

## SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT made the     day of                     , 2008.

**BETWEEN:**

(the “Subscriber”)

**AND:**

**Westboro Mortgage Investment Corp.**  
(the “Corporation”)

WHEREAS the Corporation is in the mortgage lending business and is authorized to issue an unlimited number of Class A redeemable preferred shares in the capital stock of the Corporation, the terms of which are set forth in Schedule “A” to this Agreement;

AND WHEREAS the Subscriber wishes to subscribe for Class A redeemable preferred shares (the “Shares”).

IN CONSIDERATION OF the mutual covenants and agreements herein contained, the parties hereto agree as follows:

### **Subscription**

1. Subject to the terms and conditions herein contained, the Subscriber hereby irrevocably subscribes for and the Corporation agrees to issue to the Subscriber, \_\_\_\_\_ Shares in the capital stock of the Corporation for an aggregate purchase price of \$ \_\_\_\_\_, payable to Westboro Mortgage Investment Corp., by cheque or bank draft on the Closing Date.
2. The parties acknowledge and agree that the subscription for, and issuance of, the Shares on the Closing Date is conditional, for the exclusive benefit of the Corporation, upon such subscription and issuance being exempt from the prospectus and registration requirements of all applicable securities legislation and policies. In the event this condition is not fulfilled on the Closing Date, the Corporation may terminate this Subscription Agreement by written notice to the Subscriber and the parties shall be released from all obligations hereunder and any portion of the subscription amount then received by or for the account of the Corporation shall be returned to the Subscriber in full without interest or deduction.
3. The Subscriber represents and warrants to the Corporation that:
  - a) the decision to enter into this Subscription Agreement and to purchase the Shares is based solely on the Subscriber’s own investigations and the Subscriber has not relied on any representations or warranties or any

information whatsoever, whether oral or written, other than as set out in this Subscription Agreement;

- b) the Subscriber is acquiring the Shares for his own account and not as a nominee or agent, nor for the benefit, of any other person; and
  - c) the Subscriber satisfies one or more of the following criteria:
    - i) is an “accredited investor” by virtue of satisfying the criteria set forth in Section 2.4(2) of National Instrument 45-106, as certified by the Subscriber in Schedule “B” to this Agreement; and/or
    - ii) is subscribing hereunder for Shares having an aggregate purchase price of not less than \$150,000; and/or
    - iii) is an investor who has previously acquired Shares having an aggregate purchase price of not less than \$150,000 and is acquiring further Shares, with the aggregate purchase price attributable to all of the Shares owned by the Subscriber, following completion of the subscription contemplated hereunder, exceeding \$150,000.
  - d) the Subscriber is an investor who by virtue of net worth and/or investment experience is capable of assessing the merits and risks of this investment without the benefit of a prospectus or other form of disclosure contemplated by applicable securities legislation. The subscriber acknowledges that the Term Sheet annexed hereto as Schedule “C” is a brief outline of certain features of the proposed investment and does not purport to provide full disclosure of material information associated with an investment in the Shares.
4. The Corporation hereby covenants, represents and warrants with and to the Subscriber that as at the date of this Subscription Agreement:
- a) the Corporation is a Corporation incorporated and validly subsisting under the laws of Canada; and
  - b) the Corporation has the corporate power, authority and capacity to enter into this Subscription Agreement and to carry out its obligations under this Subscription Agreement and the execution and delivery of this Subscription Agreement and the completion of the transactions contemplated by this Subscription Agreement have been duly authorized by all necessary corporate action on the part of the Corporation.
5. The closing date of this Subscription Agreement shall be \_\_\_\_\_ or such earlier date as may be mutually agreed upon by the parties (the “Closing Date”).

6. The parties hereto agree that each shall with reasonable diligence proceed to take all action to do all things and provide reasonable assurances as may be required to consummate the transaction contemplated by this Subscription Agreement.
7. All notices required by this Subscription Agreement shall be in writing and may be personally delivered or may be forwarded by registered mail or sent by facsimile to the following addresses:

if to the Subscriber: \_\_\_\_\_

Facsimile:

if to the Corporation: Westboro Mortgage Investment Corp.

413 Churchill Avenue North  
Ottawa, ON K1Z 5C7  
Telephone: (613) 722-8832  
Fax: (613) 722-6342

If such notice is forwarded by registered mail, the notice shall be deemed to have been received by the recipient four (4) days after the mailing thereof. If such notice is personally delivered or forwarded by facsimile, it shall be deemed to have been received by the recipient when delivered or transmitted, respectively, with proof of delivery retained.

8. The headings in this Subscription Agreement are for convenience only and shall not in any way limit or be deemed to construe or interpret the terms and provisions of this Subscription Agreement.
9. This Subscription Agreement shall be construed and enforced in accordance with the laws of the Province of Ontario.
10. This Subscription Agreement and the Schedules hereto embody the entire agreement between the parties with regard to the matters herein, and no other agreement shall be deemed to exist except as entered into in writing by both parties to this agreement. There are no representations, warranties, terms, conditions, undertakings or collateral agreements between the parties, express, implied or statutory, other than expressly made in or contemplated by this Subscription Agreement.
11. This Subscription Agreement shall enure to the benefit of and be binding on the parties and their respective heirs, executors, successors and assigns.

**Independent Legal Advice**

**The Subscriber acknowledges the Corporation has recommended that the Subscriber seek independent legal advice with respect to this Subscription Agreement and that the Subscriber has been given an opportunity to seek such legal advice.**

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IN WITNESS WHEREOF the parties have executed this Subscription Agreement effective the date first written above.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Name of Subscriber:  
Authorized Signing Officer

WESTBORO MORTGAGE INVESTMENT  
CORP.

Per: \_\_\_\_\_  
Title:

I have authority to bind the Corporation.

## Schedule "A "

### DESCRIPTION OF CLASS A REDEEMABLE PREFERRED SHARES

The following are the Special Rights and Restrictions attached to the shares of the Issuer.

- a) The holders of the Common Shares shall not be entitled to receive any dividends. The holders of the Common Shares without par value (the "Common Shares") shall be entitled to receive notice of, to attend and to vote at all meetings of Shareholders of the Company. Each Common share shall confer on the holder thereof the right to one vote in person or by proxy at all meetings of Shareholders of the Company.
- b) The holders of the Class "A" Redeemable Preferred Shares (the "Class "A" Shares") shall not be entitled to receive notice of or attend or vote at meetings of the Shareholders of the Company except as hereinafter specifically provided.
- c) The holders of the Class "A" Shares shall be entitled to receive rateably according to the amount paid up thereon, and the Company shall pay by way of dividends thereon, monthly as declared by the Directors, all of the profits of the Company available for the payment as dividends. If the company shall fail to earn profits available for the payment of the dividends in any two consecutive fiscal years of the Company ending after 2004, then from ninety (90) days after the second fiscal year end in which the company failed to earn profits, the holders of Class "A" Shares shall have the same voting rights for each share as the holders of the Common shares, shall be entitled to receive the same notice of the Shareholders' meetings and shall be entitled to attend and to vote at all meetings of the Shareholders of the Company provided that the holders of each Class A Share shall be entitled to one vote for each such Share .
- d) In the event of a reduction of capital or the liquidation, dissolution or winding up of the Company or other distribution of property or assets of the Company among its Shareholders for the purpose of winding up its affairs:
  - (i) The holders of the Class "A" Shares shall be entitled to receive rateably an amount equal to the aggregate amount paid up on the shares held by them respectively. After the holders of the Class "A" Shares have received the aggregate amount paid up on the shares held by them respectively, the holders of the Common Shares shall be entitled to receive an amount equal to the aggregate amount paid up on the shares held by them respectively.
  - (ii) After the Company has made the distribution contemplated by paragraph (d)(i), the holders of the Common Shares, the Class "A" Shares shall be entitled to receive a share of the remaining amount available for distribution. The aggregate amount distributable to all holders of such classes of shares shall be determined by multiplying the amount remaining to be distributed by a fraction, the numerator of which is the amount paid up

on issued shares of the particular class and the denominator of which is the amount paid up on the issued shares of all classes prior to the distribution pursuant to paragraph (d) (i)

- (iii) Any amount to be distributed to holders of any class of shares pursuant to paragraphs (d)(i) and (d)(ii) shall be distributed *pari passu* among all holders of shares of that class.
- e) The Company may at any time purchase for cancellation the whole or any part of any class of shares to all the holders of record of the shares outstanding or by private contract at the lowest price at which, in the opinion of the board of Directors, shares are obtainable. If upon any invitation for tenders under the provisions of the paragraph, the Company shall receive tenders at the same lowest price which the Company is willing to pay, in an aggregate number greater than the number for which the Company is prepared to accept tenders, the shares so tendered shall be purchased as nearly as may be, *pro rate*, disregarding fractions according to the number of shares so tendered by each of the holders of shares who submitted tenders at the same lowest price.
- f) The Company may, upon giving notice as hereinafter provided redeem at any time the whole or from time to time any part of any class of shares pursuant to the Ontario Company Act in such proportions of the classes of shares of the Company as the Directors may specify, on payment for each share to be redeemed of the redemption price (herein called the “Redemption Price”). The Redemption Price for each share shall be the amount paid up thereon plus any declared but unpaid dividends to which the holder is entitled pursuant to paragraph (c).
- g) In any case of redemption of shares pursuant to the provisions of paragraph (f) hereof, the Company shall at least thirty (30) days before the date specified for redemption, which shall only be in the first month of any quarter of the Company’s fiscal year, mail to each person, who at the date of mailing is a registered holder of share to be redeemed, a notice in writing of the intention of the Company to redeem such share, Such notice shall be mailed by letter, postage prepaid, addressed to each Shareholder at his address as it appears on the books of the Company or if the address of any such shareholder not so appearing then to the last known address of such Shareholder, provided however, that accidental failure or omission to give such notice to one or more of such Shareholders shall not affect the validity of such redemption as to the other holders. Such notice shall set out the Redemption Price and date on which redemption is to take place, and if part only of the shares held by the person to whom it is addressed is to be redeemed, the number thereof so to be redeem. On or after the date so specified for redemption, the Company shall pay or cause to be paid to the registered holders of the share to be redeemed the Redemption Price thereof on presentation and surrender at the Head Office of the company or any other place designated in such notice of the certificates for the shares called for redemption and the certificates for such shares shall thereupon be and be deemed to be redeemed. If part only of the shares represented by any

certificate are redeemed, a new certificate for the balance shall be issued at the expense of the Company. From and after the date specified in any such notice, the shares called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected. The Company shall have the right at any time after the mailing of notice of its intention to redeem any shares to deposit the redemption price of the shares so called from redemption or of such of the shares represented by certificates which have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or any trust company in Canada named in such notice to be paid without interest or to the order of the respective holders of such shares called from redemption upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the shares in respect whereof such deposit shall have been made shall be and be deemed to be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be shall be limited to receiving without interest their proportionate part of the total Redemption Price so deposited against presentation and surrender of the certificates held by them respectively. Any interest allowed on such deposit shall belong to the Company.

- h) Subject to all applicable laws and any restrictions set forth in the Articles of the Company, any holder of shares may, by giving notice as hereinafter provided, require the Company to redeem, at any time, the whole or from time to time, any part of the shares held by the holder. If any holder of shares wishes the Company to redeem all or any part of those shares, such holder must give six (6) month's written notice thereof to the Company at its registered office. Any notice to redeem shares shall indicate the number of shares to be redeemed. Subject to all applicable laws and any restrictions in the Articles of the company, on that day which is the last day of the quarter of the fiscal year of the Company after such six month's notice, the Company shall redeem the shares specified for redemption, and on that date the Company shall pay or cause to be paid to or for the order of such holder the Redemption Price on presentation and surrender at the registered office of the Company of the certificate or certificates for the shares to be redeemed. Any shares to be redeemed shall thereupon be and be deemed to be redeemed and shall be cancelled. If a part only of the shares represented by a certificate is redeemed, a new certificate for the balance shall be issued at the expense of the Company. Should such holder fail to present the certificate for the shares to be redeemed on the date specified for redemption, the Company shall have the right to deposit the Redemption Price for such shares to a special account in any chartered bank or trust company in Canada, to be paid without interest to or to the order of such holder upon presentation and surrender to such bank or trust company of the certificates representing the same. Upon such deposit being made, the shares in respect of

which such deposit shall have been made, shall be deemed to be redeemed, shall be cancelled and the rights of the holder thereof after such deposit shall be limited to receiving, without interest, the Redemption Price so deposited against presentation and surrender of the certificate for the shares. Notwithstanding the foregoing, the Company may waive notice of any such redemption by instrument in writing. If the Company shall fail to redeem the shares when required to do so by the holder thereof, the rights of the holder shall remain unaffected.

- i) The Company shall not be obligated to redeem more than ten (10%) percent of the shares in any fiscal year.
- j) The Company need not redeem shares pro rata from the holders of any class of shares of the Company. Subject to Section 25.1 (i), the Company shall redeem shares from the holders in the order in which the company receives written notice of redemption from the Shareholders.
- k) No class of shares may be created or issued ranking as to capital or dividends in priority to or on a parity with the Class "A" Shares nor shall the authorized number of any class of shares be increased without the approval of the holders of the shares given in the manner provided in paragraph (k) hereon in addition to any other approval required by the Company Act (Ontario) as amended.
- l) The approval of the holders of any class of shares as to any and all matters referred to herein may be given in writing by the holders of not less than seventy five (75) percent of the shares outstanding of the class or by resolution passed at a meeting of the holders of the class duly called and held upon not less than twenty one (21) days notice and at which the holders of at least the majority of the outstanding shares of the class are present or represented by proxy and carried by the affirmative vote of the holders of not less than seventy five (75%) percent of the shares represented and voted at such meeting cast on a poll. If at any such meeting the holders of a majority of the outstanding share of the class are not presented or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than twenty one (21) days later and to such time and place as may be appointed by the Chairman and not less than fourteen (14) days notice as shall be given at such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of shares of the class present or represented by proxy may transact the business for which the meeting was originally convened and a resolution passed thereat by the affirmative votes of the holders of not less than seventy five (75%) percent of the shares of the class represented and voted at such adjourned meeting cast on a poll shall constitute the approval of the holders of the class of shares referred to above. The formalities to be observed with respect to the giving of notice of any such meeting or any adjourned meeting and the conduct thereof shall be those from time to time prescribed in the Articles of the Company with respect to meetings of Shareholders. On every poll taken at every such meeting or adjourned meeting every holder of

shares of any class shall be entitled to one vote in respect of each share held.

- m) The holders of any class of shares shall not be entitled as of right to subscribe for or purchase or receive any part of any issue of shares or of bonds, debentures or other securities of the Company now or hereafter issued.

**Schedule "B"**  
**CANADIAN RESIDENT ACCREDITED INVESTOR CERTIFICATE**

The Subscriber hereby represents and warrants, for the purpose of qualifying the Subscriber as an Accredited Investor for applicable provincial securities laws in Canada, that he, she, they or it are an "accredited investor" as defined in National Instrument 45-106 – *Prospectus and Registration Exemptions* by virtue of being (**initial one**):

- (a) a Canadian financial institution, or a Schedule III bank; \_\_\_\_\_
- (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); \_\_\_\_\_
- (c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary; \_\_\_\_\_
- (d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador); \_\_\_\_\_
- (e) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d); \_\_\_\_\_
- (f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada; \_\_\_\_\_
- (g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec; \_\_\_\_\_
- (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government; \_\_\_\_\_
- (i) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada; \_\_\_\_\_
- (j) an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets\* having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000; \_\_\_\_\_

\* ("financial assets" refers only to cash, securities, certificates of deposit and contracts of insurance, and does not include non-financial assets such as real estate)

- (k) an individual whose net income before taxes exceeded \$200,000 in each of the 2 most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the 2 most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year; \_\_\_\_\_
- (l) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000; \_\_\_\_\_
- (m) a person, other than an individual or investment fund, that has net assets of at least \$5,000,000 as shown on its most recently prepared financial statements; \_\_\_\_\_
- (n) an investment fund that distributes or has distributed its securities only to: \_\_\_\_\_
  - (i) a person that is or was an accredited investor at the time of the distribution;
  - (ii) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 [Minimum amount investment] of NI 45-106, and 2.19 [Additional investment in investment funds] of NI 45-106; or
  - (iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 [Investment fund reinvestment] of NI 45-106;
- (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt; \_\_\_\_\_
- (p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be; \_\_\_\_\_
- (q) a person acting on behalf of a fully managed account managed by that person, if that person: \_\_\_\_\_
  - (i) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction; and
  - (ii) in Ontario, is purchasing a security that is not a security of an investment fund;
- (r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded; \_\_\_\_\_
- (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function; \_\_\_\_\_

- (t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors; \_\_\_\_\_
- (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser; or \_\_\_\_\_
- (v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as: \_\_\_\_\_
  - (i) an accredited investor; or
  - (ii) an exempt purchaser in Alberta or British Columbia after this Instrument comes into force.

**Schedule “C”**

**WESTBORO MORTGAGE INVESTMENT CORP.**

413 CHURCHILL AVENUE N., OTTAWA ON K1Z5C7

TEL: 727-3323, FAX: 727-9729

**TERM SHEET**

**THE ISSUER:**

Westboro Mortgage Investment Corp

413 Churchill Avenue N, Ottawa, ON K1Z 5C7

**THE OFFERING:**

Securities Offered: Class A Redeemable Preferred Shares (the “Preferred Shares)

Price per Preferred Share: \$10.00

Minimum Subscription: \$150,000

Payment Term: Bank Draft or certified cheque on closing

**OVERVIEW:**

- Westboro Mortgage Investment Corp. (the “Company”) qualifies as a mortgage investment corporation (MIC) under the Income Tax Act.
- A MIC, as it is commonly referred to, is a corporation established to invest in mortgages on residential and commercial real estate. Most of its income is generated from mortgage interest and fees.
- Preferred Shares of the Company may be held within an RRSP / RRIF or directly.
- Revenue consists primarily of mortgage interest, set up fees, pre-payment penalties and renewal fees.
- All net income of the Company is distributed to the preferred shareholders in the form of dividends on a monthly basis. Dividends are taxed as interest under the Income Tax Act.
- The Company does not pay any corporate tax.
- The Company provides shareholders with audited financial statements annually.

- As a MIC the Company must retain a minimum of 20 shareholders and no shareholder may hold more than 25% of the outstanding shares.

**MANAGEMENT PROFILES and RESPONSIBILITIES:**

The Company invests in mortgages satisfying the investment criteria determined from time to time by the board of directors for the Company. The directors and officers of the Company are Dan Kelly and Donald Paterson, who also control the common shares of the Company.

The Company receives mortgage investment opportunities from a variety of sources, including mortgage brokers. Dan Kelly, a director of the company, is the principal of Kelly Mortgage Services Inc., a registered mortgage broker.

The Company has retained Westboro Management Ltd. (the “Manager”) to provide management services, including mortgage administration services. The Manager is controlled by Dan Kelly and Donald Paterson, who are also the directors and officers of the Manager. See “Expenses and Management Fees”.

Name & Municipality of Residence	Office	Principal Occupation
Dan Kelly Director & President	413 Churchill Ave. N Ottawa K1Z 5C7	Registered Mortgage Broker (total of 17 years.) Kelly Mortgage Services Inc.
Don Paterson Director & Secretary-Treasurer	413 Churchill Ave. N Ottawa, K1Z 5C7	Chartered Accountant (total of 24 yrs.) Paterson & Company Chartered Accountants
Michele Potts	413 Churchill Ave. N Ottawa, K1Z 5C7	Accountant Paterson & Company

**Dan Kelly - President**

Prior to Dan obtaining his mortgage brokering registration in 1985, he held several management positions with the Bank of Montreal. Dan’s primary responsibilities at the bank included management of a Mortgage Loan Center with a \$150 million mortgage and loan portfolio. Previous to working with the bank, Dan was a manager of a national finance company for twelve years. With this company, Dan gained valuable experience originating business, underwriting, approving loans and the collection of sub-prime accounts.

**Donald Paterson – Secretary Treasurer**

Don has been self-employed as a Chartered Accountant since 1982 and in addition to the responsibilities of managing an accounting firm, he has been involved in investor

financings including retirement homes, food service limited partnerships, oil and gas partnerships and real estate syndications.

**Michele Potts – Investment Administrator**

In addition to her experience as an accountant and administrator for Paterson & Company Chartered Accountants, Michele has significant experience in administering private mortgages and investor administration.

**INVESTMENT CRITERIA:**

- A) Westboro Mortgage Investments Corp. will make investments ensuring that it maintains its status as a MIC under the Tax Act.
- B) Investments will be secured by mortgages in favour of Westboro Mortgage Investments Corp. and each mortgage will be duly registered in the appropriate land title office as a charge against the real property.
- C) Individual second mortgage loans should be in the range of \$25,000 - \$75,000, first mortgages should not exceed \$500,000.
- D) Mortgages will be registered as a charge against real property and depending on qualifications, the overall loan-to-value should not exceed 80-85%.
- E) Prior to funding, the company will obtain current appraisals on the properties that secure each loan. The appraisals will be completed by an accredited appraiser approved by Management.
- F) The initial term of each mortgage shall not exceed 24 months. Payments can be either amortized or paid on an interest only basis.
- G) Westboro Mortgage Investment Corp. will only invest in mortgages secured by property in Canada, and usually in Ottawa and the Ottawa Valley.
- H) The Company will not borrow more than one times the net book value of the assets unless authorized by the Preferred Shareholders.
- I) The Company may advance additional monies on a mortgage loan in order to protect its mortgage investment, notwithstanding that the additional advance of funds may increase the loan-to-value to above the parameters set out above.

**EXPENSES AND MANAGEMENT FEES:**

**Management Fees:**

Like a mutual fund, Management Fees are calculated as a percentage of assets under administration. The Company will pay a two (2%) percent management fee to the Manager

with a bonus payable only if the Preferred Shareholder's return exceeds the Benchmark for the year. The Benchmark equates to BMO posted 5 year GIC rate at the beginning of each year plus 4%. Management will be entitled to a bonus of up to one-half of the amount that the Benchmark is exceeded to a maximum bonus of 1.00%.

**Disbursements:**

The Managers' out of pocket expenses and disbursements incurred in carrying out its duties shall be reimbursed. These items will include such things as courier services, photocopying, land title searches, credit bureau reports, legal and accounting fees, advertisements, bank charges and interest and office support.

**DESCRIPTION OF PREFERRED SHARES:**

**General**

- Minimum subscription is \$150,000
- Preferred Shares may be held either within a Self Directed RSP, RRIF or directly.
- All of the Company's net income is payable to the Preferred Shareholders in the form of a cash dividend. The Corporation pays dividends on a monthly basis in advance with the balance of annual earnings distributed within 90 days of May 31 year end.
- The dividend record date is the 1<sup>st</sup> day of every month. Share subscriptions occurring mid-month will participate in dividends on a prorated basis commencing the next business day.
- Dividends are be distributed monthly.

**Voting Rights:**

Dan Kelly and Don Paterson control all of the Common Shares of the Company and are entitled to vote in respect of each Common Share held at all meetings of shareholders of the Company. If the Company fails to make a profit for two consecutive fiscal years, the holders of the Preferred Shares will be entitled to vote at all subsequent meetings of the Company on the basis that the holders of each Preferred Share shall be entitled to one vote for each Preferred Share so held. Until such event, the holders of the Preferred Shares are not entitled to receive notice, attend or vote at any meeting of the shareholders of the Company.

**Dividend Entitlement:**

Holders of the Common Shares of the Company are not entitled to dividends. All profits of the Company are to be paid to the holders of the Preferred Shares.

### **Retraction and Redemption Rights:**

The holders of Preferred Shares may by giving six months written notice to the Company, request that the Company redeem their shares for the amount paid upon such shares plus any accrued but unpaid dividends. The Company shall not be obligated to redeem more than ten percent (10%) of the Preferred Shares in any year. The Preferred Shares shall be redeemed in the order in which the written redemption notices were received by the Company.

The Company may, by giving thirty days written notice to the holder(s) of Preferred Shares, redeem in whole or in part the Preferred Shares held by such holder for the amount paid up on such shares to be redeemed plus any accrued but unpaid dividends.

### **Constraints on Transferability:**

The Tax Act stipulates that a MIC may not have fewer than 20 shareholders and no one shareholder may hold more than 25% of the issued shares. The Articles provide that the Directors of the Company have the discretion to refuse the transfer of shares .

### **Entitlement on Liquidation, Dissolution or Winding Up:**

In the event of a reduction of capital or the liquidation, dissolution or winding-up of the Company or other distribution of property or assets of the Company among its shareholders for the purpose of winding up its affairs:

- (a) The holders of Preferred Shares shall be entitled to receive ratably an amount equal to the aggregate amount paid up on the shares held by them respectively. After the holders of the Preferred Shares have received the aggregate amount paid up on the shares held by them respectively, the holders of the Common Shares shall be entitled to receive an amount equal to the aggregate amount paid up on the shares held by them respectively.
- (b) After the Company has made the distribution contemplated by paragraph (a), the holders of the Preferred Shares shall be entitled to receive a share of the remaining amount available for distribution. The aggregate amount distributable to the holders of the Preferred Shares shall be determined by multiplying the amount remaining to be distributed by a fraction, the numerator of which is the amount paid up on issued shares of the particular class and the denominator of which is the amount paid up on the issued shares of such class prior to the distribution pursuant to paragraph (a)

### **SUBSCRIPTION PROCEDURE:**

A person wishing to subscribe for Preferred Shares must deliver the following documentation to the address shown in the Subscription Agreement

- A) An executed Subscription Agreement.

- B) Certified cheque or bank draft made payable to “Westboro Mortgage Investment Corp.” in the amount of the subscription price for the shares.

**RISK FACTORS:**

Prospective investors should take note of the following:

- A) There is no market for the Preferred Shares, such that it may be difficult for the purchaser to sell them. The Preferred Shares are however redeemable at the option of the holder under certain circumstances. See “Description of Preferred Shares”.
- B) The ability of the Company to achieve income is dependent in part upon management being able to identify and assemble an adequate supply of mortgages. There is no assurance that this will occur.
- C) There are certain risks inherent in mortgage lending over which neither the Company nor the Manager has any control. These risks include significant fluctuations in interest rates, the general state of the economy, concentration of mortgages on properties, which are in one geographical location and changing real estate values.
- D) The Company and its shareholders are dependent in large part upon the experience, expertise and good faith of the Manager. The Manager is entitled to act in a similar capacity for other companies. The Manager is contractually obligated pursuant to the terms of the Management Agreement to manage the affairs of the Company in a proper and adequate fashion.
- E) There are potential conflicts of interest to which the Directors and officers of the Company may be subjected to in connection with the operations of the Company. The Directors and officers of the Company are also the Directors, officers and controlling shareholders of the Manager.

**CONTACTS:**

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