



INDEPENDENT REVIEW COMMITTEE

ANNUAL REPORT TO SECURITYHOLDERS

For The Fiscal Year January 1, 2009 through December 31, 2009

Date: March 9, 2010

1. INTRODUCTION

This report is directed to the shareholders of Frontenac Mortgage Investment Corporation (FMIC) as required by *National Instrument 81-107 INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS*. This instrument requires that a manager refer all conflict of interest matters to the Independent Review Committee (IRC). FMIC has contracted with W. A. Robinson & Associates Ltd. to direct the affairs and manage the business of the Corporation and to administer or arrange for the administration of the day-to-day operations of the Corporation. In this capacity W. A. Robinson & Associates Ltd. is "the manager" as referenced in the instrument. Pillar Financial Services Inc. has been contracted to provide mortgage underwriting and administration services. Pillar is owned by Wayne Robinson and therefore enjoys a material relationship with the Manager. Therefore, if the manager or administrator encounters a conflict of interest matter it must be reported to the IRC. The IRC is required to decide what action is required to resolve the conflict. This report will describe the activities of the Independent Review Committee (IRC) during the 2009 fiscal year.

2. BACKGROUND

On March 20th of 2007 the Board of Directors of FMIC decided to serve as the IRC for the Corporation. This was done to control expenses by avoiding the appointment and payment of professional individuals to a separate IRC. The Board of Directors decided that dealing with conflict of interest matters was part of the oversight responsibilities of the shareholders' elected representatives, i.e.: the Board of Directors. These decisions were made with the input of legal advice obtained by the manager.

Conflict of interest matters that have arisen in the past have been few. Some examples of the type of matter that might be encountered are:

- a person with a mortgage from the Fund becomes an employee of the manager
- a relative of an officer of the manager holds a mortgage from the Fund
- a mortgage is bought (transferred) by FMIC from another fund managed by the manager
- a change of Auditor

A matter that puts the administrator in a constant state of conflict of interest is underwriting mortgage deals for FMIC. This is considered a conflict of interest because the manager earns underwriting and administration fees on the mortgages brought to FMIC. It was decided that this would be dealt with by issuing a standing order to the manager to delegate the responsibility for obtaining mortgage approvals from one director, two directors or a quorum of the board depending on the amount of the mortgage. As a further measure of oversight, weekly reports are distributed to the directors showing new mortgages approved.

3. ABOUT THE COMMITTEE

All but one members of the IRC were appointed on March 20, 2007; that appointment to be effective November 1, 2007. Therefore, those members have served on the IRC for two years and one month. Rosemarie Bowick became a Director of FMIC and thus a member of the IRC on October 17, 2009. Mrs. Bowick has now served for approximately five months. The members of the IRC are:

Colleen Allison (Chair)
Rosemarie Bowick
Robert Barnes

Bill Calvert
Kevin Corcoran
Eric Dinelle
Margaret Kelk

None of these members serve on another fund's independent review committee. All these members are independent members. The members' aggregate number of shares is 12,274 or 1.26% of the fund's total number of shares of 970,564. No members of the IRC hold shares in the Managers' firm or in any company that provides services to the investment fund.

Compensation to the IRC is included in the directors' fees of \$6500 per annum for the Chair and \$2500 per annum for each director. The fees total \$21,500.00. In addition, any expenses incurred while serving on the IRC (e.g.: mileage, meals, accommodation, communications, etc.) are reimbursed.

4. MATTERS BROUGHT BEFORE THE COMMITTEE

David Seeds, CA resigned as Auditor of FMIC as he was winding down his practice. As a result, FMIC went on a search for an Auditor and selected the Ottawa Office of Raymond Chabot Grant Thornton, LLP. The matter was raised with the IRC and it was determined there was no conflict of interest in the change of Auditor.

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