



**2016 Annual General Meeting  
The Canadian Museum of History  
100 Laurier Street, Gatineau, Quebec  
June 18, 2016  
4:30 p.m. – 5:30 p.m.**

**MINUTES**

**AGENDA**

1. Call To Order
2. Opening Remarks and Introductions
3. Frontenac Business
  - a) Chair's Remarks
  - b) Confirmation of Agenda
  - c) Approval of Minutes of Previous Annual General Meeting (June 27, 2015)
  - d) Receipt of Audited Annual Financial Statements
  - e) Approval of MNP LLP as Auditor and to authorize the Board of Directors to fix the remuneration of the Auditor
  - f) Election of Directors – Robert Barnes, William Calvert, Sheldon Jacobs and Andrew Blanchard
4. Wayne Robinson, Senior Counsel
5. Kevin Cruickshank, CFO
6. Matthew Robinson, CEO
7. New Business
8. Adjournment

**Present**

**Shareholders:** David Allen, Margaret Allen, Tracy Allen, George Aslanian, Jocelyne Aslanian, Eric Asselstine, Jeff Asselstine, Kimberly Asselstine, Suzanne Auger, Terry Bailey, Barbara Baranovsky, Gillian Barnes, Robert Barnes, Mark Bazerman, Constance Bergeron, Gerard Bergeron, Andrew Blanchard, Bruce Colin Scott, Ron Bruyns, Diane Burns, Walter Bylsma, Sandra Calvert, William Calvert, Brad Cashman, Kyle Cashman, Susan Chiarelli, Darlene Conboy, George Conboy, Glenn Conway, Susan Conway, Peter Cox, Janice Cruickshank, Manuel Dasilva, Yves De Niverville, Michael Desroche, Sharon Desroche, Lynne Anne Dicaire, Denis Dinelle, Eric Dinelle, Glen Edwards, Maureen Edwards, Candice Galloway, Juana Garcia, Jeanne Gavura, Joseph Gavura, Pamela Giroux, Ronald Gould, Dorothy Gray, Andreas Gut, Lesli Gut, Thomas Ham, Wayne Hamilton, James Heney, Rolande Hickeson, George Hiles, Judith Hiles, Lorraine Hlady, John Ibey, Sheldon Jacobs, Suzanne Jacobs, Lucie Jacques, Larry Jameson, Lorraine Jameson, Eric Jeaurond, Faye Johnson, Robert Johnson, Margaret Kelk, Catherine Lackey, Ellen Lackey, Stuart Lackey, Kathryn Ladd, Peter Ladd, Dara Lafave, Victoria Laube, Michael Litchfield, Susan Litchfield, Rodger MacMunn, Pierrette Lea Martin, Ginette Stephan-Martin, Keith McGruer, Nancy McGruer, Kathy McMillan, Danny Meeks, Bernice Moase, Gary Moase, Helen Moase, Peter Moase, Sandra Moase, Scott Moase, Suzan Moase, Suzanne Moase, Jan Montgomery, Valerie Moore, Riley Mousseau, Patrick O'Neill, Marilyn Orser, May Raad, Robert Reiser, Alison Robinson, David Robinson, Spencer Robinson, Sharon Rodden, Kenneth Smith, Ralph Smith, Donna Smith-Wood, Robert Smithyman, Wayne Stephan, Elizabeth Stewart, Richard Stone, Maria Stott, Michael Stott, Madeliene Tarasick, Steve Tarasick, Jennifer Watson, John Watson, Franklin Witt, Judith Witt

**Guests:** Paulette Allaire, Chloe Aubin, David Bergeron, Mathieu Bernier, Eddie Bimm, Pierrette Boyer, Edward Bryant, Jim Burns, Ana Campos, Jill Cashman, Jennifer Conway, Ken Cuddy, Robert Davis, Sara Dawson, Martin Delage, Alyssa Delli-Pizzi, Pierre Demers, Sophie Demers, Avery Dicaire, Jasmin Dicaire, Kim Dimitriou, Michael Dimitriou, Denis Drever, Luanne Ellerbeck, Rick Ellerbeck, Jose Garcia, Gerry Gorman, Karen Graves, Bill Green, Ron Guest, Sueann Guest, Mikila Haldane, Grete Halsall, Dale Ham, Collin G. Hamilton, Laura Hamilton, Mike Hanley, Darrin Harvey, Marni Havey, Hein Hemmersbach, Jacob Heney, Kaelah Heney, Lauren Heney, Ruth Heney, Bob Hickeson, Tina Hutchinson, Deborah Ibey, Justin Jackson, Luc Jeaurond, Nathalie Jeaurond, Shawn Kehoe, Shannon Link, Jaime Lloyd-Smith, Miles MacDonald, Barry Madill, Jill Madill, Cory Malone, Nelly Van Berlo McKenney, Carlyn McQueen, Ron Moase, Robert Moore, Jennifer Neville, James Norris, Paty Norris, Alexis O'Neil, Jane O'Neil, Diane Poisson, Marilee Pott, Morgan Ray, Ryan Richmond, Susan Richmond, Kevin Rioux, Heather Robinson, Gino Scaffidi, Jacques Schingh, Kelly Scriven, Eleni Sedore, Ryan Seeds, Laura Simpson, Joe Sproule, Dwayne Stone, Wendy Stone, Denise Szpakowski, Peter Szpakowski, Suzanne Theoret, Stephanie Thompson, Landust Tubman, Nelly Van Berlo, Johnny Vegas, Robbie Vegas, Erica Vincelli, Rosanne Vukobrat, Brent Warren, Stu Watkins, Trevor Wellman, Kim Williams, Dave Wolsey, Debbie Wolsey, Ian Wood, John Wood, Katie Worden, Bill Young

**Staff:** Leigh Brown, Patricia Bryant, Kevin Cruickshank, Jo-Anne Cuddy, Cam Delli-Pizzi, Marcel Giroux, Michael Graves, Lindy Hay, Kristina Hodges, Alyssa Jackson, Chris Johnson, Amber Lemke, Sharon MacMunn, Jamie Malone, Sharon Meeks, Wayne Moase, Nancy Moore, Kimberley Morrow, Amanda Mousseau, Dawn Reiser, Heather Rioux, Matthew Robinson, Wayne Robinson, Debra Smith, Phillip Smith, Beth Sproule, Tanya Stone, Cory Thompson, Tara Wellman, Diane Whan

## **1. Call to Order**

The meeting was called to order at 4:30 p.m.

## **2. Opening Remarks and Introductions**

Michael Graves made the following remarks and introductions:

"Good afternoon, shareholders and guests. Welcome to the 2016 Frontenac Annual General Meeting. I now call the Meeting to order.

My name is Michael Graves. As you may remember from last year, I am a proud shareholder of Frontenac and I am the Marketing and Communications Manager of The Robinson Group of Companies. I'll be the emcee for the day.

Quick show of hands –

How many people know where our head office is located?

Pretty well everyone, impressive.

How long have we been at our location on Road 38?

10 Years? 20 Years? Over 30 years?

Not bad, well, having been at the company for a short time myself, and living in Kingston, I am still taking in the history that the company, office building and Village of Sharbot Lake holds.

Our head office remains located in what is locally known as "The Simonett Building".

Myself, knowing the Robinson Group of companies had been at this location for so long, I was confused why it wasn't called "The Robinson Building".

SO I did a little digging and found some information on our old friend Mr. Simonett.

Here's what I found...

John Richard Simonett, was a politician - as a member of the Legislative Assembly of Ontario from 1959 to 1971, he represented Frontenac- Addington. He held positions such as Minister of Public Works, Minister of Energy Resources, and Vice Chairman of the Ontario Northland Transportation Commission. He was born in Frontenac County and ran a GM dealership from the very foundation our office now stands; known as J.R. Simonett Motors Ltd.

The Robinson's respect and appreciation for the history and those that helped shape the community we work in, brings some clarity to the building's locally recognized name.

But, the history, as you know did not end when J.R Simonett passed away in 1983. The village, the building and a group of new companies continued to thrive; the reason you're all here today.

With that said, you're in for a very enjoyable evening, I promise you that!

We have another fantastic venue here at the Canadian Museum of History. If you joined us in 2014 you know the venue well; if this is your first time, be sure to take a good look around during the reception. There's a lot of work that goes into these events, in particular, I'd like to point out the work and dedication by Dawn Reiser – she truly is the glue of the planning process and once again has outdone herself, thank you!

2015 was another successful year for the group of companies.

Our CFO and now Vice President, Kevin Cruickshank will be speaking a lot tonight about the many individuals that work to make your investment in Frontenac a success.

What he might not touch on, however, is how well they take care of their staff.

Before I say this, you should know I was not incentivized to do so – this emcee role is a voluntary gig, but I'd like to take a moment to point out what the management team does for everyone within the group of companies.

When I first joined 5 years ago, I realized very quickly the authentic atmosphere and charm the job, people and community had to offer – this all occurred to me before my first lunchbreak. I can tell you my perception hasn't changed.

Whether it is the many staff events put on through the year that brings the varying departments together; the encouragement and support for continuing education mixed with one-of-a-kind, on-the-job training opportunities; or simply, the genuine care they take with those that work in the office and the local community.

As corny as this sounds - The Robinson Group of companies although technically three of a kind, are one of a kind this day and age.

It may be the marketing guy saying this, but reach out to any of the 30 or so staff here tonight and you'll, no doubt, receive a similar outlook.

Now let's get things started.

Shareholders were offered packages and water at the door as you entered the theatre. If you didn't receive a package, please raise your hand and staff members, Jamie Malone and Beth Sproule, will come and find out what you need.

I mentioned earlier, washrooms are outside of the Theatre, on your right.

We plan to have a short business meeting of about an hour and then we'll retire to the Riverview Salon for the reception and then dinner and entertainment in the Grand Hall.

I'll follow up with more details on all of this a bit later.

It's an honor to introduce the head table to you.

If those of you at the Head Table would stand to acknowledge the introduction as it's made...

They are,

- Chair of the Board of Directors, Robert Barnes
- Corporate Secretary, Dawn Reiser
- CEO of Frontenac, Matthew Robinson
- Senior Investment Counsel and Founder of Frontenac, Wayne Robinson
- Vice President & Chief Financial Officer, Kevin Cruickshank
- Auditor, Mathieu Bernier of Raymond Chabot Grant Thornton

Your Board of Directors including:

- Andrew Blanchard,
- William Calvert
- Eric Dinelle
- Sheldon Jacobs
- Margaret Kelk

We encourage questions after the final speaker which will be Matthew Robinson. During the question period we ask that you raise your hand and a staff member will bring a microphone so everyone can hear. If you could clearly state your name and then ask the question we can record it. If necessary, we will follow up with a more formal response.

Before I turn the meeting over to the Chair, Mr. Barnes, I'll share with you some of his professional background.

Mr. Barnes became the Director of Ellis Don's Managed Services division in late 2011. He is a leading authority on intelligent building support and management. The mandate of the Managed Services division in Ellis Don is to provide post-construction services to both new and existing buildings. Prior to joining them, Mr. Barnes was responsible for the day to day management of an integrated controls company that specialized in intelligent building design. As well, Mr. Barnes was a partner in an application development company that completed projects on behalf of companies such as American Express, Thomson Reuters and Nestle. His professional background ranges from technical expertise, service excellence, outsourcing and project management. Mr. Barnes has been a Director of the Fund since 2005 and became the Chair this past year. We are extremely fortunate to have him head up our Board of Directors. I now call on him to conduct the 2016 Annual General Meeting."

### **3. Frontenac Business**

#### **a) Chair's Remarks**

"Thank you Michael.

Good afternoon everyone and thank you for joining us at the Annual General Meeting of the Frontenac Mortgage Investment Corporation. The purpose of this meeting is to report to you, the shareholders, on the performance of the Corporation. For the fiscal year ending December 31, 2015, the fund delivered a rate of return of 5.6%.

I had the honor of becoming the Chairman of the Board following last year's AGM when I replaced my colleague and friend Bill Calvert. Bill was gracious enough to remain as a Director and provide support as I transitioned into my new responsibilities. It was under Bill's leadership that the Board initiated the implementation of a governance model known as the Carver Model. The Carver Model provides a philosophy and structure on how a Board should fulfill its mandate for corporate governance. I am proud to say that the Board's adoption of this Model was completed in 2015. It is now part of the Board's fabric and it allows us to assist the Management Team with the Corporation's strategy while providing the appropriate level of oversight.

I have the pleasure of working with a tremendous slate of Directors who actively contribute to the Corporation's success. Michael did a great job of introducing the Board but if you would indulge me for a minute I would like to provide you with a brief overview of each of my fellow Directors.

Andrew Blanchard is our newest Director (and a very recent father) having joined the Board in August of 2015. Andrew brings a very analytical mind to the Board having being a Process Engineer with Proctor & Gamble both here in Canada and the United Kingdom. As well, for two years he was a Management Consultant at McKinsey & Company. Currently Andrew is the Operations Manager at Bayview Auto based in Belleville, Ontario.

Bill Calvert is the former Chairman of the Board and a retired senior municipal and provincial civil servant. He has also acted as a consultant to various municipalities and provincial ministries. Bill is a seasoned Director whose steady hand has led to the continued development of the Board.

Eric Dinelle is generally considered the most-liked Director. Now this may be due to his outgoing personality, but others may point to his part ownership of Stone City Ales and his willingness to let us try his products. Eric is also the owner of Environmental Contracting Services and has been a Director since 2007.

Sheldon Jacobs is a retired teacher of business and economics. I have personally known Sheldon since he became a Director in 2012. Both the Board and Management value his contribution and his willingness to ask questions until he has gained a thorough understanding of a given topic.

I was surprised when I realized that I had known our final Director, Margaret Kelk, for over eleven years. We both became Directors in 2005 which certainly feels like a long time ago now. Margaret is a committed Director who has a real passion for her role and responsibilities. I am honored to work beside her.

The Board's experience is diverse and continues to mature, and "no" I am not referring to our age! In fulfilling our governance role we work with the Management Team to ensure that the fund is well positioned to deliver on its mandate of capital preservation with a reasonable return. It is not our responsibility to oversee the day to day operations of the corporation. That is the responsibility of your Management Team; Matthew Robinson, Phillip Smith, Kevin Cruickshank and Debra Smith. And in that respect you are in good hands.

In the fall of each year we hold a two day strategy retreat where the Board and the Management Team meet to discuss the Corporation's short-term and long-term strategies and how possible market conditions could impact these strategies. This includes topics such as regulatory conditions, competition, the economy and the lending environment in the markets we serve. At each subsequent Board Meeting the Management Team provides an update on the Corporation's strategy and any pertinent issues are

discussed. It is via this mechanism that we ensure that the interests of the investors and the Management Team are aligned.

At the 2015 Strategy Meeting it was decided that the Fund would no longer target large deals (i.e. mortgages of greater than a two million dollars) and that we would focus on our core market of mortgages less than \$500 thousand dollars. Matthew Robinson will discuss this development in greater detail during his speech.

I can report that the interaction between the Board and Management Team is both productive and respectful. We provide the appropriate level of oversight while leveraging the experience and diverse backgrounds of each of the Directors to assist and challenge the Management Team.

In my role as a Director and now Chairman I have had the privilege of working with both Wayne Robinson and now Matthew Robinson. I had the opportunity to observe first-hand the transition of the CEO responsibilities from Wayne to Matthew and how well this change was managed. Under Matthew's leadership the Corporation continues to grow while delivering on its mandate of capital preservation with a reasonable return. The Fund is now comprised of investors that live throughout Canada who have been attracted to the Fund's proven track record and the quality of the Management Team.

In 1997 I became a father for the first time. My son Nicholas who is now 18 just completed his first year of University. He is studying to become an Accountant. Which if you knew Nicholas you would know why this has come as quite a surprise to both my wife and I. We watch with interest. Now you may be asking why this is relevant to today's proceedings.

Well, when we were in the hospital we were approached by a salesperson for a child's education fund. At the time I didn't know what planet I was on and I can't recall what I mumbled to the individual or whether it was intelligible. But something they said must have stuck in my mind because within that first year I approached Wayne and asked him to help me set up a savings plan for Nicholas' university costs. We developed a model where we would contribute a monthly amount for the next 18 years so that by September, 2015 we would have saved enough money to pay for four years of tuition plus room and board. We also decided that we would utilize Frontenac as the primary investment vehicle.

It wasn't always easy and certainly the addition of two more children didn't help, but we stuck to our investment strategy and in January of this year we stopped contributing to Nicholas' savings plan. We had achieved the goal that we had established with Wayne so many years ago. The stable, consistent, reasonable returns generated by the Fund over the course of 18 years is what allowed us to achieve our objective. This speaks to the strength of the Management Team, the Board and all of the individuals that work for the organization. For those long time investors I am sure that the story I told today is similar to your own personal experience.

The Corporation is well positioned for future success. The Management Team in partnership with the Board has developed a clear path forward as we deliver on our mandate of capital preservation with a reasonable return.

Thank you.

Debra, are there any additional shareholders, or guests, to be seated?

**b) Confirmation of Agenda**

You have each been provided with a copy of today's agenda.

Are there any additions to the agenda? If there are none, the agenda is confirmed as circulated.

**c) Approval of Minutes of Previous Annual General Meeting (June 27, 2015)**

***Resolution: That the Minutes of the Annual General Meeting of June 27, 2015 be approved as presented.***

The motion has been moved by: Jennifer Watson

The motion has been seconded by: Michael Litchfield

Are there any errors or omissions, questions or comments on the minutes as circulated?

Ron Bruyns asked on behalf of his wife Marilyn Orser for the spelling of her last name to be corrected on the 2015 AGM Minutes.

All those in favour of a resolution please raise your hand.

All those not in favour please raise your hand.

The motion is carried.

**d) Receipt of Audited Annual Financial Statements and Auditor's Report**

Copies of the Audited Annual Financial Statements and the Auditor's Report for the year ending December 31, 2015, were enclosed with the Management Information Circular. The audit was performed by Raymond Chabot Grant Thornton LLP. I am pleased to state that we received a clean Report. If you have any questions I will ask Kevin Cruickshank, our Chief Financial Officer, to respond to them.

Are there any questions?

Hearing none, the 2015 Audited Financial Statements and Auditor's Report are deemed to have been received.

**e) Approval of MNP LLP as Auditor and to authorize the Board of Directors to fix the remuneration of the Auditor**

In late 2015 we were notified by Paul Sibue our lead auditor at Raymond Chabot Grant Thornton that he was leaving the firm. The board decided that it would take this news as an opportunity to tender our business and an RFP was issued to a select group of national firms including Raymond Chabot. At the conclusion of our evaluation process it was decided to appoint MNP LLP as our 2016 Auditor.

***Resolution: That MNP LLP be approved as Auditor, and furthermore, that the Board of Directors be authorized to fix the remuneration of the Auditor.***

The motion has been moved by: Wayne Hamilton

The motion has been seconded by: Lorraine Hlady

Are there any questions or objections?

Hearing none

All those in favour of a resolution please raise your hand.

All those not in favour please raise your hand.

The motion is carried.

Before we proceed, I would like to personally thank Mathieu Bernier and the team at Raymond Chabot Grant Thornton for their dedication and hard work over the last five years. The board wishes you every success in your future endeavors.

**f. Election of Directors – Robert Barnes, William Calvert, Sheldon Jacobs and Andrew Blanchard:**

The next order of business is the Election of Directors to the Board. The Director's that are up for election are William Calvert, Sheldon Jacobs, Andrew Blanchard and myself. I will ask Kevin Cruickshank to conduct the election."

"Good Afternoon Everyone

I am going to jump off the script here for a second.

If you have ever attended an AGM in the past you know that normally this is not me that looks after this part of the meeting. For those of you that don't know Marcel Giroux, I can't imagine that too many don't know Marcel. Marcel Giroux has been here since the beginning for Frontenac. He was Wayne's partner in the early days and Marcel still comes into the office. He is not actively involved in the day to day operations but he still comes in from time to time. When Marcel asked me to step in for him this year it felt like passing of the torch. I really want to acknowledge you, Marcel, for everything you have done for the company and everything that you continue to do and you will do.

And now... back to the election.

This year, four directors have reached the end of their term, so there will be a need to elect four people today to fill these seats. As you may remember from prior AGMs, Directors are elected with staggered lengths of terms. This is done to ensure some continuity in the board from year to year. Today, two directors will be elected for two year terms and two directors will be elected for three year terms.

Robert Barnes, William Calvert, Sheldon Jacobs, and Andrew Blanchard are the Directors whose terms have ended. We are very pleased to announce that they all have indicated their intention to run again this year.

Sheldon Jacobs and Andrew Blanchard are running for two year terms. Robert Barnes and William Calvert are running for three year terms.

The mail-out that announced this meeting contained the invitation to submit nominations for Director.

No nominations were received however, further nominations may be made at this time. The nominator and seconder must be investors. The nominee must accept the nomination.

If there is an election, all nominees may have two minutes to campaign. If you stand up to nominate, second, accept or decline, please state your name clearly for the record.

Even if elected, the candidate will have to go through a screening process before being confirmed by the Board. This process includes police and credit checks, no indebtedness to the Corporation and acceptance of all the Board activities such as number, place of meetings, governance style etc.

Please be aware that the recommended slate of Directors appeared in the Notification letter sent to all investors and that the proxy allowed the non-attendees to vote. These votes have been recorded but not tabulated. If there is an election today, the votes here will be added to those contained in the proxies and then tabulated.

As Marcel has taught me...

Are there any nominations from the Floor? I will ask a second time; are there any nominations from the floor? I will ask a third and final time; are there any nominations from the floor?

Since there are no nominations from the floor, I turn the meeting over to the Chair to call for the vote.

***Resolution: That the election of Robert Barnes and William Calvert each for a three year term and that the election of Sheldon Jacobs and Andrew Blanchard each for a two year term as set out in the Management Information Circular dated April 19, 2016 be approved as presented.***

The motion has been moved by Jeff Asseltine

The motion has been seconded by Candice Galloway

All those in favour of resolution please raise your hand.

All those not in favour please raise your hand.

The motion is carried.

#### **4. Wayne Robinson, Senior Counsel**

##### **Chair's Introduction**

It now gives me great pleasure to introduce a man who needs no introduction, the Senior Advisor to the Fund, Wayne Robinson.

Mr. Chair, Madame Secretary, Shareholders and guests:  
Good Afternoon, bon soir, bienvenue, welcome to this beautiful facility.

I am pleased to speak today about the economy and other hopefully interesting aspects of last year and the year ahead.

I might suggest that 2015 was definitely an eventful year in Canada and the World. I have before quoted Mr. Dickens but 2015 seems to call for a repeat. "It was the best of times; it was the worst of times.

The Canadian dollar tanked, dropping to a low at about 70 cents US. At the same time a barrel of oil plummeted from a high of \$145.00 a barrel in July 2008 to a staggering low of \$27.67 in January this year.

Good news on the dollar – Canadian exporters very quickly became much more competitive in the World market. On the other hand, imports moved very quickly up in cost. Did you try buying a bunch of celery or a head lettuce in February?

Travellers to the US and other world locations found the exchange difference very disturbing, while tourist operators in snow country had a spectacular season – visitor's foreign currency just bought a whole bunch more Canadian goods and services.

Oil prices made the average home owner or vehicle driver smile with the savings, my own heating costs were the lowest for at least the last 15 years. The news was not so nice for the enormous oil industry of western Canada and for the governments that had become addicted to the taxation on oil. Alberta has gone from a have province to a have not province in the world of federal – provincial transfers and the new government of Mr. Trudeau is facing deficits much larger than anyone had predicted.

We also saw in 2015 a change in government in Ottawa. People of Canada wanted change – the sitting government was perceived as tired and the electorate decided to take a chance on an untested and new government.

Time will tell if we will see sunny days – the spirit seems to be strong but the realities of governance and economics have many times before tested prime ministers and their cabinet.

The election south of us has been a soap opera playing itself out – at times very entertaining but also disconcerting for Canadians. Trump truly appears to have a broad based constituency throughout the US. Now that he has the Republican nomination and if goes on to win the Presidency it seems only logical that it will impact Canada in areas like free trade, homeland security and possibly our long time enjoyed freedom of movement across the border.

Good news though, the US system has very strong and well established checks and balances between the Executive, Legislative and Judicial Branches of government. Many a President before has learned how powerful these checks and balances are when they start to implement their election promises.

Interest rates remain extremely low relative to historical norms. Savings accounts in banks are approaching zero and in fact Switzerland in 2015 moved to negative interest rates, it now costs  $\frac{3}{4}$  of one percent to have the bank store your savings. We are not too much better, last month I had \$4000 in a RBC super savings account and I noted that my interest for the month was 2 cents. No longer can investors assume that they can live on bank interest rates and have their capital protected. At the same time what a great time to buy a house – carrying costs are at all-time lows – less than 3% in certain circumstances. This cheap money has driven up house prices across the board and in particular hot centers like Toronto and Vancouver. If interest rates do go back up, which only seems logical that they

will, then the adjusting factor will be real estate prices – let us hope the changes, when they come, will be gentle.

Real Estate in our main lending region, Eastern Ontario has experienced modest increases in prices. A three bedroom family home is still selling in the \$400,000.00 range and that remains relatively affordable for the average family. Interesting also is that the average face value of our mortgages, that being 180 million dollars divided by approximately 600 mortgages, is \$300,000.00.

Affordability ratio, which is a ratio of mortgage amount relative to family income, is widely used to indicate affordability for housing. For reference Toronto is presently at 60.6% of a family income goes to mortgage payments whereas Ottawa and region remains at a respectful 33.1%. Everyone hears about the overheated real estate market in Vancouver, well its affordability ratio sits today at a staggering 109% according to RBC affordability measure. That says that the average mortgage payment is greater than the income of the average family.

Urbanization of Canada and the world continues and the pressure on rural towns and villages to keep their young, jobs and support services remains a challenge. It is my belief that eventually there will be an equilibrium established and the trend will stabilize or be reversed. Cities provide education for our young, jobs when they graduate, a sexy lifestyle when they are getting started in their careers and family relationships and it is not easy to come home to small town Canada.

On a cautionary note, we are most aware that properties in rural areas, even though well priced, can take some extended time to sell. Rural properties when they come on the market very seldom have multiple offers. It is most often a much more prolonged and slow process.

The business of investing and providing investors with consistent and stable returns becomes more difficult each year that the interest rates remain low. Organizations entrusted with investor's money must work hard and remain ever diligent of the risks – life or investing do not provide guarantees but hard work and attention to detail is not a bad marching mantra.

I am very pleased to watch our organization, with its fresh faces and ideas, march forward and continue to be concerned for and care about the well beings of its investors and their investments. I watch new and improved systems being implemented, along with strong support and human caring about its employees and its customer, I cannot ask for more. The future looks bright for our beloved Canada and this organization.

I continue to play a role in advising and assisting in areas of larger projects and with negotiations and relationships with the Ontario Securities Commission. The vast majority of the day to day work is now in the hands of much better trained and disciplined administrators than I. I am thankful on many levels for that.

Thank you again for your continued support and trust.

At this point in life and our place in the world I cannot but believe that we as Canadians are in pretty good times.

Merci, thank you and bonne soiree.

“Thank you Wayne we always enjoy your insight.

### **Chair's Introduction**

Our next speaker is Kevin Cruickshank. For those that don't know, Kevin is the Chief Financial Officer of Frontenac as well as the Vice President and Chief Compliance Office of W.A. Robinson Asset Management. Today, Kevin is going to introduce you to the team that supports the day to day operation of the fund.”

## **5. Kevin Cruickshank, CFO**

Good Afternoon everyone and welcome,

I have been Chief Financial Officer for over ten years now and recently I have accepted the position of Vice President of the companies as well. As Vice-President I have accepted overall responsibility for the day-to-day operations. Today, I am going to expand on my presentation from last year to further explain how those operations work.

Our basic business model is a simple one – Frontenac raises capital from investors and that capital is loaned out to borrowers in the form of mortgage loans. Those borrowers repay those loans and the interest earned, net of expenses, is paid back to Frontenac's investors.

Last year, my presentation focused on the regulatory world in which we operate and the role that each of Frontenac Mortgage Investment Corporation, W. A. Robinson Asset Management Ltd., and Pillar Financial Services Inc. play in making things happen. To summarize that - Frontenac is the company that holds the mortgage loan assets and the company in which you are an investor. As fund manager, W. A. Robinson decides what kinds of mortgages Frontenac will invest in and also works with clients and advisors to raise capital for Frontenac. Pillar works to get Frontenac's capital out into mortgage loans that meet our return goals within our lending criteria and tolerance for risk.

This year, it is my pleasure to introduce you to the **people** involved in the process. As our leader, Matthew Robinson speaks often of the importance of trust and the importance of building trusted relationships and he does so understanding that we are in a people business. Trust can only happen through people. We are proud of our people and it is this team of some 30 highly-engaged professionals that truly makes us different from other companies.

If you look around, you will notice that, with an exception or two, every member of our team is here today. Over the course of the evening, feel free to approach any one of them. Staff and Directors are clearly identified by the red lanyards they are wearing. They are all happy to discuss what they do in more detail and answer any questions you may have.

I would like to introduce you first to the management team. Matthew Robinson is our CEO. Again, I am CFO and VP. Debra Smith is our Manager of Investor Services. Debra is responsible for the investor side of the business – building and maintaining our relationships with supporting advisors and direct clients. Phillip Smith is our Manager of Mortgage Operations and oversees all the mortgage underwriting and mortgage administration activities.

Together, the management team sets the strategic direction of the companies and works to achieve corporate and fund performance goals through the development of our people, our systems, and our corporate culture.

The management team continues to benefit from the many years of experience and sage advice of our founder, Wayne Robinson.

I am now going to walk you through how the money flows from investors to borrowers and back again – and the people involved in each step along the way.

It begins with the raising of capital from investors and with the people you are likely most familiar with - Debra Smith and her investor services team of Diane Whan, Sharon Meeks, and Amber Lemke. Investor Services works with all of our supporting advisors and direct investors to raise new capital for Frontenac and processes all the share purchases, redemptions, and monthly share dividends to the over 3,000 investor accounts that hold shares in Frontenac today. At the same time, they ensure that Frontenac is compliant with all securities regulations regarding those trades and accounts, including the annual update of Know Your Client, or "KYC", information for all of our direct clients.

Although less involved with the day-to-day operations, Wayne Moase and Marcel Giroux continue to meet with their regular clients of W. A. Robinson.

All new capital received needs to get out into mortgage loans that conform to our underwriting standards and tolerance for risk. Frontenac's mandate is to provide investors with capital preservation with a reasonable return – which we define as 5 year GIC rate plus 3%. Phillip Smith and his mortgage operations team at Pillar Financial have the most day-to-day impact on making that happen.

The mortgage lending process starts with Pillar's underwriting team of Cory Thompson, Cam Delli-Pizzi, and Leigh Brown. Cory is our senior residential underwriter. The underwriting team interfaces directly with third party mortgage brokers to generate mortgage loan applications. Frontenac is a non-traditional lender and every borrower has a story. That story could be about a desire to build their own home, being self-employed, or about a life event that has temporarily worsened their credit – such as a divorce, illness or disability, or past unemployment – life events that could affect any one of us. It is the strength of the underwriting team to balance the application of our structured lending criteria with an ability to listen, evaluate, and verify those stories in coming to a decision to lend or not to lend to a specific borrower.

The fulfillment team consists of Alyssa Jackson, Pat Bryant, and Tara Wellman.

The fulfillment team is responsible to collect and verify the supporting documents such as property appraisals and sources of income that the underwriting team has relied on in making its decision to lend. Once everything is collected, verified, and receives final approval from the underwriter and management, the fulfillment team works with outside lawyers to complete initial funding of the mortgage loan.

From here, a mortgage moves to the mortgage administration department. The underwriting department works to get Frontenac's capital out into good mortgages - the mortgage administration department works to ensure that we get it back.

Heather Rioux is the supervisor of the mortgage admin team of Beth Sproule, Tanya Stone, and Kristina Hodges. The mortgage administration department processes the regular monthly mortgage payments by borrowers and works to ensure that appropriate home insurance is maintained and that all municipal taxes are paid on all related properties held as security for those mortgages. The team also processes any on-going advances for our home construction loans – ensuring and verifying that any monies advanced are supported by actual work completed on the new home.

In the event that a borrower fails to make a scheduled payment, they will receive a call from our Collections Department consisting of Lindy Hay and her assistant, Jamie Malone. The Collections Department works with borrowers to ensure that they make up for any missed payments – and if they can't make them up - the collection department works with our outside legal counsel to complete the power-of-sale process to recover our loan principal.

Working more behind the scenes is what I like to call the support services department consisting of Dawn Reiser, Kim Morrow, Sharon MacMunn, Amanda Mousseau and Jo-Anne Cuddy. The support services department is broken into two sections: the Finance team which covers the accounting and finance function for the companies and the Compliance and Administrative Support team which covers compliance management, board secretary and executive assistant services, event planning, IT management, and office maintenance. In addition to serving as Corporate Secretary to the Frontenac Board of Directors, Dawn has recently accepted the position of Manager of the Compliance and Administrative Support team.

Your emcee tonight, Michael Graves, is our Manager of Marketing & Communications. Michael works with both investor services and mortgage operations to ensure that our message is presented professionally, accurately, and effectively to investors and advisors and to borrowers and mortgage brokers. I invite everyone to check out our new websites – a reflection of Michael's efforts.

The final piece is the Frontenac Board of Directors that was so well introduced by our Chair, Robert Barnes. Elected by Frontenac shareholders, the Board of Directors represents the shareholders and is independent of management. The board works with fund management to develop & monitor fund return objectives and investment policies.

As you can see, there are a number of people involved and everyone is important in making the process work. As a whole, this is the team of professionals that work together to bring you Frontenac Mortgage Investment Corporation. It has been my pleasure to introduce them to you and give you a quick overview of everyone's role. Again, there will be an opportunity to ask questions in a few minutes after Matt speaks.

If you are uncomfortable asking questions here in the meeting - again, with an exception or two, every member of our team is here today so feel free to approach any one of them over the course of the evening. All of them would be happy to tell you more about what they do.

Thank you

"Thank you Kevin"

## **6. Matthew Robinson, CEO**

### **Chair's Introduction**

"Our final speaker this afternoon is Matthew Robinson. Matthew is the fund's Chief Executive Office and Portfolio Manager. Today he will provide us with his thoughts looking back on 2015 and what the future may hold."

If you want to go fast, go alone, if you want to go far, go together. A lot of things have changed in the world since this African proverb was coined but I believe this to be a universal truth then, now, and moving forward.

As you have seen from Kevin's presentation there are many moving parts and lots of hard working people working together in unison to make Frontenac a successful investment. We have developed a very strong corporate structure last year and I am pleased to tell you that Kevin has accepted the role as Vice President for our group of Companies. This has allowed me to take on the true role of CEO which is to make sure we are aware of the changing environment we are working in and are on top of the necessary changes we need to make to adapt accordingly. Kevin is now responsible for the oversight and execution of the strategic plan we develop with our senior management team. He brings a vast amount of skill and experience to this position. His dedication and commitment to me and this organization over the last 10 years is unrivaled. Kevin brings a very strong belief in doing what is right and knows that putting time into a great plan will most certainly be the map to success. The design and development of our treasury management system, which is a key tool for our teams, can be credited to him. Thank you Kevin for your efforts on all fronts and I am truly looking forward to working with you this year and for a very long time.

The last few years in our organization could be best described as dealing with, and creating change. It started off with the leadership role moving from Wayne to me and I am pleased to say that was a successful succession. Many companies fail during a leadership change because it is very difficult to navigate successfully. We had major changes in the regulatory world, which are still happening today but we are more accustomed to the effects of those changes, and are adapting to them. Financial markets have been unpredictable and very volatile, seeing oil plummet and our dollar fall to record lows. Interest

rates in Canada have been and will continue to remain low which frustrates investors looking for a reasonable return for the risk they take on their capital.

Talks of real estate bubbles and unaffordability in our major city centers across Canada are constantly driving fear into investors' minds, while the banks continue to reel back on their mortgage lending policies. So what does all of this change mean for us, for our fund, and our future? I believe this is an opportunity for us to focus on what we do best. This is a chance for us to be able to develop toward our strengths to make our place in the lending world that is needed more now than we have ever seen. This is what I see....

Many things happen over 34 years and we have tested out many directions to find places where we can protect our investor's capital while getting a reasonable return for the investments we make. Our portfolio has consisted of some commercial investment, real estate development projects, infrastructure investment and alternative land ownership models. As an alternative lender we understand we are a niche player and must find a place to be necessary. Large lending intuitions have the ability to call the shots, and are interested to look at alternative ideas or concepts. Today I see a lot of capital flowing to commercial properties especially larger projects and that has driven down the demand for capital and in turn lowered the interest rate one can charge on that type of deal. I don't see an opportunity for us in that space. I also see that foreign investment is flowing to land development projects across the country, which is also depressing the yield on the investment in that space. These deals can be complex and end up being on the books for longer than initially expected. Combining the complexity along with very low interest rates generally makes these types of deals more risk than the associated reward from my point of view. Bonds and fixed income products have the same issue today. The risk pricing that is associated with the underlying investment is offside. Financial advisors and Portfolio Managers have been very wary about investing in anything that has direct correlation with interest rates and for good reason, the risk outweighs the reward.

So where does this leave us? We are a company that knows residential real estate, especially rural properties across the province and we also are very comfortable with short term lending and construction financing. I see this space growing substantially over the next few years as the banks have no appetite for rural lending or any borrower that has a story. Lending on residential properties also has less default risk. As Canadians we appreciate home ownership, and it is a different decision process to walk away from your home as it is to walk away from a commercial venture. Real estate prices have been stable in the markets we lend in. We don't talk about housing bubbles in rural Ontario but rather most of the attention on that topic is focused on the Toronto Condo and Vancouver markets.

Our go forward strategy is simple. We are actively moving our portfolio to concentrate on short term, rural real estate lending with an expertise in construction financing in Ontario. We can obtain a good return for our investment because of the short term nature of the lending with an exit strategy on each deal. This allows us to price back to the real estate market continuously if prices do soften over the next few years. We have been building our team of talented people along with great systems to have the capacity to underwrite and administer much more deal flow. Many of the other larger MICs in Canada have decided to focus on large projects in urban centers because they see that there is less administration. We understand that we have to work hard and process hundreds of deals but that allows us to collect a good yield and have a diversity of investments across our portfolio. Hard work always pays off. It's even better when you have the right people, that are well trained and working together toward a common goal.

We are growing in size and now have over \$180 million under management and some 600 mortgages across Ontario. We are a significant size player in the market we want to lend in and this gives us some competitive advantages over other smaller lenders. We have established a network of Portfolio Managers that consistently fund us so we have stability in our capital. We also have a large network of Mortgage Brokers across the province that source deals that we underwrite. Having these business partners sourcing the capital and deal flow for us allows us to concentrate on our business. It allows us to get better at what we do and not get diluted with all of the work they do each day for us. We are focused

on building better systems and using the latest technology so we can lever our employees' communication and technical skills. We are striving to be the best in the industry on many fronts but specifically for our service and turnaround times for our business partners, and it is happening. We are a learning organization, and are constantly looking for opportunities to get better at what we do and to look out for potential obstacles that might get in our way. A great business is not built from massive changes some of the time, rather making small changes, consistently. As Dawin once said: It is not the strongest of the species that survives, nor the most intelligent, but the most responsive to change.

I am very proud of the Culture of our Organization and how it has become our greatest strength. Our Vision of Trust and building relationships through Competency, Consistency and Care is coming to life each day and is very apparent in our workplace. If you come to our office in Sharbot Lake, you will understand what I am talking about. We have a group of committed and highly engaged staff that work hard each day to make this all happen. You see their face, I can tell you they are the ones that really make the difference. I travel across the country and visit other offices, and every time I come home I smile because what we have here is different. Our people care about what they do and how they do it. They are continuously learning and making sure that everything they do is professional and of high quality. The leadership team has spent endless hours working on how to make our company better, how to build highly effective teams and open communication throughout the organization. Business is all about people and I know we have the best people working for you each day. I invite anyone who would like to witness this to come to our office and see it for yourself. Make sure to speak to them tonight to talk about what they do each day and how it makes for a great team and a great environment to work in.

Our growth must be sustainable. It is my job to make sure that we continue to remain necessary within our niche. Our growth will not be because of larger deal size or demand for complex deal structures, but rather we are going to grow within this lending space. We are going to continue to dilute our position in commercial and development properties and focus our attention in the growing area where banks and large lenders are not effective. We are committed to having the best service for our customers and our investors and I am confident that we are prepared to meet the demands that we will face going forward. We are not going to get distracted by many different directions but plan on making a mark in the direction we feel is best suited to our strengths. I am confident that we have our compass in the right direction and believe that we have all of the tools necessary to be successful in our journey.

I would like to thank the Board of Directors for their commitment to this organization and to Robert who has proven to be an excellent Chair. Our Governance Model is very strong and I look forward to working with you this year. I also would like to again thank the Portfolio Managers and Mortgage Brokers who play such a key role in our success. We are committed to building strong relationships with you and know that your success is our success.

Our senior Management team consisting of Phillip Smith, Debra Smith and Kevin Cruickshank have worked tirelessly over the past two years with me and are totally committed to our staff and to our organization. Your passion and dedication to doing a great job inspires. You have proven that you are great leaders. You have taken on significantly more responsibilities and you care for your people. Thank you team, it has been a pleasure working with you this year and I am proud to see the communication and teamwork that has developed in our company because of your effort and dedication. We are very fortunate to have a team of staff members that show up to work every day with a smile on their face and a passion to do what it takes to build a great company. We have some new faces in the office and they bring new ideas and energy to our workplace. I am proud of the people I work with. There is no greater strength than knowing you are there beside me each day. I would like to thank our investors for your support and putting your trust into our organization. We could not be here today if it were not for your investment of your hard earned money.

This is not a test to see how fast we can make it to the finish line, this is a journey. We are making long term decisions each day so we can go far.....together. Thank you.

If there are any questions from the floor I would be pleased to answer them now. Please enjoy the rest of the evening, it is always a fun event.

Question from Collin Hamilton regarding MER for Frontenac. Matthew Robinson briefly responded to Collin's question but asked to defer this question for more details at the reception following the AGM.

"Thank you Matt"

## **7. New Business**

The Chair asked if there was any new business. There was none.

If there are no new items of New Business, I declare the meeting adjourned. Thank you for your participation and thank you for the opportunity to serve as your Chair. I hope I will have an opportunity to speak with many of you but if I don't please enjoy your evening.

## **8. Adjournment**

The Chair adjourned the meeting at 5:28 p.m.

### **Michael Graves' closing remarks**

The business portion of the evening is over and so I ask that you retire to the Riverview Salon once I clear up some housekeeping that requires your attention. There will be signs guiding you to the reception area as you exit the Theatre.

But first I would like to take a moment to discuss the exciting contents of your name badge holder; within it you will find three items:

1. Your meal choice card that you are to place on the table in front of you when you sit at 7:00 pm for dinner. This will assist servers in ensuring you receive the proper meal.
2. A door prize ticket which will be needed for the draw that will take place after dinner.
3. As well, you have a drink ticket in your badge holder that you can use to purchase a cocktail. It is a cash bar for additional cocktails.

NOTE: You will notice that some of us have red lanyards – this indicates the individual is either a staff member or board member, so be sure to seek us out during the reception if you have any questions. Wine will be served with dinner. As mentioned, dinner will be in the Grand Hall at approximately 7:00 pm when the reception is complete. Tonight's entertainment will be provided by the one and only - Johnny Vegas. Mr. Vegas will be kicking things off when we finish dinner; Who brought their dance shoes? Staff will be available to guide you to the reception as you exit the Theatre.

Staff will be available to guide you to the reception as you exit the Theatre. I hope you enjoy the evening!

Thank-you!