



**2017 Annual General Meeting
The Canadian Museum of History
100 Laurier Street, Gatineau, Quebec
June 17, 2017
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 18, 2016)
 - 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 – Margaret Kelk and Eric Dinelle
4. Matthew Robinson, CEO
5. Kevin Cruickshank, CFO
6. New Business
7. Adjournment

Present

Shareholders: David Allen, Margaret Allen, Tracy Allen, Eric Asselstine, Jeff Asselstine, Kim Asselstine, Suzanne Auger, Terry Bailey, Barbara Baranovsky, Gillian Barnes, Robert Barnes, Constance Bergeron, Gerard Bergeron, Bill Bishop, Andrew Blanchard, Rosemarie Bowick, William Bowick, Colin Scott Bruce, Ron Bruyns, Walter Bylsma, Sandra Calvert, William Calvert, Susan Chiarelli, Darlene Conboy, George Conboy, Janice Cruickshank, Manuel Dasilva, Eric Dinelle, Rebecca Dinelle, Candice Galloway, Frieda Gesiorowski, Gary Giller, Pamela Giroux, Ron Gould, Adam Hagenah, Hans Hagenah, Susan Hagenah, Tom Ham, Rolande Hickeson, John Ibey, Sheldon Jacobs, Suzanne Jacobs, Lucie Jacques, Larry Jameson, Lorraine Jameson, Eric Jeaurond, Faye Johnson, Jason Johnson, Robert Johnson, Margaret Kelk, Peter Kingston, Sheila Kingston, Heather Kopansky, Thomas Kopansky, Catherine Lackey, Stuart Lackey, Alvin Lake, Dianne Lake, Victoria Laube, Michael Litchfield, Susan Litchfield, Rodger MacMunn, Keith McGruer, Nancy McGruer, Judy Meier, Michael Mirski, Janice Mobbs, Barbara Neill, Christopher Olmstead, Nicola Olmstead, Patrick O'Neil, Marilyn Orser, Susan Patterson O'Neil, Ferdinand Prohaska, Kimberley Quizi, May Raad, Alain Racicot, Marilyn Raizen, Robert Reiser, Alison Robinson, Bernard Robinson, Spencer Robinson, Sharon Rodden, David Seeds, Linda Seeds, Ralph Smith, Elizabeth Stewart, Richard Stone, Maria Stott, Michael Stott, Madeliene Tarasick, Steven Tarasick, Stephanie Thompson, Jennifer Watson, John Watson, Franklin Witt, Judith Witt, Pam Woods

Guests: Derek Artichuk, Fred Barber, Jeff Bennett, Meghan Blanchard, Pierrette Boyer, Wendy Bradshaw, Christopher Bruce, Matt Cook, Melissa Courtney, Eileen Crosbie, Jim Crosbie, Sara Dawson, Alyssa Delli-Pizzi, Pierre Demers, Kim Dimitriou, Michael Dimitriou, Don Gesiorowski, Gerry Gorman, Karen Graves, Linda Hagenah, Dale Ham, Haylee Hay, Hein Hemmersbach, Bob Hickeson, Ben Hunter, Deborah Ibey, Justin Jackson, Mike James, Odette James, Shawn Kehoe, Nat Korol, Kathryn Kruiivitsky, Ailene Laget, Erica Lasker, Shannon Link, Jared Litchfield, Jamie Lloyd, Janet MacDonald, LeVerne MacDonald, Doug MacLaurin, Judy MacLaurin, Ken Matheson, Kristina Mausser, Steve Meier, Rose

Mercier, Suzanne Mignault, Shelagh Mirski, Christina Morris, David Michael Noonan, Real Parent, Jeff Parks, Jim Pilbrow, Tracy Pilbrow, Melanie Pitawanakwat, Chris Quizi, Bruce Raganold, Giselle Raganold, Ryan Richmond, Susan Richmond, Kevin Rioux, Heather Robinson, Jacques Schingh, Gillian Scobie, Kelly Scriven, Ryan Seeds, Laurel-Lea Shannon, Joe Sproule, Melissa Sproule, Helga Stefan, Mike Stefan, Hannah Stinson, Dwayne Stone, Wendy Stone, Nicole Sypien, Denise Szpakowski, Peter Szpakowski, Rosanne Vukobrat, Trevor Wellman, Paula White, Kate Worden, Bill Young

Staff: Leigh Brown, Richard Colton, Kevin Cruickshank, Cam Delli-Pizzi, Marcel Giroux, Michael Graves, Lindy Hay, Kristina Hodges, Alyssa Jackson, Kymberly Jordan, Amber Kehoe, Sharon MacMunn, Jamie Malone, Kimberley Morrow, Laurie Noonan, Dawn Reiser, Heather Rioux, Nick Ritchie, 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 4:31 p.m.

2. Opening Remarks and Introductions

Robert Barnes made the following remarks and introductions: “Good afternoon shareholders and guests. Thank you for joining us at the Annual General Meeting of the Frontenac Mortgage Investment Corporation. My name is Robert Barnes and I am Chairmen of the Board.

Shareholders were offered meeting 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, Tanya Stone and Kristina Hodges, will come and find out what you require. I now call the meeting to order. We plan to have a short business meeting of about an hour and then we'll retire to the Riverview Salon for the reception followed by dinner and entertainment in the Grand Hall.

3. Frontenac Business

a. Chair's Remarks

We are here today at the Canadian Museum of History which is obviously a wonderful venue and certainly a special place to hold this meeting given the country's upcoming 150th birthday. Joining me on the stage today are the following individuals, to my near left:

- Dawn Reiser | Corporate Secretary for Frontenac and Manager of Compliance and Administrative Support Services for W.A. Robinson Asset Management
- Matthew Robinson | CEO & Portfolio Manager | W.A. Robinson Asset Management
- Kevin Cruickshank | Chief Financial Officer for Frontenac and Executive Vice President for W.A. Robinson Asset Management
- Debra Smith | Manager Investor Services | W.A. Robinson Asset Management
- Nick Ritchie | Manager Mortgage Operations | Pillar Financial Services
- Mike Dimitriou | Regional Managing Partner | MNP LLP | The Fund's Auditor

To my far left are my fellow Board Members who I will introduce shortly.

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, 2016, the fund delivered a rate of return of 6.00%. This represents a 40 basis point increase over the previous year.

Following each Annual General Meeting the Board meets with the Management Team to discuss what we could change to improve the experience for you the shareholders. One of the most consistent comments we receive is to streamline the formal component of the meeting. When people said streamline I believe what they were really saying is "make it shorter". You have spoken, we have listened. We have condensed the meeting and reduced the number of speeches. For those who have attended meetings in the past this will mark the first time that Wayne Robinson will not be making a speech. I understand the decision but I will miss Wayne's insights all the same.

I have now been Chairman of the Board for two years and I am pleased to report that your Board of Directors remains unchanged from the previous year. Please allow me to briefly introduce each of the Director's.

Bill Calvert has been a long-term Director and is the Board's previous Chairman. He is a retired senior municipal and provincial civil servant who has acted as a consultant to various municipalities and provincial ministries. I value Bill's insights and his thorough understanding of corporate governance.

Eric Dinelle is Chair of the Audit Committee and has been a Director since 2007. He is the owner of Environmental Contracting Services, a Kingston-based construction company. Today, Eric is standing for re-election for a new 3 year term.

Sheldon Jacobs is a retired teacher of business and economics. He is a valued member of the Board and active participant. Sheldon is a resident of Brownsburg-Chatam, Quebec.

Andrew Blanchard is the President of Raven Telemetry and a founding partner of Jacket River. Andrew is our newest Board member and a strong contributor to our team.

Margaret Kelk has been a Director since 2005 and is the Chair of the Governance / Nominating Committee. Margaret is also standing for re-election today for a new 3 year term.

The Board plays a very important role in the operation of the Fund. We represent you the shareholders and act on your behalf in providing corporate governance. We are **not** responsible for the fund's day-to-day operations. That is the responsibility of your Management Team led by Matthew Robinson. The Board works closely with Matthew and his team to ensure that the fund is well positioned to deliver on its mandate of capital preservation with a reasonable return both now and for the future.

The Board meets with Matthew, Kevin and select-members of the Management Team on a quarterly basis. As well, each November the Board and the Management Team hold a one day strategy session. The purpose of this meeting is for the Management Team to present the Fund's strategic plan for the next 12 months. It is the Board's responsibility to challenge the plan and provide insight based on their collective experience. The plan looks both externally and internally to identify both threats and opportunities that have the potential to impact the performance of the fund. The strategic plan is then reviewed at each quarterly Board meeting and we discuss how the fund is performing when measured against a series of key metrics that include the following:

- Rate of Return (YTD)
- Cash Position
- Mortgages Funded (YTD)
- Mortgages Repaid (YTD)
- New Investment
- Weighted Rate of Mortgages
- Loan Impairment as a % of Net Assets

If the fund is under performing when measured against these metrics it is important that the Board understands why and what steps are being taken to address the identified issues. If the fund is over performing it is also important to understand the factors that are driving the increased performance. Is it due to a one-time event or has there been a significant change in the markets we serve? These are all questions that are discussed and probed by both the Board and the Management Team.

An example of this process in action was the decision to stop the Fund's large commercial lending activity. Two years ago at our strategic retreat in Gananoque the Management Team proposed that we no longer target large commercial mortgages but rather re-focus on our core strategy of providing residential mortgages to rural properties. It was felt that the effort required to administrate the large commercial mortgages was a distraction to our core business and was not supported by the rate of return. It was also decided that an exit plan would be developed for each of our large commercial mortgages and that over the next several years we would wind down our position in these loans.

This strategy was endorsed by the Board and your Management Team has been actively proceeding on its implementation. Matthew asked Wayne and Alison Robinson to lead the wind-down of our large commercial mortgage positions. This is a complex task but I am pleased to report that strong progress is being made on this front. Wayne submits a detailed progress report at each Board meeting and he makes himself available for questions. At this time I would like to thank both Wayne and Alison for their efforts.

In order for the Board to be effective it is imperative to have a strong working relationship with Matthew and his team. It is a relationship that needs to be based on trust, honesty and mutual accountability. It is my opinion that the interaction between the Board and the Management team reflects these key characteristics. We are aligned on our objectives and our mutual responsibilities.

I could continue to wax poetically for another 5 minutes but keeping in mind your feedback to "keep it short" I will conclude by stating that both the Board and the Management Team continues to work hard on your behalf and that we are focused on the Fund's mandate of delivering capital preservation with a reasonable rate of return.

Thank you.

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 18, 2016)

Resolution: That the Minutes of the Annual General Meeting of June 18, 2016 be approved as presented.

The motion has been moved by: Gary Giller

The motion has been seconded by: Pam Woods

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

All those in favour of the 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, 2016, were enclosed with the Management Information Circular. The audit was performed

by MNP 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 2016 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

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: Diane Lake

The motion has been seconded by: Bernie Robinson

Are there any questions or objections?

Hearing none

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

All those not in favour please raise your hand.

The motion is carried.

f. Election of Directors Eric Dinelle and Margaret Kelk:

The next order of business is the Election of Directors to the Board. The Director's that are up for election are Eric Dinelle and Margaret Kelk. I will ask Kevin Cruickshank to conduct the election."

"Good afternoon.

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. This year, two directors have reached the end of their term, so there will be a need to elect two people today to fill these seats. The two directors will be elected for three year terms.

Margaret Kelk and Eric Dinelle 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.

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, ensuring the candidate has 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.

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 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 Eric Dinelle and Margaret Kelk each for a three year term as set out in the Management Information Circular dated April 19, 2017 be approved as presented.

The motion has been moved by George Conboy

The motion has been seconded by Hans Hagenah

All those in favour of resolution please raise your hand.

All those not in favour please raise your hand.

The motion is carried.

Chair’s Introduction

I would now like to ask Matthew Robinson, the CEO of W.A. Robinson Asset Management to step forward and provide his insights on the Fund’s performance over the previous year and the direction Fund is taking over the next several years.”

4. Matthew Robinson, CEO

“Welcome everyone, it is my pleasure to be speaking to you today in this beautiful place and I hope everyone enjoys the rest of the evening.

On Canada Day we will celebrate our countries 150th birthday and I am proud to say that I am Canadian. I believe we live in the best country in the world. I have traveled the globe twice with my father, the first time when I was 13 years old and it had a profound effect on how I view the world. I witnessed extreme wealth in some areas versus extreme poverty in others. It was very obvious when I returned how fortunate I was to have the security and opportunity because I was born here. The second time I traveled the world I was 29 years old and that experience solidified my appreciation for this Country we call home.

For the past year we have witnessed dramatic disruptive events that have had a significant impact on us and our view of the world. The most noteworthy are political events such as Donald Trump becoming the President of the United States and Britain deciding to leave the EU in the Brexit vote. Both of these events were surprising at the time and perhaps show a growing sentiment toward Nationalism and self-preservation versus Globalism and the move toward a world economy. We should all be aware that this is a sign of changing times and we need to adapt and prepare ourselves for the new world we are living in. The decisions that are being made by the US and other global trading partners will influence how we succeed as a country, but I think this also creates many opportunities for Canada. We have an opportunity to brand ourselves as a world leader that is less dependent on our neighbours to the south and to strengthen business opportunities with European and Asian Counties.

As Canadians, we pride ourselves as being internationally known for being peace-keepers and having a reasonable and open view to the rest of the world. We have a very strong governing system and have a stable economy even when there is volatility in the US and around the world. This stability is very attractive to global investors. We have seen growing foreign investment into Canada, specifically into the Canadian Real Estate markets. Toronto and Vancouver have had significant price appreciation for the past 5 years. Provincial regulators have tried to slow the demand by implementing tax on foreign purchasers. This has resulted in some cooling effect in Vancouver over the past year, but it is too early to tell with Toronto. I believe that Canada will continue to be a very attractive investment option globally because of our low Sovereign risk as seen by the rest of the world.

As an alternative mortgage lender we have to understand our place in the market to make sure that what we do is necessary and sustainable in the long run. There are many changes happening in the mortgage space today. The large banking and lending institutions are continuing to make policy changes that are making it more prohibitive for people to qualify for a mortgage. This allows alternative lenders to fill in the

space that the primary lenders have decided to leave. So our space is growing, and we intend to take advantage of this opportunity by building our capacity in anticipation for the demand we see coming.

A unique advantage for us is that Frontenac is the only Mortgage Investment Corporation in Canada that is sold by prospectus and is not traded on the TSX. This allows Portfolio Managers to raise capital from a larger part of the marketplace and do so with full and open disclosure of how we lend. Other lenders that trade on the market have fluctuating share prices, whereas we have had a constant share price of \$30 since inception. This is a consistent capital source from a diverse group of advisors across Canada that allows us to stabilize our treasury as needed.

Our strategy is to lend in Ontario on rural residential properties with a mandate of Capital Preservation and a reasonable return. Our benchmark has been established as a 5 year Canadian GIC plus 3%.

For us to be able to meet the return expectations of our investors, it is important to look back at what has happened over the past 5 years with interest rates. The world is experiencing record low interest rates and some Countries are having negative interest rates, meaning the investor has to pay to keep their capital in a safe place. Interest rates will remain low for the foreseeable future, but we will not change our risk profile to chase higher returns at the expense of losing the capital.

It has been challenging in this low yield environment to keep our lending rates and stay competitive, but we are working hard to expand our focus from lending primarily in eastern Ontario to include Western Ontario and other parts of this province. We are seeing that there is significant demand for our product and services in other areas which is very promising.

We are making long term strategic decisions that are focused on the future of the fund. Many companies get caught up with making the numbers work each month or quarter and forget that those decisions might not align with the mandate or risk tolerance for the longer journey.

We are building our capacity to be the best in the business. We have an expertise in construction financing and short term lending with an exit strategy on each deal. Our strategy does not include underwriting commercial or large development projects, but rather we are going to have a portfolio of many residential properties as the underlying security for the fund.

Our advantage over our competition is not only our unique business model, but our strong corporate culture and the quality of the people who work within our company. Having a strong belief in what we do every day and how we do it as a team is the one thing that we can control as a company. We can't predict how things will play out precisely, but I know that having a truly engaged team of people who are aligned by our vision and empowered to do the right things to succeed is a great asset.

We have been building our internal systems to become more efficient with the work that we do. We are also implementing data analytics to see how we can improve our underwriting and administration processes.

Our leadership team is growing; we have put a considerable amount of effort into building a strong sales and communication strategy together. We are going to build our network of mortgage brokers across the province with a strong message....We want your business. We have also hired new members onto our team to focus on our Business Development and Communication objectives, which has been successful as we see a significant increase of deal flow as a result.

As the CEO, it is my responsibility to have a clear understanding of the goal and make sure we have the right people to achieve it. I am proud to say that Kevin and the Senior Management team work very well together to execute the strategic plan we have put together with the Board.

Our vision is to have everyone in our industry **trust** what we do because they know we are highly **competent**, we are **consistent** in both good and bad times and that we genuinely **care** about everything we do.

Our purpose is clear and we work hard to make sure you Trust in what we do every day. Every person in our organization is working to make sure your experience with us feels right. We take care of your money as if it was our own, and we never do a deal that puts a person in a worse position because they dealt with us.

I would like to thank my leadership team and all of the staff that have worked so hard to make it another successful year. You have come together as a team and we have made some great strides in the right direction, I am really looking forward to seeing what we will do as a focused group with a clear mission. I would like to thank all of the Mortgage Brokers and Portfolio Managers that source our deals and provide capital throughout the year; you are very important partners for us.

Finally, I would like to thank the board of Directors and all of the shareholders for investing in what we do; we are focused to continue to be a solid part of your investment portfolio that you can depend on. Your Trust in us the ultimate currency you can give and I thank you for that.

Please enjoy the rest of the evening and I look forward to spending it with you.”

Chair’s Introduction

“Thank you Matthew.

Our next speaker is Kevin Cruickshank. For those that don’t know, Kevin is the Chief Financial Officer of Frontenac as well as the Executive Vice President and Chief Compliance Office of W.A. Robinson Asset Management. Today, Kevin is going to reflect on the core tenant of the Fund.”

5. Kevin Cruickshank, CFO

“Good afternoon everyone,

“Capital preservation with a reasonable return”

We have already heard that phrase a couple of times today and Frontenac has been designed with this in mind and has operated on this basis for over 30 years. But what does this mean? How do we define that?

People that invest in Frontenac are looking for a large degree of safety against losing their capital – that’s the capital preservation part – and that is the focus of our investment strategy.

An investment in Frontenac shares is not guaranteed, but it has been designed to make it as low risk as possible to meet our capital preservation goal.

At a high level, the decision to offer Frontenac shares on prospectus means that Frontenac is held accountable by regulators to the highest possible standards for its accounting and systems and for the information and disclosures that are made to its investors. But how we report, although comforting to shareholders, does not affect the underlying risk for the portfolio of loans we are making in Frontenac. To understand that, we need to take a closer look under the hood.

It all starts with the borrower. Our core business is about lending on residential properties – where people live with their families. Generally in our lives, just about the last thing we do when times are hard is stop making our mortgage payments – and that gives us some comfort as lenders. Frontenac lends in the “alternate mortgage market” which means that its borrowers don’t qualify for loans with any of the major

chartered banks. But that doesn't necessarily make them bad risks – it just means that all of our borrowers have a story. That story could be about a desire to build their own home, about being self-employed, or about a life event that has temporarily worsened their credit – such as a divorce, illness, disability, or past unemployment – life events that could affect any one of us in this room. It is our job to listen to and verify that story as part of deciding whether to lend to a specific borrower.

But designing Frontenac to be low risk is more than just defining the borrower we would like to deal with. There are other factors that go into our strategy.

Point 1...

We don't use leverage.

Use of leverage is common in our industry and involves the use of debt to augment returns. With interest rates low, it is possible to borrow money and lend it out at a higher rate, generating increased returns for shareholders. However, using leverage increases the risk of the fund as, in the event of a catastrophic loss, debtholders rank ahead of shareholders – meaning the debtholders are paid first in full - leaving larger losses to be absorbed by shareholders.

Point 2...

Substantially all of Frontenac's mortgages are first mortgages with loans to value at origination of 80% or less.

2nd mortgages and "high ratio" mortgages with loan to values of greater than 80% often result in significant or total losses when they become impaired. There simply isn't enough room, in those situations, to pay legal costs and real estate commissions to sell the underlying property and fully recover on your loans.

Three...

Frontenac focusses on residential mortgages in "non-bubble" markets within Ontario.

Mortgage loans are not a direct investment in real estate - they are loans to borrowers supported by real estate. The return generated comes from interest earned on the loans. There is no upside benefit to our investors of a gain in real estate prices – so it makes sense to avoid "bubble areas" like Toronto that may be subjected in the future to a sharp decline in home prices and stick with areas of the province that experience more stable prices.

Four...

Frontenac focusses on short-term mortgages of one to two years.

One significant risk a lender faces is called duration risk. The concept of duration risk is that the longer you have a loan, the greater the chance that something can go wrong with it – over time, the borrower may lose their job and be unable to pay, the market values of homes may change/decline, the property may become more neglected. With shorter term mortgages of 12-24 months, the fund mitigates the chances of one of these things happening.

The higher rate of turnover created by short term mortgage loans does create greater pressure on our ability to find new mortgage loans to replace those that are paying out. This is called reinvestment risk. But, given the choice, sitting in cash is preferable to dealing with risk of losses from defaulted loans that we've held on to for too long.

Five...

Frontenac invests in a large number of smaller mortgages.

A smaller average loan size creates wider diversification in the fund reducing the risk that any one mortgage loan can have a negative impact on fund returns. Frontenac maintains a mortgage portfolio of approximately 550 mortgages with an average balance of around \$300,000. Administering this many mortgages is a lot of work, which is why we have such a large staff.

Frontenac does have a few larger mortgages in its portfolio that together make up 30% of the fund today. But strategically, as Matthew has discussed, these types of loans are not part of the future direction of the fund. These are projects that we are working our way through with the developers - with a goal to be out of these loans over the next 18 to 24 months.

So - What is reasonable return?

Frontenac has been designed to focus on capital preservation so it needs to be low risk - but it is not guaranteed – so there needs to be a reasonable return over and above something that is “risk free” – like a GIC with one of the big banks like Royal Bank.

We put considerable time and effort into creating our definition of what a reasonable return is for Frontenac’s risk profile. We looked at our historical results and compared them to historical GIC rates. We consulted with our supporting advisors as to what their expectations were, and we also consulted with Frontenac’s Board of Directors.

From that, we determined that a reasonable rate of return would be 3% higher than the “risk free rate” – or simply, 5 year GIC rate plus 3%.

In today’s environment where 5 year GIC rates hover around 1.5%, a reasonable rate of return target for Frontenac is 4.5% to 5%.

Over the past few years, the fund has been successful in outperforming this target. So far in 2017, we are meeting the goal with a year to date return to the end of April of 4.80%, but it has been more challenging.

One of the risks I talked about earlier was re-investment risk and that has been our challenge so far in 2017. Over the past several months, cash reserves have increased to represent a little over 10% of the fund. Our cash reserves earn very little return and have depressed the overall return performance of the fund by approximately 0.90%.

In our traditional Eastern Ontario market, competition for new deals has increased and mortgage loan interest rates are decreasing. Pillar has added personnel and resources to enable our expansion into other parts of rural Ontario. We are also adding systems to help us analyze our data in more detail to better understand how our underwriting can improve and where the opportunities in our lending market may be. We expect that these efforts will take a few months to come to fruition. In the meantime, we have chosen to close the fund to new investment to avoid increasing the cash balances further. We have also chosen to be prudent with the cash we have. We do not approve loans because we have cash on hand – we approve loans because they are within our investment strategies and underwriting guidelines. We are not willing to chase higher yields or higher underwriting volumes by increasing the overall risk in the fund. Often, as an investor, and especially in the low interest rate environment that has prevailed for the past ten years, it is very tempting to chase higher yields without fully understanding the investment strategy or the risks involved. Our focus on capital preservation has resulted in the adoption of very conservative investment strategies – policies that have served us well in the past – and policies that will serve Frontenac investors well going forward.

In past years, we would normally open up the meeting for questions from the audience at this point. But this year we are going to try something a little different.

Our people make the difference in the success of the fund and we are very proud of the team we have. All of our supporting advisors have had the opportunity to visit our operations in Sharbot Lake where they get the chance to talk to all of our staff and see their professionalism, commitment, and care to what we do. All of them have come away impressed and with further insights as to how we operate. We would love for all of our individual investors to have the same experience – but it really isn't practical to have everyone come to our office in Sharbot Lake. So, tonight, we are attempting to bring our office here to you.

We will not be holding our usual question period as part of this meeting. Instead, all of our staff will be available to answer your questions as part of the reception that is immediately following. The senior management team will be floating throughout the room as usual, but when you get to the reception area, you will find signage for each of our internal departments with staff there waiting to tell you about what they do and to answer any questions you may have. I encourage everyone to take advantage of the opportunity to get to know us a little better. I will do some quick introductions to put some faces to names for you. I would like to start with introducing the other members, besides Matt and myself, of the senior management team – seated at the table today.

Debra Smith is our Manager of Investor Services. She is responsible for ensuring that Frontenac has the investor capital necessary to meet its underwriting needs. She does this by building and maintaining our relationships with supporting advisors and direct clients. Debra has been with the company for the past 15 years and is a Chartered Investment Manager and is in the process of completing her Advising Representative (or Discretionary Portfolio Manager) registration with the OSC – a long and difficult journey. Debra also plays a key role as our unofficial “Manager of Culture” – working with and coaching our staff towards reaching their full potential in the organization.

Nick Ritchie has just recently joined us as our Manager of Mortgage Operations. Nick oversees our lending operations – working to ensure that Frontenac's net assets are fully deployed into quality mortgage loans in accordance with our underwriting criteria. Nick has an MBA focused on leading organizational change and comes to us with many years of operational management and bank lending experience. Nick is a dynamic, customer focused, and goal driven individual.

Together, Matt, Debra, Nick, and I comprise the senior management team. We set the strategic direction of the companies and work to achieve the corporate and fund performance goals through the development of our people, our systems, and our corporate culture.

The senior management team is supported by our operations team. I will introduce them to you in a few moments. The members of the operations team lead their respective front line staff towards meeting performance goals. Together, the operations team works to break down any silos or barriers within the organization and support each other as leaders. The members of the operations team are – if you could please stand and remain standing as I introduce you.

- Diane Whan and Richard Colton – Investor Services Client Support – These are the front line people whom each of you speak to when you call in.
- Cory Thompson – Senior Residential Underwriter
- Heather Rioux – Manager of Mortgage Administration -
- Lindy Hay – Collections Enforcement
- Phillip Smith – and resident IT Manager
- Laurie Noonan – CPA and is responsible for all of the financial reporting that is required
- Dawn Reiser – manager of Compliance and corporate services. She ensures that all of the daily activities required are being handled and that all of the reporting for the regulators is being completed and filed on time. Dawn is also the Corporate Secretary for the Frontenac Board of Directors.

- Alyssa Jackson – manager of Mortgage Fulfillment – Alyssa is responsible for the review of all of the required documents before a mortgage application receives funding.
- Michael Graves – is our manager of marketing and communication. He is responsible for all of the material that is presented to the shareholders as well as the mortgage holders as presented by W.A. Robinson and Pillar.”

6. 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.

7. Adjournment

The Chair adjourned the meeting at 5:11 p.m.

Chairs' 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 two items:

1. Your meal choice card that you are to place on the table in front of you when you sit for dinner. This will assist servers in ensuring you receive the proper meal. Dinner will be served at 7:00 P.M.
2. 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.
3. Wine will be served with dinner. As mentioned, dinner will be held in the Grand Hall at approximately 7:00 P.M. when the reception is complete. Tonight's entertainment will be provided by Mr. Johnny Vegas and his band. Mr. Vegas will be kicking things off when we finish dinner.
4. In honor of Canada's 150th Birthday you will be given a glass of pink sparkling wine. Both alcoholic and non-alcoholic varieties are available. The glasses will be handed out as you head down to the Riverview Salon.

I hope you enjoy the evening!