has enabled us to use a larger percentage of our cash balances for lending activities.

Properties securing our loans are generally classified as residential properties, commercial properties or undeveloped land, and are typically not income producing. Each loan is secured by a first deed of trust lien on real estate. Our lending policy limits the committed amount of each loan to a maximum loan-to-value (“LTV”) ratio of up to 65% of the “as-complete” appraised value of the underlying collateral as determined by an independent appraiser at the time of the loan origination. Our lending policy also limits the initial outstanding principal balance of each loan to a maximum LTV of up to 65% of the “as-is” appraised value of the underlying collateral as determined by an independent appraiser at the time of the loan origination. At the time of origination, the difference between the initial outstanding principal and the total commitment is the amount held back for future release subject to property inspections, progress reports and other conditions in accordance with the loan documents. Unless otherwise indicated, LTV is measured by the total commitment amount of the loan at origination divided by the “as-complete” appraisal. LTVs do not reflect interim activity such as construction draws or interest payments capitalized to loans, or partial repayments of the loan. The maximum amount of a single loan may not exceed 10% of our total assets and the maximum amount to a single borrower may not exceed 15% of our total assets. We consider the maximum LTV as an indicator for the credit quality of a mortgage note receivable. As of December 31, 2021, the weighted average LTV was 59.1% across our active loan portfolio based on the total commitment of the loan and “as-complete” appraisals received at the time of loan origination. In addition, our loans are typically personally guaranteed on a recourse basis by the principals of the borrower, and/or others at our discretion to provide further credit support for the loan. The personal guarantee may be collaterally secured by a pledge of the guarantor’s interest in the borrower or other real estate or assets owned by the guarantor.

As of December 31, 2021, the weighted average total commitment of our active loans was \$6.9 million with a weighted average interest rate of 10.7%. The weighted average term of our active loans was 13 months at origination, which we often elect to extend for several months based on our evaluation of the expected timeline for completion of construction. We usually receive loan origination fees, or “points,” which as of December 31, 2021 had a weighted average fee of 3.5% of total commitment at origination, along with loan amendment and extension fees, each of which varies in amount based upon the term of the loan, the credit quality of the borrower and the loan otherwise satisfying our underwriting criteria. In addition, we charge late fees on past due receivables and receive reimbursements from borrowers for costs associated with services provided by us, such as closing costs, collection costs on defaulted loans and construction draw inspection fees.

Our typical borrowers include real estate investors, developers and other commercial borrowers. We do not lend to owner-occupants of residential real estate. Loan proceeds are generally used to fund the vertical construction, horizontal development, investment, land acquisition and refinancing of residential properties and commercial properties. We also make loans to fund the renovation and rehabilitation of residential and commercial properties. Our loans are generally structured with partial funding at closing and additional loan installments disbursed to the borrower upon satisfactory completion of previously agreed stages of construction.

## **Broadmark Realty Capital Inc.**

A principal source of new transactions has been repeat business from our customers and their referral of new business. We also receive leads for new business from real estate brokers and mortgage brokers, a limited amount of advertising, and through our website.

We seek to minimize risk of loss through our disciplined underwriting standards. We originate and fund loans secured by first deed of trust liens on residential and commercial real estate located in states that we believe have favorable demographic trends and that provide more efficient and quicker access to collateral in the event of borrower default. We believe that the demand/supply imbalance for residential construction-related real estate loans presents significant opportunities for us to selectively originate high-quality first deed of trust loans on attractive terms.

We built our business on a deep knowledge of the residential and commercial real estate market combined with a risk management approach that is designed to protect and preserve capital. We believe our flexibility and ability to structure loans that address the needs of our borrowers without compromising our standards on risk, our expertise in the loan market and our focus on newly originated first deed of trust loans have been the basis for our success.

In addition to the natural seasonality inherent in our business whereby winter months are typically less favorable to construction, restrictions related to the Business Combination decreased the amount of our loan originations for the second half of 2019 and early 2020. The pending Business Combination required us to essentially pause our ability to raise capital and in turn originate new loans for most of the second half of 2019. In the first quarter of 2020, we focused on rebuilding our pipeline and began to strategically deploy the proceeds from the Business Combination; these rebuilding efforts began to slow in March due to the uncertainty associated with the impacts of COVID-19. In March 2020, we launched a private real estate investment trust (the "Private REIT") offered to qualified purchasers to provide access to an additional source of capital and fund participations in loans originated by Broadmark Realty. In August 2021, as part of the liquidation of the Private REIT, all participations in mortgage notes receivable held by the Private REIT were purchased for cash by the Company at the settlement value which approximated fair value of \$43.5 million.

As a result of the COVID-19 pandemic, we experienced an adverse impact on our loan portfolio beginning in 2020, primarily in the form of a significant increase in defaulted loans and a slow-down in construction progress. For example, delays in local government permitting and inspections arising from measures to limit the spread of COVID-19 delayed some projects, adversely affecting the ability of borrowers to complete the projects in accordance with the terms of the loans. We have experienced an increase in delinquencies and requests for extensions or forbearance. In addition, market conditions, and in some cases moratoriums on the foreclosure process, have increased the timeline to resolve non-performing loans. Delays in repayment of our outstanding loans or sales of foreclosed properties reduce the capital available for future loan originations.

In 2021, the U.S. and global economy began reopening and wider distribution of effective vaccines for COVID-19 encouraged greater economic activity. Nonetheless, the recovery could remain uneven, particularly given uncertainty with respect to the distribution and acceptance of the vaccines and their effectiveness in preventing the spread of COVID-19, including its new variant strains. There remains significant uncertainty regarding the timing and duration of the economic recovery, which precludes any prediction as to the ultimate adverse impact of the COVID-19 pandemic on economic and market conditions. There remain shortages in raw materials, manufactured products and labor across industries that are resulting in longer construction timelines and rising prices, which are dampening a full economic recovery within the construction industry. The prolonged duration and impact of the COVID-19 pandemic could materially disrupt our business operations and negatively impact our business, financial performance and operating results through December 31, 2022 and potentially longer.

### **Markets**

At December 31, 2021, we have active loans in 19 states and the District of Columbia with the majority of loans located in Washington, Colorado, Utah, and Texas. We strategically focus on these states as they have exhibited strong population growth. At December 31, 2021, more than 80% of our portfolio was secured by properties located in states ranked in the top ten for migration between 2010 and 2020 according to the Census Bureau, including Washington, Colorado, Utah, Texas, Florida and Idaho. Additionally, each of Washington, Colorado, Utah, Texas, Oregon and Idaho are non-judicial foreclosure states, which we believe encourages borrowers to comply with the loan terms and provides us the option to take control of the collateral more quickly in the event of borrower default. We continue to increase our national presence, and in this regard, during 2021, we have increased the number of states in which we operate by 58% in order to expand our potential lending markets.

**Broadmark Realty Capital Inc.**

**Industry and Market Opportunity**

Real estate investment is a capital-intensive business that typically relies heavily on debt capital to acquire, develop, improve, construct, renovate and maintain properties. We focus on providing construction, development and investment loans for the U.S. housing and real estate industries. Due to structural changes in banking, regulation and monetary policies over the last decade, there has been a reduction in the number of lenders servicing this segment. We believe there continues to be a significant market opportunity to originate real estate loans secured by the underlying real estate as collateral. Our management team further believes that the demand for relatively small real estate loans to construct, develop or invest in residential or commercial real estate, located in states with favorable demographic trends presents a compelling opportunity to generate attractive risk-adjusted returns.

Historically, regional and community banks were the primary providers of construction financing to smaller, private builders. Over the past several decades, there has been significant consolidation within the commercial banking industry, with the number of commercial and savings institutions having decreased by 62% and 75%, respectively, between 1992 and 2020, as reported by the FDIC. In addition, many traditional real estate lenders that competed for loan origination within our target markets have been faced with tighter capital constraints due to changing banking regulations following the 2008 financial crisis. During 2021, as part of the recovery from the COVID-19 pandemic and a continued low interest rate environment, capital became widely available to lenders and resulted in new entrants to construction financing as well as reduced pricing by existing lenders. These factors have put significant pressure on asset yields and have often led to pricing in market that is not commensurate with the associated risk.

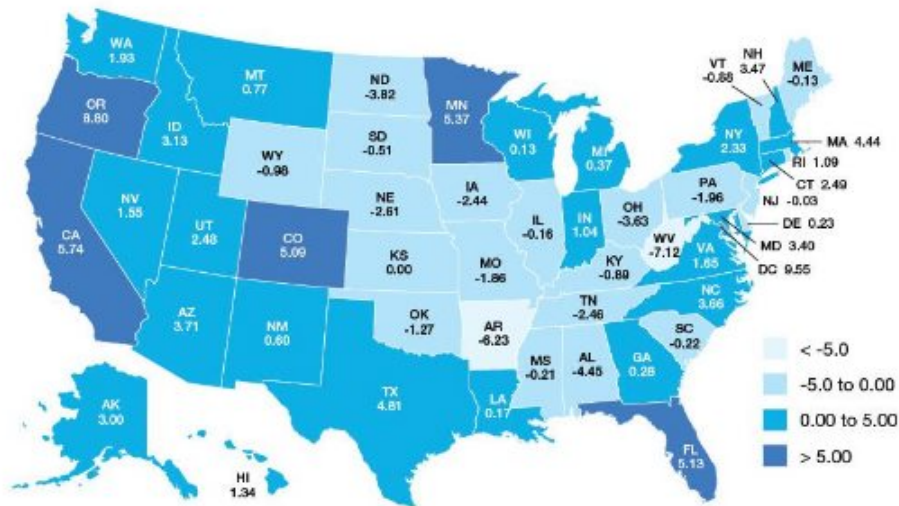
While the number of traditional banks and construction loans offered by them has steadily declined, private residential construction spending and housing starts have continued to recover from the lows following the recession of 2007 through 2009. Housing starts in December 2021 were at a seasonally adjusted annual rate of 1.7 million, an increase of 2.5% from 2020. The U.S. Census Bureau and Department of Housing and Urban Development chart below illustrates historical housing permits, starts and completions from 2016 to 2021:



## Broadmark Realty Capital Inc.

While the increases are positive, housing starts and completions still remain below long term historical averages. In a February 2020 report, Freddie Mac estimated that there were 29 states that had a housing deficit, and that approximately 3.8 million units in the aggregate were needed to make up this deficit. The map below shows the housing deficit as a percentage of the housing supply by state as set forth in the report.

**Estimate of Housing Stock Deficit as Proportion of State Housing Stock**



Source: Freddie Mac

We operate in seven of the ten states with the largest housing deficits. The ten states with the largest housing deficits have significant overlap with the states with the highest net migration rates between 2010 and 2020 according to the Census Bureau.

As a result of limited residential housing supply, net migration trends and the current low interest rate environment for home buyers, we believe the longer-term outlook for new housing demand in our markets remains strong.

Per the U.S. Census Bureau, construction spending, measured as construction put in place, totaled \$1.59 trillion in 2021, an increase of 8.2% over 2020. For 2022, ConstructConnect is expecting a 6.6% increase in construction spending, including a 5.6% increase in nonresidential construction, after two consecutive years of decreased construction spending caused by the COVID-19 pandemic. The U.S. Census Bureau construction spending data for December 2021 reported significant increases in the nonresidential sectors of commercial, including storage and retail, lodging and office, which are areas of expected growth for us in 2022.

### Business and Growth Strategy

Our objective is to preserve and protect stockholder capital while producing attractive risk-adjusted returns primarily through dividends generated by current income from our loan portfolio. Our business strategy is to directly originate, fund, manage, and service short-term loans secured by first mortgage liens on real property to enable us to generate attractive returns.

We believe our ability to react quickly and flexibility in terms of structuring loans to meet the needs of borrowers, consistency and expediency in funding future construction draws, intimate knowledge of the relevant markets in which we operate and focus on newly originated first deed of trust loans positions us to generate strong and consistent income. Our strategy to achieve our objective and grow our business includes the following:

- continue to increase market share in existing states to satisfy unmet demand;
- increase geographic footprint by focusing on states with favorable economic and demographic trends that provide efficient access to collateral in the event of borrower default;



**Broadmark Realty Capital Inc.**

- capitalize on opportunities created by the long-term structural changes in the real estate lending market resulting from consolidation and increased regulatory oversight of commercial banks and savings institutions;
- utilize the relative strength of our balance sheet to grow our customer and asset base while competitors with weaker balance sheets may be capital constrained;
- maximize earnings generation from deployed capital through timely resolution of loans in contractual default;
- optimize working capital through efficient cash management and the use of our revolving credit facility;
- fund growth via strategic and structured capital sourcing to gradually lower our weighted average cost of capital while maintaining modest leverage relative to our peers;
- remain flexible in order to capitalize on changing sets of investment opportunities that may be present in various points of an economic cycle; and
- operate so as to qualify as a REIT for U.S. federal income tax purposes and distribute annually at least 90% of our REIT taxable income.

**Loan Portfolio**

The following table highlights certain information regarding our real estate lending activities as of the dates indicated:

<i>(dollars in millions)</i>	December 31, 2021	December 31, 2020
Number of loans outstanding	215	204
Unpaid principal balance (end of period balance)	\$ 924.7	\$ 860.1
Total commitment	\$ 1,489.1	\$ 1,246.0
Weighted average total commitment	\$ 6.9	\$ 6.1
Weighted average contractual interest rate per annum <sup>(1)</sup>	10.7%	11.8%

(1)Does not include loan fees.

The following table sets forth aggregate number of loans and the total original commitment amounts at origination during each of the calendar years set forth below:

<i>Year<sup>(1)</sup> (dollars in millions)</i>	Number of Loans	Total Commitment <sup>(2)</sup>
2021	137	\$ 873.0
2020	81	\$ 463.0
2019	116	\$ 446.6
2018	194	\$ 647.0
2017 and prior	740	\$ 921.3

(1)For periods prior to November 15, 2019, amounts do not represent the activity of one controlling legal entity, but rather a combination of the historical results of the Predecessor Company Group, which was under common management.

(2)Based on total original loan commitment amounts and excluding amendments.

We categorize our loans into three distinct purposes:

- Vertical Construction.** Loans which utilize at least 20% of total commitment at origination to fund vertical construction of residential, commercial and mixed-use properties.
- Horizontal Development.** Loans which do not fund vertical construction and utilize at least 20% of total commitment at origination to fund horizontal improvements including: initial site preparation, ground clearing, installing utilities, and road, sidewalk and gutter paving.
- Investment.** Loans which do not fund vertical or horizontal construction including financings of built real estate properties or raw land.

**Broadmark Realty Capital Inc.**

The following table sets forth the number of total loans and commitment amount of mortgage loans based on the intended loan purpose, and the percentage of the total commitment by purpose as compared to the total portfolio, in each case at December 31, 2021:

Loan Purpose (dollars in millions)	# of Loans	At December 31, 2021	
		Total Commitment	%
Vertical Construction	136	\$ 937.6	63.0%
Investment	49	279.3	18.8
Horizontal Development	30	272.2	18.3
Total	215	\$ 1,489.1	100.0%

We categorize our loans into five property types:

- For Sale Residential.** All for sale residential product including single family homes, apartments, townhomes, condominiums and other attached product.
- For Rent Residential.** All rental residential product including multifamily rental apartments, student housing and senior housing.
- Commercial/Other.** Non-residential real estate including medical office, retail, office, self-storage, industrial and hotels.
- Horizontal Development.** Vertical construction ready sites including finished single-family lots, finished townhome lots and multifamily and commercial development sites.
- Raw Land.** Undeveloped land prior to horizontal development.

The following table sets forth the number of total loans and commitment amount of mortgage loans based on the types of properties securing our mortgage loans, and the percentage of the total commitment by property security of the loan as compared to the total portfolio at December 31, 2021:

Loan Purpose (dollars in millions)	# of Loans	At December 31, 2021	
		Total Commitment	%
Commercial/Other	38	\$ 479.0	32.2%
For Sale Residential	94	377.2	25.3
For Rent Residential	41	341.3	22.9
Horizontal Development	23	207.1	13.9
Raw Land	19	84.5	5.7
Total	215	\$ 1,489.1	100.0%

The following table sets forth the number of total loans and total committed amounts of mortgage loans by state, and the percentage of the total committed amount by state as compared to the total portfolio at December 31, 2021:

State (dollars in millions)	# of Loans	At December 31, 2021	
		Total Commitment	%
Colorado	36	\$ 337.0	22.6%
Texas	20	266.1	17.9
Washington	47	260.8	17.5
Utah	28	234.9	15.8
Other	84	390.3	26.2
Total	215	\$ 1,489.1	100.0%

**Broadmark Realty Capital Inc.**

**Operations Overview**

***Loan Origination and Due Diligence***

We are experienced in secured lending, with substantial combined real estate and financial services experience of our senior management team. Our senior management team spends a significant portion of its time on borrower development as well as on underwriting and structuring the loans in our portfolio. A principal source of our new transactions has been repeat business from existing and former customers and their referral of new business. We are a collateral-based lender and when underwriting a loan, the primary focus of our analysis is the value of a property and the borrower's equity in the project. Prior to making a final decision on a loan application, we conduct extensive due diligence of the property as well as of the borrower and its principals.

The mortgage loans that we originate generally meet the following criteria:

- Collateral.* New loans are secured by a first deed of trust lien on real estate.
- Amount.* The weighted average total commitment of our active loans was \$6.9 million at December 31, 2021. Our lending policy limits exposure to any single borrower or guarantor to 15% of our total assets.
- Loan to Value.* The maximum LTV ratio for a loan at origination is 65.0% of the "as-complete" appraised value of the underlying collateral; and a maximum initial outstanding principal balance of the loan at origination is 65% of the "as-is" appraised value of the underlying collateral, in each case as determined by an independent appraiser at the time of the loan origination.
- Interest rate.* Our portfolio weighted average interest rate was 10.7% at December 31, 2021 with a late fee of 10% of the principal and receivables outstanding and a default interest rate of 24% per annum for loans in contractual default status.
- Origination fees.* Our portfolio weighted average fee was 3.5% of the total commitment at origination at December 31, 2021. In addition, if the term of the loan is extended, additional points are payable upon the extension.
- Term.* The weighted average term of our active loans was 13 months at origination at December 31, 2021. We may agree to extend the maturity date (typically for one to three months) and charge an extension fee, so long as the borrower complies with all loan covenants and the loan otherwise satisfies our underwriting criteria.
- Covenants.* To timely pay all taxes, insurance, assessments, and similar charges with respect to the property; to maintain hazard insurance; and to maintain and protect the property.
- Events of default.* Include: (i) failure to make the required monthly interest-only loan payment when due; (ii) failure to repay the loan at maturity date if we have not agreed to extend maturity and (iii) breach of a covenant.
- Payment terms.* Interest only is payable monthly in arrears. Principal is due in a "balloon" payment at the maturity date. Interest earned from an interest holdback is capitalized in the loan principal balance.
- Escrow.* Generally, none required.
- Holdbacks.* Construction loans typically include a holdback for future construction draws which are funded in arrears following confirmation of work completion. Loans may also include a holdback for interest reserves for the purpose of satisfying monthly interest payments over all or part of the term of the loan due to a lack of income generated by the real estate.
- Security.* Each loan is evidenced by a promissory note, which is secured by a first deed of trust lien on real property owned by the borrower and is typically personally guaranteed on a recourse basis by the principals of the borrower and/or others, at our discretion, which guaranty may be collaterally secured by a pledge of the guarantor's interest in the borrower or other real estate owned by the guarantor.
- Insurance.* Each loan is required to carry minimum insurance policies for general liability and builders' risk, which are verified as a part of the underwriting process.
- Fees and Expenses.* As is typical in real estate finance transactions, the borrower incurs all expenses in connection with securing the loan, including the cost of a property appraisal, the cost of an environmental assessment report, if any, the cost of a credit report and all title, recording fees and legal fees.

## Broadmark Realty Capital Inc.

Upon receipt of a potential borrower's executed loan application, we will commence the underwriting process. Before approving and funding a loan, we undertake extensive due diligence of the borrower, its principals, the guarantor and the property that will be mortgaged to secure the loan. Such due diligence generally includes:

- Borrower and Guarantor Information.* Review of a borrower's credit application, operating agreement or other organizational documents, and review of business and guarantor financial statements and tax returns.
- Confirmatory Collateral Information.* Review of an independent appraisal report (customarily including market data and analysis and information regarding comparable properties), preliminary title report, tax records, documentation evidencing proper hazard insurance for improved property, and other property information. Loans secured by existing commercial properties require a Phase I environmental site assessment.
- Project Transaction Information.* Review of the property purchase and sale agreement, title insurance, itemized construction budget, project schedule with milestones, building permits/entitlements, building plans, and building specifications and architectural renderings, resumes and recent projects of builder and architect and marketing plans and materials.
- Physical Inspection.* We perform a physical inspection of the property, which includes a check of the property's location, characteristics, qualities, and potential value as represented by the borrower, as well as a review of the comparable properties identified in the independent appraisal report in order to confirm that the properties identified as comparable in the appraisal report are truly comparable.

### **Loan Servicing**

We service all of our loans internally, and manage loan payments, draw requests, and loan accounting records. The loan draw process in particular is an important part of our business as it provides borrowers with quick access to capital in order to keep their projects moving and allows us to inspect the quality and pace of the borrower's work. Once a borrower has submitted a draw request, we will have the property physically inspected by an approved third-party to ensure that the work for which funding is being requested has been completed in a manner satisfactory to us. In addition, any required county and city inspections are completed and a date-down endorsement of the title policy is typically provided by the title company indicating no liens have been placed on the property since its original issuance of the title insurance policy before funds are disbursed. If the request is made for the final draw of a project, a certificate of occupancy or sign-off by the city is required prior to disbursement. Although the process is thorough, we make a point of responding to draw requests as quickly as possible as timing is of paramount importance to a project's success.

In addition, we conduct periodic testing, process loan payoff requests, and collect past due and delinquent payments. In the case of a contractual loan default, we have broad authority to take such actions as we believe best in working out the defaulted loan, including selling the defaulted loan or foreclosing on the real property serving as collateral for the loan.

### **Loan Funding**

Historically, our ability to grow our business was primarily constrained by our ability to raise capital to fund additional real estate loans. Prior to the Business Combination, we funded loans primarily through the use of private capital. Going forward, we intend to fund our growth through issuance of debt and equity capital in the public and private markets and use of cash management tools such as our revolving credit facility.

### **Competition**

Real estate lending is a competitive business. We compete for lending opportunities with a variety of institutional lenders and investors, including other "hard money" lenders, mortgage REITs, specialty finance companies, savings and loan associations, banks, mortgage banks, credit unions, insurance companies, mutual funds, pension funds, private equity real estate funds, hedge funds, institutional investors, investment banking firms, non-bank financial institutions, governmental bodies, family offices, and high net worth individuals. New parties continue to enter the market resulting in increased competition and pricing pressure.

We primarily compete on the basis of borrower relationships, product offerings, loan structure, terms, and service rather than on price. Our success depends on our ability to maintain and capitalize on relationships with borrowers and their representatives, offer creative structures and attractive loan terms and, most importantly, provide superior service.

## Broadmark Realty Capital Inc.

### Seasonality

While we typically originate loans year-round, incremental loan disbursements are made with greater frequency during the spring, summer and fall, when weather is generally more favorable for construction, and borrowers complete previously agreed stages of construction, allowing developers to draw down on additional amounts of capital available under their loan agreements. As a result of these more frequent disbursements, we generally maintain greater total liquidity to fund disbursements during these seasons.

### Human Capital

Our culture is defined by our core values of integrity, collaboration, diversity, accountability, reliability and community. Our employees represent our greatest asset. We value our employees by investing in a healthy work-life balance, competitive compensation and benefit packages and a vibrant, team-oriented environment centered on open and compassionate communication. We strive to build and maintain a high-performing culture by creating a work environment that attracts and retains outstanding, engaged employees who embody our company mission of “Empowering real estate developers and investors to improve places and spaces in our communities.” The most significant human capital measures or objectives that we focus on in managing our business and our related human capital initiatives include the following:

- **Demographics.** As of December 31, 2021, we employed 60 full-time employees across the United States. During 2021 we hired 17 employees. Our voluntary turnover rate was 11.7% in 2021.
- **Diversity and Inclusion.** We strive toward having a diverse team of employees, knowing we are better together with our combined wisdom and intellect. With a commitment to equality, inclusion and workplace diversity, we focus on understanding, accepting, and valuing the differences between people. We value and embrace diversity in our employee recruiting, hiring and development practices. Of our employee population, approximately 45% are women and approximately 40% have self-identified as Hispanic or Latino, Native American, Pacific Islander, Asian, Black or African American, or of two or more races. We have a long-standing commitment to equal employment opportunity. We do not tolerate discrimination or harassment.
- **Compensation and Benefits.** We provide a competitive compensation and benefits program to help meet the needs of our employees. In addition to salaries, these programs include discretionary annual bonuses and stock awards, a 401(k) Plan with an employer matching contribution and no service-based vesting requirement, healthcare and insurance benefits, health savings, paid time off, family leave and an employee assistance program.
- **Communication and Engagement.** We strongly believe that our success depends on employees understanding how their work contributes to the Company’s overall strategy. To this end, we communicate with our workforce through a variety of channels and encourage open and direct communication, including weekly company-wide calls with executives and frequent email corporate communications. To continuously monitor and improve employee performance and engagement, we conduct annual performance reviews and engagement surveys. We also provide training to our people managers on management and leadership development.
- **Health, Safety and Wellness.** The health, safety, and wellness of our employees are vital to our success. In 2020 and continuing to date, in light of the COVID-19 pandemic, we shifted to a remote work environment ahead of mandatory stay-at-home orders and provided employees with resources, including virtual tools and ergonomic equipment, to maximize work-from-home efficiency.
- **Community Partnership.** We match each employee’s financial contribution to eligible nonprofit organizations on a dollar-for-dollar basis, up to \$1,000 per employee each calendar year, to increase the impact of their charitable gifts. Each employee also receives eight hours per calendar year of paid volunteer time off to use at the eligible non-profit(s) of his or her choice, and we donate \$25 to the organization for each hour volunteered by our employees.

### Regulation and Compliance

Our operations are subject, in certain circumstances, to supervision and regulation by state and U.S. federal government authorities and may be subject to various laws and judicial and administrative decisions imposing various requirements and restrictions. In addition, Broadmark Realty and our subsidiaries may rely on exemptions from various requirements of the Securities Act and the Investment Company Act. These exemptions are sometimes highly complex and may, in certain circumstances, depend on compliance by third parties who we do not control.

**Broadmark Realty Capital Inc.**

***Regulation of Commercial Real Estate Lending Activities***

In general, commercial real estate lending is a highly regulated industry in the United States. Certain states have adopted laws or regulations that may, among other requirements, require licensing of lenders and financiers, prescribe disclosures of certain contractual terms, impose limitations on interest rates and other charges, and limit or prohibit certain collection practices and creditor remedies. We are required to comply with the applicable laws and regulations in the states in which we do business. We are also required to comply with, among other statutes and regulations, certain provisions of the Equal Credit Opportunity Act that are applicable to commercial loans, the USA Patriot Act, and regulations promulgated by the Office of Foreign Asset Control.

***Exemptions from Investment Management Regulation***

Although we reserve the right to modify our business methods at any time, we believe that none of the Company or our subsidiary that issues and holds the mortgages (the “Mortgage Subsidiary”) is currently required to register as an investment company under the Investment Company Act. However, our business strategies may evolve over time.

Section 3(a)(1)(A) of the Investment Company Act defines an investment company as any issuer that is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the Investment Company Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities, and owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer’s total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. Excluded from the term “investment securities” are, among other things, securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exclusion from the definition of “investment company” set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

The Company believes it will not be considered an investment company under Section 3(a)(1)(A) of the Investment Company Act because it will not engage primarily, or propose to engage primarily, or hold itself out as being engaged primarily, in the business of investing, reinvesting or trading in securities. Rather, the Company is primarily engaged in the non-investment company business of its wholly owned subsidiaries.

The Company believes that it will not be considered an investment company under Section 3(a)(1)(C) of the Investment Company Act. The Company is a holding company that conducts its operations and holds assets primarily through its wholly-owned subsidiaries, including the Mortgage Subsidiary. The Mortgage Subsidiary is excluded from the definition of investment company pursuant to Section 3(c)(5)(C) of the Investment Company Act, which provides an exclusion for companies engaged primarily in investment in mortgages and other liens on or interests in real estate. In order to qualify for this exclusion, the Mortgage Subsidiary must maintain, on the basis of positions taken by the SEC’s Division of Investment Management in interpretive and no-action letters, a minimum of 55% of the value of its total assets in mortgage loans and other related assets that are considered “mortgages and other liens on and interests in real estate” (“Qualifying Interests”), and a minimum of 80% in Qualifying Interests and real estate-related assets. In the absence of SEC guidance that supports the treatment of other investments as Qualifying Interests, the Mortgage Subsidiary will treat those other investments appropriately as real estate-related assets or miscellaneous assets depending on the circumstances. With respect to the Company’s other subsidiaries that maintain this exclusion or another exclusion or exception under the Investment Company Act (other than Section 3(c)(1) or Section 3(c)(7) thereof), or otherwise do not meet the definition of “investment company,” the Company’s interests in these subsidiaries do not and will not constitute “investment securities.”

Neither the Company nor any of its subsidiaries is required to register under the Investment Advisers Act of 1940, as amended, or under any state securities laws, based on their current activities.

**Broadmark Realty Capital Inc.**

**Corporate Information**

Our principal executive offices are located at 1420 Fifth Avenue, Suite 2000, Seattle, Washington 98101, and our telephone number is (206) 971-0800. We maintain a website on the Internet at <http://www.broadmark.com>. The information contained on the website is not incorporated by reference into this Report. Broadmark Realty makes available on or through its website certain reports and amendments to those reports that it files with or furnishes to the Commission in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These include Broadmark Realty's Annual Reports on Form 10-K, its Quarterly Reports on Form 10-Q and its Current Reports on Form 8-K and any amendments thereto. Broadmark Realty makes this information available on its website free of charge as soon as reasonably practicable after it electronically files the information with, or furnish it to, the Commission. Additionally, the Commission maintains a website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, including us, at [www.sec.gov](http://www.sec.gov).

**Broadmark Realty Capital Inc.**

**ITEM 1A. RISK FACTORS**

**Summary of Risk Factors**

The risk factors summarized and detailed below could materially and adversely impact our business, financial condition, results of operations, cash flows, liquidity, the market price of our common stock, and our ability to, among other things, satisfy our debt service obligations and to make distributions to our stockholders, which in turn could cause our stockholders to lose all or a part of their investment. These are not all of the risks we face and other factors not presently known to us or that we currently believe are immaterial may also affect our business if they occur. Material risks that may affect our business, financial condition and results of operations include, but are not necessarily limited to, those relating to:

***Risks Related to Our Business***

- The impact of the COVID-19 pandemic and the measures implemented to contain the spread of the virus have had, and are expected to continue to have, a material adverse impact on our business, financial condition and results of operations.
- We operate in a highly competitive market and competition could have a material adverse effect on our business, financial condition and results of operations.
- Our inability to manage future growth effectively could have a material adverse impact on our business, financial condition and results of operations.
- Loss of one or more members of our senior management team or our inability to hire and retain qualified loan originators or grow and maintain our relationships with key loan brokers, may limit our ability to implement our business and growth strategies.

***Market Risks Related to Real Estate Loans***

- A prolonged economic slowdown, or lengthy or severe recession or declining real estate values, particularly in a market where our loans are concentrated, could increase loans in contractual default and impairments on the carrying value of our loans.
- An increase in interest rates could adversely affect our ability to originate new loans in order to generate income and pay dividends.

***Risks Related to Our Loan Portfolio***

- We may be adversely affected by the economies and other conditions of the markets in which we operate, and in particular, that of certain states in which we have a high concentration of loans.
- Our inability to mitigate increases in loan default rates and our inability to manage loans in default could have a material adverse effect on our business, financial condition and results of operation.
- We make short-term construction loans, which are subject to additional risks as compared to loans secured by existing structures or land.

***Risks Related to Our Financing***

- If we do not increase our working capital, we will not be able to grow our business.
- We may increase the amount of leverage we use in our financing strategy, which would subject us to greater risk of loss.
- Covenants in our debt documents limit our operational flexibility, and a covenant breach and our repayment obligations could materially adversely affect our operations, financial condition and our ability to pay dividends to our stockholders.

***Risks Related to Our REIT Qualification and Investment Management Regulation***

- Our failure to qualify or maintain our status as a REIT, subjecting us to taxation as a regular “C” corporation, creating a substantial tax liability and would reduce the amount of cash available for distribution to our stockholders.



## Broadmark Realty Capital Inc.

- Even if we qualify as a REIT, we may be subject to some taxes that will reduce our cash flow.
- The REIT distribution requirements could adversely affect our ability to execute our business plan and may force us to incur debt or sell assets during unfavorable market conditions to make such distributions.
- We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our stock.

### ***Risks Related to Taxes and the Business Combination***

- If the U.S. Internal Revenue Service (“IRS”) were to determine that the merger of any of the Predecessor Companies in connection with the Business Combination did not qualify as a tax-free reorganization for U.S. federal income tax purposes with respect to a Predecessor Company, we may be subject to significant tax liabilities.
- We may be subject to adverse tax consequences if the IRS were to determine that one or more Predecessor Companies failed to qualify as a REIT for U.S. federal income tax purposes.

### ***Risks Related to Ownership of Our Securities***

- Our management team has broad discretion in the use of proceeds of securities offerings and, despite our efforts, we may invest or spend the proceeds of offerings in ways with which you may not agree or in ways which may not yield a significant return.
- The development or identification of a material weakness could result in material misstatements of our financial statements or cause us to fail to meet our reporting obligations.
- Certain provisions of Maryland law and our Charter could inhibit changes of control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests.
- We could increase or decrease the number of authorized shares of stock, classify and reclassify unissued stock and issue stock without stockholder approval.

### **Risks Related to Our Business**

#### ***The impact of the COVID-19 pandemic and the measures implemented to contain the spread of the virus have had, and are expected to continue to have, a material adverse impact on our business and results of operations.***

The COVID-19 pandemic and the resulting containment measures have caused economic and financial disruptions that have materially adversely affected, and are expected to continue to materially adversely affect, our business and results of operations. The extent to which the pandemic will continue to materially adversely affect our business and results of operations will depend on numerous evolving factors and future developments that we are not able to predict, including the duration, spread and severity of the pandemic; the nature, extent and effectiveness of containment measures; the extent and duration of the effect on the economy, labor market, construction and housing prices; and how quickly and to what extent normal economic and operating conditions can resume.

The COVID-19 pandemic and containment measures have contributed to, among other things:

- adverse impacts on the progress of construction on our borrowers’ projects and their respective abilities to complete projects in accordance with the terms of their loans, including disruptions in the supply chain for raw materials and manufactured products and the availability of subcontractors and other labor as a result of infections or quarantining;
- adverse impacts on the demand for and the value of some types of commercial and residential real estate that may delay or otherwise adversely impact our borrowers’ ability to sell or lease properties they are developing in an amount sufficient to repay their loans;
- a significant increase in loans in default and slowdown in the rate of new loan originations, primarily as a result of the adverse impacts on the creditworthiness of our borrowers and other counterparties and their ability to pay amounts owed to us and our ability to collect such amounts;
- adverse impacts on capital and credit market conditions, which may limit our access to and increase the cost of capital;

## Broadmark Realty Capital Inc.

- an increased risk to the value of our investment in mortgage notes receivable, which has the potential to result in impairment charges;
- delays in foreclosure proceedings, including moratoriums in some jurisdictions, and the enforcement of our rights with respect to loans in default; and
- an increased risk of an information or cyber-security incident, fraud, or a failure to maintain the uninterrupted operation of our information systems, among other things, as a result of an increase in remote work.

To the extent these impacts continue or intensify, or return to the extent they have diminished, we expect our business and results of operations to be adversely affected.

We experienced an increase in the amount of loans in contractual default and have increased our provision for credit losses in 2021. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Indicators of Financial Condition and Operating Performance—Credit Quality of our Loan Portfolio” in this Annual Report on Form 10-K.

The pandemic and containment measures have caused us to modify our strategic plans and business practices, including the amount of capital deployed and the property types that we lend on.

Although the impact of the pandemic currently appears to be improving, existing and new variants make the situation difficult to predict. If the impact from the pandemic is prolonged, it could increase the negative impacts to our business and may also heighten many of the other risks described in this “Risk Factors” section. We do not yet know the full extent of how COVID-19 and the containment measures will affect our business and results of operations, however, the continuing effects are expected to have a material adverse impact on our business and results of operations.

### ***We operate in a highly competitive market and competition could have a material adverse effect on our business, financial condition and results of operations.***

We operate in a highly competitive market and we believe these conditions will persist for the foreseeable future as the financial services industry continues to consolidate, producing larger, better capitalized and more geographically diverse companies with broad product and service offerings, and new entrants come into the real estate lending market. As a result, our profitability depends, in large part, on our ability to compete effectively.

Our existing and potential future competitors include “hard money” lenders, mortgage REITs, specialty finance companies, savings and loan associations, banks, mortgage banks, credit unions, insurance companies, mutual funds, pension funds, private equity funds, hedge funds, institutional investors, investment banking firms, non-bank financial institutions, governmental bodies, family offices and high net worth individuals. We may also compete with companies that partner with and/or receive financing from the U.S. government. Many of our competitors are substantially larger and have considerably greater financial, technical, marketing and other resources than we do. In addition, larger and more established competitors may enjoy significant competitive advantages, including enhanced operating efficiencies, more extensive referral networks, greater and more favorable access to investment capital and more desirable lending opportunities. Several of these competitors, including mortgage REITs, have recently raised or are expected to raise significant amounts of capital, which enables them to make larger loans or a greater number of loans. Some competitors may also have a lower cost of funds and access to funding sources that may not be available to us, such as funding from various governmental agencies or under various governmental programs for which we are not eligible. Many of these competitors have been aggressively pursuing yields. This has resulted in pricing pressure on our business, which has driven, and we expect will continue to drive, increased variability in the amount of our loan originations from quarter-to-quarter and the yields we are able to achieve on new loans. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of possible loan transactions or to offer more favorable financing terms than we could. For example, we may find that the pool of potential qualified borrowers available to us is limited. Finally, as a REIT and because we operate in a manner intended to be exempt from the requirements of the Investment Company Act of 1940, as amended (the “Investment Company Act”), we may face further restrictions to which some of our competitors may not be subject. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders. As a result of these competitive factors, we may not in the future be able to originate and fund mortgage loans on favorable terms, which could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

**Broadmark Realty Capital Inc.**

***Our inability to manage future growth effectively could have an adverse impact on our financial condition and results of operations.***

Our ability to implement our business strategy and grow our business depends upon our ability to identify and originate additional mortgage loans that meet our underwriting criteria, which may include making loans in additional geographic areas where we have little experience and understanding of the market. Additionally, we may not be able to hire and train sufficient personnel or develop management, information and operating systems suitable for our growth. Any failure to effectively manage our future growth could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

***In the future, we may modify our underwriting standards and methods of obtaining financing to make mortgage loans without stockholder approval, which may increase the level of risk in an investment in our securities.***

While we have no current intention of modifying the historical loan initiation standards in any material manner, we may do so in the future if we believe it would be favorable to our business. For example, the criteria necessary for a borrower to qualify for a loan may be made less stringent, which could result in an increased amount of loan defaults. We may also determine in the future to issue preferred stock and may incur additional indebtedness to fund an increase of our loan portfolio or for other working capital purposes. Any such actions may be taken without stockholder approval. Issuing preferred stock or incurring additional indebtedness may reduce the amount of capital that will be available for distribution to stockholders and the amount available to make new loans if the funds are necessary to make required payments under such instruments. Any such changes could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

***We depend on our senior management team based upon their long-standing business relationships, the loss of any of whom could threaten our ability to operate our business successfully.***

Our future success depends, to a significant extent, upon the continued services of our management team. The mortgage lending experience of our senior management team and the extent and nature of relationships they have developed with developers and owners of residential and commercial properties are critical to our success. We cannot assure their continued employment. For example, on February 2, 2022, we announced the resignation of our Chief Executive Officer and the appointment of a new Chief Executive Officer, effective March 1, 2022. The loss of services of one or more members of our management team could have a material adverse effect on our business, financial condition, results of operations and prospects.

***We may not be able to hire and retain qualified loan originators or grow and maintain our relationships with key loan brokers, and if we are unable to do so, our ability to implement our business and growth strategies could be limited.***

We depend on our loan originators to generate borrower clients by, among other things, developing relationships with commercial property owners, real estate agents and brokers, developers and others, which we believe leads to repeat and referral business. Accordingly, we must be able to attract, motivate and retain skilled loan originators. The market for loan originators is highly competitive and may lead to increased costs to hire and retain them. We cannot guarantee that we will be able to attract or retain qualified loan originators. If we cannot attract, motivate or retain a sufficient number of skilled loan originators, at a reasonable cost or at all, our business could be materially and adversely affected. We also depend on our network of loan brokers, who generate a significant portion of our loan originations. While we strive to cultivate long-standing relationships that generate repeat business for us, brokers are free to transact business with other lenders and have done so in the past and will do so in the future. Our competitors also have relationships with some of our brokers and actively compete with us in bidding on loans shopped by these brokers. We also cannot guarantee that we will be able to maintain or develop new relationships with additional brokers.

***We may not be able to obtain or maintain required licenses and authorizations to conduct our business and may fail to comply with various state and U.S. federal laws and regulations applicable to our business.***

In general, lending is a highly regulated industry in the United States and we are required to comply with, among other statutes and regulations, certain provisions of the Equal Credit Opportunity Act that are applicable to commercial loans, the USA Patriot Act, regulations promulgated by the Office of Foreign Asset Control, and U.S. federal and state securities laws and regulations. In addition, certain states have adopted laws or regulations that may, among other requirements, require licensing of lenders and financiers, prescribe disclosures of certain contractual terms, impose limitations on interest rates and other charges, and limit or prohibit certain collection practices and creditor remedies.

**Broadmark Realty Capital Inc.**

There is no guarantee that we will be able to obtain, maintain or renew any required licenses or authorizations to conduct our business or that we would not experience significant delays in obtaining these licenses and authorizations. As a result, we could be delayed in conducting certain business if we were first required to obtain certain licenses or authorizations or if renewals thereof were delayed. Furthermore, once licenses are issued and authorizations are obtained, we are required to comply with various information reporting and other regulatory requirements to maintain those licenses and authorizations, and there is no assurance that we will be able to satisfy those requirements or other regulatory requirements applicable to our business on an ongoing basis, which may restrict our business and could expose us to penalties or other claims.

Any failure to obtain, maintain or renew required licenses and authorizations or failure to comply with regulatory requirements that are applicable to our business could result in material fines and disruption to our business and could have a material adverse effect on our business, financial condition, operating results and our ability to make distributions to our equity holders.

***The accuracy of our financial statements may be materially affected if our estimates, including allowance for credit losses, prove to be inaccurate.***

Financial statements prepared in accordance with accounting principles generally accepted in the United States, or “GAAP,” require the use of estimates, judgments and assumptions that affect the reported amounts. Different estimates, judgments and assumptions reasonably could be used that would have a material effect on the financial statements, and changes in these estimates, judgments and assumptions are likely to occur from period to period in the future. Significant areas of accounting requiring the application of management’s judgment include but are not limited to assessing the adequacy of the allowance for credit losses and assessing impairments on real estate held for use or held for sale. These estimates, judgments and assumptions are inherently uncertain, especially in turbulent economic times, and, if they prove to be wrong, then we face the risk that charges to income will be required, which could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

***We may be subject to “lender liability” litigation.***

A number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various legal theories, collectively termed “lender liability.” Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or stockholders. From time to time, borrowers or other participants in projects we have financed have threatened lender liability claims against us and may do so in the future. We cannot assure you that such claims will not arise or that we will not be subject to significant liability if a claim of this type were to arise.

***Several members of our senior management team do not have prior experience in operating a public company.***

Our incoming Chief Executive Officer, as of March 1, 2022 does not have experience in managing a publicly traded company. Our Chief Operating Officer and Chief Credit Officer did not have experience in managing a publicly traded company prior to the Business Combination. As such, our management team may encounter difficulties in successfully or effectively complying with our reporting and other obligations under U.S. federal securities laws and other regulations and in connection with operating as a public company. Our management team has been and may continue to be required to devote significant time to these activities, which could result in less time being devoted to our management and growth.

***If members or former members of our management engage in business activities of the types conducted by us, we may be materially adversely affected.***

Certain members and former members of our management and their affiliates have in the past provided management services to other real estate lending companies that originate and acquire mortgages. In prior years, such persons invested in second deed of trust liens for their own accounts or for the accounts of others, where we have made a first deed of trust lien, or in the equity of a borrower or the developer that owns the secured property. Certain members and former members of our management have entered into restrictive covenant agreements with non-competition provisions. If these agreements are not effective in preventing these parties from engaging in business activities that are competitive with us, it could have a material adverse effect on our business, financial condition, results of operations or prospects and our ability to make distributions to our equity holders.

**Broadmark Realty Capital Inc.**

**Market Risks Related to Real Estate Loans**

***A prolonged economic slowdown, a lengthy or severe recession or declining real estate values could impair our loans and harm our operations.***

A prolonged economic slowdown, a recession or declining real estate values could impair the performance of our loans and harm our financial condition and results of operations and limit our ability to raise capital. As a result, we believe the risks associated with our business will be more severe during periods of economic slowdown or recession because these periods are likely to be accompanied by declining real estate values and declining demand for new mortgage loan originations. Declining real estate values are likely to have one or more of the following adverse consequences:

- reduce the level of new mortgage loan originations since borrowers often use appreciation in the value of their existing properties to support the purchase or investment in additional properties;
- make it more difficult for existing borrowers to remain current on their payment obligations;
- significantly increase the likelihood that we will incur losses on our loans in the event of default because the value of collateral may be insufficient to cover our cost on the loan; and
- reduce the speed or ability for our mortgages to be repaid upon their balloons through the sale or refinance of our collateral.

Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect both our interest income from loans in our portfolio as well as our ability to originate new loans, which could adversely affect our business, financial condition and operating results and our ability to make distributions to our equity holders.

In addition, public health crises, pandemics and epidemics, such as the COVID-19 pandemic, which has broadly impacted the economy, could have a material adverse effect on economic activity, including our business by reducing the demand for commercial or residential real estate that our borrowers might have developed or increasing the time and expense of such development projects.

***An increase in interest rates could adversely affect our ability to originate new loans in order to generate income and pay dividends.***

Rising interest rates generally reduce the demand for mortgage loans due to the higher cost of borrowing. The rising cost of borrowing may cause reduced demand for real estate, possibly resulting in declining real estate values. Declining real estate values significantly increase the likelihood that we will incur losses on our loans in the event of default. In addition, rising interest rates may also cause loans that we originated prior to an interest rate increase to provide yields that are below prevailing market interest rates. These factors could adversely affect our business, financial condition, results of operations and our ability to make distributions to our equity holders.

***Prepayment rates are difficult to predict and may result in excess capital; the inability to redeploy this capital at comparable yields or risk could result in lower income.***

The frequency at which prepayments (including both voluntary prepayments by the borrowers and liquidations due to defaults and foreclosures) occur on our mortgage loans is difficult to predict and is affected by a variety of factors, including the prevailing level of interest rates, economic, demographic, tax, social, legal, legislative and other factors. To the extent that faster prepayment rates occur, the principal payments received from prepayments may be reinvested in lower-yielding mortgage loans, which may reduce our income in the long run. Therefore, if actual prepayment rates differ from anticipated prepayment rates, then there could be an adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

**Broadmark Realty Capital Inc.****Risks Related to Our Loan Portfolio**

*We may be adversely affected by the economies and other conditions of the markets in which we operate, and in particular, that of certain states in which we have a high concentration of loans.*

The geographic distribution of our loan portfolio exposes us to risks associated with the real estate and commercial lending industry in general, and to a greater extent within the states and regions in which we have concentrated our loans. These risks include, without limitation:

- declining real estate values;
- overbuilding;
- extended vacancies of properties;
- increases in operating expenses such as property taxes and energy costs;
- changes in zoning laws;
- rising unemployment rates;
- occurrence of environmental events;
- rising casualty or condemnation losses; and
- uninsured damages from floods, hurricanes, earthquakes or other natural disasters.

At December 31, 2021, our mortgage loans were most concentrated in the following four states:

State (dollars in millions)	At December 31, 2021	
	Total Commitment	Percent of Total Portfolio
Colorado	\$ 337.0	22.6%
Texas	266.1	17.9
Washington	260.8	17.5
Utah	234.9	15.8
Total top four states	\$ 1,098.8	73.8%
Other	390.3	26.2
Total	<u>\$ 1,489.1</u>	<u>100.0%</u>

While we make loans in additional markets, we remain particularly subject to the general economic and market conditions in the four states identified above. The occurrence of any one or more of the above enumerated conditions in such states could cause a decline in the value of properties securing our loans which would reduce the value of the collateral and the potential proceeds available to borrowers to repay their loans. For example, COVID-19 has and may continue to negatively impact the commercial and residential real estate markets, which could reduce demand and the value for properties and make it less likely that a borrower can sell or lease the property they are developing in an amount sufficient to repay the borrower's loan, or that a developer, who would be our borrower, will elect to go forward with a new project.

In the event that we should foreclose on a property, we may be unable to sell it at a value that would allow us to recoup the proceeds of the loan. Any such events that would increase volatility of values of residential and commercial properties could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

Additionally, other neighboring states may become more attractive for investors, developers, builders and other commercial borrowers based on favorable costs and other conditions to construct or improve or renovate real estate properties. Changes in other markets may result in increased development and demand for loans in those markets and result in a corresponding decrease in development and demand for loans in the markets in which we concentrate our loan activity. Any adverse economic or real estate developments or any adverse changes in the local business climate in any such states could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

**Broadmark Realty Capital Inc.**

***Borrowers that incur mortgage loans from us may not qualify for conventional bank financing or would be regarded as higher risk borrowers, and on such basis, may be more likely to default on repayment of their loans.***

Borrowers who are obligated under the mortgage loans that we issue are sometimes persons who do not qualify for conventional bank financing or who could be regarded to be higher risk borrowers. Consequently, these borrowers are more likely to default on the repayment of their obligations. In the event of any default under a mortgage loan issued by us, we will bear a risk of loss to the extent of any deficiency between the value of the collateral and the outstanding principal and accrued interest of the mortgage loan, and any such losses could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

In addition, we extend mortgage loans to borrowers who are not organized as single purpose entities. A single purpose entity structure can allow a lender to better isolate the borrower and its assets from consolidation into a bankruptcy case filed on behalf of its affiliates. Because we extend mortgage loans to borrowers not organized as single purpose entities, there could be an increased risk that we may not be able to maintain our security interest in the mortgage collateral, thereby decreasing recovery in the event of a default in a mortgage loan.

***Short-term loans may involve a greater risk of loss than traditional mortgage loans.***

Borrowers usually use the proceeds of a long-term mortgage loan or sale to repay a short-term loan. Typically, we issue short-term mortgage loans with initial terms less than 18 months, subject to extension at our option. We may therefore depend on a borrower's ability to obtain permanent financing or sell the property to repay our loan, which could depend on market conditions and other factors. In a period of rising interest rates or tightening credit markets, it may be more difficult for borrowers to obtain long-term financing, which increases the risk of non-payment. Short-term loans are also subject to risks of borrower defaults, bankruptcies, fraud, losses and special hazard losses that are not covered by standard hazard insurance. In the event of a default, we bear the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal amount and unpaid interest of the loan. To the extent we suffer any such losses with respect to our mortgage loans, such losses could result in a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

***We make construction loans, which are subject to additional risks as compared to loans secured by existing structures or land.***

Substantially all of our loans are construction loans, which are subject to additional risks that may not be applicable to loans secured by existing structures and land. Construction budgets may be unrealistic or unforeseen variables may arise, prolonging the development and increasing the costs of the construction project, which may delay the borrower's ability to sell or rent the finished property, which could adversely affect repayment of the loan. While we believe we have reasonable procedures in place to manage construction funding loans, there can be no certainty that we will not suffer losses on construction loans. In addition, if a builder fails to complete a project, we may be required to complete the project. Any such default could result in a substantial increase in costs in excess of the original budget and delays in completion of the project.

Furthermore, construction loans are subject to risks of cost overruns and non-completion for construction, renovation, refurbishment or expansion by a borrower of a mortgaged property. Costs of construction or renovation to bring a property up to market standards for the intended use of that property may exceed original estimates, possibly making a project uneconomical. Other risks may include environmental risks, permitting risks, other construction risks, and subsequent leasing of the property not being completed on schedule or at projected rental rates. If such construction or renovation is not completed in a timely manner, or if it costs more than expected, the borrower may experience a prolonged reduction of net operating income and may be unable to make payments of interest or principal to us, which could materially and adversely affect us.

Additionally, we may make construction loans without having all the funds on hand that will ultimately be required for final funding of the loan. In the event that we suffer substantial borrower defaults, overestimate the pace of repayments of loans or are unable to obtain or raise additional capital, we may be unable to fund all of our construction loan commitments. In the event that we suffer substantial borrower defaults, or are unable to raise additional capital, we may be unable to fund a performing construction loan.

Any default on a construction loan by a borrower, or our default in funding a construction loan as called for in the loan agreement, could have a material adverse effect to our business, financial condition, results of operations and our ability to make distributions to our equity holders.



**Broadmark Realty Capital Inc.**

***Loans secured by first deed of trust liens on real estate are subject to increased risk.***

None of our loans secured by real property are guaranteed by the U.S. government or any government sponsored enterprise. Therefore, the value of mortgages on such loans is significantly impacted by the value of the underlying property, the creditworthiness and financial position of the borrower and the enforceability of the lien. In the event of a foreclosure, we may assume direct ownership of the underlying collateral. The liquidation proceeds upon sale of such real estate may not be sufficient to recover our cost basis in the loan, and any costs or delays involved in the foreclosure or liquidation process may increase losses.

Further, mortgage loans are also subject to “special hazard” risk (property damage caused by hazards, such as earthquakes or environmental hazards, not covered by standard property insurance policies), and to bankruptcy risk (reduction in a borrower’s mortgage debt by a bankruptcy court). In addition, claims may be assessed against us on account of our position as a mortgage holder or property owner, including assignee liability, responsibility for tax payments, environmental hazards and other liabilities. In some cases, these liabilities may be “recourse liabilities” or may otherwise lead to losses in excess of the purchase price of the related mortgage or property, which could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders. In addition, our loans are or will be illiquid, and if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments.

***Most of our loans include a balloon payment at maturity, which payment commonly represents the full amount due under the loan. Failure by borrowers to make the balloon payments when due could have a material adverse impact on our financial condition.***

Our loan payment terms customarily require a balloon payment at maturity. Given the fact that many of the properties securing our loans are not income producing, and most of the borrowers are entities with no assets other than the single property that is the subject of the loan, borrowers may have considerable difficulty making the balloon payment at maturity. Borrowers’ inability to repay loans at maturity, together with all the accrued interest thereon, could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

***Many of the properties securing our mortgage loans are not income producing, thus increasing the risks of delinquency and foreclosure.***

Most of our loans are secured by properties, whether residential or commercial, that are under development, construction or renovation and are not income producing. The risks of delinquency and foreclosure on these properties may be greater than similar risks associated with loans made on the security of income producing properties. In the case of income producing properties, the ability of a borrower to repay the loan typically depends primarily upon the successful operation of such property. If the net operating income of the subject property is reduced, the borrower’s ability to repay the loan, or our ability to receive adequate returns on its loans, may be impaired.

In the case of non-income producing properties, the expectation is that our loans will be repaid out of sale or refinancing proceeds. Thus, the borrower’s ability to repay our mortgage loans will depend, to a great extent, on the value of the property at the maturity date of the loan. In the event of any default under a mortgage loan issued by us, we will bear a risk of loss to the extent of any deficiency between the value of the collateral and the outstanding principal and accrued interest of the mortgage loan, and any such losses could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan may be an expensive and lengthy process, which could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.



**Broadmark Realty Capital Inc.**

***To the extent that our loan documentation or files contain defects, inaccuracies or inconsistencies, or our loan due diligence processes prove to be inadequate, we could experience decreased recoveries in the event of foreclosure and thereby potentially reduce the amount of distributions to our common stockholders.***

While we endeavor to maintain accurate and complete loan documentation and loan files, from time to time, our loan documentation and files may contain defects, inaccuracies or inconsistencies, or information that is incorrect or out of date. To the extent this occurs, or our loan due diligence processes prove to be inadequate, there is a risk that, in the event of a default, we will not be able to enforce our rights to foreclose upon the collateral securing such defaulted loans. If this were to occur, the amount available to our common stockholders for distributions could potentially be reduced.

***Liability relating to environmental matters may impact the value of properties that we may acquire or the properties underlying our loans.***

Liability relating to environmental matters may decrease the value of the underlying properties securing our loans and may adversely affect the ability of a person to sell or rent such property or borrow using such property as collateral. Under various U.S. federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on, about, under or in its property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. We do not always conduct a Phase I environmental survey as part of our underwriting process. To the extent that an owner of an underlying property becomes liable for removal costs, testing, monitoring, remediation, bodily injury or property damage, the ability of the owner to make debt payments may be reduced, which in turn may adversely affect the value of the relevant mortgage asset related to such property. If we acquire any properties by foreclosure or otherwise, the presence of hazardous substances on a property may adversely affect the property's value and our ability to sell the property. Additionally, we may incur substantial remediation costs, thereby harming our financial condition. The discovery of environmental liabilities attached to such properties could have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to our equity holders. Moreover, some U.S. federal, state and local laws provide that, in certain situations, a secured lender, such as ourselves, may be liable as an "owner" or "operator" of the real property, regardless of whether the borrower or previous owner caused the environmental damage. Therefore, the presence of hazardous substances on certain property could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

***Declining real estate valuations could result in impairment charges, the determination of which involves a significant amount of judgment on our part. Any impairment charge could have a material adverse effect on us.***

We review our loan portfolio for impairment on a quarterly and annual basis and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment include, but are not limited to, a sustained significant decrease in the value of the collateral securing the loan, including the value of the real estate and other assets pledged to secure the loan as well as personal guarantees by the principals of the borrower, or a borrower's inability to stay current with respect to its obligations under the terms of the loan. A significant amount of judgment is involved in determining the presence of an indicator of impairment. If we determine that the value of the collateral is less than the amount outstanding on the loan or the amount that may become due upon the maturity of the loan, a loss must be recognized for the difference between the fair value of the property and the carrying value of the loan. The evaluation of the market value of the underlying collateral requires a significant amount of judgment on our part. Any impairment charge could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

***Our reserves for credit losses may prove inadequate, which could have a material adverse effect on us.***

We evaluate our loans, and we will evaluate the adequacy of any future reserves for credit losses we are required to recognize, on a quarterly basis. In the future, we may maintain varying levels of credit loss reserves. Our determination of asset-specific credit loss reserves may rely on material estimates regarding the fair value of any loan collateral. The estimation of ultimate credit losses, provision expenses and loss reserves is a complex and subjective process. As such, there can be no assurance that our judgment will prove to be correct and that any future credit loss reserves will be adequate over time to protect against losses inherent in our portfolio at any given time. Any such losses could be caused by various factors, including, but not limited to, unanticipated adverse changes in the economy or events adversely affecting specific assets, borrowers, industries in which our borrowers operate or markets in which our borrowers or their properties are located. If our future reserves for credit losses prove inadequate, we may suffer losses, which could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

**Broadmark Realty Capital Inc.**

***Our due diligence may not reveal all of the risks associated with a mortgage loan or the property that will be mortgaged to secure the loan, which could lead to losses.***

Despite our efforts to manage credit risk, there are many aspects of credit risk that we cannot control. Our credit policies and procedures may not be successful in limiting future delinquencies, defaults and losses, or they may not be cost effective. Our underwriting reviews and due diligence procedures may not be effective in identifying all potential credit risks. Borrower and guarantor circumstances could change during the term of the loan. The value of the properties collateralizing or underlying the loans may decline. The frequency of default and the loss severity on loans upon default may be greater than we anticipate. If properties securing our mortgage loans become real estate owned as a result of foreclosure, we bear the risk of not being able to sell the property and recover our investment and of being exposed to the risks attendant to the ownership of real property.

Before approving and funding a mortgage loan, we undertake due diligence of the borrower, its principals (if the borrower is not an individual) and the property that will be mortgaged to secure the loan. Such due diligence includes review of (i) the credit history of the borrower if an individual, and to the extent available and considered materially significant, a business entity, if applicable, (ii) the borrower and guarantor or guarantors' financial statements and tax returns, (iii) the independently appraised value of the property, (iv) legal and lien searches against the borrower, the guarantors and the property, (v) where deemed appropriate, a certificate or insurance binder of hazard insurance, (vi) a review of the documentation related to the property, including title information and (vii) other reviews and/or assessments that we may deem appropriate to conduct. There can be no assurance that we will conduct any specific level of due diligence, or that, among other things, the due diligence process will uncover all relevant facts, which could result in losses on the loan in question, which, in turn, could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

***Third-party diligence reports are made as of a point in time and are therefore limited in scope.***

Appraisals, engineering, and environmental reports, as well as a variety of other third-party reports, are generally obtained with respect to each of the mortgaged properties underlying our loans at or about the time of origination. Appraisals are not guarantees of present or future value. One appraiser may reach a different conclusion than the conclusion that would be reached if a different appraiser were appraising that property. Moreover, the values of the properties may fluctuate significantly after the date that appraisals are performed. In addition, any third-party report, including any engineering report, environmental report, site inspection or appraisal represents only the analysis of the individual consultant, engineer or inspector preparing such report at the time of such report, and may not reveal all necessary or desirable repairs, maintenance, remediation and capital improvement items. Any missing or incomplete information in the appraisal and engineering and environmental reports prepared by third parties may affect our loan underwriting, and if foreclosure on the property became necessary, could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

***Climate change and regulatory and other efforts to reduce climate change could adversely affect our business.***

We cannot predict the rate at which climate change will progress. However, the physical effects of climate change could have a material adverse effect on our business, financial conditions and results of operations. To the extent that severe weather events or significant changes in climate occur in the geographic locations where the properties securing our loans are located, our borrowers may experience cost increases, construction delays and decreased demand for properties located in such geographic areas or affected by such changes.

Recently, there has been growing concern from advocacy groups, government agencies and the general public over the effects of climate change on the environment. Government restrictions, standards or regulations intended to reduce greenhouse gas emissions and potential climate change impacts, are emerging and may increase in the future in the form of restrictions or additional requirements on the development of commercial real estate. Such restrictions and requirements could increase our costs or require additional technology and capital investment by our borrowers, which could adversely affect our results of operations.

**Broadmark Realty Capital Inc.**

***If casualty insurance is prohibitively expensive or unavailable for certain events, or the borrower were to allow its casualty insurance to lapse, then, in the event a casualty were to occur, our loan may not be adequately secured.***

Our policy is to require fire and/or casualty insurance on property improvements that would be sufficient, together with the value of the underlying land, to pay off all obligations, including the subject mortgage. There are certain disasters, however, for which no insurance is available or for which insurance may be deemed to be too expensive (examples would include flood and earthquake insurance). Furthermore, we have no control over the borrower's actions or the state of the property that might reduce available coverage, call for economically prohibitive premiums, or otherwise render the subject real property uninsurable. In addition, should insurance coverage lapse due to premiums not paid by the borrower, or should a policy be cancelled for other reasons, we may not be protected unless substitute or new insurance is in force. In this event, we may be required to pay the premiums to maintain such insurance, to the extent available, which could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

**Risks Related to Our Financing**

***Our loan origination activities, revenues and profits are limited by available funds. If we do not increase our working capital, we will not be able to grow our business.***

As a commercial real estate finance company, our revenue and net income is limited to interest and fees received or accrued on our loan portfolio. Our ability to originate real estate loans is limited by the funds at our disposal. We intend to use the proceeds from the repayment of outstanding loans and any additional capital, raised publicly or privately, to originate real estate loans. We cannot assure you that such funds will be available in sufficient amounts to enable us to expand our business.

***We may increase the amount of leverage we use in our financing strategy, which would subject us to greater risk of loss.***

Our charter and bylaws do not limit the amount of indebtedness we can incur; although we are limited by certain financial covenants under our debt documents.

We may increase the amount of leverage we utilize at any time without approval of our stockholders. Incurring substantial debt could subject us to many risks that, if realized, would materially and adversely affect us, including the risk that:

- our cash flow from operations may be insufficient to make required payments of principal of and interest on the debt or we may fail to comply with all of the other covenants contained in the debt documents, which is likely to result in (i) acceleration of such debt (and any other debt containing a cross-default or cross-acceleration provision) that we may be unable to repay from internal funds or to refinance on favorable terms, or at all, (ii) our inability to borrow unused amounts under our revolving credit facility, even if we are current in payments on borrowings under the credit facility and/or (iii) the loss of some or all of our assets to foreclosure or sale;
- our debt may increase our vulnerability to adverse economic and industry conditions with no assurance that yields on our real estate loans will increase with higher financing costs;
- we may be required to dedicate a substantial portion of our working capital to payments on our debt, thereby reducing funds available for operations, future business opportunities, stockholder distributions or other purposes; and
- we may not be able to refinance debt that matures prior to the investment it was used to finance on favorable terms, or at all.

## **Broadmark Realty Capital Inc.**

### ***Covenants in our debt documents restrict our activities and could adversely affect our business.***

Our credit agreement for our revolving credit facility contains customary covenants that limit our incurrence of indebtedness, liens, asset dispositions, dividends and distributions to our stockholders, loans, advances and investments, payments to affiliates, optional prepayments and other modifications of certain other indebtedness, amendments, terminations and waivers of certain material agreements, and acquisitions, mergers and consolidations. The note purchase agreement for our senior unsecured notes contain customary covenants that limit our incurrence of indebtedness, liens and enter into mergers or transfer all or substantially all of our assets. We are also required under the credit agreement and note purchase agreement to comply with a tangible net worth requirement, a total debt to equity ratio requirement and a coverage ratio requirement. These covenants limit our operational flexibility and could prevent us from taking advantage of business opportunities as they arise, growing our business or competing effectively. Among other things, the credit agreement provides that we may not pay cash dividends that would result in non-compliance with the financial covenants under the credit agreement or during an event of default under the credit agreement, except in the case of defaults other than payment defaults, for dividends in amounts necessary to maintain our REIT status. Our ability to meet these requirements may be affected by events beyond our control and, if we fail to meet the requirements, we may be unable to obtain waivers from the lenders or amend the covenants. To the extent borrowings are outstanding under our credit agreement at the maturity thereof and upon the maturity of the Notes, we may be unable to refinance such borrowings or extend the maturity thereof. In such event, our cash flow may not be sufficient to make distributions to our stockholders and repay our maturing debt and may have a material adverse effect on our financial condition.

### **Risks Related to Our REIT Qualification and Investment Management Regulation**

#### ***We cannot assure you that we will be able to successfully manage our business as a REIT.***

The Predecessor Company Group had limited experience operating as a REIT. The REIT provisions of the Internal Revenue Code of 1986, as amended (the “Code”), are complex, and any failure to comply with those provisions in a timely manner could prevent us from qualifying as a REIT or could force us to pay unexpected taxes and penalties. Failure to qualify as a REIT would subject us to income taxation (including interest and possibly penalties for prior periods in which we failed to qualify as a REIT) as a regular “C” corporation, which would reduce the amount of cash available for distribution to our stockholders.

#### ***Qualifying as a REIT involves highly technical and complex provisions of the Code and therefore, in certain circumstances, may be subject to uncertainty.***

In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the composition of our assets, the sources of our income and the diversity of our stock ownership. Also, we generally must make distributions to our stockholders aggregating annually at least 90% of our “REIT taxable income” (determined without regard to the dividends paid deduction and excluding net capital gain). Compliance with these requirements and all other requirements for qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. Even a technical or inadvertent mistake could jeopardize our REIT status. In addition, the determination of various factual matters and circumstances relevant to REIT qualification is not entirely within our control and may affect our ability to qualify as a REIT.

#### ***If we fail to qualify as a REIT, we will be subject to tax as a regular “C” corporation and could face a substantial tax liability, which would reduce the amount of cash available for distribution to our stockholders.***

We believe that we have been organized and have operated in conformity with the requirements for qualification and taxation as a REIT under the Code since our initial taxable year ended December 31, 2019, and that our current and proposed method of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT under the Code for subsequent taxable years. Our continued qualification as a REIT will depend on our ability to meet, on an ongoing basis, various complex requirements concerning, among other things, the ownership of our outstanding stock, the nature of our assets, the sources of our income, and the amount of our distributions to our stockholders. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the annual REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis.

**Broadmark Realty Capital Inc.**

If we fail to qualify for taxation as a REIT in any taxable year, and we do not qualify for certain statutory relief provisions, we would be required to pay U.S. federal income tax on our taxable income at regular corporate rates, and distributions to our stockholders would not be deductible by us in determining our taxable income. In such a case, we might need to borrow money or sell assets in order to pay our taxes. Our payment of income tax would decrease our cash available for distribution to our stockholders.

Furthermore, if we fail to maintain our qualification as a REIT, we no longer would be required to distribute substantially all of our taxable income to our stockholders. In addition, unless we were eligible for certain statutory relief provisions, we could not re-elect to qualify as a REIT until the fifth calendar year following the year in which we failed to qualify. We would also fail to qualify as a REIT in the event we were treated under applicable U.S. Treasury regulations as a successor to another REIT whose qualification as a REIT was previously terminated or revoked. If a Predecessor Company failed to qualify as a REIT prior to the Business Combination, it is possible that we would be treated as a successor REIT under the foregoing rules and thus be unable to qualify as a REIT.

***Our ownership of and relationship with taxable REIT subsidiaries is limited, and a failure to comply with the limits would jeopardize our REIT qualification, and our transactions with our taxable REIT subsidiaries may result in the application of a 100% excise tax if such transactions are not conducted on arm's-length terms.***

A REIT may own up to 100% of the stock of one or more taxable REIT subsidiaries ("TRSs"). A TRS may earn income that would not be qualifying income if earned directly by a REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. Overall, no more than 20% of the value of a REIT's assets may consist of stock and securities of one or more TRSs. A domestic TRS will pay U.S. federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

Our wholly owned subsidiary that provides certain investment management services with respect to our assets as well as to third parties has elected to be treated as a TRS. We may elect for certain other of our subsidiaries to be treated as TRSs. Our TRSs will pay U.S. federal, state and local income tax on their taxable income, and their after-tax income will be available for distribution to us but will not be required to be distributed to us. There can be no assurance, however, that we will be able to comply with the TRS limitations or to avoid application of the 100% excise tax discussed above.

***Liquidation of assets may jeopardize our REIT qualification or create additional tax liability for us.***

To qualify as a REIT, we must comply with requirements regarding the composition of our assets and our sources of income. If we are compelled to liquidate our investments for any reason, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or may be subject to a 100% tax on any resultant gain if we sell assets that are treated as dealer property or inventory, other than foreclosure property.

***Even if we qualify as a REIT, we may be subject to some taxes that will reduce our cash flow.***

Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, taxes on income from some activities conducted or sales made as a result of a foreclosure, excise taxes, and state or local income, property and transfer taxes, such as mortgage recording taxes, and other taxes. Moreover, in order to meet the REIT qualification requirements, prevent the recognition of certain types of non-cash income, or to avert the imposition of a 100% tax that applies to certain gains derived by a REIT from dealer property or inventory (other than foreclosure property), we may hold some of our assets through a TRS or other subsidiary corporation that will be subject to corporate level income tax at regular corporate rates. In addition, if a TRS borrows funds either from us or a third party, such TRS may be unable to deduct all or a portion of the interest paid, resulting in a higher corporate tax liability. Furthermore, the Code imposes a 100% excise tax on certain transactions between a TRS and a REIT that are not conducted on an arm's length basis. We intend to structure any transaction with a TRS on terms that we believe are arm's length to avoid incurring this 100% excise tax. There can be no assurances, however, that we will be able to avoid application of the 100% excise tax. The payment of any of these taxes would reduce our cash flow.

**Broadmark Realty Capital Inc.**

***Rapid changes in the values of our assets may make it more difficult for us to maintain our qualification as a REIT.***

If the fair market value or income potential of our qualifying assets for purposes of our qualification as a REIT declines as a result of increased interest rates, changes in prepayment rates, general market conditions, government actions or other factors, or the fair market value of or income from non-qualifying assets increases, we may need to increase our qualifying real estate assets and income or liquidate our non-qualifying assets to maintain our REIT qualification. If the change in real estate asset values or income occurs quickly, this may be especially difficult to accomplish. This difficulty may be exacerbated by the illiquid nature of any non-qualifying assets we may own. We may have to sell or acquire assets or make other decisions that we otherwise would not make absent our REIT election.

***The REIT distribution requirements could adversely affect our ability to execute our business plan and may force us to incur debt or sell assets during unfavorable market conditions to make such distributions.***

To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our “REIT taxable income” (determined without regard to the dividends paid deduction and excluding net capital gain) each year, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our “REIT taxable income” each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. We intend to make distributions to our stockholders to comply with the REIT distribution requirements.

Our taxable income may substantially differ from our net income based on U.S. GAAP, and differences in timing between the recognition of taxable income and the actual receipt of cash may occur. For example, we may recognize interest or other income on a mortgage loan for U.S. federal income tax purposes before we receive any payments of interest on such mortgage. We may also hold or acquire distressed debt investments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding debt are “significant modifications” under the applicable Treasury regulations, the modified debt may be considered to have been reissued to us at a gain in a debt-for-debt exchange with the borrower, with gain recognized by us to the extent that the principal amount of the modified debt exceeds our cost of purchasing it prior to modification. Moreover, under the Tax Cuts and Jobs Act, or the “TCJA,” we are generally required to take certain amounts into income no later than the time such amounts are reflected on certain financial statements. Although the precise application of this rule is unclear at this time, it may require the accrual of income by us earlier than would be the case prior law. However, recently promulgated Treasury regulations, which are effective for taxable years beginning on or after January 1, 2021, generally would exclude, among other items, original issue discount and market discount income from the applicability of this rule. To the extent that this rule requires the accrual of income earlier than under prior law, it could increase our “phantom income.” In addition, the TCJA limits the deduction for business interest expense to 30% of “adjusted taxable income,” which could result in the deduction allowable in the computation of taxable income to be less than the amount of interest payments actually made during the tax year. Additionally, we may also be required under the terms of indebtedness that we incur to use cash received from interest payments to make principal payments on that indebtedness.

As a result, we may generate less cash flow than taxable income in a particular year and find it difficult or impossible in certain circumstances to make distributions sufficient to satisfy the REIT distribution requirements and to avoid corporate income tax and the 4% excise tax in a particular year. In such circumstances, we may be forced to incur debt on unfavorable terms, sell assets at disadvantageous prices, distribute amounts that would otherwise have been invested in future loans, or make a taxable distribution of shares of our common stock, as part of a distribution in which stockholders may elect to receive shares (subject to a limit measured as a percentage of the total distribution).

**Broadmark Realty Capital Inc.**

***We may be required to report taxable income from certain investments in excess of the economic income we ultimately realize from them.***

We may acquire debt instruments in the secondary market for less than their face amount. The discount at which such debt instruments are acquired may reflect doubts about their ultimate collectability rather than current market interest rates. The amount of such discount will nevertheless generally be treated as “market discount” for U.S. federal income tax purposes. Accrued market discount is generally reported as income when, and to the extent that, any payment of principal of the debt instrument is made or the debt instrument is disposed of or retired. If we collect less on the debt instrument than our purchase price plus the market discount we had previously reported as income, we may not be able to benefit from any offsetting loss deductions. In addition, we may hold or acquire distressed debt investments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding debt are “significant modifications” under applicable Treasury regulations, the modified debt may be considered to have been reissued to us at a gain in a debt-for-debt exchange with the borrower. In that event, we may be required to recognize taxable gain to the extent the principal amount of the modified debt exceeds our adjusted tax basis in the unmodified debt, even if the value of the debt or the payment expectations have not changed. Moreover, debt instruments that we originate or acquire may be issued with original issue discount. We will be required to report such original issue discount based on a constant yield method and will be taxed based on the assumption that all future projected payments due on such debt instruments will be made. If any such debt instrument turns out not to be fully collectable, an offsetting loss deduction will become available only in the later year that uncollectability is provable.

Additionally, as described above, under the TCJA, we are generally required to take certain amounts into income no later than the time such amounts are reflected on certain financial statements, although recently promulgated Treasury regulations provide that this rule does not apply to original discount or market discount income. To the extent that this rule requires the accrual of income earlier than under the previously applicable general tax rules, it could increase our “phantom income.”

Finally, in the event that any debt instruments held or acquired by us are delinquent as to mandatory principal and interest payments, or in the event payments with respect to a particular debt instrument are not made when due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income as it accrues, despite doubt as to its ultimate collectability. In each case, while we would in general ultimately have an offsetting loss deduction available to us when such interest was determined to be uncollectable, the utility of that deduction could depend on whether such loss is ordinary or capital and on us having taxable income, in that later year or thereafter.

***Our investments in construction loans will require us to make estimates about the fair value of land improvements that may be challenged by the IRS.***

We expect to invest in construction loans, the interest from which will be qualifying income for purposes of the REIT income tests, provided that the loan value of the real property securing the construction loan is equal to or greater than the highest outstanding principal amount of the construction loan during any taxable year. For purposes of construction loans, the loan value of the real property is the fair value of the land plus the reasonably estimated cost of the improvements or developments (other than personal property) that will secure the loan and that are to be constructed from the proceeds of the loan. There can be no assurance that the U.S. Internal Revenue Service (“IRS”) would not challenge our estimate of the loan value of the real property.

***If any subsidiary REIT failed to qualify as a REIT, we could be directly or indirectly subject to higher taxes and could fail to remain qualified as a REIT.***

We may directly or indirectly (through disregarded subsidiaries, pass-through entities or a TRS) own shares of a subsidiary that has elected to be taxed as a REIT for U.S. federal income tax purposes. Any such subsidiary REIT would be subject to the various REIT qualification requirements and other limitations described herein that are applicable to us. If any such subsidiary REIT were to fail to qualify as a REIT, then (i) such subsidiary REIT would become subject to U.S. federal income tax and applicable state and local taxes on its taxable income at regular corporate rates and (ii) our ownership of shares in such subsidiary REIT would cease to be a qualifying asset for purposes of the asset tests applicable to REITs. If any such subsidiary REIT not held indirectly through BRMK Management, Corp. or another TRS were to fail to qualify as a REIT, it is possible that we would fail certain of the asset tests applicable to REITs, in which event we would fail to qualify as a REIT unless we could avail ourselves of certain relief provisions.



**Broadmark Realty Capital Inc.**

***We could have potential deferred and contingent tax liabilities as a result of acquiring assets in the Business Combination that were previously owned by non-REIT “C” corporations.***

Even if we qualify for taxation as a REIT, we will be subject to U.S. federal corporate income tax at the highest regular rate (currently 21%) on all or a portion of the gain recognized from the disposition of any asset acquired from BRELF III in the Business Combination occurring within the five-year period following BRELF III’s REIT conversion on January 1, 2019. In other words, if during the five-year period beginning on January 1, 2019, we recognize gain on the disposition of any asset BRELF III owned on January 1, 2019, then, to the extent of the excess of (i) the fair market value of such asset as of January 1, 2019, over (ii) BRELF III’s adjusted income tax basis in such asset as of January 1, 2019, we will be required to pay U.S. federal corporate income tax on this gain at the highest regular rate applicable to corporations. The same treatment would apply, for a period of as long as five years beginning on the date of the closing of the Business Combination, to any assets acquired in the Business Combination by us from a Predecessor Company that failed to qualify as a REIT in a taxable year ended on or prior to the Business Combination. These requirements could limit, delay or impede future sales of certain assets. We currently do not expect to sell any asset if the sale would result in the imposition of a material tax liability. We cannot, however, assure you that we will not change our plans in this regard.

***We have not established a minimum distribution payment level and we cannot assure you of our ability to pay distributions in the future.***

To maintain our qualification as a REIT and generally not be subject to U.S. federal income and excise tax, we would generally be required to distribute to our stockholders at least 90% of our REIT taxable income each year, which requirement we currently intend to satisfy through regular cash distributions to our stockholders out of legally available funds therefor. We have not, however, established a minimum distribution payment level and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described in our filings with the SEC. All distributions will be made at the discretion of our board and will depend on our earnings, our financial condition, maintenance of our REIT qualification, restrictions on making distributions under Maryland law and such other factors as our board may deem relevant from time to time. We may not be able to make distributions in the future and our board may change our distribution policy in the future. We believe that a change in any one of the following factors, among others, could adversely affect our results of operations and impair our ability to pay distributions to our stockholders: the profitability of the assets we hold or acquire; the allocation of assets between our REIT-qualified and non-REIT qualified subsidiaries; our ability to make profitable investments and to realize profits therefrom; and defaults in our asset portfolio or decreases in the value of our portfolio. As a result, we cannot assure you that we will achieve results that will allow us to make required cash distributions for any year.

***Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends, which could depress the market price of our stock if it is perceived as a less attractive investment.***

The maximum tax rate applicable to income from “qualified dividends” payable by non-REIT “C” corporations to U.S. stockholders that are individuals, trusts and estates generally is 20% (which rate does not include the 3.8% net investment income tax). Dividends payable by a REIT, however, generally are not eligible for the current reduced rate, except to the extent that certain holding requirements have been met and the REIT’s dividends are attributable to dividends received by such REIT from taxable corporations (such as a TRS), to income that was subject to tax at the REIT/corporate level, or to dividends properly designated by the REIT as “capital gains dividends.” Effective for taxable years beginning before January 1, 2026, non-corporate U.S. stockholders generally may deduct 20% of their dividends from REITs (excluding “qualified dividend” income and “capital gains dividends”). To qualify for this deduction, the U.S. stockholder receiving such dividend must hold the dividend-paying REIT shares for at least 46 days (taking into account certain special holding period rules) of the 91-day period beginning 45 days before the shares become ex-dividend, and cannot be under an obligation to make related payments with respect to a position in substantially similar or related property. For those U.S. stockholders in the top marginal tax bracket of 37%, the deduction for applicable REIT dividends yields an effective income tax rate of approximately 30% on such REIT dividends, which is higher than the 20% tax rate on “qualified dividend” income paid by non-REIT “C” corporations. Although the reduced rates applicable to dividend income from non-REIT “C” corporations do not adversely affect the taxation of REITs or dividends payable by REITs, it could cause investors who are non-corporate taxpayers to perceive investments in REITs to be relatively less attractive than investments in the stock of non-REIT “C” corporations that pay qualified dividends, which could depress the market price of investments in REITs, including our stock.



**Broadmark Realty Capital Inc.**

***Complying with the REIT requirements may cause us to liquidate or forgo otherwise attractive investment opportunities.***

To qualify as a REIT, we must ensure that, at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and “real estate assets” (as defined in the Code), including certain mortgage loans and securities (the “75% asset test”). The remainder of our investments (other than securities includable in the 75% asset test) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. Additionally, in general, no more than 5% of the value of our total assets (other than securities includable in the 75% asset test) can consist of the securities of any one issuer, no more than 20% of the value of our total assets can be represented by securities of one or more TRSs, and debt instruments issued by publicly offered REITs, to the extent not secured by real property or interests in real property, cannot exceed 25% of the value of our total assets. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate or forgo otherwise attractive investment opportunities. These actions could have the effect of reducing our income and amounts available for distribution by us to our stockholders and the income and amounts available to service our indebtedness, if any.

In addition to the asset tests set forth above, to qualify as a REIT, we must continually satisfy tests concerning, among other things, the sources of our income, the amounts we distribute to our stockholders and the ownership of our stock. We may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, and we may be unable to pursue investment opportunities that would be otherwise advantageous to us in order to satisfy the source-of-income or asset-diversification requirements for us to qualify as a REIT. In addition, in certain cases, the modification of a debt instrument could result in the conversion of the instrument from a qualifying real estate asset to a wholly or partially non-qualifying asset. Compliance with the source-of-income requirements may also limit our ability to acquire debt instruments at a discount from their face amount. Thus, compliance with the REIT requirements may hinder our ability to make, or in certain cases, maintain ownership of, certain attractive investments and, thus, reduce our income and amounts available for distribution or to service our indebtedness, if any.

***We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our stock.***

The present U.S. federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in us. The rules dealing with U.S. federal, state, and local taxation are constantly under review by persons involved in the legislative process and by the IRS, the U.S. Department of the Treasury, and other taxing authorities. Changes to the tax laws, with or without retroactive application, could have a material adverse effect on us and our stockholders. We cannot predict how changes in the tax laws might affect us or our stockholders. New legislation, Treasury regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to remain qualified as a REIT or the tax consequences of such qualification.

**Risks Related to Taxes and the Business Combination**

***If the IRS were to determine that the merger of any of the Predecessor Companies in connection with the Business Combination did not qualify as a tax-free reorganization for U.S. federal income tax purposes with respect to a Predecessor Company, we may be subject to significant tax liabilities.***

If the IRS were to determine that the merger of any of the Predecessor Companies in connection with the Business Combination failed to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Code with respect to a Predecessor Company, so long as such Predecessor Company qualified as a REIT at the time of the merger, such Predecessor Company generally would not have incurred a U.S. federal income tax liability so long as such Predecessor Company made distributions (which would have been deemed to include for this purpose the fair market value of the shares of our common stock issued pursuant to the applicable merger) to such Predecessor Company’s members in an amount at least equal to the net income or gain recognized on the deemed sale of such Predecessor Company’s assets to us. In the event that such distributions were not sufficient to eliminate all of such Predecessor Company’s tax liability as a result of the deemed sale of its assets to us, we would be liable for any remaining tax owed by such Predecessor Company as a result of such merger.

## Broadmark Realty Capital Inc.

If the IRS were to determine that the merger of any of the Predecessor Companies in connection with the Business Combination failed to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Code with respect to a Predecessor Company and such Predecessor Company did not qualify as a REIT at the time of such merger, such Predecessor Company would generally have recognized gain or loss on the deemed transfer of its assets to us, and we would be liable for any tax imposed on such Predecessor Company, which tax could be significant.

***We may be subject to adverse tax consequences if the IRS were to determine that one or more Predecessor Companies failed to qualify as a REIT for U.S. federal income tax purposes.***

If the IRS were to determine that any Predecessor Company failed to qualify as a REIT through the consummation of the Business Combination, we may have inherited significant tax liabilities and could fail to qualify as a REIT. Even if we retain our REIT qualification, if any Predecessor Company did not qualify as a REIT or lost its REIT qualification for a taxable year ended on or with the Business Combination, we will face serious tax consequences that could substantially reduce our cash available for distribution to our stockholders because:

- if any Predecessor Company did not qualify as a REIT at the time of the consummation of the Business Combination, the merger of such Predecessor Company could have failed to qualify as a “reorganization” under Section 368(a) of the Code with respect to such Predecessor Company;
- we, as the successor by merger to each Predecessor Company, would have generally inherited any corporate income, excise and other tax liabilities of the Predecessor Companies, including penalties and interest, which inherited tax liabilities could be particularly substantial if such merger of such Predecessor Company failed to qualify as a “reorganization” within the meaning of Section 368(a) of the Code with respect to such Predecessor Company;
- we may be subject to tax on certain built-in gain upon future disposition of each asset of each applicable Predecessor Company; and
- we could be required to pay a special distribution and/or employ applicable deficiency dividend procedures (including penalties and interest payments to the IRS) to eliminate any earnings and profits accumulated by each applicable Predecessor Company during taxable periods that it did not qualify as a REIT.

As a result of these factors, any failure by one or more Predecessor Companies to have qualified as a REIT for any taxable year ended on or before the consummation of the Business Combination could impair our ability to expand our business and raise capital and could materially adversely affect the value of our common stock.

***We have succeeded to certain of the Predecessor Companies’ tax liabilities.***

We generally will take a carryover basis and holding period in the assets transferred in connection with the mergers of the Predecessor Companies in connection with the Business Combination. As the successor by merger, we generally are responsible for all of the Predecessor Companies’ liabilities including any unpaid taxes (and penalties and interest, if any), whether as a result of a failure by any Predecessor Company to have distributed all of its taxable income in any tax period, including the short taxable period ending on the date of the Business Combination, or taxes that might otherwise have been due and payable by such Predecessor Company. In addition to us inheriting such tax liabilities, if one or more Predecessor Companies failed to qualify as a REIT for any period ending on or prior to the Business Combination, the amount of the applicable Predecessor Companies’ tax liabilities inherited by us as a result of the Business Combination could be substantial.

### Risks Related to Ownership of Our Securities

***Our management team has broad discretion in the use of proceeds of securities offerings and, despite our efforts, we may invest or spend the proceeds of offerings in ways with which you may not agree or in ways which may not yield a significant return.***

Our management team has broad discretion in the use of proceeds of securities offerings and, despite our efforts, we may invest or spend the proceeds of offerings in ways with which you may not agree or in ways which may not yield a significant return. We intend to use net proceeds from offerings for general corporate purposes, including to fund our lending activities. Our management will have considerable discretion in the application of the net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. As a result, the net proceeds from offerings may be used for lending activities or other general business purposes that do not increase our operating results or enhance the value of our common stock.

**Broadmark Realty Capital Inc.**

***Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our business and stock price.***

Effective internal control over financial reporting is necessary for us to provide reliable financial reports and is important in helping to prevent mistakes in and restatements of our financial statements and financial fraud. Although we have determined that our internal control over financial reporting was effective as of December 31, 2021 and 2020, the Predecessor Company Group reported certain material weaknesses in internal control over financial reporting identified in connection with the audit of the members of the Predecessor Company Groups' financial statements at December 31, 2018, which we have reported remained as of December 31, 2019. A failure to maintain effective internal control over financial reporting may adversely affect the accuracy and timing of our financial reporting, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, we may be unable to prevent fraud, investors may lose confidence in our financial reporting, and the price of our securities may decline as a result. In addition, we may be subject to lawsuits or regulatory discipline if we fail to establish and maintain effective internal control over our financial reporting.

***We may issue additional shares of common stock upon the exercise of Warrants or for other purposes, which would dilute your ownership interests and may depress the market price of our common stock.***

We currently have warrants outstanding to purchase approximately 15.6 million shares of common stock in the aggregate at an aggregate purchase price of \$11.50 per share. Further, there were approximately 3.6 million shares of common stock remaining available for issuance pursuant to equity awards under the Broadmark Realty 2019 Stock Incentive Plan at December 31, 2021. We may also issue additional shares of common stock or other equity securities in the future in connection with, among other things, future capital raising and transactions and future acquisitions, without stockholder approval in many circumstances.

Our issuance of additional shares of common stock or other equity securities would have the following effects:

- our existing stockholders' proportionate ownership interest in us may decrease;
- the amount of cash available for payment of dividends may decrease;
- the relative voting strength of each previously outstanding share of common stock may be diminished; and
- the market price of our common stock may decline.

***Our stockholders have limited control over changes in our policies and operations, which increases the uncertainty and risks our stockholders will face.***

Our board determines our major policies, including our policies regarding financing, growth and debt capitalization. Our board may amend or revise these and other policies without a vote of our stockholders. The broad discretion of our board in setting policies and the inability of our stockholders to exert control over those policies increases the uncertainty and risks such stockholders will face. In addition, our board may change its investment objectives without seeking stockholder approval. Although our board has duties to us under Maryland law and intends only to change its investment objectives when our board determines that a change is in our best interest, a change in our investment objectives could cause a decline in the value of the stockholders' investment in us.

***Our rights and the rights of our stockholders to recover claims against our directors and officers are limited, which could reduce your and our recovery against them if they negligently cause us to incur losses.***

Maryland law provides that a director will not have any liability as a director so long as he or she performs his or her duties in accordance with the applicable standard of conduct. In addition, Maryland law and our charter provide that no director or officer shall be liable to us or our stockholders for monetary damages unless the director or officer (i) actually received an improper benefit or profit in money, property or services or (ii) was actively and deliberately dishonest as established by a final judgment, which was material to the cause of action. Moreover, (i) our charter requires us to indemnify our directors and officers to the maximum extent permitted under Maryland law and (ii) we have entered into indemnification agreements with each of our directors and executive officers that provide for indemnification to the maximum extent permitted by Maryland law, except as expressly limited by the indemnification agreements. As a result, we may have more limited rights against our directors or officers than might otherwise exist under common law, which could reduce your and our recovery from these persons.

**Broadmark Realty Capital Inc.**

***Certain provisions of Maryland law could inhibit changes of control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests.***

Certain provisions of the Maryland General Corporation Law (the “MGCL”) may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- “Business combination” provisions that, subject to limitations, prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof or an affiliate or associate of ours who was the beneficial owner, directly or indirectly, of 10% or more of the voting power of our then outstanding voting stock at any time within the two-year period immediately prior to the date in question) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes certain fair price and/or supermajority stockholder voting requirements on these combinations; and
- “Control share” provisions that provide that holders of our “control shares” (defined as shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of issued and outstanding “control shares”) have no voting rights with respect to their control shares, except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

By resolution of our board, we have opted out of the business combination provisions of the MGCL, which means that any business combination between us and any other person is exempt from the business combination provisions of the MGCL, provided that the business combination is first approved by a majority of our directors (including a majority of directors who are not affiliates or associates of such persons). In addition, pursuant to a provision in our bylaws, we have opted out of the control share provisions of the MGCL. However, our board may by resolution elect to opt into the business combination provisions of the MGCL and we may, by amendment to our bylaws, opt into the control share provisions of the MGCL in the future. Notwithstanding the foregoing, an alteration or repeal of the board resolutions exempting such business combinations will not have any effect on any business combinations that have been consummated or upon any agreements existing at the time of such modification or repeal.

***Our charter contains certain provisions restricting the ownership and transfer of our capital stock that may delay, defer or prevent a change of control transaction that might involve a premium price for holders of our common stock or that our stockholders otherwise believe to be in their best interests.***

Our charter contains certain ownership limits with respect to our capital stock. Our charter, among other restrictions, prohibits the beneficial or constructive ownership by any person of more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our capital stock (including our common stock), excluding any shares that are not treated as outstanding for U.S. federal income tax purposes. Our board, in its sole and absolute discretion, may exempt a person, prospectively or retroactively, from this ownership limit if certain conditions are satisfied. This ownership limit as well as other restrictions on ownership and transfer in our charter may:

- Discourage a tender offer or other transactions or a change in management or of control that might involve a premium price for holders of our common stock or that our stockholders otherwise believe to be in their best interests; and
- Result in the transfer of shares acquired in excess of the restrictions to a trust for the benefit of a charitable beneficiary and, as a result, the forfeiture by the acquirer of certain of the benefits of owning the additional shares.

**Broadmark Realty Capital Inc.**

***We could increase or decrease the number of authorized shares of stock, classify and reclassify unissued stock and issue stock without stockholder approval.***

A majority of our entire board, without stockholder approval, has the power under our charter to amend the charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue, to authorize us to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock into one or more classes or series of stock and to set the terms of such newly classified or reclassified shares. As a result, we may issue one or more classes or series of common stock or preferred stock with preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption that are senior to, or otherwise conflict with, the rights of our common stockholders. Although our board has no such intention at the present time, it could establish a class or series of common stock or preferred stock that could, depending on the terms of such class or series, delay, defer or prevent a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in the best interest of our stockholders.

***Our bylaws designate the Circuit Court for Baltimore City, Maryland as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit their ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.***

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that court does not have jurisdiction, the United States District Court for the District of Maryland, Northern Division, will be the sole and exclusive forum for (a) any Internal Corporate Claim, as such term is defined in the MGCL, (b) any derivative action or proceeding brought on our behalf (other than actions arising under U.S. federal securities laws), (c) any action asserting a claim of breach of any duty owed by any of our directors, officers or other employees to us or to our stockholders, (d) any action asserting a claim against us or any of our directors, officers or other employees arising pursuant to any provision of the MGCL or our charter or bylaws or (e) any other action asserting a claim against us or any of our directors, officers or other employees that is governed by the internal affairs doctrine. This provision does not cover claims made by stockholders pursuant to the securities laws of the United States, or any rules or regulations promulgated thereunder. We adopted this provision because we believe it makes it less likely that we will be forced to incur the expense of defending duplicative actions in multiple forums and less likely that plaintiffs' attorneys will be able to employ such litigation to coerce us into otherwise unjustified settlements.

***We are a holding company and our only material asset is our interest in our subsidiaries, and we are accordingly dependent upon distributions made by our subsidiaries to make payments, pay dividends and pay taxes.***

We are a holding company with no material assets other than our ownership of our subsidiaries. As a result, we have no independent means of generating revenue or cash flow. Our ability to make payments, pay dividends and pay taxes will depend on the financial results and cash flows of our subsidiaries and the distributions we receive from our subsidiaries. Additionally, to the extent that we need funds and any of our subsidiaries are restricted from making such distributions under applicable law or regulation or under the terms of any financing arrangements, or any of our subsidiaries is otherwise unable to provide such funds, it could materially adversely affect our liquidity and financial condition.

The ability of our subsidiaries to make distributions to us may be subject to various limitations and restrictions including, but not limited to, restrictions on distributions that would either violate any contract or agreement to which such subsidiary is then a party, including debt agreements, or any applicable law, or that would have the effect of rendering such subsidiary insolvent. If our cash resources are insufficient to fund our obligations, we may be required to incur indebtedness to provide the liquidity needed to make such payments, which could materially adversely affect our liquidity and financial condition and subject us to various restrictions imposed by any such lenders.

**General Risk Factors**

***Litigation may adversely affect our business, financial condition and results of operations.***

We are, from time to time, subject to legal proceedings and regulatory requirements applicable to our business and industry. Litigation can be lengthy, expensive and disruptive to our operations and results cannot be predicted with certainty. There may also be adverse publicity associated with litigation, regardless of whether the allegations are valid or whether we are ultimately found not liable. As a result, litigation could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders.

**Broadmark Realty Capital Inc.**

***There can be no assurance that our corporate insurance policies will mitigate all insurable losses, costs or damages to our business.***

Based on the history of the Predecessor Company Group and our type of business, we believe that we maintain adequate insurance coverage to cover probable and reasonably estimable liabilities should they arise. However, there can be no assurance that these estimates will prove to be sufficient, nor can there be any assurance that the ultimate outcome of any claim or event will not have a material adverse effect on our business, financial condition, results of operations and ability to make distributions to our equity holders.

***Cybersecurity threats and other security breaches and disruptions could compromise sensitive information belonging to us or our employees, borrowers and other counterparties and expose us to liability, which would cause our business and reputation to suffer.***

In the ordinary course of business, we may acquire and store sensitive data on our network, such as our proprietary business information and personally identifiable information of our prospective and current borrowers, loan guarantors and our employees. The secure processing and maintenance of this information is critical to our business strategy. Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. Our information and technology systems as well as those of other related parties, such as service providers, may be vulnerable to damage or interruption from cybersecurity breaches, computer viruses or other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and other security breaches, usage errors by their respective professionals or service providers, power, communications or other service outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Cyberattacks and other security threats could originate from a wide variety of sources, including cyber criminals, nation state hackers, hacktivists and other outside parties. There has been an increase in the frequency and sophistication of the cyber and security threats we face, with attacks ranging from those common to businesses generally to those that are more advanced and persistent, which may target us because we hold a significant amount of confidential and sensitive information about our investors, borrowers and potential investments. As a result, we may face a heightened risk of a security breach or disruption with respect to this information. If successful, these types of attacks on our network or other systems could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our equity holders, due to, among other things, the loss of investor or proprietary data, interruptions or delays in the operation of our business and damage to our reputation. There can be no assurance that measures that we take to ensure the integrity of our systems will provide protection, especially because cyberattack techniques change frequently or are not recognized until successful.

***Our business and operations could be negatively affected if we become subject to any securities litigation or stockholder activism, which could cause us to incur significant expense, hinder execution of business and growth strategy and impact our stock price.***

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Stockholder activism, which could take many forms or arise in a variety of situations, has been increasing recently. Volatility in the price of our common stock or other reasons may in the future cause us to become the target of securities litigation or stockholder activism. Securities litigation and stockholder activism, including potential proxy contests, could result in substantial costs and divert management's and our board's attention and resources from our business. Additionally, such securities litigation and stockholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with employees and other service providers and make it more difficult to attract and retain qualified personnel. It could also negatively impact our ability to generate new loans. Also, we may be required to incur significant legal fees and other expenses related to any securities litigation and activist stockholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation and stockholder activism.

**Broadmark Realty Capital Inc.**

***Any projections, forecasts or estimates that we have issued or may issue in the future are subject to significant inherent uncertainties and may not be realized.***

Any financial and other projections and forecasts or estimates that we have issued or may issue from time to time in the future are necessarily based on numerous assumptions, expectations and other inputs. As a result, they are inherently subject to significant business, economic, and competitive uncertainties and contingencies and other significant risks, many of which are beyond our control. Actual results can differ from our expectations, and those differences can be material. Any projections, forecasts or estimates should not be regarded as a representation by us as to the financial or other matters addressed by such projections, forecasts or estimates, as there can be no assurance that any of these projections, forecasts or estimates will be realized. In light of the foregoing, you should not place undue reliance on any projections, forecasts or estimates, which constitute forward-looking statements and are inherently subject to numerous significant risks and uncertainties.

***The market price and trading volume of our securities may be volatile and could decline significantly.***

The public trading markets have from time-to-time experienced significant price and volume fluctuations. The market price of our securities may be volatile and could decline significantly. In addition, the trading volume in our securities may fluctuate and cause significant price variations to occur. If the market price of our securities declines significantly, you may be unable to resell your securities at or above the price you purchased it at, or otherwise at a favorable price. We cannot assure you that the market price of our common stock will not fluctuate widely or decline significantly in the future in response to a number of factors, including, among others, the following:

- the realization of any of the risk factors presented in our filings with the Securities and Exchange Commission;
- actual or anticipated differences in our estimates, or in the estimates of analysts, for our revenues, results of operations, level of indebtedness, liquidity or financial condition;
- additions and departures of key personnel;
- failure to comply with the requirements of the markets on which our securities are listed;
- failure to comply with the Sarbanes-Oxley Act or other laws or regulations;
- future issuances, sales or resales, or anticipated issuances, sales or resales, of our securities;
- perceptions of the investment opportunity associated with our securities relative to other investment alternatives;
- the performance and market valuations of other similar companies;
- future announcements concerning our business or our competitors' businesses;
- broad disruptions in the financial markets, including sudden disruptions in the credit markets;
- speculation in the press or investment community;
- actual, potential or perceived control, accounting or reporting problems;
- changes in accounting principles, policies and guidelines; and
- the impact of epidemics, other public health concerns, civil unrest and political uncertainty.

In the past, securities class-action litigation has often been instituted against companies following periods of volatility in the market price of their securities. This type of litigation could result in substantial costs and divert our management's attention and resources, which could have a material adverse effect on us.



**Broadmark Realty Capital Inc.**

***If securities or industry analysts do not publish research, publish inaccurate or unfavorable research or cease publishing research about us, the trading price and trading volume of our securities could decline significantly.***

The market for our securities may be influenced by the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts may not continue to publish research on us. If no securities or industry analysts maintain coverage of us, the market price and liquidity for our securities could be negatively impacted. If one or more of the analysts who cover us downgrade their opinions about our securities, publish inaccurate or unfavorable research about us, or cease publishing about us regularly, demand for securities could decrease, which might cause the trading price and trading volume to decline significantly.

***Future issuances of debt securities and equity securities may adversely affect us, including the market price of our securities and may be dilutive to existing stockholders.***

We have recently begun to issue debt securities to finance our business, and there is no assurance that we may not issue additional debt securities or issue equity ranking senior to our stock. Those securities will generally have priority upon liquidation. Such securities also may be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock. Because our decision to issue debt or equity in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. As a result, future capital raising efforts may reduce the market price of our common stock and be dilutive to existing stockholders.

***If our common stock becomes subject to the “penny stock” rules of the SEC, the trading market in our common stock may become significantly more limited, which would make transactions in our common stock cumbersome and may reduce the value of an investment in our common stock.***

Our common stock could be considered a “penny stock” if it trades below \$5.00. Under Rule 15c-9 of the Exchange Act, broker-dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements. Such broker-dealer must make an individualized written suitability determination for the purchaser and receive the purchaser’s written consent prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the “penny stock” rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of shares of our common stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Other risks associated with trading in penny stocks could also be price fluctuations and the lack of a liquid market.

***There can be no guarantee that we will make distributions or generate yields comparable to our current or historic levels.***

Past distributions and yields are no guarantee of our future performance. Our distributions of dividends are not guaranteed and will be paid only to the extent earned by us and authorized by our board. Multiple factors could adversely impact our ability to generate income and pay dividends, such as those set forth under “— Market Risks Related to Real Estate Loans,” and “— Risks Related to Our Loan Portfolio.” The timing and amount of dividends will be determined by our board. There is no guarantee that we will achieve results that will allow us to pay a specified level of cash dividends or to increase the level of such dividends in the future.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Our principal office is located in leased space at 1420 Fifth Avenue, Suite 2000, Seattle, Washington 98101.



**Broadmark Realty Capital Inc.**

**ITEM 3. LEGAL PROCEEDINGS**

We are involved in legal proceedings which arise in the ordinary course of business. We believe that the outcome of such matters, individually and in the aggregate, will not have a material adverse effect on our business, financial condition or results of operations.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**PART II**

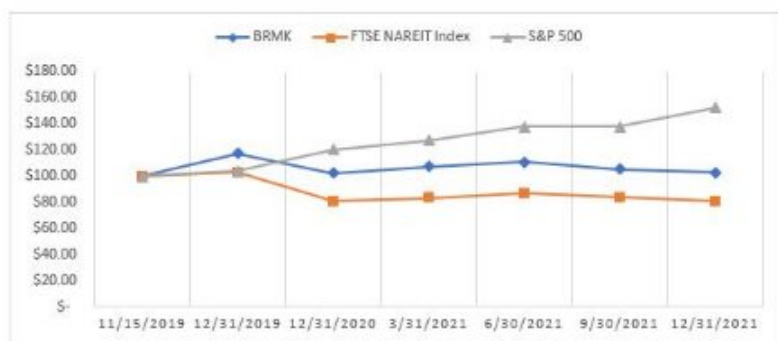
**ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is listed for trading on the New York Stock Exchange under the symbol “BRMK.” As of February 14, 2022, we had 258 registered holders of our common stock.

We did not purchase any shares of our common stock during the quarter ended December 31, 2021.

**Stockholder Return Performance**

The following stock performance graph is a comparison of the cumulative total stockholder return on shares of our common stock, the Standard & Poor’s 500 (the “S&P 500 Index”), and the FTSE NAREIT Mortgage REITs index (“FTSE NAREIT Index”), a published industry index, from November 15, 2019 (the date on which our common stock became publicly traded) through December 31, 2021. The graph assumes that \$100 was invested on November 15, 2019 in our common stock, the S&P 500 and the FTSE NAREIT Index and that all dividends were reinvested without the payment of any commissions. There can be no assurance that the performance of our shares will continue in line with the same or similar trends depicted in the graph below.



	November 15, 2019	December 31, 2019	December 31, 2020	Period Ending			
				March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
<b>BRMK</b>	100.00	117.53	102.45	107.18	110.66	105.23	102.88
<b>FTSE NAREIT Index</b>	100.00	102.87	80.50	83.37	86.62	83.75	80.50
<b>S&amp;P 500</b>	100.00	103.54	120.37	127.32	137.72	138.04	152.74

**ITEM 6. [RESERVED]**

**Broadmark Realty Capital Inc.****EM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis of our financial condition and results of operations should be read together with the "Business" section, as well as the consolidated financial statements and related notes in Part II, Item 8 of this Annual Report on Form 10-K. In addition, the following discussion and analysis contains forward-looking statements and involves numerous risks and uncertainties. Actual results may differ materially from those contained in any forward-looking statements and involves numerous risks and uncertainties, including those described under the heading "Risk Factors." Actual results may differ materially from those contained in any forward-looking statements. You should read this discussion and analysis together with the consolidated financial statements and related notes included elsewhere in this Report for the Company and Predecessor Company Group. In this "Management Discussion and Analysis of Financial Condition and Results of Operations," references to the "Predecessor Company Group," or the "Predecessor," refers to the Predecessor Companies and the Predecessor Management Companies and their respective subsidiaries on a combined basis. Unless the context otherwise requires, references to "Broadmark Realty," the "Company," "we," "us" and "our" refer to Broadmark Realty Capital Inc., a Maryland corporation, and its consolidated subsidiaries.*

Broadmark Realty is an internally managed commercial real estate finance company that has elected to be taxed as a real estate investment trust for U.S. federal income tax purposes. Based in Seattle, Washington, we specialize in underwriting, funding, servicing and managing a portfolio of short-term, first deed of trust loans to fund the construction and development of, or investment in, residential or commercial properties. We generally operate in states that we believe to have favorable demographic trends and that provide more efficient and quicker access to collateral in the event of borrower default. Beginning in early 2021, we have increased the number of states in which we operate in order to expand our potential lending markets. As of December 31, 2021, our portfolio of 215 active loans had approximately \$1.5 billion of total commitments and \$924.7 million of principal outstanding across 164 borrowers in 19 states and the District of Columbia. We refer to loans that have outstanding commitments or principal balances that have not been repaid or retired, including by foreclosure, as "active loans." Total commitments refer to the aggregate sum of outstanding principal balances, construction holdbacks and committed amounts for future draws and interest reserves on our loans. Historically, our loan portfolio was 100% equity funded, and we had no outstanding debt. On November 12, 2021, we closed the private placement of \$100.0 million aggregate principal amount of 5.0% senior unsecured notes due 2026. We plan to opportunistically issue debt and raise capital in the public and private markets from time to time based on market conditions to fund the growth of our portfolio and produce attractive returns for our stockholders. On February 19, 2021, we closed on a \$135.0 million revolving credit facility, which has enabled us to use a larger percentage of our cash balances for lending activities.

Properties securing our loans are generally classified as residential properties, commercial properties or undeveloped land, and are typically not income producing. Each loan is secured by a first deed of trust lien on real estate. Our lending policy limits the committed amount of each loan to a maximum loan-to-value ("LTV") ratio of up to 65% of the "as-complete" appraised value of the underlying collateral as determined by an independent appraiser at the time of the loan origination. Our lending policy also limits the initial outstanding principal balance of each loan to a maximum LTV of up to 65% of the "as-is" appraised value of the underlying collateral as determined by an independent appraiser at the time of the loan origination. At the time of origination, the difference between the initial outstanding principal and the total commitment is the amount held back for future release, subject to property inspections, progress reports and other conditions in accordance with the loan documents. Unless otherwise indicated, LTV is measured by the total commitment amount of the loan at origination divided by the "as-complete" appraisal. LTVs do not reflect interim activity such as construction draws or interest payments capitalized to loans, or partial repayments of the loan. As of December 31, 2021, the weighted average LTV was 59.1% across our active loan portfolio based on the total commitment of the loan and "as-complete" appraisals. For our loans in contractual default status as of December 31, 2021, the weighted average LTV was approximately 85.4%, when measured by the sum of the principal outstanding, the estimated costs to complete and the accounts receivable for which collectability is reasonably assured, net of the provision for credit losses, divided by the most recent "as-complete" appraisal. In addition, our loans are typically personally guaranteed on a recourse basis by the principals of the borrower and/or others at our discretion to provide further credit support for the loan. The personal guarantee may be collaterally secured by a pledge of the guarantor's interest in the borrower or other real estate or assets owned by the guarantor. As of December 31, 2021, a total of 31 loans were in contractual default, totaling \$191.4 million in total commitment or 12.9% of the portfolio based on total commitment.

**Broadmark Realty Capital Inc.**

As of December 31, 2021, the weighted average total commitment of our active loans was \$6.9 million with a weighted average interest rate of 10.7%. The weighted average term of our active loans was 13 months at origination, which we often elect to extend for several months based on our evaluation of the expected timeline for completion of construction. We usually receive loan origination fees, or “points,” which as of December 31, 2021 had a weighted average fee of 3.5% of total commitment at origination, along with loan amendment and extension fees, each of which varies in amount based upon the term of the loan, the credit quality of the borrower and the loan otherwise satisfying our underwriting criteria. In addition, we charge late fees on past due receivables and receive reimbursements from borrowers for costs associated with services provided by us, such as closing costs, collection costs on defaulted loans and construction draw inspection fees.

As a result of the COVID-19 pandemic, we have experienced an adverse impact on our loan portfolio, primarily in the form of a significant increase in defaulted loans and a slow-down in construction progress. For example, delays in local government permitting and inspections arising from measures to limit the spread of COVID-19 delayed some projects, adversely affecting the ability of borrowers to complete the projects in accordance with the terms of the loans. We have experienced an increase in delinquencies and requests for extensions or forbearance. In addition, market conditions, and in some cases moratoriums on the foreclosure process, have increased the timeline to resolve non-performing loans. Delays in repayment of our outstanding loans or sales of foreclosed properties reduce the capital available for future loan originations.

In 2021, the U.S. and global economy began reopening and wider distribution of effective vaccines for COVID-19 encouraged greater economic activity. Nonetheless, the recovery could remain uneven, particularly given uncertainty with respect to the distribution and acceptance of the vaccines and their effectiveness in preventing the spread of COVID-19, including its new variant strains. There remains significant uncertainty regarding the timing and duration of the economic recovery, which precludes any prediction as to the ultimate adverse impact of the COVID-19 pandemic on economic and market conditions. There remain shortages in raw materials, manufactured products and labor across industries that are resulting in longer construction timelines and rising prices, which are dampening a full economic recovery within the construction industry. The prolonged duration and impact of the COVID-19 pandemic could continue to negatively impact our business, financial performance and operating results.

As a result of limited residential housing supply, net migration trends and a low interest rate environment, we have seen an increase in new parties entering the real estate lending market as economic conditions have stabilized from the impact of the COVID-19 pandemic. Such new entrants, as well as existing lenders, have been aggressively pursuing yields. This has resulted in increased competition and pricing pressure on our business, which has driven, and we expect will continue to drive, increased variability in the amount of our loan originations from quarter-to-quarter and the yields we are able to achieve on new loans. Historically, we primarily competed on the basis of borrower relationships, loan structure, terms and service rather than on price; however, competitive conditions have led us in some cases to originate loans with terms that deviate from our historical practice, such as a reduction in or absence of minimum interest provisions in our mortgage notes, which in turn reduce the interest income we earn on those loans. Starting in the second quarter of 2021, we adopted a dynamic pricing model, in which we determine credit risk for prospective loans utilizing categories such as experience of the borrower, amount of new capital being contributed by the borrower or guarantors to the project and strength of the underlying collateral. Under the dynamic pricing model, originated loans that we underwrite as lower credit risk receive lower annual rates or loan origination fees than loans that we deem as higher credit risk. To the extent that competitive conditions lead us to originate a greater percentage of loans containing annual fees or loan origination fees at the lower end of our historic ranges, our interest and fee income and financial performance could be adversely affected. We expect these trends related to the competitive environment to continue.

**Broadmark Realty Capital Inc.****Key Indicators of Financial Condition and Operating Performance**

In assessing the performance of our business, we consider a variety of financial and operating metrics, which include both GAAP and non-GAAP metrics, including the following:

**Interest income earned on our loans.** A primary source of our revenue is interest income earned on our loan portfolio. As of December 31, 2021, our loans bear a weighted average interest rate of 10.7%, paid monthly, primarily from interest reserves and, to a much lesser extent, cash payments. Certain of our mortgage notes provide for minimum interest provisions, to which the contractual rate applies, which is typically between 50% and 70% of the face amount of the note until the outstanding principal under the note exceeds a minimum threshold. A reduction in or absence of minimum interest provisions in our mortgage notes and an increase in the amount of our loans in non-accrual status as a result of being in contractual default reduce our effective interest-bearing principal and the interest income we earn on our loans. The effective interest-bearing principal represents the principal balance outstanding plus the excess of minimum interest provisions over the actual principal outstanding. As of December 31, 2021 and 2020, the effective interest-bearing principal was \$1.0 billion and \$998.6 million, respectively. With consideration of loans in non-accrual status, the effective interest-bearing principal net of non-accrual principal as of December 31, 2021 and 2020 was \$831.4 and \$786.4 million, respectively. We expect the trend of lower effective interest-bearing principal than historic levels to continue in subsequent quarters as a result of the absence of minimum interest provisions in new originations and loans in non-accrual status.

**Fees and other revenue recognized from originating and servicing our loans.** Fee income is comprised of loan origination fees, loan renewal fees and inspection fees. The majority of fee income is comprised of loan origination fees, or “points,” which as of December 31, 2021, had a weighted average fee of 3.5% of the total commitment at origination. In addition to origination fees, we earn loan extension fees when maturing loans are renewed or extended and amendment fees when loan terms are modified, such as increases in interest reserves and construction holdbacks in line with our underwriting criteria or upon modification of a loan for the transition from horizontal development to vertical construction. Loans are generally only renewed or extended if the loan is not in default and satisfies our underwriting criteria, including our maximum LTV ratio of up to 65% of the appraised value as determined by an independent appraiser at the time of loan origination, or based on an updated appraisal, if required. Loan origination and renewal fees are deferred and recognized in income over the contractual maturity of the underlying loan.

**Loan originations.** Our operating performance is heavily dependent upon our ability to originate new loans to invest new capital and re-invest returning capital from the repayment of loans. The dollar amounts of loan originations reflect the total commitment at origination and loan repayments reflect the total commitment at payoff. Given the short-term nature of our loans, loan principal is generally repaid on a faster basis than to other types of lenders, making redeployment of capital through our originations process an important factor in our success.

The following tables contains the total amount of our loan originations and repayments for the periods indicated:

<i>(dollars in millions)</i>	Year Ended	
	December 31, 2021	December 31, 2020
Loans originated <sup>(1)</sup>	\$ 799.1	\$ 475.6
Loans repaid	\$ 483.3	\$ 324.0

(1)Based on original total loan commitment amounts and excluding amendments.

**Credit quality of our loan portfolio.** All of our loans are construction loans secured by residential or commercial real estate and, in assessing estimated credit losses, we evaluate various metrics, including, but not limited to, construction type, collateral type, LTV, market conditions of property location and borrower experience and financial strength.

**Broadmark Realty Capital Inc.**

The following tables allocate the carrying value of our loan portfolio based on our internal credit quality indicators used in assessing estimated credit losses and vintage of origination at the dates indicated:

<i>(dollars in thousands)</i>	At December 31, 2021		2021	2020	Year Originated <sup>(1)</sup>		2017	Prior
	Carrying Value	% of Portfolio			2019	2018		
<b>Construction Type</b>								
Vertical Construction	\$ 471,863	51.8%	\$ 236,961	\$ 184,143	\$ 1,177	\$ 1,382	\$ 47,939	\$ 261
Investment	256,936	28.1	204,865	28,094	1,925	4,717	17,335	—
Horizontal Development	182,945	20.1	155,443	27,502	—	—	—	—
<b>Total</b>	<b>\$ 911,744</b>	<b>100.0%</b>	<b>\$ 597,269</b>	<b>\$ 239,739</b>	<b>\$ 3,102</b>	<b>\$ 6,099</b>	<b>\$ 65,274</b>	<b>\$ 261</b>
CECL allowance <sup>(2)</sup>	(10,394)							
Carrying value, net	<u>\$ 901,350</u>							

(1)Represents the year of amendment where the loan incurred a full re-underwriting in connection with the amendment.

(2)Includes \$0.7 million in loan specific allowances for loans deemed collateral dependent based on the fair value of the underlying collateral. In addition, \$0.9 million of the CECL allowance is excluded from this table because it relates to unfunded commitments and has been recorded as a liability under accounts payable and accrued liabilities in our consolidated balance sheet.

<i>(dollars in thousands)</i>	At December 31, 2021		2021	2020	Year Originated <sup>(1)</sup>		2017	Prior
	Carrying Value	% of Portfolio			2019	2018		
<b>Collateral Type</b>								
Residential Lots	\$ 111,644	12.2%	85,219	26,425	—	—	—	—
Apartments	107,765	11.8	38,232	68,356	1,177	—	—	—
Townhomes	93,300	10.2	51,240	28,979	—	1,017	11,803	261
Mixed Use	85,929	9.4	53,530	30,474	1,925	—	—	—
Single Family Housing	87,902	9.5	84,703	3,049	—	—	150	—
Condos	64,492	7.1	8,805	18,227	—	1,474	35,986	—
Commercial	61,592	6.8	61,592	—	—	—	—	—
Senior Housing	61,236	6.7	35,899	25,337	—	—	—	—
Storage	56,481	6.2	56,481	—	—	—	—	—
Unentitled Land	46,019	5.0	42,411	—	—	3,608	—	—
Entitled Land	45,098	4.9	27,763	—	—	—	17,335	—
Hotel	31,665	3.5	4,886	26,779	—	—	—	—
Offices	15,348	1.7	8,280	7,068	—	—	—	—
Commercial Lots	10,227	1.1	6,670	3,557	—	—	—	—
Quadplex	9,769	1.1	9,769	—	—	—	—	—
Commercial Other	9,080	1.0	9,080	—	—	—	—	—
Retail	7,873	0.9	6,385	1,488	—	—	—	—
Duplex	6,324	0.7	6,324	—	—	—	—	—
<b>Total</b>	<b>\$ 911,744</b>	<b>100.0%</b>	<b>\$ 597,269</b>	<b>\$ 239,739</b>	<b>\$ 3,102</b>	<b>\$ 6,099</b>	<b>\$ 65,274</b>	<b>\$ 261</b>
CECL allowance <sup>(2)</sup>	(10,394)							
Carrying value, net	<u>\$ 901,350</u>							

(1)Represents the year of amendment where the loan incurred a full re-underwriting in connection with the amendment.

(2)Includes \$0.7 million in loan specific allowances for loans deemed collateral dependent based on the fair value of the underlying collateral. In addition, \$0.9 million of the CECL allowance is excluded from this table because it relates to unfunded commitments and has been recorded as a liability under accounts payable and accrued liabilities in our consolidated balance sheet.

**Broadmark Realty Capital Inc.**

<i>(dollars in thousands)</i>	At December 31, 2021		2021	2020	Year Originated <sup>(1)</sup>		2017	Prior
	Carrying Value	% of Portfolio			2019	2018		
<b>LTV <sup>(2)</sup></b>								
0 - 40%	\$ 53,907	5.9%	\$ 32,634	\$ —	\$ —	\$ 3,608	\$ 17,665	\$ —
41 - 45%	48,431	5.3	44,380	4,051	—	—	—	—
46 - 50%	63,690	7.0	41,356	21,317	—	1,017	—	—
51 - 55%	92,238	10.1	74,978	17,260	—	—	—	—
56 - 60%	79,039	8.7	27,115	40,190	—	—	11,473	261
61 - 65%	559,997	61.4	372,645	146,640	3,102	1,474	36,136	—
66 - 70%	645	0.1	645	—	—	—	—	—
71 - 75%	—	0.0	—	—	—	—	—	—
76 - 80%	—	0.0	—	—	—	—	—	—
Above 80%	13,797	1.5	3,516	10,281	—	—	—	—
<b>Total</b>	<b>\$ 911,744</b>	<b>100.0%</b>	<b>\$ 597,269</b>	<b>\$ 239,739</b>	<b>\$ 3,102</b>	<b>\$ 6,099</b>	<b>\$ 65,274</b>	<b>\$ 261</b>
CECL allowance <sup>(3)</sup>	(10,394)							
Carrying value, net	<u>\$ 901,350</u>							

(1)Represents the year of amendment where the loan incurred a full re-underwriting in connection with the amendment.

(2)Represents LTV as of origination or latest amendment. LTVs above 65% generally represent loans in contractual default status where we have agreed to extend funds to the borrower above 65% in order to ensure successful completion of the construction and return of capital.

(3)Includes \$0.7 million in loan specific allowances for loans deemed collateral dependent based on the fair value of the underlying collateral. In addition, \$0.9 million of the CECL allowance is excluded from this table because it relates to unfunded commitments and has been recorded as a liability under accounts payable and accrued liabilities in our consolidated balance sheet.

<i>(dollars in thousands)</i>	At December 31, 2020		2020	2019	Year Originated <sup>(1)</sup>		2016	Prior
	Carrying Value	% of Portfolio			2018	2017		
<b>Construction Type</b>								
Vertical Construction	\$ 514,136	63.5%	\$ 354,012	\$ 57,090	\$ 6,853	\$ 88,655	\$ 7,526	\$ —
Horizontal Development	153,345	19.0	129,607	15,028	283	—	8,427	—
Investment	141,595	17.5	98,146	18,657	7,259	16,444	—	1,089
<b>Total</b>	<b>\$ 809,076</b>	<b>100.0%</b>	<b>\$ 581,765</b>	<b>\$ 90,775</b>	<b>\$ 14,395</b>	<b>\$ 105,099</b>	<b>\$ 15,953</b>	<b>\$ 1,089</b>
CECL allowance <sup>(2)</sup>	(10,590)							
Carrying value, net	<u>\$ 798,486</u>							

(1)Represents the year of amendment where the loan incurred a full re-underwriting in connection with the amendment.

(2)Includes \$1.5 million in loan specific allowances for loans deemed collateral dependent based on the fair value of the underlying collateral.

<i>(dollars in thousands)</i>	At December 31, 2020		2020	2019	Year Originated <sup>(1)</sup>		2016	Prior
	Carrying Value	% of Portfolio			2018	2017		
<b>Collateral Type</b>								
Apartments	\$ 129,588	16.0%	\$ 79,931	\$ 18,953	\$ —	\$ 24,232	\$ 6,472	\$ —
Residential Lots	124,548	15.4	105,830	10,291	—	—	8,427	—
Condos	92,245	11.4	52,714	3,106	4,405	32,020	—	—
Single Family Housing	90,131	11.1	69,438	8,839	1,028	10,103	—	723
Townhomes	72,773	9.0	47,391	1,061	1,703	21,564	1,054	—
Unentitled Land	71,796	8.9	47,727	—	7,259	16,444	—	366
Mixed Use	66,092	8.2	60,232	5,860	—	—	—	—
Hotel	51,115	6.3	42,874	8,241	—	—	—	—
Senior Housing	34,283	4.2	34,283	—	—	—	—	—
Offices	29,540	3.7	8,495	21,045	—	—	—	—
Commercial Lots	15,683	1.9	15,683	—	—	—	—	—
Retail	11,397	1.4	9,500	1,897	—	—	—	—
Industrial	11,309	1.4	704	10,605	—	—	—	—
Quadplex	5,592	0.7	5,592	—	—	—	—	—
Entitled Land	1,116	0.1	1,116	—	—	—	—	—
Commercial	877	0.1	—	877	—	—	—	—
Duplex	736	0.1	—	—	—	736	—	—
Commercial Other	254	0.1	254	—	—	—	—	—
<b>Total</b>	<b>\$ 809,076</b>	<b>100.0%</b>	<b>\$ 581,765</b>	<b>\$ 90,775</b>	<b>\$ 14,395</b>	<b>\$ 105,099</b>	<b>\$ 15,953</b>	<b>\$ 1,089</b>
CECL allowance <sup>(2)</sup>	(10,590)							
Carrying value, net	<u>\$ 798,486</u>							

(1)Represents the year of amendment where the loan incurred a full re-underwriting in connection with the amendment.

(2)Includes \$1.5 million in loan specific allowances for loans deemed collateral dependent based on the fair value of the underlying collateral.

**Broadmark Realty Capital Inc.**

(dollars in thousands)	At December 31, 2020		2020	2019	Year Originated <sup>(1)</sup>		2016	Prior
	Carrying Value	% of Portfolio			2018	2017		
<b>LTV<sup>(2)</sup></b>								
0 - 40%	\$ 22,601	2.8%	\$ 18,112	\$ —	\$ 3,862	\$ 261	\$ —	\$ 366
41 - 45%	68,263	8.4	44,683	20,183	3,397	—	—	—
46 - 50%	23,864	2.9	15,917	7,224	—	—	—	723
51 - 55%	76,539	9.5	57,583	2,774	—	16,182	—	—
56 - 60%	135,170	16.7	117,309	3,106	—	9,639	5,116	—
61 - 65%	450,253	55.7	301,964	57,488	7,136	76,139	7,526	—
66 - 70%	9,416	1.2	9,416	—	—	—	—	—
71 - 75%	1,983	0.2	1,983	—	—	—	—	—
76 - 80%	14,544	1.8	14,544	—	—	—	—	—
Above 80%	6,443	0.8	254	—	—	2,878	3,311	—
<b>Total</b>	\$ 809,076	100.0%	\$ 581,765	\$ 90,775	\$ 14,395	\$ 105,099	\$ 15,953	\$ 1,089
CECL allowance <sup>(3)</sup>	(10,590)							
Carrying value, net	<u>\$ 798,486</u>							

(1)Represents the year of amendment where the loan incurred a full re-underwriting in connection with the amendment.

(2)Represents LTV as of origination or latest amendment. LTVs above 65% generally represent loans in contractual default status where we have agreed to extend funds to the borrower above 65% in order to ensure successful completion of the construction and return of capital.

(3)Includes \$1.5 million in loan specific allowances for loans deemed collateral dependent based on the fair value of the underlying collateral.

**Dividends Declared.** The following table summarizes the declared cash dividends per common share activity for the years ended December 31, 2021 and 2020:

	Year Ended	
	December 31, 2021	December 31, 2020
Dividends declared per common share	\$ 0.84	\$ 0.78

**Earnings per Common Share.** The following table summarizes the earnings (GAAP) and distributable earnings (non-GAAP) per common share activity for the years ended December 31, 2021 and 2020:

	Year Ended	
	December 31, 2021	December 31, 2020
Earnings per common share, basic	\$ 0.62	\$ 0.68
Earnings per common share, diluted	0.62	0.68
Distributable earnings per diluted share of common stock prior to realized loss on investments	0.73	0.76
Distributable earnings per diluted share of common stock	0.71	0.75

**Non-GAAP Financial Measures**
**Distributable Earnings**

We have elected to present “distributable earnings” and “distributable earnings prior to realized loss on investments”, supplemental non-GAAP financial measures used by management to evaluate our operating performance. We define distributable earnings as net income attributable to common stockholders adjusted for: (i) impairment recorded on our investments; (ii) unrealized gains or losses on our investments (including provision for credit losses) and warrant liabilities; (iii) new public company transition expenses; (iv) non-capitalized transaction-related and other one-time expenses; (v) non-cash stock-based compensation; (vi) depreciation and amortization including amortization of our intangible assets; and (vii) deferred taxes, which are subject to variability and generally not indicative of future economic performance or representative of current operations.

During the year ended December 31, 2021 and 2020, provision for credit losses, net was \$6.2 and \$6.7 million, respectively, which has been excluded from distributable earnings consistent with other unrealized gains (losses) pursuant to our policy for reporting distributable earnings. We expect to recognize such potential credit losses in distributable earnings if and when such amounts are deemed nonrecoverable upon a realization event. This is generally upon charge-off of principal at the time of loan repayment or upon sale of real property owned by us and the amount of proceeds is less than the principal outstanding at the time of foreclosure.

## Broadmark Realty Capital Inc.

Management believes that the adjustments to compute “distributable earnings” specified above allow investors and analysts to readily identify and track the operating performance of our assets, assist in comparing the operating results between periods, and enable investors to evaluate our current performance using the same measure that management uses to operate the business. Distributable earnings excludes certain recurring items, such as unrealized gains and losses (including provision for credit losses) and non-capitalized transaction-related expenses, because they are not considered by management to be part of our primary operations for the reasons described herein. However, management has elected to also present distributable earnings prior to realized loss on investments because it believes the Company’s investors use such measure to evaluate and compare the performance of the Company and its peers. As such, distributable earnings and distributable earnings prior to realized loss on investments are not intended to reflect all of our activity and should be considered as only one of the factors used by management in assessing our performance, along with GAAP net income which is inclusive of all of our activities.

As a REIT, we are required to distribute at least 90% of our annual REIT taxable income and to pay tax at regular corporate rates to the extent that we annually distribute less than 100% of such taxable income. Given these requirements and our belief that dividends are generally one of the principal reasons that stockholders invest in our common stock, we generally intend to attempt to pay dividends to our stockholders in an amount equal to our net taxable income, if and to the extent authorized by our board of directors. Distributable earnings and distributable earnings prior to realized loss on investments are one of many factors considered by our board of directors in declaring dividends and, while not direct measures of taxable income, over time, the measures can be considered useful indicators of our dividends.

Distributable earnings and distributable earnings prior to realized loss on investments do not represent, and should not be considered as a substitute for, or superior to, net income or as a substitute for, or superior to, cash flows from operating activities, each as determined in accordance with GAAP, and our calculation of these measures may not be comparable to similarly entitled measures reported by other companies.

The table below is a reconciliation of distributable earnings to the most directly comparable GAAP financial measure:

<i>(dollars in thousands, except share and per share data)</i>	Year Ended	
	December 31, 2021	December 31, 2020
<b>Net income attributable to common stockholders</b>	\$ 82,488	\$ 90,231
<b>Adjustments for non-distributable earnings:</b>		
Stock-based compensation expense	3,455	4,867
New public company expenses <sup>(1)</sup>	953	4,705
Non-capitalized transaction and other one-time expenses <sup>(2)</sup>	987	181
Change in fair value of warrant liabilities	1,838	(5,492)
Depreciation and amortization	741	(558)
Provision for credit losses, net	6,179	6,722
<b>Distributable earnings prior to realized loss on investments:</b>	\$ 96,641	\$ 100,656
Realized credit losses <sup>(3)</sup>	(2,672)	(1,057)
<b>Distributable earnings:</b>	<u>\$ 93,969</u>	<u>\$ 99,599</u>
Distributable earnings per diluted share of common stock prior to realized loss on investments	\$ 0.73	\$ 0.76
Distributable earnings per diluted share of common stock	\$ 0.71	\$ 0.75
Weighted-average number of shares of common stock outstanding, basic and diluted		
Basic	132,579,289	132,209,495
Diluted	132,666,502	132,261,113

(1)Expenses directly related to professional fees in connection with our new public company reporting procedures, the design and implementation of internal controls under Section 404 of the Sarbanes-Oxley Act and the implementation of the CECL standard.

(2)Includes other one-time expenses primarily related to the liquidation of the Private REIT and recruiting fees associated with the President executive search.

(3)Represents credit losses recorded in the provision for credit losses and recognized in distributable earnings upon charge-off of principal at the time of loan repayment or upon sale of real property where proceeds received are less than the principal outstanding.

### Segment Reporting

We operate the business as one reportable segment, which originates, underwrites and services construction loans.



**Broadmark Realty Capital Inc.****Principal Factors Affecting the Comparability of our Results of Operations**

As a commercial real estate finance company, our results are affected by factors such as changes in economic climate, demand for housing, population trends, construction costs and the availability of alternative real estate financing from other lenders. These factors may have an impact on our ability to originate new loans or the performance of our existing loan portfolio.

From November 15, 2019, our consolidated financial statements reflect BREL II, one of the Predecessor Companies, as the accounting acquirer and Successor entity, acquiring the other three Predecessor Companies, the four Predecessor Management Companies, and Trinity in the Successor period. The Business Combination transaction reflects a change in accounting basis for the Predecessor Company Group (other than BREL II). As Trinity was a special purpose acquisition company, its acquisition is reflected as the issuance of shares for cash. For periods prior to November 15, 2019, in lieu of presenting separate financial statements of each of the Predecessor Companies and Predecessor Management Companies, consolidated financial statements have been presented, as these entities were under common management. Broadmark Realty is the successor issuer to Trinity.

As a result of the Business Combination, beginning from November 15, 2019, our consolidated financial statements are presented on a new basis of accounting pursuant to ASC 805, Business Combinations to reflect BREL II acquiring the other entities within the Predecessor Company Group and Trinity. For more information refer to “Note 3 – Business Combination” to the financial statements included in this Report.

**Results from Operations**

The period-to-period comparison of results is not necessarily indicative of results for future periods. The tables below set forth the results of our operations for the periods indicated, both in dollars and as a percentage of revenue (amounts in thousands, except percentage data):

<i>Statements of Operations Data:</i>	Successor Year Ended December 31, 2021	Successor Year Ended December 31, 2020	Successor Period from November 15, 2019 through December 31, 2019	Predecessor Period from January 1, 2019 through November 14, 2019 <sup>(2)</sup>
<b>Revenues:</b>				
Interest income	\$ 89,957	\$ 93,869	\$ 13,207	\$ 82,225
Fee income	30,587	28,489	2,767	32,785
Total revenue	120,544	122,358	15,974	115,010
<b>Expenses:</b>				
Compensation and employee benefits	15,093	15,646	2,527	5,554
General and administrative	11,626	15,251	2,843	10,402
Interest expense	3,320	—	—	—
Transaction costs	—	—	367	25,789
Total expenses	30,039	30,897	5,737	41,745
<b>Impairment:</b>				
Provision for credit losses, net	6,179	6,722	—	3,342
<b>Other (expense) income:</b>				
Change in fair value of warrant liabilities	(1,838)	5,492	(4,924)	—
<b>Income before provision for income taxes</b>	<b>82,488</b>	<b>90,231</b>	<b>5,313</b>	<b>69,923</b>
Income tax provision	—	—	—	—
<b>Net income</b>	<b>\$ 82,488</b>	<b>\$ 90,231</b>	<b>\$ 5,313</b>	<b>\$ 69,923</b>

**Broadmark Realty Capital Inc.**

<i>Percentage of Revenue:</i>	Successor Year Ended December 31, 2021	Successor Year Ended December 31, 2020	Successor Period from November 15, 2019 through December 31, 2019	Predecessor Period from January 1, 2019 through November 14, 2019 <sup>(2)</sup>
<b>Revenues:</b>				
Interest income	75 %	77 %	83 %	71 %
Fee income	25	23	17	29
Total revenue	100	100	100	100
<b>Expenses:</b>				
Compensation and employee benefits	13	13	16	5
General and administrative	10	12	18	9
Interest expense	3	—	—	—
Transaction costs	—	—	2	22
Total expenses	25	25	36	36
<b>Impairment:</b>				
Provision for credit losses, net	5	5	—	3
<b>Other (expense) income:</b>				
Change in fair value of warrant liabilities	(2)	4	(31)	—
<b>Income before provision for income taxes</b>	<b>68</b>	<b>74</b>	<b>33</b>	<b>61</b>
Income tax provision	—	—	—	—
<b>Net income</b>	<b>68 %</b>	<b>74 %</b>	<b>33 %</b>	<b>61 %</b>

**Comparison of Results of Operations**

Unless otherwise stated, for purposes of this Management's Discussion and Analysis of Financial Condition and Results of Operations, the comparison of the results of operations is for the year ended December 31, 2021 and December 31, 2020.

*Year Ended December 31, 2021 Compared to Year Ended December 31, 2020***Revenue**

Total revenue for the years ended December 31, 2021 and 2020 was \$120.5 and \$122.4 million, respectively, a decrease of \$1.9 million. The decrease primarily relates to a decrease in interest income of \$3.9 million, partially offset by an increase in fee income of \$2.1 million, which are discussed in more detail below.

**Expenses**

Total expenses for the years ended December 31, 2021 and 2020 were \$30.0 and \$30.9 million, respectively. The decrease primarily relates to decreases in general and administrative expenses and compensation and employee benefits of \$3.6 and \$0.6 million, respectively, partially offset by an increase in interest expense of \$3.3 million, which are discussed in more detail below.

**Interest Income**

Interest income decreased by \$3.9 million, or 4.2%, for the year ended December 31, 2021 from the year ended December 31, 2020, due to a lower average effective interest-bearing principal outstanding during the 2021 period compared to the 2020 period as a result of a larger percentage of the loan portfolio on non-accrual status over the course of 2021 compared to 2020 and an increase in the number of loans originated during the 2021 period with lower fixed rate interest and no minimum interest provisions; partially offset by the effects of an increase of 5% in the average size of our loan portfolio in the 2021 period compared to the 2020 period.

**Broadmark Realty Capital Inc.*****Fee Income***

Fee income increased by \$2.1 million, or 7.4%, for the year ended December 31, 2021 from the year ended December 31, 2020, primarily due to an increase in loan origination volume.

***Compensation and Employee Benefits***

Compensation and employee benefits expense decreased by \$0.6 million, or 3.5%, for the year ended December 31, 2021 from the year ended December 31, 2020. The decrease is primarily due to decreases of \$1.3 million in incentive compensation as certain stated company performance metrics were not achieved and \$1.1 million in employee stock-based compensation expense primarily due to a longer vesting period for most of the RSUs in the 2021 period compared to the 2020 period. These decreases were partially offset by an increase of \$1.9 million due to an increase in average employee headcount and higher wages during the 2021 period compared to the 2020 period.

***General and Administrative***

General and administrative expense decreased by \$3.6 million, or 23.8%, for the year ended December 31, 2021 from the year ended December 31, 2020. The decrease was primarily due to a decrease of \$4.7 million in professional fees as a result of the higher professional fees incurred during the 2020 period for first-year public company financial reporting and implementation of internal controls under Section 404 of the Sarbanes-Oxley Act. The decrease was partially offset by an increase of \$1.3 million in depreciation and amortization expense during the 2021 period, primarily as a result of a reversal of intangible asset amortization of \$0.7 million during the year ended December 31, 2020, which resulted from a purchase accounting measurement period adjustment in the 2020 period and depreciation of tenant improvements related to our corporate office expansion.

***Interest Expense***

Interest expense increased by \$3.3 million for the year ended December 31, 2021 from the year ended December 31, 2020, primarily due to increases of \$1.3 million as a result of amortization of deferred financing costs, associated with entering into a revolving credit facility in the first quarter of 2021, \$1.2 million of undrawn fees on our revolving line of credit and \$0.7 million in interest expense on our senior unsecured notes issued during the fourth quarter of 2021.

***Other Income (Expense)***

Other expense, which consists entirely of unrealized changes in the fair value of warrant liabilities increased \$7.3 million due to an expense of \$1.8 million for the year ended December 31, 2021 compared to income of \$5.5 million for the year ended December 31, 2020. The expense in the 2021 period relates to the Private Placement Warrant liability and is equal to the fair value of the liability as of December 31, 2021. A correction of an immaterial error was made in the second quarter of 2021 to initially record fair value of the Private Placement Warrant liability (refer to "Correction of Immaterial Error" in Note 2 to the consolidated financial statements included in this Annual Report for additional details on the accounting classification of the Private Placement Warrants) and, accordingly, there was no corresponding expense recorded in the 2020 period. For the 2020 period, the other income of \$5.5 million resulted from the decline in the fair value of the Optional Subscription liability that expired unexercised in the fourth quarter of 2020 and, accordingly, there is no corresponding income or expense related to the Optional Subscription liability in the 2021 period.

***Provision for (Reversal of) Credit Losses, Net***

The provision for credit losses decreased \$0.5 million for the year ended December 31, 2021 from the year ended December 31, 2020. This change was primarily due to a decrease in the provision for credit losses in the 2021 period resulting from the decrease in loans in contractual default compared to the 2020 period. This decrease was partially offset by increases in the provision for credit losses resulting from the growth in the size of the loan portfolio in the 2021 period compared to the 2020 period and an increase in estimated losses on loans classified as collateral dependent where foreclosure was deemed probable in the 2021 period compared to the 2020 period.

**Broadmark Realty Capital Inc.**

*Year Ended December 31, 2020 (Successor) Compared to the Period from November 15, 2019 through December 31, 2019 (Successor) and Period from January 1, 2019 through November 14, 2019 (Predecessor)*

A discussion regarding the results of operations for the year ended December 31, 2020 compared to the period from November 15 2019 through December 31, 2019 (Successor) and the period from January 1, 2019 through November 14 2019 (Predecessor) can be found under Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for fiscal year ended December 31, 2020, filed with the SEC on March 2, 2020, which is available on the SEC’s website at [www.sec.gov](http://www.sec.gov).

**Liquidity and Capital Resources**

***Overview***

Our primary liquidity needs include ongoing commitments to fund our lending activities and future funding obligations for our existing loan portfolio, paying dividends and funding other general business needs. Our material cash requirements from known contractual and other obligation are set forth in Note 12 - Commitment and Contingencies of our consolidated financial statements included in this Report. As of December 31, 2021 and 2020, our cash and cash equivalents totaled \$132.9 and \$223.4 million, respectively. As of December 31, 2021, our total liquidity includes not only cash and cash equivalents, but our entire undrawn revolving credit facility of \$135.0 million.

We seek to meet our long-term liquidity requirements, such as real estate lending needs, including future construction draw commitments, primarily through our existing cash resources and return of capital from investments, including loan repayments. Additionally, we intend to use borrowings under our revolving credit facility from time to time as a cash management tool in between collecting loan repayments. We expect to opportunistically issue debt and raise capital in the public and private markets from time to time based on market conditions. As of December 31, 2021, we had \$1.5 billion of total loan commitments outstanding, of which we have funded \$924.7 million.

On February 19, 2021, we entered into a credit agreement with a syndicate of lenders and JPMorgan Chase Bank, N.A., as administrative agent for the lenders, providing for a \$135.0 million revolving credit facility. As a source of backup liquidity for future draws, the availability of the revolving credit facility has enabled us to use a larger percentage of our cash balances for lending activities. In October 2021, we made our first use of our revolving credit facility, with a draw of \$50.0 million to support the funding of borrower draws and new loan originations while we awaited several large loan repayments. We then repaid the outstanding balance on our revolving credit facility in full by October 31, 2021 following the receipt of such loan repayments, minimizing the cost of such borrowing while earning fee income on the new borrower draws and loan originations. These events demonstrate the value of our revolving credit facility as a cash management tool.

Our obligations under the revolving credit facility are secured by substantially all of our assets. The revolving credit facility contains covenants customary for financings of this type, including limitations on the incurrence of indebtedness, liens, asset dispositions, acquisitions, mergers and consolidations, certain dividends, distributions and other payments, advances and investments, payments to affiliates, optional prepayments and other modifications of certain other indebtedness, and amendments, terminations and waivers of certain material agreements, as well as a minimum tangible net worth, a total debt to equity ratio and a minimum debt service coverage ratio requirement. Among other things, the credit agreement provides that we may not pay cash dividends that would result in non-compliance with the financial covenants under the credit agreement or during an event of default under the credit agreement, except in the case of defaults other than payment defaults, for dividends in the amounts necessary to maintain our REIT status. The revolving credit facility contains events of default customary for financings of this type, including failure to pay principal, interest and other amounts, materially incorrect representations or warranties, failure to observe covenants and other terms of the revolving credit facility, cross-defaults to other indebtedness, bankruptcy, insolvency, material judgments, certain ERISA violations, changes in control and failure to maintain REIT status, in some cases subject to customary grace periods.

On November 12, 2021, we completed a private offering of \$100.0 million of senior unsecured notes. Interest on this debt accrues at the fixed rate of 5.00% per annum, payable semi-annually in arrears. The notes may be prepaid prior to their maturity date, subject to the payment of applicable premiums. The note purchase agreement contains financial covenants that require compliance with leverage and coverage ratios and maintenance of minimum tangible net worth, as well as other affirmative and negative covenants that may limit, among other things, our ability to incur liens and enter into mergers or transfer all or substantially all of our assets. The note purchase agreement governing the senior unsecured notes also includes customary representations and warranties and customary events of default.

**Broadmark Realty Capital Inc.**

On March 2, 2021, we entered into a distribution agreement with J.P. Morgan Securities LLC, Barclays Capital Inc., B. Riley Securities, Inc., JMP Securities LLC and Raymond James & Associates, Inc. as sales agents, to sell shares of our common stock having an aggregate gross sales price of up to \$200,000,000, from time to time, through an “at-the-market” equity offering program (the “ATM Program”). We have no obligation to sell any shares under the ATM Program, and sold no shares under the ATM Program during the year ended December 31, 2021.

We believe our existing sources of liquidity are sufficient to fund our existing commitments. However, we are continuing to monitor the COVID-19 pandemic and its impact on us, our borrowers and the economy as a whole. To the extent funds available for new loans are limited, we will manage our capital deployment based on the receipt of payoffs and may from time to time use borrowings under our credit facility. As a key component of our growth strategy going forward, we plan to raise capital, which may include additional debt financing, from time to time subject to market conditions. We intend to maintain a conservative balance sheet and debt to equity ratio. Under our credit agreement for our revolving credit facility, we must maintain a total debt to equity ratio that does not exceed 30%.

As a REIT, we are required to distribute at least 90% of our annual REIT taxable income to our stockholders, including taxable income where Broadmark Realty does not receive corresponding cash. We intend to distribute all or substantially all of our REIT taxable income in order to comply with the REIT distribution requirements of the Code and to avoid U.S. federal income tax and the non-deductible excise tax.

**Sources and Uses of Cash**

The following table sets forth changes in cash and cash equivalents for the year ended December 31, 2021 and 2020 and periods ended December 31, 2019 and November 14, 2019 :

<i>(dollars in thousands)</i>	Successor Year Ended December 31, 2021	Successor Year Ended December 31, 2020	Successor Period from November 15, 2019 through December 31, 2019	Predecessor Period from January 1, 2019 through November 14, 2019 <sup>(2)</sup>
Cash provided by (used in):				
Operating activities	\$ 64,130	\$ 63,803	\$ 5,640	\$ 91,498
Investing activities	(136,079)	32,422	(25,892)	(216,391)
Financing activities	(18,537)	(111,064)	258,396	101,235
Net decrease in cash & cash equivalents	<u>\$ (90,486)</u>	<u>\$ (14,839)</u>	<u>\$ 238,144</u>	<u>\$ (23,658)</u>

**Comparison of Results of Cash Flows for the Year Ended December 31, 2021 and December 31, 2020**

Net cash provided by operating activities for the year ended December 31, 2021 and 2020 were comparable at \$64.1 and \$63.8 million, respectively. Net cash provided by operating activities is driven by our net income adjusted for non-cash items and changes in operating assets and liabilities. Interest received for the 2021 period did not increase by the percentage increase in our average outstanding loan portfolio for the 2021 period compared to the 2020 period due to the lower effective interest bearing principal outstanding and lower interest rates on some new loans due to market factors along with our new dynamic pricing model. The reconciliations between net income and cash provided by operating activities in the consolidated statement of cash flows include adjustments to net income for non-cash items that, while fluctuating between the 2021 and 2020 periods, have no effect on cash that was provided by operating activities.

Net cash used in investing activities was \$136.1 million for the year ended December 31, 2021 and net cash provided by investing activities was \$32.4 million for the year ended December 31, 2020. The increase in cash used in investing activities of \$168.5 million was primarily due to higher principal outstanding under our mortgage notes receivable between the 2021 and 2020 periods and the \$43.5 million paid to repurchase of participations in mortgage notes receivable from the Private REIT in the 2021 period.

Net cash used in financing activities was \$18.5 million for the year ended December 31, 2021 and \$111.1 million for the year ended December 31, 2020. The decrease in cash used in financing activities of \$92.5 million was primarily due to a \$97.1 million increase in net proceeds from issuance of senior unsecured notes partially offset by an increase resulting from the \$5.1 million payment of costs to obtain our revolving credit facility in the 2021 period.

**Broadmark Realty Capital Inc.****Critical Accounting Policies and Estimates***Use of Estimates in the Preparation of Financial Statements*

The most significant accounting estimates involve a high degree of judgment or complexity. Management believes the estimates and judgments most critical to the preparation of our consolidated financial statements and to the understanding of our reported financial results include those made in connection with loan impairment and valuation of investments in real estate.

We measure and record potential expected credit losses related to our loan portfolio in accordance with the Current Expected Credit Losses (“CECL”) Standard. The CECL Standard requires an entity to consider historical loss experience, current conditions, and a reasonable and supportable forecast of the economic environment. The Company utilizes a probability of default/loss given default (“PD/LGD”) method for estimating current expected credit losses. Please see “Note 2 – Summary of Significant Accounting Policies” and “Note 4 Mortgage Notes Receivable” of our consolidated financial statements included in this Report for further discussion regarding CECL.

In accordance with the PD/LGD method, an annual historical loss rate is applied to the amortized cost of an asset or pool of assets over the remaining expected life. The PD/LGD method requires consideration of the timing of expected future funding of existing commitments and repayments over each asset’s remaining life. An annual loss factor, adjusted for macroeconomic estimates, is applied over each subsequent period and aggregated to arrive at the CECL allowance.

In determining the CECL allowance, we considered various factors including (i) historical loss experience in our portfolio, (ii) historical loss experience in the commercial real estate lending market, (iii) timing of expected pay offs including prepayments and extensions where reasonably expected, and (iv) our current and future view of the macroeconomic environment. We utilize a reasonable and supportable forecast period equal to the contractual term of the loan plus short-term extensions of one to three months that are reasonably expected for construction loans.

Management estimates the allowance for credit losses using relevant information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The allowance for credit losses is maintained at a level sufficient to provide for expected credit losses over the life of the loan based on evaluating historical credit loss experience and making adjustments to historical loss information for differences in the specific risk characteristics in the current loan portfolio. Refer to “Note 4 – Mortgage Notes Receivable” for further information regarding the CECL allowance. The CECL allowance related to the principal outstanding is presented within mortgage notes receivable, net and for unfunded commitments is within accounts payable and accrued liabilities on our consolidated balance sheets.

We have made an accounting policy election to exclude accrued interest receivable, included in interest and fees receivable, net on our consolidated balance sheets, from the amortized cost basis of the related mortgage notes receivable in determining the CECL allowance, as any uncollected accrued interest receivable is written off in a timely manner. No interest income is recognized on mortgage notes receivable that are in contractual default unless the interest is paid in cash or collectability of all amounts due is reasonably assured. In addition, in certain instances, where the interest reserve on a current loan has been fully depleted and the interest payment is not expected to be collected from the borrower, we may place a current loan on non-accrual status and recognize interest income on a cash-basis where principal collection is not in doubt.

To maximize recovery against a defaulted loan, we may assume legal title or physical possession of the underlying collateral through foreclosure or the execution of a deed in lieu of foreclosure. Foreclosed properties are recorded at fair market value at the time of acquisition, which generally approximates the carrying value of the loan secured by such property. The fair value of real property is based upon the most recent independent third-party appraisal of value, discounted between 0% to 10% based upon our experience with actual liquidation values. For certain real properties, where a recent appraisal is either unavailable or not most representative of fair value, the fair value is based on a broker opinion of value including a capitalized income analysis and replacement cost analysis considering historical operating results, market rents, vacancy rates, capitalization rates, land cost comparisons, market trends and economic conditions. The assessment of fair value of real property is subject to uncertainty and, in certain cases, sensitive to the selection of comparable properties.

For a complete listing and description of our significant accounting policies and description of our adoption of new accounting pronouncements and the impact thereof on our business, see “Note 2 - Summary of Significant Accounting Policies” of our consolidated financial statements included in this Report.

**Broadmark Realty Capital Inc.**

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

At December 31, 2021, we did not have any outstanding “market risk sensitive instruments,” as such term is used within the meaning of Item 305 of SEC Regulation S-K. However, we are subject to other types of business risk described below and under “Market Risks Related to Real Estate Loans” in Item 1A. Risk Factors above.

**Interest Rate Risk**

While all our loans bear a fixed rate of interest and we do not have any interest-rate sensitive instruments obligations outstanding, the nature of our business exposes us to business risk arising from changes in interest rates. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. An increase or decrease in interest rates would not impact the interest charged on our then existing loan portfolio, as our loans bear fixed rates of interest. However, a rapid significant increase in interest rates may reduce the demand for mortgage loans due to the higher cost of borrowing, potentially resulting in a reduced demand for real estate, declining real estate values and higher default rates. Alternatively, a significant rapid decline in interest rates may negatively affect the amount of interest that we may charge on new loans, including those that are made with capital received as outstanding loans mature. Additionally, declining interest rates may also result in prepayments of existing loans, which may also result in the redeployment of capital in new loans bearing lower interest rates. See Item 1A above.

**Credit Risk**

Our loans are subject to credit risk. Credit risk is the exposure to loss from loan defaults. Default rates are subject to a wide variety of factors, including, but not limited to, borrower financial condition, property performance, property management, supply and demand factors, construction trends, consumer behavior, regional economics, interest rates, the strength of the U.S. economy and other factors beyond our control. All loans are subject to a certain possibility of default. We seek to mitigate credit risk by originating loans which are secured by first position liens on real estate with a maximum loan-to-value ratio of 65%. We also undertake extensive due diligence of the property that will be mortgaged to secure the loans, including review of third-party appraisals on the property.

**Risks Related to Real Estate**

Residential and commercial property values are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, events such as natural disasters, including hurricanes and earthquakes, acts of war and terrorism, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as an oversupply of housing, retail, industrial, office or other commercial space); changes or continued weakness in specific industry segments; construction quality, construction cost, age and design; demographic factors; retroactive changes to building or similar codes; and increases in operating expenses (such as energy costs). In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay the loans, which could also cause us to suffer losses. These factors could adversely affect our business, financial condition, results of operations and ability to make distributions to its members.



**Broadmark Realty Capital Inc.**

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**Index to Consolidated Financial Statements**

	Page
<a href="#">Reports of Independent Registered Public Accounting Firm (PCAOB ID: 659)</a>	57
<a href="#">Consolidated Balance Sheets as of December 31, 2021 and 2020</a>	61
<a href="#">Consolidated Statements of Income for the Years Ended December 31, 2021 and 2020 (Successor), Period from November 15, 2019 through December 31, 2019 (Successor) and Period from January 1, 2019 through November 14, 2019 (Predecessor)</a>	62
<a href="#">Consolidated Statements of Members' Equity for the Period from January 1, 2019 through November 14, 2019 (Predecessor).</a>	63
<a href="#">Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2021 and 2020 (Successor) and Period from November 15, 2019 through December 31, 2019 (Successor)</a>	64
<a href="#">Consolidated Statements of Cash Flows</a>	65
<a href="#">Notes to Consolidated Financial Statements</a>	67

**Broadmark Realty Capital Inc.**

**Report of Independent Registered Public Accounting Firm**

To the Members and the Board of Directors of  
Broadmark Realty Capital, Inc. (the “Predecessor Company Group”)

*Opinion on the Financial Statements*

We have audited the accompanying combined statements of income, members’ equity, and cash flows of the Predecessor Company Group, as defined in Note 1, (collectively, the “Predecessor”) for the period from January 1, 2019 to November 14, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the results of its operations and its cash flows for the period from January 1, 2019 to November 14, 2019, in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

These financial statements are the responsibility of the Predecessor’s management. Our responsibility is to express an opinion on the Predecessor’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Predecessor in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Predecessor is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Predecessor’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Moss Adams LLP

Everett, Washington  
February 28, 2022

We have served as the Predecessor’s auditor since 2019.

**Broadmark Realty Capital Inc.**

**Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of  
Broadmark Realty Capital Inc.

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Broadmark Realty Capital Inc. and subsidiaries (the “Company” or “Successor”) as of December 31, 2021 and 2020, and the related consolidated statements of income, stockholders’ equity and cash flows for the years ended December 31, 2021 and 2020, and for the period from November 15, 2019 to December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Successor as of December 31, 2021 and 2020, and the consolidated results of its operations and its cash flows for the years ended December 31, 2021 and 2020, and the period from November 15, 2019 to December 31, 2019, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

***Change in Accounting Principle***

On January 1, 2020, the Company adopted Accounting Standards Codification Topic 326, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.

***Basis for Opinions***

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting included in Item 9A. Our responsibility is to express an opinion on the Company’s consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

***Definition and Limitations of Internal Control Over Financial Reporting***

## **Broadmark Realty Capital Inc.**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matter***

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

### **Qualitative Adjustments to Current Expected Credit Loss ("CECL") Allowance**

As described in Notes 2 and 4 to the consolidated financial statements, in determining the CECL allowance, the Company considered various factors including (i) historical loss experience in their portfolio, (ii) historical loss experience in the commercial real estate lending market, (iii) timing of expected pay offs, including prepayments and extensions where reasonably expected, and (iv) their current and future view of the macroeconomic environment. The Company utilizes a reasonable and supportable forecast period equal to the contractual term of the loan plus short-term extensions of one to three months that are reasonably expected for construction loans.

The Company estimates the allowance for credit losses using relevant information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The allowance for credit losses is maintained at a level sufficient to provide for expected credit losses over the life of the loan based on evaluating historical credit loss experience and making adjustments to historical loss information for differences in the specific risk characteristics in the current loan portfolio

The Company makes qualitative adjustments to default and loss inputs to reflect the current impact of certain macroeconomic variables as well as expected changes over a reasonable and supportable forecast period. We identified the qualitative adjustments to default and loss inputs used in the CECL allowance to be a critical audit matter because of the subjectivity used to determine the adjustments and the estimation uncertainty. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of the qualitative adjustments.

**Broadmark Realty Capital Inc.**

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of controls implemented by the Company in relation to the determination of the CECL allowance. Specifically, in relation to the adjustments made to the CECL allowance, we focused our procedures on testing internal controls related to evaluation of the use of internally calculated default and loss information and externally sourced default and loss information, and evaluation of macroeconomic factors and other judgements involved in the determination of such adjustments.
- Obtaining the Company's analysis and supporting documentation related to the qualitative adjustments determining the extent to which internal and external data and other macroeconomic variables are used and testing, to include independent analysis, whether these adjustments used in the calculation of the CECL allowance are reasonable based on the analysis provided by management.

**Valuation of Investment in Real Property Held-for-Sale and Collateral Dependent Loans**

As described in Notes 2, 4 and 5 to the consolidated financial statements, the Company assesses potential impairment of investment in real property held-for-sale and collateral dependent loans on an individual basis by comparing the estimated fair value of the underlying loan collateral or property, less costs to sell, to the carrying amount of the respective asset. The fair value estimate of collateral dependent loans and real properties held-for-sale required significant judgment, which may include assumptions regarding market capitalization rates, income projections, comparable sales, or other factors deemed relevant by the Company.

We identified the fair value estimate of certain collateral dependent loans and real properties held-for-sale as a critical audit matter because of the subjectivity, lack of observability, and judgement involved in the determination of the valuation method and certain significant assumptions. Auditing the fair value of certain collateral dependent loans and real properties held-for-sale required a high degree of auditor judgment and increased effort, including the need to involve internal valuation specialists.

Our audit procedures related to testing the valuation of investment in real property held-for-sale and of collateral dependent loans included, among others:

- Testing the design and operating effectiveness of controls implemented by the Company in relation to the estimation of the fair value of the collateral dependent loans and real properties held-for-sale.
- Testing management's significant assumptions regarding market capitalization rates, income projections, comparable sales or other factors deemed relevant by the Company, through independent analysis and comparison to external sources for collateral dependent loans and real properties held-for-sale.
- Utilizing our internal valuation specialists to evaluate the Company's valuation methodologies and significant assumptions used for collateral dependent loans and real properties held-for-sale.

/s/ Moss Adams LLP

Everett, Washington  
February 28, 2022

We have served as the Company's auditor since 2019.

**Broadmark Realty Capital Inc.**  
**Consolidated Balance Sheets**  
**(in thousands, except share data)**

	December 31, 2021	December 31, 2020
<b>Assets</b>		
Cash and cash equivalents	\$ 132,889	\$ 223,375
Mortgage notes receivable, net	901,350	798,486
Interest and fees receivable, net	17,526	14,357
Investment in real property, net	68,067	8,473
Right-of-use assets	6,016	—
Goodwill	136,965	136,965
Other assets	8,342	5,663
<b>Total assets</b>	<b>\$ 1,271,155</b>	<b>\$ 1,187,319</b>
<b>Liabilities and stockholders' equity</b>		
Senior unsecured notes, net	\$ 97,223	\$ —
Dividends payable	9,291	7,952
Accounts payable and accrued liabilities	8,180	4,946
Lease liabilities	7,993	—
<b>Total liabilities</b>	<b>\$ 122,687</b>	<b>\$ 12,898</b>
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 100,000,000 shares authorized, no shares issued and outstanding at December 31, 2021 and December 31, 2020	—	—
Common stock, \$0.001 par value, 500,000,000 shares authorized, 132,716,338 and 132,532,383 shares issued and outstanding at December 31, 2021 and December 31, 2020, respectively	132	132
Additional paid in capital	1,216,957	1,213,987
Accumulated deficit	(68,621)	(39,698)
<b>Total stockholders' equity</b>	<b>1,148,468</b>	<b>1,174,421</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,271,155</b>	<b>\$ 1,187,319</b>

See accompanying notes to the consolidated financial statements

**Broadmark Realty Capital Inc.**  
**Consolidated Statements of Income**  
(in thousands, except share and per share data)

	Successor Year Ended December 31, 2021	Successor Year Ended December 31, 2020	Successor Period from November 15, 2019 through December 31, 2019	Predecessor Period from January 1, 2019 through November 14, 2019 <sup>(2)</sup>
<b>Revenues:</b>				
Interest income	\$ 89,957	\$ 93,869	\$ 13,207	\$ 82,225
Fee income	30,587	28,489	2,767	32,785
Total revenues	\$ 120,544	\$ 122,358	\$ 15,974	\$ 115,010
<b>Expenses:</b>				
Compensation and employee benefits	15,093	15,646	2,527	5,554
General and administrative	11,626	15,251	2,843	10,402
Interest expense	3,320	—	—	—
Transaction costs	—	—	367	25,789
Total expenses	30,039	30,897	5,737	41,745
<b>Impairment:</b>				
Provision for credit losses, net	6,179	6,722	—	3,342
<b>Other (expense) income:</b>				
Change in fair value of warrant liabilities	(1,838)	5,492	(4,924)	—
<b>Income before provision for income taxes</b>	<b>82,488</b>	<b>90,231</b>	<b>5,313</b>	<b>69,923</b>
Income tax provision	—	—	—	—
<b>Net income</b>	<b>\$ 82,488</b>	<b>\$ 90,231</b>	<b>\$ 5,313</b>	<b>\$ 69,923</b>
Earnings per common share: <sup>(1)</sup>				
Basic	\$ 0.62	\$ 0.68	\$ 0.04	
Diluted	\$ 0.62	\$ 0.68	\$ 0.04	
Weighted-average shares of common stock outstanding, basic and diluted:				
Basic	132,579,289	132,209,495	132,111,329	
Diluted	132,666,502	132,261,113	132,499,386	

See accompanying notes to the consolidated financial statements

(1)The Company determined that earnings per unit in the Predecessor periods would not be meaningful to the users of this filing, given the different unit holders and members' equity structures of each individual entity in the Predecessor Company Group.

(2)Predecessor period is combined as disclosed in Note 1.



**Broadmark Realty Capital Inc.**  
**Consolidated Statements of Members' Equity**  
**(in thousands, except share data)**

	Class A Units		Class P Units		Preferred Units		Additional Paid-in Capital	Accumulated Deficit	Total
	Units	Amount	Units	Amount	Units	Amount			
<b>Balances as of December 31, 2018</b> <b>(Predecessor)</b>	20,950	\$ 1	50	\$ —	6,817,701	\$ 684,979	\$ 767	\$ (637)	\$ 685,110
Contributions	850	—	—	—	3,563,859	356,386	—	—	356,386
Reinvestments	—	—	—	—	336,366	33,637	—	—	33,637
Net income	—	—	—	—	—	—	—	69,923	69,923
Distributions	—	—	—	—	—	—	—	(102,204)	(102,204)
Redemptions	—	—	—	—	(1,555,623)	(155,744)	—	—	(155,744)
Compensation expense related to grant of profits interest	(100)	—	100	—	—	—	734	—	734
Grants of restricted units	150	—	—	—	—	—	474	—	474
<b>Balances as of November 14, 2019</b> <b>(Predecessor)<sup>(1)</sup></b>	<u>21,850</u>	<u>\$ 1</u>	<u>150</u>	<u>\$ —</u>	<u>9,162,303</u>	<u>\$ 919,258</u>	<u>\$ 1,975</u>	<u>\$ (32,918)</u>	<u>\$ 888,316</u>

See accompanying notes to the consolidated financial statements

(1) Predecessor period is combined as disclosed in Note 1.

**Broadmark Realty Capital Inc.**  
**Consolidated Statements of Stockholders' Equity**  
(in thousands, except share data)

	Preferred		Common stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
<b>Balances as of November 14, 2019 BREL F II, LLC</b>	4,655,758	\$ 467,235	—	\$ —	\$ —	\$ (12,259)	454,976
Recapitalization of BREL F II, LLC and Broadmark	(4,655,758)	(467,235)	86,118,101	86	794,798	(1,992)	325,657
Consent fee paid to warrant holders	—	—	—	—	(66,679)	—	(66,679)
Issuance of shares in connection with Business Combination	—	—	45,896,534	46	479,573	—	479,619
Issuance of shares for exercised warrants	—	—	1,000	—	11	—	11
Net income	—	—	—	—	—	5,313	5,313
Dividends	—	—	—	—	—	(15,842)	(15,842)
Stock-based compensation expense for restricted stock units	—	—	—	—	1,417	—	1,417
<b>Balances as of December 31, 2019 (Successor)</b>	—	\$ —	132,015,635	\$ 132	\$ 1,209,120	\$ (24,780)	\$ 1,184,472
Adoption of ASU 2016-13	—	—	—	—	—	(1,975)	(1,975)
Issuance of shares for vested restricted stock units	—	—	516,723	—	—	—	—
Issuance of shares for exercised warrants	—	—	25	—	—	—	—
Net income	—	—	—	—	—	90,231	90,231
Dividends	—	—	—	—	—	(103,174)	(103,174)
Stock-based compensation expense for restricted stock units	—	—	—	—	4,867	—	4,867
<b>Balances as of December 31, 2020 (Successor)</b>	\$ —	\$ —	\$ 132,532,383	\$ 132	\$ 1,213,987	\$ (39,698)	\$ 1,174,421
Net income	—	—	—	—	—	82,488	82,488
Dividends	—	—	—	—	—	(111,411)	(111,411)
Issuance of shares for vested restricted stock units	—	—	231,053	—	—	—	—
Shares withheld for tax liability	—	—	(47,098)	—	(485)	—	(485)
Stock-based compensation expense for restricted stock units	—	—	—	—	3,455	—	3,455
<b>Balances as of December 31, 2021</b>	—	\$ —	\$ 132,716,338	\$ 132	\$ 1,216,957	\$ (68,621)	\$ 1,148,468

See accompanying notes to the consolidated financial statements

**Broadmark Realty Capital Inc.**  
**Consolidated Statements of Cash Flows**  
(in thousands)

	Successor Year Ended December 31, 2021	Successor Year Ended December 31, 2020	Successor Period from November 15, 2019 through December 31, 2019	Predecessor Period from January 1, 2019 through November 14, 2019 <sup>(1)</sup>
<b>Cash flows from operating activities</b>				
Net income	\$ 82,488	\$ 90,231	\$ 5,313	\$ 69,923
Adjustments to reconcile net income to net cash provided by operating activities:				
Accretion of deferred origination and amendment fees	(27,741)	(23,114)	—	—
Depreciation and amortization	741	(558)	1,038	112
Amortization of right of use assets	382	446	—	—
Amortization of debt issuance costs	78	—	—	—
Amortization of credit facility costs	1,255	—	—	—
Stock-based compensation expense for restricted stock units	3,455	4,867	1,417	—
Compensation expense related to grant of profits interest	—	—	—	734
Compensation expense related to grant of Class A units	—	—	—	474
Provision for credit losses, net	6,179	6,722	—	3,342
Write down of investment in real property	—	—	—	179
Change in fair value of warrant liabilities	1,838	(5,492)	4,924	—
Changes in operating assets and liabilities:				
Interest and fees receivable, net	(3,169)	(10,249)	1,908	(5,134)
Other assets	385	(1,073)	(1,291)	(290)
Accounts payable and accrued liabilities	(1,397)	2,469	(7,669)	22,158
Lease liabilities	(364)	(446)	—	—
<b>Net cash provided by operating activities</b>	<b>64,130</b>	<b>63,803</b>	<b>5,640</b>	<b>91,498</b>
<b>Cash flows from investing activities:</b>				
Purchases of property and equipment	(476)	—	(13,740)	(268)
Proceeds from sale of real property	4,319	6,356	2,577	6,363
Improvements to investments in real property	(4,435)	(119)	—	(308)
Repurchase of participations in mortgage notes receivable	(43,498)	—	—	—
Change in mortgage notes receivable, net	(91,989)	26,185	(14,729)	(222,178)
<b>Net cash provided by (used in) investing activities</b>	<b>(136,079)</b>	<b>32,422</b>	<b>(25,892)</b>	<b>(216,391)</b>

**Broadmark Realty Capital Inc.**
**Consolidated Statements of Cash Flows Continued**

(in thousands)

	Successor Year Ended December 31, 2021	Successor Year Ended December 31, 2020	Successor Period from November 15, 2019 through December 31, 2019	Predecessor Period from January 1, 2019 through November 14, 2019 <sup>(1)</sup>
<b>Cash flows from financing activities:</b>				
Proceeds from recapitalization with Trinity Merger Sub	—	—	327,056	—
Contributions from members	—	—	—	356,386
Contributions received in advance	—	—	—	(24,507)
Dividends paid	(110,072)	(111,064)	—	—
Distributions	—	—	(1,992)	(74,900)
Redemptions of members	—	—	—	(155,744)
Proceeds from exercise of warrants	—	—	11	—
Consent fee paid to holders of Public Warrants	—	—	(66,679)	—
Proceeds from issuance of senior unsecured notes	100,000	—	—	—
Payment of debt issue costs	(2,855)	—	—	—
Payment of costs to obtain financing	(5,125)	—	—	—
Proceeds from borrowings on credit facilities	50,000	—	—	—
Repayment of borrowings on credit facilities	(50,000)	—	—	—
Payment of taxes on shares withheld for tax liability	(485)	—	—	—
<b>Net cash provided by (used in) financing activities</b>	<b>(18,537)</b>	<b>(111,064)</b>	<b>258,396</b>	<b>101,235</b>
Net decrease in cash and cash equivalents	(90,486)	(14,839)	238,144	(23,658)
Cash and cash equivalents, beginning of period	223,375	238,214	70	112,234
<b>Cash and cash equivalents, end of period</b>	<b>\$ 132,889</b>	<b>\$ 223,375</b>	<b>\$ 238,214</b>	<b>\$ 88,576</b>
<b>Supplemental disclosure of non-cash investing and financing activities:</b>				
Common stock issued in connection with the Business Combination	\$ —	\$ —	\$ 479,619	\$ —
Common stock issued in connection with the Recapitalization of BRELIF II	—	—	495,496	—
Common stock issued for transaction expenses in connection with Business Combination and Recapitalization	—	—	1,391	—
Assumption of consent fee liability in connection with the recapitalization with Trinity Merger Sub I, Inc.	—	—	66,679	—
Dividends payable	9,291	7,952	15,842	—
Reinvested distributions	—	—	—	33,637
Measurement period adjustment to goodwill and intangible assets	—	5,000	—	—
Mortgage notes receivable converted to investment in real property	54,349	8,873	—	2,046
Interest and fee receivables converted to investments in real property	4,129	—	—	—
Operating lease right-of-use assets	6,360	—	—	—
Lease liabilities arising from obtaining right-of-use assets	8,319	—	—	—
Property and equipment purchased through tenant improvement allowance	1,959	—	—	—

See accompanying notes to the consolidated financial statements

(1) Predecessor period is combined as disclosed in Note 1.

## Broadmark Realty Capital Inc.

### Notes to Consolidated Financial Statements

#### Note 1 - Organization and Business

Broadmark Realty Capital Inc. (“Broadmark Realty,” “the Company,” “Successor,” “we,” “us” and “our”) is an internally managed commercial real estate finance company that provides secured financing to real estate investors and developers. Broadmark Realty’s objective is to preserve and protect stockholder capital while producing attractive risk-adjusted returns primarily through dividends generated from current income from its loan portfolio. Broadmark Realty generally operates in states that it believes to have favorable demographic trends and provide Broadmark Realty the ability to efficiently access the underlying collateral in the event of borrower default.

On November 14, 2019 (the “Closing Date”), Broadmark Realty Capital Inc., a Maryland corporation (formerly named Trinity Sub Inc.) (“Broadmark Realty”), consummated a business combination (the “Business Combination”) pursuant to an Agreement and Plan of Merger, dated August 9, 2019 (the “Merger Agreement”), by and among the Company, Trinity Merger Corp. (“Trinity”), Trinity Merger Sub I, Inc. (“Merger Sub I”), Trinity Merger Sub II, LLC (“Merger Sub II”) and together with Trinity and Merger Sub I, the “Trinity Parties”), PBRELF I, LLC (“PBRELF”), BRELF II, LLC (“BRELF II”), BRELF III, LLC (“BRELF III”), BRELF IV, LLC (“BRELF IV” and, together with PBRELF, BRELF II and BRELF III, the “Predecessor Companies” and each a “Predecessor Company”), Pyatt Broadmark Management, LLC (“MgCo I”), Broadmark Real Estate Management II, LLC (“MgCo II”), Broadmark Real Estate Management III, LLC (“MgCo III”), and Broadmark Real Estate Management IV, LLC (“MgCo IV” and, together with MgCo I, MgCo II and MgCo III, the “Predecessor Management Companies” and each a “Predecessor Management Company,” and the Predecessor Management Companies, together with the Predecessor Companies and their subsidiaries, the “Predecessor Company Group”). Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, (i) Merger Sub I merged with and into Trinity, with Trinity being the surviving entity of such merger (the “Trinity Merger”), (ii) immediately following the Trinity Merger, each of the Predecessor Companies merged with and into Merger Sub II, with Merger Sub II being the surviving entity of such merger (the “Company Merger”), and (iii) immediately following the Company Merger, each of the Predecessor Management Companies merged with and into Trinity, with Trinity being the surviving entity of such merger (the “Management Company Merger” and, together with the Trinity Merger and the Company Merger, the “Mergers”). As a result of the Mergers, Merger Sub II and Trinity became wholly owned subsidiaries of Broadmark Realty.

The consolidated subsidiaries of Broadmark Realty include BRMK Lending, LLC, BRMK Management, Corp., and Broadmark Private REIT Management, LLC. BRMK Lending, LLC originates short-term loans secured by first deed of trust liens on residential and commercial real estate. BRMK Management, Corp. (the “Manager”) manages the underwriting, closing, servicing and disposition of mortgage notes, and performs all general and administrative duties for Broadmark Realty. Broadmark Private REIT Management, LLC (the “Private REIT Manager”) previously managed Broadmark Private REIT, LLC (the “Private REIT”), which was an unconsolidated affiliate of the Company that primarily participated in loans originated, underwritten and serviced by a subsidiary of Broadmark Realty. The Private REIT was liquidated during the quarter ended September 30, 2021. Refer to “Broadmark Private REIT, LLC” in Note 13 for details about the liquidation of the Private REIT.

Broadmark Realty has elected to be taxed as a real estate investment trust (“REIT”) for U.S. federal income tax purposes. Broadmark Realty generally will not be subject to U.S. federal corporate income tax on that portion of its net income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by prescribed dates and complies with various other requirements. The Company also operates its business in a manner that permits it to maintain an exclusion from registration under the Investment Company Act of 1940. As a REIT, Broadmark Realty may own up to 100% of the stock of one or more taxable REIT subsidiaries (“TRSs”), which may earn income that would not be qualifying income if earned directly by a REIT. The Manager is a TRS and this election applies to the wholly-owned subsidiaries of the Manager, including the Private REIT Manager.

Unless the context otherwise requires, references to “Broadmark Realty,” the “Company,” “we,” “us” and “our” in the remainder of this report refer to Broadmark Realty Capital Inc. and its consolidated subsidiaries after the Business Combination, and refer to the Predecessor Company Group for periods prior to the Business Combination.

## Broadmark Realty Capital Inc.

### Note 2 - Summary of Significant Accounting Policies

#### Basis of Presentation

For the period from January 1, 2019 through November 15, 2019, the accompanying consolidated financial statements do not represent the financial position and results of operations of one controlling legal entity, but rather a combination of the historical results of the Predecessor Company Group, which was under common management. Therefore, any reference herein to the Predecessor financial statements are made on a combined basis. For periods from November 15, 2019 on, the principles of consolidation accompanying consolidated financial statements represent the consolidated financial statements of the Company, beginning with BRELIF II as the accounting acquirer and successor entity. In addition, as a result of the Business Combination, the consolidated financial statements for periods from November 15, 2019 on, are presented on a new basis of accounting pursuant to Accounting Standards Codification ("ASC") 805, *Business Combinations* (refer to Note 3) to reflect BRELIF II acquiring the other entities within the Predecessor Company Group and Trinity in the successor period.

The accompanying consolidated financial statements include Broadmark Realty Capital Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. These consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC").

#### Principles of Consolidation

For the Predecessor period, all significant intra-entity accounts, balances, and transactions have been eliminated in the preparation of the consolidated financial statements. All significant intercompany accounts, balances, and transactions have been eliminated in consolidation. Broadmark Realty consolidates those entities in which it has control over significant operating, financial and investing decisions of the entity, as well as those entities deemed to be variable interest entities ("VIEs"), if any, in which Broadmark Realty is determined to be the primary beneficiary. Broadmark Realty is not the primary beneficiary of, and therefore does not consolidate, any VIEs in the accompanying consolidated financial statements.

The Private REIT was determined to be a voting interest entity for which we, through our wholly-owned subsidiary who previously acted as manager with no significant equity investment, did not hold a controlling interest in and, therefore, did not consolidate. Furthermore, the Private REIT's participation in loans originated by us met the characteristics of a participating interest and the criterion for sale accounting in accordance with GAAP and therefore, was derecognized from our consolidated financial statements. The Private REIT was liquidated in August 2021 and all participations in mortgage notes receivable held by the Private REIT were purchased for cash by the Company at the settlement value which approximated fair value.

#### Reclassifications

Certain amounts in our consolidated financial statements as of and for the year ended December 31, 2020 have been reclassified to conform to the presentation of our current period consolidated financial statements. These reclassifications had no effect on our previously reported net income or stockholders' equity. The reclassifications include reclassifying certain board member expenses from compensation expense into general and administrative expense on the consolidated statements of income. The reclassification for the change in receivables due from the Private REIT from other assets to mortgage notes receivables resulted in an immaterial adjustment of the totals for net cash provided by operating activities and net cash provided by investing activities, both as previously reported. The reclassifications also included the separate presentation of amortization of right of use assets and change in lease liabilities and the combined presentation of depreciation and amortization on the consolidated statements of cash flows.

## Broadmark Realty Capital Inc.

### Correction of Immaterial Error

In the course of preparing our second quarter 2021 consolidated financial statements, we revisited our previous accounting classification for warrants and identified an error related to the presentation of the Private Placement Warrants, resulting in an understatement of liabilities and change in fair value from November 14, 2019 to March 31, 2021. Refer to Note 9 for additional details about the Private Placement Warrants and Public Warrants. The Private Placement Warrants generally have the same terms as the Public Warrants, except that so long as the Private Placement Warrants are held by the original holder or its permitted transferees, (i) the original holder or its permitted transferees may exercise the warrant on a cashless basis and (ii) the Company does not have the right to redeem the Private Placement Warrants. In the case of a change of control in which less than 70 percent of the consideration received is stock listed on an exchange, the Public Warrants and Private Placement Warrants would be subject to an exercise price adjustment calculated on the basis of a capped American call option and uncapped American call option, respectively. If, however, the Private Placement Warrants are transferred to a third party, the basis for the exercise price adjustment changes and is calculated on the basis of a capped American call option, which results in the valuation change being based, in part, on the holder of the Private Placement Warrants. As a result, the Private Placement Warrants do not meet the criteria to be indexed to valuation inputs based on the Company's own stock and must be classified as a liability measured at fair value. Based on consideration of both the quantitative and qualitative factors within the provisions of SEC Staff Accounting Bulletin No. 99, Materiality, and Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, we determined that the error was not material to our previously issued annual and interim consolidated financial statements. Furthermore, we determined that correcting the error in the second quarter of 2021 would not materially misstate our consolidated financial statements and therefore, no restatement of our prior period consolidated financial statements was required.

### Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The most significant estimates relate to the expected credit losses on our loans and the fair value of financial instruments. Accordingly, actual results could differ from those estimates.

For certain real properties, where a recent appraisal is either unavailable or not most representative of fair value, the fair value is based on a broker opinion of value including a capitalized income analysis and replacement cost analysis considering historical operating results, market rents, vacancy rates, capitalization rates, land cost comparisons, market trends and economic conditions. The assessment of fair value of real property is subject to uncertainty and, in certain cases, sensitive to the selection of comparable properties.

### Certain Significant Risks and Uncertainties

In the normal course of business, we encounter two primary types of economic risk in the form of credit and market risks. Credit risk is the risk of default on our investment in mortgage notes receivable resulting from a borrower's inability or unwillingness to make contractually required payments. Market risk is the risk of declining real estate values for the collateral underlying our loans which may make it more difficult for existing borrowers to remain current on their payment obligations, reduce the speed or ability for our loans to be repaid through the sale or refinance of the collateral and increase the likelihood that we will incur losses on our loans in the event of default as the value of collateral may be insufficient to cover our investment in the loan. We believe that the carrying values of our loans reasonably consider these risks.

In addition, we are subject to significant tax risks. If we were to fail to qualify as a REIT in any taxable year, we would be subject to U.S. federal corporate income tax, which could be material.

We operate in a dynamic industry and, accordingly, can be affected by a variety of factors. For example, we believe that changes in any of the following areas could have a significant negative effect on us in terms of our future financial position, results of operations or cash flows: public health crises, like the COVID-19 pandemic; the economy in the areas we operate; competition in our market; the stability of the real estate market and the impact of interest rate changes; changes in government regulation affecting our business; natural disasters and catastrophic events; and our ability to attract and retain qualified employees and key personnel, among other things.

## Broadmark Realty Capital Inc.

### Reportable Segments

We operate the business as one reportable segment, which originates, underwrites and services construction loans.

### BALANCE SHEET MEASUREMENT

#### Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of 90 days or less at the date of purchase to be cash equivalents. We have a cash management sweep account repurchase agreement, whereby our bank nightly sweeps cash in excess of \$750,000, sells us specific U.S. government agency securities and then repurchases these securities the next day.

We maintain our cash and cash equivalents with financial institutions, which are insured up to a maximum of \$250,000 per account as of December 31, 2021 and 2020. The balances in these accounts may exceed the insured limits. There were no restrictions on cash as of December 31, 2021 or 2020.

#### Mortgage Notes Receivable

Mortgage notes receivable (referred to herein as “mortgage notes receivable”, “construction loans”, “loans”, or “notes”) are classified as held for investment, as we have the intent and ability to hold until maturity or payoff and are carried in the consolidated balance sheets at amortized cost, net of construction holdbacks, interest reserves, allowance for credit losses and deferred origination and amendment fees.

Participations in mortgage notes receivables are accounted for as sales and derecognized from the balance sheet when control over the transferred assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) a group of financial assets or a participating interest in an entire financial asset has been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right, beyond a more than trivial benefit) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets. If the sales do not meet these criteria, the sale of the participation is treated as a secured borrowing. As of December 31, 2021, there were no outstanding participations in our mortgage notes receivables.

#### Current Expected Credit Losses Allowance

We adopted the current expected credit loss (“CECL Standard”) during the year ended December 31, 2020. The initial CECL allowance adjustment of \$2.0 million was recorded effective January 1, 2020 as a cumulative-effect of change in accounting principle through a direct charge to accumulated deficit on our consolidated statements of stockholders’ equity; however, subsequent changes to the CECL allowance are recognized in our consolidated statements of income.

The CECL Standard replaced the incurred loss model under existing guidance with an expected loss model for instruments measured at amortized cost. We record an allowance for credit losses in accordance with the CECL Standard on our loan portfolio, including unfunded construction holdbacks, on a collective basis by assets with similar risk characteristics. In addition, for assets that are classified as collateral dependent based on foreclosure being probable, we continue to record loan specific allowances based on the fair value of the collateral for expected credit losses under the CECL Standard. Given the short-term nature of our loans, we evaluate the most recent external appraisal and, depending on the age of the appraisal, may order a new appraisal or, where available, will evaluate against existing comparable sales or other pertinent information to estimate the fair value of the collateral for such loans.

The CECL Standard requires an entity to consider historical loss experience, current conditions, and a reasonable and supportable forecast of the economic environment. The Company utilizes a probability of default/loss given default (“PD/LGD”) method for estimating current expected credit losses.

In accordance with the PD/LGD method, an annual historical loss rate is applied to the amortized cost of an asset or pool of assets over the remaining expected life. The PD/LGD method requires consideration of the timing of expected future funding of existing commitments and repayments over each asset’s remaining life. An annual loss factor, adjusted for macroeconomic estimates, is applied over each subsequent period and aggregated to arrive at the CECL allowance.



## Broadmark Realty Capital Inc.

In determining the CECL allowance, we considered various factors including (i) historical loss experience in our portfolio, (ii) historical loss experience in the commercial real estate lending market, (iii) timing of expected pay offs including prepayments and extensions where reasonably expected, and (iv) our current and future view of the macroeconomic environment. We utilize a reasonable and supportable forecast period equal to the contractual term of the loan plus short-term extensions of one to three months that are reasonably expected for construction loans.

Management estimates the allowance for credit losses using relevant information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The allowance for credit losses is maintained at a level sufficient to provide for expected credit losses over the life of the loan based on evaluating historical credit loss experience and making adjustments to historical loss information for differences in the specific risk characteristics in the current loan portfolio. The CECL Allowance related to the principal outstanding is presented within mortgage notes receivable, net and for unfunded commitments is within accounts payable and accrued liabilities on our consolidated balance sheets.

We have made an accounting policy election to exclude accrued interest receivable, included in interest and fees receivable, net on our consolidated balance sheets, from the amortized cost basis of the related mortgage notes receivable in determining the CECL allowance, as any uncollectable accrued interest receivable is written off either when the collateral underlying the loan is sold or upon transfer to real estate owned. No interest income is recognized on mortgage notes receivable that are in contractual default unless the collectability of all principal is not in doubt and collection of accrued amounts is reasonably assured or paid in cash. In addition, in certain instances, where the interest reserve on a current loan has been fully depleted and the interest payment is not expected to be collected from the borrower, we may place a current loan on non-accrual status and recognize interest income on a cash-basis where principal collection is not in doubt.

### Impairment of Loans – Incurred Loss Model

For the periods ended December 31, 2019 and November 14, 2019, we evaluated loans designated as non-performing for impairment as we had some expectation that the repayment of loan, including both contractual interest and principal payments, may not be realized in full. We designated loans as non-performing at such time as (1) the borrower failed to make the required monthly interest-only loan payments; (2) the loan had a maturity default; or (3) in the opinion of management, it was probable we would be unable to collect all amounts due according to the contractual terms of the loan.

For the 2019 periods, the allowance for credit losses reflected our estimate of incurred loan losses in the loan portfolio as of the balance sheet date. The allowance increased or decreased by recording the loan loss provision or recovery in our consolidated statements of income and decreased by charge-offs when losses were confirmed through the receipt of assets, such as in a pre-foreclosure sale or upon ownership control of the underlying collateral in full satisfaction of the loan upon foreclosure or when significant collection efforts had ceased. The allowance for credit losses was determined on an asset-specific basis.

The asset-specific allowance related to estimated losses on individual impaired loans. This assessment was based on factors such as payment status, lien position, borrower financial resources and investment collateral, collateral type, project economics and geographic location as well as national and regional economic factors.

For impaired loans, impairment was measured using the estimated fair value of collateral less the estimated cost to sell in comparison to the carrying value. Valuations were performed or obtained at the time a loan was determined to be impaired and designated as non-performing, and they are updated if circumstances indicate that a significant change in value has occurred. Given the short-term nature of our loans, we evaluated the most recent external appraisal and depending on the age of the appraisal, may have ordered a new appraisal or, where available, evaluated against existing comparable sales or other pertinent information to estimate the fair value of the collateral for such loans.

### Deferred Income

Deferred income represents the amount of our origination and amendment fees that have been deferred and will be recognized in income over the contractual maturity of the underlying loan. Origination fees are included in the total commitment to the borrower and financed at the time of loan origination. Amendment fees are either included in the total commitment to the borrower and financed at the time of the loan amendment or are billed to the borrower when the loan is amended and not capitalized into the principal outstanding. Deferred origination and amendment fees capitalized into the principal outstanding are included within mortgage notes receivable, net on the consolidated balance sheets. Deferred amendment fees that are not included in the principal outstanding are presented within interest and fees receivable, net on the consolidated balance sheets.

## Broadmark Realty Capital Inc.

### Interest and Fees Receivable

Interest on performing loans is accrued and recognized as interest income at the contractual rate of interest, or at the contractual rate of monthly minimum interest. Extension fees are charged when we agree to extend the maturity dates of loans. In addition, late fees are charged when borrower payments are contractually past due. We monitor each note's outstanding interest and fee receivables and, based on historical performance, generally reserve against the balance after a receivable is greater than 60 days past due unless collectability of all amounts due is reasonably assured.

### Real Property

To maximize recovery against a defaulted loan, we may assume legal title or physical possession of the underlying collateral through foreclosure or the execution of a deed in lieu of foreclosure. Foreclosed properties are recorded at the lower of cost and fair value at the time of acquisition. The fair value generally approximates the carrying value of the loan secured by such property, and if the collateral value exceeds the carrying value of the loan, we then record some or all the unpaid, accrued interest and fees to the carrying value of the property.

Real property is classified as held for sale in the period when we commit to a plan and have the authority to sell the asset in its current condition, have initiated an active marketing plan to sell the asset at a price that is reflective of its current fair value and the sale of the asset is both probable and expected to qualify for full sales recognition within a period of 12 months. Real property, held for sale is held at the lower of cost or fair value, which evaluated on a quarterly basis.

Real property that does not qualify as held for sale is classified as held for use. Once construction is complete, real property, held for use is depreciated using the straight-line method over the estimated useful life of the property and depreciation expense is no longer recorded once the real property is classified as held for sale.

Costs related to acquisition, development, construction and improvements are capitalized to the extent the investment in the real property does not exceed the fair value less estimated costs to sell. Expenditures for repairs and maintenance are charged to expense when incurred.

### Leases

Our office space in Seattle, Washington is subject to an operating lease. The right of use assets and lease liabilities in our consolidated balance sheets relate to this lease. The lease agreement includes both lease components (e.g., fixed rent) and non-lease components (e.g., common-area maintenance). We account for the lease and non-lease components as a single component.

Right of use assets represent our right to use an underlying asset during the lease term and lease liabilities represent our obligation to make lease payments. Right of use assets and lease liabilities are recognized at the lease commencement date based on the present value of the total lease payments not yet paid, including lease incentives not yet received, with the right of use assets further adjusted for any prepaid or accrued lease payments, lease incentives received and/or initial direct costs incurred. Our lease arrangement also includes variable payments for costs such as common-area maintenance, utilities, taxes or other operating costs, which are based on a percentage of actual expenses incurred. These variable lease payments are excluded from the measurement of the right of use assets and lease liabilities.

When our lease includes an option to extend the lease term, we consider several factors in determining if a renewal option is reasonably certain of being exercised at lease commencement, including, but not limited to, contract-based, asset-based and entity-based factors. We reassess the term of the existing lease if there is a significant event or change in circumstances within our control that affects whether we are reasonably certain to exercise the option to extend the lease. Examples of such events or changes include construction of significant leasehold improvements or other modifications or customizations to the underlying asset, relevant business decisions or subleases.

As our lease did not provide an implicit rate, we used our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments.

We recognize lease expense for our operating lease on a straight-line basis over the lease term. Variable lease payments are generally recognized when incurred. These expenses are included in general and administrative expenses in the consolidated statements of income.

## Broadmark Realty Capital Inc.

### Goodwill

Goodwill was recognized as of the close of the Business Combination on November 14, 2019 and represents the excess of the cost of an acquired business over the fair value of the assets acquired at the date of acquisition and is not amortized. We assess the impairment of goodwill on an annual basis, in our fourth quarter, or whenever events or changes in circumstances indicate that goodwill may be impaired. In our evaluation of goodwill, we typically first perform a qualitative assessment to determine whether the carrying value of each reporting unit is greater than its fair value. If it is more likely than not that the carrying value of a reporting unit is greater than its fair value, we perform a quantitative assessment and an impairment charge is recorded in our statements of operations for the excess of carrying value of the reporting unit over its fair value. Our annual assessment occurs in the fourth quarter. We continue to monitor the impact of COVID-19 and determined there were no new triggering events to warrant a quantitative assessment of our goodwill during 2021.

In the first quarter of 2020, we recorded a measurement period adjustment to reduce the preliminary fair value of intangible assets in the form of customer relationships by \$5.0 million and increased our preliminary value of goodwill by \$5.0 million. As a result of this adjustment to preliminary values, \$0.9 million of amortization of intangible assets recorded in 2019 was reversed in the first quarter of 2020.

### Other Assets

Other assets primarily consist of deferred financing costs related to our revolving credit facility, fixed assets, prepaid insurance, intangible assets, and other operating receivables.

### Fixed Assets

Fixed assets, which are included in other assets in the accompanying consolidated balance sheets are stated at cost, less accumulated depreciation. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized. Depreciation is recorded on the straight-line basis over the estimated useful life of the assets. For computer equipment, office equipment, furniture and fixtures the useful lives range from three to seven years. For leasehold improvements, we depreciate over the shorter of expected useful life or lease term.

### Deferred Financing Costs

Deferred financing costs that are included in other assets represent direct costs associated with the execution of the revolving credit facility. Such costs are included in other assets because the revolving credit facility has no principal outstanding as of December 31, 2021 and there is no recognized debt liability. These costs are amortized on the straight-line basis over the initial term of our revolving credit facility.

### Intangible Assets

As a result of the Business Combination in November 2019, we identified intangible assets in the form of customer relationships. We record the intangible assets at fair value at the acquisition date and amortize the value of these finite-lived intangibles into expense over the expected useful life. All of our intangible assets relate to the value of customer relationships. As of December 31, 2021 and 2020, intangible assets net of accumulated amortization totaled \$0.3 and \$0.6 million, respectively.

### Senior Unsecured Notes

Senior unsecured notes are recorded at the face amount of the notes net of issuance costs.

### Debt Issuance Costs

Debt issuance costs represent direct costs associated with the issuance of a debt instrument that are deferred and amortized over the initial term of our debt instruments. Debt issuance costs are reported in the consolidated balance sheets as a direct deduction from the face amount of the debt issued. Costs that do not qualify as debt issuance costs are expensed as incurred.

## Broadmark Realty Capital Inc.

### INCOME RECOGNITION

#### Interest Income

Interest income on mortgage notes receivable is accrued based on contractual rates applied to the principal balance, unless there is a minimum interest provision in the mortgage note. Certain construction loans provide for minimum interest provisions, to which the contractual rate applies, which are typically between 50% and 70% of the face amount of the note until the actual outstanding principal exceeds the minimum threshold.

Mortgage notes receivable can be placed in contractual default status for any of the following reasons: (1) an interest payment is more than 30 days past due; (2) a note matures and the borrower fails to make payment of all amounts owed or extend the loan; or (3) the collateral becomes impaired in such a way that the ultimate collection of the note is doubtful. The accrual of interest income is suspended when a loan is in contractual default unless the interest is paid in cash or collectability of all amounts due is reasonably assured. In addition, in certain instances, where the interest reserve on a current loan has been fully depleted and the interest payment is not expected to be collected from the borrower, we may place a current loan on non-accrual status and recognize interest income on a cash-basis where principal collection is not in doubt. Interest previously accrued may be reversed at that time, and such reversal is offset against interest income. The accrual of interest income resumes only when the suspended loan becomes contractually current or a credit analysis supports the ability to collect all principal outstanding and accrued amounts at loan payoff.

#### Fee Income

We charge loan origination fees in conjunction with origination. Amendment fees are charged when loan terms are modified, such as increases in interest reserves and construction holdbacks in line with our underwriting criteria or upon modification of a loan for the transition from horizontal development to vertical construction. We defer and amortize loan origination and amendment fees over the contractual terms of the loans. Extension fees are charged when we agree to extend the maturity dates of loans and we charge fees on past due receivables. Extension and late fees are recognized when billed to the borrower.

We charge inspection fees, which we use to hire independent inspectors to report on the status of construction projects. These fees are earned and recognized upon each construction draw request.

### EXPENSE RECOGNITION

#### Interest Expense

Interest expense on debt obligations is accrued based on the note rate applied to the face amount of the debt outstanding. Amortization of debt issuance costs and deferred financing costs over the initial term of the debt instruments is reported as interest expense in the consolidated statements of income.

#### Stock-Based Compensation

We measure compensation expense for all share-based awards at fair value on the date of grant and recognize compensation expense over the service period on a straight-line basis for awards expected to vest, which is generally three years for employees and one year for directors. Share-based awards are issued under the Broadmark Realty Capital Inc. 2019 Stock Incentive Plan.

## Broadmark Realty Capital Inc.

Awards made to our employees and directors, typically consist of restricted stock units (“RSUs”). Employee stock-based compensation expense is included in compensation and employee benefits and director stock-based compensation expense is included in general and administrative in the consolidated statement of operations. For awards with only a service vesting condition, the fair value of the award is based on the grant date closing price of our common stock less the present value of expected dividends over the requisite service period, as the awards are not entitled to dividends. For these awards, we recognize stock-based compensation expense on a straight-line basis over the requisite service period for the entire award, subject to periodic adjustments to ensure that the cumulative amount of expense recognized through the end of any reporting period is at least equal to the portion of the grant date fair value of the award that has vested through that date, and we account for forfeitures prospectively as they occur. For awards that contain both service vesting and market conditions, referred to as performance restricted stock units (“pRSUs”), we use a Monte Carlo simulation model to calculate the grant date fair value. For these market-condition awards, regardless of the outcome of the market condition, we recognize stock-based compensation expense on a straight-line basis over the longest of explicit and derived service periods, and we account for forfeitures prospectively as they occur. If there are any modifications or cancellations of the underlying unvested share-based awards, we may be required to accelerate or increase any remaining unrecognized or previously recorded stock-based compensation expense.

### Profit Interests (Predecessor)

The Predecessor Management Companies' profits interests were accounted for as share-based compensation. The Predecessor Management Companies expensed the fair value of profits interests granted to its employees and directors over the period each award vested. Compensation cost was measured using the Black-Scholes model. All unvested profits interests vested at the time of the Business Combination.

### Income Taxes (Successor)

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, for U.S. federal income tax purposes (the “Code”). As a REIT, we generally are not subject to U.S. federal income taxes on net income we distribute to our stockholders. We intend to make timely distributions sufficient to satisfy the annual distribution requirements. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax on our taxable income at regular corporate tax rates. Even if we qualify for taxation as a REIT, we may be subject to certain state and local taxes on our income and property and U.S. federal income and excise taxes on our undistributed income. Our TRSs are subject to U.S. federal income taxes.

### Income Taxes (Predecessor)

The Predecessor Companies were taxed as partnerships and REITs under provisions of the Code. As such, the tax attributes of the partnerships are included in the individual tax returns of its members for partnerships and not for the Predecessor Company Group as the REIT entities met the qualifications to be taxed as REITs. Accordingly, the accompanying consolidated statement of income for the period ending November 14, 2019 includes no provision for income taxes for the Predecessor Company Group.

### Earnings per Share

We present both basic and diluted earnings per common share (“EPS”) amounts in our consolidated financial statements. Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Diluted EPS reflects the maximum potential dilution that could occur from our outstanding warrants and restricted stock units. We consider the two-class method to measure dilution to earnings per share. Under the two-class method, net income is first reduced for dividends declared on all classes of securities to arrive at undistributed earnings. During periods of net losses, the net loss is reduced for dividends declared on participating securities only if the security has the right to participate in the earnings of the company and an objectively determinable contractual obligation to share in net losses of the company. The remaining earnings are allocated to common stockholders and participating securities to the extent that each security shares in earnings as if all of the earnings for the period had been distributed. Each total is then divided by the applicable weighted average number of common shares outstanding during the period to arrive at basic earnings per share. We utilize the treasury stock method to measure dilution to earnings per share in calculating the net number of shares that would be issued, assuming any related proceeds are used to buy back outstanding shares.

**Broadmark Realty Capital Inc.****Recent Accounting Pronouncements**

There are no recent accounting pronouncements that we have yet to adopt with an expected impact on our financial position, results of operations or cash flows.

**Note 3 – Business Combination**

As discussed in Note 1, the Company entered into a Merger Agreement with Trinity, the Trinity Parties, the Predecessor Companies and the Predecessor Management Companies. The Business Combination was accounted for in accordance with ASC 805, *Business Combinations*. The Company determined that BRELF II was the accounting acquirer. As such, the Business Combination culminated in two steps: the merger of the Trinity Parties with and into BRELF II as a recapitalization and simultaneous capital issuance, and the acquisition of 100% of the remaining entities within the Predecessor Company Group by BRELF II. In accordance with ASC 805, the merger of the Trinity Parties into BRELF II was accounted for as a recapitalization and is reflected as the issuance of shares for cash. The acquisition of the remaining entities within the Predecessor Company Group by BRELF II was accounted for as a business combination in accordance with ASC 805 using the acquisition method of accounting. Cash proceeds from the recapitalization with Trinity Merger Sub I, Inc. were \$327.1 million, partially offset by the consent fee paid to holders of public warrants in the amount of \$66.7 million, for net proceeds of \$260.4 million. The cash proceeds from the recapitalization with Trinity Merger Sub I, Inc. were used, in part, to pay cash consideration for the acquisition of the Predecessor Company Group and transaction costs (as further described below), leaving approximately \$146.9 million remaining.

Separately, the cash and equity consideration transferred per the Merger Agreement was allocated between the legal amounts issued for the recapitalization of BRELF II and the cash and equity issued for the acquisition of the Predecessor Company Group. Given that the Merger Agreement was negotiated at arm's length and based on the fair value of the entities, the legal consideration best depicted the relative fair value of separating the acquisitions from the recapitalization. The amount of common stock issued in the transaction that was attributable to the recapitalization of BRELF II was \$495.5 million, along with \$12.7 million of transaction costs, which were recorded as operating expenses and were settled in cash of \$11.3 million and common stock of \$1.4 million.

Total consideration allocated to the Business Combination under ASC 805 is \$581.9 million, which was measured at its acquisition date fair value, consisting of \$102.2 million in cash and \$479.6 million of the Company common stock. Such amounts are inclusive of seller-transaction costs of \$13.5 million, settled by the acquirer at closing in cash of \$11.9 million and common stock of \$1.6 million.

The purchase price allocation of assets acquired, and liabilities assumed have been recorded at their preliminary fair values as of the closing of November 14, 2019, the date of acquisition. The difference between the fair value of net assets acquired, including the value of intangible assets acquired, and the consideration was recorded as goodwill.

The fair values of assets acquired and liabilities assumed by BRELF II on November 14, 2019 are as follows:

	<b>\$(in thousands)</b>
<b>Consideration paid:</b>	
Cash	\$ 102,245
Common stock	479,619
Total consideration paid	\$ 581,864
<b>Assets acquired:</b>	
Cash and cash equivalents	88,505
Investment in real property	8,413
Mortgage notes receivable	344,837
Interest and fees receivable	2,743
Intangible assets	1,000
Other assets	174
Total Assets	445,672
<b>Liabilities assumed:</b>	
Accounts payable and accrued liability	205
Other liabilities	568
Total Liabilities	773
Net assets acquired	444,899
Goodwill	<u>\$ 136,965</u>

## Broadmark Realty Capital Inc.

In the first quarter of 2020, based on additional information obtained about facts and circumstances that existed as of November 14, 2019, we recorded a measurement period adjustment to reduce the fair value of intangible assets in the form of customer relationships from \$6.0 to \$1.0 million. This adjustment increased the preliminary amount of goodwill previously recorded by \$5.0 million.

The purchase price for the acquisition was determined based on our expectations of future earnings and cash flows, resulting in the recognition of goodwill. Goodwill predominantly relates to the value of the assembled workforce and intangible assets that do not qualify for separate recognition at the time of the acquisition. Purchased goodwill is deductible for income tax purposes over 15 years.

The fair value of the customer relationships was determined using the replacement cost approach. The cost provides a systematic framework for estimating the value of the intangible asset based on the economic principle of substitution. Under this approach, value is estimated by developing the cost to either replace or reproduce (replicate) the asset as if new. The preliminary useful lives for customer relationships were determined based upon the remaining useful economic lives of the assets that are expected to contribute to future cash flows and approximates between two to five years. Amortization expense is recorded on a straight-line method, refer to Note 7 for further information on the estimated useful lives and amortization related to the acquired intangible assets.

As described above, the Company incurred a total of \$26.2 million of transaction-related costs for both the Business Combination and the recapitalization of BRELF II, of which \$25.8 million was incurred and expensed in the Predecessor period and \$0.4 million was incurred and expensed in the Successor period. Transaction-related expenses are comprised primarily of transaction fees, including legal, finance, consulting, professional fees and other third-party costs. These amounts were recorded as operating expenses in the consolidated statements of income in the periods incurred. At the closing of the transaction in the Successor period, the acquirer directly paid (or repaid to the sellers) the amounts owed for such expenses, settling them in a combination of cash and equity. From the perspective of the Successor entity, the settlement of these amounts by the acquirer at closing were allocated between purchase price for the business combination and recapitalization of BRELF II, using a methodology consistent with the allocation of the overall consideration transferred.

Included within the transaction-related expenses referred to above, is a termination fee of \$10.0 million related to the termination of certain referral agreements the Predecessor Management Companies had in place with a related entity, which settled in \$7.0 million of cash and \$3.0 million of the Company common stock at closing.

### Supplemental pro forma financial information

When giving effect to the Business Combination as if it closed on January 1, 2019, there are no material differences between historical revenue and earnings of the Company and results on a pro forma basis, except for the timing of transaction costs and amortization expense related to intangible assets, which would have been incurred as of an earlier date.

### Note 4 - Mortgage Notes Receivable

The stated principal amount of mortgage notes receivable in our portfolio represents our interest in loans secured by first deeds of trust, security agreements or legal title to real estate located in the United States. Our lending standards require that all mortgage notes receivable be secured by a first deed of trust lien on real estate and that the maximum loan to value ratio ("LTV") be no greater than 65%. The LTV is calculated on an "as-complete" appraised value of the underlying collateral as determined by an independent appraiser at the time of the loan origination. The lending standards also limit the initial outstanding principal balance of the loan to a maximum LTV of up to 65% of the "as-is" appraised value of the underlying collateral, as determined by an independent appraiser at the time of the loan origination. Unless otherwise indicated, LTV is measured by the total commitment amount of the loan divided by the "as-complete" appraisal. LTVs do not reflect interim loan activity such as construction draws or interest payments capitalized to loans, or partial repayments of the loan. The maximum amount of a single loan may not exceed 10% of our total assets and the maximum amount to a single borrower may not exceed 15% of our total assets. We consider the maximum LTV as an indicator for the credit quality of a mortgage note receivable.

**Broadmark Realty Capital Inc.**

Mortgage notes receivable are considered to be short-term financings. As of December 31, 2021, the weighted average term of our active loans was 13 months at origination, which we often elect to extend for several months, based on our evaluation of the expected timeline for completion of construction. All loans require monthly interest only payments with our weighted average interest rate being 10.7% as of December 31, 2021. Most loans are structured with an interest reserve holdback that covers the interest payments for most of the initial term of the loan. Once the interest reserve is depleted, borrowers are expected to pay their monthly interest payment within 10 days of month end.

Mortgage notes receivable are presented net of construction holdbacks, interest reserves, allowance for credit losses and deferred origination and amendment fee income in the consolidated balance sheets. The construction holdback represents amounts withheld from the funding of construction loans until we deem construction to be sufficiently completed. The interest reserve represents amounts withheld from the funding of certain mortgage notes receivable for the purpose of satisfying monthly interest payments over all or part of the term of the related note. Accrued interest is paid out of the interest reserve and recognized as interest income at the end of each month. The deferred origination and amendment fee income represents amounts that will be recognized over the contractual life of the underlying mortgage notes receivable.

The following table reconciles outstanding mortgage loan commitments to outstanding balance of mortgage notes receivable as of December 31, 2021 and 2020:

<i>(dollars in thousands)</i>	December 31, 2021	December 31, 2020
Total loan commitments	\$ 1,489,055	\$ 1,245,963
Less:		
Construction holdbacks <sup>(1)</sup>	524,462	356,026
Interest reserves <sup>(1)</sup>	39,880	29,817
Private REIT participation <sup>(2)</sup>	—	37,729
Total principal outstanding for our mortgage notes receivable	924,713	822,391
Less:		
Allowance for credit losses <sup>(3)</sup>	10,394	10,590
Deferred origination and amendment fees	12,969	13,315
Mortgage notes receivable, net	<u>\$ 901,350</u>	<u>\$ 798,486</u>

(1)Includes construction holdbacks of \$40.4 million and interest reserves of \$4.3 million on participating interests sold to the Private REIT as of December 31, 2020. As of December 31, 2021, there were no outstanding participations as a result of the liquidation of the Private REIT and purchase of all outstanding participations by the Company. Refer to Note 13 for details.

(2)The Private REIT's participations in loans originated by us met the characteristics of participating interests and the criterion for sale accounting and therefore, were derecognized from our consolidated financial statements. As of December 31, 2021, there were no outstanding participations as a result of the liquidation of the Private REIT and purchase of all outstanding participations by the Company. Refer to Note 13 for details.

(3)As of December 31, 2021, \$0.9 million of the CECL allowance is excluded from this table because it relates to unfunded commitments and has been recorded as a liability under accounts payable and accrued liabilities in our consolidated balance sheet.

**Non-accrual Status**

In certain instances, where the interest reserve on a current loan has been fully depleted and the interest payment is not expected to be collected from the borrower, we may place a current loan on non-accrual status and recognize interest income on a cash-basis where principal collection is not in doubt. As of December 31, 2021 and 2020, the principal outstanding on loans in contractual default status placed on non-accrual status was \$101.9 and \$126.8 million, respectively, and all non-accrual loans had an allowance for credit losses. As of December 31, 2021, loans in contractual default, totaled \$191.4 million in total commitment.

**Current Expected Credit Losses**

In assessing the CECL allowance, we consider historical loss experience, current conditions, and a reasonable and supportable forecast of the macroeconomic environment. We derived an annual historical loss rate based on the Company's historical loss experience in our portfolio and historical loss experience in the commercial real estate industry provided by a third party adjusted to fully incorporate the risks of construction lending and to reflect our expectations of the macroeconomic environment based on forecast data per the Federal Reserve.



## Broadmark Realty Capital Inc.

The following tables summarize the activity in the CECL allowance during the years ended December 31, 2021 and 2020:

<i>(dollars in thousands)</i>	Funded	CECL Allowance Unfunded <sup>(2)</sup>	Total
CECL allowance as of December 31, 2020	\$ 10,590	\$ —	\$ 10,590
Provision for credit losses, net	5,275	904	6,179
Charge-offs <sup>(1)</sup>	(5,471)	—	(5,471)
CECL allowance as of December 31, 2021	<u>\$ 10,394</u>	<u>\$ 904</u>	<u>\$ 11,298</u>

<i>(dollars in thousands)</i>	CECL Allowance
Loan loss reserve as of December 31, 2019	\$ 4,096
Adoption of ASU 2016-13 <sup>(3)</sup>	1,975
Provision for credit losses, net	6,722
Charge-offs <sup>(1)</sup>	(2,203)
CECL allowance as of December 31, 2020	<u>\$ 10,590</u>

(1) Resulting from either loan repayments where the proceeds are less than the principal outstanding or transfers to investment in real property owned upon foreclosure where the fair values of the underlying collateral are less than the principal outstanding.

(2) CECL allowance related to unfunded commitments is presented as a liability under accounts payable and accrued liabilities in our consolidated balance sheet.

(3) Recorded as a direct charge to stockholders' equity, effective January 1, 2020, as a cumulative-effect of change in accounting principle.

In determining our CECL allowance, we segment loans with similar characteristics. All of our loans are construction loans secured by residential or commercial real estate and, in assessing estimated credit losses, we evaluate various metrics, including, but not limited to, construction type, collateral type, LTV, market conditions of property location and borrower experience and financial strength.

The following tables allocate the carrying value of our loan portfolio based on our internal credit quality indicators in assessing estimated credit losses and vintage of origination at the dates indicated:

<i>(dollars in thousands)</i>	At December 31, 2021		Year Originated <sup>(1)</sup>						
	Carrying Value	% of Portfolio	2021	2020	2019	2018	2017	2016	Prior
<b>Construction Type</b>									
Vertical Construction	\$ 471,863	51.8%	\$ 236,961	\$ 184,143	\$ 1,177	\$ 1,382	\$ 47,939	\$ —	\$ 261
Investment	256,936	28.1	204,865	28,094	1,925	4,717	17,335	—	—
Horizontal Development	182,945	20.1	155,443	27,502	—	—	—	—	—
<b>Total</b>	<b>\$ 911,744</b>	<b>100.0%</b>	<b>\$ 597,269</b>	<b>\$ 239,739</b>	<b>\$ 3,102</b>	<b>\$ 6,099</b>	<b>\$ 65,274</b>	<b>\$ —</b>	<b>\$ 261</b>
CECL allowance <sup>(2)</sup>	(10,394)								
Carrying value, net	<u>\$ 901,350</u>								

(1) Represents the year of amendment where the loan incurred a full re-underwriting in connection with the amendment.

(2) Includes \$0.7 million in loan specific allowances for loans deemed collateral dependent based on the fair value of the underlying collateral. In addition, \$0.9 million of the CECL allowance is excluded from this table because it relates to unfunded commitments and has been recorded as a liability under accounts payable and accrued liabilities in our consolidated balance sheet.

**Broadmark Realty Capital Inc.**

<i>(dollars in thousands)</i>	At December 31, 2021		2021	2020	Year Originated <sup>(1)</sup>		2017	Prior
	Carrying Value	% of Portfolio			2019	2018		
<b>Collateral Type</b>								
Residential Lots	\$ 111,644	12.2 %	85,219	26,425	—	—	—	—
Apartments	107,765	11.8	\$ 38,232	\$ 68,356	\$ 1,177	\$ —	\$ —	\$ —
Townhomes	93,300	10.2	51,240	28,979	—	1,017	11,803	261
Mixed Use	85,929	9.4	53,530	30,474	1,925	—	—	—
Single Family Housing	87,902	9.5	84,703	3,049	—	—	150	—
Condos	64,492	7.1	8,805	18,227	—	1,474	35,986	—
Commercial	61,592	6.8	61,592	—	—	—	—	—
Senior Housing	61,236	6.7	35,899	25,337	—	—	—	—
Storage	56,481	6.2	56,481	—	—	—	—	—
Unentitled Land	46,019	5.0	42,411	—	—	3,608	—	—
Entitled Land	45,098	4.9	27,763	—	—	—	17,335	—
Hotel	31,665	3.5	4,886	26,779	—	—	—	—
Offices	15,348	1.7	8,280	7,068	—	—	—	—
Commercial Lots	10,227	1.1	6,670	3,557	—	—	—	—
Quadplex	9,769	1.1	9,769	—	—	—	—	—
Commercial Other	9,080	1.0	9,080	—	—	—	—	—
Retail	7,873	0.9	6,385	1,488	—	—	—	—
Duplex	6,324	0.7	6,324	—	—	—	—	—
<b>Total</b>	\$ 911,744	100.0 %	\$ 597,269	\$ 239,739	\$ 3,102	\$ 6,099	\$ 65,274	\$ 261
CECL allowance <sup>(2)</sup>	(10,394)							
Carrying value, net	<u>\$ 901,350</u>							

(1)Represents the year of amendment where the loan incurred a full re-underwriting in connection with the amendment.

(2)Includes \$0.7 million in loan specific allowances for loans deemed collateral dependent based on the fair value of the underlying collateral. In addition, \$0.9 million of the CECL allowance is excluded from this table because it relates to unfunded commitments and has been recorded as a liability under accounts payable and accrued liabilities in our consolidated balance sheet.

<i>(dollars in thousands)</i>	At December 31, 2021		2021	2020	Year Originated <sup>(1)</sup>		2017	Prior
	Carrying Value	% of Portfolio			2019	2018		
<b>LTV <sup>(2)</sup></b>								
0 - 40%	\$ 53,907	5.9 %	\$ 32,634	\$ —	\$ —	\$ 3,608	\$ 17,665	\$ —
41 - 45%	48,431	5.3	44,380	4,051	—	—	—	—
46 - 50%	63,690	7.0	41,356	21,317	—	1,017	—	—
51 - 55%	92,238	10.1	74,978	17,260	—	—	—	—
56 - 60%	79,039	8.7	27,115	40,190	—	—	11,473	261
61 - 65%	559,997	61.4	372,645	146,640	3,102	1,474	36,136	—
66 - 70%	645	0.1	645	—	—	—	—	—
71 - 75%	—	0.0	—	—	—	—	—	—
76 - 80%	—	0.0	—	—	—	—	—	—
Above 80%	13,797	1.5	3,516	10,281	—	—	—	—
<b>Total</b>	\$ 911,744	100.0 %	\$ 597,269	\$ 239,739	\$ 3,102	\$ 6,099	\$ 65,274	\$ 261
CECL allowance <sup>(3)</sup>	(10,394)							
Carrying value, net	<u>\$ 901,350</u>							

(1)Represents the year of amendment where the loan incurred a full re-underwriting in connection with the amendment.

(2)Represents LTV as of origination or latest amendment. LTVs above 65% generally represent loans in contractual default status where we have agreed to extend funds to the borrower above 65% in order to facilitate successful completion of the construction and return of capital.

(3)Includes \$0.7 million in loan specific allowances for loans deemed collateral dependent based on the fair value of the underlying collateral. In addition, \$0.9 million of the CECL allowance is excluded from this table because it relates to unfunded commitments and has been recorded as a liability under accounts payable and accrued liabilities in our consolidated balance sheet.

<i>(dollars in thousands)</i>	At December 31, 2020		2020	2019	Year Originated <sup>(1)</sup>		2016	Prior
	Carrying Value	% of Portfolio			2018	2017		
<b>Construction Type</b>								
Vertical Construction	\$ 514,136	63.5 %	\$ 354,012	\$ 57,090	\$ 6,853	\$ 88,655	\$ 7,526	\$ —
Horizontal Development	153,345	19.0	129,607	15,028	283	—	8,427	—
Investment	141,595	17.5	98,146	18,657	7,259	16,444	—	1,089
<b>Total</b>	\$ 809,076	100.0 %	\$ 581,765	\$ 90,775	\$ 14,395	\$ 105,099	\$ 15,953	\$ 1,089
CECL allowance <sup>(2)</sup>	(10,590)							
Carrying value, net	<u>\$ 798,486</u>							

(1)Represents the year of amendment where the loan incurred a full re-underwriting in connection with the amendment.

**Broadmark Realty Capital Inc.**

(2)Includes \$1.5 million in loan specific allowances for loans deemed collateral dependent based on the fair value of the underlying collateral.

<i>(dollars in thousands)</i>	At December 31, 2020		2020	2019	Year Originated <sup>(1)</sup>		2016	Prior
	Carrying Value	% of Portfolio			2018	2017		
<b>Collateral Type</b>								
Apartments	\$ 129,588	16.0%	\$ 79,931	\$ 18,953	\$ —	\$ 24,232	\$ 6,472	\$ —
Residential Lots	124,548	15.4	105,830	10,291	—	—	8,427	—
Condos	92,245	11.4	52,714	3,106	4,405	32,020	—	—
Single Family Housing	90,131	11.1	69,438	8,839	1,028	10,103	—	723
Townhomes	72,773	9.0	47,391	1,061	1,703	21,564	1,054	—
Unentitled Land	71,796	8.9	47,727	—	7,259	16,444	—	366
Mixed Use	66,092	8.2	60,232	5,860	—	—	—	—
Hotel	51,115	6.3	42,874	8,241	—	—	—	—
Senior Housing	34,283	4.2	34,283	—	—	—	—	—
Offices	29,540	3.7	8,495	21,045	—	—	—	—
Commercial Lots	15,683	1.9	15,683	—	—	—	—	—
Retail	11,397	1.4	9,500	1,897	—	—	—	—
Industrial	11,309	1.4	704	10,605	—	—	—	—
Quadplex	5,592	0.7	5,592	—	—	—	—	—
Entitled Land	1,116	0.1	1,116	—	—	—	—	—
Commercial	877	0.1	—	877	—	—	—	—
Duplex	736	0.1	—	—	—	736	—	—
Commercial Other	254	0.1	254	—	—	—	—	—
<b>Total</b>	\$ 809,076	100.0%	\$ 581,765	\$ 90,775	\$ 14,395	\$ 105,099	\$ 15,953	\$ 1,089
CECL allowance <sup>(2)</sup>	(10,590)							
Carrying value, net	\$ 798,486							

(1)Represents the year of amendment where the loan incurred a full re-underwriting in connection with the amendment.

(2)Includes \$1.5 million in loan specific allowances for loans deemed collateral dependent based on the fair value of the underlying collateral.

<i>(dollars in thousands)</i>	At December 31, 2020		2020	2019	Year Originated <sup>(1)</sup>		2016	Prior
	Carrying Value	% of Portfolio			2018	2017		
<b>LTV<sup>(2)</sup></b>								
0 - 40%	\$ 22,601	2.8%	\$ 18,112	\$ —	\$ 3,862	\$ 261	\$ —	\$ 366
41 - 45%	68,263	8.4	44,683	20,183	3,397	—	—	—
46 - 50%	23,864	2.9	15,917	7,224	—	—	—	723
51 - 55%	76,539	9.5	57,583	2,774	—	16,182	—	—
56 - 60%	135,170	16.7	117,309	3,106	—	9,639	5,116	—
61 - 65%	450,253	55.7	301,964	57,488	7,136	76,139	7,526	—
66 - 70%	9,416	1.2	9,416	—	—	—	—	—
71 - 75%	1,983	0.2	1,983	—	—	—	—	—
76 - 80%	14,544	1.8	14,544	—	—	—	—	—
Above 80%	6,443	0.8	254	—	—	2,878	3,311	—
<b>Total</b>	\$ 809,076	100.0%	\$ 581,765	\$ 90,775	\$ 14,395	\$ 105,099	\$ 15,953	\$ 1,089
CECL allowance <sup>(3)</sup>	(10,590)							
Carrying value, net	\$ 798,486							

(1)Represents the year of amendment where the loan incurred a full re-underwriting in connection with the amendment.

(2)Represents LTV as of origination or latest amendment. LTVs above 65% generally represent loans in contractual default status where we have agreed to extend funds to the borrower above 65% in order to ensure successful completion of the construction and return of capital.

(3)Includes \$1.5 million in loan specific allowances for loans deemed collateral dependent based on the fair value of the underlying collateral.

## Broadmark Realty Capital Inc.

The following tables allocate the carrying value of collateral dependent loans in our loan portfolio to the collateral type at the dates indicated:

<i>(dollars in thousands)</i>	Carrying Value	At December 31, 2021 CECL Allowance <sup>(1)</sup>		Carrying Value, net
<b>Collateral Type</b>				
Senior Housing	\$ 25,337	\$	(1,103)	\$ 24,234
Entitled Land	17,335		(42)	17,293
Single Family Housing	1,730		(15)	1,715
Condos	1,109		(673)	436
Townhomes	261		(1)	260
<b>Total</b>	<u>\$ 45,772</u>	<u>\$</u>	<u>(1,834)</u>	<u>\$ 43,938</u>

(1)Includes \$0.7 million in specific allowances based on the excess amortized cost over the fair value of the underlying collateral and \$1.1 million where the fair value was greater than the amortized cost and the allowance is based on the standard CECL methodology.

<i>(dollars in thousands)</i>	Carrying Value	At December 31, 2020 CECL Allowance <sup>(1)</sup>		Carrying Value, net
<b>Collateral Type</b>				
Hotel	\$ 16,215	\$	(202)	\$ 16,013
Single Family Housing	9,953		(1,542)	8,411
Offices	5,541		(305)	5,236
Residential Lots	713		-	713
<b>Total</b>	<u>\$ 32,422</u>	<u>\$</u>	<u>(2,049)</u>	<u>\$ 30,373</u>

(1)Includes \$1.5 million in specific allowances based on the excess amortized cost over the fair value of the underlying collateral and \$0.5 million where the fair value was greater than the amortized cost and the allowance is based on the standard CECL methodology.

### Impaired mortgage notes receivable

Prior to the adoption of the CECL Standard, for the periods ended December 31, 2019 and November 14, 2019, we evaluated each loan for impairment based on the incurred loss model. Loans in contractual default were designated as non-performing and were considered impaired as we had some expectation that the repayment of the loan, including both contractual interest and principal payments, may not be realized in full. Placing a loan in contractual default did not in and of itself result in an impairment if we deemed it probable that we would ultimately collect all amounts due. If a loan was determined to have impairment, we recorded an allowance through the provision for loan losses to reduce the carrying value of the loan to the fair value of the collateral less estimated costs to sell, as all of our loans were classified as collateral dependent as repayment was expected solely from the collateral. All of the allowance for loan losses relates to loans deemed to be impaired.

The following table summarizes the activity in the allowance for loan losses for the year ended December 31, 2019:

<i>(dollars in thousands)</i>	Successor Period from November 15, 2019 through December 31, 2019 <sup>(1)</sup>		Predecessor Period from January 1, 2019 through November 14, 2019	
Beginning	\$	4,096	\$	1,704
Provision for loan losses		—		3,342
Charge offs		—		(452)
Recoveries		—		—
Ending	<u>\$</u>	<u>4,096</u>	<u>\$</u>	<u>4,594</u>

(1)The beginning balance on November 15, 2019 (Successor) represents the allowance of the acquirer, BRELF II.

**Broadmark Realty Capital Inc.**
**Note 5 – Investment in Real Property**

As of December 31, 2021 and 2020, we owned nine and three properties or projects totaling \$68.1 and \$8.5 million, respectively. The following tables provides information about the carrying value of our owned real property:

<i>(dollars in thousands)</i>	At December 31, 2021		At December 31, 2020	
<b>Collateral Type</b>				
Condos	\$	28,441	\$	—
Offices		19,388		2,970
Townhomes		9,281		—
Single Family Housing		4,134		1,761
Retail		3,811		3,742
Residential Lots		3,012		—
Total	\$	<u>68,067</u>	\$	<u>8,473</u>

<i>(dollars in thousands)</i>	At December 31, 2021		At December 31, 2020	
Held-for-sale	\$	52,531	\$	8,473
Held-for-use		15,536		—
Total	\$	<u>68,067</u>	\$	<u>8,473</u>

**Note 6 – Fair Value Measurements**

We follow the accounting guidance in ASC 820, Fair Value Measurements and Disclosures, which requires the categorization of fair value measurement into three broad levels of the fair value hierarchy as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following tables present estimated fair values of our financial instruments as of the date indicated, whether or not recognized or recorded in the consolidated balance sheets at the period indicated:

<i>(dollars in thousands)</i>	December 31, 2021		Fair Value Measurements Using		
	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
<b>Financial Assets</b>					
Cash and cash equivalents	\$ 132,889	\$ 132,889	\$ 132,889	\$ —	\$ —
Mortgage notes receivable, net	901,350	901,350	—	—	901,350
<b>Financial Liabilities</b>					
Senior unsecured notes	97,223	100,000	100,000	—	—
Private placement warrant liability	1,838	1,838	—	1,838	—

<i>(dollars in thousands)</i>	December 31, 2020		Fair Value Measurements Using		
	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
<b>Financial Assets</b>					
Cash and cash equivalents	\$ 223,375	\$ 223,375	\$ 223,375	\$ —	\$ —
Mortgage notes receivable, net	798,486	798,486	—	—	798,486

## Broadmark Realty Capital Inc.

The following table sets forth assets and liabilities measured and reported at fair value on a recurring and nonrecurring basis, as well as for which fair value is only disclosed, as of December 31, 2021 and 2020. All of these fair values are categorized as Level 3. The table also contains information about valuation methodologies and inputs.

<i>(dollars in thousands)</i>	Fair Value		Valuation technique	Unobservable inputs	Range of inputs
	December 31, 2021	December 31, 2020			
Real property — held for sale <sup>(1)</sup>	\$ 52,531	\$ 8,473	Collateral valuations	Appraised value, broker opinion of value, discounted cash flows or capitalization rate applied to estimate net operating income	0 - 10%
Collateral dependent loans, net of allowance for credit losses <sup>(2)</sup>	43,938	30,373	Collateral valuations	Discount to appraised value based on comparable market prices	0 - 10%
<b>Total</b>	<u>\$ 96,469</u>	<u>\$ 38,846</u>			

(1) Real property held-for-sale is measured at lower of cost or fair value, a non-recurring measurement of fair value.

(2) Loans meeting the definition of collateral dependent are measured at the fair value. The carrying value of the collateral dependent loans, net of the allowance for credit losses, approximates fair value.

### Fair Value on a Recurring Basis

As discussed in Note 2, the Company recorded the value of the Private Placement Warrants as of June 30, 2021. Initially, the fair value of the Private Placement Warrants was classified as Level 3 within the fair value hierarchy as it was valued using a lattice model, which primarily incorporates observable inputs such as our common stock price, exercise price, term of the warrant, dividend yield and the risk-free rate; however, it also incorporates an assumption for equity volatility. For the unobservable volatility input, we solved for the volatility of the Public Warrants using the lattice model that captures the redemption right and analyzed the calculated equity volatility based on the volatility of the common stock of comparable public companies. The valuation methodology as of June 30, 2021 resulted in the same value per share for both the Public Warrants and Private Placement Warrants, indicating the redemption right, a feature excluded from Private Placement Warrants, did not change the valuation; and therefore, the quoted price per share of the Public Warrants was used to value the Private Placement Warrants on a recurring basis at September 30, 2021. As we utilized observable inputs in the valuation, specifically a quoted price for a similar item in an active market, we re-classified the Private Placement Warrant liability from a Level 3 to a Level 2 within the fair value hierarchy as of September 30, 2021. The fair value of the 5.2 million Private Placement Warrants, estimated using the quoted share price of the Public Warrants (BRMK.WS), was approximately \$0.09 per warrant or \$0.35 per share to arrive at \$1.8 million as of December 31, 2021. Refer to Note 9 for additional details on the Private Placement Warrants.

### Fair Value on a Nonrecurring Basis

Investments in real properties are initially recorded at the acquisition cost less estimated costs to sell, which approximates fair value. Upon transfer from mortgage notes receivable to investment in real estate property, the fair value less costs to sell becomes the new cost for the property. Costs related to acquisition, development, construction and improvements are capitalized. At each reporting date, the fair value of real properties is based upon the most recent independent third-party appraisals of value discounted based upon our experience with actual liquidation values. These discounts to the appraisals generally range from 0% to 10%. As the result of using unobservable inputs in the valuation, we classify investments in real properties as Level 3 within the fair value hierarchy.

For collateral dependent loans, the fair values are based on the value of the underlying collateral less the costs to sell. At each reporting date, these loans are evaluated based upon the most recent independent third-party appraisals of value discounted based upon our experience with actual liquidation values. These discounts to the appraisals generally range from 0% to 10%. As the result of using unobservable inputs in the valuation, we classify collateral dependent as Level 3 within the fair value hierarchy.

### Fair Value Disclosure Only

For our financial instruments, including cash equivalents, which are classified under Level 1 within the fair value hierarchy, the carrying amounts approximate fair value due to their short-term maturities.

**Broadmark Realty Capital Inc.**

Our mortgage notes receivable are evaluated for expected credit losses and mortgage notes receivable are presented net of an allowance for credit losses. Due to the short-term maturity of the mortgage notes receivable, a premium or discount is not material and the carrying value approximates fair value. We believe that our mortgage notes receivable net of the CECL allowance approximates fair value of the portfolio. As we utilize unobservable inputs, including third-party appraisals for estimating as-complete appraised values, we classify mortgage notes receivable as Level 3 within the fair value hierarchy.

Our senior unsecured notes were purchased at par by investors in a private placement, but trade in the secondary market. Fair value is estimated using current market quotes received from active markets and we classify as Level 1 within the fair value hierarchy.

**Note 7 – Goodwill and Intangible Assets****Goodwill**

All of our goodwill relates to the Business Combination. As discussed in Note 3, in the first quarter of 2020, we recorded a measurement period adjustment to reduce the preliminary fair value of intangible assets in the form of customer relationships by \$5.0 million and increased our preliminary value of goodwill by \$5.0 million resulting in \$137.0 million of goodwill as of September 30, 2020. As a result of this adjustment to preliminary values, \$0.7 million of amortization of intangible assets recorded in 2019 was reversed in the first quarter of 2020.

We continuously evaluate the presence of triggering events that require an impairment test. An impairment loss is recognized to the extent that the carrying amount, including goodwill, exceeds the reporting unit's fair value. Our annual assessment occurred in the fourth quarter of 2021 and the fair value of the reporting unit exceeded the carrying value and there was no goodwill impairment. In the first quarter of 2020, we determined that COVID-19 was a triggering event based on the adverse impact on our business and results of operations. Specifically, we noted that COVID-19 and containment measures have contributed to, among other things, adverse impacts on the progress of construction on our borrowers' projects, the demand for and value of commercial and residential real estate that our borrowers have developed, the creditworthiness of our borrowers and other counterparties, the capital and credit market conditions and potential delays in foreclosure proceedings. We performed a quantitative assessment of our goodwill based on both the market and income approach and determined that, as of March 31, 2020, the fair value of the reporting unit exceeded the carrying value and there was no goodwill impairment. During the second and third quarters of 2020, we continued to monitor the impact of COVID-19 and determined there were no new triggering events to warrant updating our quantitative assessment of goodwill performed as of March 31, 2020.

**Intangible Assets**

All of our intangible assets relate to the Business Combination, specifically the value of customer relationships. The following table summarizes the balances of intangible assets as of December 31, 2021 and 2020:

<i>(dollars in thousands)</i>	2021	2020
<b>Asset Type</b>		
Customer relationships	\$ 1,000	\$ 1,000
Less: Accumulated amortization	718	379
Intangible assets, net	<u>\$ 282</u>	<u>\$ 621</u>

The remaining balance of intangible assets, net is expected to be fully amortized during the year ended December 31, 2022.

**Note 8 - Debt**

On February 19, 2021, we entered into a credit agreement with a syndicate of lenders and JPMorgan Chase Bank, N.A., as administrative agent for the lenders, providing for a \$135.0 million revolving credit facility due on the maturity date of February 19, 2024. We incurred fees of approximately \$4.5 million in relation to the revolving credit facility that were capitalized as deferred financing costs on the consolidated balance sheets and are being amortized over the three year term. As of December 31, 2021, the revolving credit facility has no principal outstanding.

**Broadmark Realty Capital Inc.**

Our obligations under the revolving credit facility are secured by substantially all of our Company's assets. The revolving credit facility contains covenants customary for financings of this type, including limitations on the incurrence of indebtedness, liens, asset dispositions, acquisitions, mergers and consolidations, certain dividends, distributions and other payments, advances and investments, payments to affiliates, optional prepayments and other modifications of certain other indebtedness, and amendments, terminations and waivers of certain material agreements, as well as a minimum tangible net worth and a total debt to equity ratio requirement. Among other things, the credit agreement provides that we may not pay cash dividends that would result in non-compliance with the financial covenants under the credit agreement or during an event of default under the credit agreement, except in the case of defaults other than payment defaults, for dividends in amounts necessary to maintain our REIT status. The revolving credit facility contains events of default customary for financings of this type, including failure to pay principal, interest and other amounts, materially incorrect representations or warranties, failure to observe covenants and other terms of the revolving credit facility, cross-defaults to other indebtedness, bankruptcy, insolvency, material judgments, certain ERISA violations, changes in control and failure to maintain REIT status, in some cases subject to customary grace periods.

On November 12, 2021, we completed a private offering of \$100.0 million of senior unsecured notes. Interest on this debt accrues at the fixed rate of 5.0% per annum. The notes may be prepaid prior to their maturity date, subject to the payment of applicable premiums. The note purchase agreement governing the senior unsecured notes contains financial covenants that require compliance with leverage and coverage ratios and maintenance of minimum tangible net worth, as well as other affirmative and negative covenants that may limit, among other things, our ability to incur liens and enter into mergers or transfer all or substantially all of our assets. The note purchase agreement also includes customary representations and warranties and customary events of default. The amounts outstanding will be due on the maturity date of November 15, 2026. We incurred fees of approximately \$2.9 million in relation to the issuance of these notes.

The following table presents the carrying values of the senior unsecured notes as of December 31, 2021:

*(dollars in thousands)*

Principal	\$	100,000
Debt issuance costs		(2,855)
Amortization of debt issuance costs		78
Total notes, net	<u>\$</u>	<u>97,223</u>

The following table summarizes the terms of our senior unsecured notes as of December 31, 2021 (in thousands, except interest rates):

Maturity Date	Aggregate Principal Amount	Stated Interest Rate	First Interest Payment Date	Semi-Annual Interest Payment Dates	Unamortized Debt Issuance Costs
November 15, 2026	\$ 100,000	5.00%	May 15, 2022	May 15; November 15	\$ (2,777)
Total	<u>\$ 100,000</u>				<u>\$ (2,777)</u>

The following table summarizes the interest expense related to our senior unsecured notes and revolving credit facility for the year ended December 31, 2021:

*(in thousands)*

	Amortization of Deferred Debt Costs	Interest Paid and Accrued	Undrawn Fees
5.00% senior notes	\$ 78	\$ 694	\$ —
Revolving credit facility	1,255	107	1,186
Total	<u>\$ 1,333</u>	<u>\$ 801</u>	<u>\$ 1,186</u>

**Note 9 - Stockholders' Equity and Earnings per Common Share**

**Stockholders' Equity**

The Company is authorized to issue 500,000,000 shares of common stock with a par value of \$0.001 per share and 100,000,000 shares of preferred stock with a par value of \$0.001 per share. Holders of our common stock are entitled to one vote for each share. As of December 31, 2021 and 2020, there were 132,716,338 and 132,532,383 shares of common stock issued and outstanding, respectively, and no shares of preferred stock issued and outstanding.



**Broadmark Realty Capital Inc.**

On March 2, 2021, we entered into a distribution agreement with J.P. Morgan Securities LLC, Barclays Capital Inc., B. Riley Securities, Inc., JMP Securities LLC and Raymond James & Associates, Inc. as sales agents, to sell shares of our common stock having an aggregate gross sales price of up to \$200,000,000, from time to time, through an “at-the-market” equity offering program (the “ATM Program”). We have no obligation to sell any shares under the ATM Program, and sold no shares under the ATM Program during the year ended December 31, 2021.

As of December 31, 2021 and 2020 there were 41.7 million public warrants outstanding to acquire one-fourth of a share of common stock at a price of \$2.875 (the “Public Warrants”), and 5.2 million warrants outstanding to acquire one share of our common stock at a price of \$11.50 per share (the “Private Placement Warrants”). In the aggregate, we have outstanding warrants to purchase approximately 15.6 million shares of common stock at a price of \$11.50 per whole share. Settlement of outstanding warrants will be in shares of our common stock, unless we elect solely in our discretion to settle warrants we have called for redemption in cash, and subject to customary adjustment in the event of business combinations and certain tender offers.

The liability for the Private Placement Warrants was \$1.8 million as of December 31, 2021 and is included in accounts payable and accrued liabilities in the consolidated balance sheet. Refer to “Correction of Immaterial Error” in Note 2 for additional details on the accounting classification of the Private Placement Warrants.

As part of the PIPE Investment (for further details, refer to Note 13), the Farallon Entities had an option (the “Optional Subscription”) to purchase up to \$25 million of additional shares of common stock, which were exercisable during the 365-day period following the consummation of the Business Combination at \$10.45352229 (the “Reference Price”). The Optional Subscription expired unexercised on November 14, 2020, accordingly, the liability was \$0 as of December 31, 2020 and 2021. The Farallon Entities were entitled to cash settle, in whole or in part, the exercise of the Optional Subscription, and therefore, the Optional Subscription did not meet the requirements for equity classification and was assumed to be settled in cash and classified as a liability in our consolidated balance sheet and changes in the fair value of the Optional Subscription were included in change in fair value of warrant liabilities in our consolidated statements of income.

**Earnings per Common Share**

The table below presents the computation of basic and diluted net income per share of common stock for the periods presented:

*(dollars in thousands, except share and per share data):*

	Year Ended	
	December 31, 2021	December 31, 2020
Net income	\$ 82,488	\$ 90,231
Basic weighted-average shares of common stock outstanding	132,579,289	132,209,495
Dilutive effect of share-based compensation – unvested restricted stock units	87,213	51,618
Diluted weighted-average shares of common stock outstanding	132,666,502	132,261,113
Basic earnings per share	\$ 0.62	\$ 0.68
Diluted earnings per share	\$ 0.62	\$ 0.68

For the periods presented, the following stock equivalents were excluded from the calculations of diluted earnings per share because their effect would have been antidilutive:

	Year Ended	
	December 31, 2021	December 31, 2020
Weighted-average restricted stock units outstanding	199,709	315,260
Unexercised public warrants and private placement warrants	15,604,304	15,604,304
Expired and unexercised shares related to the Optional Subscription liability	—	2,391,539
Total stock equivalents excluded	15,804,013	18,311,103

## Broadmark Realty Capital Inc.

### Members' Equity (Predecessor)

Members' Equity is presented on a combined basis for the Predecessor Company Group, which includes the preferred units for the Predecessor Companies and the Class A and Class P units for the Predecessor Management Companies. The applicable Predecessor Management Company was the sole common unit holder of the Predecessor Company it managed, and, therefore all common units have been eliminated in the preparation of the consolidated Predecessor Company Group financial statements, as they represent intra-entity balances between entities within the combined Predecessor Company Group.

### Earnings Per Unit (Predecessor)

We determined that earnings per unit would not be meaningful to the users of these financial statements for the Predecessor period.

### Note 10 - Income Taxes

For the Successor period, the Manager has elected to be treated as a TRS and this election applies to the wholly-owned subsidiaries of the Manager, including the Private REIT Manager. Having TRSs permit us to participate in certain activities from which REITs are generally precluded, as long as these activities meet specific criteria, are conducted within the parameters of certain limitations established by the Code and are conducted in entities which elect to be treated as taxable subsidiaries under the Code. To the extent these criteria are met, we will continue to maintain the qualification as a REIT.

We generally must distribute annually at least 90% of our net taxable income, subject to certain adjustments and excluding any net capital gain, in order for U.S. federal income tax not to apply to earnings that we distribute. To the extent that we satisfy this distribution requirement but distribute less than 100% of our net taxable income, we will be subject to U.S. federal income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws.

Our qualification as a REIT also depends on our ability to meet various other requirements imposed by the Code, which relate to organizational structure, diversity of stock ownership, and certain restrictions with regard to the nature of assets and the sources of income. Even if we qualify as a REIT, we may be subject to certain U.S. federal income and excise taxes and state and local taxes on our income and assets. If we fail to maintain our qualification as a REIT for any taxable year, we may be subject to material penalties as well as federal, state, and local income tax on our taxable income at regular corporate rates and we would not be able to qualify as a REIT for the subsequent four full taxable years. As of December 31, 2021 and 2020, we were in compliance with all REIT requirements.

Based on our evaluation, we concluded that there are no significant uncertain tax positions requiring recognition in our consolidated financial statements of a contingent tax liability for uncertain tax positions. Additionally, there were no amounts accrued for penalties or interest as of or during the periods presented in the accompanying consolidated financial statements.

The state and local tax jurisdictions for which we are subject to tax-filing obligations recognize our status as a REIT, and therefore, we generally do not pay income tax in such jurisdictions. We may, however, be subject to certain minimum state and local tax filing fees as well as certain excise or business taxes. Our TRSs are subject to U.S. federal, state and local income taxes.

### Note 11 - Equity Incentive Plan

#### Stock Incentive Plan (Successor)

The Broadmark Realty 2019 Stock Incentive Plan (the "Plan") allows for the issuance of up to 5,000,000 stock options, stock appreciation rights, restricted stock awards, restricted stock units or other equity-based awards or any combination thereof to the directors, employees, consultants or any other party providing services to us. The Plan is administered by the compensation committee of our board of directors.

**Broadmark Realty Capital Inc.**

As of December 31, 2021, there were 3,644,068 shares available to be awarded under the Plan. The restricted stock units granted under the Plan generally vest from one to three years depending on the terms of the specific award. In 2021, pRSUs were granted to our executive officers that will be earned at the end of the three fiscal year period ending December 31, 2023 based on the Company's level of achievement of total stockholder return relative to the total stockholder return ("Relative TSR") of a selected group of industry peer companies for the three-year performance period. A variable level of shares of our common stock, ranging from 0% to 150% of target level, will be earned based on the level of achievement of the Relative TSR goals. The earned pRSUs will be paid in the form of common stock promptly following the end of the three-year performance period. The pRSUs are each measured at fair value based on Monte Carlo simulation models.

All RSUs awarded will be settled upon vesting in shares of our common stock. If (1) the recipient becomes disabled and the recipient's employment or service is terminated as a result, (2) the recipient dies during the vesting period, or (3) the recipient's employment is terminated without cause (as defined in the Plan) in connection with, or in certain cases within a specified period following a change in control (as defined in the Plan), then the vesting of the RSUs will fully accelerate as of the date of termination of employment.

Dividend equivalents are not accrued or paid on RSUs granted to employees, executive officers and directors and accordingly those RSUs are not considered participating securities.

If an award granted under the Plan expires or terminates, the shares subject to any portion of the award that expires or terminates without having been exercised or paid will again become available for the issuance of additional awards.

The following table summarizes the activity related to RSUs during 2021:

	Shares	Weighted Average Grant Date Fair Market Value
Unvested RSUs outstanding as of December 31, 2020	434,143	
Granted	466,001	\$ 10.08
Vested	(231,053)	\$ 10.61
Forfeited	(13,837)	\$ 10.58
Unvested RSUs outstanding as of December 31, 2021	655,254	

As of December 31, 2021, there was \$4.7 million of net unrecognized compensation cost related to unvested stock-based compensation arrangements. This compensation will be recognized on a straight-line basis over a weighted-average recognition period of 1.7 years.

**Profits Interests and Equity Compensation (Predecessor)**

The Predecessor Company Group expensed the fair value of share-based compensation awards granted to employees and directors over the period each award vested. Compensation cost was measured using the Black-Scholes model. There were 150 units granted during the period from January 1, 2019 through November 14, 2019 at \$11,717 per unit, which were to vest ratably over 48 months. The fair value of restricted unit awards was equal to the fair value of the Predecessor Company's units at the date of grant. The units were valued using an internal model with market inputs available on the date of grant. The restricted units were settled as part of the Business Combination.

**Broadmark Realty Capital Inc.****Note 12 - Commitments and Contingencies**

The following table illustrates our contractual obligations and commercial commitments by due date as of December 31, 2021:

<i>(dollars in thousands)</i>	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
Construction holdbacks <sup>(1)</sup>	\$ 524,462	\$ 298,692	\$ 225,770	\$ —	\$ —
Operating lease obligations <sup>(2)</sup>	10,870	861	1,959	2,079	5,971
<b>Total</b>	<b>\$ 535,332</b>	<b>\$ 299,553</b>	<b>\$ 227,729</b>	<b>\$ 2,079</b>	<b>\$ 5,971</b>

(1)The funding timing and amounts of construction holdbacks are uncertain as these commitments relate to loans for construction costs and depend on the progress and performance of the underlying projects.

(2)The total operating lease obligation includes \$2.9 million of imputed interest.

**Construction Loans**

Our commitments and contingencies include usual obligations incurred by real estate lending companies in the normal course of business, including construction holdbacks as disclosed in Note 4.

**Lease Commitments**

On March 18, 2020, we entered into a non-cancelable operating lease agreement for our office space in Seattle with an original lease period expiring in January 2032, which includes an option to extend the lease term for an additional five years. We have concluded that the renewal option is not reasonably certain of being exercised, therefore, the renewal is not included in the right of use asset and lease liability. The lease commencement date was in the first quarter of 2021. The total future cash payments included in the measurement of our operating lease liabilities, net of lease incentives, was \$11.7 million at inception of the lease. The right-of-use assets obtained in exchange for the new operating lease obligation and the tenant improvements were \$6.4 and \$2.0 million, respectively. The discount rate for the operating lease was 6%, resulting in an imputed interest amount of \$3.3 million.

**Legal Proceedings**

From time to time, we are named as a defendant in legal actions relating to transactions conducted in the ordinary course of business. Although there can be no assurance of the outcome of such legal actions, in the opinion of management, we do not have a potential liability related to any current legal proceeding or claim that would individually or in the aggregate materially affect our results of operations, financial condition or cash flows.

**Concentration Risk**

Our loan portfolio is primarily secured by first deed of trust liens on residential and commercial real estate located in 19 states and the District of Columbia. Our loan portfolio is also concentrated within ten counties, the largest being Utah County in Utah. As of December 31, 2021 and 2020, the top ten counties make up 46.6% and 43.2% of the total committed amount of loans in our total portfolio.

**Broadmark Realty Capital Inc.**

**Note 13 - Related Party Transactions**

**Private Placement with Farallon**

On November 14, 2019, Broadmark Realty consummated a business combination (the “Business Combination”) pursuant to an Agreement and Plan of Merger, dated August 9, 2019 (the “Merger Agreement”). In connection with the Business Combination and the execution of the Merger Agreement, we entered into certain subscription agreements with affiliates of Farallon Capital Management, L.L.C. (the “Farallon Entities”) for a private placement (the “PIPE Investment”) of our shares of common stock, pursuant to which, immediately prior to the consummation of the Business Combination, we issued and sold to the Farallon Entities an aggregate of 7,174,163 shares of common stock for an aggregate purchase price of approximately \$75.0 million at a price per share equal to \$10.45352229 (the “Reference Price”). In connection with the PIPE Investment, we issued to the Farallon Entities an aggregate of 7,174,163 Public Warrants. The Farallon Entities received a fee for each warrant equal to the cash payable per each warrant held by unaffiliated Public Warrant holders in connection with the warrant amendment proposal approved as part of the Business Combination, in an amount equal to \$1.60 per warrant. The Farallon Entities own less than 5% of our outstanding common stock; however, their beneficial ownership exceeds 5% of our common stock when including the shares issuable upon exercise of the Public Warrants held by them.

We also provided the Farallon Entities with certain registration rights in connection with the PIPE Investment, pursuant to which we registered in December 2019 the shares of our common stock, Public Warrants and shares issuable upon exercise of the Public Warrants under the Securities Act. As part of the PIPE Investment, the Farallon Entities had an option (the “Optional Subscription”) to purchase up to \$25 million of additional shares of common stock, which were exercisable during the 365-day period following the consummation of the Business Combination at \$10.45352229 (the “Reference Price”). The Farallon Entities were entitled to cash settle, in whole or in part, the exercise of the Optional Subscription, and therefore, the Optional Subscription did not meet the requirements for equity classification and was assumed to be settled in cash and classified as a liability in our consolidated balance sheet. The Optional Subscription expired unexercised on November 14, 2020, and therefore the liability was \$0 as of December 31, 2020 and 2021. The change in fair value of the Optional Subscription Liability was included in the consolidated statements of income and was estimated using a lattice model, and the expected volatility was based on the historical volatility of comparable public companies.

**Broadmark Private REIT, LLC**

The Private REIT was a private real estate finance company that primarily participated in short-term, first deed of trust loans secured by real estate that were originated, underwritten and serviced by Broadmark Realty Capital Inc. The Private REIT was managed by our subsidiary in accordance with a market-based arrangement and was determined to be a voting interest entity. We did not directly or indirectly control the Private REIT and owned only a nominal interest in the Private REIT’s common units and, therefore, we did not consolidate the Private REIT.

In August 2021, in connection with the liquidation of the Private REIT, all participations in mortgage notes receivable held by the Private REIT were offered to and purchased for cash by the Company at the settlement value which approximates fair value of \$43.5 million. As of September 30, 2021, the Private REIT had distributed the net assets in excess of cash required to discharge liabilities (including accrued liabilities for liquidation costs) to its investors based on their relative percentage interests. The Private REIT Manager, acting as liquidator, is responsible for discharging the Private REIT’s remaining liabilities and winding up its affairs, which was completed in the fourth quarter of 2021.

**Note 14 - Subsequent Events**

***Dividend Declaration***

On January 14, 2022, our board of directors declared a monthly cash dividend of \$0.07 per common share payable on February 15, 2022 to stockholders of record as of January 31, 2022, and on February 14, 2022, our board of directors declared a cash dividend of \$0.07 per common share payable on March 15, 2022 to stockholders of record as of February 28, 2022.

**Broadmark Realty Capital Inc.**

**EM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Report. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2021, the Company's disclosure controls and procedures were effective as of December 31, 2021.

**Management's Report on Internal Control over Financial Reporting**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and include those policies and procedures that:

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021. In making this assessment, management used the criteria established in the *2013 Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2021 and that the material weaknesses described below have been remediated.

Moss Adams LLP, the independent registered public accounting firm that audited our Consolidated Financial Statements included in this Annual Report, has audited the effectiveness of internal control over financial reporting as of December 31, 2021. Their audit report is included with our financial statements, and expressed an unqualified opinion on the effectiveness of internal control over financial reporting at December 31, 2021.

**Broadmark Realty Capital Inc.**

**Changes in Internal Control Over Financial Reporting**

During the quarter ended December 31, 2021, there were no changes in the Company's internal control over financial reporting (as such terms are defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None.

**PART III.**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by Item 10 is incorporated by reference to the definitive Broadmark Realty Capital Inc. Proxy Statement to be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 11 is incorporated by reference to the definitive Broadmark Realty Capital Inc. Proxy Statement to be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

**EM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by Item 12 is incorporated by reference to the definitive Broadmark Realty Capital Inc. Proxy Statement to be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

**EM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by Item 13 is incorporated by reference to the definitive Broadmark Realty Capital Inc. Proxy Statement to be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by Item 14 is incorporated by reference to the definitive Broadmark Realty Capital Inc. Proxy Statement to be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

**Broadmark Realty Capital Inc.**

**PART IV.**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

**(a)(1) and (2) Financial Statements and Schedules.**

See “Index to Financial Statements and Schedules” on page F-1.

**(3) Exhibits**

<b><i>Exhibit</i></b>	<b><i>Description</i></b>
2.1	<u><a href="#">Agreement and Plan of Merger, dated August 9, 2019, by and among Trinity Merger Corp., Broadmark Realty Capital Inc., Trinity Merger Sub I, Inc., Trinity Merger Sub II, LLC, PBRELF I, LLC, BRELF II, LLC, BRELF III, LLC, BRELF IV, LLC, Pyatt Broadmark Management, LLC, Broadmark Real Estate Management II, LLC, Broadmark Real Estate Management III, LLC, and Broadmark Real Estate Management IV, LLC (incorporated by reference to Annex A to the joint proxy statement/prospectus contained in Broadmark Realty’s Amendment No. 2 to the registration statement on Form S-4 (File No. 333-233214), filed with the SEC on October 15, 2019).</a></u>
3.1	<u><a href="#">Articles of Amendment and Restatement of Broadmark Realty Capital Inc. (incorporated by reference to Exhibit 3.1 to Broadmark Realty’s Form 8-K (File No. 001-39134), filed with the SEC on November 20, 2019).</a></u>
3.2	<u><a href="#">Amended and Restated Bylaws of Broadmark Realty Capital Inc. (incorporated by reference to Exhibit 3.2 to Broadmark Realty’s Form 8-K (File No. 001-39134), filed with the SEC on November 20, 2019).</a></u>
4.1	<u><a href="#">Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to Broadmark Realty’s Form 8-A12B (File No. 001-39134), filed with the SEC on November 14, 2019).</a></u>
4.2	<u><a href="#">Specimen Warrant Certificate (incorporated by reference to Exhibit 4.2 to Broadmark Realty’s Form 8-A12B (File No. 001-39134), filed with the SEC on November 14, 2019).</a></u>
4.3	<u><a href="#">Warrant Agreement, dated as of May 14, 2018, between Trinity Merger Corp. and Continental Stock Transfer &amp; Trust Company (incorporated by reference to Exhibit 4.3 to Broadmark Realty’s Form 8-A12B (File No. 001-39134), filed with the SEC on November 14, 2019).</a></u>
4.4	<u><a href="#">Amendment to Warrant Agreement, dated November 14, 2019, by and between Broadmark Realty Capital Inc. and Continental Stock Transfer &amp; Trust Co. (incorporated by reference to Exhibit 4.4 to Broadmark Realty’s Form 8-K (File No. 001-39134), filed with the SEC on November 20, 2019).</a></u>
4.5	<u><a href="#">Second Amendment to Warrant Agreement, dated November 14, 2019, by and among Broadmark Realty Capital Inc., Continental Stock Transfer &amp; Trust Co., and American Stock Transfer &amp; Trust Company, LLC. (incorporated by reference to Exhibit 4.5 to Broadmark Realty’s Form 8-K (File No. 001-39134), filed with the SEC on November 20, 2019).</a></u>
4.6	<u><a href="#">Description of Securities registered under Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.6 to Broadmark Realty’s Form 10-K (File No. 001 39134), filed with the SEC on March 1, 2021).</a></u>
10.1	<u><a href="#">Employment Agreement, dated August 9, 2019, by and between Broadmark Realty Capital Inc. and Jeffrey Pyatt (incorporated by reference to Exhibit 10.1 to Broadmark Realty’s Form 8-K (File No. 001-39134), filed with the SEC on November 20, 2019).</a></u> +
10.2	<u><a href="#">Letter Agreement, dated February 2, 2022, by and between Broadmark Realty Capital Inc. and Jeffrey Pyatt (incorporated by reference to Exhibit 10.2 to Broadmark Realty’s Form 8-K (File No. 001-39134), filed with the SEC on February 7, 2022).</a></u> +



**Broadmark Realty Capital Inc.**

- 10.3 [Employment Agreement, dated February 2, 2022, by and between Broadmark Realty Capital Inc. and Brian Ward \(incorporated by reference to Exhibit 10.1 to Broadmark Realty's Form 8-K \(File No. 001-39134\), filed with the SEC on February 7, 2022\).](#) +
- 10.4 [Employment Agreement, dated November 14, 2019, by and between Broadmark Realty Capital Inc. and David Schneider \(incorporated by reference to Exhibit 10.2 to Broadmark Realty's Form 8-K \(File No. 001-39134\), filed with the SEC on November 20, 2019\).](#) +
- 10.5 [Employment Agreement, dated September 5, 2020, by and between Broadmark Realty Capital Inc. and Nevin Boparai \(incorporated by reference to Exhibit 10.1 to Broadmark Realty's Form 10-Q \(File No. 001-39134\), filed with the SEC on November 9, 2020\).](#) +
- 10.6 [Employment Agreement, dated November 3, 2020, by and between Broadmark Realty Capital Inc. and Linda Koa \(incorporated by reference to Exhibit 10.4 to Broadmark Realty's Form 10-K \(File No. 001 39134\), filed with the SEC on March 1, 2021\).](#) +
- 10.7 [Employment Agreement, dated November 19, 2020, by and between Broadmark Realty Capital Inc. and Daniel Hirsty \(incorporated by reference to Exhibit 10.5 to Broadmark Realty's Form 10-K \(File No. 001 39134\), filed with the SEC on March 1, 2021\).](#) +
- 10.8 [Form of Subscription Agreement, by and between Broadmark Realty Capital Inc., Trinity Merger Corp., Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P., Farallon Capital Institutional Partners II, L.P., Farallon Capital Institutional Partners III, L.P., Four Crossings Institutional Partners V, L.P., and Farallon Capital \(AM\) Investors, L.P. \(incorporated by reference to Exhibit 10.5 to Broadmark Realty's Form 8-K \(File No. 001-39134\), filed with the SEC on November 20, 2019\).](#)
- 10.9 [Form of Amendment to Subscription Agreement, by and between Broadmark Realty Capital Inc., Trinity Merger Corp., Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P., Farallon Capital Institutional Partners II, L.P., Farallon Capital Institutional Partners III, L.P., Four Crossings Institutional Partners V, L.P., and Farallon Capital \(AM\) Investors, L.P. \(incorporated by reference to Exhibit 10.6 to Broadmark Realty's Form 8-K \(File No. 001-39134\), filed with the SEC on November 20, 2019\).](#)
- 10.10 [Broadmark Realty Capital Inc. 2019 Stock Incentive Plan \(incorporated by reference to Exhibit 10.7 to Broadmark Realty's Form 8-K \(File No. 001-39134\), filed with the SEC on November 20, 2019\).](#) +
- 10.11 [Form of Indemnification Agreement \(incorporated by reference to Exhibit 10.8 to Broadmark Realty's Form 8-K \(File No. 001-39134\), filed with the SEC on November 20, 2019\).](#)
- 10.12 [Form of Restricted Stock Unit Award Agreement \(incorporated by reference to Exhibit 10.1 to Broadmark Realty's Form 8-K \(File No. 001-39134\), filed with the SEC on February 7, 2020\).](#) +
- 10.13 [Form of Restricted Stock Unit Award Agreement \(Executive Officers\) \(incorporated by reference to Exhibit 10.1 to Broadmark Realty's Form 10-Q \(File No. 001-39134\), filed with the SEC on May 10, 2021\).](#) +
- 10.14 [Form of Performance Restricted Stock Unit Agreement \(incorporated by reference to Exhibit 10.2 to Broadmark Realty's Form 10-Q \(File No. 001-39134\), filed with the SEC on May 10, 2021\).](#) +
- 10.15 [2020 Annual Cash Bonus Program \(incorporated by reference to Exhibit 10.2 to Broadmark Realty's Form 10-Q \(File No. 001-39134\), filed with the SEC on November 9, 2020\).](#) +
- 10.16 [Broadmark Realty Capital Inc. Executive Officer Annual Cash Bonus Plan \(incorporated by reference to Exhibit 10.1 to Broadmark Realty's Form 8-K \(File No. 001-39134\), filed with the SEC on January 27, 2021\).](#) +
- 10.17 [Credit Agreement, dated February 19, 2021, by and among Broadmark Realty Capital Inc., the Lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent \(incorporated by reference to Exhibit 10.1 to Broadmark Realty's Form 8-K \(File No. 001-39134\), filed with the SEC on February 25, 2021\).](#)

**Broadmark Realty Capital Inc.**

10.18	<a href="#"><u>Amendment No. 1 to Credit Agreement, dated November 12, 2021, by and between Broadmark Realty Capital Inc. and JP Morgan Chase Bank, N.A., as administrative agent.*</u></a>
10.19	<a href="#"><u>Form of Note Purchase Agreement, dated November 12, 2021, by and between Broadmark Realty Capital Inc. and each of the Purchasers listed therein (incorporated by reference to Exhibit 10.1 to Broadmark Realty's Form 8-K (File No. 001-39134), filed with the SEC on November 17, 2021).</u></a>
21.1	<a href="#"><u>List of Subsidiaries.*</u></a>
22.1	<a href="#"><u>List of Guarantor Subsidiaries of Broadmark Realty Capital Inc. (incorporated by reference to Exhibit 22.1 to Broadmark Realty's Form 10-K (File No. 001 39134), filed with the SEC on March 1, 2021).</u></a>
23.1	<a href="#"><u>Consent of Moss Adams LLP.*</u></a>
31.1	<a href="#"><u>Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Broadmark Realty Capital Inc.*</u></a>
31.2	<a href="#"><u>Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Broadmark Realty Capital Inc.*</u></a>
32.1	<a href="#"><u>Section 1350 Certification of the Chief Executive Officer of Broadmark Realty Capital Inc.*</u></a>
32.2	<a href="#"><u>Section 1350 Certification of the Chief Financial Officer of Broadmark Realty Capital Inc.*</u></a>
101:	
101.INS	<i>Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.</i>
101.SCH	<i>Inline Taxonomy Extension Schema</i>
101.CAL	<i>Inline Taxonomy Extension Calculation Linkbase</i>
101.LAB	<i>Inline Taxonomy Extension Label Linkbase</i>
101.PRE	<i>Inline Taxonomy Extension Presentation Linkbase</i>
101.DEF	<i>Inline Taxonomy Extension Definition Document</i>
104	<i>Cover Page Interactive Data File—the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.</i>

\*Exhibits that are filed or furnished herewith.

+ Management contract or compensatory plan, contract or arrangement.

**ITEM 16. FORM 10-K SUMMARY**

None.

**Broadmark Realty Capital Inc.**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**BROADMARK REALTY CAPITAL INC.**

Date: February 28, 2022

By: /s/ Jeffrey B. Pyatt  
Name: Jeffrey B. Pyatt  
Title: President and Chief Executive Officer  
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>Name</b>	<b>Position</b>	<b>Date</b>
/s/ Jeffrey B. Pyatt Jeffrey B. Pyatt	President and Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	February 28, 2022
/s/ David Schneider David Schneider	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 28, 2022
/s/ Stephen G. Haggerty Stephen G. Haggerty	Director	February 28, 2022
/s/ Daniel J. Hirsch Daniel J. Hirsch	Director	February 28, 2022
/s/ David A. Karp David A. Karp	Director	February 28, 2022
/s/ Norma J. Lawrence Norma J. Lawrence	Director	February 28, 2022
/s/ Kevin M. Luebbbers Kevin M. Luebbbers	Director	February 28, 2022

AMENDMENT NO. 1

THIS AMENDMENT NO. 1 (this "Amendment"), dated as of November 12, 2021, is entered into by and between BROADMARK REALTY CAPITAL INC., a Maryland corporation (the "Borrower"), and JPMORGAN CHASE BANK, N.A., as administrative agent (in such capacity, the "Administrative Agent").

RECITALS

WHEREAS, the Borrower, the lenders from time to time party thereto (the "Lenders"), and JPMorgan Chase Bank, N.A., as Administrative Agent, are party to the Credit Agreement, dated as of February 19, 2021 (as amended, modified, extended, restated, replaced, or supplemented from time to time prior to the date hereof, the "Credit Agreement");

WHEREAS, the Borrower intends to issue \$100,000,000 5.00% Senior Notes due 2026 (the "Notes") and become party to that certain Note Purchase Agreement, dated as of November 12, 2021 (as amended, modified, extended, restated, replaced, or supplemented from time to time prior to the date hereof, the "Note Purchase Agreement"), by and between the Borrower, as issuer, and purchasers party thereto;

WHEREAS, the Borrower intends for the Notes to constitute Longer-Term Indebtedness (as defined in the Credit Agreement);

WHEREAS, pursuant to clause (v) of the definition of "Longer-Term Indebtedness" set forth in the Credit Agreement, to the extent any such Longer-Term Indebtedness has any financial covenants, such financial covenants cannot be more restrictive than the financial covenants contained in the Credit Agreement unless such more restrictive financial covenants are added to the Credit Agreement for the benefit of the Lenders;

WHEREAS, the Notes contain a financial covenant that is more restrictive than the financial covenants included in Section 6.13 the Credit Agreement; and

WHEREAS, as permitted by Sections 1.01 and 9.02 of the Credit Agreement, the Administrative Agent is willing to agree to this Amendment upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. Capitalized terms used herein but not otherwise defined herein shall have the meanings provided to such terms in the Credit

2. Amendment to Section 1.01 of the Credit Agreement. Effective as of the Amendment Effective Date (as defined below), the following definitions

**"Operating Cash Flow"** means, for any period of determination, with respect to the Borrower and its Subsidiaries, on a consolidated basis, net cash provided by operating activities, exclusive of the effects from changes in operating assets and liabilities, plus cash paid for income taxes and interest payments, determined in accordance with GAAP applied in a manner consistent with the Borrower's most recent audited financial statements.

---

“**Senior Debt Service**” means, for the Testing Period, the sum of: (a) the interest paid in cash or required to be paid in cash by the Borrower and its Subsidiaries, on a consolidated basis, for the Testing Period with respect to all Indebtedness, together with all fees and expenses paid on account of or with respect thereto, minus the interest paid in cash or required to be paid in cash by the Borrower and its Subsidiaries, on a consolidated basis, for the Testing Period with respect to all Subordinated Indebtedness together with all fees and expenses paid on account of or with respect thereto, in each case, determined in accordance with GAAP; plus (b) regularly scheduled principal amortization payments made or required to be made on account of Indebtedness for the Testing Period (exclusive of pay-offs or pay-downs on account of such Indebtedness), minus regularly scheduled principal amortization payments made or required to be made by the Borrower and its Subsidiaries, on a consolidated basis, on account of subordinated Indebtedness for borrowed money for such Testing Period (exclusive of pay-offs or pay-downs on account of such Indebtedness), in each case determined in accordance with GAAP.

“**Senior Debt Service Coverage Ratio**” means, with respect to the Borrower, at any date of determination, the ratio of Operating Cash Flow during the Testing Period to Senior Debt Service for the Testing Period.

“**Subordinated Indebtedness**” means all Indebtedness of the Borrower and its Subsidiaries that is effectively subordinated in right of payment to the Loans.

“**Testing Period**” means, with respect to the Borrower, at any date of determination, the four consecutive fiscal quarters of the Borrower most recently ended immediately prior to such determination date.

3. Amendment to Section 6.13 of the Credit Agreement. Effective as of the Amendment Effective Date, Section 6.13 of the Credit Agreement is hereby

(d) Senior Debt Service Coverage Ratio as of the close of business on the last day of each of its fiscal quarters, calculated on a pro forma basis for the incurrence of any Indebtedness during the applicable Testing Period, to be less than 1.25 to 1.0.

In giving pro forma effect to the incurrence of any Indebtedness during the applicable Testing Period with respect to the Senior Debt Service Coverage Ratio, (i) the Borrower’s Operating Cash Flow for the applicable Testing Period shall be increased by an amount equal to the product of (A) the principal amount of such Indebtedness and (B) the Borrower’s average yield on earning assets during the applicable Testing Period and (ii) the Borrower’s Senior Debt Service shall be increased by the interest that would have been paid on such Indebtedness had it been issued on the first day of the applicable Testing Period. In giving pro forma effect to the retirement of any Indebtedness during the applicable Testing Period, Senior Debt Service shall be decreased by the Senior Debt Service in respect of such retired Indebtedness as if such Indebtedness had been retired on the day before first day of such Testing Period.

4. Payment of Expenses. The Borrower agrees to reimburse the Administrative Agent for all reasonable and documented out of pocket expenses incurred

---

5. Conditions Precedent. This effectiveness of this Amendment is subject to the satisfaction or waiver of each of the following conditions (the date on which such conditions shall have been so satisfied or waived, the "Amendment Effective Date"):

(a) The Administrative Agent shall have received a counterpart of this Amendment, executed and delivered by a duly authorized officer of

(b) At the time of and immediately after effectiveness of this Amendment, the representations and warranties set forth in Sections 6(c) and

6. Representations and Warranties. The Borrower represents and warrants to the Administrative Agent that, as of the date hereof:

(a) This Amendment has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the

(b) the execution delivery and performance by the Borrower of this Amendment will not (A) require any consent or approval of, registration

give rise to a right thereunder to require any payment to be made by the Borrower or any of its Subsidiaries, where such violation, default or payment could reasonably be expected to have a Material Adverse Effect, and (D) result in the creation or imposition of, or the requirement to create, any Lien on any asset of the Borrower or any of its Subsidiaries other than the Liens created pursuant to the Collateral Documents and other than Liens permitted by Section 6.02.

(c) The representations and warranties of each Loan Party set forth in the Loan Documents shall be true and correct in all material respects

(d) At the time of and immediately after effectiveness of this Amendment, no Default or Event of Default shall have occurred and be

7. Reference to and Effect on the Loan Documents.

(a) From and after the Amendment Effective Date, each reference in the Credit Agreement to "hereunder," "hereof," "this Agreement" or

(b) The Loan Documents, and the obligations of the Borrower and the Guarantors under the Loan Documents, are hereby ratified and

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

---

8. Governing Law; Jurisdiction; Consent to Service of Process; Waiver of Jury Trial, Etc.

(a) This Amendment shall be construed in accordance with and governed by the law of the State of New York, without regard to conflict of

**(b) EACH PARTY HERETO HEREBY AGREES AS SET FORTH IN SECTIONS 9.09 and 9.10 OF THE CREDIT AGREEMENT AS IF SUCH SECTIONS WERE SET FORTH IN FULL HEREIN.**

9. Amendments; Headings; Severability. This Amendment may not be amended nor may any provision hereof be waived except pursuant to a writing signed by the Borrower and the Administrative Agent. The Section headings used herein are for convenience of reference only, are not part of this Amendment and shall not affect the construction of, or be taken into consideration in interpreting, this Amendment. Any provision of this Amendment held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

10. Execution in Counterparts. This Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart signature page of this Amendment that is an Electronic Signature transmitted by telecopy, emailed pdf. or any other electronic means that reproduces an image of an actual executed signature page shall be effective as delivery of a manually executed counterpart of this Amendment. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to this Amendment, any other Loan Document and/or any Ancillary Document shall be deemed to include Electronic Signatures, deliveries or the keeping of records in any electronic form (including deliveries by telecopy, emailed pdf. or any other electronic means that reproduces an image of an actual executed signature page), each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be; provided that nothing herein shall require the Administrative Agent to accept Electronic Signatures in any form or format without its prior written consent and pursuant to procedures approved by it; provided, further, without limiting the foregoing, (i) to the extent the Administrative Agent has agreed to accept any Electronic Signature, the Administrative Agent and each of the Lenders shall be entitled to rely on such Electronic Signature purportedly given by or on behalf of the Borrower or any other Loan Party without further verification thereof and without any obligation to review the appearance or form of any such Electronic signature and (ii) upon the request of the Administrative Agent or any Lender, any Electronic Signature shall be promptly followed by a manually executed counterpart.

11. Notices. All notices hereunder shall be given in accordance with the provisions of Section 9.01 of the Credit Agreement.

---

Each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

BORROWER:

BROADMARK REALTY CAPITAL INC.,  
as Borrower

By: /s/ David Schneider  
Name: David Schneider  
Title: Chief Financial Officer

ADMINISTRATIVE AGENT:

JPMORGAN CHASE BANK, N.A.,  
as Administrative Agent

By: /s/ Catherine Mahony  
Name: Catherine Mahony  
Title: Vice President

[Signature Page to Amendment No. 1 to Credit Agreement]

---



SUBSIDIARIES OF BROADMARK REALTY CAPITAL INC.

<b>Subsidiary</b>	<b>Jurisdiction of Incorporation or Formation</b>
BRMK Lending, LLC	Delaware
BRMK Management, Corp.	Delaware
Broadmark Private REIT Management, LLC	Delaware
Cataldo Square, LLC	Washington
PBRELf Clearview Sheldon, LLC	Washington
PBRELf Peak, LLC	Washington
South Hill Meridian, LLC	Washington
BRMK Jefferson, LLC	Colorado
BRMK Wasatch Properties LLC	Washington
BRMK Dayton Townhomes LLC	Colorado
BRMK Roth Park Building B LLC	Colorado
BRMK Echo Lake LLC	Washington
BRMK Akard LLC	Washington
BRMK Sage Creek LLC	Washington
BRMK 411 Sam Houston, LLC	Texas
BRMK Dakin LLC	Colorado
BRMK Blueprint LLC	Colorado
BRMK Grove LLC	Washington

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements (Form S-8, No. 333-236197, Form S-3, No. 333-251075 and Form S-3, No. 333-235402) of Broadmark Realty Capital Inc. (the “Company” or “Successor”) as of December 31, 2021 and 2020, and for each of the two years in the period ended December 31, 2021 and the period from November 15, 2019 to December 31, 2019 and the financial statements of the former Broadmark Entities (collectively, the “Predecessor”) for the period from January 1, 2019 to November 14, 2019, and the effectiveness of internal control over financial reporting as of December 31, 2021, appearing in this Annual Report on Form 10-K of Broadmark Realty Capital Inc. for the year ended December 31, 2021.

/s/ Moss Adams LLP

Everett, Washington  
February 28, 2022

---

**RULE 13a-14(a)/15d-14(a) CERTIFICATION OF CHIEF EXECUTIVE OFFICER****Certification**

I, Jeffrey B. Pyatt, certify that:

1. I have reviewed this Annual Report on Form 10-K of Broadmark Realty Capital Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2022

/s/ Jeffrey B. Pyatt  
Jeffrey B. Pyatt  
Chief Executive Officer

---

**RULE 13a-14(a)/15d-14(a) CERTIFICATION OF CHIEF FINANCIAL OFFICER****Certifications**

I, David Schneider, certify that:

1. I have reviewed this Annual Report on Form 10-K of Broadmark Realty Capital Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2022

/s/ David Schneider  
David Schneider  
Chief Financial Officer

---

**SECTION 1350 CERTIFICATION  
OF THE CHIEF EXECUTIVE OFFICER**

I, Jeffrey B. Pyatt, Chief Executive Officer of Broadmark Realty Capital Inc. (the "Company"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of my knowledge:

(1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2022

/s/ Jeffrey B. Pyatt  
Jeffrey B. Pyatt  
Chief Executive Officer

---

**SECTION 1350 CERTIFICATION  
OF THE CHIEF FINANCIAL OFFICER**

I, David Schneider, Chief Financial Officer of Broadmark Realty Capital Inc. (the “Company”), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

(1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2022

/s/ David Schneider  
David Schneider  
Chief Financial Officer

---