



**NOTICE OF SPECIAL MEETING**  
**&**  
**MANAGEMENT INFORMATION CIRCULAR**

**October 31, 2024**

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**FRONTENAC MORTGAGE INVESTMENT  
CORPORATION**

14216 Road #38, P.O. Box 208  
Sharbot Lake, Ontario K0H 2P0

October 31, 2024

Dear Shareholder:

The board of directors of Frontenac Mortgage Investment Corporation (the “**Company**” or “**we**”) is pleased to invite you to attend the special meeting (the “**Meeting**”) of the Company’s shareholders (the “**Shareholders**”) to be held at the DoubleTree Hotel, 1550 Princess St., Kingston, Ontario K7M 9E3 and online via live webcast at [meetnow.global/MD9F99Y](https://meetnow.global/MD9F99Y) on December 18, 2024 at 2 p.m. (Eastern Standard Time).

At the Meeting, Shareholders will be asked to consider and, if determined advisable, to pass, with or without amendment: (i) a special resolution authorizing the orderly wind-up of the Company pursuant to an orderly wind-up plan (the “**Orderly Wind-Up Plan**”); and (ii) a special resolution approving amendments to the articles of the Company necessary to implement a pro rata redemption plan (the “**Pro Rata Redemption Plan**”), each as detailed further in the accompanying management information circular. If the Orderly Wind-Up Plan is approved by Shareholders at the Meeting, the Company intends to allow mortgages in its portfolio to be repaid or mature in accordance with their terms or, on recommendation by the board of directors, to be sold to third parties at par or at a discount to par prior to their scheduled maturities. If the Orderly Wind-Up Plan is approved by Shareholders at the Meeting, the Company intends to effect an initial pro rata redemption (if the Pro Rata Redemption Plan is approved by Shareholders at the Meeting) or a special dividend (if the Pro Rata Redemption Plan is not approved by Shareholders) of an aggregate of \$65,000,000, representing approximately \$10.26 on a per share basis, and review available funds for further distributions or redemptions on a quarterly basis. If the Orderly Wind-Up Plan is not approved by Shareholders, the Company may be unable to return some or all of its cash on hand in order to maintain its status as a mortgage investment corporation.

The board of directors of the Company has determined that it is in the best interests of the Company and has approved and recommends that Shareholders vote FOR the Orderly Wind-Up Plan and the Pro Rata Redemption Plan. The Orderly Wind-Up Plan and Pro Rata Redemption Plan represent the culmination of a strategic review process initiated by the board of directors in June 2024 to consider alternatives to maximize Shareholder value. In making its recommendation, the board of directors considered a number of factors, as described in the accompanying management information circular under “*Particulars of Matters to be Acted Upon – The Orderly Wind-Up Plan*” and “*Particulars of Matters to be Acted Upon – Pro Rata Redemption Plan*”.

The management information circular contains a detailed description of the Orderly Wind-Up Plan and Pro Rata Redemption Plan and certain other information to assist you in considering how to vote on the Orderly Wind-Up Plan and Pro Rata Redemption Plan. We urge you to carefully consider all of the information in the management information circular. If you require assistance, please consult your financial, tax, investment, legal or other professional advisors.

This is an important matter affecting the future of the Company and your vote is important regardless of the number of shares you own. We also encourage you to take the time now to read the instructions provided to you by your broker, trustee, financial institution, custodian, nominee or other intermediary and complete the enclosed voting instruction form or form of proxy so that your shares can be voted at the Meeting in accordance with your instructions.

On behalf of the board of directors, I would like to thank all Shareholders for their patience and ongoing support.

Yours very truly,

*"Ryan Seeds"*

Ryan Seeds  
Chair of the Board of Directors



## **NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the Special Meeting (the “**Meeting**”) of the shareholders (the “**Shareholders**”) of Frontenac Mortgage Investment Corporation (the “**Company**” or “**FMIC**” or “**Frontenac**”) will be held on December 18, 2024, at 2 p.m. EST at DoubleTree Hotel 1550 Princess St., Kingston, Ontario K7M 9E3 and online via live webcast at [meetnow.global/MD9F99Y](https://meetnow.global/MD9F99Y). The accompanying management information circular (the “**Circular**”) explains how Shareholders may participate in the Meeting virtually via the Internet, or in person.

The Meeting is being held for the following purposes, which are explained more fully in the accompanying Circular:

- 1) to consider and, if deemed appropriate, to pass, with or without variation, a special resolution authorizing the orderly wind-up of the Company in the form set out in Schedule “A” to the Circular;
- 2) to consider and, if deemed appropriate, pass a special resolution to approve amendments to the articles of FMIC necessary to implement the pro rata redemption plan, as more particularly described in the Circular; and
- 3) to transact such further and other business as may properly be brought before the meeting or any adjournment thereof.

The directors of the Company have fixed October 31, 2024 (the “**Record Date**”) as the record date for determining the Shareholders entitled to receive notice of and vote at the Meeting. Only Shareholders of the Company as of the close of business on the Record Date will be entitled to receive notice of and to vote, in person or by proxy, at the Meeting.

The Company is using the Notice-And-Access provisions (“**Notice-and-Access Provisions**”) under National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”) and National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”) for the Meeting. The Notice-and-Access Provisions are a set of rules developed by the Canadian Securities Administrators that allows issuers to post electronic versions of the shareholder meeting materials online on the System for Electronic Data Analysis and Retrieval + (“**SEDAR+**”), as well as an additional website, instead of mailing paper copies of shareholder meeting materials to shareholders. FMIC anticipates that notice-and-access will directly benefit the Company through a substantial reduction in both postage and material costs, and also promote environmental responsibility by decreasing the large volume of paper documents generated by printing proxy-related materials.

Electronic copies of this notice, the Circular, and other Meeting materials (together the “**Materials**”) may be found on the Company’s SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca), as well as at Computershare’s website at <http://www.computershare.com/Frontenac> and at FMIC’s website at [fmic.ca](http://fmic.ca). The Company reminds Shareholders to review the Circular prior to voting.

Shareholders will receive a Notice Package (the “**Notice Package**”) via pre-paid mail. The Notice Package contains a notice with prescribed information under NI 54-101, a voting instruction form/form of proxy (a “**Proxy**”) and return envelope.

The Company will not send paper copies of the Materials to any Shareholders unless specifically requested to do so. Shareholders wishing to receive paper copies of the Materials should contact W.A. Robinson Asset Management Ltd. at 1-877-279-3061 x 105 or amber.kehoe@robinsonam.com no later than Wednesday, December 4, 2024, and the Company will arrange for paper copies to be sent within three business days of such request.

Registered Shareholders and persons appointed as proxies pursuant to the Proxy will be entitled to participate fully in the Meeting, including submitting questions and voting shares. Registered Shareholders are encouraged to submit questions in advance of the Meeting by email to the Corporate Secretary at amber.kehoe@robinsonam.com.

Dated: October 31, 2024

BY ORDER OF THE BOARD OF DIRECTORS

Ryan Seeds, Chair

**Our Meeting will be held as a hybrid meeting. Whether or not you plan to attend the Meeting virtually, or in person, we encourage you to vote. If you do not intend to attend the Meeting, please submit your completed Proxy in advance in the manner described in the Proxy and enclosed Circular. For additional instructions on attending virtually, or voting via Internet, please refer to the enclosed Circular or the Proxy that you will receive via mail. To vote and submit your Proxy by mail, please complete, sign and date the Proxy form that is mailed to you in the Notice Package and return it in the envelope also provided in the Notice Package. If you have returned your completed Proxy and then decide to attend the Annual Meeting, you may revoke your Proxy and vote at the meeting. Please refer to the attached Circular for further details.**

# FRONTENAC MORTGAGE INVESTMENT CORPORATION

## MANAGEMENT INFORMATION CIRCULAR

### FORWARD-LOOKING INFORMATION

This Circular (as defined below) contains forward-looking statements and forward-looking information (collectively referred to herein as “**forward-looking statements**”) within the meaning of applicable Canadian securities laws, which may include, but are not limited to, information and statements regarding or inferring the future business, operations, financial performance, prospects, and other plans, intentions, expectations, estimates, and beliefs of the Company. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "achieve", "could", "believe", "plan", "intend", "objective", "continuous", "ongoing", "estimate", "outlook", "expect", "may", "will", "project", "should" or similar words, including negatives thereof, suggesting future outcomes.

Forward-looking statements involve and are subject to assumptions and known and unknown risks, uncertainties, and other factors beyond FMIC’s ability to predict or control which may cause actual events, results, performance, or achievements of FMIC to be materially different from future events, results, performance, and achievements expressed or implied by forward-looking statements herein. Forward-looking statements are not a guarantee of future performance.

Although FMIC believes that any forward-looking statements herein are reasonable, in light of the use of assumptions and the significant risks and uncertainties inherent in such statements, there can be no assurance that any such forward-looking statements will prove to be accurate. Actual results may vary, and vary materially, from those expressed or implied by the forward-looking statements herein. Accordingly, readers are advised to rely on their own evaluation of the risks and uncertainties inherent in forward-looking statements herein and should not place undue reliance upon such forward-looking statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations, including that the Orderly Wind-Up Plan or Pro Rata Redemption Plan contemplated herein will be approved by shareholders, that the Orderly Wind-Up Plan will be completed as contemplated and that redemptions will be completed as contemplated under the Pro Rata Redemption Plan. Important factors that could cause actual results to differ materially from expectations include, among other things, whether shareholder approval of the Orderly Wind-Up Plan or Pro Rata Redemption Plan is obtained and the factors described in “*Particulars of Matters to be Acted Upon – The Orderly Wind-Up Plan – Risk Factors*” in this Circular and “*Risk Factors*” under the Company’s annual Management’s Discussion and Analysis for the year ended December 31, 2023 and the Company’s interim Management’s Discussion and Analysis for the six months ended June 30, 2024, which are available under the Company’s profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

All forward-looking statements herein are qualified by these cautionary statements. Any forward-looking statements herein are made only as of the date hereof, and except as required by applicable laws, FMIC assumes no obligation and disclaims any intention to update or revise any forward-looking statements herein or to update the reasons that actual events or results could or do differ from those projected in any forward-looking statements herein, whether as a result of new information, future events or results, or otherwise.

### SOLICITATION OF PROXIES

This Management Information Circular (the “**Circular**”) accompanies the Notice of Special Meeting of Shareholders (the “**Notice**”) of Frontenac Mortgage Investment Corporation (the “**Company**” or “**FMIC**” or “**Frontenac**”).

The Circular is furnished in connection with the solicitation of proxies and has been prepared by the board of directors of the Company (the “**Board**” or the “**Board of Directors**”) and management of the Company for use at the Special Meeting (the “**Meeting**”) or at any adjournment of the Meeting for the purposes set forth in the accompanying Notice. The Meeting will be held on December 18, 2024 2 p.m. EST. It is expected that solicitation of proxies will be made primarily by mail and possibly supplemented by telephone or other personal contact by directors or officers of the Company, without special compensation, or by employees of W. A. Robinson Asset Management Ltd., the Manager of the Company (the “**Manager**”).

The Meeting will be held in a hybrid format, virtually via the Internet and in person. Shareholders of the Company (“**Shareholders**” and each, a “**Shareholder**”) may choose to attend the Meeting online by accessing a live webcast or Shareholders may attend in person. Shareholders (both registered and non-registered) who choose to attend the Meeting virtually may do so by accessing a live webcast of the Meeting via the Internet at [meetnow.global/MD9F99Y](https://meetnow.global/MD9F99Y).

The Circular provides background information not previously provided to you which might be useful in deciding how you wish to vote on matters put before the Shareholders at the Meeting. The cost of the solicitation of Proxies herein will be borne by the Company, including the cost of preparing, assembling and mailing Proxy materials and handling and tabulating the Proxies returned.

A voting instruction form/form of proxy (the “**Proxy**”) will be sent to you in your Notice Package (the “**Notice Package**”). Whether or not you plan to attend the Meeting, the Proxy will allow you to specify how you want to vote your shares at the Meeting and whom you authorize to vote your shares. See “*How To Vote Your Shares*” below.

The FundSERV platform through which all purchases of common shares of the Company (“**Common Shares**” and each, a “**Common Share**”) are processed, including purchases pursuant to the Company’s dividend reinvestment program, records information on both the registered dealer which purchases and holds the Common Shares as well as the investor(s) for whom such dealer is acting (the “**Beneficial Shareholders**”) for all purchases of Common Shares. Since there is no secondary market for the Common Shares and redemptions of Common Shares are also processed through FundSERV, the Company, through its transfer agent and registrar, SGGG Fund Services Inc., is able to obtain accurate Shareholder information at all times, including a complete and accurate list of the Beneficial Shareholders. In connection with Shareholder meetings, including this Meeting, the Company sends all applicable meeting materials directly to all Beneficial Shareholders or to the registered investment dealer or registered portfolio manager to which a Beneficial Shareholder has granted discretionary authority to vote its Common Shares (each, an “**Intermediary**”), as requested by such registered dealer or registered portfolio manager. For purposes of the Meeting such Beneficial Shareholders and Intermediaries are deemed to be registered Shareholders, except that a Beneficial Shareholder for whom an Intermediary votes the Common Shares beneficially owned by such Beneficial Shareholder will be considered a non-registered Shareholder for purposes of the Meeting.

## **NOTICE-AND-ACCESS**

The Company is using the Notice-And-Access provisions (“**Notice-and-Access Provisions**”) under National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”) and National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”) for the Meeting. The Notice-and-Access Provisions are a set of rules developed by the Canadian Securities Administrators that allow issuers to post electronic versions of the shareholder meeting materials online on the System for Electronic Data Analysis and Retrieval + (“**SEDAR+**”), as well as an additional website, instead of mailing paper copies of shareholder meeting materials to shareholders. FMIC anticipates that notice-and-access will directly benefit the Company through a substantial reduction in both postage and material costs, and also promote environmental responsibility by decreasing the large volume of paper documents generated by printing proxy-related materials.



Electronic copies of this notice, the Circular, and other Meeting materials (together the “**Materials**”) may be found on the Company’s SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca), as well as at Computershare’s website at <http://www.computershare.com/Frontenac> and at FMIC’s website at [fmic.ca](http://fmic.ca). The Company reminds Shareholders to review the Circular prior to voting.

Shareholders will receive the Notice Package via pre-paid mail. The Notice Package contains a notice with prescribed information under NI 54-101, a Proxy and a return envelope.

The Company will not send paper copies of the Materials to any Shareholders unless specifically requested to do so. Shareholders wishing to receive paper copies of the Materials should contact W.A. Robinson Asset Management Ltd. at 1-877-279-3061 x 105 or [amber.kehoe@robinsonam.com](mailto:amber.kehoe@robinsonam.com) no later than Wednesday, December 4, 2024, and the Company will arrange for paper copies to be sent within three business days of such request.

## **HOW TO VOTE YOUR SHARES**

Registered Shareholders can vote their Common Shares either: (a) by attending and voting at the Meeting, online or in-person, or (b) by completing and submitting the Proxy in advance of the Meeting.

### **Voting at the Meeting**

If you are a registered Shareholder or a person named in the Proxy to vote Common Shares and you will be attending the Meeting (see “*How to Attend the Meeting*” below) you are encouraged to vote online prior to the Meeting commencing. You may also vote using a ballot which will be presented to you during the Meeting. Only registered Shareholders or their duly appointed proxyholders are entitled to vote at the Meeting. If you have followed the process for voting in advance of the Meeting, voting at the Meeting (whether in person or online) will revoke your previous Proxy.

For your proxyholder to vote online at the Meeting, you need to:

- (1) Appoint your proxyholder by following the instructions below under the heading “*Voting by Proxy in Advance of the Meeting*”. Please note that these steps must be completed prior to the proxy deadline or your proxyholder will not be able to vote your Common Shares at the Meeting; and
- (2) Your proxyholder needs to follow the instructions below to log in and vote at the Meeting as described below under the heading “*How to Attend the Meeting*”.

For registered Shareholders who wish to vote online at the Meeting, you need to:

- (1) Log into [meetnow.global/MD9F99Y](https://meetnow.global/MD9F99Y) at least 15 minutes before the Meeting starts. You should allow ample time to check into the Meeting and to complete the related procedures.
- (2) Enter your control number into the Shareholder Login section (your control number is located on your Proxy) and click on “Enter Here”.
- (3) Follow the instructions to access the Meeting online and vote when prompted.

To vote in-person at the Meeting, you need to follow the instructions below under the heading “*How to Attend the Meeting*”. Ballots will be circulated to registered Shareholders upon registration with Computershare. For your proxyholder to vote in-person at the Meeting, you will need to appoint your proxyholder by following the instructions below under the heading “*Voting by Proxy in Advance of the Meeting*”. Please note that these steps must be completed prior to the proxy deadline or your proxyholder will not be able to vote your Common Shares at the Meeting and your

proxyholder will need to follow the instructions below under the heading “*How to Attend the Meeting*” and register with Computershare to obtain a ballot.

A non-registered Shareholder wishing to attend the Meeting in person without voting – for example, because you have provided voting instructions prior to the Meeting or appointed another person to vote on your behalf at the Meeting – can attend and ask questions at the Meeting in the same manner as for registered Shareholders. However, such a Shareholder will not be able to vote at the Meeting unless they are also a duly appointed proxyholder.

#### Voting by Proxy in Advance of the Meeting

Registered Shareholders who are unable, or who do not wish, to attend and participate in the Meeting may use the Proxy to submit their voting instructions to authorize the named representative(s) of the Company to vote their Common Shares as their proxyholder at the Meeting by one of the following methods, no later than 4 p.m. EST on December 16, 2024.

By Mail: The completed Proxy, together with the Power of Attorney or other authority, if any, under which the Proxy was signed or a certified copy of the Power of Attorney or other authority, must be delivered to: Computershare Trust Company of Canada, Proxy Dept., 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1 not less than 48 hours (excluding Saturdays, Sundays and holidays), or such later time as the Board may specify, before the time of the Meeting or any adjournment or postponement thereof. Late Proxies may be deposited with the Chair of the Meeting, at the registered office of the Company, prior to the commencement of the Meeting on the day of the Meeting or any adjournment thereof. However, the Chair may accept or reject late Proxies at their discretion.

By Internet: The Company has an online registration system available to Shareholders through the Internet to allow them to submit their voting instructions at [www.investorvote.com](http://www.investorvote.com) **using their control number which is printed on the Proxy. If you have multiple accounts, you may receive a package for each account. With each package, you have received a unique user control number which is associated with the number of Common Shares held in that account. It is very important that you keep your control number for each account as you will need these to properly register your total Common Share count for the Meeting.**

Shareholders submitting their Proxy instructions by any of the above-noted methods other than mail are not required to return a paper form of the Proxy to the Company or its agent, Computershare.

The individuals named as proxyholder(s) in the Proxy accompanying this Circular, are directors, officers, or employees of the Company or of the Manager of the Company and are representatives of the Company for the purpose of the Meeting. The Corporate Secretary of Frontenac, Amber Kehoe, and the Chair of the Board of Frontenac, Ryan Seeds, are named in the accompanying Proxy as the nominees of the Company to exercise your voting rights in your absence. The Corporate Secretary, Amber Kehoe, and the Chair of the Board, Ryan Seeds, are therefore the proxyholders for those who agree to have them vote on their behalf.

**A Shareholder has the right to appoint a person (who need not be a Shareholder) to attend and act on the Shareholder’s behalf at the Meeting other than the representative of the Company designated as proxyholder in the accompanying Proxy.** If you wish to appoint an alternate person as Proxy to vote your Common Shares for you at the Meeting, please follow the instructions found on the Proxy. You will need to enter the email address of your appointee on the Proxy. Upon receipt of the Proxy the Company will send a control number to your appointee via email which will allow your appointee only to attend the Meeting online or in-person and vote your Common Shares on your behalf.

**We ask that Shareholders voting by proxy return their Proxy or register their Proxy online as soon as they can after receiving them so that we are assured of having the appropriate number of Common Shares represented either in person or by proxy at the Meeting.** At the very latest, the Proxies must be received no later than 4 p.m. EST on December 16, 2024.

Pursuant to section 148(4) of the *Canada Business Corporations Act* (the “CBCA”), a Shareholder who has given a Proxy may revoke it manually or online:

- a) By depositing an instrument in writing, including another completed Proxy executed by that Shareholder or Shareholder’s attorney authorized in writing either:
  - i) At the registered office of the Company at any time up to and including the last business day preceding the date of the Meeting or any adjournment of the Meeting; or
  - ii) With the Chair of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment of the Meeting; or
- b) By signing on at <http://www.computershare.com/Frontenac> and changing the appropriate field in the Proxy; or
- c) In any other manner permitted by law.

A Shareholder may indicate the manner in which the person named in the Proxy is to vote with respect to a matter to be acted upon at the Meeting by ticking one of the options on the Proxy. All Common Shares represented at the Meeting by properly executed Proxies will be voted “For” or “Against” (including the voting on any ballot), and where a choice with respect to any matter to be acted upon has been specified in the Proxy, the Common Shares represented by the Proxy will be voted in accordance with such specification.

If no choice is specified in the Proxy with respect to a matter to be acted upon, the Proxy confers discretionary authority with respect to that matter upon the proxyholder named in the accompanying Proxy. It is intended that the proxyholder named by the Company in the accompanying Proxy will vote the Common Shares represented by the Proxy in favour of each matter identified in the Proxy.

The Proxy also confers discretionary authority upon the named proxyholder with respect to amendments or variations to the matters identified in the accompanying Notice and with respect to any other matters which may properly come before the Meeting. As of the date of this Circular, the Company is not aware of any such amendments or variations, or any other matters, that will be presented for action at the Meeting other than those referred to in the accompanying Notice. If, however, other matters that are not now known to the Company properly come before the Meeting, then the person named in the accompanying Proxy will vote on them in accordance with their discretion.

## **HOW TO ATTEND THE MEETING**

The Company will hold the Meeting in a hybrid format which will be conducted both via live webcast online and in person. Shareholders or duly appointed proxyholders may choose to attend the Meeting online by accessing a live webcast or Shareholders or duly appointed proxyholders may attend in person. Registered Shareholders attending virtually by accessing the live webcast and those appointed by a Proxy to vote Common Shares will be able to submit questions for consideration at the Meeting and to vote on all business brought before the Meeting. Questions can be submitted in advance of the meeting by email to the Corporate Secretary at [amber.kehoe@robinsonam.com](mailto:amber.kehoe@robinsonam.com).

To fully participate in the Meeting, including being able to submit questions for consideration at the Meeting and to vote on all business brought before the Meeting, registered Shareholders and those appointed by a Proxy to vote Common Shares are advised as follows:

- To attend the Meeting online via the Internet and live webcast, Shareholders will need to visit [meetnow.global/MD9F99Y](https://meetnow.global/MD9F99Y) and check-in using the control number included on your Proxy or which has been emailed to you if you are appointed to vote Common Shares as a proxyholder.
- The Meeting platform is fully supported across browsers and devices running the most updated version of applicable software plugins. You should ensure you have a strong, preferably high-speed, Internet connection wherever you intend to participate in the Meeting.
- The Meeting will begin promptly at 2 p.m. EST on December 18, 2024. Online check-in will begin 30 minutes prior, at 1:30 p.m. EST. You should allow ample time for online check-in procedures.
- To attend the Meeting in-person, arrive at the Meeting at DoubleTree Hotel 1550 Princess St., Kingston Ontario K7M 9E3 and register with Computershare in order to obtain your ballot.

In order to find the control number to access the Meeting:

- **Registered Shareholders and Proxyholders:** The control number is located on the Proxy that has been mailed or emailed to you.

We recommend that you log in at least 15 minutes before the start time of the Meeting. It is important to ensure you are connected to the Internet at all times if you participate in the Meeting online, in order to vote when balloting commences. You are responsible for ensuring Internet connectivity for the duration of the Meeting.

Those who have appointed a proxyholder may not ask questions or vote at the Meeting though may still attend the meeting as guests, via the Internet as follows:

Internet: Visit [meetnow.global/MD9F99Y](https://meetnow.global/MD9F99Y).

## **QUORUM**

The By-laws of the Company provide that a quorum for the transaction of business at any meeting of Shareholders shall be 40 Shareholders and 10% of the shares entitled to vote at a meeting of Shareholders, whether present or represented by proxy.

## **VOTING SHARES AND PRINCIPAL HOLDERS**

Shareholders who appear in the Shareholder list on the record date of October 31, 2024 (the “**Record Date**”) are entitled to receive notice of and to attend and vote at the Meeting or any adjournment of the Meeting (see “*Voting at the Meeting*” and “*Voting by Proxy in Advance of the Meeting*” above). Shareholders are entitled to one vote for each whole Common Share held as at the Record Date and are not entitled to vote on fractional Common Shares held.

As of the Record Date, the Company had 6,334,891 Common Shares issued and outstanding which are entitled to be voted at the Meeting. The Common Shares carry the right to one vote per Common Share held. The Company does not have any other class of shares issued and outstanding.

As at the Record Date, to the knowledge of the directors and officers of the Company, no person, firm or corporation beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of the Company carrying more than 10% of the voting rights attaching to any class of voting securities of the Company.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **The Orderly Wind-Up Plan**

#### *Background to the Strategic Review Process*

FMIC was formed by the amalgamation of Frontenac Mortgage Investment Corporation and the Mortgage Investment Corporation of Eastern Ontario, pursuant to articles of amalgamation filed on July 1, 2012. FMIC is a “mortgage investment corporation” as defined under the *Income Tax Act* (Canada). As such, its business consists of the lending of money, principally to individuals, for the purposes of acquiring, developing, maintaining or upgrading residential real estate and other real property, against the security of a mortgage granted on such property. Pursuant to the Management Agreement (as defined below), FMIC’s overall business and operations are managed by the Board of Directors, which has delegated authority to certain day-to-day operational functions to the Manager. The services provided by the Manager include, without limitation, keeping the accounts and financial records, preparing the annual audit file and liaising with the auditor, calculating, confirming and arranging payment of all subscriptions, redemptions, fees and expenses, and arranging for the payment of all dividends, ensuring compliance with legislative requirements, including SEDAR+ filings, and liaising with securities regulators on matters relating to FMIC. The executive officers of the Manager (Matthew Robinson, Chief Executive Officer and Katie Harker, Chief Financial Officer) also serve as executive officers of Frontenac. Frontenac does not have any employment agreements with, nor does it pay any compensation to, its executive officers. Instead, Frontenac’s executive officers are employed and compensated by the Manager as executive officers of the Manager.

In November 2022, the Ontario Securities Commission’s (the “**OSC**”) Corporate Finance group selected FMIC for a full review of its continuous disclosure record (the “**OSC Review**”). During the OSC Review, staff of the OSC focused on FMIC’s financial treatment and disclosure related to the expected credit losses in respect of four loans associated with a single development property. By July 2023, the OSC’s position was that the allowance for expected credit losses that had been recorded in relation to the four residential development real estate loans in question was materially misstated thereby putting in issue the accuracy of FMIC’s audited financial statements for the year ended December 31, 2022 and the unaudited quarterly financial statements for the period ended March 31, 2023. In response to the OSC Review and the specific concerns raised by the OSC regarding FMIC’s financial disclosure, in June 2023, FMIC announced that it would escrow proceeds from share subscriptions and in July 2023, it announced that it would suspend the declaration of monthly dividends. In August 2023, FMIC announced that it would suspend quarterly redemption of Common Shares pending resolution of the regulatory questions being raised by the OSC.

After extensive dialogue with the OSC, in April 2024, FMIC reached an agreement with the OSC to file amended and restated audited annual financial statements for the year ended December 31, 2022 and amended and restated interim unaudited financial statements for the quarters ended March 31, 2023, June 30, 2023 and September 30, 2023 and the Management Discussion & Analysis for each of the foregoing (collectively, the “**Restatements**”). Following the Restatements, the OSC Review was concluded.

In its April 30, 2024 press release, FMIC announced that it would not be redeeming the entirety of the redemption requests received as at May 31, 2024, and that it would instead be restricting redemptions to 5% of the aggregate net asset value (“**NAV**”) of FMIC’s loan portfolio as of May 31, 2024 (approximately \$10M). By press release dated May

28, 2024, FMIC announced that four of FMIC's directors (including the then Chair of the Board) had tendered their resignations from the Board.

#### *Initiation of the Strategic Review Process*

On June 24, 2024, FMIC announced that the Board of Directors would undertake, in consultation with its financial and legal advisors, a review of strategic alternatives (the "**Strategic Review**") that may be available to the Company to maximize value for Shareholders and other stakeholders of the Company. Following the commencement of the Strategic Review, the Company again temporarily suspended quarterly redemptions of Common Shares. The Board determined that it was in the best interest of all of FMIC's Shareholders that redemption payments be suspended while the Board considered strategic alternatives available to FMIC in order to ensure that Shareholders would be treated equitably during the review process. As part of the Strategic Review, the Company retained Evans & Evans, Inc. ("**E&E**") as its financial advisor in connection with the identification and evaluation of strategic alternatives. To address any potential conflicts of interest, the Strategic Review process was conducted, and all decisions and recommendations of the Board described in this Circular were made, independently of the Manager. See "*Role and Support of the Manager*" below.

After undergoing an initial analysis and receiving advice from its advisors, the Board determined that the interests of the Company and its Shareholders would be best served by concentrating on a focused list of substantive alternatives to the status quo in order to enhance Shareholder value, including a monetization of the Company's portfolio of mortgage loans, a recapitalization of the Company or a wind-up process.

Between June 24, 2024 and October 31, 2024, the Board met 12 times to consider and evaluate the range of strategic alternatives. During this period, E&E, under the direction of the Board, conducted ongoing portfolio due diligence and received expressions of interest for various transactions involving the potential acquisition of the Company or the Company's mortgage portfolio by unrelated third parties, and contacted various potential unrelated strategic and financial buyers. The strategic buyers were identified based on the operations and industries in which such parties participated, as well as prior expressions of interest. The financial buyers were identified based on funds under management, prior investment experience in the mortgage lending industry, the ability to consummate a potential transaction and prior expressions of interest.

During the Strategic Review, the Board met formally and informally on several occasions, and received frequent updates from E&E regarding the status of the discussions with third parties and other material developments related to potential transactions.

Following E&E's discussions with various potential buyers and after receiving advice from its advisors, the Board compared and contrasted available alternatives with the prospects for an orderly wind-up of the Company's affairs. Based on its analysis and following input obtained from the Manager, the Board concluded that an orderly wind-up of the Company's affairs, including the liquidation of its assets, would be expected to yield a better result for Shareholders than other strategic alternatives.

#### *Proposal for Orderly Wind-Up Plan*

On October 23, 2024, the Board announced its intention to propose an orderly wind-up of the Company to Shareholders for approval at the Meeting. The Board believes that the wind-up plan described herein (the "**Orderly Wind-Up Plan**") will facilitate a return of capital to Shareholders in a timely manner and is in the best interests of Shareholders. In connection with the OSC Review and Strategic Review, the Company has ceased all new mortgage originations and mortgage renewals, subject to contractual requirements with borrowers or other parties. Upon approval of the Orderly Wind-Up Plan by Shareholders, all new mortgage origination shall remain ceased and, unless

approved by the Board and required in order to comply with existing contractual requirements, all mortgage renewal activity shall also be ceased. If Shareholders do not approve the Orderly Wind-Up Plan at the Meeting, the Board may direct the Manager to continue mortgage originations and renewals in the ordinary course while the Board considers other alternatives.

#### *Description of the Orderly Wind-Up Plan*

The Orderly Wind-Up Plan is proposed to be implemented through a combination of the following actions: (i) allowing the mortgages in the Company's portfolio to expire at their scheduled maturities and in accordance with the terms thereof; (ii) selling mortgages in the Company's portfolio to third parties prior to their scheduled maturities at par or at a discount to par if determined by the Board to be in the best interests of the Company in order to accelerate completion of the Orderly Wind-Up Plan and return capital to investors; and (iii) in addition to or in lieu of the foregoing, by effecting other transactions, as determined by the Board, in its discretion, consistent with its obligations act in the best interests of the Company, with a goal of maximizing value for Shareholders and minimizing the time necessary to wind-up the Company's affairs. The Company will distribute the net proceeds resulting from the Orderly Wind-Up Plan to Shareholders in a manner approved by the Board from time to time, acting reasonably and in the best interests of all Shareholders, whether through special dividends, the redemption of Common Shares pursuant to the Pro Rata Redemption Plan, if approved by Shareholders, a return of capital or otherwise.

The assets of the Company that are not cash or near-cash securities are relatively illiquid as they consist of mortgage loans with scheduled maturities. The expected weighted average term to maturity of the Company's mortgage portfolio as of October 31, 2024 is 4 months and approximately \$19,637,600 in mortgages (representing approximately 16% of the total portfolio) are scheduled to mature on or before November 15, 2025. The final scheduled mortgage maturity in the Company's portfolio is currently November 15, 2025. The Company, on determination by the Board, may pursue, where appropriate, opportunities to accelerate the monetization of the Company's mortgage portfolio through the sale of mortgages to third parties prior to their scheduled maturities at par or at a discount to par if determined by the Board to be in the best interests of the Company in order to accelerate completion of the Orderly Wind-Up Plan and return capital to investors.

Under the Orderly Wind-Up Plan, net cash proceeds from the sale, early repayment or maturity of mortgage loans in the portfolio will be distributed to Shareholders in a manner that is determined by the Board to be in the best interests of Shareholders, based upon the recommendation of the Manager and the Company's other advisors. The Company intends to maintain its current dividend program to the extent cash is available for distribution until such time as the Board, upon the advice of the Manager and its other advisors, deems it no longer appropriate under the Orderly Wind-Up Plan. The Board will also consider both tax efficiency and accretion to NAV per share in determining how to return capital to Shareholders and will declare special dividends as it deems appropriate. Subject to approval by the Shareholders, the Company intends to redeem Common Shares in accordance with the Pro Rata Redemption Plan (defined below).

If the Orderly Wind-Up Plan is approved by Shareholders at the Meeting, the Company intends to effect an initial pro rata redemption (if the Pro Rata Redemption Plan is approved by Shareholders at the Meeting) or a special dividend (if the Pro Rata Redemption Plan is not approved by Shareholders) of an aggregate of \$65,000,000, representing approximately \$10.26 on a per share basis, and review available funds for further distributions or redemptions on a quarterly basis. If the Orderly Wind-Up Plan is not approved by Shareholders, the Company may be unable to return some or all of its cash on hand in order to maintain its status as a mortgage investment corporation.

*Information Regarding the Portfolio*

**The information provided hereunder is based on the current book value of the mortgages in the Company’s portfolio and does not reflect actual proceeds or the actual timing of proceeds to be received by Shareholders. It is not possible to predict with certainty the amount of proceeds that will be distributed to Shareholders under the Orderly Wind-Up Plan. Per share numbers are provided for illustrative purposes only and are not intended to represent actual future proceeds. ACTUAL PROCEEDS MAY VARY FROM THE AMOUNTS SET OUT IN THE TABLE BELOW.**

The table below sets out the expected payout forecast of the Company’s mortgage portfolio broken down by quarter and the corresponding book value, as well as the book value per Common Share of the mortgages as at October 31, 2024. Amounts in this table exclude earnings achieved during, and costs associated with, the execution of the Orderly Wind-Up Plan. The table also excludes expenses relating to the Strategic Review process which includes director fees and legal fees.

There are numerous risks and uncertainties associated with the Orderly Wind-Up Plan, including the timing and proceeds that may be received on any sales of mortgages or on payout, and the costs of the Orderly Wind-Up Plan. As a result, there can be no assurance as to the value or timing of the realization of the Company’s assets or the value or timing of distributions to Shareholders. See “*Risk Factors*” below. The timing of the monetization of mortgages may also differ materially from the table below due to numerous factors including early repayments by borrowers, changing circumstances over the life of mortgages in the portfolio which impact both timing and collectability, sales of mortgages to third parties prior to expected payout dates, prepayment and renewals of mortgages, and extensions or modifications of mortgages which are determined by the Board, upon the recommendation of the Manager and the Company’s other advisors, to be in the best interests of the Company and consistent with the Orderly Wind-Up Plan.

**Expected Payout Forecast and Book Value of Portfolio (as at October 31, 2024)**

<i>Book Value Does Not Reflect Actual Proceeds to Shareholders</i>				
<b>Expected Payout Forecast</b>	<b>Book Value<sup>(1)</sup></b>	<b>Book Value Per Share<sup>(1)(2)</sup></b>	<b>Cumulative Book Value<sup>(1)</sup></b>	<b>Cumulative Book Value Per Share<sup>(1)(2)</sup></b>
<b>Fiscal 2024</b>				
Payout Expected in Q4 2024	\$ 16,343,280.11	\$ 2.58	\$ 16,343,280.11	\$ 2.58
<b>Fiscal 2025</b>				
Payout Expected in Q1 2025	\$ 38,242,024.84	\$ 6.04	\$ 54,585,304.95	\$8.62
Payout Expected in Q2 2025	\$ 54,143,033.91	\$8.55	\$108,728,338.86	\$ 17.16
Payout Expected in Q3 2025	\$ 6,099,149.86	\$ 0.96	\$ 114,827,488.72	\$ 18.13



Payout Expected in Q4 2025	\$ 5,036,110.59	\$0.793	\$ 119,863,599.31	\$ 18.92
<b>Fiscal 2026</b>				
Payout Expected in 2026	\$ 926,472.79	\$0.15	\$120,790,072.10	\$19.07
Cash on hand	\$ 69,255,000			
Cash on hand and Book value of Mortgage Portfolio	\$190,045,072.10	\$30.00	\$190,045,072.10	\$30.00

**Notes:**

<sup>(1)</sup> Book value represents the principal amount of the mortgages and excludes all portfolio earnings and all costs associated with the ongoing management and operation of the Company and the execution of the Orderly Wind-Up Plan, including ongoing management fees.

<sup>(2)</sup> Per share amounts are based on the number of issued and outstanding Common Shares as at the Record Date (6,334,891).

*Role and Support of the Manager*

To address any potential conflicts of interest, the Strategic Review process was conducted, and all decisions and recommendations of the Board described in this Circular were made, independently of the Manager. The Manager has agreed to continue to fully support the process recommended by the Board and assist in maximizing Shareholder value under the Orderly Wind-Up Plan.

In connection with the wind-up process, the Manager and Pillar Financial Services Inc. (the “**Administrator**”) are expected to work with borrowers towards the pay-out of their loans, attempt to secure replacement lenders where necessary, work with borrowers and their contractors to complete unfinished construction projects, and pursue powers of sale and judicial sales as needed.

*Recommendation of the Board*

The Board has deliberated and concluded, based on the Strategic Review process undertaken and the analysis and advice provided by its advisors, including the Manager, E&E and legal counsel, that the Orderly Wind-Up Plan is the best course of action for the Company and its Shareholders. Accordingly, the Board approves the presentation of the Orderly Wind-Up Plan to Shareholders for approval as well as the proposed Pro Rata Redemption Plan, approves this Circular and recommends that Shareholders vote in favour of the special resolution approving the Orderly Wind-Up Plan. The Board believes that the Orderly Wind-Up Plan will help achieve the following objectives:

- allowing the Company and the Manager time to realize the maximum potential value of FMIC’s portfolio by providing for an orderly realization through the sale, early repayment or maturity of mortgage loans in the portfolio, while avoiding the cost of originations of new mortgages, particularly in light of anticipated increased costs and difficulties in raising additional capital through the issuance of new Common Shares;
- providing a significant level of liquidity to Shareholders by distributing the majority of proceeds from the sale, early repayment or maturity of mortgage loans in the portfolio;

- promoting fairness by ensuring that all Shareholders share proportionately in realizations of liquidity from the portfolio;
- optimizing potential returns to Shareholders by seeking to minimize potential negative tax consequences as well as costs related to or arising from the liquidation of assets; and
- maintaining capital for operating needs of the Company.

In reaching its conclusion that the Orderly Wind-Up Plan is in the Company's and the Shareholders' best interests, the Board considered a number of factors. In view of the variety of factors considered, the Board did not find it practicable to, and did not, assign relative weights to the specific factors considered in reaching its determinations. The factors considered by the Board in this regard included:

- an assessment of the Company's business and mortgage portfolio;
- an evaluation of the Orderly Wind-Up Plan, including the implications of the saleability of the portfolio on an orderly basis, rather than an immediate compelled liquidation of assets whereby assets may be sold below market prices;
- the tax considerations of an orderly wind-up and the financial impact to Shareholders of a monetization or recapitalization transaction or the status quo vis-à-vis the Orderly Wind-Up Plan;
- the impact of any fees payable to the Manager in each scenario;
- the potential benefits to Shareholders of the Orderly Wind-Up Plan, as well as the risks and uncertainties associated with the Orderly Wind-Up Plan, including those described in this Circular;
- consideration of the terms of the Management Agreement and of the Amended and Restated Administration Agreement (as defined below);
- the Manager's role in the Orderly Wind-Up Plan;
- that the Orderly Wind-Up Plan will be implemented under the oversight of the Board;
- outstanding redemption requests by Shareholders as at the Record Date representing \$133,712,427.83 in the aggregate;
- the NAV per share of the Common Shares throughout the Strategic Review process and the potential effect on the NAV per share whether or not Shareholder approval is obtained; and
- the fact that the special resolution must be approved by at least two-thirds (2/3) of the votes cast by Shareholders present or represented by proxy at the Meeting.

**The Board recommends that Shareholders vote in favour of the Orderly Wind-Up Plan. The persons named in the accompanying form of proxy intend to vote in favour of this resolution, unless the Shareholder giving the proxy indicates otherwise.**

The special resolution must be approved by at least two-thirds (2/3) of the votes cast by the holders of the Common Shares, present or represented by proxy at the Meeting. If the Orderly Wind-Up Plan is not approved by Shareholders, the Company expects to continue to evaluate strategic alternatives available to the Company. In such circumstances,

the Board may direct the Manager to continue mortgage originations and renewals in the ordinary course while the Board considers other alternatives.

## **Risk Factors**

There are certain risk factors associated with the Orderly Wind-Up Plan which should be carefully considered by Shareholders. In assessing the Orderly Wind-Up Plan, Shareholders should carefully consider the risk factors listed below as well as other risk factors for the Company which are found under the heading “Risk Factors” in the Company’s Management’s Discussion and Analysis for the year ended December 31, 2023 and the Company’s Management’s Discussion and Analysis for the three and six months ended June 30, 2024, which are available under the Company’s profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### *Amount and Timing of Distributions to Shareholders is Uncertain*

The amount of cash to be distributed to Shareholders and the timing of any such distributions cannot currently be quantified or estimated with certainty and is subject to change. In particular, the cash amount distributed to Shareholders may be lower than anticipated: (i) to the extent that there are any unforeseen adverse events, including defaults, that impact the value of the Company’s portfolio; (ii) to the extent the monetization of the Company’s portfolio, including on any sales or on scheduled maturities, does not yield the proceeds anticipated; (iii) to the extent that the costs incurred to complete the Orderly Wind-Up Plan are greater than anticipated; and (iv) to the extent there are material unforeseen costs or liabilities that must be satisfied by the Company. Accordingly, Shareholders will not know the amount or timing of any distributions they may receive as a result of the Orderly Wind-Up Plan when they vote on the special resolution. Shareholders may receive substantially less than their pro rata share of the net assets of the Company, as set out on its most recent balance sheet.

### *Status as a Reporting Issuer*

Until an application is made and an order is issued by the Canadian securities regulatory authorities deeming the Company to no longer be a “reporting issuer”, the Company will continue to be subject to ongoing disclosure and other obligations as a reporting issuer under applicable securities legislation in Canada, notwithstanding that it has determined to commence a wind-up and cease origination activities. As a reporting issuer, the Company will incur costs in connection with complying with applicable securities legislation.

### *Potential Liability of Shareholders*

Under the CBCA, despite the liquidation and dissolution of the Company, each Shareholder to whom any of its property has been distributed is liable to any person claiming under section 226 of the CBCA to the extent of the amount received by that Shareholder upon the distribution, and an action to enforce such liability may be brought.

Section 226 of the CBCA provides that, despite the dissolution of a Company under the CBCA, a civil, criminal or administrative action or proceeding may be brought against the Company within two years, as if the Company had not been dissolved, and provides, among other things, that any property that would have been available to satisfy any judgment or order if the Company had not been dissolved, remains available for such purpose. Under the CBCA, the dissolution of the Company does not remove or impair any remedy available against the Company for any right or claim existing, or any liability incurred, prior to such dissolution or arising thereafter.

## **Pro Rata Redemption Plan**

At the Meeting, Shareholders will also be asked to confirm and approve, by special resolution, amendments to the articles of FMIC necessary to implement a proportional redemption policy (the “**Pro Rata Redemption Plan**”) in order

to distribute available cash generated through the sale, early repayment or maturity of mortgage loans in the Company's portfolio. By implementing the Pro Rata Redemption Plan in connection with the proposed wind-up of the Company's affairs, the Company will have the ability to efficiently effect redemptions of Common Shares on a fair and equitable basis for all Shareholders, as described below.

The Pro Rata Redemption Plan is aimed at achieving a fair return of capital to investors as part of the proposed wind-up of the Company by precluding the ability of certain Shareholders to exit FMIC earlier than others, thereby enhancing their ability to maximize their return of capital to the detriment of other Shareholders and not penalizing Shareholders who may not be able to request a redemption of their Common Shares for reasons that may not be within their control. By redeeming Common Shares on a proportional basis, the Company will ensure that all Shareholders receive their proportionate share of any proceeds available to fund redemptions, without reducing the NAV per share. In the event that the Pro Rata Redemption Plan is not approved by Shareholders, the Company may resort to the distribution of liquidation proceeds through the payment of dividends, which will ultimately reduce the value of Common Shares to zero as the Company completes its wind-up and distributes all of the cash available for distribution.

Under the Pro Rata Redemption Plan, the Board will determine, from time to time, the amount of available funds to process redemptions taking into consideration:

- proceeds from the sale, early repayment or maturity of mortgage loans in the portfolio not previously distributed; and
- projected liabilities and anticipated operating expenses of the Company for the next 18 months.

Should the Pro Rata Redemption Plan be approved by Shareholders at the Meeting, the Company expects to undertake an initial pro rata redemption of \$65,000,000, which is approximately 34% of FMIC's assets and based on an assumed redemption price of \$30.00 per Common Share, would result in the redemption of 2,166,667 or approximately 34% of the outstanding Common Shares. It is expected that the first redemption payment will be paid on or around December 20, 2024.

The Board and the Manager expect to review FMIC's available funds quarterly to determine whether sufficient funds are available to process a redemption under the Pro Rata Redemption Plan. Once the Board determines the amount of funds available to fund a redemption, the Company will allocate such funds to Shareholders on a proportionate basis (a "**Pro Rata Allocation**"). Each Shareholder shall be granted its Pro Rata Allocation based on the number of Common Shares held by the Shareholder as a percentage of the total Common Shares then outstanding. With each Pro Rata Allocation, each Shareholder's allocated funds will be used to redeem, subject to the provisions of the CBCA and the Company's articles, Common Shares held by the Shareholder at a price equal to the NAV per share at the time of redemption. As a result of such redemptions, the number of Common Shares held by each Shareholder will be reduced, while maintaining the NAV per share of the remaining Common Shares held by all Shareholders. In the event that the Pro Rata Redemption Plan is not approved, the Company may only be able to distribute cash to investors through the payment of dividends, which, assuming the Orderly Wind-Up Plan is approved by Shareholders, would result in a reduction of the NAV per share of each Common Share until the NAV per share reaches zero and the Company completes its liquidation and wind-up.

If ratified by Shareholders, the Pro Rata Redemption Plan will be administered under the supervision of the Board and with the Manager's current expectation that a period of 1-2 years will be required to maximize the potential value of Frontenac's existing portfolio and distribute cash to Shareholders as part of an orderly realization of such value. Redemption requests received by the Company since halting the processing of redemptions in connection with the Strategic Review and OSC Review shall not be processed, and instead, redemptions of the Common Shares that are

the object of such requests shall occur in accordance with the Pro Rata Redemption Plan. The Board will, together with the Manager, review the sale, early repayment or maturity of mortgage loans in the portfolio regularly to determine when the Company has available funds for distribution under the Pro Rata Redemption Plan.

The amount and timing of available funds for pro rata redemptions under the Pro Rata Redemption Plan will depend on the timing and realizations and maturities of mortgages in the Company's portfolio. **No assurance can be given as to the timing or amount of funds that will be available for distribution to Shareholders under the proposed Pro Rata Redemption Plan or otherwise, particularly in the event the Orderly Wind-Up Plan is not approved by Shareholders at the Meeting.**

The text of the special resolution ratifying and confirming the Pro Rata Redemption Plan is set out in Schedule "B" to this Circular. A copy of the Pro Rata Redemption Plan is set out in Schedule "C" to this Circular.

The Board has deliberated and concluded, based on the Strategic Review process undertaken, and the analysis and advice provided by its advisors, including by the Manager, that the Pro Rata Redemption Plan is the best course of action for the Company and its Shareholders. The Board believes the Pro Rata Redemption Plan will provide an equitable means for the Company to return capital to Shareholders while maintaining a constant NAV per share, instead of paying dividends that would reduce the overall value of the Common Shares to zero over time. Accordingly, the Board approves the presentation of the Pro Rata Redemption Plan to Shareholders for approval and recommends that Shareholders vote in favour of the special resolution approving the Pro Rata Redemption Plan.

**The Board recommends that Shareholders vote in favour of the Pro Rata Redemption Plan. The persons named in the accompanying form of proxy intend to vote in favour of this resolution, unless the Shareholder giving the proxy indicates otherwise.**

The Pro Rata Redemption Plan must be approved by at least two-thirds (2/3) of the votes cast by the holders of the Common Shares, present or represented by proxy at the Meeting.

#### *Amendment to Articles to Implement the Pro Rata Redemption Plan*

As part of the special resolution, Shareholders will be asked to approve amendments to the articles of FMIC necessary to implement the Pro Rata Redemption Plan. As such, Shareholders will be asked to approve amendments to the rights attached to the Common Shares, as a class, to add provisions which, substantively, will:

- allow the Company to be able to unilaterally effect a redemption of Common Shares when there is a Pro Rata Allocation, on a date determined the Board, by payment of the Net Redemption Amount (as defined in Schedule "B") to holders or their agents; and
- provide that upon payment of the Net Redemption Amount, the Common Shares shall be deemed to have been redeemed and cancelled.

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the "Act") and the regulations thereunder (the "Regulations") generally applicable as of the date hereof to the Company and a Shareholder in connection with the Orderly Wind-Up Plan of the Company. This summary applies to a Shareholder who at all relevant times for purposes of the Act and the Regulations is or is deemed to be resident in Canada, deals at arm's length with the Company and is not affiliated with the Company, holds Common Shares as capital property and is not exempt from tax under Part I of the Act. Generally, the Common Shares will be considered

to be capital property to a Shareholder provided that the Shareholder does not hold such Common Shares in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Shareholders who might not otherwise be considered to hold their Common Shares as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Act to have such Common Shares and all other “Canadian securities” as defined in the Act owned by such Shareholder in the taxation year in which the election is made and in subsequent taxation years, deemed to be capital property. Shareholders who are contemplating making such an election or who do not hold their Common Shares as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a Shareholder: (i) that is a partnership, a member of which is not resident in Canada for purposes of the Act; (ii) that is a “financial institution” for purposes of the “mark-to-market rules” in the Act; (iii) that is a “specified financial institution” as defined in the Act; (iv) that has elected to determine its Canadian tax results in a foreign currency pursuant to the “functional currency” reporting rules in the Act; (v) an interest in which is a “tax shelter investment” as defined in the Act; or (vi) that enters into a “derivative forward agreement” (as defined in the Act) in respect of the Common Shares. Such Shareholders should consult their own tax advisors to determine the tax consequences to them of the winding-up.

This summary is based upon the current provisions of the Act and the Regulations in force as of the date hereof, all specific proposals to amend the Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”), and counsel’s understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”) published in writing by the CRA prior to the date hereof. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, or changes in the CRA’s administrative policies or assessing practices, nor does it take into account or consider any other federal tax considerations or any provincial, territorial or foreign tax considerations, which may differ materially from those discussed herein. This summary assumes that the Tax Proposals will be enacted as currently proposed, but no assurances can be given that this will be the case. There can be no assurances that the CRA will not change its administrative policies or assessing practices.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to the Orderly Wind-Up Plan. The income and other tax consequences of the Orderly Wind-Up Plan will vary depending on a Shareholder’s particular status and circumstances, including the province or territory in which the Shareholder resides or carries on business. This summary is not intended to be, and should not be construed to be, legal or tax advice to any particular Shareholder. Accordingly, Shareholders should consult their own tax advisors for advice with respect to the tax consequences of the Orderly Wind-Up Plan.

**This summary does not address any Canadian federal income tax considerations applicable to non-residents of Canada, and non-residents should consult their own tax advisors.**

#### *Status of the Company*

In order to qualify as a mortgage investment corporation (“**MIC**”) for purposes of the Act throughout a taxation year, the Company must meet all of the following criteria throughout the taxation year:

- (a) It must be a Canadian corporation for purposes of the Act (which generally means a corporation incorporated in Canada).
- (b) Its only undertaking must be the investing of its funds and it cannot have managed or developed any real or immovable property.

- (c) None of its property consisted of:
- (i) debts owing to the Company that were secured on real or immovable property situated outside Canada,
  - (ii) debts owing to the Company by non-resident persons, except any such debts that were secured on real or immovable property situated in Canada,
  - (iii) shares of the capital stock of corporations not resident in Canada, or
  - (iv) real or immovable property situated outside Canada, or any leasehold interest in such property.
- (d) It must have 20 or more Shareholders, and in general terms, no Shareholder owns directly or indirectly, alone or together with related persons, more than 25% of the issued shares of any class of the capital stock of the Company.
- (e) Holders of preferred shares (if any) of the Company have the right, after payment to them of their preferred dividends and payment of dividends in a like amount per share to the holders of the Common Shares, to participate *pari passu* (equally) with the holders of the Common Shares in any further payment of dividends.
- (f) At least 50% of the cost amount (within the meaning of the Act) to the Company of all its assets must be attributable to certain specified Canadian residential mortgages, deposits at a bank or other corporation insured by the Canada Deposit Insurance Corporation or Régie de l'assurance dépôts du Québec, deposits at credit unions or money (referred to herein as "**Required Property**" or "**Required Properties**").
- (g) The cost amount (within the meaning of the Act) to the Company of its real or immovable property (including leasehold interests but excluding real property acquired by way of foreclosure or default of a mortgage) cannot exceed 25% of the cost amount to it of all of its property.
- (h) Where at any time in the taxation year the cost amount (within the meaning of the Act) to the Company of its Required Properties represents less than two-thirds (2/3) of the aggregate cost amount to the Company of all of its properties, the Company's liabilities cannot exceed 3 times the amount by which the cost amount to it of all of its properties exceeds its liabilities. This ratio increases to 5 times where the cost amount to its Required Properties is two-thirds (2/3) or more of the cost amount to the Company of all of its properties.

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

#### *Taxation of the Company*

The Company is a taxable Canadian corporation and is deemed a public corporation. As such, it is subject to tax at full general corporate rates on all its income. However, provided that the Company qualifies as a MIC throughout its taxation year, it may deduct in computing its income for the taxation year: (i) the aggregate of all taxable dividends, other than capital gains dividends, paid in the year or within 90 days after the end of the year (to the extent not deductible by the Company for the preceding taxation year), and (ii) two-thirds (2/3) of all capital gains dividends paid during the period beginning 91 days after the start of the taxation year and ending 90 days after the end of the taxation year. The Company must elect to have a dividend qualify as a capital gains dividend. The Company may elect that dividends paid during a 12 month period commencing 91 days after the commencement of a taxation year and ending

90 days after the end of the year be capital gains dividends to the extent it does not exceed three-half (3/2) the amount of its taxed capital gains for the year less previous capital gains divided during the period. The election must be made in respect of the full amount of a dividend and can only be made if the Company qualifies as a MIC throughout the taxation year. Late-filed elections can be filed but are subject to penalty.

The Company intends to make distributions to the extent necessary to reduce its taxable income each year to nil so that no tax is payable by it under Part I of the Act and to generally elect to have dividends treated as a capital gains dividends to the maximum extent allowable.

Provided that the Company pays sufficient taxable dividends and capital gains dividends (and properly elects in respect of such capital gains dividends) to its Shareholders in respect of a taxation year, it will not have any income in such taxation year and it will not be taxable in such taxation year.

#### *Taxation of the Company during the Orderly Wind-Up Plan*

The Orderly Wind-Up Plan should not affect the Company's status as a MIC or result in a taxation year end.

Under the Orderly Wind-Up Plan, mortgages may be disposed of before they mature. The disposition of a mortgage by the Company (other than on maturity) will generally result in the Company being deemed to have received any accrued interest on the mortgage which has not yet been included by the Company in computing its income. The proceeds of disposition of the mortgage will be considered to have been reduced by that amount. The Company will also realize a capital gain (or a capital loss) to the extent that the proceeds of disposition net of any reasonable costs of disposition exceed (or are exceeded by) the adjusted cost base of the mortgage to the Company.

On the eventual wind-up of the Company, the Company will be deemed to have disposed of any remaining assets it owns at their fair market value. Assuming that the Company has no assets other than Canadian cash and deposits there should be no tax consequences to the Company.

In addition, on the distribution by the Company of its remaining property on the winding-up, the Company will be deemed to have paid a dividend to each of its remaining Shareholders equal to the amount by which the fair market value of the property distributed to the particular Shareholder (likely the amount of cash) exceeds the paid-up capital in respect of the Shareholder's shares in the Company.

For so long as the Company has maintained its status as a MIC, the Company should be entitled to deduct two-thirds (2/3) of the amount of any capital gains dividend and the entire amount of any taxable dividend, other than a capital gains dividend, in computing its income for its final taxation year. The taxable dividends, other than capital gains dividends, received by a particular Shareholder should be treated as interest received by the Shareholder on a bond issued by the Company. The capital gains dividends received by a particular Shareholder should be deemed to be capital gains of the Shareholder from the disposition of capital property. The amount of any paid-up capital returned to a particular Shareholder should not be deemed to be a dividend but could instead be returned free of tax.

If the Company has lost its status as a MIC by the time of its winding-up, the amount of any deemed dividend will not be deductible by the Company and the Shareholders should be deemed to have received taxable dividends to the extent that the amounts distributed to them exceed the paid-up capital in respect of their Common Shares. The Company would be taxable in the year on its net income but any unused non-capital losses should be available to be used against the Company's income for the year. Dividends received by corporate Shareholders after the Company has lost its status as a MIC are deductible to the Shareholders.



### *Taxation of the Company if it Ceases to be a MIC*

A corporation is entitled to be taxed as a MIC only if it is a MIC throughout its taxation year. If the Company begins its taxation year meeting the conditions to qualify as a MIC but stops meeting them partway through the year, the Act does not deem the Company to have a taxation year-end immediately before it stops meeting the qualifications so that the Company could qualify as a MIC throughout a stub taxation year. To the extent possible, the Board intends to monitor the Company's assets to try to ensure that the Company maintains its status as a MIC. However, it may not be possible to maintain the Company's status as a MIC throughout the Orderly Wind-Up Plan process and there is no assurance that the Company will not cease to be a MIC at some point prior to its eventual wind-up.

If the Company ceases to be a MIC at any time in a taxation year, the Company will not be entitled to deduct any amount in respect of either the taxable dividends or the capital gains dividends paid to its Shareholders in respect of that year, making the Company taxable on its income earned in the year. However, the Company should be able to deduct any unused non-capital losses in computing its income and may deduct any allowable capital losses against taxable capital gains in accordance with detailed rules in the Act.

### *Taxation of Shareholders if the Company is a MIC – Distributions*

A Shareholder is required to include in its income, as interest payable on a bond issued by the Company, any amount received by the Shareholder from the Company as or on account of a taxable dividend (other than a capital gains dividend), whether paid in cash or reinvested in Common Shares. The gross up and dividend tax credit applicable to taxable dividends received by individuals from a taxable Canadian corporation will not apply to dividends paid by the Company.

Capital gains dividends received by a holder of Common Shares (whether paid in cash or reinvested in Common Shares) will be treated as a capital gain of the Shareholder from a disposition of capital property in the year in which the dividend is received. See "*Disposition of Common Shares*" below for the tax treatment of capital gains.

### *Taxation of Shareholders if the Company is not a MIC – Distributions*

If the Company is not a MIC for a taxation year (because it fails one or more of the above tests at any time during the taxation year) and it pays dividends in that year, Shareholders will not be deemed to have received interest from the Company and will not be deemed to have realized capital gains. Instead, Shareholders should be considered to have received taxable dividends from a taxable Canadian corporation. Corporate Shareholders that will have received taxable dividends in a year where the Company is not a MIC will be able to deduct the full amount of the dividends.

### *Disposition of Common Shares*

A sale or other disposition of a Common Share by a Shareholder (other than to the Company), including a deemed disposition, will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition of the Common Share exceed (or are exceeded by) the Shareholder's adjusted cost base of such Common Share and any reasonable costs of disposition.

### *Pro rata Redemption Plan / Purchase of Shares by Company*

If the Company redeems Common Shares under the Pro Rata Redemption Plan, the Company is deemed to have paid a dividend to the Shareholder equal to the amount by which the proceeds of disposition of the share exceed the paid-up capital in respect of the share. The paid-up capital in respect of a share of any class at any time is generally equal to the aggregate amount paid to the treasury of the corporation for shares of the particular class (assuming all the shares were issued for cash and not property) minus the paid-up capital attributable to any shares of that class that

have previously divided by the number of shares of that class then issued and outstanding. The tax consequences to a shareholder of receiving a dividend from a MIC are described above under “*Taxation of Shareholders if the Company is a MIC – Distributions*”. The tax consequences to a Shareholder of receiving a dividend from the Company once it ceases to be a MIC are described above under “*Taxation of Shareholders if the Company is not a MIC – Distributions*”.

A Shareholder whose Common Share has been purchased for cancellation may also realize a capital gain (or a capital loss) to the extent that the proceeds of disposition of the share minus the amount of any deemed dividend exceed (or are exceeded by) the adjusted cost base to the shareholder of the share.

#### *Taxation of the Shareholders During Wind-up*

The Shareholder will realize a capital gain (or capital loss) on the disposition of the Common Shares equal to the amount by which the Shareholder’s proceeds of disposition, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to the Shareholder of the Common Shares. Generally, a Shareholder will not realize a capital gain as a result of the final distribution where the paid-up capital in respect of the Shareholder’s Common Shares calculated immediately prior to the distribution is less than the adjusted cost base to the Shareholder of its Common Shares.

#### *Alternative Minimum Tax*

A capital gain realized, or a dividend received (or deemed to be received) by a Shareholder that is an individual, including a trust (other than certain specified trusts), may give rise to a liability for alternative minimum tax. Such Shareholders should consult their own tax advisors with respect to the alternative minimum tax rules set out in the Act.

Shareholders who hold their Common Shares through registered accounts should consult with their own tax advisors with respect to the tax implications of the Pro Rata Redemption Plan or Orderly Wind-Up Plan.

## **MANAGEMENT CONTRACTS**

### **Amended and Restated Administration Agreement**

The Company is party to an amended and restated administration agreement made between the Company and Pillar Financial Services Inc. (the “**Administrator**”) dated July 29, 2008 (the “**Amended and Restated Administration Agreement**”). Pursuant to this agreement, the Administrator has been appointed on an exclusive basis to source and administer the mortgage portfolio. In order to carry out this mandate, the Administrator is required to:

- 1) underwrite the mortgages for the account of the Company, including setting the interest rates thereof;
- 2) collect payments from borrowers and discharge mortgages upon payout;
- 3) ensure the safe custody of mortgage deeds; and
- 4) monitor and, where appropriate, pursue arrears and institute and pursue legal actions for the enforcement of the Company’s rights as a mortgagee.

The Amended and Restated Administration Agreement had an initial term of five years which has since been automatically renewed. The Administrator is paid 1/12<sup>th</sup> of 1% of the value of the Company’s gross assets each month for its services. Total administration fees earned by the Administrator for the year ended December 31, 2023, was \$2,095,630; while total administration fees earned by the Administrator for the six months ended June 30, 2024 was \$987,323.

## **Management Agreement Amended and Restated**

The Company is a party to a management agreement made between the Company and W.A. Robinson Asset Management Ltd., as Manager, dated July 29, 2008 (“**Management Agreement**”). The office of W.A. Robinson Asset Management Ltd. is located at 14216 Road 38, Sharbot Lake, Ontario K0H 2P0. Subject to the exclusive and overriding authority of the Board of Directors over the management of the Company, the Company has appointed the Manager as its manager. The Manager is responsible for the following tasks and duties:

- 1) acting as Frontenac’s registrar and transfer agent;
- 2) advising the Company on its compliance with legislation and providing all reports, studies, analyses, advice and information and arranging for the provision to the Company of such services by others as the Board may reasonably request in connection with the activities of the Company and the functions of the Board;
- 3) preparing financial statements for the Company;
- 4) maintaining the books and records of the Company and performing administrative functions in connection with the issuance, registration and redemption of Common Shares; and
- 5) supplying clerical, accounting and administrative staff and services as required for the efficient day-to-day function of the Company.

The Management Agreement had an initial term of five years which has since been automatically renewed. The Manager is paid 1/12<sup>th</sup> of 1% of the value of the Company’s gross assets each month for its services. Total management fees earned by the Manager for the year ended December 31, 2023, including applicable sales taxes was \$2,368,062; while total management fees earned by the Manager including applicable sales taxes for the six months ended June 30, 2024 was \$803,470.

Matthew Robinson, Wayne Robinson, and Katie Harker, each of whom are resident in Ontario, are each directors, executive officers or own, directly or indirectly, 10% or more of the voting securities of the Manager and are therefore “informed persons” as defined in NI 51-102. Since the start of the Company’s most recently completed financial year, none of the above-mentioned persons, nor any of their associates or affiliates, had any indebtedness to the Company nor have they conducted any transactions with the Company other than as disclosed above with respect to the Management Agreement.

## **Custodian Agreement**

Frontenac is a party to a custodian agreement made among the Company, Computershare Trust Company of Canada (the “**Custodian**”) and the Manager dated July 29, 2008. The Custodian’s responsibilities include:

- 1) appearing on the title of mortgages funded by Frontenac;
- 2) maintaining a list of mortgagees funded by Frontenac; and
- 3) issuing an ownership certificate to Frontenac on mortgages funded by Frontenac.

## **AUDITORS AND TRANSFER AGENT**

### **Auditors**

The independent auditors of the Company are MNP LLP, at its offices located at 800 – 1600 Carling Ave., Ottawa, Ontario K1Z 1G3. MNP LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants.

## **Transfer Agent**

SGGG Fund Services Inc. in Toronto, Ontario acts as registrar and transfer agent for the Company's Common Shares.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as described herein, to the knowledge of the Company, no insider of the Company and no associate or affiliate of any such insider has had any material interest, direct or indirect, in any transaction since the beginning of the Company's most recently completed financial year or in any proposed transaction that, in either case, has materially affected or will materially affect the Company or any of its subsidiaries.

### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Except as described herein, no director or senior officer of the Company at any time since the beginning of the Company's most recently completed financial year, and no associate or affiliate of any such persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, except for any interest arising from the ownership of shares of the Company where the Shareholder will receive no extra or special benefit or advantage not shared on a pro-rata basis by all holders of shares in the capital of the Company.

### **OTHER BUSINESS**

The Company is not aware of any matters to come before the Meeting other than those set forth in the Notice. If any other matter properly comes before the Meeting, it is the intention of the persons named in the Proxy, to vote the Common Shares represented thereby in accordance with their best judgment on such matter.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Financial information is provided in the comparative financial statements and the Management's Discussion and Analysis of the Company for the financial year of the Company ended December 31, 2023. Shareholders may also obtain these documents, without charge, upon request to the Manager c/o W.A. Robinson Asset Management Ltd., 14216 Road 38, Sharbot Lake, Ontario K0H 2P0.

## **APPROVAL OF THE BOARD OF DIRECTORS**

The contents of this Circular and the sending thereof to the Shareholders have been approved by the Directors of the Company.

Dated: October 31, 2024

**BY ORDER OF THE BOARD OF DIRECTORS**

*“Ryan Seeds”*

**Ryan Seeds**  
**Chair of the Board of Directors**

## SCHEDULE "A"

### SPECIAL RESOLUTION APPROVING THE ORDERLY WIND-UP PLANS

#### BE IT RESOLVED THAT:

the board of directors (the "**Board**") of Frontenac Mortgage Investment Corporation (the "**Company**"), as part of an orderly wind-up of the Company's affairs, as described in the management information circular of the Company dated October 31, 2024 (the "**Orderly Wind-Up Plan**"), is hereby authorized, in such manner as is determined by the Board to be in the best interests of the Company, taking into consideration contractual obligations of the Company, necessary approvals and other considerations relevant to an efficient and value-maximizing process, to cause the Company to:

1. implement the Orderly Wind-Up Plan;
2. discharge all liabilities of the Company;
3. distribute any remaining property to the Company's shareholders as their respective interests may appear; and thereafter
4. send articles of dissolution to the Director,

pursuant to the provisions of subsection 210(3) of the *Canada Business Corporations Act*.

## SCHEDULE "B"

### SPECIAL RESOLUTION APPROVING THE PRO RATA REDEMPTION PLAN

#### BE IT RESOLVED THAT:

1. the pro rata redemption plan (the "**Pro Rata Redemption Plan**") as described in the management information circular of Frontenac Mortgage Investment Corporation (the "**Company**") dated October 31, 2024, is hereby confirmed and approved,
2. the following amendments to the rights, privileges, restrictions and conditions attached to the common shares of the Company to implement the Pro Rata Redemption Plan, are hereby authorized and approved:
  - (a) the following definitions are added to Schedule 1 to the articles of amalgamation of the Company, dated July 1, 2012 (the "**Articles**"):

"**Net Redemption Amount**", in respect of a redemption of common shares, means the amount determined on the Redemption Date as follows:

- (a) the net asset value per share in effect at the relevant time, multiplied by the number of shares to be redeemed, plus
- (b) any declared but unpaid dividends on the shares to be redeemed, less
- (c) any applicable redemption fee, and less
- (d) any amount required under the *Income Tax Act* (Canada) or other federal or provincial legislation having application to the redemption of shares required to be remitted or paid to the applicable authority as a consequence of the redemption.

"**Pro Rata Portion**" means the fraction obtained by dividing the number of common shares held by the holder thereof by the total number of common shares then issued and outstanding.

"**Pro Rata Redemption Plan**" means the plan adopted by the Corporation for the purpose of distributing available funds held by the Corporation to all holders of common shares through rateable redemptions of holders' shares.

"**Redemption Date**" means a date on which the Corporation redeems common shares pursuant to the Pro Rata Redemption Plan.

"**Valuation Date**" means a date on which the Corporation calculates a price for its common shares in accordance with the valuation policies and procedures adopted by the Board from time to time.

- (b) The following Section (5) is added to Schedule 1 of the Articles:

(5) Redemption by Corporation:

- (a) Despite any other provision in these articles but subject to the provisions of the Act, the Corporation, upon the passing of one or more resolutions of the directors from time to time in connection with the Pro Rata Redemption Plan, and without the need for further action by any holder of common shares, may redeem the Pro Rata Portion of the common shares held by each holder on payment for each share to be redeemed of the Net Redemption Amount (as calculated on the Valuation Date immediately following the resolution of the directors).
- (b) In authorizing the redemption, the directors may disregard fractional shares, if any, and make such adjustment as may be necessary to avoid the redemption of fractional parts of shares.

- (c) On the Redemption Date, the Corporation shall pay or cause to be paid to or to the order of the registered holder of the redeemed shares the Net Redemption Amount. Upon such payment being made the common shares so redeemed shall be deemed to have been duly and validly redeemed and shall thereupon be cancelled. For greater certainty, from and after the Redemption Date, the common shares called for redemption shall cease to be entitled to dividends and their holders shall not be entitled to exercise any of the rights of shareholders in respect of such shares.
  - (d) The Corporation shall have the right at any time after the mailing of notice of its intention to redeem any shares, to deposit the Net Redemption Amount of the shares called for redemption, to a special account in any branch in Canada of one (1) of the Corporation's bankers payable to or to the order of the holders of such shares upon presentation and surrender to such bank of the certificates representing such shares, if any, and upon such deposit being made or upon the dates specified for redemption in such notice, whichever is the later, the shares in respect whereof such deposit shall have been made, shall be deemed to have been redeemed and the rights of the holders thereof after such deposit or such Redemption Date, as the case may be, shall be limited to receiving without interest the Net Redemption Amount for such shares against presentation and surrender of the certificates for such shares, if any.
- 3. any director or officer of the Company is hereby authorized to sign all documents and do all things necessary or desirable to give effect to this resolution; and
  - 4. notwithstanding that this resolution has been passed by the shareholders, if it deems such action necessary or advisable, the board of directors of the Company is hereby authorized and empowered, in its discretion, to revoke this special resolution at any time before it is acted on, without further approval, ratification or confirmation by any shareholders of the Company.



## Schedule "C"

### Frontenac Mortgage Investment Corporation (the "Company")

#### Pro Rata Redemption Plan

#### Key Objectives and Elements

The board of directors of the Company has approved, subject to shareholder ratification and any necessary regulatory approvals, a pro rata redemption plan (the "**Plan**"). Under the Plan, as more fully described below, shareholders of the Company ("**Shareholders**" and each, a "**Shareholder**") will be allocated from time to time an amount of funds made available from the sale, early repayment or maturity of mortgage loans in the Company's portfolio, or otherwise. Such amount shall be allocated to all Shareholders in proportion to the amount of common shares of the Company ("**Common Shares**" and each, a "**Common Share**") respectively held by each Shareholder and used to redeem an amount of Common Shares held by each Shareholder corresponding to such Shareholder's pro rata allocation. All redemptions of Common Shares from a specific pro rata allocation will occur at essentially the same net asset value per common share.

The Plan is aimed at achieving the following key objectives:

- allow time to realize the maximum potential value of FMIC's portfolio by providing for an orderly realization through the sale, early repayment or maturity of mortgage loans in the portfolio;
- provide a significant level of liquidity to Shareholders by distributing the majority of proceeds from the sale, early repayment or maturity of mortgage loans in the portfolio;
- promote fairness by ensuring that all Shareholders share proportionately in realizations of liquidity from the portfolio;
- optimize potential returns to Shareholders by seeking to minimize potential negative tax consequences and costs of disposition as well as costs related to or arising from the liquidation of assets; and
- maintain capital for operating needs of the Company.

The key elements of the Plan are:

- With the goal of ensuring that all Shareholders share fairly in liquidity events given the fixed number of potential exit opportunities within the Company's portfolio, any redemption requests received by the Company prior to the effective date of this Plan will not be processed.
- The Board will determine, from time to time, the amount of available funds to process redemptions, taking into consideration:
  - proceeds on the sale, early repayment or maturity of mortgage loans in the portfolio not previously distributed,
  - potential capital requirements to preserve the Company's rights and preferences under the portfolio; and
    - projected liabilities and anticipated operating expenses of the Company for the next 18 months.
- The Company will allocate to each Shareholder a pro rata amount of available funds based on the number of Common Shares held by the Shareholder as a percentage of the total Common Shares outstanding. A Shareholder's pro rata allocation of available funds will be used to redeem, to the

extent possible, Common Shares held by the Shareholder at the net asset value per common share at that time. Upon payment of such redemption amount, the Common Shares so redeemed shall have been duly and validly redeemed and shall thereupon be cancelled.

The Plan will be administered with the Manager's current expectation that it will likely require a time period of 1-2 years to maximize the potential value of the existing portfolio and distribute cash to Shareholders as part of an orderly realization of value.

#### **Further Details**

***Pro Rata Calculations:*** Funds available for distribution generated by proceeds from the sale, early repayment or maturity of mortgage loans in the portfolio, or otherwise on hand, will be allocated to the Company's then issued and outstanding Common Shares on a pro rata basis. A Shareholder's pro rata amount of available funds will be calculated based on the total number of Common Shares held by the particular Shareholder as a percentage of the total Common Shares outstanding. For greater certainty, no redemption fees will apply to the redemption of Common Shares under the Plan.

***Redemptions Requests Received Prior to Adoption of the Pro Rata Redemption Plan:*** The board of directors of the Company has determined that in connection with the adoption of the Plan and the goal of ensuring that all Shareholders share fairly in returns of capital, redemption requests received by the Company prior to the effective date of the Plan shall not be processed so long as the Plan is in effect. The board of directors of the Company believes that processing redemption requests on a first-in first-out basis carries significant risk of having some Shareholders receive liquidation proceeds to the exclusion of others. This risk arises because of the nature of the Company's proposed wind-up plan. This risk is amplified in a system where individual Shareholders are required to request redemption and some Shareholders are not proactive for a variety of reasons, some of which are not within their control. In contrast, the Company's board of directors believes adoption of the Plan ensures that all Shareholders will have access to liquidity resulting from the sale, early repayment or maturity of the Company's portfolio of mortgage loans.