

NOTICE OF SPECIAL SHAREHOLDERS MEETING

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MANAGEMENT INFORMATION CIRCULAR

March 2, 2012

TABLE OF CONTENTS

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS.....	3
MANAGEMENT INFORMATION CIRCULAR.....	4
INTRODUCTION.....	4
PROXIES AND VOTING RIGHTS.....	5
QUORUM.....	7
VOTING SHARES AND PRINCIPAL HOLDERS	7
AMALGAMATION OF FMIC AND MICEO	7
MANAGEMENT CONTRACTS	9
OTHER BUSINESS.....	11
APPENDIX A – AMALGAMATION AGREEMENT	12
APPENDIX B – SPECIAL RESOLUTION	21
APPENDIX C – DISSENT RIGHTS, S. 190 OF <i>CANADA BUSINESS CORPORATIONS ACT</i>	22
APPENDIX D – PROFORMA STATEMENT OF NET ASSETS AS AMALGAMATED	26

Notice of Special Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the special meeting (the "**Meeting**") of the shareholders of Frontenac Mortgage Investment Corporation (the "**Company**") will be held on April 25, 2012, at 10:00 a.m. EST at

OSO SOLDIERS' MEMORIAL HALL
1107 GARRETT ST.
SHARBOT LAKE, ON K0H 2P0

The Meeting is being held for the following purposes:

1. to consider, and if deemed advisable, pass a special resolution approving the Amalgamation Agreement made between the Company and Mortgage Investment Corporation of Eastern Ontario as of February 29, 2012 and authorizing the amalgamation of the Company and Mortgage Investment Corporation of Eastern Ontario pursuant to the *Canada Business Corporations Act*; and
2. to transact such further and other business as may properly be brought before the meeting or any adjournment thereof.

The directors have fixed March 9, 2012 as the record date for the determination of the holders of common shares entitled to receive notice of the Meeting.

Dated this 2nd day of March, 2012

BY ORDER OF THE BOARD OF DIRECTORS

(s) Colleen Allison
Colleen Allison, Chair

MANAGEMENT INFORMATION CIRCULAR

INTRODUCTION

This management information circular (this "**Circular**"), accompanies the Notice of Special Meeting of the Shareholders (the "**Notice**") of the Frontenac Mortgage Investment Corporation (the "**Company**" or "**FMIC**").

The Circular is furnished in connection with the solicitation of proxies and has been prepared by management of the Company for use at the special shareholders meeting (the "**Meeting**") or at any adjournment of the Meeting for the purposes set forth in the Notice that accompanies this Circular. The Meeting will be held at the Oso Soldiers Memorial Hall, 1107 Garrett St., Sharbot Lake, Ontario, K0H 2P0.

The Circular provides background information not previously provided to you which might be useful in deciding how you want to vote on matters put before the shareholders. 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.

The invitation to the Special Meeting of the Shareholders is included in the package containing this document. If you are going to attend the Meeting simply mark your name, on the RSVP and return in the stamped, addressed envelope provided. If you are not attending please complete and return your Form of Proxy to:

FMIC

The Simonett Building
14216 Road 38, P.O. Box 208,
Sharbot Lake, Ontario K0H 2P0

A self addressed return envelope is provided for this purpose. It is very important that you return your signed Form of Proxy for each account so that your shares are voted on this important matter.

The provided Form of Proxy allows you to specify how and by whom you want your shares voted in your absence on the matters before the shareholders.

PROXIES AND VOTING RIGHTS

Management Solicitation and Appointment of Proxies

The Corporate Secretary of FMIC, Dawn Reiser, is named in the accompanying form of proxy as the nominee of the Company's management to exercise your voting rights in your absence from the meeting. The Corporate Secretary is therefore known as the Proxyholder for those that agree to have her vote on behalf of their shares. **A shareholder has the right to appoint a person (who need not be a shareholder) to attend and act for and on the shareholder's behalf at the Meeting other than the person designated as Proxyholder in the accompanying form of proxy.** To exercise this right, the shareholder must either:

- (a) on the enclosed Form of Proxy, strike out the printed name of the individual specified as Proxyholder and insert the name of the shareholder's nominee in the blank space provided; or
- (b) complete another proper Form of Proxy.

To be valid, a proxy must be dated and signed by the shareholder or by the shareholder's attorney, authorized in writing. In the case of a shareholder that is a corporation, the proxy must be signed by an authorized officer of, or attorney for, the corporation, duly authorized.

The completed proxy, together with the power of attorney or other authority, if any, under which the proxy was signed or a notarially certified copy of the power of attorney or other authority, must be delivered to:

FMIC
The Simonett Building,
14216 Road 38, P.O. Box 208,
Sharbot Lake, Ontario, K0H 2P0,

not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment of the Meeting. Late proxies may be deposited with the Chairperson of the Meeting (Colleen Allison), 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 Chairperson may accept or reject late proxies at her discretion. We ask that shareholders return their Form of Proxy as soon as they can after receiving them in the mail so that we are assured of having a majority of shares represented either in person or by proxy at the Meeting. At the very latest, we ask that the proxies be in our possession by close of business (5:00 p.m. EST) on Monday April 23, 2012.

Revocation of Proxies

Pursuant to Section 148(4) of the *Canada Business Corporations Act*, a shareholder who has given a proxy may revoke it:

- (i) by depositing an instrument in writing, including another completed Form of Proxy executed by that shareholder or shareholder's attorney authorized in writing either:
 - (a) 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
 - (b) with the chairperson of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment of the Meeting
- (ii) or in any other manner permitted by law.

Voting of Shares

Voting at the Meeting generally will be by a show of hands, with each shareholder present in person or by proxy being entitled to one vote for each share held or represented by proxy.

Approval of Resolutions

The resolution described in this circular is a special resolution. To approve a special resolution, at least two-thirds of the votes cast in person or by proxy will be required.

Voting of Proxies and Exercise of Discretion by Proxy holders

A shareholder may indicate the manner in which the person named in the accompanying Form of Proxy is to vote with respect to a matter to be acted upon at the Meeting by ticking one of the options on the Form of 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 Form of 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 Form of Proxy. It is intended that the Proxyholder named by management in the accompanying Form of Proxy will vote the shares represented by the proxy in favour of each matter identified in the proxy.

The accompanying Form of Proxy also confers discretionary authority upon the named Proxy holder 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 information circular, management of 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 management properly come before the Meeting, then the person named in the accompanying Form of Proxy will vote on them in accordance with her best judgment.

Solicitation of Proxies

It is expected that solicitations 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 & Associates Ltd., the transfer agent and registrar of the Company.

QUORUM

The By-Laws of the Company provide that a quorum for the transaction of business at any meeting of shareholders shall be the holders of at least 25% 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 March 9, 2012 (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 of Shares and Proxies and Exercise of Discretion by Proxy holders" above).

As of the Record Date the Company had 1,776,693 common shares issued and outstanding which are entitled to be voted at the Meeting. The common shares carry the right to one vote per share held. The Company does not issue any other class of share.

AMALGAMATION OF FMIC AND MICEO

Management asks for the shareholders votes to pass the special resolution annexed hereto as Appendix "B" approving the Amalgamation Agreement made between the Company and the Mortgage Investment Corporation of Eastern Ontario ("**MICEO**") as of February 29, 2012 and authorizing the amalgamation of the Company and MICEO pursuant to the *Canada Business Corporations Act*. The special resolution authorizes the directors to revoke the resolution without further approval by the shareholders at any time prior to effecting the amalgamation if, in their discretion, it is deemed desirable to do so. A copy of the Amalgamation Agreement is annexed hereto as Appendix "A".

If approved by the shareholders of FMIC and MICEO, the amalgamation would be effected by filing articles of amalgamation under the *Canada Business Corporations Act*. The effect of the amalgamation would be to consolidate the assets and liabilities of the Company and MICEO into one new corporation which will continue under the name Frontenac Mortgage Investment Corporation. Shareholders of the Company will receive one (1) common share of the amalgamated corporation for each one (1) common share of the Company held and shareholders of MICEO will receive one (1) common share of the amalgamated corporation for every three (3) common shares of MICEO held. The Bylaws, Articles, Operating Policies and Procedures, governance model and material contracts of the amalgamated corporation will, in substance, be the same as those of FMIC. As indicated in the Amalgamation Agreement, it is proposed that the Board of Directors of the amalgamated corporation will have 9 directors, 2 more than FMIC has had on its Board since FMIC was incorporated on

October 26, 2004. It was decided to combine the two boards so that the shareholders of both FMIC and MICEO had representation at the board level in the amalgamated corporation. It is intended that the directors of the amalgamated corporation will be elected to staggered terms, as has been the practice with FMIC.

MICEO was first formed in 1995 under the *Business Corporations Act* (Ontario) as a mortgage investment corporation ("**MIC**") in accordance with the *Income Tax Act Section 130.1*. Its business is the same as FMIC. The difference between the two funds is that FMIC is a public company and as such has more responsibilities with respect to disclosure and reporting requirements than MICEO. At the time MICEO was formed private corporations were limited to fifty shareholders. Consequently in 2000 and in 2002 two other MICs were formed (MICEO 2000 and MICEO 2002). In 2005 this restriction was lifted and the three MICs amalgamated in June of 2006 with the amalgamated corporation continuing under the name MICEO. At that time MICEO had approximately \$17 million in assets. Five and a half years later MICEO has net assets of \$48.7 million as at December 31, 2011 and achieved a return of 6.9% for the fiscal year 2011.

The shares of MICEO are offered to investors under prospectus exemptions through an Offering Memorandum. An Offering Memorandum is a document containing details about a company, including its management and its securities, however unlike a prospectus, an offering memorandum is not reviewed by any regulatory authority. A copy of MICEO's current Offering Memorandum can be found at www.miceo.ca. MICEO's business consists of the lending of money, principally to individuals, for the purpose of acquiring, maintaining or upgrading residential real estate or other real property, against the security of a mortgage granted on such property. This is the same model as FMIC. It has the same objective – to generate income while preserving shareholders' capital for reinvestment. Like FMIC, MICEO makes loans that do not generally meet the underwriting criteria of conventional lenders and/or involve borrowers in rural areas typically not well serviced by major lenders. As a result, the mortgages held by MICEO are expected to earn a higher rate of interest than what is generally obtainable through conventional mortgage lending activities. Unlike mortgage mutual funds, MICEO engages in direct mortgage lending activities instead of acquiring mortgages, or fractional interest in mortgages, in the secondary market. Also unlike many mortgage mutual funds, MICEO does not use derivatives and does not participate in mortgage syndications.

There are two major differences between MICEO and FMIC. MICEO has allowed redemption of shares on thirty days' notice. FMIC allows redemption of shares once annually on November 30th. The second difference is that MICEO can only be purchased by accredited investors or those who can make a minimum initial investment of \$150,000.00. A definition of an Accredited Investor is attached to the Offering Memorandum as Schedule "A". This document can be found on the MICEO web site www.miceo.ca. The shares of FMIC, because they are offered under a prospectus, can be purchased by anyone although a minimum initial investment of \$5,000.00 is requested.

The operating and investment policies of MICEO are similar to those of FMIC and its underlying portfolio of mortgage investments is very similar to FMIC's assets in average mortgage size, average mortgage yield, credit risk and geographic location.

In order to qualify as a MIC all net profits must flow back to the investor. The MIC itself does not pay taxes. The investor pays tax on profits from the investment as if it were investment income. Registered accounts (e.g.: RRSP's, RRIF's, RESP's) are exempted from owing tax at the time of the earnings but may have to pay tax when shares are redeemed.

Tax Free Savings Accounts are also exempt from paying tax on income earned. The impact of the *Income Tax Act* on shareholders of FMIC and MICEO is the same.

Both MICEO and FMIC have as their Investment Fund Manager, W. A. Robinson & Associates Ltd., and as their Administrator, Pillar Financial Services Inc. Underwriting of mortgage investments by the Administrator is done without preference to either FMIC or MICEO and then assigned to the fund with the most money available.

MICEO's Audited Annual Financial Statements as at December 31, 2011 can be seen on the MICEO website at www.miceo.ca. In order to assist shareholders in understanding the financial effect of the proposed amalgamation an unaudited Proforma Statement of Net Assets as Amalgamated prepared as if the amalgamation occurred on December 31, 2011 is attached as Appendix "D".

The proposed amalgamation will allow management to streamline the operations of the two funds and is a reflection of management's strategy for future growth of the two funds.

In order to pass the special resolution of the shareholders to approve the amalgamation at least two-thirds of the votes cast at the special meeting must be voted in favour of the amalgamation. If the special resolution does not receive the required approval, the amalgamation will not proceed. Further, the MICEO shareholders must approve their special resolutions with respect to continuance under the jurisdiction of the Canada Business Corporations Act as well as approving amalgamation.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT OF THE COMPANY WILL BE VOTED 'FOR' THE APPROVAL OF THE AMALGAMATION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT THE SHARES ARE TO BE VOTED 'AGAINST' THE SPECIAL RESOLUTION.

A shareholder has the right to dissent if they are opposed to the amalgamation. A dissenting shareholder is entitled to be paid by the corporation the fair value of the shares held at close of business the day before the resolution to amalgamate is approved by the shareholders. In order to exercise the right to dissent a shareholder must comply with the strict requirements and timelines set out in section 190 of the *Canada Business Corporations Act*. A copy of section 190 of the *Canada Business Corporations Act* is annexed hereto as Appendix "C". **Any shareholder desiring to exercise the right to dissent should obtain their own legal advice as failure to comply with the statutory requirements could prejudice the shareholder's rights.**

MANAGEMENT CONTRACTS

Amended and Restated Administration Agreement

The Amended and Restated Administration Agreement is held between the Company and Pillar Financial Services Inc. (the "**Administrator**"). This agreement was approved in 2008 and is now in the third year of its five year term. 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:

- i) underwrite the mortgages for the account of the Company, including setting the interest rates thereof;
- ii) collect payments from borrowers and discharge mortgages upon payout;
- iii) ensure the safe custody of mortgage deeds; and
- iv) monitor and, where appropriate, pursue arrears and institute and prosecute legal actions for the enforcement of the Corporation's rights as a mortgagee.

The Amended and Restated Administration Agreement was signed on July 29, 2008 and has an initial term of five years and may be renewed for further five year terms. The Administrator is paid 1/12th of 1% of the value of the Company's assets each month for its services.

It is expected the Board of the amalgamated FMIC will approve a similar contract between the amalgamated FMIC and Pillar Financial Services Inc.

Investment Advisory and Fund Management Agreement

The Investment Advisory and Fund Management Agreement is held between the Company and W. A. Robinson & Associates Ltd. (The "**Manager**"). The Manager is responsible for the overall management of the Corporations affairs, including the following tasks and duties:

- i) acting as the FMIC's registrar and transfer agent
- ii) maintaining the books and records of the Company and performing administrative functions in connection with the issuance, registration and redemption of Common Shares; and
- iii) supplying clerical, accounting and administrative staff and services as required for the efficient day-to-day function of the Company.

The Management Agreement was signed on July 29, 2008 and has an initial term of five years. It may be renewed for further five year terms. The Manager is paid 1/12th of 1% of the value of the Company's assets each month for its services.

It is expected the Board of the amalgamated FMIC will approve a similar contract between the amalgamated FMIC and W. A. Robinson & Associates Ltd.

Custodian Agreement

FMIC has entered into a custodian agreement with Computershare Trust Company of Canada (the Custodian) and the Manager dated July 29, 2008. The Custodian's responsibilities include:

- i) appearing on the title of mortgages funded by FMIC
- ii) maintaining a list of mortgages funded by FMIC
- iii) issuing an ownership certificate to FMIC on mortgages funded by FMIC.

The amalgamated FMIC will continue this agreement.

Distribution Agreement

FMIC has entered into an agreement with SGGG Fund Services Canada Inc. to perform registrar and transfer agent functions. This agreement will apply to the amalgamated FMIC.

OTHER BUSINESS

Management 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 form of proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

The undersigned hereby certifies that the contents, and the sending, of this Information Circular have been approved by the Directors of the Company.

Sharbot Lake, Ontario
March 2, 2012.

(Signed) "Colleen Allison"
Colleen Allison, Chair

APPENDIX "A"

Amalgamation Agreement

THIS AMALGAMATION AGREEMENT is made the 29 day of February, 2012

AMONG:

FRONTENAC MORTGAGE INVESTMENT CORPORATION, a corporation governed by the *Canada Business Corporations Act*,

("FMIC")

- and -

MORTGAGE INVESTMENT CORPORATION OF EASTERN ONTARIO, a corporation governed by the *Business Corporations Act* (Ontario),

("MICEO")

RECITALS:

A. FMIC was incorporated pursuant to the provisions of the *Canada Business Corporations Act* by Certificate and Articles of Incorporation dated October 26, 2004, and its authorized capital consists of an unlimited number of common shares, of which 1,776,693 common shares have been issued and are currently outstanding.

B. MICEO was incorporated pursuant to the provisions of the *Business Corporations Act* (Ontario) by Certificate and Articles of Incorporation dated December 22, 1995, and was continued under the *Canada Business Corporations Act* by Certificate and Articles of Continuance dated ●. MICEO's authorized capital consists of an unlimited number of common shares, of which 4,954,671 common shares have been issued and are currently outstanding.

C. The Parties to this Agreement, having made full disclosure each to the other of all their respective assets and liabilities, have determined that it is desirable that their amalgamation should be effected and, acting under the authority contained in the *Canada Business Corporations Act*, have agreed to amalgamate and continue as one corporation upon the terms and conditions set out in this Agreement.

THEREFORE, the Parties agree as follows:

ARTICLE 1 **INTERPRETATION**

1.1 Definitions

Whenever used in this Agreement, the following terms shall have the respective meanings ascribed to them as follows:

- (a) “**Act**” means the *Canada Business Corporations Act* as amended from time to time and includes any regulations made pursuant to such Act and any term defined in the Act and not otherwise defined herein is used in this Agreement with the same meaning;
- (b) “**Board**” means the board of directors of the Corporation, it being understood that references herein to matters to be decided by the Board shall not be in derogation of the rights of the Board pursuant to the provisions of Section 115 of the Act;
- (c) “**Corporation**” means the corporation continuing from the amalgamation of the Parties hereto;
- (d) “**Parties**” means FMIC and MICEO collectively, and “**Party**” means any one of them.

ARTICLE 2 **IMPLEMENTATION**

2.1 Effective Date

FMIC and MICEO shall amalgamate under the provisions of the Act effective February 29, 2012 and shall continue as one corporation upon the terms and conditions set out in this Agreement. Subject to Section 2.3, articles of amalgamation in prescribed form shall be sent to the Director under the Act, together with all other documents necessary to bring the amalgamation into effect.

2.2 Effect

Upon the amalgamation of FMIC and MICEO and their continuance as one corporation becoming effective:

- (a) the Corporation shall possess all the property, rights, privileges and franchises and shall be subject to all liabilities; including civil, criminal and quasi-criminal and all contracts, liabilities and debts of each of FMIC and MICEO
- (b) a conviction against, or ruling, order or judgment in favour or against any of FMIC or MICEO may be enforced by or against the Corporation;
- (c) the Corporation shall be deemed to be the party plaintiff or the party defendant, as the case may be, in any civil action commenced by or against FMIC or MICEO before the amalgamation has become effective; and
- (d) except for the purposes specified in the Act, the Corporation’s articles of amalgamation shall be deemed to be its articles of incorporation and the Corporation’s certificate of amalgamation shall be deemed to be its certificate of incorporation.

2.3 Termination

Notwithstanding the approval of this Agreement by their shareholders, the board of directors of any of FMIC or MICEO, without further shareholder approval, may terminate the amalgamation and this Agreement at any time before the issuance of a certificate of amalgamation.

ARTICLE 3 **ORGANIZATION**

3.1 Name

The name of the Corporation shall be Frontenac Mortgage Investment Corporation.

3.2 Authorized Capital

The Corporation is authorized to issue an unlimited number of common shares.

The holders of the common shares shall have the rights, privileges, and are subject to the restrictions and conditions set out in Schedule A to this Agreement.

3.3 Restriction on Transfer of Shares

The right to transfer shares of the Corporation shall be restricted in that no share shall be transferred without the previous consent of the board of directors of the Corporation, to be signified by a resolution passed by the board or by an instrument or instruments in writing signed by all of the directors.

3.4 Rights for Two or More Classes of Shares

Two or more classes of shares or two or more series within a class of shares may have the same rights, privileges, restrictions and conditions.

3.5 Business

There shall be no restrictions on the business the Corporation may carry on nor on the powers that the Corporation may exercise.

3.6 Other Provisions

Subject to the provisions of the Act, the following other provisions shall apply to the Corporation:

- (a) The directors of the Corporation may, without authorization of the shareholders:
 - (i) borrow money on the credit of the Corporation;
 - (ii) issue, reissue, sell or pledge bonds, debentures, notes or other evidences of indebtedness or guarantees of the Corporation whether secured or unsecured;
 - (iii) to the extent permitted by the Act, give directly or indirectly financial assistance to any persons by means of a loan, guarantee on behalf of the Corporation to secure performance of any present or future indebtedness, liability or obligation of any person, or otherwise; and

- (iv) mortgage, hypothecate, pledge or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation including book debts, rights, powers, franchises and undertakings, to secure any such bonds, debentures, notes or other evidences of indebtedness or guarantee or any other present or future indebtedness, liability or obligation of the Corporation.

3.7 Registered Office

Until changed in accordance with the Act, the registered office of the Corporation shall be located in the Province of Ontario and the address of the registered office of the Corporation shall be 14216 Road 38, Sharbot Lake, Ontario, K0H 2P0.

3.8 By-laws

Until repealed, amended, altered or added to, so far as applicable, the by-laws of FMIC at the time the amalgamation becomes effective shall be the by-laws of the Corporation. A copy of the by-laws may be examined at the registered office of the Corporation.

3.9 Share Certificate

The forms of share certificates for the common shares of the Corporation shall be in such forms as approved by resolution of the Board.

3.10 Banking

Until repealed, amended, altered or added to, so far as applicable, the banking resolutions of the Corporation shall be the same as the banking resolutions of FMIC.

ARTICLE 4
DIRECTORS AND OFFICERS

4.1 Directors

Until changed in accordance with the Act, the Board shall consist of such number of directors not more than ten (10) and not less than three (3). Initially, the number of directors of the Corporation shall be nine (9) and the first directors shall be the persons named below, whose addresses are set out opposite their respective names:

<u>Full Name</u>	<u>Address</u>	<u>Citizenship</u>
Colleen Alison	17811 Road 509 Sharbot Lake, ON K0H 2P0	Canadian
Robert Barnes	603 Locust St. Burlington, ON L7S 1V9	Canadian
Rosemarie Bowick	1011 Wing Cres. P.O. Box 77 Sharbot Lake, ON K0H 2P0	Canadian

<u>Full Name</u>	<u>Address</u>	<u>Citizenship</u>
William Calvert	121 Forestview Dr. Huntsville, ON P1H 1G2	Canadian
Eric Dinelle	1129 Iris St. Kingston, ON K7P 0H6	Canadian
Sheldon Jacobs	17 Chemin de la Pointe, Brownsbug-Chatham, QC J8G 2B1	Canadian
Margaret Kelk	3193 Thousand Acres Rd. RR#3 Portland, ON K0G 1V0	Canadian
Brad Ross	8 Hillcrest Ave., Unit PH508 Toronto, ON M2N 6V6	Canadian
Steve Tarasick	2130 Wagarville Rd. Parham, ON K0H 2K0	Canadian

Each director shall hold office until the first meeting of shareholders of the Corporation, or until his successor is elected or appointed. The election of subsequent directors shall take place thereafter in accordance with the provisions of the by-laws of the Corporation and the Act. Subject to the provisions of the Act and any unanimous shareholder agreement, the Board shall manage or supervise the management of the business and affairs of the Corporation.

4.2 Officers

Initially, the persons named below shall hold the office or offices in the Corporation set out opposite their respective names until their successors are duly elected or appointed:

<u>Name</u>	<u>Title</u>
Wayne Robinson	Chief Executive Officer
Kevin Cruickshank	Chief Financial Officer

ARTICLE 5 **ISSUED CAPITAL**

5.1 Transition

At the time the amalgamation of FMIC and MICEO becomes effective, their shares become issued and fully paid shares of the Corporation, or are cancelled, as the case may be, as follows:

- (a) Three (3) issued and outstanding common shares in the capital of MICEO become one (1) common share in the capital of the Corporation;
- (b) One (1) issued and outstanding common share in the capital of FMIC becomes one (1) common share in the capital of the Corporation;

with the result that, immediately after the amalgamation becomes effective, there shall be outstanding as fully paid and non-assessable • issued and outstanding common shares in the capital of the Corporation.

5.2 Stated Capital

The stated capital account maintained for common shares in the Corporation immediately after the amalgamation becomes effective shall be equal to the aggregate of the respective stated capital accounts for the issued and outstanding common shares in the capital of MICEO and the issued and outstanding common share in the capital of FMIC in respect of shares that become shares of the Corporation.

5.3 Share Certificates

After the amalgamation becomes effective, the shareholders of FMIC and MICEO, when requested by the Corporation shall, surrender for cancellation the certificates representing shares held by them in FMIC and MICEO, respectively, and shall be entitled to receive, upon request, certificates for shares of the Corporation on the basis aforesaid.

ARTICLE 6 GENERAL

6.1 Further Assurances

The Parties shall with reasonable diligence do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each Party shall provide such further documents or instruments required by any other Party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions.

6.2 Execution and Delivery

This Agreement may be executed by the Parties in counterparts and may be executed and delivered by facsimile and all such counterparts and facsimiles shall together constitute one and the same agreement.

6.3 Miscellaneous

- (a) Time is of the essence in the performance of the Parties' respective obligations.
- (b) This Agreement is a contract made under and shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario.

- (c) This Agreement enures to the benefit of and is binding upon the Parties and their successors and assigns.

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IN WITNESS OF WHICH the Parties have duly executed this Agreement.

FRONTENAC MORTGAGE INVESTMENT CORPORATION

Per: *C. Allison*
Name: CHRISTINA ALLISON
Title: CHAIRMAN
I hereby certify to bind the corporation

MORTGAGE INVESTMENT CORPORATION OF EASTERN ONTARIO

Per: *R. Bousler*
Name: ROSEMARIE BOUSLER
Title: CHAIRMAN
I hereby certify to bind the corporation

see 10th page in amalgamation agreement

Schedule A

SHARE PROVISIONS

The following are the rights, privileges, restrictions and conditions attaching to the common shares:

1. **Payment of Dividends:** Subject to the prior rights of the holders of any other class or classes of shares ranking above the common shares, the holders of the common shares shall be entitled to receive in each financial year of the Corporation, when, as and if declared by the board of directors of the Corporation out of the monies or property of the Corporation properly applicable to the payment of dividends, a variable non-cumulative dividend or dividends in such amount as may be determined by the board of directors from time to time in their discretion. The board of directors may declare and pay dividends on the common shares without declaring or paying any dividends on any other class or classes of shares.
2. **Participation upon Liquidation, Dissolution or Winding-Up:** Subject to the prior rights of the holders of any other class or classes of shares ranking above the common shares, in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or other distribution of its assets or property among shareholders for the purpose of winding-up its affairs, the holders of the common shares shall be entitled to receive, in equal amounts per share, without preference or distinction, all of the remaining property and assets of the Corporation.
3. **Voting Rights:** The holders of the common shares shall be entitled to receive notice of and to attend any meeting of the shareholders of the Corporation and shall be entitled to one (1) vote in respect of each common share held at all meetings of the shareholders of the Corporation.
4. **Waiver:** Where notice is required by the provisions hereof to be sent to the holders of common shares, the notice may be waived or the time for the notice may be waived or abridged at any time with the consent in writing of the person entitled thereto.

APPENDIX "B"

Special Resolution

"BE IT RESOLVED THAT:

1. The amalgamation agreement made between Frontenac Mortgage Investment Corporation (the "Company") and the Mortgage Investment Corporation of Eastern Ontario ("MICEO") as of February 29, 2012, providing for the amalgamation of the Company and MICEO on the terms and conditions as set forth therein (the "Amalgamation Agreement"), be and the same is hereby approved and adopted;
2. Any officer or director of the Company be and they are hereby authorized and directed on behalf of the Company to execute and deliver articles of amalgamation in the required form, together with any other documents as may be required by the *Canada Business Corporations Act*, in order to duly file articles of amalgamation to give effect to the amalgamation pursuant to the Amalgamation Agreement; and
3. The directors of the Company may abandon the filing of the articles of amalgamation, without further approval by the shareholders, should they deem such abandonment appropriate and in the best interests of the Company. "

APPENDIX "C"

Dissent Rights

Section 190 of the *Canada Business Corporations Act*

190. (1) Right to dissent – Subject to sections 191 and 241, a holder of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- (b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;
- (c) amalgamate otherwise than under section 184;
- (d) be continued under section 188;
- (e) sell, lease or exchange all or substantially all its property under subsection 189(3); or
- (f) carry out a going-private transaction or a squeeze-out transaction.

(2) Further right – A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

(2.1) If one class of shares – The right to dissent described in subsection (2) applies even if there is only one class of shares.

(3) Payment for shares – In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

(4) No partial dissent – A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) Objection – A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

(6) Notice of resolution – The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

(7) Demand for payment – A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents;
and
- (c) a demand for payment of the fair value of such shares.

(8) Share certificate – A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

(9) Forfeiture – A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

(10) Endorsing certificate – A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

(11) Suspension of rights – On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

- (a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),
- (b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or
- (c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

(12) Offer to pay – A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

- (a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(13) Same terms – Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

(14) Payment – Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(15) Corporation may apply to court – Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such

further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

(16) Shareholder application to court – If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

(17) Venue – An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

(18) No security for costs – A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

(19) Parties – On an application to a court under subsection (15) or (16),

- (a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and
- (b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

(20) Powers of court – On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

(21) Appraisers – A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(22) Final order – The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of his shares as fixed by the court.

(23) Interest – A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(24) Notice that subsection (26) applies – If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(25) Effect where subsection (26) applies – If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

- (a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or
- (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(26) Limitation – A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

**APPENDIX D – PRO FORMA STATEMENT OF NET ASSETS
AS AMALGAMATED**

**FRONTENAC MORTGAGE INVESTMENT CORPORATION
PRO FORMA STATEMENT OF NET ASSETS AS AMALGAMATED
(UNAUDITED)
AS AT DECEMBER 31, 2011**

Notice Under National Instrument 81-106:

The independent external auditor, Raymond Chubb, Grant Thornton LLP, has not performed a review of this pro forma statement of net assets as at December 31, 2011.

FRONTENAC MORTGAGE INVESTMENT CORPORATION
PROFORMA STATEMENT OF NET ASSETS AS AMALGAMATED
(UNAUDITED)
AS AT DECEMBER 31, 2011

	Frontenac Mortgage Investment Corporation \$	Mortgage Investment Corporation of Ontario \$	Adjustments or Amalgamation \$	Frontenac Mortgage Investment Corporation (amalgamated) \$
ASSETS				
Cash and cash equivalents	294,128	3,768,917		4,063,045
Mortgage investments (Note 2)	46,923,996	45,747,758		92,671,754
Prepaid expenses	85,777	2,136		87,913
	<u>46,383,901</u>	<u>48,918,811</u>		<u>95,302,712</u>
LIABILITIES				
Bank line of credit				
Dividends payable	50,189	15,218		65,407
Accounts payable and accrued expenses	56,938	18,789		75,727
Prepaid mortgage payments	35,810	39,981		75,791
Advances on shares subscriptions		99,572		99,572
	<u>142,937</u>	<u>173,560</u>		<u>339,377</u>
NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY	<u>46,043,517</u>	<u>48,755,550</u>		<u>94,963,335</u>
NET ASSETS PER SHARE	<u>30.00</u>	<u>30.00</u>		<u>30.00</u>
NUMBER OF SHARES ISSUED AND OUTSTANDING (Note 3)	<u>1,534,943</u>	<u>1,625,183</u>	- 3,996,007	<u>1,164,119</u>

The accompanying notes form an integral part of this proforma statement of net assets.

FRONTENAC MORTGAGE INVESTMENT CORPORATION
NOTES TO PROFORMA STATEMENT OF NET ASSETS AS AMALGAMATED
(UNAUDITED)
AS AT DECEMBER 31, 2011

1. BASIS OF PREPARATION

This proforma balance sheet has been prepared to reflect the amalgamated position of Frontenac Mortgage Investment Corporation ("FMIC") and Mortgage Investment Corporation of Eastern Ontario ("MICEO") as if they had been amalgamated as at December 31, 2011, or inclusion in the incorporation documents relating to the solicitation of proxies for special meetings of the shareholders of FMIC and MICEO at which shareholders will be asked to approve the amalgamation of FMIC and MICEO. Although based on the audited financial statements of the companies as at December 31, 2011, this statement is unaudited and readers are cautioned that these statements may not be appropriate for their use. This proforma statement of net assets should be read in conjunction with the annual audited financial statements of each of FMIC and MICEO, prepared as at December 31, 2011, which may be accessed at www.fmico.ca.

2. MORTGAGE INVESTMENTS

The following table presents selected proforma amalgamated statistics related to the mortgage investments as at December 31, 2011:

	Frontenac Mortgage Investment Corporation	Mortgage Investment Corporation of Eastern Ontario	Frontenac Mortgage Investment Corporation (amalgamated)
Number of mortgages	204	182	386
Average mortgage balance	219,915	290,410	253,915
Largest mortgage	2,611,173	4,744,957	5,222,940
Weighted average interest rate of mortgages	60.80%	60.23%	60.48%

3. ADJUSTMENTS ON AMALGAMATION

Under the terms of the amalgamation agreement, shareholders of MICEO will receive one (1) common share of the new amalgamated corporation for each three (3) shares that they own in MICEO and shareholders of FMIC will receive one (1) common share of the new amalgamated corporation for each one (1) share of FMIC that they own prior to amalgamation.