

**eclipse**  
Residential MIC

**NOTICE OF ANNUAL GENERAL MEETING OF  
SHAREHOLDERS  
AND  
MANAGEMENT INFORMATION CIRCULAR**

**May 1, 2018**

**Meeting to be held at 9:00 a.m. on May 31, 2018  
Suite 2930, Bay Wellington Tower  
Brookfield Place, 181 Bay Street  
Toronto, Ontario M5J 2T3**



## ECLIPSE RESIDENTIAL MORTGAGE INVESTMENT CORPORATION

### NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

**TAKE NOTICE** that an annual general meeting (the “**Meeting**”) of holders of common shares (the “**Shareholders**”) of Eclipse Residential Mortgage Investment Corporation (the “**Corporation**”) will be held on May 31, 2018 at 9:00 a.m. (Toronto time) at Suite 2930, Bay Wellington Tower, 181 Bay Street, Toronto, Ontario M5J 2T3 for the following purposes:

1. To receive the audited financial statements of the Corporation for the financial year ended December 31, 2017 and the report of the auditor thereon;
2. To elect the directors of the Corporation;
3. To re-appoint Ernst & Young LLP as the auditor of the Corporation and to authorize the directors to fix the remuneration to be paid to the auditor; and
4. To transact such other business as may properly be brought before the Meeting.

Details of the matters to be voted on at the Meeting or any adjournment or postponement thereof are more fully described in the accompanying Management Information Circular (the “**Circular**”).

Shareholders may attend the Meeting in person or may be represented thereat by proxy. Registered Shareholders who are unable to attend the Meeting in person are requested to date, sign and return the enclosed instrument of proxy, or other appropriate proxy, in accordance with the instructions set forth in the Circular. An instrument of proxy will not be valid and acted upon at the Meeting or any adjournment or postponement thereof unless it is deposited at the offices of TSX Trust Company, at 100 Adelaide Street West, Suite 301, Toronto, Ontario, Canada, M5H 4H1 prior to 9:00 a.m. (Toronto time) on May 29, 2018, or, if the Meeting is adjourned or postponed, not later than 48 hours (excluding Saturdays, Sundays and holidays) before the date of the adjourned or postponed Meeting, or any further adjournment or postponement thereof.

Shareholders who hold their shares with a bank, broker or other financial intermediary are not registered Shareholders. Non-registered Shareholders will receive a voting instruction form in lieu of a form of proxy, which they can use to instruct the registered holder how to vote their shares. Voting instruction forms sent by Broadridge Financial Solutions, Inc. may be voted by telephone or through the internet at [www.proxyvote.com](http://www.proxyvote.com).

Only Shareholders of record at the close of business on April 27, 2018 are entitled to receive the notice of annual general meeting and to attend and vote at the Meeting or any adjournment or postponement thereof.

**DATED** at Toronto, Ontario as of the 1<sup>st</sup> day of May, 2018.

**By Order of the Board of Directors**

By:     //Signed// “Mark A. Caranci”      
Mark A. Caranci  
President and Chief Executive Officer

**Eclipse Residential Mortgage Investment Corporation**  
**Management Information Circular**  
**May 1, 2018**

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**GENERAL PROXY INFORMATION**

**Circular**

This Management Information Circular (the “Circular”) is furnished to holders (the “Shareholders”) of common shares (the “Common Shares”) in the capital of Eclipse Residential Mortgage Investment Corporation (the “Corporation”), in connection with the solicitation of proxies by the Manager of the Corporation, Brompton Funds Limited (the “Manager”), to be used at the annual general meeting of Shareholders (the “Meeting”) or at any adjournment or postponement thereof. The Meeting will be held on May 31, 2018 at 9:00 a.m. (Toronto time) at Suite 2930, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3 for the purposes set forth in the notice of annual general meeting of shareholders (the “Notice”) accompanying this Circular. Solicitation of proxies will be primarily by mail, and may be supplemented by telephone or other personal contact by representatives or agents of the Manager without additional compensation.

In this Circular, unless the context otherwise suggests, references to *you*, *your* and *Shareholder* are to a holder of Common Shares. All monetary amounts referred to in this Circular are presented in Canadian dollars, unless otherwise noted.

If you have any questions about or require assistance completing the form of proxy, please contact Kathryn Banner, Vice President & Corporate Secretary at (416) 642-6005.

**Voting Instructions for Non-Registered Holders**

The information set forth in this section is of significant importance to non-registered beneficial holders of Common Shares (“**Beneficial Holders**”). All of the Common Shares are held in the book based system in the name of CDS & Co., the nominee of CDS, and not in the name of Beneficial Holders. Beneficial Holders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. Common Shares held by brokers, dealers or their nominees through CDS & Co. can only be voted upon the instructions of the Beneficial Holder. Without specific instructions, CDS & Co. and brokers, dealers and their nominees are prohibited from voting Common Shares of the Corporation for their clients. The Corporation does not know for whose benefit the Common Shares of the Corporation registered in the name of CDS & Co. are held. Therefore, Beneficial Holders cannot be recognized at the Meeting for purposes of voting their Common Shares in person or by way of proxy unless they comply with the procedure described below.

Applicable regulatory policy requires brokers, dealers and other intermediaries to seek voting instructions from Beneficial Holders in advance of the Meeting. Every intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Holders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Holder by its intermediary is identical to that provided to registered shareholders. However, its purpose is limited to instructing the registered shareholders how to vote on behalf of the Beneficial Holders. The majority of intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically prepares a voting instruction form that it mails to the Beneficial Holders and asks Beneficial Holders to complete

and return directly to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Holder receiving a voting instruction form cannot use that form to vote Common Shares directly at the Meeting. Rather, the voting instruction form must be returned to Broadridge well in advance of the Meeting to have the shares voted.**

If you are a Beneficial Holder and wish to vote in person at the Meeting, please contact your broker, dealer or other intermediary well in advance of the Meeting to determine how you can do so. Voting instruction forms sent by Broadridge may be completed by telephone, mail or through the internet at [www.proxyvote.com](http://www.proxyvote.com).

### **Voting Instructions for Registered Holders**

If you are a registered Shareholder and wish to vote in favour of the matters to be voted at the Meeting as set out in the Notice (the “**Matters**”), you should submit a form of proxy voting in favour of the Matters well in advance of the 9:00 a.m. (Toronto time) deadline on May 29, 2018 for the deposit of proxies.

### **Proxy Information, Record Date, Voting Rights and Quorum**

To be used at the Meeting, a proxy must be deposited with TSX Trust Company by delivery to its principal offices at 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1, Attention: Proxy Department at any time up to 9:00 a.m. (Toronto time) on May 29, 2018 or with the Chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or the day of any adjournment or postponement of the Meeting.

Only Shareholders of record at the close of business on April 27, 2018 are entitled to receive the Notice and to attend and vote at the Meeting or any adjournment or postponement thereof.

With respect to each matter properly put before the Meeting, a Shareholder shall be entitled to one vote for each Common Share of the Corporation held by such Shareholder. Unless otherwise required by law or other provisions binding upon the Corporation, any matter coming before the Meeting or any adjournment(s) thereof shall be decided by the majority of the votes duly cast in respect of the matter by Shareholders entitled to vote thereon.

Pursuant to the by-laws of the Corporation, a quorum at the Meeting will consist of two or more Shareholders present in person or represented by proxy holding not less than 10% of the shares entitled to vote at the Meeting. If the quorum requirement is not satisfied within one-half hour of the scheduled time for the Meeting, then the Meeting will be adjourned by the Chairman of the Meeting. If adjourned, the Meeting will be rescheduled to 2:00 p.m. (Toronto time) on May 31, 2018. At the adjourned Meeting, the business of the Meeting will be transacted by those Shareholders present in person or represented by proxy.

### **Proxy Holder Matters**

#### *Appointment of Proxy Holders*

Registered Shareholders who are unable to be present at the Meeting may still vote through the use of proxies. If you are a registered Shareholder, you should complete, execute and return the enclosed proxy form well in advance of the 9:00 a.m. (Toronto time) deadline on May 29, 2018 for the deposit of proxies. By completing and returning the enclosed proxy form, you can participate in the Meeting through

the person or persons named on the form. Please indicate the way you wish to vote and your vote will be cast accordingly. **If you do not indicate a preference, the Common Shares represented by the enclosed proxy form, if the same is executed in favour of the management appointees named in the proxy form and deposited as provided in the Notice, will be voted in favour of the matters identified in the Notice.**

#### *Alternate Proxy*

**A Shareholder has the right to appoint a person or company to represent them at the Meeting other than the management appointees designated on the accompanying proxy form** by inserting the name of the person he or she wishes to act as proxy in the blank space provided, or by completing another proxy form. Proxy forms that appoint persons other than the management appointees whose names are printed on the form should be submitted to TSX Trust Company and the person so appointed should be notified. A person acting as proxy need not be a Shareholder.

#### *Revocation of Proxies*

If the accompanying form of proxy is executed and returned, the proxy may nevertheless be revoked by an instrument in writing executed by the Shareholder or his or her attorney authorized in writing, as well as in any other manner permitted by law. Any instrument revoking a proxy must either be deposited (a) at the registered office of TSX Trust Company no later than 5:00 p.m. (Toronto time) on the day before the Meeting or (b) with the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof. If the instrument of revocation is deposited with the Chairman on the day of the Meeting or any adjournment or postponement thereof, the instrument will not be effective with respect to any matter on which a vote has already been cast pursuant to that proxy.

#### *Solicitation of Proxies*

The cost of the solicitation of proxies will be borne by the Corporation. The Corporation will reimburse brokers, custodians, nominees and fiduciaries for the proper charges and expenses incurred in forwarding this Circular and related materials to Beneficial Holders. In addition to solicitation by mail, officers and directors of the Corporation may, without additional compensation, solicit proxies personally or by telephone.

#### *Voting of Shares Represented By Management Proxies*

The persons named in the enclosed form of proxy will vote the Common Shares in respect of which they are appointed by proxy on any ballot that may be called for at the Meeting and at any adjournment or postponement thereof in accordance with the instructions thereon. **In the absence of such instructions, such Common Shares will be voted:**

- (a) **on the election of directors, in favour of the election of the nominees of management named in this Circular;**
- (b) **on the re-appointment of the auditor, in favour of the re-appointment of the auditor named in this Circular; and**
- (c) **on any other matters that may properly come before the Meeting, in such manner as the proxyholder may see fit.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to such matters including, without limitation, amendments to or variations of matters identified in the Notice and with respect to other matters, if any, which may properly come before the Meeting and any adjournment, adjournments, postponement or postponements thereof. At the time of printing of this Circular, management of the Corporation knows of no such amendments, variations, or other matters to come before the Meeting. However, if any other matters which are not now known to management should properly come before the Meeting or any adjournment, adjournments, postponement or postponements thereof, the proxy will be voted on such matters in accordance with the best judgment of the person named in such form of proxy.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

### **Outstanding Securities and Voting Rights**

As of May 1, 2018, the Corporation had 3,147,509 Common Shares outstanding, each carrying the right to one vote per share. A simple majority of the votes cast at the Meeting, whether in person, by proxy or otherwise, will constitute approval of any matter submitted to a vote.

### **Record Date**

The Board has fixed April 27, 2018 as the record date for the purpose of determining holders of Common Shares entitled to receive notice of and to vote at the Meeting. Any Shareholder of record at the close of business on the record date is entitled to vote the Common Shares registered in such Shareholder's name at that date on each matter to be acted upon at the Meeting.

### **Principal Holders of Securities**

As at May 1, 2018, to the knowledge of the Manager, no person beneficially owns, directly or indirectly, or exercises control or direction over 10% or more of the voting rights attached to Common Shares of the Corporation.

## **BUSINESS OF THE MEETING**

The Meeting has been called as an annual general meeting of the Shareholders. Shareholders will be asked to receive the audited financial statements of the Corporation for the fiscal year ended December 31, 2017 together with the auditor's report thereon. Shareholders will also be asked to elect directors and re-appoint the Corporation's auditor.

## **ELECTION OF DIRECTORS**

The articles of the Corporation provide that the Board will have a minimum of one and a maximum of ten directors. There are currently six directors on the Board. The board of directors (the "**Board**") is empowered, from time to time, by resolution to set the number of directors of the Corporation and the number of directors to be elected at the annual general meeting of Shareholders of the Corporation.

All directors elected at the Meeting will hold office until the close of the next annual general meeting of Shareholders or until their respective successors are elected or appointed or they resign.

Unless otherwise instructed, the persons named in the enclosed form of proxy intend to vote FOR the election of the nominees for director listed below. The Board recommends that Shareholders vote for

the election of the nominees listed below. A majority of the votes, voted by the Shareholders represented in person or by proxy at the Meeting, is required for the election of the Corporation's directors.

### Proposed Management Nominees for Election to the Board of Directors

Name and Municipality of Residence	Position with the Corporation	Principal Occupation	Number of Common Shares <sup>(1)</sup>
MARK A. CARANCI Toronto, Ontario	President and Chief Executive Officer, Director (appointed April 2013)	President and Chief Executive Officer, Brompton Funds Limited and Brompton Corp.	10,000
RAYMOND R. PETHER <sup>(2)</sup> Toronto, Ontario	Director (appointed April 2013)	Director, Brompton Funds Limited and Brompton Corp.	20,000
CHRISTOPHER S. L. HOFFMANN <sup>(2)</sup> Toronto, Ontario	Director (appointed August 2014)	Director, Brompton Funds Limited since July 2014; Director of Brompton Corp.; Vice President of Nutowima Ltd.; private investor	23,300
ARTHUR R.A. SCACE <sup>(2)(3)</sup> Toronto, Ontario	Director (appointed May 2013)	Corporate Director	nil
JAMES W. DAVIE <sup>(2)(3)</sup> Toronto, Ontario	Director (appointed May 2013)	Corporate Director	nil
KEN S. WOOLNER <sup>(2)(3)</sup> Calgary, Alberta	Director (appointed May 2013)	Chief Executive Officer and Director of Velvet Energy Ltd.	nil

<sup>(1)</sup> Includes all Common Shares beneficially owned, directly or indirectly, by each individual or over which such individual exercises control or direction.

<sup>(2)</sup> Independent director of the Board.

<sup>(3)</sup> Member of the Audit Committee.

Directors and executive officers of the Corporation, as of May 1, 2018, as a group beneficially owned, directly or indirectly, or exercised control or direction over approximately 56,337 Common Shares, representing approximately 1.8% of the issued and outstanding Common Shares.

### Biographies

*Mark A. Caranci (President, Chief Executive Officer and Director):* Mr. Caranci has over 25 years of experience in the investment business, merchant banking and public accounting and, as principal of the Brompton Group, participates in the direction of all activities in the group. Mr. Caranci was appointed as the Chief Financial Officer of the Brompton Group in 2000 and in 2007, Mr. Caranci was appointed President, Chief Executive Officer and director of Brompton Funds. From 1996 to 2000, Mr. Caranci was Vice-President of a financial services organization. Mr. Caranci has held various senior positions with public companies, including Chief Financial Officer of a public energy services income trust and Vice-President of Finance of several public oil & gas companies. Prior to 1996, Mr. Caranci worked at PricewaterhouseCoopers LLP, Chartered Professional Accountants. Mr. Caranci is a Chartered Professional Accountant and is a member of the Chartered Professional Accountants of Ontario and received a Bachelor of Commerce degree from the University of Toronto.

*Raymond R. Pether (Director):* Mr. Pether has over 35 years of experience in the investment business having held numerous high-level positions in investment management, oil & gas, banking and real estate finance. Mr. Pether co-founded the Brompton Group in 2000 and participates in the direction of all activities in the group, and is a director of Brompton Funds. Mr. Pether received a Bachelor of Arts



degree in Economics from the University of Western Ontario and a Master of Business Administration degree from McMaster University.

*Christopher S.L. Hoffmann (Director):* Mr. Hoffmann has over 25 years of experience in the investment business. He joined the Brompton Group of companies in 2004 and he was appointed as director of Brompton Funds in July 2014. He participates in the direction of activities of the group. From 1989 to 2004, Mr. Hoffmann was a partner at McCarthy Tétrault LLP (a national Canadian law firm). From 1987 to 1989, Mr. Hoffmann was Executive Vice President and Chief Operating Officer of a private investment and holding company. From 1980 to 1987, Mr. Hoffmann was a partner at Burnet, Duckworth & Palmer LLP (a Calgary law firm). Mr. Hoffmann is a member of the Law Society of Ontario and received a Bachelor of Laws and a Bachelor of Civil Law from McGill University, and a Master of Science from University of California, Berkeley.

*Arthur R.A. Scace (Director):* Mr. Scace is an independent director and former partner of McCarthy Tétrault LLP and has over 35 years of legal and business experience. Mr. Scace began his career at McCarthy Tétrault LLP in 1967 and became a partner in 1972. Mr. Scace served as the Managing Partner of the Toronto office from 1989 to 1996 and as the firm's National Chairman from 1997 to 1999. Mr. Scace received a Bachelor of Arts degree from the University of Toronto, a Bachelor of Law degree from Oxford University as a Rhodes Scholar, a Master of Arts degree from Harvard University, and a Bachelor of Laws degree from Osgoode Hall Law School at York University. Mr. Scace is also a Queen's Counsel, has been appointed as a member of the Order of Canada and has received honorary Doctorates of Law from The Law Society of Upper Canada, York University, the University of Toronto and Trinity College of the University of Toronto. Mr. Scace is former Chairman of the Board of Directors of The Bank of Nova Scotia and a director of several other Canadian companies, and is a former Treasurer of The Law Society of Upper Canada.

*James W. Davie (Director):* Mr. Davie has over 30 years of investment banking experience and currently serves as a corporate director. Mr. Davie has held a number of senior positions at RBC Dominion Securities Inc. since 1973 including Managing Director of Investment Banking and, from 1987 to 1999, head of Equity Capital Markets. Mr. Davie received a Bachelor of Commerce degree from the University of Toronto and a Master of Business Administration degree from Queen's University.

*Ken S. Woolner (Director):* Mr. Woolner has over 30 years of experience in the oil and gas industry and currently serves as President, Chief Executive Officer and Director of Velvet Energy Ltd., a private Calgary based production and exploration company. From February 2006 to June 2011 he served as a corporate director. From April 2005 to February 2006, Mr. Woolner was Executive Chairman of White Fire Energy Ltd., a public oil and gas company operating in Western Canada and a trustee of Sequoia Oil & Gas Trust. Mr. Woolner was President and Chief Executive Officer of Lightning Energy Ltd. from December 2001 to April 2005, when it merged with Argo Energy Ltd. to create Sequoia Oil & Gas Trust and White Fire Energy Ltd. Mr. Woolner was the President and Chief Executive Officer and a director of Velvet Exploration Ltd. from April 1997 to July 2001 when it was acquired by El Paso Oil & Gas Inc., and was a director of El Paso Oil and Gas Canada Inc. from July 2001 to May 2002. Mr. Woolner is a professional engineer and received a Bachelor of Science degree in Geological Engineering from the University of Toronto.

### **Corporate Cease Trade Orders or Bankruptcies**

To the knowledge of the Corporation, no proposed nominee for election as a director of the Corporation is, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including the Corporation) that was subject to a cease trade order,

an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days:

- (i) that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (ii) that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the Corporation, no proposed nominee for election as a director of the Corporation:

- (i) is, as at the date of this Circular, or has been within ten years before the date of this Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (ii) has, within ten years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or Shareholder.

### **Penalties or Sanctions**

No proposed nominee for election as a director of the Corporation has been subject to:

- (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

### **APPOINTMENT OF AUDITOR**

The Board has proposed that Ernst & Young LLP be re-appointed as the Corporation's independent external auditor until the next annual meeting of shareholders and that the Board be authorized to fix the auditor's remuneration. A majority of the votes, voted by the Shareholders represented in person or by proxy, at the Meeting is required for approval of the appointment of the Corporation's auditors.

Unless otherwise instructed, the persons named in the enclosed form of proxy intend to vote for the re-appointment of Ernst & Young LLP as the Corporation's auditors and authorize the Corporation's Board to fix their remuneration.

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The management team of the Corporation consists of individuals employed by the parent company of the Manager (the “**Parentco**”). Pursuant to the management agreement (the “**Management Agreement**”) between the Corporation and the Manager, the Manager directs the affairs and manages the business and administers or arranges for the administration of the Corporation’s day-to-day operations. There are no employment agreements between members of management and the Corporation and the Corporation does not pay any compensation to any individuals serving as officers or employees, directly or indirectly. Pursuant to the Management Agreement, in consideration of these services provided to the Corporation, the Manager is paid a management fee equal to 0.55% of the value of the assets of the Corporation, paid monthly in arrears, plus applicable taxes. The Manager is responsible for compensating MCAP Financial Limited Partnership (the “**Mortgage Consultant**”) out of the Management Fee. Although certain individuals hold titles as officers of the Corporation, these officers are employees of the Parentco. The board of directors of the Parentco has sole responsibility for determining the compensation of the employees of the Parentco, including those serving as officers of the Corporation. The Board, rather than a compensation committee, is therefore responsible for compensation matters, specifically in the form of remuneration of the Manager.

Although the Board has not adopted any policies in this regard, in the event that a Named Executive Officer (as defined below) or director of the Corporation purchases financial instruments that are designed to hedge or offset a decrease in market value of equity securities of the Corporation held, directly or indirectly, by the Named Executive Officer or director, such purchases must be disclosed in the insider reporting filings of a Named Executive Officer or director.

### Compensation Principles and Objectives of the Parentco

The Parentco’s compensation program for its senior officers may include: (i) base salary, (ii) short-term incentive compensation, which consists of annual discretionary cash bonuses, and (iii) long-term incentive compensation, which consists of a restricted share purchase plan, if available, and a stock option plan. The Parentco’s compensation program is designed to achieve the following objectives:

- support Parentco’s business strategy and objectives;
- align compensation with corporate performance and ultimately the shareholders’ interests;
- provide competitive compensation including performance based rewards; and
- provide incentives to encourage strong performance and to retain employees.

The sum of these components is used to maintain the competitiveness of the Parentco’s compensation to senior officers as well as to encourage long and short-term performance of the Parentco. Peer group analysis is not used to determine compensation for senior officers.

### Components of Parentco’s Compensation Program

#### *Base Salary*

This component is intended to provide a fixed base of compensation that reflects each senior officer’s main duties and responsibilities and the skill and experience required to carry out his or her role. These salaries are reviewed each year by the board of directors of Parentco and adjustments may be made upon recommendation by senior management to the board of directors of Parentco.

### *Short-Term Incentive Compensation*

In addition to base salaries, Parentco may provide discretionary bonuses which are reviewed by the board of directors of Parentco. This is designed to reward both corporate and individual achievements as well as retain senior officers. In determining discretionary bonuses for senior officers, Parentco's board takes into account both the senior officer's individual performance and that of Parentco as a whole. This amount is not set in relation to any specific formula or criteria but is the result of a determination of Parentco's and the individual's performance and achievements during the fiscal year.

### *Long-Term Incentive Compensation*

Parentco has a restricted share purchase plan which is available to officers, employees, directors, consultants and service providers of Parentco who may be offered the opportunity to purchase shares in the capital of Parentco from treasury. The purpose of this plan is to develop interest in the growth and development of Parentco and its subsidiaries by providing eligible participants with the opportunity to acquire increased proprietary interest in Parentco. Invitations to participate in the plan are recommended by management and approved by the board of directors of Parentco and previous purchases under this plan are taken into consideration. The restricted share purchase plan is fully subscribed.

Parentco's directors, officers, employees and consultants may also receive stock options from time to time.

### **Summary Compensation Table**

The following table sets out information concerning the compensation paid by Parentco to the Corporation's Named Executive Officers (as defined below) that is attributable to time spent by such Named Executive Officer on the activities of the Corporation during the financial years ended December 31, 2015, 2016 and 2017. The term "Named Executive Officer" means the Corporation's Chief Executive Officer, its Chief Financial Officer and its other three most highly compensated executive officers whose total compensation was, individually, more than \$150,000 for a particular year. During the year ended December 31, 2017, the Corporation had two Named Executive Officers, both of whom are employees of Parentco.

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Mark A. Caranci President, CEO & Director	2017	7,035	nil	nil	1,658	nil	nil	nil	8,693
	2016	5,075	nil	nil	1,472	nil	nil	nil	6,547
	2015	6,975	nil	nil	2,389	nil	nil	nil	9,364
Craig T. Kikuchi Chief Financial Officer	2017	4,806	nil	nil	1,634	nil	nil	nil	6,440
	2016	3,408	nil	nil	1,264	nil	nil	nil	4,672
	2015	4,628	nil	nil	1,938	nil	nil	nil	6,566

## Director Compensation

Messrs. Caranci, Hoffmann and Pether do not receive any remuneration from the Corporation for serving as a member of the Board or any Board committee. Only Messrs. Scace, Davie and Woolner receive compensation as directors of the Corporation. Messrs. Scace, Davie and Woolner are each paid an annual fee of \$1,750 plus a fee of \$500 per meeting for each meeting they attend. There are no other forms of director compensation.

Directors' compensation for the Corporation is subject to such amendments as the directors may determine from time to time. Members of the Board are entitled to reimbursement of their out-of-pocket expenses incurred in acting as a member of the Board or committee.

The table below sets forth the compensation paid to independent members of the Board, in their capacities as directors of the Corporation, for the financial year ended December 31, 2017.

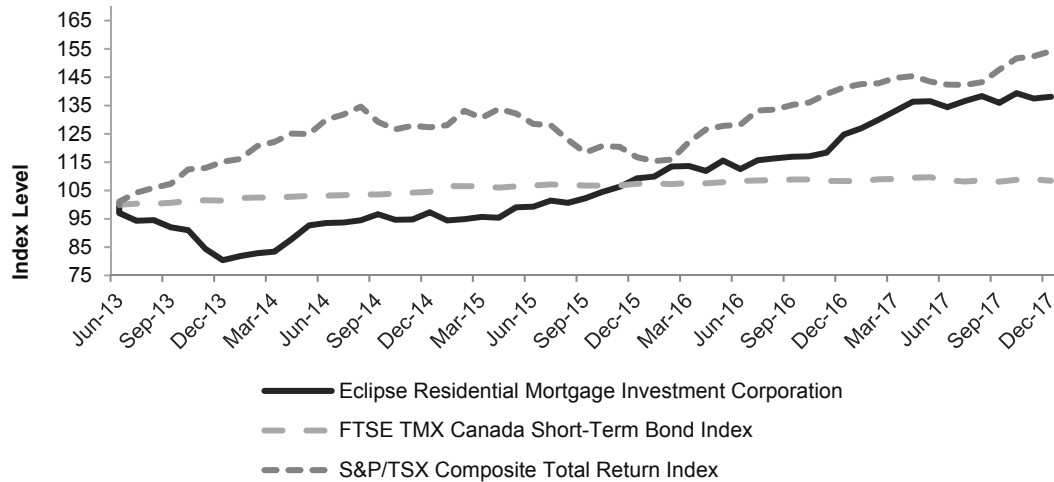
Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Arthur R. A. Scace	4,250	nil	nil	nil	nil	nil	4,250
James W. Davie	4,250	nil	nil	nil	nil	nil	4,250
Ken S. Woolner	3,750	nil	nil	nil	nil	nil	3,750

## Insurance Coverage and Indemnification

Insurance policies have been obtained that cover corporate indemnification of directors and officers and individual directors and officers in certain circumstances. In addition, by-laws of the Corporation also provide for the indemnification of directors and officers from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties or office, either for the Corporation or for certain affiliated entities, subject to certain customary limitations.

## Performance Graph

The following graph compares the Corporation's cumulative total shareholder return for the period from June 27, 2013, when the Corporation became a reporting issuer, to December 31, 2017, based on an investment of \$100 at the start of that period and assuming dividends were reinvested. During the period, the cumulative shareholder return for \$100 invested in Common Shares was \$138.07 or 38.1% as compared to \$108.41 or 8.4% for the FTSE TMX Canada Short-Term Bond Index and \$154.20 or 54.2% for the S&P/TSX Composite Total Return Index.



### Share-Based and Options-Based Awards

The Corporation currently has no equity compensation plans in place and does not grant share-based or option-based awards. As discussed above, the Corporation does not pay any compensation to any individuals for their service as officers of the Corporation, directly or indirectly.

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

No director, executive officer or proposed nominee for election as director of the Corporation, and no or associate or affiliate of any such person, has any material interest, direct or indirect, by way of or beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than as disclosed elsewhere in this Circular. See “*Election of Directors - Proposed Management Nominees for Election to the Board of Directors*”.

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the Corporation’s executive officers, directors, employees, former executive officers, former directors or former employees, as of the date hereof, is indebted to the Corporation. In addition, none of the indebtedness of these individuals to another entity has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

### INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described herein, no “informed person” (as such term is defined in NI 51-102) of the Corporation, nor any associate or affiliate of an “informed person” of the Corporation, has or has had any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction since the commencement of the Corporation’s most recently completed financial year or in any proposed transaction that has materially affected or would materially affect the Corporation.

The Manager receives the Management Fee for its services to the Corporation and will be reimbursed by the Corporation for certain expenses incurred in connection with the operation and administration of the Corporation. The Manager or any of its affiliates may earn fees from providing investment advisory services to funds and other entities invested in such properties. Moreover, the Corporation’s activities may from time to time be restricted due to regulatory restrictions applicable to the

Manager or any of its affiliates, and/or their internal policies designed to comply with such restrictions. As a result, there may be periods, for example, during which the Manager or the Corporation may be restricted from engaging in certain transactions.

## **CORPORATE GOVERNANCE**

### **Board of Directors**

The Board is responsible for oversight of the business and affairs of the Corporation. The Board discharges its responsibilities directly and through one committee—the Audit Committee. That committee operates under a mandate that is reviewed and, if necessary, updated annually. In fulfilling its responsibilities, the Board delegates day-to-day authority to the Manager, while reserving the right to review decisions of the Manager and exercise final judgment on any matter. The Manager reviews with the Board on a periodic basis its strategic plan for the Corporation and delivers to the Board ongoing reports on the status of the business and operations of the Corporation. In addition, in accordance with applicable legal requirements and historical practice, all matters of a material nature are presented to the Board for approval. A copy of the Board mandate is attached as Schedule A.

See the section titled “Audit Committee” of the Corporation’s Annual Information Form, available on SEDAR at [www.sedar.com](http://www.sedar.com), for additional information on the Audit Committee, including its charter and the relevant education and experience of its members.

### **Corporate Strategy**

The Manager and Mortgage Consultant are responsible for the development of the Corporation’s long-term strategy and the role of the Board is to review, question, validate and propose changes to that strategy in order to arrive at an approved strategy to be implemented. The Board reviews the Corporation’s long-term strategy on an on-going basis.

### **Composition of the Board**

The Board is currently comprised of six directors. The Board is of the view that its current size permits a diversity of experience and knowledge and is the appropriate size to foster and promote effective participation, decision making and oversight.

Five of the Corporation’s six directors are independent (within the meaning of applicable securities laws). The Board has not established fixed term limits for directors as it is of the view that such a policy would have the effect of forcing directors to resign from the Board who have developed increased insight into the Corporation’s business and who can be expected to continue to provide valuable contributions to the Board.

### **Other Public Corporation Directorships**

Mark Caranci, Raymond Pether, and Christopher Hoffmann are directors of:

- Brompton Split Banc Corp.
- Brompton Lifeco Split Corp.
- Dividend Growth Split Corp.
- Life & Banc Split Corp.
- Brompton Oil Split Corp.
- Global Dividend Growth Split Corp.

- Brompton Corp.

Messrs. Caranci, Pether and Hoffmann are also directors of Brompton Funds Limited, which is manager of:

- Brompton 2017 Flow-Through Limited Partnership
- Canadian High Income Equity Fund
- Flaherty & Crumrine Investment Grade Fixed Income Fund
- Symphony Floating Rate Senior Loan Fund
- Taylor North American Equity Opportunities Fund
- Tech Leaders Income ETF
- Global Healthcare Income & Growth ETF
- European Dividend Growth Fund

Messrs. Caranci, Pether and Hoffmann are also directors of Brompton Flow-Through Management Limited, the general partner Brompton 2017 Flow-Through Limited Partnership. They are also directors of Brompton Mutual Funds Limited, with a class of shares of Brompton Resource Class.

Mr. Caranci is also a director of Blue Ribbon Fund Management Ltd., the administrator of Blue Ribbon Income Fund.

Mr. Scace is a director of Fiera Capital Corporation, Arch Insurance Canada, Lallemand Inc. and Lallemand Investments Inc.

### **Director Independence**

The following five directors of the Corporation, who constitute a majority of the members of the Board, are independent: Messrs. Davie, Hoffmann, Pether, Scace and Woolner. A director is independent if he or she has no direct or indirect material relationship with the Corporation. A “material relationship” is defined as a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of such member’s independent judgement, and certain relationships are deemed to be material.

The Board has determined that Mr. Caranci is not independent as he is the President and CEO of the Corporation.

The Board has established procedures to enable it to function independently of management and to facilitate open and candid discussion among the independent directors. The independent directors of the Board are afforded the opportunity at each meeting to meet independent of management. In 2017 the independent directors determined that meetings independent of management were not necessary for them to conduct open and candid discussions among themselves.

### **Roles of the Chair of the Board, Audit Committee Chair and the CEO**

The Board does not have a formal chair and instead rotates the chairmanship of meetings amongst members of the Board. While the Board does not currently take any specific steps to provide leadership for the independent directors, the breadth and depth of the experience of the independent directors provides them with important leadership qualities in fulfilling their role as independent directors. The Board has also not adopted a written position description for the CEO of the Corporation; the role is understood. The Audit Committee chair is responsible for the effective organization and operation of the Audit Committee.



The Chief Executive Officer reports formally to the Board, and, where appropriate, to the Audit Committee, as well as less formally through discussions with members of the Board and the Audit Committee, to advise the Board and the Audit Committee on a timely basis of courses of action that are being considered and are being followed. The Chief Executive Officer establishes the strategic and operational orientation of the Corporation and, in so doing, provides leadership and vision for the effective overall management, profitability, increase in shareholder value and growth of the Corporation and for conformity with policies agreed upon by the Board. The Chief Executive Officer is directly accountable to the Board for all activities of the Corporation. The corporate objectives for which the Chief Executive Officer of the Corporation is responsible are determined by strategic and financial plans initiated by the Chief Executive Officer, and developed with input from the Board.

## Director Attendance

Directors are expected to attend all Board meetings and meetings of Board committees on which they serve. The following table shows meeting attendance records for directors for the year ended December 31, 2017:

Name of Board Member	Board Meetings	Audit Committee Meetings
Mark A. Caranci	5/5	n/a
Christopher S. L. Hoffmann	4/5	n/a
Raymond R. Pether	4/5	n/a
James W. Davie	5/5	5/5
Arthur R. A. Scace	5/5	5/5
Ken S. Woolner	4/5	4/5

## Orientation and Continuing Education

In order to orient new directors regarding the role of the Board, its committees and its directors, new directors are provided with copies of the mandate of the Board and all corporate governance policies. There is currently no continuing education program in place for directors. The Board believes that no such program is currently required as a result of the knowledge and experience of the board members. Board members and the audit committee are provided with updates on new developments regarding accounting, corporate governance and other regulatory requirements as they become available.

## Ethical Business Conduct

The Corporation has adopted a code of business ethics (the “Code”), a written code of business conduct and ethics for the Corporation’s directors and officers that sets out certain expectations of the Board for the conduct of such persons in their dealings on behalf of the Corporation. The Corporation does not have any employees.

A copy of the Code may be obtained from SEDAR at [www.sedar.com](http://www.sedar.com) or by contacting the Corporation and requesting a copy from its investor relations contact by mail at Suite 2930, Box 793, 181 Bay Street, Toronto, ON M5J 2T3. The Chief Financial Officer monitors compliance with corporate governance practices. Any suspected violation would be immediately reported to the Board and measures would be taken to address it.

In accordance with applicable law, the Board requires every director and officer who (a) is a party to a material contract or transaction or proposed material contract or transaction with the Corporation, or (b) is a director or an officer of, or has a material interest in, any person who is a party to a material

contract or transaction or proposed material contract or transaction with the Corporation, to disclose such interest and, if applicable, not to attend any part of a meeting of directors during which the matter is discussed and not to vote on any resolution in connection with such matter unless permitted by the *Business Corporations Act* (Ontario).

### **Nomination of Directors**

The Board does not currently have a nominating committee. The Manager and members of the Board may recommend suitable individuals for nomination as directors. To ensure objectivity in the nomination process, the independent directors review and approve any director nominations proposed by the Manager.

The Board and the Manager are responsible for determining the appropriate criteria for selecting and assessing potential directors and select candidates for nomination to the Board accordingly without prejudice or discrimination. When the Board determines that a new director is desirable, the Board and the Manager will engage in various activities to ensure there is an effective process for selecting candidates for nomination. Additionally, certain board members and/or the Chief Executive Officer will meet with potential new candidates prior to nomination to discuss the time commitments and performance expectations of the position, and seek and obtain formal approval from the Board in respect of candidates for nomination.

### **Compensation**

The Board does not currently have a compensation committee. As a result of the Corporation's arrangements with the Manager, the Corporation does not employ any individuals (and has no employment contracts with any individuals), and thus the Board has determined that there is no need for a separate compensation committee. The compensation of the Manager is determined based on the provisions of the Management Agreement and can only be increased with the approval by a special resolution of Shareholders.

The Board, as a whole, is responsible for implementing a process for reviewing the adequacy and form of compensation of directors of the Corporation and ensuring that compensation realistically reflects the responsibilities and risk involved in being a director of the Corporation.

### **Assessments**

The Board is responsible for implementing a process for assessing the effectiveness of the Board as a whole, the Audit Committee and the contribution of individual directors. In carrying out its responsibilities, the Board is required to periodically review the mandate of the Audit Committee and will make an assessment of the effectiveness of the directors. The Board has determined that the number of directors of the Corporation is appropriate for the Board to function at this time. On an ongoing basis, the Board will review its size and composition.

### **Diversity**

The Board has not adopted a written policy relating to the identification and nomination of women directors or a target regarding women members and the Board does not specifically consider the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board. Instead, the Board has historically followed a process of identifying and assessing potential director nominee candidates with the necessary competencies, independence, expertise, skills, background and personal qualities that are then being sought in a potential Board member, regardless of

gender. The Board will follow a selection and screening process to ensure that the requisite elements of integrity, knowledge, skill, experience and judgment are the hallmarks of the Board members.

The executive officers of the Corporation are appointed to such positions by the Manager and are provided by the Manager to fulfill these roles on behalf of the Corporation pursuant to the terms of the Management Agreement. Accordingly, the Corporation does not specifically consider the level of representation of women in executive officer positions and has not adopted a target regarding women in executive officer positions. There are no women on the Board and no executive officers of the Corporation are women; however, two women are officers of the Corporation.

### **Majority Voting Policy**

The Corporation has adopted a majority voting policy. Under this policy, in an uncontested election of directors, any nominee proposed for election as a director who receives a greater number of “withhold” votes than “for” votes is expected to immediately tender their resignation to the Board. The resignation would be effective on the acceptance by the Board. The Board will consider the resignation and determine whether to accept or reject the resignation within 90 days of the date of the Meeting and will disclose the decision in a news release. Where the resignation has not been accepted, the news release will provide an explanation as to why. The Board shall accept the resignation unless there are exceptional circumstances.

## **MANAGEMENT OF THE CORPORATION**

### **Definitions**

**“Mortgage”** means an interest in a mortgage (or other like instrument, including an assignment of or an acknowledgement of an interest in a mortgage), a hypothecation, a deed of trust, a charge or other security interest of or in Real Property used to secure obligations to repay money by a charge upon the Real Property and, for greater certainty, includes the Portfolio Mortgages.

**“Mortgage Consulting Agreement”** means the amended and restated mortgage consulting agreement among the Mortgage Consultant, the Corporation and the Manager dated as of January 4, 2017 as it may be amended from time to time.

**“Mortgage Services Agreement”** means the amended and restated mortgage services agreement dated as of January 4, 2017 among the Mortgage Services Provider, the Corporation and the Manager pursuant to which the Mortgage Services Provider will source and service the Mortgage Portfolio, as it may be amended from time to time.

**“Mortgage-Related Securities”** means securities where the cash flows received are based on the difference between the interest payments received on a pool of Mortgages and the cost of financing the pool of Mortgages (or otherwise based on the residual interest in such pools after the costs of operating and funding the pools).

**“Mortgage Portfolio”** means the portfolio owned by the Corporation from time to time.

**“Portfolio Mortgages”** means Mortgages included in the Mortgage Portfolio.

**“Real Property”** means land, or rights or interests in land, in Canada (including, without limitation, leaseholds, air rights and rights in condominiums, but excluding Mortgages), and any buildings, structures, improvements and fixtures located thereon.

## **The Manager**

Brompton Funds Limited was formed pursuant to the *Business Corporations Act* (Ontario) by articles of incorporation dated May 17, 2011. Brompton Funds Limited performs management and administrative services for the Corporation pursuant to the Management Agreement. Its head office is at Suite 2930, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3. Its telephone number is (416) 642-6000, its e-mail address is info@bromptongroup.com and its website is www.bromptongroup.com. The Manager was organized for the purpose of managing and administering investment trusts or companies, including the Corporation, and is a member of the Brompton group of companies. The Manager is registered with the Ontario Securities Commission as a portfolio manager, investment fund manager, commodity trading manager and exempt market dealer and is also registered as an investment fund manager in Quebec and Newfoundland and Labrador. The Manager is wholly owned by Brompton Corp.

### *Management Agreement*

The Manager acts as the manager of the Corporation pursuant to the Management Agreement between the Corporation and the Manager. The Manager may, pursuant to the terms of the Management Agreement, delegate certain of its powers to third parties at no additional cost to the Corporation where, in the discretion of the Manager, it is in the best interest of the Corporation to do so. Under the Management Agreement, the Manager will provide services relating to the administration and management of the Corporation including, but not limited to: (i) preparing accounting, management and Shareholder tax reports, financial statements, and tax returns; (ii) monitoring the Corporation's compliance with applicable law, including application regulations and listing exchange rules; (iii) negotiating commercial agreements on behalf and for the benefit of the Corporation; (iv) controlling the operating expenses of the Corporation; and (v) performing such other administration or management services as the Corporation may require from time to time. Additionally, pursuant to the Management Agreement, the Manager provides services in respect of the Mortgage Portfolio (which may be delegated, subject to applicable law, to the Mortgage Consultant under the Mortgage Consulting Agreement), including but not limited to: (i) executing the Corporation's investment strategies and investment objectives subject to its investment restrictions and investment guidelines; (ii) making investment decisions with respect to the Mortgage Portfolio; (iii) arranging for the execution of Mortgage Portfolio transactions with or through brokers, dealers and/or other duly qualified persons and upon notice to the Custodian; and (iv) providing such other services as the Corporation may require from time to time. The Manager is responsible for the management of the Corporation in accordance with the investment objectives and investment strategies and subject to the investment restrictions and investment guidelines of the Corporation.

Under the Management Agreement, the Manager has covenanted to exercise its powers and discharge its duties under the Management Agreement honestly, in good faith and in the best interests of the Corporation, and with the care, diligence and skill of a reasonably prudent person in similar circumstances. The Management Agreement provides that if the Manager has satisfied the duties and the standard of care, diligence and skill set forth above, it will be indemnified for all losses in respect of the Corporation and the Mortgage Portfolio, except those resulting from the Manager's willful misconduct, bad faith, gross negligence or material breach of its obligations under the Management Agreement. The services provided by the Manager under the Management Agreement are not exclusive to the Corporation and nothing in the Management Agreement prevents the Manager from providing similar Mortgage management to other persons (whether or not their investment objectives and policies are similar to those of the Corporation) or from engaging in other activities.

The term of the Management Agreement is a period of ten years ending on January 1, 2027, which will be renewed automatically for successive five year terms thereafter unless:

- (i) terminated by the Corporation upon approval of a two-thirds majority of the votes cast by the independent directors of the Corporation:
  - a. at any time, in the event that (i) there is a material breach of the Management Agreement by the Manager that is not remedied within 60 days of written notice to the Manager (or such longer period as may be reasonably required to remedy such breach, provided such longer period does not exceed 120 days), and that has a material adverse effect on the business, operations or affairs of the Corporation, (ii) the Manager commits any act of bad faith, willful malfeasance, gross negligence or reckless disregard of its duties or breach of its standard of care; or (iii) any bankruptcy, insolvency or liquidation proceedings are taken against the Manager or if the Manager makes an assignment for the benefit of its creditors, commits any act of bankruptcy or declares itself or is declared to be insolvent; or
  - b. upon both of (i) 12 months' prior written notice to the Manager, whether in connection with the conclusion of the initial term or any renewal term or otherwise, and (ii) payment of an amount equal to three times the total amount of management fees earned by the Manager in the previous twelve months (the "**Early Termination Fee**"). Upon the wind-up of the Corporation approved by a special resolution of Shareholders, no Early Termination Fee shall be payable to the Manager;
- (ii) terminated by the Manager:
  - a. in the event that there is a breach of the Management Agreement by the Corporation that is not remedied within 60 days of written notice to the Corporation (or such longer period as may be reasonably required to remedy such breach, provided such longer period does not exceed 120 days) and that has a material adverse effect on the business, operations or affairs of the Manager; or any bankruptcy, insolvency or liquidation proceedings are taken against the Corporation or the Corporation makes an assignment for the benefit of its creditors, commits any act of bankruptcy or declares itself or is declared to be insolvent; or
  - b. provided at least twelve months' notice is given to the Corporation.

### *Directors and Officers of the Manager*

The name, municipality of residence, position and principal occupation of each of the directors and officers of the Manager applicable to the Corporation are set out below:

<b>Name</b>	<b>Municipality of Residence</b>	<b>Position with the Manager</b>
Mark A. Caranci	Toronto, Ontario	President and Chief Executive Officer; Director
Raymond R. Pether	Toronto, Ontario	Director
Christopher S. L. Hoffmann	Toronto, Ontario	Director
Craig T. Kikuchi	Toronto, Ontario	Chief Financial Officer; Director
Christopher Cullen	Toronto, Ontario	Senior Vice President
Ann Wong	Toronto, Ontario	Vice President and Controller
Laura Lau	Toronto, Ontario	Senior Vice President and Senior Portfolio Manager
Michael Clare	Toronto, Ontario	Vice President and Portfolio Manager
Michelle Tiraborelli	Toronto, Ontario	Vice President
Kathryn Banner	Toronto, Ontario	Vice President and Corporate Secretary

### *Amount Paid and Payable to the Manager*

For the year ended December 31, 2017, the aggregate management fees paid and payable to the Manager were \$193,694. The Manager is responsible for compensating the Mortgage Consultant out of the management fee.

### **Mortgage Consultant**

Pursuant to the Mortgage Consulting Agreement among MCAP Financial Limited Partnership, as the Mortgage Consultant, the Corporation and the Manager, in its capacity as portfolio advisor and on behalf of the Corporation, the Mortgage Consultant provides Mortgage consulting services required by the Manager in respect of the Manager's portfolio advisory services for the Corporation. The principal office of the Mortgage Consultant is located at 200 King Street West, Toronto, ON, M5H 3T4.

### *Duties and Services Provided by the Mortgage Consultant*

Pursuant to the Mortgage Consulting Agreement, the Mortgage Consultant provides all Mortgage consulting services required by the Manager in respect of the Manager's services provided to the Corporation. The duties and services of the Mortgage Consultant under the Mortgage Consulting Agreement include but are not limited to: (i) consulting with the Manager in respect of Mortgages and the Mortgage-Related Securities market and in respect of Mortgage Portfolio investments; and (ii) providing the Manager such other Mortgage consulting and related services as the Manager may require from time to time.

### *Details of the Mortgage Consulting Agreement*

Under the Mortgage Consulting Agreement, the Mortgage Consultant has covenanted to exercise its powers and discharge its duties under the Mortgage Consulting Agreement honestly, in good faith, and with the care, diligence and skill of a reasonably prudent person in similar circumstances. The Mortgage Consulting Agreement provides that if the Mortgage Consultant has satisfied the duties and the standard of care, diligence and skill set forth above, it will be indemnified for all losses in relation to its services except those resulting from the Mortgage Consultant's willful misconduct, bad faith, gross negligence or material breach of its obligations under the Mortgage Consulting Agreement.

The Manager pays a fee to the Mortgage Consultant for its services under the Mortgage Consulting Agreement, in each case plus applicable taxes, out of the Management Fee. The Corporation reimburses the Mortgage Consultant for all out-of-pocket expenses incurred by the Mortgage Consultant in connection with the performance of its services under the Mortgage Consulting Agreement.

The term of the Mortgage Consulting Agreement is a period of ten years ending on January 1, 2027, which will be renewed automatically for successive five year terms thereafter unless:

- (i) terminated by the Manager upon approval of a two-thirds majority of the votes cast by the independent directors of the Corporation:
  - a. at any time, in the event that (i) there is a material breach of the Mortgage Consulting Agreement by the Mortgage Consultant that is not remedied within 60 days of written notice to the Mortgage Consultant (or such longer period as may be reasonably required to remedy such breach, provided such longer period does not exceed 120 days), and that has a material adverse effect on the business, operations or affairs of the Corporation, (ii) the Mortgage Consultant commits any act of bad faith, willful malfeasance, gross negligence or reckless disregard of its duties or breach of its standard of care; or (iii) any bankruptcy, insolvency or liquidation proceedings are taken against the Mortgage Consultant or if the Mortgage Consultant makes an assignment for the benefit of its creditors, commits any act of bankruptcy or declares itself or is declared to be insolvent; or
  - b. at any time, upon both of (i) 12 months' prior written notice to the Mortgage Consultant, whether in connection with the conclusion of the initial term or any renewal term or otherwise, and (ii) payment by the Corporation of an amount equal to three times the total amount of all fees earned by the Mortgage Consultant in the previous twelve months (the "Early Termination Fee"). Upon the wind-up of the Corporation approved by a special resolution of Shareholders, no Early Termination Fee shall be payable to the Mortgage Consultant;
- (ii) terminated by the Mortgage Consultant:
  - a. at any time, in the event that there is a breach of the Mortgage Consulting Agreement by the Corporation that is not remedied within 60 days of written notice to the Corporation (or such longer period as may be reasonably required to remedy such breach, provided such longer period does not exceed 120 days) and that has a material adverse effect on the business, operations or affairs of the Mortgage Consultant; or any bankruptcy, insolvency or liquidation proceedings are taken against the Corporation or the Corporation makes an assignment for the benefit of its creditors, commits any act of bankruptcy or declares itself or is declared to be insolvent; or
  - b. provided at least twelve months' notice is given to the Corporation and the Manager.

### *Directors and Executive Officers of the Mortgage Consultant*

The name, municipality of residence, position and principal occupation of each of the directors, executive officers and 10% shareholders of the Mortgage Consultant are set out below:

<b>Name</b>	<b>Municipality of Residence</b>	<b>Position with the Mortgage Consultant</b>
Derek Norton	Toronto, Ontario	Chief Executive Officer
Mark Aldridge	Oakville, Ontario	President and Chief Operating Officer
Brian Carey	Mississauga, Ontario	Executive Vice President and Chief Financial Officer
Ken Teskey	Vancouver, British Columbia	Chief Risk Officer and Corporate Secretary
Jason Wright	Toronto, Ontario	Executive Vice President, Capital Markets
Paul Bruce	Toronto, Ontario	Executive Vice President, Single Family
Jeff Armstrong	Toronto, Ontario	Senior Vice President, Credit Risk and Asset Management
Don Ross	Oakville, Ontario	Senior Vice President, Investor Marketing
Mark Yhap	Richmond Hill, Ontario	Managing Partner, Commercial Mortgages
Robert Balfour	Calgary, Alberta	Managing Partner, Development Finance Group

MCAP Commercial LP is a unitholder of the Mortgage Consultant and holds more than 10% of the units in the Mortgage Consultant.

### **Mortgage Services Provider**

Pursuant to the Mortgage Services Agreement among MCAP Service Corporation as the Mortgage Services Provider, the Manager and the Corporation, the Mortgage Services Provider sources and services the Mortgage Portfolio. The principal office of the Mortgage Services Provider is located at 200 King Street West, Suite 400, Toronto, ON, M5H 3T4.

### *Duties and Services Provided by the Mortgage Services Provider*

Pursuant to the Mortgage Services Agreement, the Mortgage Services Provider provides all Portfolio Mortgage sourcing and servicing services required by the Corporation and/or the Manager. The duties and services of the Mortgage Services Provider under the Mortgage Services Agreement, include but are not limited to: (i) seeking out and evaluating Mortgage investment opportunities for the Corporation and referring such Mortgage investment opportunities to the Corporation and the Manager; (ii) originating Mortgages that adhere to the Corporation's investment objectives and investment strategies and subject to the investment restrictions and investment guidelines of the Corporation; (iii) overseeing the servicing of the Portfolio Mortgages, which includes but is not limited to monitoring and ensuring the adequacy of the Portfolio Mortgages' performance by substantiating Mortgage and realty tax payments, collecting payments, confirming insurance coverage, reviewing financial and operating statements; (iv) providing those services as may be required to collect, handle, prosecute or settle any claims of the Corporation with respect to the Mortgage Portfolio, including default servicing; (v) obtaining appraisals as may be required, including title opinions or reports of counsel or others concerning zoning, environmental regulations and insurance coverage; (vi) assisting any valuation agent of the Corporation or retained by the Manager in respect of the valuation of the Mortgage Portfolio; and (vii) such other sourcing and Mortgage servicing services as may be required by the Corporation or the Manager from time to time.

### *Details of the Mortgage Services Agreement*

Under the Mortgage Services Agreement, the Mortgage Services Provider has covenanted to exercise its powers and discharge its duties under the Mortgage Services Agreement honestly, and with the care, diligence and skill of a reasonably prudent person in similar circumstances. The Mortgage Services Agreement provides that if the Mortgage Services Provider has satisfied the duties and the



standard of care, diligence and skill set forth above, it will be indemnified for all losses in relation to its services except those resulting from the Mortgage Services Provider's willful misconduct, bad faith, gross negligence or material breach of its obligations under the Mortgage Services Agreement.

In consideration for its services, the Corporation pays to the Mortgage Services Provider a fee equal to 0.45% per annum of the value of the assets of the Corporation per annum calculated and payable monthly in arrears plus applicable taxes. The Corporation reimburses the Mortgage Services Provider for all out-of-pocket expenses incurred by the Mortgage Services Provider in connection with the provision of its services under the Mortgage Services Agreement.

The term of the Mortgage Services Agreement is a period of ten years ending on January 1, 2027, which will be renewed automatically for successive five year terms thereafter unless:

- (i) terminated by the Corporation upon approval of a two-thirds majority of the votes cast by the independent directors of the Corporation:
  - a. at any time, in the event that (i) there is a material breach of the Mortgage Services Agreement by the Mortgage Services Provider that is not remedied within 60 days of written notice to the Mortgage Services Provider (or such longer period as may be reasonably required to remedy such breach, provided such longer period does not exceed 120 days), and that has a material adverse effect on the business, operations or affairs of the Corporation, (ii) the Mortgage Services Provider commits any act of bad faith, willful malfeasance, gross negligence or reckless disregard of its duties or breach of its standard of care; or (iii) any bankruptcy, insolvency or liquidation proceedings are taken against the Mortgage Services Provider or if the Mortgage Services Provider makes an assignment for the benefit of its creditors, commits any act of bankruptcy or declares itself or is declared to be insolvent; or
  - b. upon both of (i) 12 months' prior written notice to the Mortgage Services Provider, whether in connection with the conclusion of the initial term or any renewal term or otherwise, and (ii) payment by the Corporation of an amount equal to three times the total amount of mortgage service fees earned by the Mortgage Services Provider in the previous twelve months (the "**Early Termination Fee**"). Upon the wind-up of the Corporation approved by a special resolution of Shareholders, no Early Termination Fee shall be payable to the Mortgage Services Provider;
- (ii) terminated by the Mortgage Services Provider:
  - a. at any time, in the event that there is a breach of the Mortgage Services Agreement by the Corporation that is not remedied within 60 days of written notice to the Corporation (or such longer period as may be reasonably required to remedy such breach, provided such longer period does not exceed 120 days) and that has a material adverse effect on the business, operations or affairs of the Mortgage Services Provider; or any bankruptcy, insolvency or liquidation proceedings are taken against the Corporation or the Corporation makes an assignment for the benefit of its creditors, commits any act of bankruptcy or declares itself or is declared to be insolvent; or
  - b. at any time, provided at least twelve months' notice is given to the Corporation.

*Directors and Executive Officers of the Mortgage Services Provider*

The name, municipality of residence, position and principal occupation of each of the directors, executive officers and 10% shareholders of the Mortgage Services Provider are set out below:

<b>Name</b>	<b>Municipality of Residence</b>	<b>Position with the Mortgage Services Provider</b>
Derek Norton	Toronto, Ontario	Director and Chief Executive Officer
Mark Aldridge	Oakville, Ontario	Director, President and Chief Operating Officer
Brian Carey	Mississauga, Ontario	Executive Vice President and Chief Financial Officer
Ken Teskey	Vancouver, British Columbia	Chief Risk Officer and Corporate Secretary
Jason Wright	Toronto, Ontario	Executive Vice President, Capital Markets
Paul Bruce	Toronto, Ontario	Executive Vice President, Single Family
Jeff Armstrong	Toronto, Ontario	Senior Vice President, Credit Risk and Asset Management
Don Ross	Oakville, Ontario	Senior Vice President, Investor Marketing

MCAP Commercial LP is a shareholder of the Mortgage Services Provider and holds more than 10% of the shares in the Mortgage Services Provider.

*Amount Paid and Payable to the Mortgage Services Provider*

For the year ended December 31, 2017, the aggregate mortgage service fees paid and payable to the Mortgage Services Provider were \$142,689.

**ADDITIONAL INFORMATION**

For further information on the Corporation, see the annual information form of the Corporation dated March 19, 2018. Financial information about the Corporation is available in the Corporation's comparative financial statements and management's discussion and analysis for its most recently reported financial year. These documents and other information about the Corporation are available on SEDAR at [www.sedar.com](http://www.sedar.com). Copies of these documents will be promptly provided by the Corporation free of charge upon request. To make such a request please contact the Manager at Suite 2930, Box 793, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario, M5J 2T3 or at [www.bromptongroup.com](http://www.bromptongroup.com).

**APPROVAL OF CIRCULAR**

The Board has approved the contents and the sending of this Circular to its Shareholders.

**DATED** at Toronto, Ontario this 1<sup>st</sup> day of May, 2018.

Eclipse Residential Mortgage Investment  
Corporation

(signed) "Mark A. Caranci"

Mark A. Caranci  
President and Chief Executive Officer

## SCHEDULE A

### MANDATE OF THE BOARD OF DIRECTORS

This mandate applies to Eclipse Residential Mortgage Investment Corporation (the “**Corporation**”).

*The Board of Directors has responsibility for:*

1. Supervising the management of the Corporation and monitoring the performance of the Corporation under the Management Agreement.
2. Monitoring the performance of the Corporation’s mortgage services provider.
3. Periodically reviewing the investment objectives, investment strategies, investment guidelines and investment restrictions of the Corporation.
4. Establishing policies and processes regarding the Corporation’s internal control and management information systems.
5. Reviewing and approving disclosure, privacy and other policies deemed appropriate for the Corporation.
6. Reviewing and approving financial statements, management’s discussion and analysis, annual information forms, prospectuses and other offering documents.
7. Keeping abreast of developments in corporate governance issues.

