



## **2017** MANAGEMENT INFORMATION CIRCULAR

March 7, 2018

**All Shareholders are Invited to Our  
Annual & Special Meeting:**

**The Westin Edmonton**

Devonian Room  
10135 100 Street NW  
Edmonton, AB T5J 0N7

Thursday, May 10  
11:00 AM

**Your Vote is Important**

Please follow the instructions starting on page 12 to vote your proxy.

**IN PERSON**



**PHONE**



**MAIL**



**ONLINE**



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## Date of Information

All information contained in this information circular is as of March 7, 2018 unless otherwise stated.

## Other Information

Additional information about Melcor Developments Ltd. (Melcor), including our annual information form and annual and quarterly reports, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Forward-Looking Statements

In order to provide our investors with an understanding of our 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 (Circular) and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements represent Melcor's intentions, plans, expectations, and beliefs and are based on our experience and our 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 our strategic initiatives for 2018 and beyond, future development plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition or the results of or outlook of our operations.

By their nature, forward-looking statements require assumptions and involve risks and uncertainties related to the business and general economic environment, many beyond our control. There is significant risk that the predictions, forecasts, valuations, conclusions or projections we make will not prove to be accurate and that our actual results will be materially different from targets, expectations, estimates or intentions expressed in forward-looking statements. We caution readers of this document not to place undue reliance on forward-looking statements. Assumptions about the performance of the Canadian and US economies and how this performance will affect Melcor's business are material factors we consider in determining our forward-looking statements. For additional information regarding material risks and assumptions, please see the discussion under "Business Environment & Risks" in our annual MD&A for the year ended December 31, 2016, which is incorporated by reference.

Readers 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, we do not undertake to update any forward-looking statement, whether written or oral, made by the company or on its behalf.

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# We Welcome You to Our 2018 Annual & Special Meeting of Shareholders

Dear Fellow Shareholders,

On behalf of Melcor's Board of Directors and our management team, I invite you to attend the 2018 annual and special meeting of shareholders and a celebration of our 50th anniversary as a public company.

We are pleased to host this event at:

**WHERE:**

**The Westin Edmonton**  
Devonian Room  
10135 100 Street NW  
Edmonton, AB

**WHEN:**

Thursday, May 10, 2018  
11:00 AM MDT

At the meeting, our management team will review Melcor's 2017 operating and financial performance, as well as our plans for the remainder of 2018. You will have an opportunity to meet members of our management team and Board of Directors and to discuss items of interest to you.

The business items to be dealt with are described in this notice of meeting and management information circular.

Additional documentation and information concerning Melcor, including our annual report, is available on our website at [www.melcor.ca](http://www.melcor.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com).

If you are unable to attend the annual and special meeting in person, or if you hold your shares in the name of a nominee, such as a brokerage firm, I encourage you to vote in advance by any of the means available to you, as described on page 12 of this information circular.

We look forward to seeing you at the meeting.

Sincerely,



Timothy Melton  
Chairman

# Notice of Annual & Special Meeting of Shareholders

**WHERE:**

**The Westin Edmonton**  
Devonian Room  
10135 100 Street NW  
Edmonton, AB T5J 0N7

**WHEN:**

Thursday, May 10, 2018  
11:00 AM MDT

**RECORD DATE:**

March 12, 2018

**AT THE MEETING YOU WILL BE ASKED TO:**

1. **Receive** Melcor's consolidated financial statements for the fiscal year ended December 31, 2017 and the auditor's report on those statements;
2. **Fix** the number of members of the Board of Directors to be elected at nine (9);
3. **Elect** Directors to the Board of Melcor;
4. **Appoint** PricewaterhouseCoopers LLP, Chartered Accountants, as Melcor's auditors for the ensuing year at a remuneration to be fixed by the Board of Directors;
5. **Consider and, if deemed advisable, approve by ordinary resolution**, with or without variation, amendments to Melcor's 2007 Share Option Plan (including an increase in the number of common shares issuable thereunder);
6. **Consider and, if deemed advisable, approve by ordinary resolution**, with or without variation, a restricted share unit plan; and
7. **Transact** any other business properly brought before the meeting, or any adjournment thereof.

Please read this circular for detailed information on the matters that will be considered and voted on at the meeting.

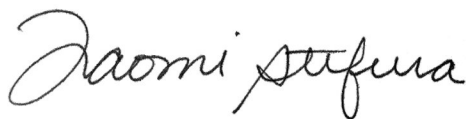
**YOUR VOTE IS IMPORTANT:** Please follow the instructions for completing and returning the enclosed form of proxy whether you plan to attend the meeting in person or not.

Please note that Melcor has opted to use notice and access for the delivery of meeting materials to shareholders. Under notice and access, shareholders will receive a Notice & Access Notification with instructions on how to access our proxy material for the fiscal year ended December 31, 2017. This Notice also provides instructions on how to vote online and how to request a paper copy of the proxy materials by mail. For your vote to be recorded, it must be received by our transfer agent, AST Trust Company (Canada), no later than 11:00 AM Mountain Daylight Time on May 8, 2018.

Shareholders as at March 12, 2018 will be entitled to vote at the meeting. If you acquired your shares after this time and wish to vote them at the meeting, please refer to the instructions on page 6, "What if I acquired my shares after March 12, 2018?"

**Dated** as of the 7<sup>th</sup> day of March 2018.

**BY ORDER OF THE BOARD OF DIRECTORS**



Naomi Stefura  
Chief Financial Officer and Corporate Secretary  
Melcor Developments Ltd.

**IMPORTANT NOTICE REGARDING AVAILABILITY  
OF MATERIALS**

Proxy materials, including our 2017 Annual Report, are available online:

[www.sedar.com](http://www.sedar.com)

[www.melcor.ca/ASM2018](http://www.melcor.ca/ASM2018)

To request a paper copy, please see instructions on page 4 "Requesting Paper Copies"

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## General Information

This management information circular (circular) provides shareholders with information to help make voting decisions at the Melcor Developments Ltd. (Melcor or the Company) Annual and Special Meeting of Shareholders (ASM or meeting) to be held on May 10, 2018.

### Notice-and-Access

Melcor has elected to use notice-and-access rules which allow Melcor to post electronic versions of proxy-related materials on-line without mailing such documents directly to shareholders, provided that notice of such posting is sent to shareholders by mail.

All shareholders, except those who have previously requested to receive paper copies of Melcor's financial information, will receive only a notice-and-access notification and a voting instruction form. If you receive the notice and would like to receive a paper copy of our proxy-related materials, financial statements or MD&A, please follow the instructions under the heading *Requesting Paper Copies*.

All materials will be forwarded to shareholders at Melcor's expense.

We anticipate that notice-and-access will directly benefit Melcor through substantial reductions in postage and printing costs. We believe that notice-and-access is an environmentally responsible method of communicating with shareholders by reducing the large volume of paper documents generated by printing proxy-related materials.

Shareholders with questions about notice-and-access can contact:

<b>Melcor:</b>	1-855-673-6931 (toll-free)
<b>AST Trust Company:</b>	1-800-387-0825 (toll-free)

### Requesting Paper Copies

You may make a request to receive a paper copy of Melcor's proxy-related materials, financial statements or MD&A up to one year from the date the circular was filed on SEDAR. Please direct your request for materials to:

#### *Melcor Developments Ltd.*

<b>By Mail:</b>	Investor Relations 900, 10310 Jasper Avenue Edmonton, Alberta T5J 1Y8
<b>By Phone:</b>	1-855-673-6931 x 4707
<b>By Fax:</b>	780-426-1796
<b>By Email:</b>	ir@melcor.ca

The annual material is also available electronically at: [www.melcor.ca/ASM2018](http://www.melcor.ca/ASM2018)

We estimate that shareholder requests for paper copies of the circular, financial statements and MD&A will need to be received prior to April 27, 2018 in order to have sufficient time to receive and review the materials requested and return the completed form of proxy by the due date described under *Voting Instructions on page 12*.

We intend to pay for intermediaries to forward proxy-related materials to objecting beneficial owners.

### 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 such as a bank, trust company, securities broker, trustee or other institution.

All references to shareholders in this circular and the accompanying notice of meeting and proxy form are to registered shareholders 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.

## Annual and Interim Reports

Shareholders who wish to receive paper copies of Melcor's interim and annual reports may fill out and return the Supplemental Mailings form enclosed with the notice package. You may also complete this form to receive email notice of the availability of electronic files.

If you are a Beneficial Shareholder, you made an election to receive or not receive company information through your Intermediary. If you wish to change your election, you will need to do so through your intermediary.

**We maintain perpetual shareholder mailing lists for both electronic notices and quarterly and annual hard copy mailings. All shareholders and interested parties can be added to the perpetual list by request to Melcor Investor Relations. Please specify whether you wish to be added to the electronic list, the paper list or both.**

**By Mail:** Investor Relations  
900, 10310 Jasper Avenue  
Edmonton, Alberta T5J 1Y8

**By Phone:** 1-855-673-6931 x 4707

**By Fax:** 780-426-1796

**By Email:** [ir@melcor.ca](mailto:ir@melcor.ca)

**NOTE: You will remain on this list until you request removal.**

Melcor's annual report can be accessed at [www.melcor.ca/ASM2018](http://www.melcor.ca/ASM2018) or you can request a copy by contacting us via the methods described above.

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## Frequently Asked Questions About the Meeting

### Who is soliciting my proxy?

Melcor's management is soliciting your proxy for the shareholder meeting on May 10, 2018. We pay the cost of proxy solicitation for all registered and non-objecting beneficial shareholders. We will pay for intermediaries to forward information to objecting beneficial owners (OBOs). OBOs will receive proxy materials. Certain Melcor employees may also solicit proxies by email, telephone or in person.

### What will I be voting on?

Shareholders will vote to:

- Fix the number of members of the Board of Directors to be elected at the Meeting at nine (9)
- Elect the directors
- Approve by ordinary resolution, with or without variation, amendments to Melcor's 2007 Share Option Plan (including the increase in the number of common shares issuable thereunder)
- Approve by ordinary resolution, with or without variation, a restricted share unit plan
- Appoint PricewaterhouseCoopers LLP as auditors
- Other business, if any

### How will these matters be decided?

A majority of the votes cast, by proxy and in person, will constitute approval of all matters at the annual and special meeting.

### Who counts the votes?

Proxies will be counted and tabulated by Melcor's transfer agent, AST Trust Company (Canada).

### How can I contact the Transfer Agent?

**By Mail:** AST Trust Company (Canada)  
P.O. Box 700  
Station B  
Montreal, QC H3B 3K3  
CANADA

**By Phone:** 1-800-387-0825

**By Fax:** 1-888-249-6189

**By Email:** [inquiries@astfinancial.com](mailto:inquiries@astfinancial.com)

### How many votes do I have?

You will have one vote for each common share you held at the close of business on March 12, 2018 (the record date). The list of shareholders entitled to vote will be available for inspection at the meeting.

## What if I acquired my shares after March 12, 2018?

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. 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 return a proxy, but do not specify 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 nine (9);
- **FOR** the election of each of management's proposed Director nominees;
- **FOR** the appointment of PricewaterhouseCoopers LLP as auditors and to authorize the Directors to fix their remuneration;
- **FOR** the approval of amendments to Melcor's 2007 Share Option Plan (including an increase in the number of common shares issuable thereunder; and
- **FOR** the approval of the adoption of a restricted share unit plan.

## How many shares are entitled to vote?

Melcor has an authorized capital consisting of an unlimited number of common shares without nominal or par value, each carrying the right to vote, of which 33,395,651 common shares are issued and outstanding as of the close of business on March 12, 2018.

## How do I vote?

See "Voting Instructions", page 12.

## What is quorum for the meeting?

Melcor's bylaws 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 or their appointed proxy, and representing in the aggregate no less than five (5%) percent of Melcor's outstanding common shares carrying voting rights.

## 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 of Meeting.

If, however, other matters properly come before the meeting, the persons named on the enclosed form of proxy will vote them in accordance with their judgment, pursuant to the discretionary authority conferred by the form of proxy with respect to such matters.

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.

## Are there any principal shareholders?

Based on public filings, as of March 7, 2018, the following people beneficially own, directly or indirectly, or exercise control or direction over more than ten percent (10%) of the issued and outstanding common shares of Melcor.

Name of Shareholder	Number of Common Shares Beneficially Owned	% of Outstanding Common Shares Beneficially Owned or Controlled
Melton Holdings Ltd.	15,688,347	46.98%

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 Melcor'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.



# Business to be Conducted At the Meeting

In the absence of proxy instructions, management proxyholders will vote for all matters outlined below.

## 1. RECEIVE FINANCIAL STATEMENTS

Our consolidated financial statements and MD&A for the year ended December 31, 2017, together with the auditors' report on those statements will be presented at the meeting. You will find these documents in our annual report, which is available on our website.

The audited consolidated financial statements have been reviewed and recommended for approval by the Audit Committee and approved by the full Board of Directors.

*Shareholders are not required to vote on the audited consolidated financial statements*

## 2. FIX NUMBER OF DIRECTORS

We propose that the Board of Directors consist of nine (9) members for the coming year. Management intends to place before the meeting, for approval, with or without modification, a resolution fixing the Board of Directors at nine (9) members for the ensuing year.

*The board recommends you vote **FOR** fixing the directors at 9*

## 3. ELECT DIRECTORS

You will elect 9 directors to serve on our board until the close of the next annual meeting or until their successors are elected or appointed. You will find information about each nominated director beginning on page 14. We, the board and management of Melcor, believe the nominees are well qualified to serve as directors. All nominees have confirmed their eligibility and willingness to serve.

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 at 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.

*The board recommends you vote **FOR** each nominated director*

## MAJORITY VOTING POLICY

We have a majority voting policy. Any nominee in an uncontested election who receives more *withhold* votes than votes in his or her favour shall be considered to not have received the support of shareholders and is expected to immediately resign from the board.

The majority voting policy does not apply to a contested election where the number of nominees exceeds the number of directors to be elected.

Nominees for election to the board must agree to the policy before their names are recommended for election.

In the event any director fails to tender his or her resignation in accordance with the policy, the Board will not re-nominate the director.

## EMPLOYMENT EQUITY & DIVERSITY POLICY

Our employment equity and diversity policy applies to all positions at Melcor, including director nominees. See Appendix D for Melcor's employment equity and diversity policy.

## 4. APPOINT AUDITORS

You will vote on appointing PricewaterhouseCoopers LLP, Chartered Accountants (PwC), as Melcor's independent auditors until the next meeting of shareholders and to authorize the board to fix the auditors remuneration. PwC and its predecessor companies have been Melcor's auditors since the company became public in 1968.

*The board recommends you vote **FOR** PwC as our independent auditors*

The following table shows the services PwC provides and the fees we have paid to them for the past 2 years.

	2017	2016
Audit fees	\$163,500	\$153,500
Audit-related fees <sup>1</sup>	163,950	160,750
Tax fees <sup>2</sup>	109,000	44,850
Internal Controls Compliance	45,500	44,000
All other fees <sup>3</sup>	10,500	18,200
<b>Total</b>	<b>\$492,450</b>	<b>\$421,300</b>

1. Audit related fees include fees for subsidiary companies, joint arrangements, 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.

Additional information regarding Melcor's Audit Committee (required in accordance with National Instrument 52-110 – "Audit Committees") is contained in Melcor's annual information form dated March 7, 2018, under the heading "Audit Committee," and a copy of the Terms of Reference of the Audit Committee is attached to the annual information form as Schedule A. Melcor's annual information form is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## 5. AMENDMENTS TO THE 2007 SHARE OPTION PLAN

The 2007 Share Option Plan was approved by the Board of Directors on February 23, 2007 and by the shareholders at Melcor's annual general meeting on April 19, 2007. Details of the 2007 Share Option Plan are included under "Share Option Plans" on page 25.

The 2007 Share Option Plan currently provides for a maximum issuance of 3,000,000 common shares when combined with a prior plan (representing approximately 9.0% of the current issued and outstanding common shares).

The 2007 Share Option Plan currently does not provide for any form of cashless exercise. Past experience has demonstrated that many Optionee's, in connection with the exercise of Options, sell a portion of the common shares in order to cover the exercise price of such Options. Consequently, in order to reduce dilution arising on the exercise of Options, it is proposed that the 2007 Plan be amended to give Optionee's the ability to exercise Options on a cashless basis as set forth in the Amended and Restated 2007 Share Option Plan (see Schedule A). Should any optionee exercise such cashless exercise right, only the net number of

common shares issued will not be available for subsequent option grants.

To date 1,299,787 common shares have been issued upon the exercise of options granted under the 2007 Share Option Plan and a prior plan, resulting in 1,700,213 common shares being available for issuance (representing approximately 5.1% of the current issued and outstanding common shares). Of this reserve, 972,247 common shares are issuable pursuant to outstanding options (representing approximately 2.9% of the current issued and outstanding common shares), leaving a reserve of 727,966 common shares issuable pursuant to future Option awards (representing approximately 2.2% of the current issued and outstanding common shares).

Melcor proposes to increase the number of common shares available for issuance under the 2007 Share Option Plan, when combined with common shares reserved for issuance under the proposed restricted share unit plan (should it be adopted), by 1,599,787 common shares (representing total dilution of approximately 4.8% of the current issued and outstanding common shares), of which 1,299,787 common shares would replenish previously exercised Options and 300,000 would increase the limit of the 2007 Share Option Plan to 3,300,000 common shares. If such increase is approved by the shareholders, the total number of common shares reserved for issuance under the 2007 Share Option Plan, when combined with common shares issuable under the proposed restricted share unit plan, would represent total potential dilution of approximately 9.9 percent of the current issued and outstanding common shares.

Further, Melcor proposes to limit the dollar value of Options granted to any one non-employee director within any one-year period at \$100,000. The value is to be determined using a generally accepted valuation model.

The above proposed amendments are reflected in the Amended and Restated 2007 Share Option Plan attached as Schedule "A".

At the meeting, you will be asked to vote in favour of the following resolution, with or without variation, to adopt the Amended and Restated 2007 Share Option Plan. The TSX has conditionally approved the Amended and Restated 2007 Share Option Plan, subject to shareholder approval.

To be adopted, the resolution must be approved by a majority of votes cast on the question:

BE IT RESOLVED THAT:

1. The adoption of the Amended and Restated 2007 Share Ownership Plan (the "Plan") by Melcor Developments Ltd. (the "Corporation") in the form attached to the Management Information Circular dated March 7, 2018 as Schedule A, which such amended and restated plan:
  - a) Provides a cashless exercise option feature to option holders;
  - b) Increases the total number of common shares reserved for issuance under the Plan, when combined with common shares reserved for issuance under the proposed restricted share unit plan (should it be approved) from 3,000,000 common shares by an additional 1,599,787 common shares, of which 1,299,787 common shares will replenish previously exercised options and 300,000 will increase the maximum reserved for issuance to 3,300,000 common shares; and
  - c) Imposes a \$100,000 annual value limit on options granted to any one non-employee Director;is hereby authorized, approved, ratified and confirmed;
2. Any director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or cause to be delivered, such other documents and instruments, and to do or cause to be done all such acts and things, as may in the opinion of such director or officer of the Corporation be necessary or desirable to give effect to the foregoing resolution.

*The Board of Directors recommends that you vote  
For the proposed amendments to the 2007 Share  
Option Plan.*

In the event that shareholders do not approve the proposed amendments to the 2007 Share Option Plan, the Plan as currently constituted will remain in full force and effect (including the current 3,000,000 common share limit), the currently outstanding 972,247 Options will remain outstanding, if such outstanding options are terminated or cancelled prior to exercise, they will be available for subsequent grants and the Corporation will have a reserve of 727,966 common shares issuable pursuant to future Option awards.

## 6. ADOPTION OF A RESTRICTED SHARE UNIT PLAN

On March 7, 2018, the Board of Directors approved the adoption of a restricted share unit plan for the Corporation (the "RSU Plan"). The Board concluded that it is desirable to have a wider range of incentive plans including the RSU Plan in place for the purposes of supporting the achievement of performance objectives; ensuring that the interests of officers and employees are aligned with the success of Melcor; and attracting, retaining and motivating officers and employees critical to the long-term success of Melcor. As of the date hereof, no RSUs have been granted under the RSU Plan.

The following is a summary of the key terms of the RSU Plan. This summary does not purport to be complete and is qualified in its entirety by reference to the full text of the RSU Plan, which is attached as Schedule B to this Circular.

- The RSU Plan allows for the grant of restricted share units (RSUs) of the Corporation;
- RSUs may be granted to officers and employees of Melcor and its affiliates and subsidiaries in the discretion of the board of directors (or a committee of directors designated to administer the RSU Plan);
- RSUs give the participant the right to receive, upon vesting, an amount equal to the fair market value of the RSU on the redemption date, satisfied either by way of (i) by Melcor issuing to the participant one common share from treasury to the participant for each RSU for which the participant is entitled payment; (ii) by Melcor acquiring one common share in the open market for each RSU for which the participant is entitled payment and transferring such common shares to the participant; (iii) by Melcor making a cash payment; or (iii) by a combination of the foregoing, at the board of directors option. As dividends or other distributions are paid on common shares, additional RSUs will be credited to the participants having regard to the number of RSUs held, the per common share dollar amount of the dividend or other distribution and the fair market value of a common share at the time of the dividend or other distribution.
- the number of common shares reserved for issuance under the RSU Plan are subject to the following (collectively the Plan Restrictions):
  - The number of common shares reserved for issuance under the Plan, when combined with all other security based compensation arrangements of the Corporation, shall not exceed 3,300,000 common shares (representing

- approximately 9.88% of the issued and outstanding common shares (as at the record date)) subject to adjustments for subdivisions, consolidation, reclassifications, stock dividend or certain other circumstances. Further, the number of common shares reserved for issuance under the Plan, on its own, shall not exceed 1,500,000 (representing approximately 4.49% of the issued and outstanding common shares (as at the record date)). RSUs that are terminated prior to vesting and all RSUs redeemed other than for common shares shall revert to the Plan and shall be included in the total number of RSUs thereafter available for issuance under the Plan;
- the number of common shares reserved for issuance to any one person under the RSU Plan, or when combined with all of the Corporation's other security based compensation arrangements, must not exceed 5% of the issued and outstanding common shares Common Shares then outstanding (representing approximately 1,669,783 issued and outstanding common shares as at the record date);
  - The number of common shares reserved for issuance to any one Insider and such Insider's associates within a one-year period pursuant to the Plan and all other security based compensation arrangements of the Corporation shall not exceed 5% of the issued and outstanding Common Shares then outstanding (representing approximately 1,669,783 issued and outstanding common shares as at the record date); and
  - The number of common shares:
    - issued to Insiders within any one year period, and
    - issuable to Insiders at any time, under RSU Plan, or when combined with all of the Corporation's other security based compensation arrangements, shall not exceed 10% of the issued and outstanding common shares, respectively.
  - the fair market value attributed to each RSU at the time of redemption is equal to the volume weighted average price of the Common Shares on the TSX for the 20 trading days immediately preceding the redemption date. If the Units are not listed on the TSX, the fair market value shall be the value established by the board of directors based on the price per common shares on any other public exchange on which the common shares are listed, or if the common shares are not listed on any public exchange, by the board of directors acting in good faith;
  - the board of directors shall set the vesting date on which RSUs will become available for redemption which shall be between 34 and 36 months from the date of grant, or on a change of control event in certain circumstances. Further, the board of directors may establish performance criteria, the achievement of which may be a condition precedent to the vesting of any RSUs;
  - unless otherwise determined by the board of directors, if a participant's employment with Melcor (or its affiliates or subsidiaries) is terminated (either with or without cause), or in the event of the resignation of a participant as an employee, any unvested RSUs granted to such participant, as at the date of such termination or resignation (referred to in this clause (i) as the "termination date"), shall terminate and be of no further force or effect, and any vested RSUs shall be deemed to have been redeemed;
  - in the event of the retirement of an employee or disability, any RSUs which have not yet vested shall, on a prorated basis from the grant date to the date of retirement, disability or leave (as applicable), immediately vest (with the balance of the unvested RSUs terminating and being of no further force or effect), and all vested RSUs shall be deemed to have been redeemed;
  - upon the death of a participant, any unvested RSUs shall immediately vest, and together with all other vested RSUs, shall be deemed to have been redeemed;
  - on the occurrence of a change of control event (as defined in the RSU Plan) or proposed change of control event:
    - any unvested RSUs be exchanged for a replacement security which has terms and conditions substantially similar to the unvested RSUs except that on redemption, the participant shall be entitled to receive cash and/or securities (or the fair market value of such securities in cash) that the participant would have been entitled to receive had their unvested RSUs been redeemed and satisfied in whole by the issuance or transfer of common shares immediately prior to the change of control event becoming effective;
    - if, for any reason, such replacement securities cannot be issued, all vested RSUs shall be available for redemption by the Participant; and

- if, within 12 months after the occurrence of a change of control event, a participant's employment is terminated for any reason other than for cause (as defined in the RSU Plan) or the participant resigns for good reason (as defined in the RSU Plan), the participant's unvested replacement securities, shall immediately vest and shall be available for redemption by the participant
- The board of directors shall not require shareholder approval to suspend, amend or terminate the RSU Plan, or, for, without limitation, the following:
  - to extend or restrict eligibility for participation in the RSU Plan;
  - any amendment of a grammatical or typographical nature or to or rectify any ambiguity, defective provision, error or omission;
  - any amendment that is necessary to comply with applicable law or the requirements of any regulatory authority or stock exchange;
  - any amendment to vesting provisions of a RSU as set forth in the RSU Plan or a grant agreement; and
  - any amendment to the termination provisions of a RSU as set forth in the RSU Plan or a grant agreement.

Notwithstanding the forgoing, shareholder approval (in accordance with the requirements of the TSX or such other stock exchange on which the common shares are then listed) will be required for:

- an extension of the term benefiting an Insider;
- any amendment to the Plan Restrictions; and
- any amendment to the amending provisions contain in the RSU Plan.
- The RSU Plan provides that other terms and conditions (including performance criteria which are a condition precedent to vesting) may be attached to a particular grant of RSUs, such terms and conditions to be set out in the applicable grant agreement.
- Rights respecting RSUs shall not be transferable or assignable other than by will or the laws of descent and distribution.

At the meeting, shareholders will be asked to consider and, if deemed advisable, to pass an ordinary resolution, in the form set out below, subject to such amendments, variations or additions as may be approved at the meeting, approving the adoption of the RSU Plan. The TSX has conditionally approved the RSU Plan, subject to shareholder approval. To be effective, the RSU Plan must

be approved by not less than a majority of the votes cast by the holders of common shares present in person, or represented by proxy, at the meeting.

#### BE IT RESOLVED THAT:

1. The adoption of the Restricted Share Unit Plan by Melcor Developments Ltd. (the "Corporation") in the form attached to the Management Information Circular of the Corporation dated March 7, 2018 as Schedule "B" which such plan:
  - a) Establishes the maximum number of common shares reserved for issuance under the Plan at 3,300,000 when combined with common shares reserved for issuance under the Corporation's 2007 Share Option Plan; and
  - b) Establishes the maximum number of common shares reserved for issuance under the Plan, on its own, at 1,500,000

is hereby authorized, approved, ratified and confirmed;

2. Any director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or cause to be delivered, such other documents and instruments, and to do or cause to be done all such acts and things, as may in the opinion of such director or officer of the Corporation be necessary or desirable to give effect to the foregoing resolution.

*The Board of Directors recommends that you vote  
For the proposed RSU Plan.*

## 7. 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 in Matters to Be Acted Upon**

Melcor's directors and senior officers have no material interest, direct or indirect by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the meeting other than the election of directors, holding options granted under Melcor's 2007 Share Option Plan, and potential grants under the proposed Restricted Share Unit plan.



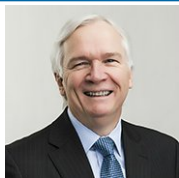
# Voting Instructions

How you vote depends on whether you are a non-registered (beneficial) or registered shareholder. You are a beneficial shareholder if the shares you own are registered in the name of an intermediary (a bank, trust company, securities broker, trustee or other institution). You are registered shareholder if your shares are held in your name. Your name will appear on your share certificate or statement from a direct registration system confirming your shareholdings.

Voting Options	Non-registered (beneficial) shareholders	Registered shareholders
	Your intermediary sent you a voting instruction form with this package. We do not have records of your shareholdings, so you must follow the instructions from your intermediary.	We sent you a proxy form with your Notice package. The proxy authorizes someone to attend the meeting and vote for you.
<b>In Person at the Meeting</b> 	<p>Follow the instructions provided by your intermediary.</p> <p>Most commonly, you will simply insert your name in the space provided for appointing a proxyholder. DO NOT complete the voting section because you will be voting at the meeting.</p> <p>Please register with AST Trust Company when you arrive at the meeting.</p>	<p>Don't complete or return the enclosed proxy. Bring it with you to the meeting.</p>
<b>By Mail, Fax or Internet</b>   	<p>Complete the voting instruction form and return it as per the instructions on the form.</p> <p>You may either mark your votes or appoint another person (the proxyholder) to attend the meeting and vote your shares for you.</p> <p>Your voting instruction form tells you how to return the form and should provide options for mailing, faxing and online voting.</p> <p>Your intermediary must receive your voting instructions with sufficient time to act on them, generally 1 business day before the proxy deadline, which would be Friday, April 21.</p>	<p>Complete the proxy form and return it to AST Trust Company by mail or fax, or complete the form online.</p> <p>You may either mark your votes or appoint another person (the proxyholder) to attend the meeting and vote your shares for you.</p> <p>AST Trust Company must receive your completed proxy no later than 11:00 AM (MDT) on May 8, 2018 (the proxy deadline).</p> <p>You may return your completed proxy:</p> <ul style="list-style-type: none"> <li>• By mail (in the envelope provided)</li> <li>• By fax to 1-888-249-6189</li> <li>• Online at <a href="http://astvotemyproxy.com">astvotemyproxy.com</a></li> </ul>
<b>Appointing a Proxyholder</b> 	<p>Your voting instruction or proxy form names Darin Rayburn or Naomi Stefura, officers of Melcor, as your proxyholder. <b>You can also choose another person to be your proxyholder by printing that person's name in the space provided (or following the online instructions).</b> The proxyholder you name does not need to be a shareholder. Your proxyholder must attend the meeting to vote for you.</p> <p>Your proxyholder must vote according to the instructions you provided. <b>If you did not specify how you want to vote, your proxyholder can vote your shares as he or she wishes.</b> Your proxyholder will also decide how to vote on amendments or variations to any item of business or new matters that are properly brought before the meeting.</p> <p><b>If you complete and return the form without naming a different proxyholder or specifying how you want to vote, Darin Rayburn or Naomi Stefura will vote as follows for you:</b></p> <ul style="list-style-type: none"> <li>• <b>For fixing the number of directors at nine</b></li> <li>• <b>For the election of director nominees</b></li> <li>• <b>For the appointment of the shareholders' auditors</b></li> </ul>	

Voting Options	Non-registered (beneficial) shareholders	Registered shareholders
<b>Changing Your Mind</b>	<p>If you have provided voting instructions to your intermediary and you change your mind about how you want to vote, or you decide to attend the meeting and vote in person, contact your intermediary to find out what to do. If you voted online, you can also change your instructions online.</p> <p>Note that your intermediary must receive your revised instructions with enough time to act on them prior to the proxy deadline.</p>	<p>If you want to revoke your proxy, you must deliver a signed written notice specifying your instructions to one of the following by 11:00 AM on May 8, 2018:</p> <ul style="list-style-type: none"> <li>• Our registered office: 900, 10310 Jasper Avenue, Edmonton, Alberta T5J 1Y8</li> <li>• AST Trust Company by mail, fax or internet as described in the proxy form</li> </ul> <p>You may also deliver your revised proxy to the Chairman prior to the start of the meeting, or any adjournment thereof.</p> <p>You may also revoke your proxy in any other manner permitted by law.</p>
<b>Confidentiality</b>	<p>Melcor's transfer agent counts all proxies to ensure confidentiality and only shares proxies with management where they contain comments clearly intended for management, in the event of a proxy contest or to meet legal requirements.</p>	
<b>Voting Results</b>	<p>We will file the voting results, including details about the percentage of support received for each item of business, promptly following the meeting.</p>	

## Nominees for Election To the Board of Directors



**Gordon J. Clanachan, FCA, ICD.D**

Edmonton, Alberta, Canada

**Independent**

Principal Occupation	Corporate Director & Consultant
Director Since	2009
2017 Attendance	100%
2017 Director Compensation	\$53,250
Common Shareholdings	8,000
Committees	Audit (Chair)



**Kathleen M. Melton**

Calgary, Alberta, Canada

**Related**

Principal Occupation	Real Estate Development Manager & Corporate Director
Director Since	2016
2017 Attendance	100%
2017 Director Compensation	\$36,750
Common Shareholdings	36,950
Committees	none



**Ross A. Grieve**

Edmonton, Alberta, Canada

**Independent**

Principal Occupation	Vice Chairman, PCL Construction Holdings Ltd.
Director Since	2003
2017 Attendance	92%
2017 Director Compensation	\$44,000
Common Shareholdings	78,000
Committees	Compensation & Governance



**Timothy C. Melton<sup>1</sup>**

Edmonton, Alberta, Canada

**Related**

Principal Occupation	Chairman, Melcor
Director Since	1973
2017 Attendance	100%
2017 Director Compensation	nil
Common Shareholdings	1,937,709
Committees	none



**Andrew J. Melton<sup>1</sup>**

Calgary, Alberta, Canada

**Related**

Principal Occupation	President & CEO, Melcor REIT
Director Since	1985
2017 Attendance	100%
2017 Director Compensation	nil
Common Shareholdings	162,267
Committees	none



**Eric P. Newell**

Edmonton, Alberta, Canada

**Independent**

Principal Occupation	Corporate Director
Director Since	2014
2017 Attendance	100%
2017 Director Compensation	\$41,250
Common Shareholdings	10,000
Committees	Audit

1. Mr. Timothy C. Melton and Mr. Andrew J. Melton together control more than 50% of the voting shares of Melton Holdings Ltd., which owns 15,688,347 common shares.





**Catherine M. Roozen**  
Edmonton, Alberta, Canada

**Independent**

Principal Occupation	Director & Secretary, Cathton Investments Ltd.
Director Since	2007
2017 Attendance	92%
2017 Director Compensation	\$40,500
Common Shareholdings	125,600
Committees	Audit



**Allan E. Scott**  
Edmonton, Alberta, Canada

**Independent (Lead Director)**

Principal Occupation	Corporate Director
Director Since	2007
2017 Attendance	100%
2017 Director Compensation	\$76,500
Common Shareholdings	3,000
Committees	Compensation & Governance (Chair)



**Ralph B. Young**  
Edmonton, Alberta, Canada

**Independent**

Principal Occupation	Corporate Director
Director Since	1976
2017 Attendance	100%
2017 Director Compensation	\$45,500
2017 Trustee Compensation <sup>1</sup>	\$15,000
Common Shareholdings	1,414,333
Committees	Compensation & Governance

<sup>1</sup> As the Melcor nominee to the Melcor REIT Board of Trustees, Melcor paid for Mr. Young's Trustee fees until August 2, 2017 when it was determined that it would be appropriate for the REIT to pay his fees as he was appointed Chair of the Board on April 15, 2017.

NOTE: The term of office for each proposed director expires on the date of the next annual meeting of shareholders.

No directors or proposed directors have been a director or officer of a company that was subject to an order, became bankrupt or was subject to penalties or sanctions.

The following Melcor directors are also directors of other reporting issuers:

Director	Reporting Issuer	Exchanges
<b>Andrew Melton</b>	Melcor REIT	TSX
<b>Catherine Roozen</b>	Corus Entertainment	TSX, NYSE
<b>Ralph Young</b>	ZCL Composites Inc. Melcor REIT	TSX

# Compensation Discussion & Analysis

Compensation matters are managed by the Corporate Governance & Compensation Committee (CGCC), which is composed of Mr. Allan E. Scott, Mr. Ross A. Grieve and Mr. Ralph B Young. The mandate of the CGCC is to review and make recommendations to the Board concerning the appointment, hiring, compensation, performance evaluation, and succession planning of Melcor's senior executive officers. The Board is confident that each of the CGCC members possesses the necessary skills and experience to make decisions on the suitability of Melcor's compensation policies and practices.

## Skills and Experience of CGCC Members

Committee Member	Relevant Education & Experience
Allan E. Scott - Chair  <i>Independent</i>	Mr. Scott is a graduate of the University of Alberta and holds an MBA from York University. Mr. Scott brings a broad range of executive experience from both the public and private sector. During his business career, he served as President & CEO of Edmonton Economic Development Corporation and as President & COO of Telus Communications. Mr. Scott has significant experience in compensation matters. He served on the Compensation Committee of Associated Engineering for ten years. In his various executive capacities, Mr. Scott has been responsible for directing compensation policy for several organizations ranging from 50 to 10,000 employees. He currently serves on the boards and advisory boards of several private companies.
Ross A. Grieve  <i>Independent</i>	Mr. Grieve is a graduate of the University of Manitoba with a degree in civil engineering. He is the Vice-Chairman of the board for PCL Construction Holdings Ltd. Mr. Grieve served as President & CEO of PCL from 1997 to 2009 and was recognized as Canada's Outstanding CEO of the Year in 2009. In his professional career, Mr. Grieve has been engaged in numerous compensation evaluation and policy decisions.
Ralph B. Young  <i>Independent</i>	Mr. Young retired from Melcor Developments as Chief Executive Officer in 2013. In this capacity he was responsible for directing the compensation policy for over 100 Melcor employees. Mr. Young received a Master of Business Administration from the University of Alberta in 1973. He serves as a director for ZCL Composites and Melcor REIT. He has also served on the Boards of several private organizations. He was the Chancellor of the University of Alberta from 2012 – 2016. He also serves on not-for-profit foundations – History and Heroes Foundation and Edmonton Galleria Foundation.

The CGCC reviews compensation and benefits for the Chairman, the CEO and Melcor's senior executive officers and certain key employees and provides recommendations to the Board of Directors. The CGCC receives data on market salary levels from Melcor and from third-party compensation surveys.

## Executive Compensation Philosophy & Strategy

Melcor's compensation philosophy is designed to attract and retain talent, motivate employees to achieve individual and corporate goals, and align the interests of management with those of the shareholders.

The overall objectives of Melcor's executive compensation program are to:

- attract qualified executives who demonstrate exceptional leadership and management skills;
- motivate and retain the services of outstanding individuals who will contribute to long-term success through a performance-based incentive program;
- align the interests of executive management with corporate objectives and the creation of shareholder value;
- reward performance based on realized value;
- ensure a significant portion of compensation is at risk and directly linked to Melcor's success.

Melcor aims to provide competitive compensation compared to other companies of similar size (based on revenue and earnings) and in similar markets (based on industry and geographic region).

Most full-time permanent positions, including senior management are evaluated against salary surveys, which take into account base salary and annual incentive award values as well as long-term incentives. Alberta-specific data is used wherever possible. The target is to be within 20% of market median for total compensation based on individual performance.

The annual compensation review is supplemented with consultants for specific positions that require additional information to achieve a proper comparison of actual duties and responsibilities.

## Compensation Consultants

To assist with assessing the various elements of compensation, the CGCC may retain special legal, accounting, financial or other consultants, including executive search firms and/or compensation consulting firms, to provide advice at Melcor's expense.

Melcor's CGCC retained Mercer (Canada) Limited in June 2017 to perform a peer group review and executive compensation benchmark with the goal of reviewing the competitiveness of total direct compensation for both Melcor and the REIT. This review and benchmark included base salary and short- and long-term incentives for named executive officers and a select group of additional senior managers, as well as Director and Trustee compensation. Mercer provided the committee with a report and recommendations.

Mercer has not provided any other services to Melcor or its subsidiaries or management. Ralph Young was a director of ZCL Composites Inc. when they used Mercer to provide a similar service.

The CGCC must pre-approve any other services provided by the consultant at the request of management.

## Executive Compensation-Related Fees

The following table shows the fees paid to Mercer for the past 2 years.

	2017	2016
Compensation consulting	\$66,761	—
Other	—	—
<b>Total</b>	<b>\$66,761</b>	<b>—</b>

## Total Compensation Components

The following table describes the components of Melcor's total executive compensation package:

	Form	Period	Purpose
Base Salary	Cash	1 year	<ul style="list-style-type: none"> <li>Provides fixed compensation for day-to-day activities</li> <li>Considers market conditions and individual level of performance and responsibility</li> <li>Used for attraction and retention</li> </ul>
Short-term Incentive	Annual Cash Incentive	1 year	<ul style="list-style-type: none"> <li>Provides cash-based reward for achieving corporate and personal performance objectives</li> <li>Used for attraction and retention</li> <li>Considers available incentive pool, corporate &amp; individual performance and market conditions</li> </ul>
Long-term Incentive	Share Options	Vest over 3 years	<ul style="list-style-type: none"> <li>Provides equity-based reward to stimulate the creation of shareholder value and align management interests with those of shareholders</li> <li>Used for attraction and retention</li> </ul>
Employee Share Purchase Plan	Share Purchase with Match		<ul style="list-style-type: none"> <li>Stimulates the creation of shareholder value and align management interests with those of shareholders</li> <li>Available to all employees</li> </ul>
Group Retirement Savings Plan	Savings	Vest over 1 year	<ul style="list-style-type: none"> <li>Encourages employees to take responsibility for retirement planning.</li> <li>Available to all employees</li> </ul>
Benefits			<ul style="list-style-type: none"> <li>Promotes general wellness and preventative care</li> <li>Medical and dental insurance, group life and accidental death and dismemberment insurance, short-term disability</li> <li>Available to all employees</li> </ul>
Perquisites			<ul style="list-style-type: none"> <li>Annual car allowance and parking subsidization</li> </ul>

## Base Salary

The base salaries for the Chairman, the CEO and the CFO (together, the "Executive Officers") are set by the Board based on the recommendation of the CGCC and are targeted to reflect market conditions. The base salaries of other senior executives are reviewed and approved by the CGCC on the recommendation of the CEO.

Actual salary levels are based on a number of factors, including the individual's performance, responsibilities and experience, the contribution of each Executive Officer and a review of salary data for similar positions in similar companies. Salaries, benefits and perquisites are generally reviewed annually and adjustments are made when determined appropriate.

### Short-Term Incentive

All Named Executive Officers (NEOs) are eligible for annual cash incentives tied to the achievement of Melcor's financial, operational and strategic objectives and the executive's personal performance.

The amount available for annual cash incentives comes from the incentive pool, which is based on annual pre-tax earnings less fair value gains plus any gains on the sale of assets. Opening equity is reduced by a certain percentage set by the board annually to ensure minimum returns on equity are achieved (see formula below). We believe this method of arriving at the incentive pool is appropriate for determining executive compensation as it reflects overall earnings performance. As such, NEOs and other senior executives are accountable for revenue growth and operating efficiency.

#### Incentive Formula for Executive Officers

The annual cash incentive for the Executive Officers is based on the following earnings-based formula (Incentive Formula), which reflects our philosophy of incentivizing based on cash events that monetize asset value (removing IFRS fair value gains or losses and adding back realized gains or losses):

Short-term Incentive Formula	
	Segment Earnings
-/+	Fair Value gain/loss on Investment Property & REIT divisions <sup>1</sup>
-	Finance Costs
-	Prime + 1.5% of opening equity <sup>2</sup>
+	Gains on sale of Investment Property assets
=	Incentive pool
x	Executive Factor <sup>3</sup>

Notes:

1. Adjustment to pre-tax earnings related to fair value and gains/losses on the sale of investment properties is to ensure the cash incentive is based on realized gains/losses on assets.
2. Opening equity adjustment to segment earnings establishes a minimum return on equity before the cash incentive begins to accrue.
3. Executive Factor is a percentage set annually by the Board for each Executive Officer. In determining the Executive Factor, the CGCC considers each Executive Officer's experience, responsibilities, individual performance, and market conditions.

The percentage reduction of opening equity and the Executive Factor are set annually by the Board on the recommendation of the CGCC based on market conditions and corporate and individual performance. In 2017, the Executive Factor ranged from 0.40% to 1.00%.

#### Other Senior Executives

The annual discretionary cash incentive for other senior executives (i.e. excluding the Executive Officers) is based on each individual's performance combined with overall company performance to encourage all employees to contribute to Melcor's overall success. The discretionary incentives come from the Incentive Pool described above.

The purpose of the discretionary incentive is to:

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

The discretionary incentive for each senior executive is reviewed and approved by the CGCC on the recommendation of the CEO.

### Long-Term Incentive (Equity Based)

Long-term incentives are provided through Melcor's Share Option Plans (see "Share Option Plans").

Performance in the context of long-term incentives is based on the employee's position and their contribution to Melcor's success. The long-term incentive program is designed to align the interests of Melcor's executives with those of shareholders and to encourage employee share ownership. The plan is also designed to retain the services of key employees and to represent a significant portion of their overall, long-term compensation package.

Employees are not restricted from purchasing financial instruments to hedge equity-based compensation.

The Board of Directors approves annual grants of share options on the recommendation of the CGCC, which receives and reviews recommendations from the CEO. Share option grants include consideration of the employee's individual performance and previous share option grants.

Melcor is seeking shareholder approval to a change to the 2007 Share Plan whereby optionees may use a cashless form of exercise. Optionees frequently exercise options

via a sell-to-cover mechanism, which has essentially the same effect as a cashless exercise. Cashless exercise will result in less dilution. Refer to Business to Be Conducted at the Meeting and Schedule A - Proposed Amended and Restated 2007 Share Plan.

Melcor is also seeking shareholder approval to create a Restricted Share Unit Plan (RSU plan). The Board concluded that it is desirable to have a wider range of incentive plans - including the RSU Plan - in place to support performance objectives, ensure that the interests of directors, key management, employees and consultants are aligned with the success of Melcor and attract, retain and motivate key individuals critical to the long-term success of Melcor.

The plan is intended to encourage employees and directors to acquire a proprietary interest in Melcor, which provides additional incentive to further Melcor's growth and development. Refer to Business to Be Conducted at the Meeting and Schedule B - Proposed Restricted Share Unit Plan.

### Other Compensation & Employment Benefits

All staff, including the executive team, are eligible to participate in Melcor's Employee Share Purchase Plan (ESPP). Under this plan, Melcor matches employee contributions at 50% to a maximum of \$1,800 per year. No treasury shares are issued for ESPP.

Melcor's benefit package is generally available to all full-time permanent staff and includes medical, dental, disability and life insurance to promote general wellness and preventative care. Parking or transit and automobile subsidies are also provided to some employees based on job requirements.

### Assessment of Risk Associated with Melcor's Compensation Policies and Practices

The Board understands Melcor's compensation practices and policies and reviews them annually. The Board ensures during its review that total compensation is directly tied to Melcor's success for all executive level roles. This reduces the overall risk of Melcor's compensation policies and practices by ensuring incentive plans and payments are in line with our overall financial health and profitability.

## Compensation Decision-Making Process

### Executive Officers

The following items are considered by the CGCC as part of the compensation decision-making process:

- 2017 financial results
- Any variation between fiscal targets and actual results
- Cash incentive related to 2017 based on Incentive Formula
- The Executive Officer's individual performance
- The Executive Officer's base salary for current year

The CGCC may from time to time recommend an additional discretionary incentive amount based on market conditions and individual performance.

While achieving the annual fiscal targets is a primary consideration in the CGCC's determination of the Executive Officers' incentive based compensation, the CGCC is of the view that strict adherence to formulas for the determination of compensation may result in unintended, counterproductive consequences. Accordingly, the CGCC exercises its own judgment and discretion in assessing each executive's performance.

The CGCC recommends the base salary for the current year along with short- and long-term incentive based compensation for the prior year for each Executive Officer to the Board for approval.

The CGCC also recommends the Executive Factor to be used in the Incentive Formula for the current fiscal year to the Board for approval.

### Other Senior Executives

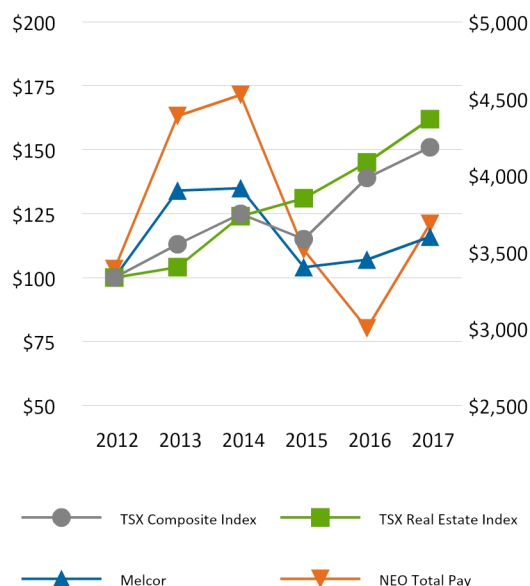
The CEO presents recommendations to the CGCC for annual cash incentives to be paid to Melcor's other senior executives. In assessing the proposed amounts, the CGCC evaluates overall financial results and the performance of each senior executive in their respective roles. The CGCC also compares the proposed incentive to amounts paid to each senior executive in the previous year. In carrying out these functions, the CGCC takes into account both company and individual performance.

The CGCC approves the incentive based compensation (both short- and long-term) for senior executives.

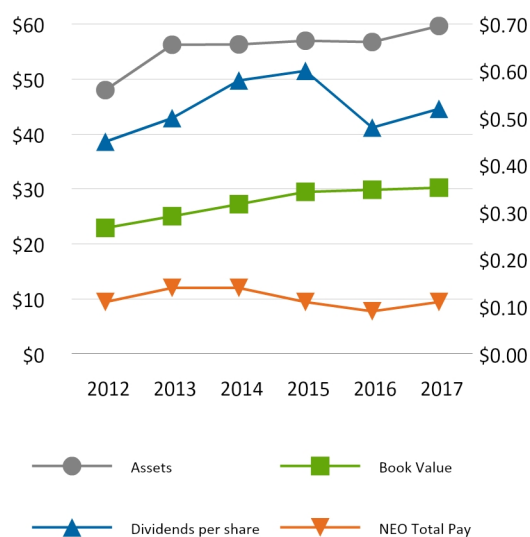
## Relationship Between Company Performance & NEO Compensation

The following charts demonstrate the relationship between our performance and NEO total pay.

### NEO Total Pay vs. 5 Year Share Return



### NEO Total Pay vs. Key Metrics



1. All presented as per share values – Assets & Book Value on primary axis, Dividends and NEO Total Pay on secondary axis.
2. Excludes the Sale of Asset incentive (NEO Total Pay) and the Special Dividend (Dividends) paid in 2013, both related to the formation of the Melcor REIT.

## Summary Compensation for Named Executive Officers

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

Name and Principal Position	Year	Base salary	Annual cash incentive <sup>3,6</sup>	Option-based awards <sup>4</sup>	All other compensation <sup>5</sup>	Total compensation
<b>Darin A. Rayburn</b> <sup>1</sup> President & CEO	2017	285,417	645,567	88,464	9,750	1,029,198
	2016	250,000	357,210	19,560	9,824	636,594
	2015	234,533	291,656	19,320	9,824	555,333
<b>Naomi M. Stefura</b> <sup>2</sup> Chief Financial Officer	2017	207,000	258,227	33,174	8,717	507,118
	2016	165,000	175,000	48,900	8,532	397,432
	2015	36,000	25,000	12,075	2,100	75,175
<b>Timothy C. Melton</b> Chairman	2017	280,000	645,567	55,290	8,717	989,574
	2016	280,000	314,419	40,750	8,658	643,827
	2015	280,000	830,668	32,400	12,609	1,155,677
<b>Andrew J. Melton</b> President & CEO, Melcor REIT	2017	237,167	387,340	44,232	8,595	677,334
	2016	206,000	188,652	32,600	8,490	435,742
	2015	206,000	349,987	19,320	8,490	583,797
<b>Guy Pelletier</b> Vice President, Red Deer	2017	166,800	130,000	16,587	6,756	320,143
	2016	163,400	100,000	12,225	6,756	282,381
	2015	160,000	75,000	12,075	6,756	253,831
<b>Brian D. Baker</b> <sup>7</sup> President & CEO	2017	154,500	—	—	4,875	159,375
	2016	309,000	414,419	19,560	9,824	752,803
	2015	309,000	729,139	19,320	9,824	1,067,283

- 1 Mr. Rayburn was appointed President and Chief Executive Officer on April 15, 2017. Prior to that, he was Executive Vice President, Investment Properties.
- 2 Ms. Stefura was appointed Chief Financial Officer effective August 11, 2016. Prior to that she was Vice President, Finance. Ms. Stefura was on maternity leave from October 1, 2014 – October 1, 2015.
- 3 The annual cash incentive is accrued in the 2017 financial statements and paid to employees in three instalments in February, April and May 2018.
- 4 The fair value of option-based awards granted in the fiscal year noted is calculated using the Black-Scholes model in accordance with International Financial Reporting Standards. Please refer to Melcor's consolidated financial statements (on [www.sedar.com](http://www.sedar.com)) for assumptions and estimates used. Melcor does not have a share-based awards plan.
- 5 Represents payments for car allowances, parking and other fees. All other compensation does not include programs that are available to all full-time employees, such as matching contributions paid by Melcor to RRSP and ESPP plans and health benefits.
- 6 Annual cash incentive relates to normal operations as described under *Short-term Incentive*, page 18.
- 7 Mr. Baker resigned as President and CEO effective April 15, 2017 but continued to be engaged in a senior advisor role until June 30, 2017 with the same salary and benefits, subject to certain exceptions.

## Fiscal 2017 Compensation Mix

Melcor's "pay-for-performance" compensation philosophy results in a significant portion of each executive's compensation being "at risk", which, combined with long-term equity based incentive plans, provides motivation to Melcor's executives and aligns their interests with the creation of long-term shareholder value. This compensation philosophy ensures that executives have 'skin-in-the-game' and provides superior compensation for superior performance.

The components of each executive's overall compensation vary based on position.

The following table illustrates the executive's total compensation mix for the fiscal year ended December 31, 2016.

Name	Base Salary	Cash Incentive	Long-Term Incentives <sup>1</sup>	Total <sup>2</sup>	% At Risk
<b>Darin Rayburn</b>	285,417	645,567	11,760	942,744	70%
<b>Naomi Stefura</b>	207,000	258,227	21,150	486,377	57%
<b>Timothy Melton</b>	280,000	645,567	19,733	945,300	70%
<b>Andrew Melton</b>	237,167	387,340	16,667	641,174	63%
<b>Guy Pelletier</b>	166,800	130,000	7,350	304,150	45%

- 1 Long-term incentive represents the value of in-the-money options that vested during fiscal 2017 based on the share price on the vesting date.
- 2 Total assumes that in-the-money options were exercised in the current year.



## Pension Plan Benefits

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

## Employment Contracts

Except as set forth below, at December 31, 2017, there were no contracts, agreements, plans or arrangements to compensate NEOs in the event of termination of employment (whether voluntary, involuntary or constructive), resignation, retirement, change of control, or a change in duties or responsibilities.

In connection with the resignation of Mr. Brian Baker, Melcor's former Chief Executive Officer, Mr. Baker and Melcor entered into a settlement agreement pursuant to which Melcor agreed to: (i) pay Mr. Baker a retiring allowance of \$1,274,385 (less applicable deductions) in 21 equal instalments commencing on or about July 1, 2017; and (ii) continue to provide medical and dental coverage until the earlier of December 31, 2017 or the date upon which Mr. Baker secured alternate employment which provided him benefits.

Also pursuant to the settlement agreement, Mr. Baker agreed that he would not: (i) use, publish or disclose any of Melcor's confidential and proprietary information (unless required by law); (ii) directly or indirectly, induce, attempt to induce, persuade or attempt to persuade any person or company providing employment, consulting, marketing or other services to Melcor to cease to provide or alter in any way their provision of services to Melcor.



## Option-Based Awards - Outstanding

Name and principal position	Number of Securities underlying unexercised options	Option-based Awards <sup>2, 3</sup>		
		Option exercise price	Option expiration date	Value of unexercised in-the-money options <sup>1</sup>
<b>Darin Rayburn</b> President & CEO	12,000	19.26	12-Dec-18	—
	12,000	21.35	19-Dec-19	—
	12,000	14.05	21-Dec-20	15,000
	12,000	13.21	13-Dec-21	25,080
	40,000	14.94	12-Dec-22	14,400
<b>Naomi Stefura</b> Chief Financial Officer	7,500	19.26	12-Dec-18	—
	7,500	21.35	19-Dec-19	—
	7,500	14.05	21-Dec-20	9,375
	30,000	13.21	13-Dec-21	62,700
	15,000	14.94	12-Dec-22	5,400
<b>Tim Melton</b> Chairman	15,000	19.26	12-Dec-18	—
	12,000	21.35	19-Dec-19	—
	12,000	14.05	21-Dec-20	15,000
	25,000	13.21	13-Dec-21	52,250
	25,000	14.94	12-Dec-22	9,000
<b>Andy Melton</b> President & CEO, Melcor REIT	15,000	19.26	12-Dec-18	—
	12,000	21.35	19-Dec-19	—
	12,000	14.05	21-Dec-20	15,000
	20,000	13.21	13-Dec-21	41,800
	20,000	14.94	12-Dec-22	7,200
<b>Guy Pelletier</b> Vice President,	7,500	19.26	12-Dec-18	—
	7,500	21.35	19-Dec-19	—
	7,500	14.05	21-Dec-20	9,375
	7,500	13.21	13-Dec-21	15,675
	7,500	14.94	12-Dec-22	2,700

1 \$15.30, the closing price of Melcor shares on December 31, 2017, was used to calculate the value of the unexercised in-the-money options.

2 All option-based awards are granted with an exercise price equal to the volume weighted average trading price of Melcor's common shares for the 20 trading days prior to the grant date, in accordance with the share option plan.

3 Only option-based awards have been awarded to NEOs. Melcor does not have a share-based awards plan.

## Incentive Plan Awards – Value Vested or Earned During 2016

Name	Options-based awards value vested during 2017 <sup>1</sup>	Non-equity plan compensation value earned during 2017
Darin Rayburn	11,760	645,567
Naomi Stefura	21,150	258,227
Tim Melton	19,733	645,567
Andy Melton	16,667	387,340
Guy Pelletier	7,350	130,000

1 Option-based awards represents the value of in-the-money options that vested during fiscal 2017 based on the share price on the vesting date.

## Director Compensation

As at March 7, 2018, Melcor has 9 directors, including 6 independent directors and 3 executive or related directors. We define independent directors according to the definition contained in National Instrument 52-110 Section 1.4.

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 with being an effective director.

Director compensation is made up of an annual director retainer, additional retainers for committee chairs and the Lead Director, and meeting fees for each meeting attended.

Director compensation is not paid to directors who are employees of Melcor.

### Retainers and Fees

For 2017, director compensation was set as follows:

Component	2017
Annual Director Retainer	\$24,000 per year
Board & Committee Meeting Fees	\$1,500 per meeting
Lead Director Retainer <sup>1</sup>	\$10,000 per year
Audit Chair Retainer <sup>1</sup>	\$12,000 per year
Compensation & Governance Chair Retainer <sup>1</sup>	\$6,000 per year
Compensation & Governance Special Chair Retainer <sup>1</sup>	\$20,000
Compensation & Governance Special Retainer <sup>1</sup>	\$5,000

1. 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
Gordon Clanachan	36,000	17,250	—	53,250
Ross Grieve	29,000	15,000	—	44,000
Andrew Melton <sup>3</sup>	—	—	—	—
Kathleen Melton <sup>4</sup>	24,000	12,750	—	36,750
Timothy Melton <sup>3</sup>	—	—	—	—
Eric Newell	24,000	17,250	—	41,250
Catherine Roozen	24,000	16,500	—	40,500
Allan Scott	60,000	16,500	—	76,500
Ralph Young <sup>2</sup>	38,000	22,500	—	60,500

- Includes lead director and committee retainers.
- Includes \$9,000 retainer and \$6,000 in meeting fees for Melcor REIT. As the Melcor nominee to the Melcor REIT, Melcor was responsible for Mr. Ralph Young's Trustee fees until August 2, 2017, when it was determined that, as the Chairman of the Board of Trustees, the REIT should pay his fees.
- Melcor employees do not receive director compensation.
- Ms. Melton was appointed a member of the audit committee on May 9, 2017. She resigned on February 6, 2018 when it was realized that the audit committee must be composed entirely of independent members and not just a majority. Ms. Melton has agreed to return the fees related to audit committee (\$5,250).

### Shareholdings of Independent Directors

Director	Number	Value <sup>1</sup>
Gordon Clanachan	8,000	122,400
Ross Grieve	78,000	1,193,400
Eric Newell	10,000	153,000
Catherine Roozen	125,600	1,921,680
Allan Scott	3,000	45,900
Ralph Young	1,414,333	21,639,295

- Based on closing price of Melcor shares on December 29, 2017 (\$15.30).

# Share Option Plans

## 2007 Share Option Plan

<b>Overview &amp; Eligibility</b>	Melcor's share option plan provides for the granting of options to purchase common shares to full-time employees, directors and consultants of Melcor and its subsidiaries			
<b>NOTE</b>	At the meeting, an amendment to add a cashless exercise feature to the 2007 Plan will be proposed. See Business to be Conducted at the Meeting. Refer to Schedule A for the full plan, with amendments.			
<b>Approved by Shareholders</b>	April 19, 2007			
	Plan Maximum	Options Outstanding	Options Exercised	Options Available for Future Grants
Balance as of 31-Dec-2017	3,000,000	978,447	1,293,587	727,966
% of Common Shares outstanding <sup>1</sup>	8.98%	2.93%	3.87%	1.91%
Balance as of 7-Mar-2018	3,000,000	972,247	1,299,787	727,966
% of Common Shares outstanding <sup>2</sup>	8.98%	2.91%	3.89%	1.91%
		2015	2016	2017
Annual burn rate		0.71%	0.79%	0.83%
Maximum issuable to one insider	The issuance of Common Shares to any one Insider and such Insider's associates within a one-year period pursuant to the Plan and other share compensation arrangements may not exceed 5% of the outstanding Common Shares (on a non-diluted basis).			
Maximum issuable to insiders in a one year period	The number of Common Shares issued to Insiders, within any one year period, or when combined with all of the Corporation's other security based compensation arrangements, cannot exceed 10% of the total issued and outstanding Common Shares			
Maximum issuable to insiders at any time	The number of Common Shares issuable to Insiders, at any time, or when combined with all of the Corporation's other security based compensation arrangements, cannot exceed 10% of the total issued and outstanding Common Shares			
Terms of stock options	The Board of Directors sets the term and vesting schedule for options at the time of grant. If the company is in a trading black-out during when the options expire, the expiration date will be extended for 10 business days after the blackout is lifted.			
Vesting schedule	Options granted vest equally over 5 years. (ie., one-fifth on first anniversary of grant date, one-fifth on second anniversary, etc.). The Board of Directors may waive the vesting period or change from the vesting schedule described above at its discretion.			
Exercise price determination	The exercise price is set at the volume-weighted average closing price on the Toronto Stock Exchange for the 20 trading days prior to and including the grant date.			
Assignability conditions	Non-transferrable and non-assignable.			
Cessation of entitlement	<p>If an Optionee ceases to be a director, officer, employee or service provider of Melcor or a subsidiary for a reason other than death (including resignation, retirement and termination), Options remain exercisable for 60 days following the effective date of resignation, retirement or termination. In the event of termination for cause, Options shall expire immediately.</p> <p>In the event of death or permanent disability, Options shall remain exercisable for six months from the date of death or disability.</p>			
Amendment provision	<p>Subject to prior TSX approval, if required, the Board may amend the plan provided that the amendment does not alter or impair previously granted Options. Amendments not requiring shareholder approval include amendments of a typographical, grammatical, clerical or administrative nature or which are required to comply with regulatory requirements.</p> <p>Shareholder approval is required on items described in Section 613(i) of the TSX Company Manual, including reduction to exercise price or extension of the term benefitting an insider, removing or exceeding the maximum issuable to insiders, an increase to the maximum securities issuable, or amendments to an amending provision. If the Board terminates the plan, the provisions of the plan will continue in effect as long as any options remain outstanding.</p>			
Stock appreciation right	No ability to transform options into stock appreciation rights exists under the plan.			

Other information	In certain events where the Corporation is not the surviving entity (take-over bid, liquidation or dissolution, reorganization, or merger or consolidation with one or more entities), the Board may accelerate the vesting of options.
Financial assistance to employees	NIL
Entitlements subject to ratification	NIL

1. Based on shares outstanding December 31, 2017.
2. Based on shares outstanding March 7, 2018.

### Securities Authorized for Issuance under Share Option Plans

The following share options were granted and outstanding at the end of Melcor's most recently completed year-end:

Plan Category <sup>1</sup> as at December 31, 2017	Number of shares to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of shares available for issuance
2000 Share Option Plan	-	\$nil	90,400
2007 Share Option Plan	978,447	\$16.00	637,566

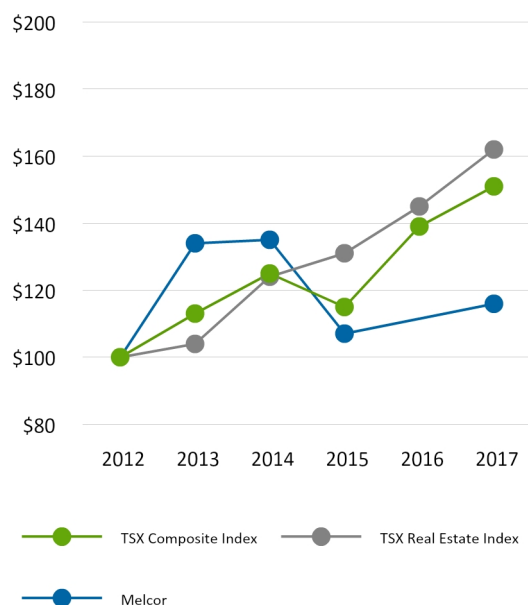
1. Melcor does not have equity compensation plans that are not approved by shareholders. The 2000 Share Option Plan was cancelled March 7, 2018.

Between December 31, 2017 and March 7, 2018, 6,200 options were exercised and nil options were canceled under the plans.

## Performance Graphs

### 5-Year Performance Graph

The following graph compares total shareholder return for \$100 invested in our common shares at December 31, 2012 (assuming all dividends are reinvested), against the total return of the S&P TSX Composite Index and the TSX Capped Real Estate Index.

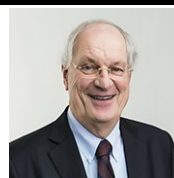


Year	S&P TSX Composite Index	TSX Real Estate Index	MRD
2012	100	100	100
2013	113	104	134
2014	125	124	135
2015	115	131	104
2016	139	145	107
2017	151	162	116

### Interest Of Informed Persons In Material Transactions

No informed person had an interest in a material transaction in 2017 or for the prior two years.

# Report of the Corporate Governance & Compensation Committee



ALLAN SCOTT



ROSS GRIEVE



RALPH YOUNG

The CGCC is responsible for assisting the Board in ensuring that Melcor's human resources strategies, policies and programs support corporate objectives and create shareholder value, and in measuring Board performance with respect to governance standards.

The primary mandate of the CGCC is to:

- Review the development, implementation and assessment of effective governance principles;
- Oversee the form and adequacy of compensation and benefits provided by Melcor to its senior executives and employees;
- Administer all incentive compensation plans and programs and monitor Melcor's succession plan;
- Considers the composition of the Board and its committees and prepares recommendations for director nominees

All members of the CGCC are independent directors. Mr. Scott serves as the Chair of the CGCC.

The CGCC held five meetings in 2017, four of which included an *in camera* session without the presence of Melcor management.

## CGCC Approval

The CGCC has reviewed and discussed the compensation disclosure in this document, including information in the Board of Directors section, the Executive Compensation section and the Directors' Compensation section with Melcor's management. It has recommended that the disclosure be included in the Management Information Circular.

On behalf of the Corporate Governance and Compensation Committee,

A handwritten signature in blue ink that reads "Allan E. Scott".

Allan E. Scott (Chair)

A handwritten signature in black ink that reads "Ralph B. Young".

Ralph B. Young

A handwritten signature in black ink that reads "Ross A. Grieve".

Ross A. Grieve

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## Statement of Governance Practices

Melcor's Board of Directors and management team recognize that effective corporate governance practices are fundamental to the long-term success of the company. As such, the Board of Directors and management have implemented a series of governance policies and procedures to meet or exceed applicable Canadian stock exchange and regulatory rules. The Corporate Governance and Compensation Committee monitor regulatory changes and best practices and periodically review, evaluate and modify corporate governance processes as necessary. The Board of Directors and management are committed to maintaining a high level of corporate governance.

A description of Melcor's corporate governance practices under National Instrument 58-101, "*Disclosure of Corporate Governance Practices*", is provided in Schedule C.

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## Additional Information

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

Additional financial information about Melcor is provided in the comparative consolidated financial statements and management's discussion and analysis in the annual report for the year ended December 31, 2017.

Copies of these documents and any other documents incorporated by reference, additional interim financial statements for periods subsequent to December 31, 2017 and additional copies of this Circular 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

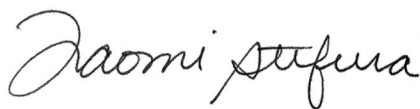
**By Phone:** 780-423-6931 x 4707

**By Fax:** 780-426-1796

**By Email:** [ir@melcor.ca](mailto:ir@melcor.ca)

### Board of Directors Approval

Melcor's board of directors has approved the content and the sending of this Management Information Circular to the Shareholders.



**Naomi Stefura**  
Chief Financial Officer and Corporate Secretary  
Melcor Developments Ltd.

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# Schedule A

## Proposed Amended and Restated 2007 Share Option Plan

### MELCOR DEVELOPMENTS LTD.

#### Amended and Restated 2007 Share Option Plan

#### 1. Purpose of the Restated Plan

- 1.1 The purpose of this Restated Plan, as amended or varied from time to time, is to provide the Participants with an opportunity to purchase Common Shares of the Corporation and benefit from the appreciation thereof. This proprietary interest in the Corporation will provide an increased incentive for the Participants to contribute to the future success and prosperity of the Corporation, thus enhancing the value of the Common Shares for the benefit of all the shareholders and increasing the ability of the Corporation and its Subsidiaries to attract and retain individuals with those necessary skills that are required by the Corporation.
- 1.2 This Restated Plan, upon receiving shareholder approval in accordance with the requirements of the Exchange, amends and replaces the Prior Plan and is intended to govern all Options granted under the Prior Plan.

#### 2. Defined Terms

- 2.1 Where used herein, the following terms shall have the following meanings:

- (a) **“Acceleration Right”** means the Participant's right, in certain circumstances, to exercise their outstanding Option as to all or any of the Common Shares in respect of which such Option has not previously been exercised and which the Participant is entitled to exercise, including in respect of Common Shares not otherwise vested at such time;
- (b) **“Black-Out Period”** means the period of time when, pursuant to any policies of the Corporation, securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an Option;
- (c) **“Board”** means the board of directors of the Corporation;¶
- (d) **“Cashless Exercise Right”** has the meaning ascribed thereto in Section 7.2.
- (e) ~~(d)~~ **“Common Shares”** means the common shares of the Corporation or, in the event of an adjustment contemplated by Article 89 hereof, such shares to which a Participant may be entitled upon the exercise of an Option as a result of such adjustment;
- (f) ~~(e)~~ **“Corporation”** means Melcor Developments Ltd., and includes any successor corporation thereof;
- (g) ~~(f)~~ **“Exchange”** means the Toronto Stock Exchange or, if the Common Shares are not then listed and posted for trading on such exchange, then on any stock exchange in Canada on which such shares are listed and posted for trading or any other regulatory body having jurisdiction as may be selected for such purpose by the Board;
- (h) ~~(g)~~ **“Exercise Notice”** means the notice in writing signed by the Participant or the Participant's legal personal representatives addressed to the Corporation specifying an intention to exercise all or a portion of the Option;
- (i) ~~(h)~~ **“Expiry Time”** means the time at which the Options will expire, being 4:00 p.m. (Calgary time) on a date to be fixed by the Board at the time the Option is granted, which date will not be more than ten years from the date of grant;
- (j) ~~(i)~~ **“Grant Date”** as used with respect to a particular Option, means the date as of which such Option is granted pursuant to the Restated Plan;

- (k) ~~(+)~~ **“Insider”** has the meaning ascribed thereto in the Toronto Stock Exchange Company Manual, as amended from time to time;¶
- (l) **“In-The-Money Amount”** has the meaning ascribed thereto in Section 2.1(n);
- (m) ~~(+)~~ **“Market Price”** per Common Share at any date shall mean the volume weighted average trading price of the Common Shares on the Exchange for the 20 trading days prior to the relevant date of grant (or, such other price required by the Exchange). If the Common Shares are not listed and posted for trading on any stock exchange in Canada, the Market Price shall be determined by the Board in its sole discretion;¶
- (n) **“Net Number of Common Shares”** means in respect of Options in relation to which the Participant has exercised the Cashless Exercise Right pursuant to Section 7.2, the number of Common Shares calculated in accordance with the following formula and then rounded down to the nearest whole number:¶

<u>Net Number of Shares =</u>	<u>In-The-Money Amount</u> <u>MP</u>
<u>Where:</u>	
<u>In-The-Money Amount =</u>	<u>(A x MP) – (A x EP)</u>
<u>A=</u>	<u>Total number of Common Shares in respect of which the Participant has surrendered Options pursuant to the Cashless Exercise Right</u>
<u>MP =</u>	<u>Market Price</u>
<u>EP =</u>	<u>Option Price of the Options surrendered</u>

- (o) **“Non-employee Director”** means a director of the Corporation who is not also an officer or employee of the Corporation;
- (p) **“Option”** means an option to purchase Common Shares from treasury granted by the Corporation to a Participant, subject to the provisions contained herein;
- (q) ~~(+)~~ **“Option Price”** means the price per share at which Common Shares may be purchased under the Option, as the same may be adjusted herein;
- (r) ~~(+)~~ **“Participants”** means the directors, officers, employees and other Service Providers of the Corporation or its Subsidiaries, as such terms are defined by the Exchange. An employee of the Corporation or a Subsidiary shall be deemed to remain an employee for the purposes of the Restated Plan during the period of any leave of absence approved by the Corporation or a Subsidiary, as the case may be;
- (s) ~~(+)~~ **“Permanent Disability”** means the mental or physical state of the Participant whereby such person has to a substantial degree been unable, due to illness, disease, mental or physical disability or similar cause, to fulfill his obligations as a director, officer, employee or Service Provider of the Corporation either for any consecutive 4 month period or for any period of 6 months (whether or not consecutive) in any consecutive 12 month period, and the Corporation has certified the same in writing, or a court of competent jurisdiction has declared the Participant to be mentally incompetent or incapable of managing his affairs;
- (t) ~~(p)~~ **“Plan Replenishment Date”** means this Amended and Restated 2007 Stock Option Plan of the Corporation, as the same may be further amended or varied from time to time means May 10, 2018;
- (u) **“Prior Plan”** means the 2007 Share Option Plan of the Corporation approved by the Corporation’s Board on February 23, 2007 and by the Corporation’s shareholders on April 19, 2007



~~(t)(v)~~ **"Restated Plan"** means this Amended and Restated 2007 Share Option Plan of the Corporation, as the same may be further amended or varied from time to time;

~~(u)(w)~~ **"Security Based Compensation Arrangements"** has the meaning set forth in Section 613 of the TSX Company Manual; **RSU Plan** means the Restricted Share Unit Plan to be considered by the Corporation's shareholders at the annual meeting to be held on May 10, 2018;

~~(v)(x)~~ ~~(q)~~ **"Service Provider"** means any person or company engaged to provide ongoing management or consulting services for the Corporation or any of its Subsidiaries;

~~(w)(y)~~ ~~(r)~~ **"Subsidiary"** means any body corporate that is a subsidiary of the Corporation, as such term is defined under subsection 2(4) of the *Business Corporations Act* (Alberta), as such provision is from time to time amended, varied or re-enacted; and

~~(x)(z)~~ ~~(s)~~ **"Take-over Bid"** has the meaning ascribed thereto in the *Securities Act* (Alberta), as such provision is from time to time amended, varied or re-enacted.

### 3. Administration of the **Restated Plan**

3.1 The Board shall administer this **Restated Plan**. Options granted under the **Restated Plan** shall be granted in accordance with determinations made by the Board pursuant to the provisions of the **Restated Plan** as to: the Participants to whom, and the time or times at which, the Options will be granted; the number of Common Shares which shall be the subject of each Option; any vesting provisions attaching to the Option; and, the terms and provisions of the respective stock option agreements; provided, however, that each director, employee or Service Provider shall have the right not to participate in the **Restated Plan** and any decision not to participate shall not affect the employment by or engagement with the Corporation. The Board shall ensure that Participants under the **Restated Plan** are eligible to participate under the **Restated Plan**, and, if required by the Exchange, shall represent, confirm and provide evidence of such eligibility as may be required.

### 4. Granting of Option

4.1 Participants may be granted Options from time to time. The grant of Options will be subject to the conditions contained herein and may be subject to additional conditions determined by the Board from time to time. Each Option granted hereunder shall be evidenced by an agreement in writing, signed on behalf of the Corporation and by the Participant, in such form as the Board shall approve from time to time. Each such agreement shall recite that it is subject to the provisions of this **Restated Plan**.

4.2 Subject to adjustment as provided in Article ~~89~~ hereof, the aggregate number of authorized but unissued Common Shares of the Corporation allocated and made available to be granted to Participants under the **Restated Plan**, ~~together when combined with any authorized but unissued all Common Shares reserved but unissued under any previous stock option plan and any other share compensation arrangement of the Corporation for issuance under all other Security Based Compensation Arrangements, shall not exceed 3,000,000~~ on and after the Plan Replenishment Date, when combined with all Common Shares reserved for issuance under the RSU Plan, shall not exceed 3,300,000 Common Shares.

4.3 Common Shares in respect of which Options are cancelled or not exercised prior to expiry, for any reason, shall be available for subsequent Option grants under the **Restated Plan**. Further, in the event of the exercise of the Cashless Exercise Right, only the Net Number of Common Shares issued shall not be available for subsequent Option grants under the Restated Plan. ~~Plan.~~ No fractional shares may be purchased or issued hereunder.

~~4.34.4~~ The Corporation shall at all times, during the term of the **Restated Plan**, reserve and keep available such number of Common Shares as will be sufficient to satisfy the requirements of the **Restated Plan**.

~~4.44.5~~ Any grant of Options under the **Restated Plan** shall be subject to the following limitations:

- (a) the aggregate number of Common Shares reserved for issuance pursuant to Options granted to any one Participant and pursuant to other share compensation arrangements may not exceed 5% of the issued and outstanding Common Shares (on a non-diluted basis);

- (b) the ~~aggregate~~ number of Common Shares ~~reserved for issuance pursuant to Options granted to Insiders and pursuant to other share compensation arrangements may not exceed 10% of the issued and outstanding Common Shares (on a non-diluted basis);~~
- (c) ~~the issuance of Common Shares to~~ issued to Insiders within a one-year period may not exceed 10% of the outstanding Common Shares (on a non-diluted basis); ~~and~~
- (d) the issuance of Common Shares to any one Insider and such Insider's associates within a one-year period pursuant to the Plan and other share compensation arrangements may not exceed 5% of the outstanding Common Shares (on a non-diluted basis); and
- (e) Options granted to any one Non-employee Director within any one-year period shall not exceed a maximum value of Cdn. \$100,000. The value of Options shall be determined using a generally accepted valuation model. The number of Option shall be calculated without reference to Options granted to a director who was also an officer or employee of the Corporation at the time of grant but who subsequently became a Non-employee Director.4.5

4.6 All Options granted pursuant to this Plan shall be subject to rules and policies of the Exchange and any other regulatory body having jurisdiction.

## 5. Option Price

5.1 Subject to applicable Exchange approval, the Board shall fix the Option Price at the time the Option is granted to a Participant. In no event shall the price be less than the Market Price.

## 6. Term of Option

6.1 The term of the Option shall be a period of time fixed by the Board, not to exceed the maximum period of time permitted by the Exchange and, unless the Board determines otherwise, Options shall be exercisable in whole or in part at any time during this period in accordance with such vesting provisions, conditions or limitations (including applicable hold periods) as are herein contained or as the Board may from time to time impose or as may be required by the Exchange or under applicable securities laws. If no term is specified, the term will be seven years.

6.2 Each Option and all rights thereunder shall be expressed to expire at the Expiry Time but shall be subject to earlier termination in accordance with any stock option agreement entered into hereunder or in accordance with Article ~~4.12~~ hereof.

6.3 If any Options may not be exercised due to any Black-Out Period at any time prior to the Expiry Time of such Options (the "Restricted Options"), the Expiry Time of all Restricted Options shall be extended for a period of 10 business days following the end of the Black-Out Period (or such longer period as permitted by the Exchange and approved by the Board).

## 7. Exercise of Option

7.1 Subject to the provisions of the Plan and the terms of any stock option agreement, an Option or a portion thereof may be exercised, from time to time, by delivery to the Corporation's principal office in Edmonton, Alberta of the Exercise Notice. The Exercise Notice shall state the intention of the Participant or the Participant's legal personal representative to exercise the said Option or a portion thereof, and specify the number of Common Shares in respect of which the Option is then being exercised, and shall be accompanied by the full purchase price of the Common Shares which are the subject of the exercise. Such Exercise Notice shall contain the Participant's undertaking to comply, to the satisfaction of the Corporation, with all applicable requirements of the Exchange and any applicable regulatory authorities.

7.2 Notwithstanding anything to the contrary contained herein, in lieu of exercising the Option pursuant to Section 7.1 above, the Participant shall have the right (the "Cashless Exercise Right") (but not the obligation), at any time and from time to time during the term of an Option, by indicating same in the Exercise Notice, to surrender all or part of the Option to the Corporation in consideration of a payment of the In-The-Money Amount. If the Participant exercises the Cashless Exercise Right, the Corporation shall satisfy the payment of the In-The-Money Amount by delivering to the Participant the Net Number of Shares.¶

7.3 Upon exercise by an Optionee of the Cashless Exercise Right, the Corporation shall deliver to the Participant such Common Shares issuable pursuant to Section 7.2 within a reasonable time following the receipt of the Exercise Notice. ¶

## 8. **Vesting**¶

8.1 The right to exercise an Option shall vest in accordance with the following rules:

- (a) if an Option is granted to an employee of the Corporation or a Subsidiary who has been designated as an Eligible Person under the Plan, no Shares that are the subject of the Option may be taken up and paid for until at least the first anniversary of the Grant Date; and
- (b) if an Option is granted to a director of the Corporation or a Subsidiary, who is not an employee, no more than 50% of the shares that are the subject of the Option may be taken up and paid for as of the first anniversary of the Grant Date.

~~7.38.2~~ Subject to the restrictions on vesting and exercise set out in this Plan, Options so granted may be exercised pursuant to the following vesting schedule:

- (a) One-fifth of the number of Options granted to an optionee may be exercised following the first anniversary of the Grant Date;
- (b) One-fifth of the number of Options may be exercised following the second anniversary of the Grant Date;
- (c) One-fifth of the number of Options may be exercised following the third anniversary of the Grant Date;
- (d) One-fifth of the number of Options may be exercised following the fourth anniversary of the Grant Date; and
- (e) the remaining one-fifth of the number of Options may be exercised following the fifth anniversary of the Grant Date;

however at the discretion of the Board of Directors, the vesting period may be waived entirely or changed from the schedule set out above.

## 9. **Adjustments in Shares**

~~8.49.1~~ If the outstanding shares of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation through re-organization, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, an appropriate and proportionate adjustment shall be made by the Board, in its discretion, in the number or kind of shares optioned and the exercise price per share, as regards previously granted and unexercised Options or portions thereof, and as regards Options which may be granted subsequent to any such change in the Corporation's capital.

~~8.29.2~~ Determinations by the Board as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. The Corporation shall not be obligated to issue fractional securities in satisfaction of any of its obligations hereunder.

## 10. **Accelerated Vesting**

~~9.4~~10.1 In the event that certain events such as a Take-over Bid, liquidation or dissolution of the Corporation or a re-organization, plan of arrangement, merger or consolidation of the Corporation with one or more entities, as a result of which the Corporation is not the surviving entity, are proposed or contemplated, the Board may, notwithstanding the terms of this Plan or stock option agreements issued hereunder (a) exercise its discretion, by way of resolution, to permit accelerated vesting of Options on such terms as the Board sees fit at that time, and (b) in the event of an acceleration of vesting as referred to in (a), exercise its discretion, by way of resolution, to cause the Options to terminate after the end of the period of accelerated vesting on such terms as the Board sees fit at that time, even if such termination of the Options is prior to the normal Expiry Time of the Options. If the Board, in its sole discretion, determines that the Common Shares subject to any Option granted hereunder shall vest on an accelerated basis, all Participants entitled to exercise an unexercised portion of Options then outstanding shall have the right at such time, upon written

notice being given by the Corporation, to exercise such Options to the extent specified and permitted by the Board, and within the time period specified by the Board, which shall not extend past the Expiry Time.

~~9.2~~10.2 In addition to the above, an Option may provide for acceleration of the vesting provisions contained therein upon other events of change of control of the Corporation, on such terms as the Board determines in its sole discretion at the time of the grant of the Option.

~~9.3~~10.3 Where the accelerated vesting provisions of this Article ~~9~~10 apply, the Corporation may satisfy any obligations to a Participant hereunder by paying to the Participant in cash the difference between the exercise price of all unexercised Options granted hereunder and the fair market value of the securities to which the Participant would be entitled upon exercise of all unexercised Options.

## 11. ~~10.~~ Decisions of the Board

~~10.4~~11.1 All decisions and interpretations of the Board respecting the Plan or Options granted thereunder shall be conclusive and binding on the Corporation and the Participants and their respective legal personal representatives and on all directors, officers, employees and consultants of the Corporation who are eligible to participate under the Plan.

## 12. ~~11.~~ Ceasing to be a Director, Officer, Employee or Service Provider

~~11.4~~12.1 Subject to the terms of the applicable stock option agreement, in the event of the Participant ceasing to be a director, officer, employee or Service Provider of the Corporation or a Subsidiary for any reason other than death, including the resignation or retirement of the Participant and the termination by the Corporation or a Subsidiary of the employment of the Participant, prior to the Expiry Time, such Option may be exercised as to such of the Common Shares in respect of which the Option has not previously been exercised (and as the Participant would have been entitled to exercise) at any time up to and including (but not after) the earlier of the Expiry Time and a date that is 60 days ~~days~~ following the effective date of such notice of resignation or retirement or a date that is 60 days following the date notice of termination of employment is given by the Corporation or a Subsidiary, subject to such shorter period as may be otherwise specified in a stock option agreement, whether such termination is with or without reasonable notice, after which date the Option shall forthwith expire and terminate and be of no further force or effect whatsoever.

~~11.2~~12.2 In consideration of the Option hereby granted, in the event of the resignation or retirement of the Participant or the termination of employment by the Corporation without cause, the Participant hereby covenants not to sue the Corporation for damages arising from the loss of rights granted hereunder and releases the Corporation from any damages.

~~11.3~~13.3 Notwithstanding the foregoing, in the event of termination for cause, such Option shall expire and terminate immediately at the time of delivery of notice of termination of employment for cause to the Participant by the Corporation or a Subsidiary and shall be of no further force or effect whatsoever as to the Common Shares in respect of which an Option has not previously been exercised.

~~11.4~~12.4 In the event of the death of a Participant on or prior to the Expiry Time, such Option may be exercised as to such of the Common Shares in respect of which such Option has not previously been exercised (and as the Participant would have been entitled to exercise) by the legal personal representatives of the Participant, at any time up to and including (but not after) the earlier of the Expiry Time and a date that is 6 months from the date of death of the Participant, subject to such shorter period as may be otherwise specified in a stock option agreement, after which date the Option shall forthwith expire and terminate and be of no further force or effect whatsoever.

~~11.5~~12.5 In the event of the Permanent Disability of a Participant on or prior to the Expiry Time, such Option may be exercised as to such of the Common Shares in respect of which such Option has not previously been exercised (and as the Participant would have been entitled to exercise) by the legal personal representatives of the Participant, at any time up to and including (but not after) the earlier of the Expiry Time and a date that is 6 months from the date of Permanent Disability of the Participant, subject to such shorter period as may be otherwise specified in a stock option agreement, after which date the Option shall forthwith expire and terminate and be of no further force or effect whatsoever.

~~44.6~~12.6 Options shall not be affected by any change of employment of the Participant where the Participant continues to be employed by the Corporation or any Subsidiary.

### 13. ~~12.~~ Transferability

~~42.4~~13.1 All benefits, rights and Options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein or to the extent, if any, permitted by the Exchange.

### 14. ~~13.~~ Amendment or Discontinuance of Plan

~~43.4~~14.1 Subject to applicable law and to the prior approval, if required, of the Exchange or any other regulatory body having authority over the Corporation, the Board may suspend, terminate or discontinue the Plan (or any one or more provision of the Plan) at any time.

~~43.2~~14.2 The Board may amend or revise the terms of the Plan or of any Option granted under the Plan and the Option agreement relating to the Option at any time without the consent of the Participants provided that the amendment will:

- (a) not adversely alter or impair any Option previously granted except as permitted by the adjustment provisions of Article ~~89~~;
- (b) be subject to any regulatory approvals including, where required, the approval of the Exchange; and
- (c) be subject to shareholder approval, where required, by law or the requirements of the Exchange, provided that shareholder approval shall not be required for the following amendments:
  - (i) amendments of a typographical, grammatical, clerical or administrative nature or which are required to comply with regulatory requirements;
  - (ii) a change to the vesting provisions of the Plan or any Option;
  - (iii) a change to the termination provisions of any Option that does not entail an extension beyond the original expiration date (and the date may be extended by virtue of Section 6.3 for a Blackout Period);
  - (iv) a change to the eligible participants of the Plan or the definitions contained within the Plan; and
  - (v) a change to the Option Price as set out in Article ~~89~~ of this Plan

~~43.3~~14.3 If the Plan is terminated, the provisions of the 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, notwithstanding the termination of the Plan, the Board will remain able to make such amendments to the Plan or the Options as they would have been entitled to make if the Plan were still in effect.

### 15. ~~14.~~ Participants' Rights

~~44.4~~15.1 A Participant shall not have any rights as a shareholder of the Corporation until the issuance of a certificate for Common Shares, upon the exercise of an Option or a portion thereof, and then only with respect to the Common Shares represented by such certificate or certificates.

~~44.2~~15.2 Nothing in the Plan or any Option shall confer upon any Participant any rights to continue in the employ of the Corporation or any Subsidiary or affect in any way the right of the Corporation or any such Subsidiary to terminate the employment of the Participant at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any such Subsidiary to extend the employment of any Participant beyond the time such Participant would normally retire pursuant to the provisions of any present or future retirement plan of the Corporation or any Subsidiary, or beyond the time at which he would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any contract of employment with the Corporation or any Subsidiary.

### 16. ~~15.~~ Approvals

~~45.4~~16.1 This Plan shall be subject, if applicable, to the approval of the Exchange or other regulatory body having jurisdiction at that time and, if so required thereby, to the approval of the shareholders of the Corporation.

~~45.2~~16.2 Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless such approval and acceptance is given.

## 17. ~~16.~~ Government Regulation

~~46.4~~17.1 The Corporation's obligation to issue and deliver Common Shares under any Option is subject to:

- (a) ~~(d)~~ the satisfaction of all requirements under applicable securities laws in respect thereof and obtaining all regulatory approvals as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (b) ~~(e)~~ the admission of such Common Shares to listing on any stock exchange on which such Common Shares may then be listed; and
- (c) ~~(f)~~ the receipt from the Participant of such representations, warranties, agreements and undertakings as to future dealings in such Common Shares as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this regard, the Corporation shall take all reasonable steps to obtain such approvals and registrations as may be necessary for the issuance of such Common Shares and for the listing of such Common Shares on the Exchange, in compliance with applicable securities laws. If any shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such shares shall terminate and the Option Price paid to the Corporation will be returned to the Participant.

## 18. ~~17.~~ Costs

~~47.4~~18.1 The Corporation shall pay all costs of administering the Plan.

## 19. ~~18.~~ Interpretation

~~48.4~~19.1 This Plan shall be governed by and construed in accordance with the laws of the Province of Alberta.

## 20. ~~19.~~ Compliance with Applicable Law

~~49.4~~20.1 If any provision of the Plan or the grant or exercise of any Option contravenes any law or any order, policy, by-law or regulation of any regulatory body or the Exchange, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

## 21. ~~20.~~ Effective Date of Plan

20.1 The Plan has been adopted by the Board subject to the approval of the shareholders of the Corporation and, if so approved, the Plan shall become effective as of the date of adoption of the Plan by the shareholders of the Corporation.



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# Schedule B

## Proposed Restricted Share Unit Plan

### ARTICLE 1 - DEFINED TERMS AND INTERPRETATION

1.1 Where used herein, the following terms shall have the following meanings, respectively:

- (a) **"Affiliate"** means an affiliated entity as defined in NI 45-106 and **"affiliated"** has a corresponding meaning;
- (b) **"Approved Holder"** means any person or group of persons acting in concert which, immediately prior to a Change of Control Event hold, directly or indirectly, a sufficient number of the outstanding voting shares or other securities of the Corporation to affect materially the control of the Corporation;
- (c) **"Business Day"** means a day on which there is trading on the TSX or such other stock exchange on which the Common Shares are then listed and posted for trading, and if none, a day that is not a Saturday or Sunday or a national legal holiday in Canada;
- (d) **"Cause"** in relation to the termination of the employment of any Participant with a Participating Entity, has the meaning as such term is defined in the Participant's written employment agreement, or, if such term is not so defined or if the Participant has not entered into a written employment agreement, then as such term is defined by applicable law;
- (e) **"Change of Control Event"** means the occurrence of any one of the events set out below:
  - (i) an acquisition, directly or indirectly, of voting share or other securities of the Corporation (including securities of the Corporation which on conversion will become voting shares or securities) by any person or group of persons acting in concert (other than an Approved Holder or any person or group of persons acting in concert with an Approved Holder) such that such person or group of persons are able for the first time to affect materially the control of the Corporation;
  - (ii) a merger, amalgamation or consolidation of the Corporation with or into another entity, or any other corporate reorganization, if more than 50% of the combined voting securities of the continuing or surviving entity are owned by persons who were not unitholders or security holders of the Corporation immediately prior to such merger, amalgamation, consolidation or reorganization;
  - (iii) the election at a meeting of the Corporation's shareholders of that number of persons which would represent a majority of the board as Directors of the Corporation who were not included in the slate for election as Directors proposed to the Corporation's shareholders by the Corporation;
  - (iv) a tender offer, an exchange offer, a take-over bid or any other offer or bid by an entity, person or group (other than the Corporation, a wholly owned subsidiary of the Corporation, or an Approved Holder) of more than 50% of the issued and outstanding Common Shares; or
  - (v) the sale, transfer or disposition by the Corporation of all or substantially all of the assets of the Corporation; provided that, an event will not constitute a Change of Control Event if its sole purpose is to change the jurisdiction of the Corporation or to create a holding company or other corporation, partnership or trust that will be owned in substantially the same proportions by the persons who held shares or other securities of the Corporation immediately before such event; and provided further, a Change of Control Event will be deemed not to have occurred with respect to a Participant if such Participant is the acquiror or part of the acquiring group that consummates the Change of Control Event;
- (f) **"Common Share"** means the common shares in the capital stock of the Corporation;
- (g) **"Corporation"** means Melcor Developments Ltd., and includes any successor entity thereof;
- (h) **"Directors"** means the board of directors of the Corporation and **"Director"** means any one of the Directors;
- (i) **"Disability"** means the mental or physical state of the Participant whereby such person has to a substantial degree been unable, due to illness, disease, mental or physical disability or similar cause, to fulfill his obligations as an officer or employee either for any consecutive 4 month period or for any period of 6 months (whether or not consecutive) in any consecutive 12 month period, and the Corporation has certified the same in writing, or a court of competent jurisdiction has declared the Participant to be mentally incompetent or incapable of managing his affairs;
- (j) **"Dividend Restricted Share Unit"** has the meaning set out in Section 4.2;
- (k) **"Eligible Person"** means any employee or officer of a Participating Entity;
- (l) **"Expiry Date"** means, with respect to a Vested Restricted Share Unit, December 31<sup>st</sup> of the third year following the year in which the grant of the Vested Restricted Share Units related;
- (m) **"Fair Market Value"** means the volume weighted average price of the Common Shares on the TSX for the 20 trading days immediately preceding the applicable day. If the Common Shares are not listed on the TSX, the Fair Market Value

shall be the value established by the Directors based on the price per Common Share on any other public exchange on which the Common Shares are listed, or if the Common Shares are not listed on any public exchange, by the Directors acting in good faith;

- (n) **“Good Reason”** means the occurrence, without the Participant’s consent, of any of the following (except temporarily during any period of incapacity or disability of the Participant):
  - (i) a material and detrimental change in the title, positions, duties and responsibilities, authority or status of the Participant with the Participating Entity (or its successor) such that, immediately after such change, the Participant’s title, positions, duties and responsibilities, authority or status (as applicable) is or are not substantially equivalent to those assigned to the Participant immediately prior to such change;
  - (ii) the assignment to the Participant of duties and responsibilities which are materially inconsistent with his or her title or positions and which are materially detrimental to those applicable immediately prior to such change;
  - (iii) a relocation by more than 50 kilometers of the Participant’s location of employment;
  - (iv) a material breach by the Participating Entity’s (or its successor) of the Participant’s employment agreement; or
  - (v) a material reduction of the Participant’s salary as set out in the Participant’s employment agreement (including a material adverse change to the terms of any bonus plan);
- (o) **“Grant Agreement”** means the agreement between the Corporation and a Participant, in such form as may be approved by the Directors, under which Restricted Share Units are granted, together with such amendments, deletions or changes thereto as are permitted under the Plan;
- (p) **“Grant Date”** means the date upon which a Restricted Share Unit is granted pursuant to the terms of the Plan;
- (q) **“Insider”** means an insider of the Corporation within the meaning set forth in Part I of the TSX Company Manual;
- (r) **“NI 45-106”** means National Instrument 45-106 as amended from time to time;
- (s) **“Participant”** means any Eligible Person to whom a Restricted Share Unit is granted;
- (t) **“Participating Entity”** means the Corporation and such of its Affiliates and Subsidiaries as are designated by the Directors from time to time;
- (u) **“Payout Amount”** means, with respect to each Vested Restricted Share Unit, the Fair Market Value of such Vested Restricted Share Unit on the Vesting Date;
- (v) **“Plan”** means this Restricted Share Unit Plan, as the same may be further amended or varied from time to time;
- (w) **“Restricted Share Unit”** means a right granted to an Eligible Person, pursuant to the terms of this Plan, to have the Payout Amount satisfied;
- (x) **“Retirement”** means the withdrawal from employment by a Participant (who is at least 55 years of age, has been employed with the Corporation and/or other Participating Entities for at least five years and whose age and years of employment with the Corporation and/or other Participating Entities total at least 65 years) with no apparent intention to return to the workforce;
- (y) **“Security Based Compensation Arrangements”** has the meaning set forth in Section 613 of the TSX Company Manual;
- (z) **“TSX”** means the Toronto Stock Exchange;
- (aa) **“Vested Restricted Share Unit”** means any Restricted Share Unit which has vested and become eligible for redemption pursuant to the terms of this Plan and the applicable Grant Agreement;
- (ab) **“Vesting Date”** has the meaning ascribed thereto in Section 5.1; and
- (ac) **“2007 Share Option Plan”** means the 2007 Share Option Plan of the Corporation approved by the Directors on February 23, 2007 and by the Corporation’s shareholders on April 19, 2007, as the same may be amended or amended and restated from time to time.

- 1.2 Words importing the singular number only shall include the plural and vice versa, and words importing gender shall include the masculine, feminine and neuter genders. References in this Plan to “this Plan”, “hereto”, “herein”, “hereof”, “hereby”, “hereunder”, and similar expressions shall be deemed, in the absence of express language to the contrary, to refer to this Plan and not to any particular article, section or portion hereof and include any and every agreement or other instrument supplemental or ancillary hereto or in implementation hereof (including but not limited to the various Grant Agreements).
- 1.3 The headings of the articles, sections and clauses are inserted herein for convenience of reference only and shall not affect the meaning of construction thereof.
- 1.4 The Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.



## ARTICLE 2 - PURPOSES OF THE PLAN

- 2.1 The purposes of the Plan are to:
- (a) support the achievement of the Corporation's performance objectives;
  - (b) ensure that interests of officers and employees are aligned with the success of the Corporation;
  - (c) to attract, retain and motivate officers and employees critical to the long-term success of the Corporation and the Participating Entities.

## ARTICLE 3 - GRANT OF RESTRICTED UNITS

- 3.1 Each Restricted Share Unit will give the Participant the right to receive, upon each Vesting Date with respect to such portion of the Restricted Share Units which have become Vested Restricted Share Units, the Payout Amount.
- 3.2 Each grant of a Restricted Share Unit shall be set forth in a Grant Agreement containing terms and conditions required by this Plan, and such other terms and conditions not inconsistent herewith as the Directors, in their sole discretion, may deem appropriate. Before the initial grant of a Restricted Share Unit to a Participant, a copy of the Plan will be delivered to such Participant.
- 3.3 Except as otherwise provided herein and subject to the terms hereof, the number of Restricted Share Units subject to each grant, how the Payout Amount is satisfied and other terms and conditions relating to each such Restricted Share Unit shall be determined by the Directors.
- 3.4 Restricted Share Units granted to a Participant shall be credited to the Participant's Restricted Share Unit account on the Grant Date.

## ARTICLE 4 - DIVIDEND RESTRICTED SHARE UNITS

- 4.1 Subject to Article 7, when dividends are paid on the Common Shares by the Corporation, each holder of Restricted Share Units shall be entitled to receive additional Restricted Share Units.
- 4.2 The number of such additional Restricted Share Units (each a "**Dividend Restricted Share Unit**") to be received by a Participant shall be equal to: (a) the product of the aggregate number of Restricted Share Units held by the Participant on the record date for such dividend multiplied by the per Common Share amount of such dividend (or, in the case of any dividend payable in property other than cash, the per Common Share fair market value of such property, as determined by the Directors), divided by (b) the Fair Market Value of a Common Share calculated as of the date on which the dividend is paid, round down to the nearest whole number. In the event that the Corporation pays any dividends on the Common Shares in additional Common Shares, the number of Dividend Restricted Share Units to be received by a Participant shall be equal to (x) the aggregate number of Restricted Share Units held by the Participant on the record date for such dividend multiplied by (y) the number of Common Shares (including any fraction thereof) payable as a dividend on one Common Share, round down to the nearest whole number.

## ARTICLE 5 - VESTING AND EXPIRATION OF RESTRICTED SHARE UNITS

- 5.1 Subject to Sections 5.2, 5.5, 6.5, 6.6 and 6.8, the Directors, subject to any performance criteria they may establish, shall set the date (the "**Vesting Date**") on which Restricted Share Units granted hereunder shall vest and become available for redemption which shall be between 34 and 36 months from the Grant Date. The Vesting Date shall be set forth in the Grant Agreement. Upon the Vesting Date in respect of a Restricted Share Unit, the Participant shall then be entitled to redeem such Vested Restricted Share Units in accordance with the provisions of Section 6.1, and upon such redemption, receive the Payout Amount in respect of such redeemed Vested Restricted Share Units.
- 5.2 Each Dividend Restricted Share Unit shall vest at the same time and in the same proportion as the Restricted Share Unit in respect of which the Dividend Restricted Share Unit was granted. The Expiry Date applicable to a Dividend Restricted Share Unit shall be the same as the Restricted Share Unit in respect of which the Dividend Restricted Share Unit was granted.
- 5.3 The Directors may establish performance criteria the achievement of which may be a condition precedent to the vesting of any Restricted Share Units granted hereunder. Such performance criteria (if any) shall be set forth in the Grant Agreement.
- 5.4 The Directors may, in their discretion, subsequent to the time of granting a Restricted Share Unit, permit the vesting of all or any portion of an unvested Restricted Share Unit, in which event all such unvested Restricted Share Units shall be deemed to be immediately vested and available for redemption during such period of time as may be specified by the Directors.
- 5.5 In the event the Vesting Date occurs within a period of time imposed by the Corporation, pursuant to the Corporation's policies, upon certain designated persons during which those persons may not trade in any securities of the Corporation (a "**Black-Out Period**"), the Vesting Date of the Restricted Share Units shall be five business days from the date any Black-Out Period ends.
- 5.6 Notwithstanding any other provision of the Plan or a Grant Agreement, Restricted Share Units granted hereunder shall terminate, cease to be redeemable and be of no further force and effect after the Expiry Date.

## ARTICLE 6 - REDEMPTION OF RESTRICTED UNITS

- 6.1 A Vested Restricted Share Unit shall be redeemed after the Vesting Date and prior to the Expiry Date in accordance with this Article 6.
- 6.2 The Corporation shall redeem all such Vested Restricted Share Units and satisfy the Payout Amount by:
- (a) issuing to the Participant one Common Share for each full Vested Restricted Share Unit and making a lump sum cash payment in respect of any fractional Vested Restricted Share Unit equal to the fractional Vested Restricted Share Units multiplied by the Fair Market Value per Common Share determined as at the Vesting Date (subject, in each case, to any applicable withholdings); or
  - (b) transferring to the Participant one Common Share purchased on the open market for each full Vested Restricted Share Unit and making a lump sum cash payment in respect of any fractional Vested Restricted Share Unit equal to the fractional Vested Restricted Share Units multiplied by the Fair Market Value per Common Share determined as at the Vesting Date (subject, in each case, to any applicable withholdings); or
  - (c) making a lump sum cash payment to the Participant in respect of all full and fractional Vested Restricted Share Units equal to the number of Vested Restricted Share Units redeemed on such date multiplied by the Fair Market Value per Common Share determined as at the Vesting Date (subject to any applicable withholdings); or
  - (d) at the election of the Directors (in their sole discretion), any combination of subsections (a), (b) and (c).
- 6.3 Subject to any period of time imposed by the Corporation during which certain designated persons may not trade in any securities of the Corporation, the Corporation shall satisfy or pay the Payout Amount on or before that date which is thirty (30) days following the Vesting Date.
- 6.4 Subject to any express resolution passed at any time by the Directors in respect of the grant of Restricted Units to any one or more Participants to extend the period of time in which such Restricted Units, provided that such extension is not beyond the Expiry Date, if a Participant's employment with the Participating Entity is terminated (either with or without Cause), or in the event of the resignation of a Participant as an officer or employee, any Restricted Share Units granted to such Participant hereunder which have not yet vested, as at the date of such termination or resignation (the "**Termination Date**"), shall terminate and be of no further force or effect and any Vested Restricted Share Units of such Participant shall be redeemed.
- 6.5 In the event of the Retirement of a Participant as an officer or employee of a Participating Entity or the Disability of the Participant (each, a "**Terminating Event**"), notwithstanding such Participant does not otherwise continuing to qualify hereunder as a Participant:
- (a) a fraction (the numerator of which fraction shall be the number of whole months between the Grant Date and the date of the Terminating Event and the denominator of which fraction shall be the number of whole months between the Grant Date and the Vesting Date (as specified at the Grant Date)) of Restricted Share Units granted to such Participant hereunder which have not yet vested as at the date of the Terminating Event, shall remain outstanding (with the balance of the unvested Restricted Share Units terminating and being of no further force or effect) and shall vest and become available for redemption on the Vesting Date; and
  - (b) all Vested Restricted Share Units as at the date of the Terminating Event shall be redeemed.
- 6.6 Upon the death of a Participant, any Restricted Share Units granted to such Participant hereunder which have not yet vested shall remain outstanding and shall immediately vest and together with all other Vested Restricted Share Units as at the date of the death, shall be redeemed.
- 6.7 On the occurrence of a Change of Control Event or proposed transaction resulting in a Change of Control Event, any unvested Restricted Share Unit shall be exchanged for a replacement security (a "**Replacement Restricted Share Unit**") which has terms and conditions substantially similar to the unvested Restricted Share Units granted to a Participant except that on redemption, the Participant shall be entitled to receive cash and/or securities (or the Fair Market Value of such securities in cash) that the Participant would have been entitled to receive had their unvested Restricted Share Units been redeemed and the Payout Amount satisfied in whole by the issuance or transfer of Common Shares immediately prior to the Change of Control Event becoming effective; and in such event, the Participant shall be deemed to have released his or her right to any cash or Common Shares to which the Participant was entitled with respect to any previous grant of Restricted Share Units which have not yet vested and such unvested Restricted Share Units shall be deemed to have terminated and be of no further force or effect.
- 6.8 If, for any reason, a Participant cannot be issued Replacement Restricted Share Units, all Restricted Share Units granted to such Participant which have not yet vested shall immediately vest (notwithstanding the non-satisfaction of any performance criteria (if any) and shall be available for redemption by the Participant.
- 6.9 If, within twelve (12) months following a Change of Control Event:
- (a) a Participant's employment with the Participating Entity (or the successor entity) is terminated for any reason other than for Cause; or
  - (b) the Participant resigns for Good Reason;
- the Participant's Replacement Restricted Share Units which have not yet vested as at the date of such termination or resignation, shall immediately vest and shall be available for redemption by the Participant.
- 6.10 A Participant shall have no further rights respecting any Restricted Share Unit which has been redeemed.

- 6.11 Any satisfaction of the Payout Amount shall be subject to the provision that the Corporation may, in its sole discretion, require the Participant to reimburse the Corporation for any amounts required to be paid by the Corporation to any taxing or other governmental authority on behalf of the Participant or on its own behalf in respect of such payment to such Participant including, without limitation, excise, employment or income taxes, Canada Pension Plan Contributions and Employment Insurance premiums required to be withheld from amounts payable by the Corporation to the Participant. In lieu thereof, the satisfaction of the Payout Amount is conditional upon the Corporation's reservation, in the Directors' discretion, of the right to withhold, in accordance with any applicable law, from any compensation or other amounts payable to the Participant, any amounts required to be paid by the Corporation to any taxing or other governmental authority on behalf of the Participant or its own behalf under any federal, state, provincial or local law as a result of the issuance or transfer of Common Shares or the payment of cash under the Plan. To the extent that compensation or other amounts, if any, payable to the Participant are insufficient to pay any amounts required to be so paid by the Corporation, the Corporation may, in its sole discretion, require the Participant, as a condition to the issuance of Common Shares from treasury or the transfer of Common Shares under the Plan, to pay in cash or by certified cheque to the Corporation an amount sufficient to cover such liability or otherwise make adequate provision to the Corporation's satisfaction of its obligations under federal, state, provincial and/or local law, and the Corporation is authorized, without limitation, to old the share certificate to which the Participant is entitled upon the issuance or transfer of such Common Shares as security for the payment of such obligation.

## **ARTICLE 7 - COMMON SHARES SUBJECT TO THE PLAN**

- 7.1 Subject to Section 9.2, the number of Common Shares reserved for issuance under the Plan, when combined with all Common Shares reserved for issuance under the 2007 Share Option Plan, shall not exceed 3,300,000 Common Shares. Further, the number of Common Shares reserved for issuance under the Plan, on its own, shall not exceed 1,500,000.
- 7.2 All Restricted Share Units that are terminate prior to vesting and all Restricted Share Units that are redeemed other than for Common Shares shall revert to the Plan and shall be included in the total number of Restricted Share Units thereafter available for issuance under the Plan.
- 7.3 The number of Common Shares reserved for issuance to any one person under the Plan, or when combined with all other Security Based Compensation Arrangements of the Corporation, must not exceed 5% of the issued and outstanding Common Shares then outstanding.
- 7.4 The number of Common Shares reserved for issuance to any one Insider and such Insider's associates within a one-year period pursuant to the Plan and all other Security Based Compensation Arrangements of the Corporation shall not exceed 5% of the issued and outstanding Common Shares then outstanding.
- 7.5 The number of Common Shares:
- (a) issued to Insiders within any one year period, and
  - (b) issuable to Insiders at any time,
- 7.6 under the Plan, or when combined with all of the Corporation's other Security Based Compensation Arrangements, shall not exceed 10% of the issued and outstanding Common Shares then outstanding, respectively.
- 7.7 For the purpose of this Article 7 the number of Common Shares then outstanding shall mean the number of Common Shares outstanding on a non-diluted bases immediate prior to the proposed grant of the applicable Restricted Share Unit.

## **ARTICLE 8 - AMENDMENT AND TERMINATION**

- 8.1 The Directors shall not require shareholder approval to suspend, amend or terminate this Plan, or Restricted Share Units, for, without limitation, the following:
- (a) to extend or restrict eligibility for participation in the Plan;
  - (b) any amendment of a grammatical or typographical nature or to or rectify any ambiguity, defective provision, error or omission;
  - (c) any amendment that is necessary to comply with applicable law or the requirements of any regulatory authority or stock exchange;
  - (d) any amendment to vesting provisions of a Restricted Share Unit as set forth in the Plan or a Grant Agreement; and
  - (e) any amendment to the termination provisions of a Restricted Share Unit as set forth in the Plan or a Grant Agreement.
- None of the foregoing amendments may adversely affect (from the applicable Participant's point of view) any previously granted Restricted Share Unit or deprive any Participant or his legal representative of any cash or Common Share to which such Participant is entitled with respect to previously granted Restricted Share Units which have not yet vested, except to the extent required by law. Any such amendment shall, if required, be subject to the prior approval of, or acceptance by, any stock exchange on which the Common Shares are listed and posted for trading and the Participant or his legal representative.
- 8.2 Notwithstanding Section 8.1, shareholder approval (in accordance with the requirements of the TSX or such other stock exchange on which the Common Shares are then listed) will be required for:
- (a) an extension of the term, under this Plan benefiting an Insider;
  - (b) any amendments to Article 7;
  - (c) amendments to this Article 8.

- 8.3 Notwithstanding any other provision of this Plan, the Directors may at any time by resolution terminate this Plan, provided that any such termination shall not have any effect on previously granted Restricted Share Units.

## **ARTICLE 9 - ADMINISTRATION OF THE PLAN**

- 9.1 This Plan will be administered by the Directors which have the sole and absolute discretion to:
- (a) interpret and administer the Plan;
  - (b) establish, amend and rescind any rules and regulations relating to the Plan;
  - (c) determine which Eligible Persons may receive grants of Restricted Share Units;
  - (d) establish any terms and conditions applicable to any grant of Restricted Share Units, including performance criteria and time for vesting;
  - (e) amend any awarded Restricted Share Unit, with the consent of the Participant where amendments are materially adverse to the Participant; and
  - (f) make any determination which the Directors deem necessary or desirable for the effective administration of the Plan.
- 9.2 In the event:
- (a) of any change in the Common Shares through subdivision, consolidation, reclassification stock dividend or amalgamation or merger that is not a Change of Control or otherwise;
  - (b) that any rights are granted to holders of Common Shares to purchase Common Shares at prices substantially below Fair Market Value; or
  - (c) that, as a result of any reorganization, recapitalization, merger, consolidation or other transaction that is not a Change of Control, the Common Shares are converted into or exchangeable for any other securities;
- then, in any such case, the Directors may make such adjustments to the Plan and to any Restricted Share Units outstanding under the Plan as the Directors, in its sole discretion (subject only to obtaining any required regulatory or stock exchange approvals), consider appropriate in the circumstances to prevent substantial dilution or enlargement of the rights granted to Participants hereunder.
- 9.3 Any decision of the Directors with respect to the administration and interpretation of the Plan shall be conclusive and binding on the Participants.
- 9.4 The Directors may delegate the authority to administer this Plan to any committee of Directors.
- 9.5 The Directors may, without amending the Plan, modify the terms of Restricted Share Units granted to participants who provide services to the Corporation or any of its Affiliate from outside of Canada in order to comply with the applicable laws of such foreign jurisdictions. Any such modification to the Plan with respect to a particular participant shall be reflected in the Grant Agreement for such Participant. Eligible Participants who reside outside of Canada shall solely be responsible (and neither the Corporation, nor any other Participating Entity nor the Directors shall not be responsible) for obtaining such advice concerning the tax consequences of a grant of Restricted Shares Units.

## **ARTICLE 10 - LIABILITY**

- 10.1 Neither the Directors, the Corporation nor any other Participating Entity nor any person acting on their direction or authority shall be liable for anything done or omitted to be done by the Directors, the Corporation, the other Participating Entities or any such person with respect to the price, time, quantity or other conditions and circumstances of the issuance or transfer of Common Share under the Plan or with respect to any fluctuations in the market price of the Common Shares or in any other connection under the Plan, unless such act or omission constitutes willful misconduct or gross negligence on the part Directors, the Corporation, the other Participating Entities or any such person.

## **ARTICLE 11 - GOVERNMENTAL REGULATIONS**

- 11.1 The Corporation's obligation to issue or transfer Common Shares under the Plan is subject to the approval of any governmental authority required in connection with the authorization, issuance or transfer and sale of such Units.
- 11.2 Governmental regulations and any stock exchange on which the Common Shares are listed may impose reporting or other obligations on the Corporation with respect to the Plan. For example, the Corporation may be required to identify Restricted Share Units granted under the Plan on its share ownership records or information circulars and send tax information to employees and former employees who transfer title to Common Shares acquired under the Plan. Each Participant hereby consents to such reporting or other obligations.

## ARTICLE 12 - OTHER

- 12.1 Nothing contained in the Plan or in any Restricted Share Unit will confer upon any Participant any right to the continuation of the Participant's employment by a Participating Entity or interfere in any way with the right of any Participating Entity at any time to terminate that employment or to increase or decrease the compensation of the Participant.
- 12.2 The Participating Entities expressly reserve the right to dismiss any Participant at any time without liability for the effect which such dismissal might have upon him or her as a Participant of the Plan other than as expressly provided for herein. No reasonable notice or payment in lieu thereof will extend the period of employment for purposes of the Plan.
- 12.3 The provisions of a Participant's employment agreement, if any, which are contrary to the provisions of this Plan, shall supersede the provisions of this Plan.
- 12.4 Nothing contained herein will prevent the Directors from adopting other or additional compensation arrangements for the benefit of any Participant, subject to any required regulatory or security holder approval.
- 12.5 To the extent any individual holds any rights under the Plan, such rights (unless otherwise determined by the Directors) shall be no greater than the rights of an unsecured general creditor of the Corporation.
- 12.6 Rights respecting Restricted Share Units shall not be transferable or assignable other than by will or the laws of descent and distribution.
- 12.7 Restricted Share Units shall not be considered Common Shares nor shall they entitle any Participant to exercise voting rights or any other rights attaching to the ownership of Common Shares, nor shall any Participant be considered the owner of Common Shares by virtue of holding Restricted Share Units.
- 12.8 The amount of any compensation deemed to be received by a Participant as a result of the grant, vesting or redemption of Restricted Share Units will not constitute compensation with respect to which any other employee benefits of that Participant are determined, including, without limitation, benefits under any bonus, pension, profit-sharing, insurance or salary continuation plan, except as otherwise specifically determined by the Directors.
- 12.9 It is the responsibility of the Participant to complete and file any tax returns which may be required under the tax laws governing the Participant within the periods specified in those laws as a result of the Participant's participation in the Plan. No Participating Entity shall be held responsible for any tax consequences to a Participant as a result of the Participant's participation in the Plan.
- 12.10 No Participating Entity shall be liable to any Participant for any loss resulting from a decline in the market value of the Common Shares.
- 12.11 This Plan shall become effective if approved by the shareholders of the Corporation in accordance with the requirements of the TSX.

## Schedule C

### Statement of Governance Practices

The corporate governance practices described below explain how we are meeting the guidelines of security regulators in Canada, including National Policy 58-201 – *Corporate Governance Guidelines* and National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

Corporate Governance Guideline	Comments						
<b>Board of Directors</b>							
<i>Disclose the identity of the directors who are independent.</i>	<p>Six of Melcor's nine directors (67%) are independent. The independent directors are:</p> <ul style="list-style-type: none"> <li>• Allan E. Scott (Lead Director)</li> <li>• Gordon J. Clanachan</li> <li>• Ross A. Grieve</li> <li>• Eric P. Newell</li> <li>• Catherine M. Roozen</li> <li>• Ralph Young</li> </ul>						
<i>Disclose the identity of directors who are not independent, and describe the basis for that determination.</i>	<p>The following directors are not considered independent as defined in NI 52-110 Section 1.4 <i>Audit Committees</i>:</p> <ul style="list-style-type: none"> <li>• Timothy C. Melton – Chairman of Melcor</li> <li>• Kathleen Melton – immediate family of Mr. Timothy Melton</li> <li>• Andrew J. Melton – President &amp; Chief Executive Officer of Melcor REIT</li> </ul> <p>Messrs. Timothy C. Melton &amp; Andrew J. Melton together control greater than 50% of the voting shares of Melton Holdings Ltd., the controlling shareholder of Melcor Developments Ltd.</p>						
<i>If a director is presently a director of any other reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</i>	All directorships with other public entities for each director are disclosed in Melcor's management information circular on page 15.						
<i>Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.</i>	<p>The independent directors hold <i>in camera</i> sessions at all Board and committee meetings. The Audit Committee also holds <i>in camera</i> sessions with the external auditors and management.</p> <p><b>FY2017 In Camera sessions:</b></p> <table> <tr> <td>Board:</td><td>6 of 6</td></tr> <tr> <td>Audit Committee:</td><td>5 of 5</td></tr> <tr> <td>Corporate Governance and Compensation:</td><td>4 of 5</td></tr> </table>	Board:	6 of 6	Audit Committee:	5 of 5	Corporate Governance and Compensation:	4 of 5
Board:	6 of 6						
Audit Committee:	5 of 5						
Corporate Governance and Compensation:	4 of 5						

Corporate Governance Guideline	Comments																																								
<i>Disclose whether 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.</i>	<p>The Chairman of the Board of Directors is Mr. Timothy C. Melton who is not an independent director. The Board has appointed Mr. Allan Scott 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 Melcor’s management and the Board where and if required</li><li>to chair the meetings of the Board in the absence of the Chairman</li><li>to ensure the Board is carrying out its responsibilities in accordance with:<ul style="list-style-type: none"><li>(a) good governance practices</li><li>(b) the constating documents of Melcor, and</li><li>(c) the approved corporate governance guidelines</li></ul></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>																																								
<i>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.</i>	<table><tr><th>Director</th><th>Board Meetings</th><th>Committee Meetings</th><th>% of Total Meetings</th></tr><tr><td>Timothy C. Melton</td><td>6/6</td><td>—</td><td>100%</td></tr><tr><td>Andrew J. Melton</td><td>6/6</td><td>—</td><td>100%</td></tr><tr><td>Kathleen M. Melton</td><td>6/6</td><td>4/4</td><td>100%</td></tr><tr><td>Gordon J. Clanachan</td><td>6/6</td><td>5/5</td><td>100%</td></tr><tr><td>Ross A. Grieve</td><td>5/6</td><td>5/5</td><td>91%</td></tr><tr><td>Eric P. Newell</td><td>6/6</td><td>5/5</td><td>100%</td></tr><tr><td>Catherine M. Roozen</td><td>6/6</td><td>4/5</td><td>91%</td></tr><tr><td>Allan E. Scott</td><td>6/6</td><td>5/5</td><td>100%</td></tr><tr><td>Ralph B. Young</td><td>6/6</td><td>5/5</td><td>100%</td></tr></table> <p>1. Ms. Melton was appointed a member of the audit committee on May 9, 2017. She resigned on February 6, 2018 when it was realized that the audit committee must be composed entirely of independent members and not just a majority. Ms. Melton has agreed to return the fees related to audit committee (\$5,250).</p>	Director	Board Meetings	Committee Meetings	% of Total Meetings	Timothy C. Melton	6/6	—	100%	Andrew J. Melton	6/6	—	100%	Kathleen M. Melton	6/6	4/4	100%	Gordon J. Clanachan	6/6	5/5	100%	Ross A. Grieve	5/6	5/5	91%	Eric P. Newell	6/6	5/5	100%	Catherine M. Roozen	6/6	4/5	91%	Allan E. Scott	6/6	5/5	100%	Ralph B. Young	6/6	5/5	100%
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Board of Directors’ Mandate																																									
<i>Disclose the text of the Board of Directors’ mandate.</i>	<p>The Board has adopted a Mandate (see Appendix A) which, amongst other matters, sets 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; and</li><li>knowledge and understanding of the business and maintaining high levels of integrity in business conduct.</li></ul>																																								
Position Descriptions																																									
<i>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.</i>	<p>The Board of Directors has developed written position descriptions for the Chairman, Lead Director and the Chairman of each Board Committee.</p> <p>See Appendix C: Position Descriptions to this circular &amp; Appendix B: Position Description – Audit Committee Chair to the 2017 Annual Information Form, filed on <a href="http://www.sedar.com">www.sedar.com</a> and incorporated by reference in this circular.</p>																																								
<i>Disclose whether or not the Board of Directors and CEO have developed a written position description for the CEO.</i>	<p>The Board of Directors has developed and approved a written description for the CEO.</p> <p>See Appendix C: Position Descriptions</p>																																								



Corporate Governance Guideline	Comments
<b>Orientation &amp; Continuing Education</b>	
<i>Briefly describe what measures the Board of Directors takes to orient new directors regarding:</i>	
(a) <i>the role of the Board of Directors, its committees and its directors</i>	<p>The online resource centre of Melcor's board portal includes documents that provide guidance as to Melcor's expectations on director behaviour, roles and responsibilities. These documents include Melcor's board charter and the committee charters and/or terms of reference. The resource centre is easily accessible by directors at any time.</p>
(b) <i>the nature and operation of the issuer's business.</i>	<p>Arrangements are made for briefing sessions from appropriate senior personnel to help directors better understand Melcor's strategy and business operations.</p> <p>Senior managers and other Melcor employees make frequent presentations at board meetings on a variety of business issues and strategies. In addition, external resources occasionally present at board meetings. Directors also participate on tours from time-to-time with local management. This provides an opportunity to meet with employees and learn more about Melcor's business, development activities and asset holdings.</p>
<i>Briefly describe what measures the Board of Directors takes to provide continuing education for its directors.</i>	<p>Subject to board approval, directors may enroll in professional development courses at Melcor's expense.</p> <p>No directors were enrolled in professional development courses at Melcor's expense in 2017.</p>
<b>Ethical Business Conduct</b>	
<i>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:</i>	Melcor has a Business Code of Conduct that is applicable to all directors, officers and employees.
(a) <i>disclose how a person or company may obtain a copy of the code</i>	<p>Melcor's Business Code of Conduct is available on our website at <a href="http://www.melcor.ca">www.melcor.ca</a> and on SEDAR at <a href="http://www.sedar.com">www.sedar.com</a>.</p> <p>It may also be mailed on request (see "Additional Information", page 28).</p>
(b) <i>describe how the Board of Directors monitors compliance with its code</i>	<p>All new employees are required to read and sign-off on the Code as part of the orientation process.</p> <p>All employees are required to review and confirm compliance with Melcor's policies annually, including the Business Code of Conduct.</p>
(c) <i>provide a cross-reference to any material change report that pertains to any conduct of a director or executive officer that constitutes a departure from the code</i>	The Board has not granted any waiver of the Code of Conduct nor has a material change report been required or filed pertaining to the conduct of a director or executive officer.
<i>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.</i>	<p>Melcor's Business Code of Conduct outlines the Company's conflict of interest guidelines.</p> <p>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.</p>

Corporate Governance Guideline	Comments
<i>Describe any other steps the Board of Directors takes to encourage and promote a culture of ethical business conduct.</i>	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>Nomination of Directors</b>	
<i>Describe the process by which the Board of Directors identifies new candidates for Board of Directors nomination.</i>	The Corporate Governance and Compensation Committee is responsible for identifying new candidates for recommendation to the Board. The Committee considers the composition of the Board and prepares recommendations for director nominees. This process is performed in consultation with the Chairman, CEO and directors.
<i>Disclose whether the Board of Directors has a nominating committee composed entirely of independent directors.</i>	The Corporate Governance and Compensation Committee is responsible for director nominations. All members of the committee are independent.
<i>If the Board of Directors has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</i>	The Corporate Governance and Compensation Committee is responsible for director nominations.  See Appendix B: Corporate Governance and Compensation Committee Charter and the Corporate Governance and Compensation Committee report on page 27 of this information circular for additional information.
<b>Compensation</b>	
<i>Describe the process by which the Board of Directors determines the compensation for the issuer's directors and officers.</i>	The Corporate Governance and Compensation Committee is responsible for reviewing and approving the compensation of all Executive Officers of Melcor, including general salary structure and short- and long-term incentive programs. The Committee also discusses personnel and human resource matters, including recruitment and management succession plans.  See "Compensation Discussion and Analysis" contained in this information circular for additional information.
<i>Disclose whether the compensation committee is composed entirely of independent directors.</i>	All members of the Corporate Governance and Compensation Committee are independent directors.
<i>If the Board of Directors has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</i>	The Corporate Governance and Compensation Committee is responsible for reviewing the compensation levels of senior management, for succession planning and for providing advice to the Board with respect to oversight of compensation and governance matters.  See Appendix B and the Corporate Governance and Compensation Committee report on page 27 of this information circular for additional information.
<b>Other Board Committees</b>	
<i>If the Board of Directors has other standing committees, identify them and describe their function.</i>	The Board has no other Committees.

Corporate Governance Guideline	Comments
<b>Assessments</b>	
<i>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.</i>	<p>The Corporate Governance and Compensation Committee has the responsibility for assessing the Board's effectiveness as a whole. An annual self-assessment is conducted with the findings reported to the full Board by the chair of the committee.</p> <p>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.</p> <p>An assessment of individual directors is not performed.</p>
<i>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.</i>	
<b>Director Term Limits and Other Mechanisms for Board Renewal</b>	
<i>Disclose whether or not the issuer has adopted term limits for directors</i>	<p>The Board is responsible for recommending candidates for election to shareholders from time to time that together contribute the right mix of skills and qualities to the Board. To assist in making those recommendations, the Board periodically conducts both formal and informal reviews of the effectiveness of the Board and individual Board members.</p> <p>The Board is concerned that imposing arbitrary and inflexible director term limits may result in Melcor losing valued directors at a time when it most needs their skills, qualities and contributions, as well as their knowledge of the history and culture of the organization. Mandatory retirement ages pose the same risk and the Board does not want to risk the loss of key directors to retirement policies that seem unnecessarily arbitrary and inflexible when they force a high performing director off the Board. Consequently the Board has not adopted term limits for its directors but rather relies on the experience of its members to determine when Board renewals, Board removals and Board additions are appropriate.</p>
<b>Policies Regarding the Representation of Women on the Board</b>	
<i>Disclose whether the issuer has adopted a written policy related to identifying and nominating women directors.</i>	While the Board has not adopted a written policy relating to the identification and nomination of women directors, Melcor has adopted an Employment Equity and Diversity Policy (Appendix D), which recognizes employment equity and diversity as values that are important to Melcor. The Board evaluates potential nominees to the Board annually by reviewing the qualifications of prospective members and determines their relevance, taking into consideration current Board composition and the anticipated skills required to round out the capabilities of the Board, including knowledge and diversity of membership.
<i>Disclose whether, and if so, how, the board nominating committee considers the level of representation of women on the board when making in identifying and nominating candidates for election or reelection.</i>	The Corporate Governance and Compensation Committee does not consider the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board. The Board evaluates potential nominees to the Board annually by reviewing the qualifications of prospective members and determines their relevance, taking into consideration current Board composition and the anticipated skills required to round out the capabilities of the Board, including knowledge and diversity of membership. See Appendix D: Employment Equity and Diversity Policy

Corporate Governance Guideline	Comments
<i>Disclose whether, and if so, how, the issuer considers the level of representation of women in executive officer positions when making executive officer appointments.</i>	The Board does not consider the level of representation of women in executive officer positions when making executive officer appointments. However, Melcor is committed to the fundamental principles of equal employment opportunities which are prescribed in its employment policies which further provide for Melcor's commitment to treating people, fairly, with respect and dignity, and to offering equal employment opportunities based upon an individual's qualifications and performance. Furthermore, Melcor's employment policies and procedures provide that candidates are selected based on the primary considerations of experience, skill and ability. See Appendix D: Employment Equity and Diversity Policy
<i>Disclose whether the issuer has adopted a target regarding women on the board</i>	Melcor has not adopted a target regarding women on its Board. In its annual review and evaluation of potential nominees to the Board, the Corporate Governance and Compensation Committee focuses on the current Board composition and the anticipated skills required to round out the capabilities of the Board, including knowledge and diversity of its membership. See Appendix D: Employment Equity and Diversity Policy
<i>Disclose whether the issuer has adopted a target regarding women in executive officer positions</i>	Melcor has not adopted a target regarding women in executive officer positions as it is an equal employment opportunity employer whereby candidates are selected based on the primary considerations of experience, skill and ability. See Appendix D: Employment Equity and Diversity Policy
<i>Disclose the number and proportion of directors who are women.</i>	Of the nine (9) members of the Board, two (2) are women (22%).
<i>Disclose the number and proportion of executive officers of the issuer who are women.</i>	Of the five (5) executive officers of Melcor, one (1) is a woman (20%).

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# Appendix A

## Mandate of the Board of Directors

### **Introduction**

The primary responsibility of the board of directors (“**Board**”) of Melcor Developments Ltd. (the “**Company**”) is to oversee the management of the business and to pursue the best interests of the Company. The Board has plenary power and exercises overall responsibility for the management and supervision of the affairs of the Company.

### **Board Size and Criteria**

Pursuant to the Articles of the Company, the Board must consist of at least 5 directors or no more than 25 directors. A majority of the directors of the Board shall be independent within the meaning of National Instrument 52-110 *Audit Committees*. There is no maximum age restriction for a person to be eligible to be nominated as a director. There are also no term limits for members of the Board.

### **Board Meetings**

In order for the Board to transact business, a majority of the directors must be present, and a majority of those present must be resident Canadians. The Board shall meet on a regular basis and shall schedule a sufficient number of meetings (whether in person or by teleconference) to carry out its mandate, which shall occur at least once each quarter. The Board shall have an *in camera* session at each Board meeting with only independent directors present.

### **Reports from Committees/Subsidiaries**

Unless waived by the Board, each committee chair shall provide a report to the Board on material matters considered by the committee at the first Board meeting after the committee's meeting. Each board of a material subsidiary that does not have the same directors as the Board shall provide a report to the Board on material matters considered by the subsidiary board at the first Board meeting after the subsidiary's meeting.

### **Chairman**

The Board shall appoint a Chairman of the Board who shall have responsibility to ensure that the Board discharges its duties and responsibilities.

### **Lead Director**

In the event the Chairman of the Board is not independent, the independent members of the Board shall appoint a Lead Director. The Lead Director will chair the meetings of the independent directors and assume other responsibilities as the Board may designate from time to time.

### **Outside Advisors**

The Board shall have the authority to retain, at the Company's expense, independent advisors and consultants to advise the Board as it determines necessary to carry out its duties and to fix the remuneration of such advisors and consultants. The Board may request any officer or employee of the Company, or the Company's internal or external auditors or legal counsel to attend a meeting of the Board or to meet with any directors of, or consultants to, the Board.

### **Governance**

The Board has responsibility for developing the Company's approach to governance issues although the Governance Committee plays a key role by recommending and reporting on governance issues, including ethical conduct, to the Board. The Board may delegate specific governance issues to other committees of the Board. The Board is responsible for establishing the appropriate procedures to ensure that the Board, Board committees and individual directors can function independently of management.

### **General Duties**

It is the duty of the directors of the Company to manage, or supervise the management of, the business and affairs of the Company. In exercising his or her duties, every director shall act honestly and in good faith with a view to the best interests of the Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. Each director shall also comply with the provisions of the *Canada Business Corporations Act*, and the Bylaws of the Company.

### **Directors' Duties and Responsibilities**

The Board has responsibility for stewardship of the Company, including:

- to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer (the "CEO") and other executive officers (as defined in National Instrument 51-102 *Continuous Disclosure Obligations*) and that the CEO and other executive officers create a culture of integrity throughout the organization;
- adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;
- the identification of the principal risks of the Company's business, and ensuring the implementation of appropriate systems to manage these risks;
- overseeing succession planning (including appointing, training and monitoring senior management);
- adopting a communication and disclosure policy for the Company;
- overseeing the Company's internal control and management information systems;
- developing the Company's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Company, and reviewing annually the

Company's Employment Equity and Diversity Policy to ensure that the objectives of that policy are being met, and to consider the adequacy and appropriateness of the policy in furthering the Company's objectives; and

- reviewing and disclosing, no less than annually, measures for receiving feedback from stakeholders.

In addition to the above, the Board shall:

- with the assistance of the Corporate Governance and Compensation Committee, review and ratify the employment, appointment, grade levels and compensation of the top five executive employees of the Company, and approval all senior officer appointments;
- with the assistance of the Corporate Governance and Compensation Committee, develop a position description for the CEO, which together with other board approved policies and practices, should provide for a definition of the limits to management's responsibilities, and approve the objectives of the Company to be met by the CEO;
- with the assistance of the Corporate Governance and Compensation Committee, ensure the performance of the CEO is evaluated at least annually;

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## Appendix B

# Corporate Governance & Compensation Committee Charter

The term "**Company**" refers to Melcor Developments Ltd., and the term "**Board**" refers to the board of directors of the Company.

### **PURPOSE**

The Corporate Governance and Compensation Committee (the "**Committee**") is a standing committee appointed by the Board. The Committee is responsible for overseeing and assessing the functioning of the Board and the committees of the Board and for the development, recommendation to the Board, implementation and assessment of effective governance principles.

The Committee's responsibilities include oversight of director and Company officers, the Company's human resource strategies, programs and policies, including employee remuneration and compensation, together with oversight of the evaluation of management of the Company. In addition, the Committee will review and/or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other governance initiatives as may be necessary or desirable to enable the Board to provide effective governance for the Company and contribute to the success of the Company.

### **COMPOSITION AND PROCEDURES**

In addition to the procedures and powers set out in any resolutions of the Board, the Committee will have the following composition and procedures:

#### **1. Composition**

The Committee shall consist of at least three members of the Board of the Company (the "Board"), with the majority of members being, in the determination of the Board, "independent" as that term is defined by Multilateral Instrument 52-110, as amended from time to time, and the majority of whom shall be resident Canadians. Each member shall complete and return to the Company annually a questionnaire regarding the member's independence. Non-independent members shall abstain from voting on matters related to nominations and compensation.

#### **2. Appointment and Replacement of Committee Members**

The members of the Committee shall be elected by the Board annually and each member of the Committee shall hold office as such until the next annual meeting of shareholders of the Company after his or her election or until his or her successor shall be duly elected or qualified. Any member of the Committee may be removed or replaced by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a director. The Board may fill vacancies on the Committee by election from its independent members. The Board shall fill any vacancy if the membership on the Committee is less than three directors. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains in office.

#### **3. Meetings**

Committee meetings are held as required. Committee meetings may be called by the Committee chair or by a majority of the Committee members. At any meeting of the Committee, a quorum of at least two committee members must be present for the Committee to exercise any of its powers.

#### **4. Professional Assistance**

The Committee may retain special legal, accounting, financial or other consultants to advise the Committee at the Company's expense including any search firm or any compensation consulting firm.

#### **5. Review of Charter**

The Committee will periodically review and reassess the adequacy of this Charter as it deems appropriate and recommend changes to the Board. The Committee will periodically evaluate its performance with reference to this Charter. The Committee will approve the form of disclosure of this Charter, where required by applicable securities laws or regulatory requirements, in the annual proxy circular or annual report of the Company.

#### **6. Delegation**

The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.



## 7. Reporting to the Board

The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

### SPECIFIC MANDATES OF THE COMMITTEE

The Committee shall, subject to and consistent with the Bylaws of the Company and any other applicable governance document, shall in respect of:

#### I. Operations of the Board

- (a) assess the needs of the Board with respect to the conduct of the affairs of the Board, including:
  - i. the size of the Board;
  - ii. the frequency and location of Board and committee meetings;
  - iii. the availability, relevance and timeliness of discussion papers, reports and other information required by the Board;
- (b) recommend at the first meeting of the Board following each annual meeting, the allocation of directors to each of the Board committees and thereafter, where a vacancy occurs at any time in the membership of any Board committee, recommend a particular director to the Board to fill such vacancy;
- (c) oversee continuing education for all directors in respect to the Company;

#### II. Governance

- (a) review periodically the Company's approach to governance issues;
- (b) review periodically the mandate for the Board and the positions description for the Chairman, the Chief Executive Officer, the Lead Director and the Board Committee Chairs of the Company;
- (c) review periodically the charters of the committees of the Board and, where appropriate, make recommendations thereon including changes in the role, size, composition and structure of the committees;
- (d) conduct periodic surveys of directors with respect to their views on the effectiveness of the Board, each committee of the Board and its Chair and individual directors;
- (e) recommend policies regarding succession of the Chairman, CEO and CFO of the Company;

- (f) assess the effectiveness and review the performance of the Board as a whole and each committee of the Board, including the Committee and the Chairman, CEO and CFO of the Company;
- (g) review the Company's director qualification criteria including the number of boards on which directors may sit, director tenure, retirement and succession;
- (h) review and approve an individual director's request to engage an outside advisor at the expense of the Company;

#### III. Board Composition and Director Nominations

- (a) review periodically the competencies, skills and personal qualities required of directors in order to add value to the Company, in light of:
  - i. the activities of the Company and the nature of its investments;
  - ii. the need to ensure that a majority of the Board is comprised of individuals, each of whom meets the requirements set out under the heading "COMPOSITION AND PROCEDURES – 1. Composition" above;
  - iii. any other governance agreements to which the Company is a party;
  - iv. the Company's governance guidelines (including the Employment Equity and Diversity Policy);
- (b) review the competencies, skills and personal qualities of each existing director or director nominees, and the contributions made by the director to the effective operation of the Board and any significant change in the primary occupation of the director;
- (c) ensure director nominees understand the demands and expectations of a director of the Company and the role of the Board and its committees;
- (d) in consultation with the Board, the Chairman, the CEO and management, identify qualified individuals and recommend to the Board the new director nominees for the next annual meeting of shareholders;
- (e) oversee an orientation program to familiarise new directors with the business and operations of the Company including the reporting structure, strategic plans, significant financial, accounting and risk issues and compliance policies, management and the external auditors;

#### **IV. Director Protection**

- (a) review periodically the directors and officers insurance policy applicable to the Company and make recommendations for its renewal or amendment or the replacement of the insurer;
- (b) administer all policies of or agreements by the Company with respect to the indemnification by the Company of directors and officers, if any, of the Company;

#### **V. Director, Officers and Employee Compensation**

- (a) review periodically director and officer compensation and the compensation terms that adequately reflect the responsibilities being assumed by directors/officers, and committee chairs and members;
- (b) review and recommend to the Board the employment, appointment, and compensation arrangements of the Chairman and CEO of the Company
- (c) in conjunction with the CEO, review and recommend to the Board the employment and appointment of the top executives of the Company and approve their compensation arrangements, and make changes in these arrangements upon annual reviews of their performance;
- (d) oversee the evaluation of the Company's CEO;
- (e) review the CEO's annual evaluation of the performance of the management committee and key managers of the Company, and approve the CEO's recommendations with respect to compensation, incentive compensation plans and equity-based plans to be provided to such employees;
- (f) review and administer equity compensation plans of the Company for the benefit of employees of the Company and its subsidiaries;
- (g) review and approve corporate goals and objectives relevant to Chairman and CEO compensation, evaluate the Chairman and CEO's performance in light of those goals and objectives, and make recommendations with respect to the Chairman and CEO's compensation level based on this evaluation;

#### **VI. Reporting and Disclosure Requirements**

- (a) review and approve the annual corporate governance report to be made in either the annual report to the Company's shareholders or the proxy circular prepared in connection with the Company's

annual meeting describing the corporate governance practices of the Company with reference to the reporting requirements of the Toronto Stock Exchange or other applicable securities law requirements;

- (b) review and approve the executive compensation disclosures to be made in the proxy circular prepared in connection with the Company's annual meeting;
- (c) review the "Insider Trading Policy" of the Company;
- (d) review at least annually the "Code of Business Conduct" of the Company;
- (e) review at least annually the "Whistleblower Policy" of the Company;
- (f) review at least annually the "Mandate of the Board of Directors" of the Company;
- (g) review at least annually the position description for the Chairman, CEO, Lead Director, and Board committee chairs of the Company;
- (h) review at least annually the "Audit Committee Charter";
- (i) review at least annually compliance with any governance agreements; and

#### **VII. Other Items**

- (a) review periodically legislation applicable to the operation of the Company's business.

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## Appendix C

### Position Descriptions

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#### Chairman

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A key responsibility of the Chairman of the Board of Directors, in addition to his responsibilities as a senior member of the executive management team of the Corporation, is to provide leadership to the Board to enhance Board effectiveness. The Board has ultimate accountability for supervision of the management of the Company. Critical to meeting this accountability is the relationship between the Board, management, shareholders and other stakeholders. The Chairman, as the presiding member, must oversee that these relationships are effective, efficient and further the best interests of the Corporation.

The Chairman reports to the Board.

The Chairman shall:

- Chair all meetings of the Board of Directors and shareholders;
- Lead the Board in ensuring that the Board assumes its duties and responsibilities for the stewardship of the Corporation as set out in the Corporate Governance Guidelines as approved by the Board, the constating documents of the Corporation and corporate law;
- Ensure, in cooperation with the CEO and the Board, that there is an effective succession plan in place for the CEO position and the other senior management positions of the Company;
- Assist the CEO and other members of the senior management team in the short and long range planning activities of the Corporation including the acquisition and growth strategies and is a member of the Investment Committee;
- Ensure the development, on an annual basis, of the corporate objectives which the CEO is responsible for meeting, for the review and approval of the Board;
- Establish the agenda for meetings of the Board in conjunction with the CEO, and ensures the proper and timely flow of information to the Board sufficiently in advance of the meetings;
- Act as a liaison between the Corporation's management and the Board where and if required;
- In conjunction with the CEO, represent the Corporation before its stakeholders, including shareholders, managers and employees, the investment community, the industry and the public;
- Undertake the lead on any corporate governance matter that the Board may request from time to time;
- Develop and maintain a good working relationship between the office of the Chairman, the President and CEO, and the Board to assure open communications, cooperation, interdependence, mutual trust, respect, and commonality of purpose;
- Take steps to foster the Board's understanding of its responsibilities and boundaries with management;
- Establish any other procedures to govern the effective and efficient conduct of the Board's work; and
- Carry out other duties as requested by the Board.

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## Lead Director

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The Chairman of the Corporation is not independent due to his role as a member of the senior management group of the Corporation. Therefore, in keeping with the spirit and intent of good corporate governance and following the recommendations of the corporate governance guidelines set out by the Canadian Securities Administrators, the Board has appointed one of its independent directors to fill the role of Lead Director.

The following outlines the duties and responsibilities of the Lead Director:

- Develop the agenda for the Executive Sessions of the Board (i.e. without management present), with such sessions to be held at least 2 times each year, or as required or deemed necessary, and to chair such Executive Sessions;
- Act as a liaison between the Corporation's management and the Board where and if required;
- Ensure the Board is carrying out its responsibilities in accordance with good governance practices, the constating documents of the Corporation, the approved corporate governance guidelines and that the Board is enabled to carry out its duties as prescribed and under the law.
- Consider any other appropriate structures and procedures to ensure that the Board can function independently of management; and
- Undertake the lead on any other corporate governance matters that the Board may request from time to time.

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## Corporate Governance & Compensation Committee Chair

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The prime responsibility of the Chairman of the Corporate Governance & Compensation Committee ("CGCC") is to provide leadership to the CGCC to ensure its effectiveness. Critical to meeting this accountability is ensuring that the Corporation has in place an appropriate and effective system of corporate governance.

The Chairman of the CGCC shall:

- Set the tone for the work of the CGCC;
- Set the agenda and chair CGCC meetings, and ensure distribution of meeting materials and minutes;
- Oversee the logistics of the committee's operations and ensure compliance with the approved terms of reference of the CGCC; and
- Report to the full Board on the decisions and recommendations of the CGCC.

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## President & Chief Executive Officer

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The President & Chief Executive Officer (CEO) reports to the Board of Directors. The duties and responsibilities of the position include, but are not limited to, the following:

- Develop and recommend to the Board a long-term strategy and vision for the Corporation that leads to the creation of shareholder value;
- Develop, on an annual basis, the corporate and personal objectives for which the CEO will be held accountable, for the review and approval of the Board;
- Overall responsibility for the operations of the Corporation, and to ensure that the day-to-day business affairs of the Corporation are appropriately managed;
- Chairs the Management Committee and is a member of the Investment Committee;
- Foster a corporate culture that promotes ethical practices, encourages individual integrity, and fulfils social responsibility;
- Maintain a positive and ethical work climate that is conducive to attracting, retaining, and motivating a diverse group of top-quality employees at all levels;
- Assemble and lead an effective and efficient organization that is capable of meeting the Corporation's objectives; ensuring that corporate policies are understood and are properly interpreted and administered by the organization;
- Consistently strive to achieve the company's financial and operating goals and objectives, as recommended to and approved by the Board;
- Ensure that the Company has an effective management team below the level of the CEO, and has an active plan for its development and succession;
- Formulate and oversee the implementation of major corporate policies; and
- In conjunction with the Chairman, to represent the Corporation before its stakeholders, including employees, customers, shareholders, the investment community, the industry and the public.

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## Appendix D

# Employment Equity & Diversity Policy

### Introduction

*This Employment Equity and Diversity Policy (the "Policy") sets out the approach to employment equity and diversity of Melcor Developments Ltd. (the "Company").*

### Scope and Application

"Employment equity" recognizes the value and dignity of each individual and ensures that each individual will have genuine, open and unhindered access to employment opportunities with the Company. Employment equity involves hiring the most suitably qualified candidate for any open position while ensuring that the hiring process and the qualifications required for each position are fair and equitable for all persons.

"Diversity" involves recognizing and valuing the unique contribution people can make to the Company because of their individual background, different skills, experiences and perspectives. The Company also recognizes that diversity within the workforce will generate value for the Company's stakeholders (including its customers, shareholders, employees, and the communities in which it operates). Fostering diversity also allows the Company to attract, retain and motivate employees from the widest pool of available talent.

The Company will take all appropriate steps to ensure that throughout the entire organization both a high standard of employment equity, and a culture accepting and encouraging of diversity, are maintained at all times.

### Policy Statement

The Company will retain, promote and hire the best people it can, focusing on actual and potential contribution in terms of their performance, competence, collaboration and professional accountability. Management will ensure that all employment-related decisions are based on principles of individual merit and achievement such as job performance, skills, knowledge, and abilities relevant to specific positions and not on factors unrelated to a person's performance or ability to do the job.

The Company will foster an inclusive culture, accepting and encouraging of diversity within its workforce, and will not discriminate in its employment practices on the basis of gender, race, ethnicity, sexual orientation,

religion, age, disability, or any other characteristic protected by law. This includes all aspects of employment at every level within the Company (i.e. - from the Board of Directors (the "Board") level on down), including: hiring; job assignment; compensation; discipline; termination; access to benefits; and training. In order to garner the full benefits of diversity (including the availability of the widest pool of available talent), Management will periodically review the Company's recruitment and selection practices at all levels (from the Board level on down) to ensure they are appropriately structured so that a diverse range of candidates are considered and that there are no conscious or unconscious biases that might discriminate against certain candidates.

Management will make reasonable accommodation for qualified individuals with known disabilities unless doing so would result in an undue hardship.

Management will lead this Employment Equity and Diversity Policy by regarding it as a key business issue and an essential part of the Company's day to day business activities.

The Board will annually review (i) Management's report to the Board regarding the proportion of women in the Company's workforce throughout the Company's various offices and across its various employment levels; and (ii) this Employment Equity and Diversity Policy to determine if the objectives of the Policy are being met and to consider the adequacy and appropriateness of the Policy in furthering the Company's objectives.

Any employee with questions or concerns about discrimination in the workplace is encouraged to bring these issues to the attention of their immediate Supervisor, the Company's Human Resources department, or any senior officer of the Company. Employees can raise concerns and make reports without fear of reprisal. It is also a violation of this Policy for anyone to knowingly make a false complaint of discrimination, or to provide false information about a complaint. Anyone found to be engaging in any type of unlawful discrimination will be subject to disciplinary action, up to and including termination of employment.

*This Policy will be published on the Company's website for public information purposes.*