

# MELCOR 2019

## MANAGEMENT INFORMATION CIRCULAR

**All Shareholders are Invited to Our  
Annual General Meeting:**

**Fairmont Hotel Macdonald**

Empire Ballroom  
10065 100 Street NW  
Edmonton, AB T5J 0N7

Tuesday, April 30, 2019  
11:00 AM

**Your Vote is Important**

Please follow the instructions starting on page 8 to vote your proxy.

**IN PERSON**



**PHONE**



**MAIL**



**ONLINE**



## Date of Information

All information contained in this information circular is as of March 13, 2019 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 2019 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, 2018, 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 50th Annual Meeting of Shareholders

Dear Fellow Shareholders,

On behalf of Melcor's Board of Directors and our management team, I invite you to attend the 2019 annual meeting of shareholders and a celebration of our 50th anniversary as a public company.

We are pleased to host this event at:

**WHERE:**

**Fairmont Hotel Macdonald**  
Empire Ballroom  
10065 100 Street NW  
Edmonton, AB

**WHEN:**

Tuesday, April 30, 2019  
11:00 AM MDT

At the meeting, our management team will review Melcor's 2018 operating and financial performance, as well as our plans for the remainder of 2019. 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 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 8 of this information circular.

We look forward to seeing you at the meeting.

Sincerely,



Timothy Melton  
Chairman

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# Notice of Annual General Meeting of Shareholders

**WHERE:**

**Fairmont Hotel Macdonald**  
Empire Ballroom  
10065 100 Street NW  
Edmonton, AB T5J 0N7

**WHEN:**

Tuesday, April 30, 2019  
11:00 AM MDT

**RECORD DATE:**

March 6, 2019

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

1. **Receive** Melcor's consolidated financial statements for the fiscal year ended December 31, 2018 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; and
5. **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.

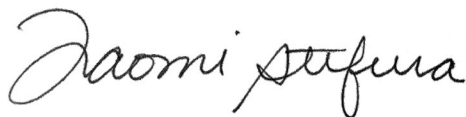
**YOUR VOTE IS IMPORTANT:** Please follow the instructions for completing and returning the enclosed form of proxy whether you plan to attend the meeting in person or not.

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, 2018. 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 April 26, 2019.

Shareholders as at March 6, 2019 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 5, "What if I acquired my shares after March 6, 2019?"

**Dated** as of the 13<sup>th</sup> day of March 2019.

**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 2018 Annual Report, are available online:

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

[www.melcor.ca/AGM2019](http://www.melcor.ca/AGM2019)

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 annual meeting of shareholders (AGM or meeting) to be held on April 30, 2019.

### 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:

**Melcor:** 1-855-673-6931 (toll-free)  
**AST Trust Company:** 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.*

**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)

The annual material is also available electronically at:  
[www.melcor.ca/AGM2019](http://www.melcor.ca/AGM2019)

We estimate that shareholder requests for paper copies of the circular, financial statements and MD&A will need to be received prior to April 16, 2019 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 8.

We do not 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/AGM2019](http://www.melcor.ca/AGM2019) 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 April 30, 2019. We pay the cost of proxy solicitation for all registered and non-objecting beneficial shareholders. We do not pay for intermediaries to forward information to objecting beneficial owners (OBOs). OBOs will not receive proxy materials unless the OBOs intermediary assumes the cost of delivery.

We solicit proxies primarily by mail, however 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
- 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 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 6, 2019 (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 6, 2019?

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;

## 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 33,301,611 common shares are issued and outstanding as of the close of business on March 6, 2019.

## How do I vote?

See "Voting Instructions", page 8.

## 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 13, 2019, 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	47.11%

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 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, 2018, 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 11. 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.



	2018	2017
Audit fees	\$167,500	\$163,500
Audit-related fees <sup>1</sup>	172,300	163,950
Tax fees <sup>2</sup>	109,000	109,000
Internal Controls Compliance	47,000	45,500
All other fees <sup>3</sup>	10,500	10,500
<b>Total</b>	<b>\$506,300</b>	<b>\$492,450</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. 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.

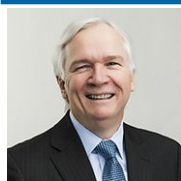
# Voting Instructions

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 April 25, 2019.</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 April 26, 2019 (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 April 26, 2019:</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
2018 Attendance	100%
2018 Director Compensation	\$50,250
Common Shareholdings	8,000
Committees	Audit (Chair)



**Ross A. Grieve**  
Edmonton, Alberta, Canada

**Independent**

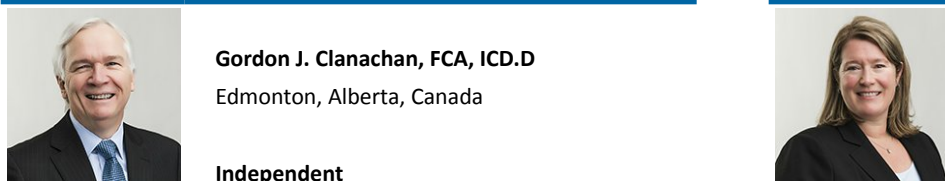
Principal Occupation	Vice Chairman, PCL Construction Holdings Ltd.
Director Since	2003
2018 Attendance	100%
2018 Director Compensation	\$36,000
Common Shareholdings	78,000
Committees	Compensation & Governance



**Andrew J. Melton<sup>1</sup>**  
Calgary, Alberta, Canada

**Related**

Principal Occupation	President & CEO, Melcor REIT
Director Since	1985
2018 Attendance	100%
2018 Director Compensation	nil
Common Shareholdings	163,887
Committees	none



**Kathleen M. Melton**  
Calgary, Alberta, Canada

**Related**

Principal Occupation	Real Estate Development Manager & Corporate Director
Director Since	2016
<b>2018 Attendance</b>	100%
<b>2018 Director Compensation</b>	\$31,500
Common Shareholdings	36,950
Committees	none



**Timothy C. Melton<sup>1</sup>**  
Edmonton, Alberta, Canada

**Related**

Principal Occupation	Chairman, Melcor
Director Since	1973
2018 Attendance	100%
2018 Director Compensation	nil
Common Shareholdings	1,940,994
Committees	none



**Eric P. Newell**  
Edmonton, Alberta, Canada

**Independent**

Principal Occupation	Corporate Director
Director Since	2014
2018 Attendance	100%
2018 Director Compensation	\$38,250
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
2018 Attendance	100%
2018 Director Compensation	\$38,250
Common Shareholdings	145,600
Committees	Audit



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

**Independent**

Principal Occupation	Corporate Director
Director Since	1976
2018 Attendance	100%
2018 Director Compensation	\$36,000
Common Shareholdings	1,414,333
Committees	Compensation & Governance

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



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

**Independent (Lead Director)**

Principal Occupation	Corporate Director
Director Since	2007
2018 Attendance	100%
2018 Director Compensation	\$52,000
Common Shareholdings	3,000
Committees	Compensation & Governance (Chair)

# Compensation Discussion & Analysis

Compensation matters are managed by the Corporate Governance & Compensation Committee (CGCC), which is composed of Mr. Allan Scott, Mr. Ross Grieve and Mr. Ralph 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 several not-for-profit foundations.

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 Melcor 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.

	2018	2017
Compensation consulting	—	\$66,761
Other	—	—
<b>Total</b>	—	<b>\$66,761</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>
Long-term incentive	RSU Awards	Vest in 3 years	<ul style="list-style-type: none"> <li>Provides share-based rewards 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 2018, 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 Plan Amended 2007 and Restricted Share Unit (RSU) Plan (see “Equity Compensation Plan Information”).

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.

In 2018, shareholders approved a Restricted Share Unit Plan (RSU plan) and an amendment to the 2007 Share Plan to allow for cashless exercise.

The Board of Directors approves annual grants of share options and RSUs based on the recommendation of the CGCC, which receives and reviews recommendations from the CEO. Share option & RSU grants take into consideration an employee's individual performance and previous grants.

Together, these incentive plans support performance objectives, ensure that the interests of key management and employees are aligned with the success of Melcor, encourage employees to acquire a proprietary interest in Melcor, and help to attract, retain and motivate key individuals critical to our long-term success.

## 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:

- 2018 financial results
- Any variation between fiscal targets and actual results

- Cash incentive related to 2018 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

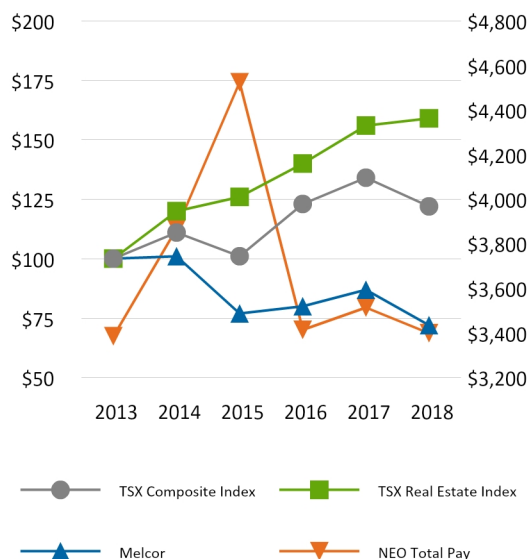
The CEO presents recommendations to the CGCC for annual cash incentives to be paid to Melcor's other senior executives. In assessing the proposed amounts, the CGCC evaluates overall financial results and the performance of each senior executive in their respective roles. The CGCC also compares the proposed 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.

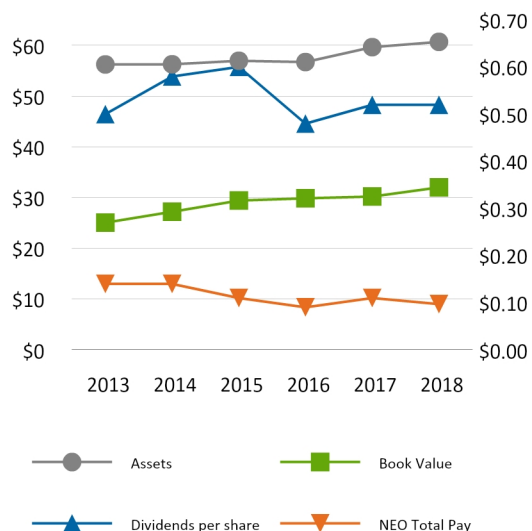
## Relationship Between Company Performance & NEO Compensation

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>	Share-based awards <sup>5</sup>	Option-based awards <sup>4</sup>	All other compensation <sup>6</sup>	Total compensation
<b>Darin A. Rayburn</b> <sup>1</sup> President & CEO	2018	400,000	429,487	78,060	89,100	9,750	1,006,397
	2017	285,417	645,567	—	88,464	9,750	1,029,198
	2016	250,000	357,210	—	19,560	9,824	636,594
<b>Naomi M. Stefura</b> <sup>2</sup> Chief Financial Officer	2018	250,000	171,795	48,137	55,890	8,717	534,539
	2017	207,000	258,227	—	33,174	8,717	507,118
	2016	165,000	175,000	—	48,900	8,532	397,432
<b>Timothy C. Melton</b> Chairman	2018	280,000	429,487	54,642	63,180	8,717	836,026
	2017	280,000	645,567	—	55,290	8,717	989,574
	2016	280,000	314,419	—	40,750	8,658	643,827
<b>Andrew J. Melton</b> President & CEO, Melcor REIT	2018	275,000	257,692	53,341	61,560	9,750	657,343
	2017	237,167	387,340	—	44,232	8,595	677,334
	2016	206,000	188,652	—	32,600	8,490	435,742
<b>Ryan Mott</b> <sup>8</sup> Regional Manager, USA	2018	213,791	129,570	13,010	—	7,904	364,275
	2017	214,269	77,916	—	11,271	7,921	311,377
	2016	16,535	—	—	—	795	17,330

- 1 Mr. Rayburn was appointed President & Chief Executive Officer on April 15, 2017. He was previously Executive Vice President, Investment Properties.
- 2 Ms. Stefura was appointed Chief Financial Officer on August 11, 2016. She was previously Vice President, Finance.
- 3 The annual cash incentive is accrued in the 2018 financial statements and paid to employees in three instalments in February, April and May 2019.
- 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.
- 5 The fair value of RSUs awarded are calculated using the fair value on the grant date. RSUs vest three years from the date of grant.
- 6 Represents payments for car allowances and parking. 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.
- 7 Annual cash incentive relates to normal operations as described under *Short-term Incentive*, page 18.
- 8 Mr. Mott joined Melcor on December 5, 2016. He is paid in US\$ with amounts translated to Canadian dollars at the Bank of Canada annual average exchange rate.

## Fiscal 2018 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, 2018.

Name	Base Salary	Cash Incentive	Long-Term Incentives <sup>1</sup>	Total	% At Risk
Darin Rayburn	400,000	429,487	78,060	907,547	56%
Naomi Stefura	250,000	171,795	48,137	469,932	47%
Timothy Melton	280,000	429,487	54,642	764,129	63%
Andrew Melton	275,000	257,692	53,341	586,033	53%
Ryan Mott	213,791	129,570	13,010	356,371	40%

- 1 No options were in the money at December 31, 2018. Long-term incentive include the value of RSUs on their grant date.

## Pension Plan Benefits

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

## Employment Contracts

At December 31, 2018, 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.

## Option-Based Awards - Outstanding

Name and principal position	Number of securities underlying unexercised options	Option-based Awards <sup>1,2</sup>			Share-based Awards <sup>1</sup>	
		Option exercise price	Option expiration date	Value of unexercised in-the-money options	Number of units not vested	Market value of unvested awards
<b>Darin Rayburn</b> President & CEO	12,000	21.35	19-Dec-19	—	6,000	73,740
	12,000	14.05	21-Dec-20	—		
	12,000	13.21	13-Dec-21	—		
	40,000	14.94	12-Dec-22	—		
	55,000	13.01	12-Dec-23	—		
<b>Naomi Stefura</b> Chief Financial Officer	7,500	21.35	19-Dec-19	—	3,700	45,473
	7,500	14.05	21-Dec-20	—		
	30,000	13.21	13-Dec-21	—		
	15,000	14.94	12-Dec-22	—		
	34,500	13.01	12-Dec-23	—		
<b>Tim Melton</b> Chairman	12,000	21.35	19-Dec-19	—	4,200	51,618
	12,000	14.05	21-Dec-20	—		
	25,000	13.21	13-Dec-21	—		
	25,000	14.94	12-Dec-22	—		
	39,000	13.01	12-Dec-23	—		
<b>Andy Melton</b> President & CEO, Melcor REIT	12,000	21.35	19-Dec-19	—	4,100	50,389
	12,000	14.05	21-Dec-20	—		
	20,000	13.21	13-Dec-21	—		
	20,000	14.94	12-Dec-22	—		
	38,000	13.01	12-Dec-23	—		
<b>Ryan Mott</b> Regional Manager, USA	5,100	14.94	12-Dec-22	—	1,000	12,290

- \$12.29, the closing price of Melcor shares on December 31, 2018, was used to calculate the value of the unexercised in-the-money options and the value of unvested RSU awards.
- 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.

## Incentive Plan Awards – Value Vested or Earned During 2018

Name	Options-based awards value vested	Share-based awards value vested	Non-equity plan compensation value earned
Darin Rayburn	—	—	829,487
Naomi Stefura	—	—	421,795
Tim Melton	—	—	709,487
Andy Melton	—	—	532,692
Ryan Mott	—	—	343,361

- Option-based awards represents the value of in-the-money options that vested during fiscal 2018 based on the share price on the vesting date. No options were in-the-money on their vesting date or at December 31, 2018. No RSUs vested in 2018.

## Director Compensation

As at March 13, 2019, 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 2018, director compensation was set as follows:

Component	2018
Annual Director Retainer	\$24,000 per year
Board & Committee Meeting Fees	\$1,500 per meeting
Teleconference Meeting Fees	\$750 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

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	14,250	—	50,250
Ross Grieve	24,000	12,000	—	36,000
Andrew Melton <sup>2</sup>	—	—	—	—
Kathleen Melton	24,000	7,500	—	31,500
Timothy Melton <sup>2</sup>	—	—	—	—
Eric Newell	24,000	14,250	—	38,250
Catherine Roozen	24,000	14,250	—	38,250
Allan Scott	40,000	12,000	—	52,000
Ralph Young	24,000	12,000	—	36,000

1. Includes lead director and committee retainers.
2. Melcor employees do not receive director compensation.

### Shareholdings of Independent Directors

Director	Number	Value <sup>1</sup>
Gordon Clanachan	8,000	98,320
Ross Grieve	78,000	958,620
Eric Newell	10,000	122,900
Catherine Roozen	145,600	1,789,424
Allan Scott	3,000	36,870
Ralph Young	1,414,333	17,382,152.57

1. Based on closing price of Melcor shares on December 31, 2018 (\$12.29).

# Equity Compensation Plan Information

## Securities Authorized for Issuance under Equity Compensation Plans

Plan Category <sup>1</sup>	Number of securities to be issued upon exercise of outstanding options and rights (A)	Weighted average exercise price of outstanding options and rights	Number of securities available for future issuance under equity compensation plans <sup>2</sup>
2007 Share Option Plan	1,040,647	\$14.15	751,353
Restricted Share Unit Plan	67,400	\$13.01	1,432,600
<b>Total</b>	<b>1,108,047</b>	<b>\$14.08</b>	<b>2,183,953</b>

1. Melcor does not have equity compensation plans that are not approved by shareholders.
2. Excludes securities reflected in column (A).

Between December 31, 2018 and March 13, 2019, no options were exercised and 6,300 options were canceled under the plan.

## Amended 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>Approved by Shareholders</b>	Original plan - April 19, 2007   Amended plan with cashless exercise option   May 12, 2018			
	Plan Maximum	Options Outstanding	Options Exercised <sup>2</sup>	Options Available for Future Grants
Balance as of 31-Dec-2018	1,800,000	1,040,647	8,000	751,353
% of Common Shares outstanding <sup>1</sup>	5.40%	3.12%	0.02%	2.25%
	2015	2016	2017	2018
Annual burn rate	0.71%	0.79%	0.83%	0.66%
Maximum issuable to one insider & their associates	5% of outstanding Common Shares (including those issuable under any other plan) per year			
Maximum issuable to insiders in a one year period	10% of outstanding Common Shares (including those issuable under and other plan)			
Maximum issuable to insiders at any time	Cannot exceed 10% of the total issued and outstanding Common Shares (including those issuable under any other plan)			
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 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 the vesting schedule 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	If an Optionee ceases to be a director, officer, employee or service provider of Melcor for a reason other than death (including resignation, retirement and termination), Options remain exercisable for 60 days. In the event of termination with cause, Options expire immediately. In the event of death or permanent disability, Options remain exercisable for 6 months.			
Amendment provision	The Board may amend the plan provided that the amendment does not alter or impair previously granted Options, subject to TSX approval. Amendments not requiring shareholder approval include amendments of a typographical, grammatical, clerical or administrative nature or which are required to comply with regulatory requirements. 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 benefiting 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.			
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, 2018.
2. Options exercised since the plan was reset at the 2018 annual general & special meeting.

### **Restricted Share Unit (RSU) Plan**

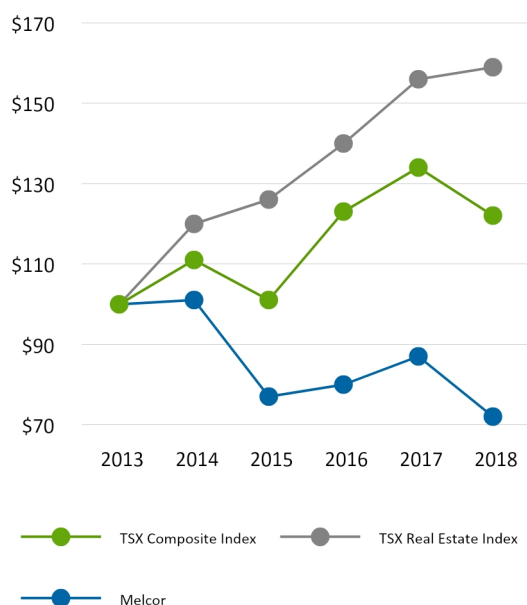
<b>Overview &amp; Eligibility</b>	Melcor's RSU Plan provides for the granting of RSUs to full-time employees and officers of Melcor and its subsidiaries			
<b>Approved by Shareholders</b>	May 12, 2018			
	Plan Maximum	RSUs Granted	RSUs Vested	RSUs Available for Future Grants
Balance as of 31-Dec-2018	1,500,000	67,400	—	1,432,600
% of Common Shares outstanding <sup>1</sup>	4.50%	0.20%	—%	4.30%
	2018			
Annual burn rate	0.20%			
Maximum issuable to one insider & their associates	5% of outstanding Common Shares (including those issuable under any other plan) in a one-year period			
Maximum issuable to insiders in a one year period	10% of outstanding Common Shares (including those issuable under and other plan)			
Maximum issuable to insiders at any time	Cannot exceed 10% of the total issued and outstanding Common Shares (including those issuable under any other plan)			
Terms/Vesting of RSUs	RSUs cliff vest 34 - 36 months after issue. The Board of Directors may waive the vesting period or change the vesting schedule at its discretion.			
Redemption Value determination	The fair market value of each RSU at the time of redemption is set at the volume-weighted average closing price on the Toronto Stock Exchange for the 20 immediately proceeding the redemption date.			
Redemption	RSUs may be redeemed after the vesting date and may be exchanged for an equal number of common shares with a cash payment for any fractional share units based on the fair market value of the common shares on the vesting date or a lump sum cash payment to the participant. Shares used to satisfy the RSU redemption may be bought on the open market or issued from treasury.			
Assignability conditions	Non-transferrable and non-assignable.			
Cessation of entitlement	<p>If an Optionee ceases to be an officer or employee Melcor as a result of retirement or disability, a fraction based on the number of whole months between the grant date and the terminating event shall vest and become available for redemption on the vesting date.</p> <p>In the event of death, all RSUs shall immediately vest and be redeemed.</p> <p>Subject to the contrary determination of the Board of Directors, in the event of cessation of employment for any other reason, unvested RSUs shall terminate.</p>			
Amendment provision	<p>The Board may amend, suspend or terminate the plan without shareholder approval on amendments that are of a typographical, grammatical, clerical or administrative nature or which are required to comply with regulatory requirements or to amend vesting provisions.</p> <p>Shareholder approval is required to increase the number of Common Shares subject to the plan, for an extension of the terms benefiting an insider, and for term extensions, amendments to Plan Restrictions and changes to amending provisions contained in the RSU Plan.</p>			
Financial assistance to employees	NIL			
Entitlements subject to ratification	NIL			

1. Based on shares outstanding December 31, 2018.

# Performance Graphs

## 5-Year Performance Graph

The following graph compares total shareholder return for \$100 invested in our common shares at December 31, 2013 (assuming all dividends are reinvested), against the total return of the S&P TSX Composite Index and the TSX Capped Real Estate Index.



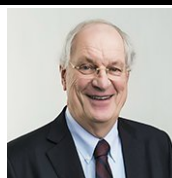
Year	S&P TSX Composite Index	TSX Real Estate Index	MRD
2013	100	100	100
2014	111	120	101
2015	101	126	77
2016	123	140	80
2017	134	156	87
2018	122	159	72

## Interest Of Informed Persons In Material Transactions

No informed person had an interest in a material transaction in 2018 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 resource 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 three meetings in 2018, all 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, 2018.

Copies of these documents and any other documents incorporated by reference, additional interim financial statements for periods subsequent to December 31, 2018 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

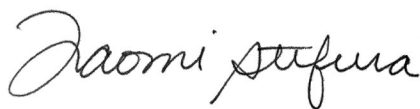
**By Phone:** 780-423-6931 x 4707

**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 Shareholders.



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

# Schedule A

## 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 12.						
<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>FY2018 In Camera sessions:</b></p> <table> <tr> <td>Board:</td><td>5 of 5</td></tr> <tr> <td>Audit Committee:</td><td>5 of 5</td></tr> <tr> <td>Corporate Governance and Compensation:</td><td>3 of 3</td></tr> </table>	Board:	5 of 5	Audit Committee:	5 of 5	Corporate Governance and Compensation:	3 of 3
Board:	5 of 5						
Audit Committee:	5 of 5						
Corporate Governance and Compensation:	3 of 3						

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>5/5</td><td>—</td><td>100%</td></tr><tr><td>Andrew J. Melton</td><td>5/5</td><td>—</td><td>100%</td></tr><tr><td>Kathleen M. Melton</td><td>5/5</td><td>—</td><td>100%</td></tr><tr><td>Gordon J. Clanachan</td><td>5/5</td><td>5/5</td><td>100%</td></tr><tr><td>Ross A. Grieve</td><td>5/5</td><td>3/3</td><td>100%</td></tr><tr><td>Eric P. Newell</td><td>5/5</td><td>5/5</td><td>100%</td></tr><tr><td>Catherine M. Roozen</td><td>5/5</td><td>5/5</td><td>100%</td></tr><tr><td>Allan E. Scott</td><td>5/5</td><td>3/3</td><td>100%</td></tr><tr><td>Ralph B. Young</td><td>5/5</td><td>3/3</td><td>100%</td></tr></table>	Director	Board Meetings	Committee Meetings	% of Total Meetings	Timothy C. Melton	5/5	—	100%	Andrew J. Melton	5/5	—	100%	Kathleen M. Melton	5/5	—	100%	Gordon J. Clanachan	5/5	5/5	100%	Ross A. Grieve	5/5	3/3	100%	Eric P. Newell	5/5	5/5	100%	Catherine M. Roozen	5/5	5/5	100%	Allan E. Scott	5/5	3/3	100%	Ralph B. Young	5/5	3/3	100%
Director	Board Meetings	Committee Meetings	% of Total Meetings																																						
Timothy C. Melton	5/5	—	100%																																						
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Gordon J. Clanachan	5/5	5/5	100%																																						
Ross A. Grieve	5/5	3/3	100%																																						
Eric P. Newell	5/5	5/5	100%																																						
Catherine M. Roozen	5/5	5/5	100%																																						
Allan E. Scott	5/5	3/3	100%																																						
Ralph B. Young	5/5	3/3	100%																																						
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 2018 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>																																								
Orientation & Continuing Education																																									

Corporate Governance Guideline	Comments
<i>Briefly describe what measures the Board of Directors takes to orient new directors regarding:</i>	
<i>(a) 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.</p> <p>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>
<i>(b) 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 2018.</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.
<i>(a) 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 25).</p>
<i>(b) describe how the Board of Directors monitors compliance with its code</i>	All new employees are required to read and sign-off on the Code as part of the orientation process. All employees are required to review and confirm compliance with Melcor's policies annually, including the Business Code of Conduct.
<i>(c) 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>
<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.

Corporate Governance Guideline	Comments
<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>	<p>The Corporate Governance and Compensation Committee is responsible for director nominations.</p> <p>See Appendix B: Corporate Governance and Compensation Committee Charter and the Corporate Governance and Compensation Committee report on page 24 of this information circular for additional information.</p>
<b>Compensation</b>	
<i>Describe the process by which the Board of Directors determines the compensation for the issuer's directors and officers.</i>	<p>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.</p> <p>See "Compensation Discussion and Analysis" contained in this information circular for additional information.</p>
<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>	<p>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.</p> <p>See Appendix B and the Corporate Governance and Compensation Committee report on page 24 of this information circular for additional information.</p>
<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 four (4) executive officers of Melcor, one (1) is a woman (25%).



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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.*