



**2018 Annual General Meeting
The Four Points by Sheraton
285 King Street East, Kingston, Ontario
June 22, 2018
2:00 p.m. – 2:30 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 17, 2017)
 - 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 – Sheldon Jacobs, Andrew Blanchard, and Cara Chesney
4. New Business
5. Adjournment

Present

Shareholders: Colleen Allison, Barbara Baranovsky, Robert Barnes, Andrew Blanchard, Carolyn Bond, Ron Bruyns, Carolyn Burke, Walter Bylsma, Sandra Clavert, William Calvert, Cara Chesney, Joe Climie, Mary Lou Climie, Darlene Conboy, George Conboy, Manuel DaSilva, Eric Dinelle, Sandra Eastlake, Stephen Eastlake, Bonnie Evans, Gerard Evans, Jeanne Gavura, Joseph Gavura, Pamela Giroux, James Heney, Robert Hickeson, Lorraine Hlady, Sheldon Jacobs, Suzanne Jacobs, Mike James, Margaret Kelk, Rodger MacMunn, John Mirski, Wayne Moase, Jan Montgomery, Douglas O'Connor, Valerie O'Connor, Marilyn Orser, Ruth Pearce, Alison Robinson, Wayne Robinson, Sharon Rodden, Luc Salvador, Dianne Seebeck, Douglas Shaw, Lorraine Shaw, Frances Smith, Kenneth Smith, Ben Sutcliffe, Brenda Travers, David Travers, Helen Vandermeer, Russell Watson, Franklin Witt, Judith Witt.

Guests: Mike Dimitriou, Shawn Mincoff, Kelly Scriven, Ryan Seeds, John Walsh.

Staff: Roberto Blanco, Leigh Brown, Rochelle Chang, Richard Colton, Kevin Cruickshank, Amber Emmons, Marcel Giroux, Lana Gunsinger, Lindy Hay, Kristina Hodges, Kymberly Jordan, Amber Kehoe, Sharon MacMunn, Jamie Malone, Kimberley Morrow, Laurie Noonan, Malorie Paul, Laura Purdy, Dawn Reiser, Heather Rioux, Nick Ritchie, Matthew Robinson, Debra Smith, Phillip Smith, Cory Thompson, Tara Wellman, Diane Whan, William Young.

1. Call to Order

The meeting was called to order at 2:00 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 Chairman of the Board.

We plan to have a short business meeting of about an hour and then we will retire to the Old Stones Room and Patio for a cocktail reception. At this juncture, I would like to call the meeting to order.

3. Frontenac Business

a. Chair’s Remarks

To start the proceedings, I would like to introduce to you the Fund’s Management Team. To my left:

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

To my far left are my fellow Directors.

In 2017 we were successful in attracting an additional Director to the Board, Cara Chesney. Cara joined the Board in October and will be standing for election today. This brings the total number of Directors to seven. Your Directors are as follows:

- Bill Calvert
- Margaret Kelk | Chair of the Governance/Nominating Committee
- Sheldon Jacobs
- Eric Dinelle | Chair of the Audit Committee
- Andrew Blanchard
- Cara Chesney

Cara has more than 13 years experience as a professional accountant, she is a partner at Collins Blay, LLP, a Kingston-based firm focused on providing tax, insurance, and business advice to small and medium sized business owners, as well as personal tax advice and planning. We are very pleased that Cara has joined the Board and look forward to her expertise and insight.

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, 2017, the fund delivered a rate of return of 4.22%.

This year marks a significant change in our approach to the staging of the Annual General Meeting. This change has been discussed for a number of years and is a reflection of the Fund's maturity and its changing business model. An ever-increasing number of our investors are now represented by portfolio managers that are located throughout Canada. The opportunity for these investors to physically attend the meeting is limited and we can no longer justify the cost of hosting the meeting as we have in the past. We recognize that for some of our long-term investors the previous format will be missed but we felt the change was necessary.

2017 was a challenging year for the Fund. We continued to experience downward pressure on our lending rates and a slower than expected lending demand through the first half of the year. As well, the Management Team continued to work diligently on exiting the Fund's position from a series of large mortgages. This has been a multi-year effort that I am pleased to report is coming close to concluding. As you are aware, we experienced a write-down on one of these mortgages that resulted in a change in our share price from \$30.00 to \$29.84. As you can imagine this decision was not taken lightly and the Management Team is working hard to return the share price to its historical value.

With respect to 2018 all I can say is what a difference a year makes. Through the latter stages of 2017 and through the first five months of 2018 we have seen a significant increase in lending activity. This demand is directly tied to the Federal Government's new lending criteria and stress tests. This has allowed us to be selective with respect to the mortgages we will underwrite and has resulted in an increase in the rates we can charge.

The management team has expertly handled the rapidly changing market conditions, and this is reflected in the fund's ongoing performance.

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 17, 2017)

Resolution: That the Minutes of the Annual General Meeting of June 17, 2017 be approved as presented.

The motion has been moved by: Lorraine Hlady

The motion has been seconded by: Gerard Evans

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, 2017, 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 specifically related to the audit, I will ask Kevin Cruickshank, our Chief Financial Officer, to respond to them.

Are there any questions?

If there are no questions, the 2017 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 compensation of the Auditor.

The motion has been moved by: Francis Smith

The motion has been seconded by: John Mirski

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 Sheldon Jacobs, Andrew Blanchard and Cara Chesney:

The next order of business is the Election of Directors to the Board. The Directors that are up for election are Sheldon Jacobs, Andrew Blanchard, and Cara Chesney. I will ask Kevin Cruickshank to conduct the election.”

“Good afternoon everyone.

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.

Also, the Board of Directors appointed Mrs. Cara Chesney to the Board in October 2017, so she too stands for election today.

Sheldon Jacobs and Andrew Blanchard are the Directors whose terms have ended. We are pleased to announce that they both 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 up to 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 and final time; are there any nominations from the floor?

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

Resolution: That the election of Sheldon Jacobs and Andrew Blanchard each for a three year term, and Cara Chesney for a one year term, as set out in the Management Information Circular dated April 23, 2018 be approved as presented.

The motion has been moved by: Pamela Giroux

The motion has been seconded by: Bonnie Evans

All those in favour of the 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 Ltd. to step forward and address some notable events that occurred during the last year.”

4. Matthew Robinson, CEO

“Thank you Mr.Chair. Welcome everyone, thank you for coming this afternoon.

I am the CEO and Portfolio Manager for W.A. Robinson Asset Management Ltd., Pillar Financial Services Inc., and Frontenac Mortgage Investment Corporation.

What I would like to do today is talk about our strategy; where we have started from, and where I see it going. Since I have taken over as the CEO of the Group of Companies and Frontenac in 2014, we have not varied from the strategy. I believe that for Frontenac and Pillar, the strategy is residential, rural properties, across Ontario; first mortgages; specifically, construction financing; with no leverage; to produce an investment that you can rely on, for a long time. We are going to continue to do this. I believe there is a huge opportunity for us in this environment. At the time I took over this organization, we had some large deals that were spawned from a time when we were in cash. Since that time, we have not brought any more large deals into the Fund. Some of the deals are development of waterfront property, and commercial-esque properties. I am pleased to say, since that time, we have gone from five – and have had two paid out, with great results – and are in the process of being (by the end of the year) down to one. I am very proud of that. It has been a lot of work for the management team; Kevin, myself, and Phillip Smith. It has taken a lot of our time.

Moving from that place to where we are now, I see great opportunity for us to move into new territories. We started out in Eastern Ontario, mainly Ottawa to Peterborough. We have now recognized that the rural areas of Ontario (outside of Toronto) have huge opportunities for us. The plan is to adjust the portfolio from these larger deals that have a higher risk without the return, and move the funds to Eastern Ontario, into mortgages that we really know; smaller mortgages, construction financing, and doing that over and over again. We have built a very strong team including; Business Development in the Mississauga area, remote underwriters, and Business Development Officers. We have really positioned ourselves to get back to our zone.

That being said, everyone here understands that \$30 is very important, it was for us as well. That was more a function of timing, than where we are at with the deals. It was actually one of the large deals we were required to do a provision on as more information came. The dividends came out at the end of the year, and we recognized that we wanted to be more conservative with the way we were going forward with the deal, and we had to take a provision, as it was in everyone's best interest. That being said, we are in the process of talking to another lender that wants to take us out. We have not gotten the deal together as of yet, but it looks as though we could get out that way. If that deal does not come together, we also have a plan to get back to \$30 by November 30th. We are working very hard, because we understand that is a very important thing, certainly for the investors who have been with us for a long time.

We believe in capital preservation, with a reasonable return. We are going to return to that place so everyone can recognize that this is a part of your portfolio that you can depend on for a long time, as an income-producing investment product, that will give you a reasonable return over time.

This time last year, we were in a very big cash position. There were some ebbs and flows in deal flow, with a lot of competition at the same time. We couldn't find the deals that we wanted to, so we made the decision to not put into the larger deals again – that might be good in the short term but that we would have to pay for in the long term, thus we started to accumulate cash. That was the biggest reason for the drag last year. That was the reason we were at 4.22%. There are some other factors that happened in there as well, but that was the main reason we were drug down. Today, we are back in the line of credit in very good deals across Eastern Ontario – which is by the way – three times the market. We have looked at an analysis on the other side of Toronto, because we do not want to be in the city-center, we want to stay in the rural areas, and there is a lot of opportunity for us to be in those places. We are getting a good return and seeing a lot of deal flow. I am pleased to say today, at the end of May, we are at a rate of return of 5.77% - and our goal is to be at 5.50% at the end of the year.

So why did that happen? There are a few factors that happened this year. The banks and the regulatory bodies that govern them decided, in their wisdom, that people were bringing on too much debt. We have been seeing for a few years that the regulators were clamping down and we did not think it would take this long. There was regulation B-20 and then B-21 which changed the profile of how they would underwrite at the larger banks and lending institutions. This year, they have also put on a stress test. Just because a buyer could afford a 2.99% mortgage, they will still have to qualify at a 5-year (or longer) term – or a shorter amortization, and at a higher rate. So, we are seeing a lot of these mortgages trickling down to us, so there is a huge opportunity for us here – and we're seeing it. At the same time when that happened, the competitors that we have seen in our marketplace, have run out of money. They have been flooded by all of this deal flow. We are now seeing deals that are of higher quality and are able to get a reasonable return. So, this is quite an exciting time for us.

On the other side of the coin, when we are trying to raise capital, and a lot of our capital is being raised by portfolio managers (as I am to most of you in this room), we are seeing a few things. Alternative investments, like us, are an option now because there has been a lot of disruption, the "Trump Effect", markets that are a little unstable, and being in a low interest rate environment for the last decade – bonds and other fixed-income products have an inverse relationship with interest rates. As the interest rates go up, the bond values go down. So people really don't know where to put their money, and this alternative space is becoming much more attractive – and we're one of them that actually behaves differently – as interest rates go up, we mark back to the interest rates – so as the interest rates go up, that is good for us as an investment.

Some of the other things that I am also very proud of – is that we are in an age where big data matters. We are now on new platforms – the same trading platforms as the big banks – Filogix. One of the nice aspects from it is we can see what kind of volumes are coming in from across Canada through this portal – and see the changes. We are getting a lot more information from our mortgage brokers and hearing what is going on with the markets. But that doesn't really count unless you do something with it. We have hired some very smart people lately that have taken the information that we are getting from all of these sources and are looking at what we've done for the last 10 years through regression analysis and seeing exactly how a deal goes sideways, what happens when it goes into default, and why did it go into default. It is quite interesting some of the things we are seeing, and we are now applying that information to our underwriting policies. We are getting better at what we do.

We have a very strong team of people. Kevin is now the Executive Vice President – he is responsible for everything day-to-day with the organization, which allows me to look further out and really get down to the strategy of where we're going and why we're going. Nick Ritchie is the Director of Mortgage Operations, he is taking care of literally everything within Pillar; bringing on new technology, hiring the right people,

making sure our sales and marketing efforts are a whole lot better than they used to be. That is why we are seeing such a 'blip' as well – it's not just the markets – we are better at what we do.

We have a network of Portfolio Managers across the country. We just returned from Halifax where we were able to talk to a few of them – they are very pleased with what is going on, even though the interest rate they are getting is a little bit lower than what they have been expecting – they understand what we do and how we do it. And that is what is valuable to them. We have a very strong relationship with all of our Portfolio Managers. We take a long time to select who they are so they fit with us. We have the same relationship with mortgage brokers, lawyers, and appraisers. We take our relationships very seriously.

We are going to take a little bit more time afterwards – we are going to have a question and answer period – but I want to thank you for your trust in us. Especially to the people here who have been with us since inception. This has been a great story. Every time I tell the story or bring new investors and Portfolio Managers to the group, they love this. They love the fact that we are in Sharbot Lake, they love the fact that it is real estate, and what we do, and the story of starting with Marcel and my parents and \$25,000.00. Now we are at \$200 Million. I want to continue that for a long, long time.

Thank you very much, and please do not hesitate to ask any questions.

Robert Barnes concluded with "Thank you Matthew."

5. New Business

The Chair asked if there were any items of new business to discuss. There were 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.

6. Adjournment

The Chair adjourned the meeting at 2:21 p.m.

Chairs' closing remarks

The business portion of the afternoon is now over and so I ask that you join us for a cocktail reception in the Old Stones Room & Patio. Please note that inside your badge is a complimentary drink ticket.

Please feel free to join us.

Thank you.

An informal Question and Answer Period followed the 2018 Annual General Meeting.