



**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING**

**&**

**MANAGEMENT INFORMATION CIRCULAR**

**April 21, 2020**

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## **NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the Annual General and Special Meeting (the “**Meeting**”) of the shareholders of Frontenac Mortgage Investment Corporation (the “**Company**” or “**FMIC**” or “**Frontenac**”) will be held on Friday, June 19, 2020, at 2:00 p.m. EST.

The Meeting is being held for the following purposes:

- 1) To receive and consider the Audited Annual Financial Statements and the Auditor’s Report for the Company for the year ended December 31, 2019;
- 2) To approve MNP LLP as the Auditor of the Company for the ensuing year and to authorize the Board of Directors to fix the remuneration of the Auditor;
- 3) To approve an amendment to By-Law #1 of the Company;
- 4) To elect the following persons as Directors of the Company: Eric Dinelle, Ryan Seeds, Anne-Marie Lee, Jody Becker, and if the By-Law Resolution is passed, Margaret Kelk; and
- 5) To transact such further and other business as may properly be brought before the meeting or any adjournment thereof

Due to the emerging public health impact of the novel coronavirus (COVID-19) outbreak and to support the health and well-being of our Officers, Directors, shareholders and other stakeholders, the Meeting will be held virtually via the Internet and telephone only. Shareholders will not be able to attend the Meeting in person. Shareholders (both registered and non-registered) who choose to attend the Meeting may only do so by accessing a live webcast of the Meeting via the Internet or by calling the toll-free number provided. To attend the Meeting, shareholders will need to visit [www.agmconnect.com/frontenac2020](http://www.agmconnect.com/frontenac2020) and check-in using the control number included either on your Proxy form or voting instruction form, as applicable. Alternatively, shareholders can call 1-416-222-4202. Your Proxy voting instructions must be returned by June 17, 2020 if you are attending the Meeting by phone.

The online 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 2:00 p.m. EST on Friday, June 19, 2020. Online check-in will begin 30 minutes prior, at 1:30 p.m. EST. You should allow ample time for online check-in procedures.

At [www.agmconnect.com/frontenac2020](http://www.agmconnect.com/frontenac2020) shareholders will be able to listen to the Meeting live, submit questions and submit their vote while the Meeting is being held. We believe that hosting the Meeting virtually will minimize the health risk that may be associated with large gatherings, while enabling increased shareholder attendance and encouraging more active shareholder engagement and participation at the Meeting.

Dated: April 21, 2020 BY ORDER OF THE BOARD OF DIRECTORS

Robert Barnes, Chair

**Our Annual General and Special Meeting will be held as a virtual meeting. Whether or not you plan to attend the Annual Meeting virtually, we encourage you to vote and submit your Proxy in advance in the manner described in the enclosed Circular. For additional instructions on attending virtually, or voting via Internet, please refer to the enclosed Circular and Proxy form. To vote and submit your Proxy by mail, please complete, sign and date the enclosed Proxy form and return it in the enclosed envelope. If you attend the Annual Meeting virtually, you may revoke your Proxy and vote at the meeting.**

## **MANAGEMENT INFORMATION CIRCULAR**

### **INTRODUCTION**

This Management Information Circular (the “**Circular**”) accompanies the Notice of Annual General and Special Meeting of the Shareholders (the “**Notice**”) of the 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 Management of the Company for use at the Annual General and 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 Friday, June 19, 2020 at 2:00 p.m. EST.

Due to the emerging public health impact of the novel coronavirus (COVID-19) outbreak and to support the health and well-being of our Officers, Directors, shareholders and other stakeholders, the Meeting will be held virtually via the Internet only. Shareholders will not be able to attend the Meeting in person. Shareholders (both registered and non-registered) who choose to attend the Meeting may only do so by accessing a live webcast of the Meeting via the Internet as set forth below.

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. 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.

In the event you are unable to attend the Meeting, we have provided a Form of Proxy which allows you to specify how you want to vote your shares at the Meeting and whom you authorize to vote your shares.

You can register your Proxy online at [www.agmconnect.com/frontenac2020](http://www.agmconnect.com/frontenac2020) or return the paper form in the self-addressed return envelope provided, by 4:00p.m. on June 17, 2020.

### **PARTICIPATING IN THE MEETING**

We will be hosting the Meeting live via Internet webcast. You will not be able to attend the meeting in person. A summary of the information you need to participate in the Meeting online is provided below:

- To attend the Meeting, shareholders will need to visit [www.agmconnect.com/frontenac2020](http://www.agmconnect.com/frontenac2020) and check-in using the control number included either on your Proxy form or voting instruction form, as applicable.
- 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 2:00 p.m. EST on Friday, June 19, 2020. Online check-in will begin 30 minutes prior, at 1:30 p.m. EST. You should allow ample time for online check-in procedures.
- Shareholders can alternatively attend the Meeting by telephone by calling 1-416-222-4202. Shareholders attending by telephone must submit their completed Form of Proxy prior to 4:00 p.m. on June 17, 2020.

Instructions on how to connect to and participate in the Meeting via the Internet, including how to demonstrate proof of share ownership, are posted at [www.agmconnect.com/frontenac2020](http://www.agmconnect.com/frontenac2020) as well as in this shareholder package outlined below.

The Company is taking proactive steps as a result of the impact of the recent global spread of COVID-19 to protect employees and our shareholders. To reduce the risks to public health and safety associated with COVID-19, the Company will hold its 2020 Annual General and Special Meeting in a virtual only format which will be conducted via live webcast online. Shareholders will not be able to attend the meeting in person, they will however, be able to vote on all business brought before the meeting and submit questions for consideration as they would at an in-person shareholders meeting. Shareholders that usually vote by Proxy ahead of the meeting will be able to do so in the normal way.

Registered Shareholders and Proxyholders will be able to register for, and attend, the virtual Meeting by way of the following link:

- **[www.agmconnect.com/frontenac2020](http://www.agmconnect.com/frontenac2020)**

To access the Meeting, follow the online instructions.

In order to find the Control Number to access the Meeting:

- **Registered Shareholders:** The control number is located on the invitation reply card and the form of Proxy, or in the email notification you received.
- **Proxyholders:** Duly appointed Proxyholders, including non-registered (beneficial) shareholders that have appointed themselves or another person as a Proxyholder AND have provided an email address for contact, will receive the control number from AGM Connect by e-mail after the Proxy voting deadline has passed.

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.

## **PROXIES AND VOTING RIGHTS**

### **MANAGEMENT SOLICITATION AND APPOINTMENT OF PROXIES**

The FundSERV platform, through which all purchases of common shares of the Company (“**Common Shares**”) are processed, including purchases pursuant to the Company’s dividend reinvestment program, provides the Company with information on both the registered dealer which purchases and holds the Common Shares as well as the investors for whom such dealers are acting (the “**Beneficial Shareholders**”) for all purchases of Common Shares. Because there is no secondary market for the Common Shares, and because redemptions of Common Shares are also processed through FundSERV, the Company, through its transfer agent and registrar, is able to maintain 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. Any registered dealer or registered portfolio manager to which a Beneficial Shareholder has granted discretionary authority to vote its Common Shares is treated as the Beneficial Shareholder, in lieu of the investor for whom they act, for purposes of receiving meeting materials and voting the Common Shares.

The persons named as Proxyholders in the Instrument of Proxy accompanying this Management Information Circular, including Dawn Reiser, are Directors or Officers of the Manager of the Company and are representatives of the Company's Manager for the Meeting. The Corporate Secretary of Frontenac, 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. The Corporate Secretary is therefore known as the Proxy holder for those who agree to have her 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 person designated as Proxy holder in the accompanying Form of Proxy.** If you wish to appoint an alternate person as Proxy to vote your shares for you at the Meeting during the live webcast, please follow the instructions found on either your Proxy form or voting instruction form, as applicable. You will need to enter the email address of your appointee which will allow your appointee to join the Meeting and vote your shares on your behalf.

The Company has an online registration system available to Shareholders through the internet to allow them to register their Proxy at [www.agmconnect.com/frontenac2020](http://www.agmconnect.com/frontenac2020). **To be valid, a Proxy must be dated and signed by the shareholder (or by the shareholder's attorney, authorized in writing); OR the shareholder can register their Proxy online using their email address and control number, which has been sent under separate correspondence (in the invitation reply card), at [www.agmconnect.com/frontenac2020](http://www.agmconnect.com/frontenac2020). 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 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 share count for the Meeting.**

**If a paper Proxy is being returned**, signed by the shareholder or by an authorized person, then 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: **W.A. Robinson Asset Management Ltd., 14216 Road 38, Sharbot Lake, ON K0H 2P0** not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment of the Meeting. **You will need to complete a Form of Proxy for each account you own.** Late Proxies may be deposited with the Chairperson of the Meeting (Robert Barnes), 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 his discretion.

**If you are registering your Proxy online**, you do not need to return the paper Form of Proxy. We ask that shareholders return their Form of 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 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 (4:00 p.m. EST) on Wednesday, **June 17, 2020**.

### **Revocation of Proxies**

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

- a) By depositing an instrument in writing, including another completed Form of 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 Chairperson 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 [www.agmconnect.com/frontenac2020](http://www.agmconnect.com/frontenac2020) and changing the appropriate field in the Form of Proxy; or
- c) In any other manner permitted by law.

### **Voting of Shares**

Voting at the Meeting generally will be conducted in accordance with each shareholder present at the virtual meeting or by Proxy being entitled to one vote for each Common Share held or represented by Proxy.

### **Approval of Resolutions**

To approve an ordinary resolution, a simple majority of the votes cast in person or by Proxy will be required. To approve a special resolution, at least two-thirds of the votes cast in person or by Proxy will be required. All motions at the Meeting are expected to be ordinary resolutions.

### **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 “Withheld” from voting (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 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, 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.

***In light of the evolving COVID-19 situation, we strongly recommend that you vote your shares in advance of the meeting as instructed above, even if you plan to virtually attend the meeting.***

### **Solicitation of Proxies**

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.

### **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 April 21, 2020 (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 “*Voting of Proxies and Exercise of Discretion by Proxy Holders*” above).

As of the Record Date, the Company had **5,954,295.7319** 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**

#### **Receipt of Financial Statements and Auditor’s Report**

The Audited Annual Financial Statements and the Auditor’s Report of the Company for the fiscal year ended December 31, 2019, are enclosed with this Circular. The Audited Annual Financial Statements and the Auditor’s Report are posted on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Frontenac web site [www.fmic.ca](http://www.fmic.ca). The Company received an opinion that the Audited Annual Financial Statements “present fairly, in all material aspects, the statement of investment portfolio as at December 31, 2019, the financial position of Frontenac Mortgage Investment Corporation as at December 31, 2019 and 2018 and the results of its operations, changes in net assets and its cash flows for the years then ended in accordance with International Financial Reporting Standards.”

## The Appointment and Remuneration of the Auditor

At the Meeting, shareholders will be asked to vote in favour of the appointment of MNP LLP, as the Auditor of the Company to hold office for the ensuing year. The resolution will also authorize the Board of Directors to fix any required remuneration of the Auditor.

**Unless directed otherwise, it is the intention of Management's nominee as Proxyholder, Dawn Reiser, to vote in favour of an ordinary resolution appointing MNP LLP as Auditor for the Company, and to authorize the Board of Directors to fix the remuneration of the Auditor.**

## Approval of New By-Law #1

Under Section 3.6 of By-law #1 for the Company which was approved by the shareholders on **June 8, 2013 ("By-Law #1")**, Directors who are initially elected to a one (1) or two (2) year term are permitted to stand for re-election for up to three (3) consecutive terms of three (3) years each thereafter. The full text of Section 3.6 is set out below:

### 3.6 Terms

Newly appointed Directors shall be elected for a one (1) year term. Thereafter Directors shall normally be elected to a three (3) year term and after three consecutive terms the Directors then in office shall retire but, if qualified, shall be eligible for re-election after one year. To effect orderly changes in Board membership, Directors shall be elected at the first meeting of the shareholders, or at other times, for a term of no less than one (1) year and no more than three (3) years. Directors initially elected to a one (1) or two (2) year term shall continue to be eligible for election for three consecutive three (3) year terms thereafter.

The Board believes that from time to time, in order to preserve the services of certain qualified persons, and in certain circumstances to assist the Board in complying with its mandate in respect of diversity (see "*Disclosure Regarding Diversity*" below) it may be necessary to waive the term limits set out in Section 3.6 of By-law #1. As such, on March 19, 2020, the Board of Directors approved a resolution to amend Section 3.6 of By-law #1, as follows:

### 3.6 Terms

Newly appointed Directors shall be elected for a one (1) year term. Thereafter Directors shall normally be elected to a three (3) year term and after three consecutive terms the Directors then in office shall retire but, if qualified, shall be eligible for re-election after one year. To effect orderly changes in Board membership, Directors shall be elected at the first meeting of the shareholders, or at other times, for a term of no less than one (1) year and no more than three (3) years. Directors initially elected to a one (1) or two (2) year term shall continue to be eligible for election for three consecutive three (3) year terms thereafter. **Notwithstanding the foregoing, the Directors may by resolution approve a variation to the aforementioned term limits in relation to any particular Director.**

Under Section 103(2) of the CBCA, where the Directors of a Corporation make, amend or repeal a By-law, they are required to submit the By-law or repeal to the shareholders of the Corporation at the next meeting of shareholders, and the shareholders may confirm, reject or amend the By-law or repeal.

At the Meeting, shareholders of the Company will be asked to consider and, if deemed advisable, to pass, with or without variation, a resolution (the “**By-Law Resolution**”) confirming the amendment of By-Law Number 1. The full text of the By-Law Resolution is set out below. If approved, the By-law will immediately come into force.

## **BY LAW RESOLUTION**

“BE IT RESOLVED THAT:

1. Section 3.6 of By-law #1 of the Company be amended as follows:

### **3.6 Terms**

Newly appointed Directors shall be elected for a one (1) year term. Thereafter Directors shall normally be elected to a three (3) year term and after three consecutive terms the Directors then in office shall retire but, if qualified, shall be eligible for re-election after one year. To effect orderly changes in Board membership, Directors shall be elected at the first meeting of the shareholders, or at other times, for a term of no less than one (1) year and no more than three (3) years. Directors initially elected to a one (1) or two (2) year term shall continue to be eligible for election for three consecutive three (3) year terms thereafter. **Notwithstanding the foregoing the Directors may by resolution approve a variation to the aforementioned term limits in relation to any particular Director.**

2. Any one (or more) Director(s) or Officer(s) of the Company be and is hereby authorized and directed, on behalf of the Company, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things that may be necessary or desirable to give effect to this resolution.

**In order to be passed, the By-Law Resolution requires the approval of a majority of the votes cast thereon by shareholders of the Company present in person or represented by Proxy at the Meeting. The Directors of the Company unanimously recommend that shareholders vote in favour of the By-Law Resolution. Unless directed otherwise, it is the intention of Management’s nominee as Proxyholder, Dawn Reiser, to vote in favour of the By-Law Resolution.**

**If the By-Law Resolution is not passed by the requisite majority as noted above, the election of Margaret Kelk, as a Director of the Company for the ensuing year will not be considered at the Meeting.**

## **Election of the Directors**

The Company’s Board of Directors is independent of the Manager and currently consists of seven Directors: Robert Barnes, Eric Dinelle, Margaret Kelk, Ryan Seeds, Anne-Marie Lee, Jody Becker, and Sheldon Jacobs. Andrew Blanchard resigned from the Board of Directors in January of 2020 citing occupational conflict.

The Board of Directors has two standing committees, the Audit Committee and the Governance/Nominations Committee.

<b>Name and Municipality of Residence</b>	<b>Principal Occupation for Last Five Years<sup>(1)</sup></b>	<b>Director Since</b>	<b>Expiry of Term</b>	<b>Number of Shares Held</b>
Robert Barnes <sup>(5)</sup> Burlington, Ontario, Canada	Vice-President, Energy & Digital Services. EllisDon since 2017, Director, Managed Services at EllisDon since 2011 to 2017.	July 2012	June 2022	43,736
Margaret Kelk <sup>(2)(5)(7)</sup> Portland, Ontario, Canada	Teacher, artist, owner and manager of farming and real property rental operations.	July 2012	June 2020	22,474
Eric Dinelle <sup>(3)(4)</sup> Kingston, Ontario, Canada	Owner of Environmental Contracting Services since 2009.	July 2012	June 2020	1,918
Sheldon Jacobs <sup>(5)</sup> Brownsburg-Chatham, Quebec, Canada	Retired teacher of business and economics.	July 2012	June 2021	12,269
Ryan Seeds <sup>(4)(6)</sup> CPA, CA, Kingston, Ontario, Canada	Chartered Professional Accountant and principal of Seeds Chartered Professional Accountants, Sharbot Lake, Ontario until 2016; Presently an independent consultant providing CFO services.	June 2019	June 2020	101
Anne-Marie Lee <sup>(4)(6)</sup> CPA, CA, Ontario, Canada	Chartered Professional Accountant in private practice.	March 2020	June 2020	Nil
Jody Becker <sup>(5)(6)</sup> Ontario, Canada	Chief Strategy Officer, Ellis Don	March 2020	June 2020	Nil

**Notes:**

- (1) Information as to principal occupation, business or employment is not within the knowledge of Management of the Company and has been furnished by the respective individuals.
- (2) Chair of the Governance/Nominating Committee.
- (3) Chair of the Audit Committee.
- (4) Member of the Audit Committee.
- (5) Member of the Governance/Nominating Committee.
- (6) Seeking election as a Director for new one (1) year term.
- (7) If the By-Law resolution is passed, Ms. Kelk is seeking election for new one (1) year term.

At the Meeting, shareholders of the Company will be asked to elect Eric Dinelle, Ryan Seeds, Anne-Marie Lee, Jody Becker, and if the By-Law Resolution is passed, Margaret Kelk, as Directors of the Company for the ensuing year. Each Director elected will hold office until the close of the next Annual Meeting of the

shareholders of the Company following his/her election unless his/her office is earlier vacated in accordance with the By-laws of the Company. If the By-Law Resolution is not passed, Ms. Kelk will not be considered for election as a Director at the Meeting.

None of the nominees for election as a Director of the Company is, or was within the ten years prior to the date hereof, a Director, Chief Executive Officer or Chief Financial Officer of any company that was subject to a cease trade order, an order similar to a cease trade order or an order that denied such company access to any exemption under securities legislation that was, in each case, in effect for a period of more than 30 consecutive days and that was issued while that person was acting in such capacity or that was issued after that person ceased to act in such capacity and which resulted from an event that occurred while that person was acting in such capacity.

None of the nominees for election as a Director of the Company is, or was within the ten years prior to the date hereof, a Director or Executive Officer of any company that, while that person was acting in such capacity, or within a year of that person ceasing to act in such capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

None of the nominees for election as a Director of the Company has within the ten years prior to the date hereof become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his/her assets.

None of the nominees for election as a Director of the Company has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed Director.

**It is the intention of Management's nominee as Proxyholder, Dawn Reiser, to vote in favour of FOR the election of the nominees whose names are set forth above, unless the shareholder of the Company who has given such Proxy has directed that the Common Shares represented by such Proxy be withheld from voting in respect of the election of Directors of the Company.** Management of the Company does not contemplate that any of the nominees will be unable to serve as a Director of the Company for the ensuing year, however, if that should occur for any reason prior to the Meeting or any adjournment thereof, Management's nominee as Proxyholder, Dawn Reiser, has the right to vote for the election of the remaining nominees and may vote for the election of a substitute nominee at their discretion.

## **STATEMENT OF EXECUTIVE COMPENSATION**

### ***Summary Compensation Table***

The Executive Officers of the Company also serve as Executive Officers of the Manager (see "*Management Contracts - Management Agreement*" below). Pursuant to the Management Agreement, the Manager directs the affairs and manages the business and administers or arranges for the administration of the Company's day-to-day operations. The Company does not have any employment

agreements with, nor does it pay any compensation to, its Executive Officers. Instead, the Company's Executive Officers are employed and paid compensation by the Manager as Executive Officers and employees of the Manager. In consideration for the management services provided to the Company, the Manager is paid a monthly management fee equal to one-twelfth of one percent of the value of the Company's gross assets, calculated on a monthly basis (see "*Management Contracts - Management Agreement*" below). All of the outstanding voting shares of the Manager are owned indirectly by Matthew Robinson.

Applicable securities legislation requires disclosure of all direct and indirect compensation provided to each Director and Named Executive Officer ("**NEO**") of the Company for both of its two most recently completed financial years. NEO is defined by securities legislation to mean: (i) the Chief Executive Officer; (ii) the Chief Financial Officer; (iii) each of the three most highly compensated Executive Officers of the Company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and (iv) each individual who would be a "NEO" under paragraph (iii) but for the fact that the individual was neither an Executive Officer of the Company or its subsidiaries, nor acting in a similar capacity, at the end of the most recently completed financial year.

During the financial years ended December 31, 2019 and December 31, 2018, the Company had 2 NEOs, both of whom are employees of the Manager. The following table and notes thereto provide a summary of the compensation paid by the Manager to each NEO of the Company that is attributable to time spent by such NEO on the activities of the Company for the financial years ended December 31, 2019 and December 31, 2018. The following table is presented in accordance with form 51-102F6V – *Statement of Executive Compensation – Venture Issuers* ("**Form 51-102F6V**") under National Instrument 51-102 – *Continuous Disclosure Obligations*.

Table of Compensation Excluding Compensation Securities							
Name and Position	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of All other Compensation (\$)	Total Compensation (\$)
Matthew Robinson, CEO	2019	200,000 <sup>(1)</sup>	Nil	Nil	Nil	Nil	200,000
	2018	200,000 <sup>(1)</sup>	Nil	Nil	Nil	Nil	200,000
Kevin Cruickshank, CFO	2019	100,000 <sup>(1)</sup>	Nil	Nil	Nil	Nil	100,000
	2018	100,000 <sup>(1)</sup>	Nil	Nil	Nil	Nil	100,000

**Notes:**

(1) Represents the portion of the salary paid by the Manager attributable to the time spent on the activities of the Company.

## Director Compensation

The following table and notes thereto provide a summary of the compensation paid by the Company to the members of the Board of Directors for the financial years ended December 31, 2019 and December 31, 2018. The following table is presented in accordance with form 51-102F6V – *Statement of Executive Compensation – Venture Issuers* (“**Form 51-102F6V**”) under National Instrument 51-102 – *Continuous Disclosure Obligations*.

Table of Compensation Excluding Compensation Securities							
Name and Position	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of All other Compensation (\$)	Total Compensation (\$)
Robert Barnes	2019	25,000	Nil	Nil	Nil	Nil	25,000
	2018	25,000	Nil	Nil	Nil	Nil	25,000
Margaret Kelk	2019	15,000	Nil	Nil	Nil	Nil	15,000
	2018	15,000	Nil	Nil	Nil	Nil	15,000
Eric Dinelle	2019	15,000	Nil	Nil	Nil	Nil	15,000
	2018	15,000	Nil	Nil	Nil	Nil	15,000
Sheldon Jacobs	2019	15,000	Nil	Nil	Nil	Nil	15,000
	2018	15,000	Nil	Nil	Nil	Nil	15,000
Ryan Seeds <sup>(1)</sup>	2019	11,250	Nil	Nil	Nil	Nil	11,250
	2018	N/A	Nil	Nil	Nil	Nil	N/A
Andrew Blanchard <sup>(2)</sup>	2019	15,000	Nil	Nil	Nil	Nil	15,000
	2018	15,000	Nil	Nil	Nil	Nil	15,000
William Calvert <sup>(3)</sup>	2019	3,750	Nil	Nil	Nil	Nil	3,750
	2018	15,000	Nil	Nil	Nil	Nil	15,000
Cara Chesney, CPA, CA <sup>(4)</sup>	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	15,000	Nil	Nil	Nil	Nil	15,000

### Notes

- (1) Ryan Seeds became a Director in June 2019.
- (2) Andrew Blanchard ceased to be a Director in January 2020.
- (3) William Calvert passed away in March 2019.
- (4) Cara Chesney ceased to be a Director in June 2019.

## **Discussion of Compensation**

The Directors' fees described above relate to the work that the Directors are asked to perform on the Board of Directors and on Committees. The Directors provide oversight for the Company over the Manager and Administrator. Detailed activities include: reviewing and approving mortgages, financial oversight (review of financial statements), reviewing materials for the Company at the various Board of Directors' meetings and providing advice and approval of the CEO's strategic direction. In determining the compensation of Directors, the Company considers factors including market rates for compensation of Directors across different economic sectors, the aggregate assets of the Company, the responsibilities and time committed by the Directors and past increases in compensation. The compensation of the Chair is greater than that of other Directors because the Chair assumes a greater workload as he or she meets with the CEO on a regular basis to discuss the Company's business and with the staff of the Administrator on an as needed basis to review and approve mortgages.

## **Options, Stock Appreciation Rights and Other Rights to Purchase Securities**

The Company does not have any stock option plans nor has it issued other rights to purchase securities.

## **Long-Term Incentive Plans**

The Company does not have any long-term incentive plans.

## **Benefit and Actuarial Plans**

The Company does not have any benefit or actuarial plans payable to the named Executive Officers or Directors.

## **Employment and Services Contracts**

The Company has not entered into an employment contract with any Executive Officer or other individual.

## **INDEBTEDNESS OF DIRECTORS, EXECUTIVE AND SENIOR OFFICERS**

Other than routine indebtedness, no Director or Senior Officer of Frontenac, or any proposed nominee for election as a Director of the Company, or any associate or affiliate of any such Director, Senior Officer or proposed nominee, is or has been indebted to the Company or any of its subsidiaries, or to any other entity that was provided a guarantee or similar arrangement by the Company or any of its subsidiaries in connection with the indebtedness, at any time since the beginning of the most recently completed financial year of the Company.

Except for: (i) indebtedness that has been entirely repaid on or before the date of this Circular, and (ii) "routine indebtedness" (as defined in paragraph 10.3(c) of Form 51-102F5 of National Instrument 51-102 - Continuous Disclosure Obligations), the Company is not aware of any individuals who are, or who at any time during the most recently completed financial year was, a Director or Executive Officer of the Company, a proposed nominee for election as a Director or an associate of any of those Directors, Executive Officers or proposed nominees who are, or have been since the beginning of the most recently completed financial year indebted to the Company or any of its subsidiaries, or whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.



## **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 assets each month for its services.

### **Management Agreement**

The Company is a party to a management agreement made between the Company and W. A. Robinson Asset Management Ltd. (the “**Manager**”) dated July 29, 2008 (“**Management Agreement**”). The Manager is responsible for the overall management of the Company’s affairs, including the following tasks and duties:

- 1) Acting as Frontenac’s registrar and transfer agent
- 2) Maintaining the books and records of the Company and performing administrative functions in connection with the issuance, registration and redemption of Common Shares; and
- 3) 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 assets each month for its services.

### **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

- 3) Issuing an ownership certificate to Frontenac on mortgages funded by Frontenac

The contract has since been automatically renewed.

### **DISCLOSURE REGARDING DIVERSITY**

The Company recognizes that diversity can make an important contribution to governing excellence. As such the Company has adopted written policies wherein it states that it is desirable to have prospective Director candidates who are members of designated groups, including women, aboriginal peoples, persons with disability and members of visible minorities, and the Board does consider the level of representation of designated groups on the Board in identifying and nominating candidates for election or re-election to the Board, and Management. The Company has not adopted a target number or percentage (or range) for members of the designated groups to hold positions on the Board or to be members of Senior Management by a specific date.

There are currently no women in Senior Management of the Company and there are three (3) women on the Board of Directors (representing approximately 43% of the Board).

Under Section 3.6 of By-Law #1 for the Company, Directors who are initially elected to a one (1) or two (2) year term are permitted to stand for re-election for up to three (3) consecutive terms of three (3) years each thereafter. If the By-Law Resolution is passed, the Board may in its discretion elect to waive such term limits. One reason that the Board approved the By-Law Resolution was to assist the Board with its mandate regarding diversity to ensure it does not lose valuable members of the Board that are members of the designated groups noted above.

### **CORPORATE GOVERNANCE DISCLOSURE**

In establishing its corporate governance practices, the Board of Directors has been guided by applicable Canadian Securities Legislation for effective corporate governance, including National Policy 58-201 - *Corporate Governance Guidelines*. The Board of Directors is committed to a high standard of corporate governance practices. The Board of Directors believes that this commitment is not only in the best interests of its shareholders, but that it also promotes effective decision making at the Board of Director level.

#### ***The Board of Directors***

##### ***Independence***

Subject to certain exceptions, a Director is “independent” within the meaning of National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (“NI 58-101”) if he or she has no direct or indirect material relationship with the Company. A “material relationship” is a relationship that could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a Director’s independent judgment. Certain types of relationships are, by their nature, considered to be material relationships.

Currently, all the members of the Board of Directors are independent Directors. These determinations were made by the Board of Directors based upon an examination of the factual circumstances of each

Director and consideration of any interests, business or relationships, which any Director may have with the Company.

The Chair of the Board of Directors, Mr. Robert Barnes, is an independent Director. The Company does not have a designated lead Director. The Board of Directors utilizes its own in-house expertise, and that of its legal counsel, to provide advice and consultation on current and anticipated matters of corporate governance.

### ***Other Reporting Issuer Experience***

None of the Directors of the Company are Directors of other reporting issuers (other than the Company) as of the date of this Circular.

### ***Board of Directors Mandate***

The Board of Directors has not adopted a written mandate. The Board of Directors will receive the Manager's investment recommendations in order to review and approve the granting of mortgage loans by the Company in an amount of greater than 2% of the book value of the Company's assets divided by the number of common shares outstanding. As part of such approval process, the Directors will be provided with a full underwriting report consisting of a thorough credit assessment of the prospective borrower and the proposed real estate collateral, along with an appraisal prepared by a qualified appraiser and a Phase I environmental audit, where deemed necessary by the Administrator. The Board of Directors will review the underwriting report in order to ensure that the transaction meets the Company's investment objectives and complies with its policies.

### ***Position Descriptions***

The Board of Directors has not developed a written position for the Chair of the Board of Directors, for the Chair of any of its standing Committees, or for the Company's Chief Executive Officer. To date, the Board of Directors does not believe that formal written position descriptions of the position of the Chair of the Board of Directors, of the Chair of each standing Committee and for the Chief Executive Officer are required, and that good business practices and the common law provide guidance as to what is expected of each of such positions.

### ***Orientation and Continuing Education***

The Company provides new Directors with a copy of Board policies and training on the Carver Policy Governance model which is followed by the Board of Directors. The Company also provides its Directors with training on the 'Basecamp' software package, a project/information management software enabling the sharing of information and documents for the consideration of Directors, tracking and coordinating the critical path of Board mandates, and assisting the Directors in preparing for Board meetings. The Company does not have a formal continuing education program for its Directors but may provide individualized training on an as-needed basis.

### ***Ethical Business Conduct***

The Company is committed to maintaining high standards of corporate governance and this philosophy is communicated by the Board of Directors to Management, and by Management to employees, on a regular basis. In order to ensure that the Directors exercise independent judgment in considering transactions

and agreements, the Board of Directors requires that all Directors declare any conflicts of interest with issues or situations as they arise. This would include transactions/agreements in which a Director/Officer has material interest. See “*Interests of Management and Others in Material Transactions*”.

### ***Nomination of Directors***

The Governance/Nominating Committee is a standing Committee appointed by the Board of Directors and it is responsible for overseeing and assessing the functioning of the Board of Directors and the Committees of the Board of Directors and for the development, recommendation to the Board of Directors, implementation and assessment of effective corporate governance principles. The Governance/Nominating Committee’s responsibilities also include identifying candidates for directorship and recommending that the Board of Directors select qualified Director candidates for election at the next Annual Meeting of shareholders.

The Governance/Nominating Committee is composed entirely of independent Directors, currently being Margaret Kelk (Chair), Robert Barnes, Sheldon Jacobs and Jody Becker.

### ***Compensation***

In determining the compensation of Directors, the Company considers factors including market rates for compensation of Directors across different economic sectors, the aggregate assets of the Company, the responsibilities and time committed by the Directors and past increases in compensation. The compensation of the Chair is greater than that of other Directors because the Chair assumes a greater workload as he or she meets with the CEO on a regular basis to discuss the Company’s business and with the staff of the Administrator on an as needed basis to review and approve mortgages. Director compensation is typically reviewed every three years.

### ***Other Board of Directors Committees***

The Board of Directors has no standing Committee other than the Audit Committee and the Governance/Nominating Committee.

### ***Assessments***

The Board of Directors, its Committees and individual Directors are not regularly assessed with respect to their effectiveness and contribution, as the Board of Directors believes that such assessments are generally more appropriate for corporations of significantly larger size than the Company and which may have significantly larger Boards of Directors. A more formal assessment process will be instituted as, if, and when the Board of Directors deems necessary.

## **AUDIT COMMITTEE DISCLOSURE**

### ***Charter***

The text of the charter (the “**Charter**”) of the Audit Committee is attached hereto as Schedule “A”.

### ***Composition of the Audit Committee***

The Audit Committee is comprised of Eric Dinelle, Ryan Seeds and Anne-Marie Lee. The Chair of the Audit Committee is Eric Dinelle. Each member of the Audit Committee is financially literate and independent within the meaning of National Instrument 52-110 - *Audit Committees* (“**NI 52-110**”).

### ***Relevant Education and Experience***

Described below for each member of the Audit Committee is a brief description of the education and experience relevant to the performance of his or her responsibilities as an Audit Committee member and from which he or she derived his or her “financial literacy” as defined in NI 52-110.

<b>Audit Committee Member</b>	<b>Relevant Education and Experience</b>
Eric Dinelle	Owner of contracting services business since 2009, Director of the Company since 2012
Ryan Seeds	Chartered Professional Accountant
Anne-Marie Lee	Chartered Professional Accountant

### ***Reliance on Certain Exemptions***

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on the exemption in sections 2.4 (De Minimis Non-audit Services), 3.2 (Initial Public Offerings), 3.4 (Events Outside Control of Member), or 3.5 (Death, Disability or Resignation of Audit Committee Member) of NI 52-110, or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

### ***Reliance of the Exemption in Subsection 3.3(2) or Section 3.6***

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on the exemption in subsection 3.3(2) (Controlled Companies) or section 3.6 (Temporary Exemption for Limited and Exception Circumstances) of NI 52-110.

### ***Reliance on Section 3.8***

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on section 3.8 (Acquisition of Financial Literacy) of NI 52-110.

### ***Audit Committee Oversight***

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

### ***Pre-Approval Policies and Procedures for the Engagement of Non-Audit Services***

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services, as described in the Audit Committee Charter attached to this

### ***External Auditor Service Fees***

The table below sets out all fees billed by the Company's external auditor in respect of the Company's fiscal years ended December 31, 2019 and December 31, 2018.

<b>Financial Year End</b>	<b>Audit Fees<sup>(1)</sup></b>	<b>Audit Related Fees<sup>(2)</sup></b>	<b>Tax Fees<sup>(3)</sup></b>	<b>All Other Fees<sup>(4)</sup></b>
December 31, 2019	\$61,301	\$0	\$0	\$1,813
December 31, 2018	\$59,487	\$0	\$0	\$31,305

**Notes:**

- (1) "Audit Fees" are fees billed by the Company's external auditor for services provided in auditing the Company's financial statements for the financial year.
- (2) "Audit-Related Fees" are fees not included in Audit Fees that are billed by the auditor for assurance and related services that are reasonably related to performing the audit or reviewing the Company's interim financial statements.
- (3) "Tax Fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning.
- (4) "All Other Fees" are fees billed by the auditor for products and services not included in the previous categories.

### ***Investment Entity Review Reports***

The Committee has authority to oversee the process involving the preparation of investment entity review reports ("IERRs") including, without limitation, selecting and setting the remuneration of the firm of chartered business valuers who prepare the Company's IERRs.

In relation to any change in the firm of chartered business valuers who prepare the Company's IERRs, the Company will follow a process which is consistent with the process prescribed by section 4.11 of National Instrument 51-102 – *Continuous Disclosure Obligations* for any change of the Company's auditor.

### ***Venture Issuer Exemption***

The Company is not required to comply with Part 3 of NI 52-110 (Composition of the Audit Committee) and Part 5 of NI 52-110 (Reporting Obligations) by virtue of the exemption for venture issuers contained in section 6.1 of NI 52-110.

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

To the knowledge of Management, no insider of the Company, no proposed nominee for election as a Director of the Company and no associate or affiliate of any such insider or proposed nominee 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**

No Director or Senior Officer of the Company at any time since the beginning of the company's most recently completed financial year, no proposed nominee for election as a Director of the Company 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**

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**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). 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, 2019. 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, ON 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: Tuesday, April 21, 2020

**BY ORDER OF THE BOARD OF  
DIRECTORS**

(signed)

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**Robert Barnes**  
**Chair of the Board of Directors**

**SCHEDULE "A"**  
**AUDIT COMMITTEE CHARTER**

***Audit Committee Charter***  
***Frontenac Mortgage Investment Corporation ("FMIC")***

The Audit Committee shall assist the Board with its oversight duties related to finance in a manner consistent with National Instrument 52-110 – Audit Committees. Products expected by the Committee, and the Committee's authority are outlined below.

**Committee Products**

**1. *Selection of, liaison with, and oversight of external auditor***

- 1.1 Options for Board decision re: selection of financial auditor and liaison with auditor on behalf of Board.
- 1.2 Approval of terms of engagement of the external auditor as set forth in the Engagement Letter, for an audit to be completed annually and filed by the last business day of March.
- 1.3 Review with the external auditor of the audit plan, including the scope of the audit, areas of special emphasis to be addressed, materiality levels they propose to employ and the estimated cost of the audit.
- 1.4 Meet with the external auditor to determine that no Management restrictions have been placed on the scope and extent of the audit examinations or the reporting of their findings to the Committee.
- 1.5 An opinion for the Board, based on evidence required of the external auditor, as to whether the independent audit of the organization was performed in an appropriate manner, including maintaining their independence.
- 1.6 On behalf of the Board, pre-approval of non-audit services provided by the independent auditor.
- 1.7 An annual report to the Board highlighting the committee's review of the Audited Financial Statements, and any other significant information arising from their discussions with the external auditor.
- 1.8 An assessment for the Board of the services provided by the auditor.

**2. *Oversight of financial information***

- 2.1 An opinion for the Board, based on discussion with the external auditors and management, as to whether there is reasonable assurance that the Annual Audited Financial Statements are accurate, complete, represent fairly the financial position and



are in accordance with GAAP, prior to the Board's approval of the Audited Financial Statements.

- 2.2 An opinion for the Board based on discussion with Management as to whether Management's Discussion & Analysis is accurate, complete and in compliance with regulations.
3. ***Advice to the Board re: procedures for dealing with complaints and reported questionable accounting or auditing matters***
  - 3.1 An opinion for the Board as required regarding procedures for dealing with complaints received by FMIC regarding accounting, internal accounting controls or auditing matters.
  - 3.2 An opinion as required for the Board regarding procedures (to be established) for dealing with anonymous submissions by employees of the issuer of concerns regarding questionable accounting or auditing practices or actions.
4. ***Advice to the Board Re: Committee Terms of Reference***
  - 4.1 If requested by the Board, an opinion for the Board regarding the currency of its Terms of Reference.

#### **Committee Authority**

1. The Committee has no authority to change or contravene Board policies.
2. The Committee has authority to spend funds required for travel to meetings if meetings are required.
3. The Committee has the authority to set the remuneration for the external auditor within the range approved by the Board. The Committee has no authority to spend or commit other organization funds.
4. The Committee has authority to use Corporate Secretary resource time normal for administrative support around meetings.
5. The Committee does not have authority to instruct the CEO or any other staff member, other than to request information required in the conduct of its duties.
6. The Committee has the authority to meet independently with the organization's external auditors.

#### **Composition**

1. The Committee shall be composed of at least three Directors appointed by the Board of Directors at the first full meeting after the AGM. Members of the Committee shall be appointed annually for a one year term, which may be renewable at the pleasure of the Board. The Chair of the Board shall be an ex officio non-voting member of the Committee.

2. The Committee members shall elect the Chair from among its members.
3. All members of the Committee shall be independent, defined as a person who has no direct or indirect material (reasonably expected to interfere with the exercise of a member's independent judgement) relationship with FMIC.
4. All Committee members shall be financially literate as such qualification is defined by applicable law and interpreted by the Board in its business judgment.

The Board's interpretation of financial literacy is the ability to read and understand FMIC financial statements.

### **Investment Entity Review Reports**

1. The Committee has authority to oversee the process involving the preparation of investment entity review reports ("**IERRs**") including, without limitation, selecting and setting the remuneration of the firm of chartered business valuers who prepare FMIC's IERRs.
2. In relation to any change in the firm of chartered business valuers who prepare FMIC's IERRs FMIC will follow a process which is consistent with the process prescribed by section 4.11 of National Instrument 51-102 – *Continuous Disclosure Obligations* for any change of FMIC's auditor.

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