W.A. ROBINSON
ASSET MANAGEMENT LTD.

June 25, 2013

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut
c/o The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
TORONTO, ON
M5H 3S8

DELIVERY VIA EMAIL: comments@osc.gov.on.ca

Dear Sirs:

Re: Request for Comments on Proposed Amendments to National Instruments 81-102 & 81-104 (Modernization of Investment Fund Product Regulation (Phase 2))

Please find following our comments on the above noted proposed amendments.

W.A. Robinson Asset Management Ltd. is a registered portfolio manager, investment fund manager, and exempt market dealer and serves as manager to Frontenac Mortgage Investment Corporation (ñFrontenacò). Frontenac has existed as a mortgage pool for the past 30 years and has, since 2005, been issued publically on prospectus on a continuous (monthly) basis as a non-listed non-redeemable investment fund which offers share redemptions, at NAV, once per year, on November 30. The fund operates as a Mortgage Investment Corporation (ñMICò) as defined under the Income Tax Act and, accordingly, is considered a Mortgage Investment Entity (ñMIEò) under securities regulations. The fund currently has net assets of approximately $100 million.

Please contact us anytime should you desire any further clarification of our comments below.

Yours truly,

Wayne Robinson, CFA
CEO

Kevin Cruickshank, CPA, CA
CFO & CCO

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SPECIFIC QUESTIONS OF THE CSA
RELATING TO THE PROPOSED 81-102 AMENDMENTS

Question 1: Annual Redemptions of Securities Based on NAV

Securities legislation defines a "mutual fund" as, among other things, an issuer whose securities entitle the holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest of the net assets of the issuer. The CSA have historically taken the view that "on demand, or within a specified period after demand" in the definition of "mutual fund" means that the securities of the fund entitle the holders to request that their securities be redeemed by the fund more frequently than once a year. This view has permitted investment funds to redeem their securities once a year based on their NAV and still be considered non-redeemable investment funds. We seek feedback on whether the CSA should reconsider its present view and consider an investment fund to be a mutual fund if it offers any redemptions based on NAV.

Comments: We do not believe that the proposed change is consistent with the concept of ñredemption on demandò in the legislation. We do not feel that redemption once per year and on a specified date (in our case November 30 each year) represents redemption on demand. To us, redemption ñon demandò implies the ability of a shareholder to redeem shares at any time and at a time of their choosing. Shareholders do not have redemption ñon demandò when a restriction exists that only permits redemption on one certain specified date in the year.

The lack of availability of any redemption at NAV by our shareholders would severely impair their ability to cash out of their investment. As a non-listed fund, no practical ability exists for a shareholder to re-sell their shares to a third party. Redemption represents the only practical method for a shareholder to ñcash outò their investment.

For reasons described in our comments to question 3, we believe that listing Frontenacôs shares, as an alternative exit strategy for investors, is not an appropriate or useful alternative for both Frontenac and for its investors. If the fund retained its redemption rights, reconsideration of CSAôs historical view that once per year redemption does not represent redemption on demand would deem Frontenac to be a mutual fund. We do not believe that this change is appropriate for Frontenac because some of the mutual fund restrictions, including, without restriction, the limits on investments in mortgages, are not appropriate for Frontenac (as discussed further in this letter) and could severely impair its business.

We would welcome greater clarity in the meaning of the concept of ñredemption on demandò in the legislation and suggest that it be defined in the amendments and that the definition be tied to appropriate liquidity concerns. In the case of Frontenac, we submit that redemption once per year, for example, does not create significant liquidity risks.

Question 3: Investments in Illiquid Assets

As non-redeemable investment funds do not redeem their securities regularly based on NAV, the CSA propose that they be permitted to purchase and hold more illiquid assets than the levels currently permitted by subsections 2.4(1) to (3) of NI 81-102. However, we are concerned that a portfolio containing a significant amount of illiquid assets could lead to difficulties in valuing the NAV of the fund. It is critical that the NAV of an investment fund be accurately valued; for example, non-redeemable investment funds typically pay management and other fees based on the NAV of the fund, NAV is used to measure performance, and many non-redeemable investment funds offer annual redemptions based on NAV. We have observed that many non-redeemable investment funds do not invest in a substantial amount of illiquid assets; in fact, the majority of non-redeemable investment funds, like mutual funds, hold minimal amounts of illiquid assets. Would the ability to purchase and hold more illiquid assets than the levels currently permitted by subsections 2.4(1) to (3) of NI 81-102 be beneficial for non-redeemable investment funds? What types of illiquid assets do non-redeemable investment funds wish to invest in, and why? The CSA invite comment on the amount of illiquid assets that would be appropriate

for non-redeemable investment funds to purchase and hold, and whether non-redeemable investment funds should be given more time than 90 days to divest illiquid assets (please refer to the mutual fund divestment requirements in subsections 2.4(2) and (3) of NI 81-102). Is there a minimum amount of liquid assets that non-redeemable investment funds should be required to hold to meet ongoing liquidity needs (e.g., to pay management fees and operational expenses)? Should the limit on illiquid asset investments be different for nonredeemable investment funds that do not offer any redemptions and non-redeemable investment funds that offer annual redemptions?

Comments: As investments in mortgages are dealt with separately in the proposals, we are assuming that mortgages are excluded in the definition of ñilliquid assetsò, but we suggest that this should be clarified in the definition in the legislation. The following comments, however, assume that loans which are secured by mortgages are illiquid assets.

We disagree with the general statement that a portfolio containing illiquid assets creates difficulties in calculating NAV. For example, in the case of a mortgage investment corporation (ñMICò) or other mortgage investment entity (ñMIEò) whose portfolio consists of loans secured by conventional mortgages (i.e. loans of less than 80% of the value of independently appraised real property ï in respect to which Canadaôs chartered banks have not required mortgage insurance), it is relatively easy to determine value under GAAP without reference to the valuation of the loans on a public market. We suggest that it is not necessary, therefore, to require the securities of a MIC like Frontenac to be listed on a stock exchange in order to facilitate a public market-based calculation of NAV. For an issuer such as Frontenac we suggest that a public market for its securities would likely be thinly traded and could therefore be susceptible to variations in pricing which may not be reflective of true underlying value, and investors may not be able to readily access buyers for their shares. Therefore, in Frontenacôs particular case we suggest that any requirement to list its shares would unnecessarily increase Frontenacôs regulatory costs, could provide a less than reliable market based value, and may not provide a proper market in which investors can sell.

Furthermore such a portfolio of loans provides regular monthly interest income to the fund with which to cover ongoing liquidity needs like management fees and operational expenses. Liquidity for a MIC is not wholly dependent on the ability to ósellô the asset in which the fund is invested nor, for operational purposes, is it dependent upon the repayment of the principal amount of the loan. A MIC such as Frontenac can, and Frontenac does, manage the average terms of their loans with their cash flow from interest payments, distributions to shareholders, and conservative use of their line of credit (i.e. not for lending) such that the liquidity required for annual redemptions is properly managed. Requiring a non-redeemable investment fund structured like Frontenac to divest its illiquid assets (i.e. its mortgage loans, being substantially all of its assets) is unnecessary and would put Frontenac out of business. We submit that a non-redeemable investment fund structured like Frontenac should have no restrictions on holding illiquid assets, specifically loans secured by conventional mortgages. This could be achieved by changing/supplementing the current definition of ñilliquid assetsò to include a carve-out for an appropriate definition of loans secured by mortgages (i.e. loans by MICs or MIEs).

Question 4: Borrowing

We seek comment on whether the proposed requirement for non-redeemable investment funds to borrow from a "Canadian financial institution" is appropriate. For example, if the majority of an investment fund's assets are held outside Canada because it focuses on investing in foreign securities, should there be more flexibility to borrow from lenders other than those that are "Canadian financial institutions"? If so, what conditions should the other lenders have to meet?

Comments: Such a restriction might suggest that the inability to obtain financing from a Canadian financial institution is an appropriate condition for a non-redeemable investment fund to be able to continue conducting its business or to be able to commence business. We donôt think that this restriction is appropriate. A non-redeemable investment fund may not be able to obtain financing from ñCanadian Financial Institutionsò at all, or at competitive rates, for any number of reasons, whether relating to the fundôs particular asset/investment focus or the banksô credit

policies from time to time, among other things. In such cases the proposed restriction would effectively put such non-redeemable investment funds out of business and would, we suggest, unnecessarily restrict the establishment of new non-redeemable investment funds.

Question 5: Investments in Mortgages

We invite comment on the impact of the proposed restriction on investments in non-guaranteed mortgages for publicly offered non-redeemable investment funds. We also seek feedback on the transition period for the proposed restriction. If you consider that a transition period longer than 24 months is required, please explain why. Alternatively, if you think that a grandfathering provision is warranted to exempt these types of funds from the application of the proposed restriction on investments in nonguaranteed mortgages, please comment on the impact such a provision could have on fairness to new market participants and investor understanding.

Comments: We see a number of issues with the proposals relating to investing in mortgage loans.

We submit that it is not necessary that all mortgages be guaranteed. For example, banks do not require CMHC mortgage insurance for conventional mortgages. We can only speculate that the reasoning behind this proposal stems from the disastrous experience in the U.S. markets with mortgage based derivative products; however, it is important to understand the mortgage market in Canada is fundamentally different and regulated differently than the market in the U.S. in a way that mitigates the likelihood of a similar experience here. The requirement for mortgages to be guaranteed also seems to put mortgage investments in an unfair competitive position versus other investment alternatives, for example corporate bonds and equities, that are not otherwise restricted and with which an investor is certainly at risk for loss of capital.

There is a large portion of the mortgage market that cannot be served by insured mortgage and certainly, in our case, the requirement to obtain insurance on our mortgages is not practical with our traditional borrower base and would force a change in our otherwise successful business model. In our case, based on our historical results, the requirement for guaranteed mortgages would unnecessarily depress investor returns as the expected cost of obtain such insurance would be greater than our historical loss experience over the past 30 years.

We would suggest a couple of other options for consideration by CSA:

a. Amend the proposal to more closely mirror the current restriction under National Policy 29 whereby only mortgages that exceed a specified loan-to-value ratio require insurance. We recommend 80% as the threshold as that is the current requirement for financial institutions under the Bank Act. The loan-to-value ratio of a mortgage is a more appropriate indicator of risk of loss of capital and increased information on the loan-to-value breakdown of a mortgage portfolio could be disclosed by the funds to allow the investor to assess this risk (similar to the current interest rate breakdown requirements), or,
b. Apply the restriction only to those investment funds for which mortgage investing is not their primary investment objective. We submit that it is appropriate to treat MICs and MIEs differently from mutual funds investing in portfolios of mortgages because their businesses, and more particularly their investment processes in regard to mortgage loans, are materially different. We acknowledge that investing in mortgages requires specialized industry knowledge to properly assess property value and mortgage loan applications and to mitigate the inherent risks involved. For those funds investing primarily in mortgages, those managers will have more detailed expertise and robust processes in assessing and mitigating risks in investing in mortgage loans, or;
c. Some combination of (a) and (b).

Should the CSA disagree with our above suggested alternatives to guaranteed mortgages and require the divestiture of conventional mortgages, we submit that a transition period of 24 months is not sufficient time. Mortgage loans are contracts between a lender and a borrower and most

mortgage loan terms would not include a right of demand for repayment for an otherwise performing mortgage and, in many cases, these mortgage loans may and will have terms exceeding 24 months. In our specific case, we hold mortgages that may have terms up to 10 years. In the absence of a right to demand repayment, the requirement to transition out of non-guaranteed conventional mortgages would force a fund to divest of otherwise performing mortgages through the sale of these mortgages to third parties and could result in shareholder losses if the requirement creates an environment of forced sales.

Also, in the specific case of Frontenac, forcing Frontenac to become publicly listed (rather than continuing to offer once per year redemptions) will affect shareholder returns due to the high costs to be incurred in relation to a $100 million fund and force a change in the company's slow steady and controlled growth strategy as growth would only be possible in future capital raises that are large in comparison to the existing net assets of the fund. In an effort to maintain investor returns, the fund would be faced with either starting to use leverage to allow for growth in the underlying mortgage portfolio ahead of an equity closing, or invest all equity proceeds as soon as possible after the equity close (likely in larger mortgage loans), or alternatively, the fund would be faced with accepting depressed returns for its shareholders due to larger low-yield cash balances that would take time to invest prudently in the fund's traditional mortgage markets. All these options are unfavourable as they force a change in the investment strategies and increase the risk profile of the fund. While considering fairness to new market participants is a factor, it is more important to ensure that existing shareholders are treated fairly. Changing the investment strategies of the existing funds and/or changing the manner in which their shares are offered/redeemed/sold is not fair to them. Grandfathering those few funds currently affected would be the in the best interest of their existing shareholders as changes to their historical investment strategies would not be required. In the absence of full grandfathering, it would be more prudent for our investors to tie a transition to the corporate finance branch to the fund reaching a certain size in net assets at which the related costs of obtaining and maintaining a listing on an exchange become immaterial to overall investor returns.

Question 8: Organizational Costs of New Non-Redeemable Investment Funds

We seek comment on the impact and the benefits and costs of proposed subsection 3.3(3) of NI 81-102. Are there other parameters that could be developed that would achieve benefits similar to the benefits from proposed subsection 3.3(3)? Please also comment on whether the capital raising model followed by non-redeemable investment funds could support the payment of some of the organizational costs out of the proceeds of the initial public offering. Are there specific components of organizational costs that are more appropriately borne by the non-redeemable investment fund and components that are more appropriately borne by the manager? Please provide information about these cost components and what fraction each component typically constitutes of the total organizational costs for launching a new fund, and explain why it is appropriate for the fund or the manager to pay the specific cost components.

Comments: Requiring a smaller investment fund manager such as W.A. Robinson to finance all of the costs of a new investment fund would impose financial hardship on the manager which could effectively preclude the manager from ever launching a new fund (to the detriment of markets and investors). Also, to the extent that the investor and the manager will both benefit from a new fund, we submit that the proposed requirement that manager of a non-redeemable investment fund, alone, bear the costs of establishing the fund is unfair. The issue really is about the timing under which a manager will recover the organization costs because, in respect to both non-redeemable investment funds and mutual funds, the organizational costs are eventually recovered by the manager. From a fairness perspective perhaps a better suggestion would be to eliminate any prohibition on any of a mutual fund, non-redeemable investment fund, or their securityholders from bearing the costs of establishing the fund and assess, and if necessary address, disclosure in offering documents of management compensation, costs of establishing the fund, and who bears those costs.

Question 10: Naming Convention for Investment Funds

Please see question 13 in Annex B. [which is:] Would requiring an alternative fund to include the words "Alternative Fund" in its name achieve the purpose of distinguishing alternative funds from other investment funds for investors and the market? If not, please propose other ways to facilitate the ready identification of alternative funds. In addition, would requiring investment funds governed only by NI 81-102 to include specific words (e.g., "Conventional Fund") in their name further this purpose? If not, why not? Would the diversity of investment funds that are governed only by NI 81-102 and their different risk levels impede the creation of a uniform descriptor for such funds?

Comments: We are concerned that requiring a fund to include õalternative fundò or õnon-conventionalòfund in its name or classification could create a negative connotation with investors that would be unfair. We suggest that trying to identify the characteristics of a broad diversity of funds through the use of particular words in their names is not helpful and could be misleading by suggesting uniformity within a group of funds using a particular naming convention, which may not be the case. We suggest that differences between funds be dealt with through substantive disclosure in their offering documents and that the proposed naming convention could be unhelpful or possibly misleading.

Question 11: Transition Period for Investment Restrictions in Proposed Amended NI 81-102 and Alternatives

We are proposing that existing non-redeemable investment funds be required to comply with the investment restrictions in proposed amended sections 2.2, 2.3,1 2.4 and 2.5 of NI 81-102 18 months after the first coming-into-force date of the Proposed 81-102 Amendments pertaining to these sections. We invite feedback on whether the proposed transition period is sufficient. If not, please provide reasons for a longer transition period or provide alternatives to a transition period. If you think that a grandfathering provision is warranted for existing non-redeemable investment funds, please comment on the scope of a grandfathering provision and explain why existing non-redeemable investment funds should not have to comply with specific sections in Part 2 of NI 81-102. Please also comment on the impact a grandfathering provision could have on fairness to new market participants and investor understanding.

Comments: Please see our comments relating to transition periods and grandfathering under question 5 above.

Question 12: Anticipated Costs of the Proposed Amendments and of Implementing the Alternative Funds Framework

Do you agree or disagree that the costs of the Proposed Amendments and the proposals relating to NI 81-104 are proportionate to the benefits? We seek specific data from non-redeemable investment funds and commodity pools on the anticipated costs and benefits of complying with the regulatory framework set out in the proposed amendments to NI 81-102 and the alternative funds regulatory framework being contemplated in NI 81-104.

Comments: Regarding the Proposed Amendments, see our comments to question 8 above. Regarding the Alternative Funds Framework, without knowing if the proposed amendments in the Alternative Funds Framework would apply to Frontenac, and without further detail as to the particulars of such requirements, it is hard to assess a cost-benefit analysis of the alternative funds framework.