



**MANAGEMENT INFORMATION CIRCULAR**  
**MARCH 8, 2011**

**MELCOR DEVELOPMENTS LTD.  
MANAGEMENT INFORMATION CIRCULAR  
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## **MANAGEMENT INFORMATION CIRCULAR**

### **Forward Looking Statements**

To provide investors with an understanding of Melcor Development Ltd.'s ("Melcor" or the "Company") current results and future prospects, our public communications often include written or verbal forward-looking statements. Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions, courses of action and include future-oriented financial information.

This management information circular ("MIC") and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements represent the Company's intentions, plans, expectations, and beliefs and are based on the Company's experience and its assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances. Future-looking statements may involve, but are not limited to, comments with respect to the Company's strategic initiatives for 2011 and beyond, future development plans and objectives, targets, expectations of the real estate, financing and economic environments, the Company's financial condition or the results of or outlook of its operations.

By their nature, forward-looking statements require assumptions and involve risks and uncertainties related to the business and general economic environment, many beyond the Company's control. There is significant risk that the predictions, forecasts, valuations, conclusions or projections we make will not prove to be accurate and that the Company's actual results will be materially different from targets, expectations, estimates or intentions expressed in forward-looking statements. The Company cautions the readers of this document not to place undue reliance on its forward-looking statements. Assumptions about the performance of the Canadian and US economies and how this performance will affect the business are material factors we consider in determining our forward-looking statements in the MIC and the management's discussion and analysis for the year ended December 31, 2010.

For additional information regarding material risks and assumptions, please see the discussion under Risk Factors in the management's discussion and analysis for the year ended December 31, 2010, which is incorporated by reference in this MIC.

Investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Except as may be required by law, the Company does not undertake to update any forward-looking statement whether written or oral, that may be made by the Company or on its behalf.

## INVITATION TO SHAREHOLDERS

March 8, 2011

Dear Shareholder:

On behalf of the Melcor Board of Directors and the rest of our management team, I would like to invite you to attend the annual meeting of shareholders of Melcor Developments Ltd. We are pleased to host this event at the Art Gallery of Alberta in Edmonton, Alberta.

**WHEN:** Tuesday, April 19, 2011  
11:00 AM MDT

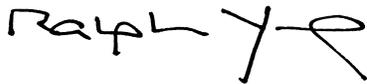
**WHERE:** Art Gallery of Alberta  
2 Sir Winston Churchill Square  
Edmonton, Alberta

After the formal portion of the meeting is completed, our management team will review the Company's 2010 operating and financial performance, as well as our outlook for the next fiscal period. You will have an opportunity to ask questions and meet members of our management team and Board of Directors.

Enclosed in this package, you will find the Notice of Meeting, as well as a form of proxy and the Management Information Circular. Please return the proxy as soon as possible to ensure that your vote is included in due time.

I look forward to seeing you at the Annual Meeting.

Sincerely,

A handwritten signature in black ink that reads "Ralph Young". The signature is stylized, with the first name "Ralph" written in a cursive-like font and the last name "Young" written in a more blocky, capital-letter style.

Ralph B. Young  
President and CEO

## NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

### TO THE SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual general meeting (the "Meeting") of the Shareholders of Melcor Developments Ltd. ("Melcor" or the "Company") will be held at the Art Gallery of Alberta, 2 Sir Winston Churchill Square, Edmonton, Alberta, on Tuesday, April 19, 2011, at 11:00 AM (MDT), to:

1. Receive the consolidated financial statements of the Corporation for the fiscal year ended December 31, 2010 and the auditor's report thereon;
2. Fix the number of members of the Board of Directors to be elected at the Meeting at eight (8);
3. Elect nominees to the Board of Directors of Melcor;
4. Appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Corporation for the ensuing year at a remuneration to be fixed by the Board of Directors;
5. Transact such other business as may properly be brought before the Meeting or any adjournment thereof.

Shareholders are referred to the Information Circular appended to this Notice for more detailed information with respect to the matters to be considered at the Meeting.

If you cannot attend the Meeting or any adjournment thereof in person you may vote by proxy, by telephone or over the internet (see page 9 for information). **In order to be valid and acted upon at the Meeting, the proxy must be received by Valiant Trust Company (the "Trustee") at least 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the Meeting or any adjournments thereof.**

Shareholders are cautioned that the use of the mail to transmit proxies is at shareholders' risk. The Chair of the Meeting has discretion to accept late proxies.

The Board of Directors has fixed the record date for the Meeting as the close of business on March 8, 2011. Only shareholders of the Corporation of record as at that date are entitled to receive notice of and to vote at the Meeting unless a shareholder transfers shares after the record date and the transferee of those shares establishes ownership of the shares and demands not later than the close of business 10 days before the Meeting that the transferee's name be included in the list of shareholders entitled to vote.

Dated as of the 8<sup>th</sup> day of March, 2011.

BY ORDER OF THE BOARD OF DIRECTORS



Jonathan Chia, CA  
Chief Financial Officer and Corporate Secretary

## GENERAL INFORMATION

### Meeting

This management information circular (the "Circular") is provided in regard to the solicitation of proxies by the Board of Directors and management of Melcor Developments Ltd. ("Melcor" or the "Company") for use at the Annual General Meeting of Shareholders ("AGM") to be held on April 19, 2011 and at all adjournments of that meeting.

### Date of Information

Information in this circular is as of March 8, 2011, unless otherwise noted (the "Circular Date").

### Mailing of Circular

This circular, a proxy and Melcor's 2010 annual report will be mailed to shareholders by March 23, 2011. The 2010 annual report is being mailed to:

- all registered shareholders, except those who asked not to receive it; and
- beneficial shareholders who requested a copy.

Melcor will provide proxy materials to brokers, custodians, nominees and fiduciaries and request that the materials be forwarded promptly to its beneficial shareholders.

All references to shareholders in this Circular and the accompanying form of proxy and Notice of Meeting are to shareholders of record unless specifically stated otherwise. Where documents are stated to be available for review or inspection, such items will be shown upon request to a Registered Shareholder who produces proof of their identity.

### Registered and Beneficial Shareholders

You are a Registered Shareholder if your shares are held in your name and you have a share certificate.

You are a Beneficial Shareholder if your shares are held in the name of a nominee. That is, your certificate was deposited with a bank, trust company, securities broker, trustee or other institution.

### Annual Report and Interim Reports

If you are a registered shareholder, a copy of Melcor's 2010 annual report is included in this package, unless you asked not to receive it. If you (i) do not wish to receive Melcor's annual report next year; or, (ii) wish to receive Melcor's interim reports, please fill out and return the card enclosed with this package.

Melcor's annual report can be accessed at [www.melcor.ca](http://www.melcor.ca) or you can request a copy as set out under Additional Information on page 22.

## VOTING INFORMATION

### Who is soliciting my proxy?

The management of the Company is soliciting your proxy for use at the Meeting. In connection with this solicitation, the management of the Company is providing you with this Information Circular (the "Circular").

### How are proxies solicited?

The solicitation of proxies will be primarily by mail. However, certain employees of the Company may also solicit proxies by telephone or in person. The cost of solicitation will be borne by the Company.

### What will I be voting on?

Shareholders will be voting on:

- Fixing the number of members of the Board of Directors to be elected at the Meeting at eight (8)
- Election of directors
- Appointment of PricewaterhouseCoopers LLP as auditors
- Other business, if any

### How will these matters be decided at the Meeting?

A majority of the votes cast, by proxy and in person, will constitute approval of matters at the Meeting. For a special resolution, 66 2/3% of the votes cast will constitute approval.

### Who counts the votes?

Proxies will be counted and tabulated by the Company's transfer agent, namely Valiant Trust Company.

### Is my vote confidential?

The Company's transfer agent maintains the confidentiality of individual shareholder votes. However, proxies will be submitted to management where they contain comments clearly intended for management, in the event of a proxy contest or to meet legal requirements.

### How many votes do I have?

You will have one vote for each common share you held at the close of business on March 8, 2011, the record date for the Meeting. The list of shareholders entitled to vote will be available for inspection after March 8, 2011, during usual business hours, at the offices of Valiant Trust Company, 310, 606 – 4<sup>th</sup> Street S.W., Calgary, Alberta, T2P 1T1, and at the Meeting.

To vote common shares you acquired after the record date, you must, not later than 10 days before the Meeting:

- Request that your name be added to the voters' list; and
- Produce properly endorsed share certificates or otherwise establish that you own the common shares

### How will my proxy be voted?

On your form of proxy, you may indicate how you wish your proxyholder to vote your common shares. Common shares represented by properly executed forms of proxy in favour of the Company's officers, named on the enclosed form of proxy, will be voted or withheld from voting on any ballot that may be called for and, where you have specified a choice with respect to any matter to be acted upon, your common shares will be voted in accordance with the choice you have made.

### If you have not specified a choice, your common shares will be voted:

- **FOR** the fixing of the number of members of the Board of Directors to be elected at the Meeting at eight (8);
- **FOR** the election of each of the proposed nominees as Directors; and
- **FOR** the appointment of PricewaterhouseCoopers LLP as auditors and authorize the Directors to fix their remuneration.

**How many shares are entitled to vote?**

The Company has an authorized capital consisting of an unlimited number of common shares without nominal or par value of which 30,112,730 common shares are issued and outstanding as of the close of business on the Circular Date.

**How do I vote?**

If you are eligible to vote and your common shares are registered in your name, you may vote your common shares in person at the Meeting, or by proxy, as outlined under "Registered Shareholder Voting".

If your common shares are held in the name of a nominee, please read the instructions below under "Beneficial Shareholder Voting".

**What is quorum for the Meeting?**

The by-laws of the Company provide that a quorum for the transaction of business at any meeting of shareholders shall be at least two (2) persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxy or representative for any absent shareholder so entitled, and representing in the aggregate no less than five (5%) percent of the outstanding common shares of the Company carrying voting rights at the Meeting.

**What if there are amendments or if other matters are brought before the Meeting?**

The enclosed form of proxy gives the persons named on it authority to use their discretion in voting on amendments or variations to matters identified in the Notice.

As of the time of printing of this Circular, management is not aware of any other matter to be presented for action at the Meeting. If, however, other matters properly come before the Meeting, the persons named on the enclosed form of proxy will vote on them in accordance with their judgment, pursuant to the discretionary authority conferred by the form of proxy with respect to such matters.

**Are there any principal shareholders?**

Based upon public filings, as of March 8, 2011, the following person beneficially owns, directly or indirectly, or exercise control or direction over more than ten percent (10%) of the issued and outstanding common shares of the Company.

Name of Shareholder	Number of Common Shares Beneficially Owned	Percentage of Outstanding Common Shares Beneficially Owned or Controlled
Melton Holdings Ltd. <sup>1</sup>	14,607,850	48.54%

- 1 Mr. Timothy C. Melton and Mr. Andrew J. Melton together control more than 50% of the voting shares of Melton Holdings Ltd.

To the knowledge of the Company's directors and executive officers, no other person or company beneficially owns, or controls or directs, directly or indirectly, more than 10% of the common shares.

## REGISTERED SHAREHOLDER AND BENEFICIAL SHAREHOLDER VOTING

### REGISTERED SHAREHOLDER VOTING

You are a registered shareholder if your shares are held in your name and you have a share certificate.

#### Voting Options

- In person at the Meeting (see below);
- By proxy (see below);
- By telephone (see proxy); or
- By internet (see enclosed proxy).

#### Voting in Person

If you plan to attend the AGM and wish to vote your shares in person, don't complete or return the enclosed proxy. Your vote will be taken and counted at the meeting. Please register with the transfer agent, Valiant Trust Company, when you arrive.

#### Voting by Proxy

Whether or not you attend the meeting, you can appoint someone else to attend and vote as your proxyholder. You can use the enclosed proxy or any other proper form of proxy to do this. The persons named in the enclosed proxy are directors or officers. **You can also choose another person to be your proxyholder by printing that person's name in the space provided.** Then complete the rest of the proxy, sign it and return it. Your votes can only be counted if the person you appointed attends the meeting and votes on your behalf. If you have voted by proxy, you may not vote in person at the meeting, unless you revoke your proxy.

Return your completed proxy in the envelope provided, or mail it to Valiant Trust Company, Attn: Proxy Department, 600-750 Cambie St, Vancouver BC V6B 0A2 or fax it to 604-681-3067 so that it arrives by 5:00 PM (MDT) on April 14, 2011 or, if the meeting is adjourned at least 48 hours (excluding weekends and holidays) before the time set for the meeting to resume.

### BENEFICIAL SHAREHOLDER VOTING

You are a beneficial shareholder if your shares are held in the name of a nominee. That is, your certificate was deposited with a bank, trust company, securities broker, trustee or other institution.

#### Voting Options:

- In person at the Meeting (see below);
- By voting instructions (see below);
- By telephone (see enclosed voting instruction form); or
- By internet (see enclosed voting instruction form).

#### Voting in Person

If you plan to attend the AGM and wish to vote your shares in person, insert your own name in the space provided on the enclosed voting instruction form. Then follow the signing and return instructions provided by your nominee. Your vote will be taken and counted at the meeting so don't complete the voting instructions on the form. Please register with the transfer agent, Valiant Trust Company, when you arrive.

#### Voting Instructions

Whether or not you attend the meeting, you can appoint someone else to attend and vote as your proxyholder. Use the enclosed voting instruction form to do this. The persons named in the enclosed voting instruction form are directors and officers. **You can also choose another person to be your proxyholder by printing that person's name in the space provided.** Then complete the rest of the voting instruction form, sign it and return it. Your vote can only be counted if the person you appointed attends the meeting and votes on your behalf. If you have sent in your voting instruction form, you may not vote again at the meeting unless you revoke your instructions.

Return your completed voting instruction form in the envelope provided or fax it to one of the numbers set out in the form so that it arrives by 5:00 PM (MDT) on April 14, 2011 or, if the meeting is adjourned at least 48 hours (excluding weekends and holidays) before the time set for the meeting to resume.

## REGISTERED SHAREHOLDER VOTING

### Revoking Your Proxy

You may revoke your proxy at any time before it is acted on. You can do this by delivering a written statement that you want to revoke your proxy to the registered office of the Company at 900, 10310 Jasper Avenue, Edmonton, Alberta T5J 1Y8, not later than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time set for the Meeting, or any adjournment thereof, or to the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof. You may also revoke your proxy by delivering a properly executed proxy of later date or in any other manner permitted by law, on April 14, 2011 or to the chair of the meeting April 19, 2011. to the Company's transfer agent: Valiant Trust Company, Attn: Proxy Department, 600 – 750 Cambie Street, Vancouver, BC V6B 0A2  
Fax: 604-681-3067

## BENEFICIAL SHAREHOLDER VOTING

### Revoking Voting Instructions

Follow the procedures provided by your nominee. Your nominee must receive your request to revoke the instructions prior to 5:00 PM (MDT) on April 14, 2011. This will give your nominee time to submit the revocation to us.

**A Beneficial Shareholder receiving a proxy with a Broadridge sticker on it cannot use such proxy to vote his or her shares directly at the Meeting. The proxy must be returned to Broadridge well in advance of the Meeting in order to have the shares voted at the Meeting.**

## **BUSINESS TO BE COMPLETED AT THE MEETING**

To the knowledge of the directors of the Company, the only matters to be brought before the Meeting are those matters set forth in the accompanying Notice of Meeting.

**IN THE ABSENCE OF INSTRUCTIONS MADE ON A PROXY, IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE FOR THE APPROVAL OF ALL THE MATTERS REFERRED TO IN THE NOTICE AND AS OUTLINED BELOW.**

### **1. Presentation of Consolidated Financial Statements**

The audited consolidated financial statements of the Company for the year ended December 31, 2010 and the auditors' report thereon, which accompany this Circular, shall be placed before the shareholders. These audited consolidated financial statements have been reviewed and recommended for approval by the Audit Committee of the Board of Directors and approved by the full Board of Directors of the Company. Shareholders are not required to vote on these audited consolidated financial statements.

### **2. Fixing the Number of Directors**

For this forthcoming year, it is proposed that the Board of Directors shall consist of eight (8) members. Management intends to place before the Meeting, for approval, with or without modification, a resolution fixing the Board of Directors at eight (8) members for the ensuing year. The number of nominees presented by management at the Meeting will be eight (8) nominees.

### **3. Election of Directors**

It is proposed that the following persons will be nominated at the Meeting to serve as directors. Management does not contemplate that any of the proposed nominees will be unable to serve as directors, however, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies in favour of management designees will be voted for another nominee in their discretion unless the shareholder has specified in his proxy that the common shares are to be withheld from voting in the election of directors.

Each director elected will hold office until the next annual meeting of the shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Company.

The following table sets forth certain information with respect to persons proposed to be nominated for election as a director. Each of the following persons has consented to serve as a director if elected. The following information concerning each of the proposed nominees as directors is based on information received by the Company from said nominees:

Name, Province of Residence and Position with the Company	Principal Occupation	Director Since <sup>1</sup>	Common Shares Beneficially owned at March 8, 2010 <sup>2</sup>
<b>William D. Grace, FCA</b> <sup>3, 4, 6</sup> Alberta, Canada Lead Director	Corporate Director	1994	16,000
<b>Ross A. Grieve</b> <sup>3, 6</sup> Alberta, Canada Director	Chairman, PCL Constructors Ltd.	2003	28,000
<b>Catherine M. Roozen</b> <sup>4, 6</sup> Alberta, Canada Director	Director & Secretary, Cathton Holdings Ltd. and the Allard Foundation	2007	20,000
<b>Allan E. Scott</b> <sup>3, 6</sup> Alberta, Canada Director	Corporate Director	2007	1,000
<b>Gordon J. Clanachan, FCA</b> <sup>4, 6</sup> Alberta, Canada Director	Corporate Director and Consultant	2009	5,000
<b>Timothy C. Melton</b> <sup>5</sup> Alberta, Canada Executive Chairman	Executive Chairman, Melcor Developments Ltd.	1973	1,527,660
<b>Andrew J. Melton</b> <sup>5</sup> Alberta, Canada Executive Vice-Chairman	Vice-Executive Chairman, Melcor Developments Ltd.	1985	53,600
<b>Ralph B. Young</b> Alberta, Canada President & CEO	President & CEO, Melcor Developments Ltd.	1976	1,318,600

- 1 The term of office for each proposed director will expire on the date of the next annual general meeting of shareholders.
- 2 Not including common shares to be issued pursuant to the exercise of stock options not issued as of this date.
- 3 Member of the Corporate Governance and Compensation Committee. Mr. Allan E. Scott is the Chairman of the Corporate Governance and Compensation Committee.
- 4 Member of the Audit Committee. Mr. Gordon J. Clanachan is the Chairman of the Audit Committee.
- 5 14,607,850 common shares are registered in the name of Melton Holdings Ltd., which Mr. Timothy C. Melton and Mr. Andrew J. Melton together control more than 50% of its voting shares.
- 6 Independent directors.

Mr. William D. Grace and Mr. Gordon J. Clanachan were directors of WavePOINT Systems Inc. ("WavePOINT") from December 2000 until March 2002. On May 29, 2002, WavePOINT made an assignment pursuant to the Bankruptcy and Insolvency Act (Canada), and a trustee in bankruptcy was appointed.

## Appointment of Auditors

At the Meeting, shareholders will be asked to appoint PricewaterhouseCoopers LLP, Chartered Accountants ("PWC"), as auditors of the Company until the next annual general meeting of shareholders at a remuneration to be fixed by the directors of the Company upon the recommendation of the Company's Audit Committee. PWC are currently the auditors of the Company and were first appointed auditors of the Company effective in 1968.

The appointment of the auditors will be effected by an ordinary resolution requiring the approval of more than 50% of the votes cast in respect of the resolution by or on behalf of shareholders present in person or represented by proxy at the Meeting. It is the intention of the persons named in the enclosed form of proxy, if named as proxy and not expressly directed to the contrary in the form of proxy, to vote those proxies **FOR** of the appointment of PWC as auditors of the Company.

The fees paid by the Company to PWC for professional services rendered in the Company's last two fiscal years are as follows:

	2010	2009
Audit fees	\$236,320	\$233,000
Audit-related fees <sup>1</sup>	55,053	54,000
Tax fees <sup>2</sup>	31,325	14,000
52-109 Compliance	31,000	31,000
All other fees <sup>3</sup>	38,000	66,000
<b>Total</b>	<b>\$391,698</b>	<b>\$398,000</b>

- 1 Audit related fees include fees for subsidiary companies, joint ventures, and building operating statements and homeowners associations.
- 2 Tax fees include tax compliance services and tax advisory and planning services.
- 3 All other fees include services rendered for advice related to accounting policies.

The Auditors, Audit Committee and management maintain regular and open communication in relation to the audit of the Company's financial statements.

The Audit Committee approves all audit and other services fees paid by the Company. There were no disagreements between the Auditors, the Audit Committee and management on matters affecting the audit of the Company's financial statements. The Auditors reviewed and discussed the Company's unaudited 2010 quarterly financial statements and earnings releases with management and the Audit Committee.

Certain information regarding the Company's Audit Committee that is required to be disclosed in accordance with National Instrument 52-110 of the Canadian Securities Administrators is contained in the Company's annual information form for the year ended December 31, 2010, an electronic copy of which is available on the internet on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## 4. Other Business

Management does not intend to present any other business at the meeting and we are not aware of amendments to proposed matters or any other matters calling for your action.

## INTEREST OF CERTAIN PERSONS OF MATTERS TO BE ACTED UPON

Other than as set forth in this Circular, none of the directors or senior officers of the Company, nor any person who has held such a position since the beginning of the last completed financial year of the Company, nor any proposed nominee for election as a director of the Company, has any material interest, direct or indirect by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

On February 8, 2011, the Company completed the issuance and sale of \$40,000,000, 6.25% convertible unsecured subordinated debentures. \$20,000,000 of the convertible debentures were issued to Melton Holdings Ltd., of which greater than 50% of the voting shares are controlled by Mr. Timothy C. Melton and Mr. Andrew J. Melton. \$2,000,000 of the convertible debentures were issued to Cavell Holdings Ltd., which is controlled by Mr. Timothy C. Melton.

## CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company believes in the importance of maintaining sound corporate governance practices. A description of the Company's Corporate Governance Practices is set out in Schedule A.

### Board of Directors

The mandate of the Board of Directors is to supervise the management of the business and affairs of the Company and to act with a view to the best interests of the Company.

There were five meetings of the Board of Directors in the fiscal year ended December 31, 2010.

As required, the Board of Directors will appoint a Special Committee to reside over special matters of the Company. During 2010, a Special Committee was formed to oversee the issuance and sale of \$40,000,000, 6.25% convertible, unsecured subordinated debentures that were completed on February 8, 2011.

### Director Compensation

As at March 8, 2011, the Company has 8 directors, including 5 independent directors and 3 executive directors. The Company defines independent directors according to the definition contained in National Instrument 52-110.

The Corporate Governance and Compensation Committee is responsible for reviewing the adequacy and form of compensation of the directors and the Lead Director to ensure compensation realistically reflects the responsibilities and risks involved in being an effective director.

Director compensation (other than those who are also officers of the company) is made up of an annual retainer and Director/chair retainer and meeting fees.

### Retainers and Fees

Effective January 1, 2010, director compensation was structured as follows:

- Annual director retainer .....	\$20,000 per year
- Board and Committee meeting fee .....	\$1,200 per meeting
- Lead director retainer <sup>1</sup> .....	\$2,500 per year
- Audit chair retainer <sup>1</sup> .....	\$7,500 per year
- Corporate governance and compensation chair retainer <sup>1</sup> .....	\$5,000 per year
- Special committee fees .....	\$1,200 per meeting

<sup>1</sup> Paid in addition to annual director retainer and meeting fees.

The Directors do not receive option-based awards, share-based awards, non-equity incentive plan compensation or pension income.

### Director Compensation Summary

Director	Annual retainer <sup>1</sup>	Meeting fees	All other compensation	Total
<b>William D. Grace</b>	30,000	14,400	1,200 <sup>2</sup>	45,600
<b>Ross A. Grieve</b>	20,000	8,400	-	28,400
<b>Catherine M. Roozen</b>	20,000	9,600	-	29,600
<b>Allan E. Scott</b>	25,000	8,400	1,200 <sup>2</sup>	34,600
<b>Gordon J. Clanachan<sup>5</sup></b>	20,000	12,000	1,200 <sup>2</sup>	33,200
<b>Andrew J. Melton<sup>3</sup></b>	15,000	3,600	15,000 <sup>4</sup>	33,600

- 1 Includes lead director and committee chair retainers.
- 2 Special committee fees.
- 3 Mr. Andrew J. Melton joined the Company as Executive Vice-Chairman on October 31, 2010. The amounts reflect the fees paid when Mr. Melton was a non-executive director.
- 4 Mr. Andrew J. Melton, through 277308 Alberta Ltd., a Company controlled by him, earned a management fee of \$15,000 for his assistance in the management of an income producing property in Lethbridge. This arrangement was terminated upon the commencement of his position as Executive Vice-Chairman for the Company.

This does not include commissions of \$299,810 paid to Avison Young Commercial Real Estate, an organization where Mr. Andrew J. Melton was a Principal. Mr. Melton resigned from this position on September 30, 2010 when he joined the Company as its Executive Vice-Chairman. The commissions were for services with respect to acquisitions, dispositions and leasing of real estate assets. The commissions paid were at or below market rates and the amounts are not considered to be material for financial reporting purposes.

- 5 Mr. Clanachan was appointed Chair of the Audit Committee February 1, 2011.

## COMPENSATION DISCUSSION AND ANALYSIS

Compensation matters are managed by the Corporate Governance and Compensation Committee, which is composed of Messrs. Allan E. Scott, William D. Grace and Mr. Ross A. Grieve, each presently an independent director of the Company. Meetings of the Corporate Governance and Compensation Committee are held periodically to review employee compensation policies and to consider the overall compensation to be paid by the Company. Following discussions by the members of the Corporate Governance and Compensation Committee, recommendations are made to the Board of Directors of the Company, which has final approval on all compensation matters.

The Corporate Governance and Compensation Committee has adopted a compensation philosophy for the Company to achieve an effective compensation structure that aligns the interests of management with that of the shareholders.

The Company's policy is to provide a total package which will both attract and retain qualified individuals and closely link incentives to corporate performance and with a focus on increasing shareholder value.

The compensation program for employees of the Company is composed of the following elements:

1. **Base Salary** plus basic benefits which primarily includes health care and a matching RRSP program. Salaries are considered to be based on lower range of levels for comparable positions that operate in the same regions; however, our annual incentive bonus typically results in higher than market bonuses paid to our executive management team. An executive compensation review was completed by an independent compensation consultant during fiscal 2010, as result of which the Committee concluded that total compensation to be within an acceptable range in comparison to industry peers. The Committee views the successful retention rates of the executive management team as proof that the Company's salary levels are appropriate.
2. **Annual incentive bonus** provides an opportunity to award competitive bonus compensation that is tied to the individual's and the Company's performance, and encourage employees to contribute to the overall performance. The combined salary and incentive bonus are intended to bring the compensation level of the employee to an above median salary level for companies that operate in the same regions.

Discretionary bonuses allow the Company to:

- Reward individuals for creating value in the current year that may not be realized for several years (which reflects the longer earnings cycle of real estate companies);
- Tailor payment amounts based on individual performance; and
- Determine amounts that directly correlate to the financial results of the Company.

The Executive Chairman and President & CEO present proposed bonuses for the executive management team for the Committee for approval.

3. **Share options** are considered part of the Company's long-term incentive plan, as share options vest over a period of years. This element is intended:
  - Align interest of employees and shareholders;
  - Contribute to the growth of shareholder value; and
  - Retain key employees and encourage employee share ownership.

The Corporate Governance and Compensation Committee is responsible for making annual recommendations to the Board of Directors with respect to compensation and benefits for the Executive Chairman and the President & Chief Executive Officer, the Company's other officers and certain senior personnel. The Committee receives data on salary levels from the Company and from independent surveys.

## Compensation for the Executive Chairman and President & Chief Executive Officer

Incentive bonuses are paid to the Executive Chairman and to the President & Chief Executive Officer based on an earnings based formula.

For 2010, the bonuses for the Executive Chairman and the President & Chief Executive Officer were calculated as follows:

- Executive Chairman = 1.5% of pre-tax earnings<sup>1</sup> less 6% of opening equity.
- President & CEO = 2.0% of pre-tax earnings<sup>1</sup> less 6% of opening equity

Note (1) 'Pre-Tax earnings' for the purposes of the bonus calculations equates to income before income taxes less the bonus accrual for the Executive Chairman, Executive Vice-Chairman, and the President & CEO.

## SUMMARY COMPENSATION TABLES FOR NAMED EXECUTIVE OFFICERS

Compensation for the chief executive officer, chief financial officer, and the next three most highly compensated executive officers (named executive officers or NEOs) is summarised in the following table:

Name and Principal Position	Fiscal Year	Non-equity incentive plan compensation				Total compensation
		Salary	Option-based awards	Annual incentive plans	Long-term incentive plans	
<b>Ralph B. Young</b> President and CEO	2010	370,000	325,100	851,806	-	1,546,906
	2009	330,000	167,000	260,880	-	757,880
	2008	350,000	9,300	712,091	-	1,071,391
<b>Michael D. Shabada</b> <sup>1</sup> Vice President, Finance and CFO	2010	216,470	68,733	43,750	-	328,953
	2009	176,400	33,000	75,000	-	284,400
	2008	176,400	2,000	65,000	-	243,400
<b>Timothy C. Melton</b> Executive Chairman	2010	335,000	462,567	638,854	-	1,436,421
	2009	300,000	234,000	195,660	-	726,660
	2008	318,000	13,200	534,068	-	865,268
<b>W. Peter Daly</b> Vice President, Land Development	2010	220,500	112,383	375,000	-	707,883
	2009	210,000	50,000	240,000	-	500,000
	2008	210,000	3,300	210,000	-	423,300
<b>Brian D. Baker</b> Vice President, Property Development	2010	162,000	93,817	200,000	-	455,817
	2009	144,000	50,000	175,000	-	369,000
	2008	144,000	2,600	200,000	-	346,600
<b>Darin A. Rayburn</b> Vice President, Investment Properties	2010	162,000	93,817	200,000	-	455,817
	2009	144,000	50,000	160,000	-	354,000
	2008	144,000	2,600	150,000	-	296,600

1 Mr. Shabada resigned from the Company on October 31, 2010. Ms. Stefura was Acting Chief Financial Officer from November 1, 2010 to January 24, 2011. Mr. Jonathan W. Chia was appointed Chief Financial Officer on January 24, 2011.

The non-equity plan compensation is accrued in the 2010 financial statements and paid to employees in three equal instalments in 2011 with the first instalment in mid February, the second instalment at the end of April and the last instalment at the end of June.

## Pension Plan Benefits

The Company does not have a pension plan for its NEOs or other employees.

## Employment Contracts

There are no contracts, agreements, plans or arrangements that provide payments to any NEOs in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, change of control of the Company or a change in duties or responsibilities.

## Option-Based Awards - Outstanding

Name and principal position	Option-based Awards <sup>3, 4</sup>			
	Number of Securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options <sup>2</sup>
<b>Ralph B. Young</b> President & CEO	30,000	19.34	Dec 17, 2012	-
	46,700	3.71	Dec 15, 2013	\$520,238
	50,000	10.94	Dec 17, 2014	\$195,500
	45,000	13.74	Dec 13, 2015	\$49,950
<b>Michael D. Shabada</b> <sup>1</sup> Vice President, Finance and CFO	4,000	16.60	July 27, 2013	-
	6,000	19.34	Dec 17, 2012	-
	5,000	3.71	Dec 15, 2013	\$55,700
	6,667	10.94	Dec 17, 2014	\$26,068
<b>Timothy C. Melton</b> Executive Chairman	45,000	19.34	Dec 17, 2012	-
	70,000	3.71	Dec 15, 2013	\$779,800
	70,000	10.94	Dec 17, 2014	\$273,700
	55,000	13.74	Dec 13, 2015	\$61,050
<b>W. Peter Daly</b> Vice President, Land Development	10,000	7.64	July 26, 2012	\$72,100
	4,000	16.60	July 27, 2013	-
	10,000	19.34	Dec 17, 2012	-
	25,000	3.71	Dec 15, 2013	\$278,500
	15,000	10.94	Dec 17, 2014	\$58,650
	25,000	13.74	Dec 13, 2015	\$27,750
<b>Brian D. Baker</b> Vice President, Property Development	10,000	7.64	July 26, 2012	\$72,100
	4,000	16.60	July 27, 2013	-
	7,500	19.34	Dec 17, 2012	-
	20,000	3.71	Dec 15, 2013	\$222,800
	15,000	10.94	Dec 17, 2014	\$58,650
	25,000	13.74	Dec 13, 2015	\$27,750
<b>Darin A. Rayburn</b> Vice President, Investment Properties	8,000	7.64	July 26, 2012	\$57,680
	4,000	16.60	July 27, 2013	-
	7,500	19.34	Dec 17, 2012	-
	20,000	3.71	Dec 15, 2013	\$222,800
	15,000	10.64	Dec 17, 2014	\$58,650
	25,000	13.74	Dec 13, 2015	\$27,750

- 1 Mr. Shabada resigned from the Company on October 31, 2010 and his options will terminate on April 30, 2012. Ms. Stefura was Acting Chief Financial Officer from November 1, 2010 to January 24, 2011. Mr. Jonathan W. Chia was appointed Chief Financial Officer on January 24, 2011.
- 2 The closing price of Melcor shares of \$14.85 as of December 31, 2010, was used for the purpose of calculating the aggregate value of the unexercised in-the-money options.
- 3 All option-based awards are granted with an exercise price equal to the volume weighted average trading price of the Company's common shares for the 20 trading days prior to the grant date, in accordance with appropriate share option plans.

- 4 Only option-based awards have been awarded to NEOs. The Company does not have a share-based awards plan or program.

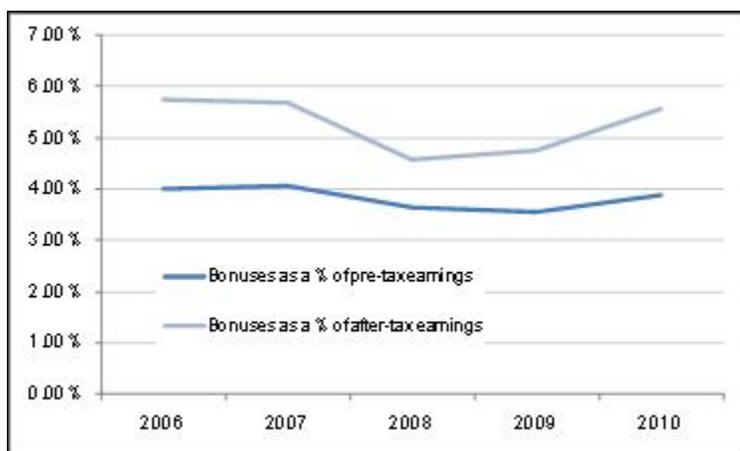
### Option-Based Awards – Value Vested or Earned During 2010

Name and principal position	Options-based awards Value vested during 2010 <sup>2</sup>	Non-equity plan compensation Value earned during 2010
Ralph B. Young	325,100	851,806
Michael D. Shabada <sup>1</sup>	68,733	43,750
Timothy C. Melton	462,567	638,854
W. Peter Daly	112,383	375,000
Brian D. Baker	93,817	200,000
Darin A. Rayburn	93,817	200,000

- 1 Mr. Shabada resigned from the Company on October 31, 2010. Ms. Stefura was Acting Chief Financial Officer from November 1, 2010 to January 24, 2011. Mr. Jonathan W. Chia was appointed Chief Financial Officer on January 24, 2011.
- 2 Option-based awards include only those options which were in-the-money on the vesting date.

### Incentive Bonus Graph

The following graph charts the incentive bonuses paid to NEOs as a percentage of pre-tax and after-tax earnings. Bonuses paid have been maintained within a consistent range the past 5 fiscal years.



## STOCK OPTION PLANS

### 2000 Share Option Plan

A share option plan was approved by the Board on September 28, 2000 (the "Plan") and approved by the shareholders at the Company's annual general meeting on May 17, 2001. Amendments to this plan were approved by the shareholders at the Company's general and special meeting on April 19, 2007. The purpose of the Plan was to assist the Company to attract, retain and motivate full-time employees of the Company by permitting those persons to participate in the growth and development of the Company through the acquisition of Common Shares. All full time employees and consultants are eligible to participate in the Plan.

The Plan initially provided for 3,000,000 Common Shares of the Company to be reserved for granting of options pursuant to the Plan. The aggregate number of shares issuable pursuant to options under the Plan is subject to adjustment in accordance with Section 10 of the Plan. The price payable upon the exercise of any option is set at the time of the grant, subject to regulatory requirements. The option price could not be less than the market price of the shares defined as the weighted average trading price on the TSX for the 20 consecutive days during which Common Shares were traded on the TSX immediately prior to the granting of the option. The Plan restricts the granting of options to any one person or Insider, within a one year period, to 5% of the outstanding Common Shares and restricts the granting of options to all insiders to 10% of the outstanding Common Shares. The Plan does not allow for any financial assistance by the Company to an Optionee to exercise options.

The termination of employment of an Optionee for cause by the Company, shall extinguish as of the date of termination of employment all right or entitlement of the Optionee to exercise any option that may be otherwise outstanding on that date. Upon the termination of employment of an Optionee without cause by the Company including death or permanent disability, the options shall remain exercisable for 6 months following the termination date to the extent that the Optionee was entitled to exercise the option on the termination date. Upon termination of employment of an Optionee due to retirement or resignation, the option shall remain exercisable for 60 days following the termination date to the extent that the Optionee was entitled to exercise the option on the termination date.

The Plan may be amended by the Board at any time, subject to applicable law (including, without limitation, the rules, regulations and policies of The Toronto Stock Exchange), if any, that requires the approval of shareholders or any governmental or regulatory body. Without limiting the generality of the foregoing, the Board may make the following types of amendments to the Plan without seeking shareholder approval:

- a) amendments of a "housekeeping" nature;
- b) amendments necessary to comply with the provisions of applicable law or regulation;
- c) a change to the vesting provisions of a security or the Plan;
- d) a change to the termination provisions of an option or the Plan which does not entail an extension beyond the original expiry date;
- e) amendments respecting administration of the Plan;
- f) the addition, removal or modification of a cashless exercise feature, payable in cash or Common Shares, provided that there is a full deduction of the number of underlying common shares from the Plan reserve;
- g) amendments necessary to suspend or terminate the Plan; and

- h) any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law (including, without limitation, the rules, regulations and policies of The Toronto Stock Exchange).

Shareholder approval will be required for the following types of amendments:

- i) amendments to the number of Common Shares issuable under the Plan, including an increase to a fixed maximum number of Common Shares or a change from a fixed maximum number of Common Shares to a fixed maximum percentage;
- ii) any amendment which reduces the exercise price or purchase price of an option held by an insider;
- iii) any amendment extending the term of an option beyond its original expiry date except as otherwise permitted by the Plan;
- iv) the adoption of any option exchange involving the cancellation and re-issuance of options;
- v) any amendment expanding participants to include non-employee directors; and
- vi) amendments required to be approved by shareholders under applicable law (including, without limitation, the rules, regulations and policies of The Toronto Stock Exchange).
- vii) To the extent of any conflict between subsections a) to h) and subsections i) to vi) above, the latter shall prevail. The Board may, in its discretion, suspend or terminate, or fix a date for the termination of the Plan. No such termination shall affect any grants previously made which have neither expired nor been terminated.

Although the Board may determine that options shall expire unless exercised on or before the tenth anniversary from the date of grant, the Board will normally use the seventh anniversary from the date of grant as the option expiry date. Options are not assignable. The Company does not have the ability to transform the option into a stock appreciation right involving the issuance of securities from treasury. The right to exercise an option vests in accordance with the limitations as set out in Section 6.4 of the Plan. The vesting period was established by the Board at the time of the grant and was normally over five years. Subject to prior approval, if required, of the TSX, the Board may amend or discontinue the Plan. It has been the intention of the Board since February 23, 2007 to not grant any options from this plan.

### **2007 Share Option Plan**

A new share option plan was approved by the Board on February 23, 2007 (the "2007 Plan") and by the shareholders at the Company's annual general meeting on April 19, 2007. A copy of the 2007 Plan is attached to the Information Circular of the Company filed March 16, 2006 and may be accessed on SEDAR at [www.sedar.com](http://www.sedar.com). The purpose of the 2007 Plan is to assist the Company and its Subsidiaries to attract, retain and motivate eligible participants of the plan being full-time employees and directors and persons who provide key services to the Company or its Subsidiaries by permitting those persons to participate in the growth and development of the Company through the acquisition of Share options.

The 2007 Plan provides for 3,000,000 Common Shares of the issued and outstanding common shares to be reserved for granting of options. The aggregate number of common shares issuable pursuant to options under the 2007 Plan is subject to adjustment in accordance with Section 8 of the 2007 Plan. The price payable upon the exercise of any Option is set at the time of the grant, subject to regulatory requirements, and shall not be less than Market Price, as such term is defined in the 2007 Plan. The Plan restricts the granting of options to any one person or Insider, within a

one year period, to 5% of the outstanding Common Shares and restricts the granting of options to all insiders to 10% of the outstanding Common Shares.

The terms of the Option shall be a period of time fixed by the Board, not to exceed the maximum period of time permitted by the TSX. Options shall be exercisable in whole or in part at any time during this period in accordance with such vesting provisions, in accordance with limitations as set out in Articles 7 and 9 of the 2007 Plan. The vesting period is established by the Board at the time of the grant. No financial assistance is provided by the Company to Optionees to facilitate the purchase of securities with respect to the 2007 Plan.

If an Optionee ceases to be a director, officer, employee or Service Provider of the Company or a Subsidiary for any reason other than death, including the resignation or retirement and termination of employment by the Company or a Subsidiary, the Option shall remain exercisable for 60 days following the effective date of such notice of resignation or retirement to the extent that the Optionee was entitled to exercise the Option on the termination date. In the event of termination of employment for cause by the Company or a Subsidiary, the Option shall expire and terminate immediately at the time of delivery of notice of termination of employment. In the event of death or Permanent Disability of an Optionee, the Option shall remain exercisable for six months from the date of death or the date of Permanent Disability, subject to such shorter period as may be otherwise specified in a stock option agreement. Options are not transferable or assignable unless specifically provided or to the extent, if any, permitted by TSX.

Subject to prior approval, if required, of the TSX, the Board may amend the terms of the 2007 Plan without the consent of the Optionee provided that the amendment will not adversely alter or impair any Option previously granted except as permitted by Article 13.2(c) and the adjustment provisions of Article 8. If the 2007 Plan is terminated, the provisions of the 2007 Plan and any administrative guidelines adopted by the Board and in force on the date of termination will continue in effect as long as any Option or any rights pursuant thereto remain outstanding and the Board will remain able to make such amendments to the 2007 Plan or the Options outstanding.

#### **Securities Authorized for Issuance under Stock Option Plans**

Certain NEOs, directors, employees and independent contractors have been granted stock options pursuant to the stock option plan of the predecessor companies prior to amalgamation and the Plan.

As at the end of the Company's most recently completed year-end, the Company had outstanding stock options granted, as adjusted to reflect any amalgamations, to its directors, officers, employees and independent contractors as set out in the following table:

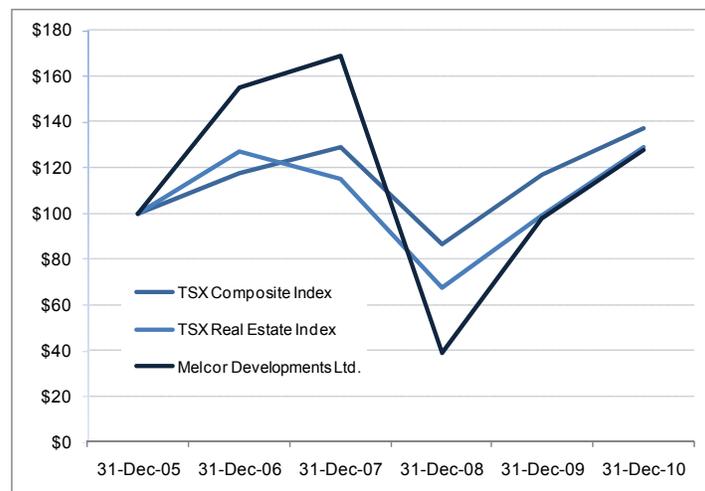
Plan category as at March 8, 2011	2007 Share Option Plan	2000 Share Option Plan	Total
Options issued and not exercised	1,273,267	176,700	1,449,967
Options available for issue	1,627,733	77,400	1,705,133
Securities issued and issuable	2,901,000	254,100	3,155,100
Options issued and not exercised	4.2%	0.6%	4.8%
Options available for issue	5.4%	0.3%	5.7%
Securities issued and issuable	9.6%	0.8%	10.5%

In the period between the year-end and March 8, 2010, 3,100 share options were exercised under the plans.

## PERFORMANCE GRAPH

The following graph compares total shareholder return for \$100 invested in our common shares at December 31, 2005 (assuming all dividends are reinvested), against the total return of the S&P TSX Composite Index and the TSX Real Estate Index.

Year	TSX Composite Index	TSX Real Estate Index	Melcor Developments Ltd.
31-Dec-05	100	100	100
31-Dec-06	117	127	155
31-Dec-07	129	115	169
31-Dec-08	86	67	39
31-Dec-09	117	99	97
31-Dec-10	137	129	127



## NORMAL COURSE ISSUER BID

On July 29, 2010, the Company obtained approval from the TSX to purchase up to 1,516,000 (a maximum of 5%) of its issued and outstanding common shares in a twelve-month period. The NCIB commenced on the August 3, 2010 and terminates on August 2, 2011. Purchases of common shares under the NCIB were effected through the facilities of the TSX at the market price at the time of purchase. A total of 277,500 common shares at an average weighted price of \$11.65 were purchased pursuant to the NCIB in the year (2009 – nil).

## ADDITIONAL INFORMATION

Additional information relating to the Company's business is available on SEDAR at [www.sedar.com](http://www.sedar.com) or under the 'Melcor Corporate' tab on the Company's website at [www.melcor.ca](http://www.melcor.ca).

Additional financial information about the Company is provided in the comparative consolidated financial statements and management's discussion and analysis in its annual report for the year ended December 31, 2010.

Copies of these documents and any other documents incorporated by reference, additional interim financial statements for periods subsequent to December 31, 2010 and additional copies of this MIC are available on request.

Please direct your request for materials to:

By Mail: Investor Relations  
Melcor Developments Ltd.  
900, 10310 Jasper Avenue  
Edmonton, Alberta T5J 1Y8

By Phone: 780-423-6931

By Fax: 780-426-1796

Or by Email: [info@melcor.ca](mailto:info@melcor.ca)

## **APPROVAL OF DIRECTORS**

Melcor's board of directors has approved the content and the sending of this MIC to the shareholders.

**SCHEDULE A**  
**MELCOR DEVELOPMENTS LTD.**  
**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

Melcor's Board of Directors believes in the importance of maintaining sound corporate governance practices, and has therefore established the Corporate Governance and Compensation Committee to periodically review, evaluate and modify governance processes as necessary. The following table summarizes Melcor's governance procedures according to National Instrument 58-101 of the Canadian Securities Administrators (CSA).

CSA Corporate Governance Guidelines	Comments
<b>1. Board of Directors</b>	
(a) Disclose the identity of directors who are independent.	The independent directors are:  William. D. Grace Gordon J. Clanachan Ross A. Grieve Catherine M. Roozen Allan E. Scott
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	Ralph B. Young – President and Chief Executive Officer of the Company Timothy C. Melton – Executive Chairman of the Company Andrew J. Melton – Executive Vice-Chairman of the Company  Mssrs. Timothy C. Melton & Andrew J. Melton together control more than 50% of the voting shares of Melton Holdings Ltd., the controlling shareholder of Melcor Developments Ltd.
(c) Disclose whether or not a majority of directors are independent.	A majority of the Board of Directors is independent.
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	Only Mr. Grace and Mr. Clanachan are directors of other reporting entities. Mr. Grace is a director of Medwell Capital Corp. and Mr. Clanachan is a trustee of XS Cargo Income Fund.
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.	The Audit Committee and the Corporate Governance and Compensation Committee consist solely of independent directors.  Periodically as required, the Board of Directors will meet in camera at which only the independent directors are in attendance.

CSA Corporate Governance Guidelines	Comments																
<p>(f) Disclose whether or not the chair of the Board of Directors is an independent director. If the Board of Directors has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities.</p>	<p>The Chairman of the Board of Directors is Mr. Timothy. C. Melton who is not an independent director. The Board has appointed Mr. William. D. Grace as the Lead Director. The role and responsibilities of the Lead Director are as follows:</p> <ul style="list-style-type: none"> <li>• to develop the agenda for the Executive Sessions of the Board as required</li> <li>• to act as a liaison between the Company's management and the Board where and if required</li> <li>• to chair the meetings of the Board in the absence of the Executive Chairman</li> <li>• to ensure the Board is carrying out its responsibilities in accordance with (a) good governance practices (b) the constating documents of the Company, and (c) the approved corporate governance guidelines</li> <li>• to consider any other appropriate structures and procedures to ensure that the Board can function independently of management</li> <li>• to undertake the lead on any other corporate governance matters that the Board may require or request from time to time</li> </ul>																
<p>(g) Disclose the attendance record of each director for all meetings of the Board of Directors held since the beginning of the issuer's most recently completed financial year.</p>	<table border="0"> <tr> <td>Timothy C. Melton</td> <td>5/5</td> </tr> <tr> <td>William D. Grace</td> <td>5/5</td> </tr> <tr> <td>Gordon J. Clanachan</td> <td>5/5</td> </tr> <tr> <td>Ross A. Grieve</td> <td>5/5</td> </tr> <tr> <td>Andrew J. Melton</td> <td>5/5</td> </tr> <tr> <td>Catherine M. Roozen</td> <td>4/5</td> </tr> <tr> <td>Allan E. Scott</td> <td>5/5</td> </tr> <tr> <td>Ralph B. Young</td> <td>5/5</td> </tr> </table>	Timothy C. Melton	5/5	William D. Grace	5/5	Gordon J. Clanachan	5/5	Ross A. Grieve	5/5	Andrew J. Melton	5/5	Catherine M. Roozen	4/5	Allan E. Scott	5/5	Ralph B. Young	5/5
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Allan E. Scott	5/5																
Ralph B. Young	5/5																
<h2>2. Board of Directors' Mandate</h2>																	
<p>Disclose the text of the Board of Directors' mandate.</p>	<p>The Board has adopted Corporate Governance Guidelines which, amongst other matters, set out the Board's principal responsibilities which are:</p> <ul style="list-style-type: none"> <li>• adoption of a corporate strategic planning process</li> <li>• managing risks and protecting shareholder value</li> <li>• succession planning including appointing, developing and monitoring senior management</li> <li>• communications policy</li> <li>• internal corporate controls and management information systems</li> <li>• corporate governance</li> <li>• knowledge and understanding of the business and business conduct and integrity</li> </ul>																

CSA Corporate Governance Guidelines	Comments
<b>3. Position Descriptions</b>	
(a) Disclose whether or not the Board of Directors has developed written position descriptions for the chair and the chair of each committee of the Board of Directors.	The Board of Directors has developed written position descriptions for the Executive Chairman, Executive Vice-Chairman, Lead Director and the Chairman of each Board committee.
(b) Disclose whether or not the Board of Directors and CEO have developed a written position description for the CEO.	The Board has developed and approved a written position description for the President and Chief Executive Officer.
<b>4. Orientation &amp; Continuing Education</b>	
(a) Briefly describe what measures the Board of Directors takes to orient new directors regarding:	
i) the role of the Board of Directors, its committees and its directors	Each Board member has a "director's manual" which is periodically updated as required. The manual includes the Board Corporate Governance guidelines, which includes the role of the Board and the terms of reference for each Board committee.
ii) the nature and operation of the issuer's business.	Senior managers, other Melcor employees and external advisors make periodic presentations at Board meetings on a variety of business issues and strategies. Directors participate on property tours from time to time. At each Board meeting, the Executive Chairman and the President review and discuss current business issues, challenges and opportunities.
(b) Briefly describe what measures the Board of Directors takes to provide continuing education for its directors.	The Board tries to have at least one meeting per year at a regional location other than Edmonton, which is usually accompanied by a tour of the region's assets and development activities.
<b>5. Ethical Business Conduct</b>	
(a) Disclose whether or not the Board of Directors has adopted a written code for the directors, officers and employees. If the Board of Directors has adopted a written code:	The Board of Directors has approved a Business Code of Conduct for the Company that is applicable to all directors, officers and employees.
i) disclose how a person or company may obtain a copy of the code	Our Business Code of Conduct is available on our website <a href="http://www.melcor.ca">www.melcor.ca</a> and on SEDAR at <a href="http://www.sedar.com">www.sedar.com</a> . The Code will be mailed to anyone on request by contacting Melcor's Chief Financial Officer.

CSA Corporate Governance Guidelines	Comments
ii) describe how the Board of Directors monitors compliance with its code, or if the Board of Directors does not monitor compliance, explain whether and how the Board of Directors satisfies itself regarding compliance with its code  iii)	All new employees are required to read the Code as part of the orientation process. Employees are reminded annually about Melcor's policies, including the Business Code of Conduct, as part of the annual performance review process.
iv) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	The Board has not granted any waiver of the Business Code of Conduct.
(c) Describe any steps the Board of Directors takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.	Melcor's Business Code of Conduct outlines the Company's conflict of interest guidelines.  If a director has a material interest in a specific topic, they are not permitted to be present when the matter is discussed or voted upon. Care is taken to ensure all director conflicts are documented in the meeting minutes.
(d) Describe any other steps the Board of Directors takes to encourage and promote a culture of ethical business conduct.	Ethical business conduct is a constant focus of the Board. Board members are encouraged to interact with employees and members of the management team. The Board encourages senior management to promote ethical conduct among all employees.
<b>6. Nomination of Directors</b>	
(a) Describe the process by which the Board of Directors identifies new candidates for Board of Directors nomination.	The Corporate Governance and Compensation Committee is responsible for identifying new candidates for recommendation to the Board for ultimate recommendation to the shareholders. There is no specific written process for the nomination process.
(b) Disclose whether or not the Board of Directors has a nominating committee composed entirely of independent directors.	The nomination process is the responsibility of the Corporate Governance and Compensation Committee, which is composed entirely of independent directors.
(c) If the Board of Directors has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	See response in the above comment.

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<b>7. Compensation</b>	
(a) Describe the process by which the Board of Directors determines the compensation for the issuer's directors and officers.	The Corporate Governance and Compensation Committee receive data on salary levels from the Company and from independent surveys. Compensation is based upon median compensation levels for comparable companies and on individual performance and experience in the position. All compensation levels are reviewed annually.
(b) Disclose whether or not the Board of Directors has a compensation committee composed entirely of independent directors.	Compensation matters are a responsibility of the Corporate Governance and Compensation Committee, which is composed entirely of independent directors.
(c) If the Board of Directors has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The Corporate Governance and Compensation Committee sets the salary and bonus formulas for the Executive Chairman and President & CEO of the Company. The Committee also ratifies compensation for other Executive Officers and receives compensation information on all other Managers of the Company.
(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained.	The Company has not engaged a compensation consultant or advisor at any time during the most recently completed financial year.
<b>8. Other Board Committees</b>	
If the Board of Directors has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	The Board has no other Committees other than the Audit Committee and the Corporate Governance and Compensation Committee.

CSA Corporate Governance Guidelines	Comments
<b>9. Assessments</b>	
<p>Disclose whether or not the Board of Directors, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board of Directors satisfies itself that the Board of Directors, its committees, and its individual directors are performing effectively.</p>	<p>The Corporate Governance and Compensation Committee has the responsibility for assessing the Board's effectiveness as a whole. A periodic self-assessment is conducted with the findings reported to the full Board. The assessment process examines the effectiveness of the Board as a whole and specifically reviews areas that the Board members believe could be improved to ensure the continued effectiveness of the Board in the execution of its responsibilities. An assessment of each individual director is not performed.</p>