eclipse
Residential MIC

Suite 2930, Bay Wellington Tower
Brookfield Place, 181 Bay Street
Toronto, Ontario M5J 2T3

November 1, 2016

Dear Shareholders:

You are invited to a special meeting (the "**Meeting**") of holders of Class A Shares (the "**Shareholders**") of Eclipse Residential Mortgage Investment Corporation (the "**Corporation**") to be held at 9:00 a.m. (Toronto time) on November 30, 2016 at Suite 2930, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3.

The purpose of the Meeting is to consider and vote upon an extraordinary resolution approving the transition of the Corporation from the Canadian securities regulatory regime for investment funds (the "Investment Funds Regime") to the regulatory regime for reporting issuers that are not investment funds (the "Public Company Regime"), together with related changes to the Corporation's articles and material agreements to reflect the change in regulatory regime (the "Proposed Transition"). The Proposed Transition includes, among other things, amending the articles of the Corporation to create a new class of voting common shares and exchanging all Class A Shares for such voting common shares on a tax deferred basis (which will not have any redemption features), the elimination of the trailer fee, revising the Corporation's investment restrictions, including removal of the majority of the Corporation's investment restrictions, changing them to investment guidelines and making certain changes to those guidelines, and amending certain terms of the Corporation's material contracts to reflect the change from the Investment Funds Regime, including amendments to the management agreement between the Corporation and Brompton Funds Limited (the "**Manager**"). Management is proposing no changes to the investment objectives or investment strategies of the Corporation and believes that continuing with the existing investment objectives and investment strategies of focusing on single-family residential mortgages leverages the Corporation's success over the last three and a half years.

The Corporation has had strong performance since its inception in June 2013. Despite this strong performance, the Corporation has a very limited ability to grow and its investment strategies are limited under the investment fund regulatory framework implemented by the Canadian Securities Administrators (the "**CSA**") in September 2014. The CSA implemented an investment restriction that only allowed investment funds to invest in government insured mortgages; however, the Corporation was grandfathered and is allowed to continue investing in uninsured mortgages but is not allowed to raise new equity to invest in those mortgages, which is the primary focus of the Corporation. Without the ability to raise new equity under the Investment Funds Regime and with the other investment restrictions now imposed under the Investment Funds Regime, assets in the Corporation may decline from the annual redemption until the strategy is no longer viable or economic for long-term Shareholders that wish to benefit from this unique investment solution. Market liquidity may decrease and operating costs may become increasingly more difficult to bear by the remaining long-term Shareholders, unless the Corporation makes the necessary changes to allow for the opportunity for growth. Management believes the benefits of transitioning to the Public Company Regime include, but are not limited to, the Corporation's ability to expand its investment opportunities by allowing new equity capital to be invested

in uninsured mortgages, an expanded ability to raise new capital and the potential to adopt a measured increase in the use of leverage. Management believes that the Corporation has an attractive investment strategy and with the transition from the Investment Funds Regime to the Public Company Regime, along with other operational changes, the Corporation will have the potential to grow earnings per share and dividends over time.

Since inception, the Corporation has increased its monthly dividend and increased its net asset value by investing in a diversified portfolio comprised primarily of interests in single family residential mortgages that seeks to preserve capital and generate sufficient income to permit the Corporation to pay monthly dividends.

Since its initial public offering, the Corporation has paid $1.98 per Class A Share in dividends. The Corporation's current dividend rate is $0.65 per annum, payable monthly, which represents a current dividend yield of 7.0% based on the Corporation's closing price per Class A Share on the Toronto Stock Exchange of $9.35 on October 27, 2016. The Corporation increased its dividend from $0.60 per annum to $0.65 per Class A Share per annum in April 2015. Since inception (to September 30, 2016), the Corporation has generated a 7.8% per annum return, which outperformed its benchmark, the FTSE TMX Canada Short-Term Bond Index, by 5.2% per annum.

With other structural amendments to the Corporation, including the elimination of the trailer fee, as well as the strong performance of the Corporation's mortgage portfolio, the Corporation believes that it can increase the dividend further following the completion of the Proposed Transition. If the Proposed Transition is approved by Shareholders, it is the intention of the board of directors of the Corporation (the "Board") and management to increase the annual dividend by $0.10 (or 15.4%) to $0.75 per annum, increasing the dividend yield to approximately 8.0% based on the Corporation's closing price per Class A Share on the Toronto Stock Exchange of $9.35 on October 27, 2016 (although the final amount of any dividend remains subject to declaration by the Board).

The Proposed Transition will not impact your 2016 annual redemption right. Shareholders will also be asked to approve the extension of the redemption notice period to December 7, 2016 to permit Shareholders to consider the results of the Meeting prior to submitting any redemption notice.

The Board has determined that the Proposed Transition is in the best interests of the Corporation. Furthermore, the Corporation's independent review committee has reviewed the Proposed Transition and concluded that the Proposed Transition achieves a fair and reasonable result for the Corporation and the Shareholders. Accordingly, the Board recommends that Shareholders vote in favour of the extraordinary resolution implementing the Proposed Transition.

Affiliates of both the Manager and MCAP Commercial LP, an affiliate of MCAP Financial Limited Partnership are significant Shareholders in the Corporation and wish to continue their investment and, therefore, intend to vote in favour of the Proposed Transition. Certain officers and directors of the Corporation also intend to maintain their investment in the Corporation and vote in favour of the Proposed Transition.

In order to become effective, the extraordinary resolution regarding the Proposed Transition must be approved by a two-thirds majority of Shareholders present in person or represented by proxy at the Meeting or any adjournment or postponement thereof. If approved, the Proposed Transition is expected to be implemented on or about January 1, 2017.

Attached is a notice of special meeting of Shareholders and the management information circular (together, the "**Circular**") which contain important information relating to the Proposed Transition. In addition, we have included a Frequently Asked Questions section to highlight some key areas of the

Proposed Transition; however, these are qualified entirely by the more detailed information in the Circular and we encourage Shareholders to read the Circular to ensure they have full understanding of the Proposed Transition. If you are in doubt as to how to deal with the matters described in the Circular, you should consult your financial advisor. If you have any questions regarding the enclosed materials, please contact the investor relations team at Brompton by calling 416-642-6000 or 1-866-642-6001 or by email at info@bromptongroup.com.

This is an important change for the Corporation. Please take the time to review the Circular and vote your Class A Shares. If you wish to vote at the Meeting or any adjournment or postponement thereof, please submit the enclosed form of proxy or voting instruction form as soon as possible, and in any event no later than 9:00 a.m. (Toronto time) on November 28, 2016. You should contact your investment advisor or other intermediary through which your Class A Shares are held as they may have earlier deadlines.

Sincerely,

//Signed// "*Mark Caranci*"

Mark A. Caranci
President and Chief Executive Officer

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NOTICE OF SPECIAL MEETING OF CLASS A SHAREHOLDERS

AND

MANAGEMENT INFORMATION CIRCULAR

November 1, 2016

Meeting to be held at 9:00 a.m. on November 30, 2016
Suite 2930, Bay Wellington Tower
Brookfield Place, 181 Bay Street
Toronto, Ontario M5J 2T3

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FORWARD-LOOKING STATEMENTS

Certain statements in this management information circular are forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend" and similar expressions to the extent they relate to the Eclipse Residential Mortgage Investment Corporation or Brompton Funds Limited. Forward-looking statements are not historical facts but reflect the current expectations of the Eclipse Residential Mortgage Investment Corporation or Brompton Funds Limited regarding future results or events. Examples of such forward-looking statements include, but are not limited to, statements relating to: the expected benefits of the Proposed Transition; the nature of the Corporation and its affairs following the completion of the Proposed Transition; the growth prospects of the Corporation; the ability of the Corporation to increase revenue and earnings per share; the expected amount of any dividend; the ability of the Corporation to continue to qualify as a mortgage investment corporation under the *Income Tax Act* (Canada); the expected costs of the Proposed Transition; the amount of any increase in annual operating costs for the Corporation; the nature of and potential for any future acquisitions by the Corporation; the ability of the Corporation to raise new capital; the Corporation's expected use of leverage; the stability of the Corporation's equity following the Proposed Transition; the potential for analyst research coverage of the Corporation following the implementation of the Proposed Transition; and any increase in liquidity of the Corporation's Common Shares following the Proposed Transition. Such forward-looking statements reflect Brompton Funds Limited's current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations. Some of these risks, uncertainties and other factors are described under the heading "Risk Factors" in Eclipse Residential Mortgage Investment Corporation's Annual Information Form dated March 15, 2016 and filed in the Fund's SEDAR profile at www.sedar.com. Risk factors are also discussed under "*Risk Factors*" in Appendix IV to this management information circular. Although the forward-looking statements contained in this management information circular are based upon assumptions that Brompton Funds Limited believes to be reasonable, Brompton Funds Limited cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein were prepared for the purpose of providing Shareholders with information about Eclipse Residential Mortgage Investment Corporation and may not be appropriate for other purposes. Brompton Funds Limited assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

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ECLIPSE RESIDENTIAL MORTGAGE INVESTMENT CORPORATION

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TAKE NOTICE that a special meeting (the "**Meeting**") of holders of Class A Shares (the "**Shareholders**") of Eclipse Residential Mortgage Investment Corporation (the "**Corporation**") will be held on November 30, 2016 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 consider and, if thought appropriate, approve, with or without variation, an extraordinary resolution (the "**Transition Resolution**"), the full text of which is set out in the attached Appendix I to the accompanying management information circular (the "**Circular**"), approving:

    (a) the transition of the Corporation from the Canadian securities regulatory regime for investment funds (including, but not limited to, compliance with National Instrument 81-102 *Investment Funds* and National Instrument 81-106 *Investment Fund Continuous Disclosure*) to the Canadian securities regulatory regime for reporting issuers that are not investment funds (including, but not limited to, compliance with National Instrument 51-102 Continuous Disclosure Obligations), as more particularly described in the Circular (the "**Proposed Transition**"); and

    (b) on the effective date of the Proposed Transition, the redemption of all of the outstanding Voting Shares of the Corporation and amendments to the articles of the Corporation giving effect to and implementing the Proposed Transition, which will include, but are not limited to:

        (i) the creation of a new class of voting common shares (the "**Common Shares**") that will not have an annual redemption feature;

        (ii) the exchange of all Class A Shares of the Corporation for Common Shares on a tax deferred basis; and

        (iii) the revision of the Corporation's investment restrictions, including removal of the majority of the Corporation's investment restrictions (with such removed investment restrictions to be adopted by the Corporation, with certain changes, as investment guidelines);

    all as more particularly described in the Circular.

2. To consider and, if thought appropriate, approve, with or without variation, an extraordinary resolution (the "**Extension Resolution**"), the full text of which is set out in the attached Appendix I to the Circular, approving amendments to the articles of the Corporation extending the redemption notice period for the 2016 annual redemption date for Class A Shares to December 7, 2016.

3. To transact such other matters as may properly come before the Meeting or any adjournment or postponement thereof.

Details of the matters to be voted on at the Meeting or any adjournment or postponement thereof are more fully described in the accompanying Circular. To be approved, the Transition Resolution and the Extension Resolution each must be approved by a two-thirds majority of Shareholders present in person or represented by proxy at the Meeting or any adjournment or postponement thereof.

Pursuant to section 185 of the *Business Corporations Act* (Ontario) (the "**OBCA**"), registered holders of Class A Shares have the right to dissent in respect of the Transition Resolution and, if the Transition Resolution becomes effective, to be paid the fair value of their Class A Shares in accordance with section 185 of the OBCA. This right of dissent is described in the Circular. Shareholders who wish to dissent and who fail to strictly comply with the dissent procedures set out in the Circular may lose any right of dissent. Beneficial owners of Class A Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that ONLY A REGISTERED OWNER OF CLASS A SHARES IS ENTITLED TO EXERCISE RIGHTS OF DISSENT.

A quorum at the Meeting will consist of two or more Shareholders present in person or represented by proxy holding not less than 15% 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 November 30, 2016. At the adjourned Meeting, the business of the Meeting will be transacted by those Shareholders present in person or represented by proxy.

A Shareholder 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 200 University Avenue, Suite 300, Toronto, Ontario, Canada, M5H 4H1 prior to 9:00 a.m. (Toronto time) on November 28, 2016, 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.

Only Shareholders of record at the close of business on October 31, 2016 are entitled to receive the notice of special meeting and to attend and vote at the Meeting or any adjournment or postponement thereof.

DATED at Toronto, Ontario as of the 1st day of November, 2016.

By Order of the Board of Directors

By: //Signed// "*Mark Caranci*"

Mark A. Caranci
President and Chief Executive Officer

FREQUENTLY ASKED QUESTIONS

The following sets out summary answers to some common questions that you may have regarding the Proposed Transition. These answers are qualified in their entirety by the more detailed information contained in the Circular. All capitalized terms, unless otherwise defined herein, have the meanings ascribed to such terms in the Circular.

What are the benefits of the Proposed Transition?

Benefits of reporting under the Public Company Regime include, but are not limited to (i) the ability of the Corporation to raise additional capital in the future by way of public offerings; (ii) the ability of the Corporation to grow through broader investment guidelines; and (iii) the granting of full shareholder voting rights. The Proposed Transition will also eliminate the trailer fee to be consistent with other corporate issuers which cost savings management anticipates will permit it to increase dividends paid to investors. If the Corporation is able to expand share capital over time, market liquidity will improve, and long-term investors can gain access to the Corporation's growth strategy and attractive dividend income. Management believes that if earnings per share and dividends increase, new equity can be efficiently raised to expand the market float and trading liquidity of the Corporation. For more detailed information regarding the benefits of the Proposed Transition, please refer to the heading titled "*Benefits of the Proposed Transition*" in the Circular.

Will the investment focus of the Corporation change after the Proposed Transition?

No, the Corporation will continue to focus on owner-occupied single family Canadian residential mortgages. This strategy has generated significant returns for investors over the past three and a half years and we intend to continue our focus on this segment of the mortgage market as management believes it offers an attractive return profile for the amount of risk taken.

What will happen to my monthly dividend if the Proposed Transition is approved?

Monthly dividends will continue, uninterrupted, after the Proposed Transition. The Corporation expects to increase the dividend rate after the Proposed Transition is completed, in part as a result of the elimination of the payment of the trailer fee, and in part due to the strong performance of the Corporation's mortgage portfolio, along with the added flexibility that the Proposed Transition will afford the Corporation. Management expects to increase the dividend by 15.4% from $0.65 per annum to $0.75 per annum beginning in January 2017, which would represent a market yield of approximately 8.0%, based on the October 27, 2016 closing price of the Class A Shares. The final amount of any dividend remains subject to declaration by the Board.

What will happen if investors do not approve the Proposed Transition?

If Shareholders do not approve the Proposed Transition, management, in consultation with MCAP Financial Limited Partnership, the Corporation's mortgage consultant, and the Board, will assess the options that remain for the continuation of the business.

What will happen to my redemption rights?

The Corporation currently offers a limited annual redemption feature at the net asset value per Class A Share on the second last business day of December each year. If the Proposed Transition and the Extension Resolution are implemented, December 7, 2016 will be the last opportunity for Shareholders to request to redeem their Class A Shares at their net asset value per share. The removal of the redemption feature will conform the Corporation's share features to other publicly traded mortgage investment corporations but will not affect its qualification as a "mortgage investment corporation" under the *Income*

Tax Act (Canada) and the regulations thereunder. The listed shares on the Toronto Stock Exchange provide daily liquidity for Shareholders like any other listed corporation on a public exchange. The number of Class A Shares that may be redeemed on December 29, 2016 is limited to 15% of the outstanding Class A Shares. In order to participate in this last redemption opportunity, the regular notice period for submitting a request to redeem Class A Shares will be extended from November 15, 2016 to December 7, 2016 pursuant to the Extension Resolution. This will provide Shareholders with an opportunity to submit a redemption request after the Meeting. Following this final redemption, the redemption rights will no longer be available.

What are the costs of the Proposed Transition?

Costs relating to the Meeting and the amendments to agreements associated with the Proposed Transition are estimated to be approximately $160,000. Brompton Funds Limited, the manager of the Corporation, and MCAP Financial Limited Partnership, the corporation's mortgage consultant, will pay certain of these costs estimated to be approximately $110,000 and the remainder of the costs that relate to the ongoing continuous disclosure for the Corporation under the Public Company Regime will be borne by the Shareholders of the Corporation.

The Proposed Transition is expected to result in an increase in annual operating costs for the Corporation of an estimated $50,000 per year or $0.02 per class A share.

How do I vote?

The Corporation will hold a meeting of Shareholders on November 30, 2016. Shareholders unable to attend in person can submit voting instructions up to 9:00 a.m. (Toronto time) on November 28, 2016. Please refer to the Circular under "*General Proxy Information*" for further information.

If this is approved, when will it take effect?

If the Proposed Transition is approved, it is currently intended that the changes will take effect on January 1, 2017. This will be confirmed by a press release that will be issued by the Corporation immediately following the Meeting.

How will the exchange of my Class A Shares work?

If the Proposed Transition is implemented, Class A Shares will be exchanged automatically for Common Shares on a one-for-one basis. Following such exchange, the total capitalization of the Corporation will not change and investors will maintain the same proportionate interest in the Portfolio as they held prior to the exchange.

Is the exchange of Shares into the new Common Shares considered a taxable event?

No. On the exchange of Class A Shares, a Holder will not realize any capital gain or capital loss. Shareholders will be deemed to have acquired the Common Shares at the aggregate adjusted cost base of his or her exchanged Class A Shares. Please refer to the heading titled "*Certain Canadian Federal Income Tax Considerations for Shareholders*" in the Circular.

ECLIPSE RESIDENTIAL MORTGAGE INVESTMENT CORPORATION

SPECIAL MEETING OF CLASS A SHAREHOLDERS

This management information circular (this "Circular") is furnished in connection with the solicitation of proxies by the management of Eclipse Residential Mortgage Investment Corporation (the "Corporation") for use at the special meeting (the "Meeting") of holders ("Shareholders" or "Class A Shareholders") of Class A Shares of the Corporation ("Class A Shares") to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting. References in this Circular to the Meeting include any adjournment(s) or postponement(s) thereof. It is expected that the solicitation will be primarily by mail, however, proxies may also be solicited personally by directors, officers or employees of the Corporation or of Brompton Funds Limited, the manager of the Corporation (the "**Manager**"). The solicitation of proxies is made by management on behalf of the Corporation and the cost of solicitation will be borne by the Manager. In this Circular, unless the context otherwise suggests, references to *you, your* and *Shareholder* are to a holder of Class A Shares.

Unless otherwise indicated, the information in Circular is given as of October 27, 2016 and all dollar amounts are stated in Canadian currency.

PURPOSE OF THE MEETING

The purpose of the Meeting is for Shareholders to consider and, if thought appropriate, approve, with or without variation, an extraordinary resolution (the "**Transition Resolution**"), the full text of which is set out in the attached Appendix I, approving the transition of the Corporation from the Canadian securities regulatory regime for investment funds (including, but not limited to, compliance with National Instrument 81-102 *Investment Funds* ("**NI 81-102**") and National Instrument 81-106 *Investment Fund Continuous Disclosure* ("**NI 81-106**")) to the Canadian securities regulatory regime for reporting issuers that are not investment funds (including, but not limited to, compliance with National Instrument 51-102 *Continuous Disclosure Obligations* ("**NI 51-102**")), as more particularly described in the Circular (the "**Proposed Transition**"). To implement the Proposed Transition, on the effective date of the Proposed Transition, the Corporation will redeem all of the outstanding Voting Shares of the Corporation (the "**Voting Shares**"), and will file articles of amendment of the Corporation (i) to create a new class of voting common shares (the "**Common Shares**") that will not have an annual redemption feature and that will have the voting rights that are typical for common shares under the *Business Corporations Act* (Ontario) (the "**OBCA**"); (ii) to exchange all Class A Shares for Common Shares; (iii) to revise the Corporation's investment restrictions, including removal of the majority of the Corporation's investment restrictions (with such removed investment restrictions to be adopted by the Corporation, with certain changes, as investment guidelines) and (iv) to make any other consequential amendments as may be necessary to give effect to and implement the Proposed Transition. Other changes to implement the Proposed Transition will include eliminating the trailer fee and changing the Corporation's material contracts to reflect that it will no longer be operating as an investment fund, including the elimination of the calculation of a net asset value per share and revising the term and termination provisions. Shareholders will also be asked at the Meeting to consider and, if thought appropriate, approve, with or without variation, an extraordinary resolution (the "**Extension Resolution**"), the full text of which is set out in the attached Appendix I, approving amendments to the articles of the Corporation extending the redemption notice period for the 2016 annual redemption date for Class A Shares to December 7, 2016.

Background to the Proposed Transition

The Corporation is a closed-end investment fund with a registered office located at Suite 2930, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3. The Corporation was established under the laws of the Province of Ontario pursuant to the OBCA as amended by articles of amendment on May 29, 2013. Brompton Funds Limited acts as manager of the Corporation, MCAP

Financial Limited Partnership act as the mortgage consultant (the "**Mortgage Consultant**") pursuant to a mortgage consulting agreement (the "**Mortgage Consulting Agreement**") and MCAP Service Corporation acts as the mortgage services provider (the "**Mortgage Services Provider**") pursuant to a mortgage services agreement (the "**Mortgage Services Agreement**").

The Corporation qualifies as a "mortgage investment corporation" ("**MIC**") under the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder. For additional information on mortgage investment corporations, please refer to "*Structure and Evolution of Mortgage Investment Corporations*".

The Corporation's Class A Shares are listed on the Toronto Stock Exchange and it is considered a non-redeemable investment fund that is subject to the Canadian securities regulatory regime for investment funds (the "**Investment Funds Regime**") and as such, has been providing continuous disclosure pursuant to such Investment Funds Regime, including but not limited to the provisions under NI 81-106. Its investment objectives are to acquire and maintain a diversified mortgage portfolio comprised primarily of interests in single family residential mortgages that seeks to preserve capital and generate sufficient income to permit the Corporation to pay monthly distributions to the Shareholders. For additional information regarding the Corporation, please refer to Appendix IV of this Circular.

On September 22, 2014, the Canadian Securities Administrators (the "**CSA**") adopted amendments to NI 81-102 and NI 81-106 to, among other things, restrict mortgage investments by any investment fund in mortgages other than mortgages that are fully and unconditionally guaranteed by the government of Canada, the government of a province or territory of Canada or by an agency of such government ("**guaranteed mortgages**"). For investment funds that invest in mortgages, the adopted amendments restrict their ability to raise capital.

As a result of these developments, the Board of Directors of the Corporation (the "**Board**") has concluded it is in the best interests of the Corporation to transition from the Investment Funds Regime to the Canadian securities regulatory regime for reporting issuers that are not investment funds (the "**Public Company Regime**"), including, but not limited to, compliance with NI 51-102.

The Corporation has had strong performance since its inception in June 2013. Despite this strong performance, the Corporation has a very limited ability to grow and its investment strategies are limited under the investment fund regulatory framework implemented by the CSA in September 2014. The CSA effectively now only permits new equity capital of the Corporation to be invested in government insured mortgages, which has not been the primary focus of the Corporation. Without the ability to raise new equity under the Investment Funds Regime and with the other investment restrictions now imposed under the Investment Funds Regime, assets in the Corporation may decline from the annual redemption until the strategy is no longer viable or economic for long-term Shareholders that wish to benefit from this unique investment solution. Market liquidity may decrease and operating costs may become increasingly more difficult to bear by the remaining long-term Shareholders, unless the Corporation makes the necessary changes to allow for the opportunity for growth. Management believes the benefits of transitioning to the Public Company Regime include, but are not limited to, the Corporation's ability to expand its investment opportunities by allowing new equity capital to be invested in uninsured mortgages, an expanded ability to raise new capital and the potential to adopt a measured increase in the use of leverage. Management believes that the Corporation has an attractive investment strategy and with the transition from the Investment Funds Regime to the Public Company Regime, along with other operational changes, the Corporation will have the potential to grow earnings per share and dividends over time.

For more details on the benefits of the Proposed Transition, please refer to "*Benefits of The Transition Resolutions*".

Transition to the Public Company Regime

As a reporting issuer under the Public Company Regime following the Proposed Transition, the Corporation would continue to qualify as a MIC under the Tax Act and would continue to operate under its current investment objectives and investment strategies. Shares of the Corporation would continue to be listed and trade on the Toronto Stock Exchange. Some key differences between the Investment Funds Regime and the Public Company Regime are noted below:

	Investment Funds Regime (currently applies to the Corporation)	**Public Company Regime**
Financial reporting	Quarterly Reporting in compliance with Investment Funds Regime with Management Report of Fund Performance* Publication of net asset value on a weekly basis Summarized quarterly portfolio disclosure	Quarterly Reporting in compliance with Public Company Regime with Management's Discussion and Analysis Book value is reported in quarterly financial reporting
Class Structure	One class of publicly traded shares	One class of publicly traded shares
Shareholder voting	Class A Shares are non-voting	Shares are fully voting, including for the election of directors, appointment of auditors
Redemption rights	Redeemable annually at net asset value per Class A Share, subject to an annual 15% maximum	No redemption feature consistent with other corporations in the Public Company Regime
Governance	Shareholder approval is only required on special resolutions as per the OBCA or shareholder matters contained in the articles of amendment or as required under NI 81-102. No annual shareholder meetings Audit Committee Independent Review Committee	Common shareholders (and other classes of shares as applicable) approve all matters per the OBCA Annual meetings of shareholders will commence in 2017 Audit Committee
Annual trailer fee	0.40% per annum of net asset value	No trailer fee will be paid consistent with other corporations in the Public Company Regime

* The Corporation has undertaken to the CSA to include in its continuous disclosure certain additional disclosure, including the composition and performance of its mortgage portfolio and related risks. The Corporation has also undertaken, among other things, to prepare and file quarterly financial statements and management reports of fund performance to Shareholders rather than on a semi-annual basis and comply with the certification requirements of National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.

Investment funds are subject to the requirements of NI 81-102. For investment funds that are not mutual funds, the applicable provisions include restrictions concerning types of investments (including a prohibition on purchasing a mortgage other than a "guaranteed mortgage"), investments in other

investment funds, certain types of investment practices, use of short selling and specified derivatives and securities lending. NI 81-102 also requires shareholder and/or regulatory approval for certain changes, including an increase in management fees, restricts the fund's custody agreements and prohibits the fund from issuing shares at a price less than net asset value and from issuing warrants. The Public Company Regime does not have similar restrictions or requirements. For a detailed comparison of the material differences between the Investment Funds Regime and the Public Company Regime, please see Appendix II.

Pursuant to the Proposed Transition, the Corporation will be subject to additional costs including costs associated with the requirement to host annual general meetings (the additional costs are estimated to be approximately $50,000 per year).

Consequently, it is proposed that the Shareholders consider, and if thought fit, pass the Transition Resolution to, among other things, approve the transition of the Corporation from the Investment Funds Regime to the Public Company Regime, including related changes to the Corporation's articles and material agreements to reflect the change in regulatory regime.

Please also refer to Appendix IV for prospectus level disclosure on the Corporation prepared in accordance with NI 41-101F1 *Information Required in a Prospectus*, the prospectus form requirement for the Public Company Regime applicable to reporting issuers that are not investment funds.

(i) Amendment to Articles

In connection with the Proposed Transition, the Manager has recommended that certain changes be made to the articles of amendment (the "**Articles**") of the Corporation in order to implement the Proposed Transition. Pursuant to the Proposed Transition, the Manager has proposed that the Articles be amended to give effect to the following changes, among others:

- Create a new class of voting common shares that will not have an annual redemption feature and that will have voting rights that are typical for common shares under the OBCA;
- Exchange of all Class A Shares of the Corporation for Common Shares on a tax deferred basis;
- Revise the Corporation's investment restrictions, including removal of the majority of the Corporation's investment restrictions (with such removed investment restrictions to be adopted by the Corporation, with certain changes, as investment guidelines); and
- Make such other changes as are appropriate to implement the Proposed Transition to the Public Company Regime.

If the Proposed Transition is implemented, the Corporation will redeem and cancel all of the outstanding Voting Shares on the effective date of the Proposed Transition for cash consideration equal to the net asset value per Class A Share on the redemption date (immediately before the implementation of the Proposed Transition). The holders of the Voting Shares have approved matters to be voted on at the Meeting.

(ii) Extension of 2016 Redemption Right

The Corporation currently offers a limited annual redemption feature at the net asset value per Class A Share on the second last business day of December each year. If the Extension Resolution is implemented, December 7, 2016 will be the last opportunity for Shareholders to request to redeem their Class A Shares at their net asset value per share. The Class A Shares surrendered for redemption will be redeemed on December 29, 2016 at a redemption price per Class A Share equal to the net asset value per Share on December 29, 2016, less any costs associated with the redemption including commissions and the costs, if any, related to the liquidation of any portion of the portfolio, composed primarily of Single Family Residential Mortgages but also including Other Mortgages and cash and cash equivalents, owned

by the Corporation from time to time (the "**Mortgage Portfolio**") required to fund such redemption. Payment will be made on or about January 16, 2017. The number of Class A Shares that may be redeemed on December 29, 2016 is limited to 15% of the outstanding Class A Shares. In order to participate in this last redemption opportunity, the regular notice period for submitting a request to redeem Class A Shares will be extended from November 15, 2016 to December 7, 2016 pursuant to the Extension Resolution. This will provide Shareholders with an opportunity to submit a redemption request after the Meeting. Following this final redemption, the redemption right will no longer be available.

(iii) Transition of Certain Investment Restrictions to Investment Guidelines and Subsequent Amendments

The investment activities of the Corporation are subject to the investment restrictions contained in the current Articles. Typically MICs do not include rigid investment restrictions and provide the board of directors flexibility to determine the investment parameters. In order to allow the Board flexibility to make changes to the Corporation's investment mandate if it believes it would be in the best interests of the Corporation to do so, the Articles will be amended to delete the current investment restrictions and replace them with the following:

> The Corporation will not make or hold any investment, conduct any activity or take any action or omit to take any action that would result in the Corporation failing to qualify as a "mortgage investment corporation" within the meaning of the Tax Act.

In addition, the Board expects to implement investment guidelines in the following form; these may be amended from time to time as approved by the Board. Capitalized terms in the following investment guidelines have the meanings given to them in Appendix IV of this Circular:

1. the Corporation expects borrowings to range between 20% and 50% of the Total Assets of the Corporation; however, the Corporation may employ higher leverage levels provided that borrowings are not in excess of those requirements set out for the Corporation to qualify as a "mortgage investment corporation" within the meaning of the Tax Act;

2. at the time of investment, the weighted average term to maturity of Mortgages invested in by the Corporation may not exceed 60 months;

3. at the time of funding, the weighted average Loan-to-Value of the Mortgage Portfolio may not exceed 80% and no single Portfolio Mortgage may have a Loan-to-Value exceeding 85%, excluding Insured Single Family Residential Mortgages;

4. not more than 30% of the principal amount of the Mortgage Portfolio will be secured by second Mortgages, excluding Insured Single Family Residential Mortgages (for greater clarity, a junior position in, or junior tranche of, a first ranking mortgage is not considered a second Mortgage);

5. not more than 15% of the principal amount of the Mortgage Portfolio may be comprised of Mortgage-Related Securities;

6. at the time of investment, not more than 20% of the principal amount of the Mortgage Portfolio may be comprised of Other Mortgages;

7. the Corporation will not invest in securities other than Mortgages secured by Real Property situated in Canada, Mortgage-Related Securities and cash and cash equivalents;

8. the Corporation does not expect that it will invest in Real Property, except that the Corporation may hold Real Property acquired as a result of foreclosure where such foreclosure is necessary to protect the Mortgage investment of the Corporation as a result of a default by the mortgagor and the Corporation will use commercially reasonable efforts to dispose of any such Real Property acquired on foreclosure, and the Corporation will not manage or develop any Real Property;

9. not more than 10% of the principal amount of the Mortgage Portfolio will be comprised of Mortgages of the same borrower; and

10. not more than 5% of the principal amount of the Mortgage Portfolio will be comprised of Mortgages secured by the same property.

Initially the investment guidelines will generally be similar to the current investment restrictions, however, certain current investment restrictions will be changed to provide the Corporation with more flexibility to meet its investment objectives. The Manager and the Board believe that these changes are in the best interests of the Corporation. The Board may, in the future, make further changes to the investment guidelines on advice from the Manager and the Mortgage Consultant where the Board believes it would be in the best interests of the Corporation to do so. The following table compares the Corporation's current investment restriction that will be changed, to the proposed investment guideline that will be adopted if the Proposed Transition is approved. The other additional investment guidelines will be consistent with the other current investment restrictions.

Current Investment Restriction	**New Investment Guideline**
At the time of drawdown, the Corporation will not employ borrowing exceeding 25% of the Total Assets of the Corporation	The Corporation expects borrowings to range between 20% and 50% of the Total Assets of the Corporation; however, the Corporation may employ higher leverage levels provided that borrowings are not in excess of those requirements set out to qualify as a "mortgage investment corporation" under the Tax Act

The Corporation currently borrows to invest in insured mortgages and as at September 30, 2016, this borrowing represents approximately 22.5% of value of the assets of the Corporation ("**Total Assets**"). Management believes that this strategy enhances the income of the Corporation without undue credit or interest rate risk. Management would like to expand the amount of leverage beyond 25% to invest in Portfolio Mortgages in order to further enhance the income of the Corporation, facilitate its operating activities and fund working capital requirements, enhance the liquidity of assets and facilitate the acquisition of mortgages from time to time. This strategy is consistent with the strategy that was originally contemplated by management and the Board at the inception of the Corporation during its initial public offering.

If the Corporation borrows more than 25% of the Total Assets of the Corporation, revenue and earnings per share is expected to increase, although management fees and mortgage servicing fees would also be higher than the fees currently paid, which are based on net asset value. By increasing the limit on the amount of money which the Corporation may borrow, the Manager may have an incentive to increase the Total Assets of the Corporation by increasing the amount of money borrowed by the Corporation. The Manager and the Board do not believe that this is a material risk since the Manager will continue to be obligated by the the management agreement (the "**Management Agreement**") between the Corporation and the Manager to act in the best interests of the Corporation and to exercise its management powers prudently.

Where a future change to the investment guidelines of the Corporation may be considered to be material, the Corporation will issue a press release announcing the change.

(iv) Management of the Fund

<u>The Manager and the Management Agreement</u>

The Manager was formed pursuant to the OBCA by articles of incorporation dated May 17, 2011. The Manager performs management and administrative services for the Corporation pursuant to the Management Agreement. 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 office of the Manager is located at 181 Bay St., Bay Wellington Tower, Suite 2930, Box 793, Toronto, Ontario M5J 2T3.

Pursuant to the Management Agreement, the Manager is responsible for providing, or causing to be provided, management and administrative services and facilities to the Corporation, and may delegate certain of the services it provides pursuant to the Management Agreement to third parties where, in the discretion of the Manager, it would be in the best interests of the Corporation to do so, provided that such delegation will not relieve the Manager of any of its obligations under the Management Agreement.

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.

Currently, unless the Manager resigns or is terminated as described in this paragraph, the Manager will continue as the manager of the Corporation. The Management Agreement will be terminated effective immediately upon the occurrence of an Event of Default (as defined in the Management Agreement). Additionally, subject to the rights of the Shareholders to terminate or replace the Manager as described under "*Voting Securities and Principal Holders Thereof—Restricted Securities*", the Management Agreement may be terminated by the Corporation, effective immediately, despite no Event of Default having occurred, if (i) the termination of the Management Agreement is required by or advisable in respect of a change in applicable law, or (ii) the Board determines that it is in the best interests of the Corporation to replace the Manager. The Corporation may also terminate the Management Agreement, effective immediately, despite no Event of Default having occurred, if the Manager is replaced with an affiliate of MCAP following termination. Additionally, if the Shareholders resolve by extraordinary resolution to replace or terminate the Manager, the Corporation may terminate the Management Agreement upon 90 days' prior written notice. These term and termination provisions of the Management Agreement will be revised pursuant to the Proposed Transition, as set out below under "*—Changes to the Management Arrangements of Eclipse Pursuant to Proposed Transition*", including to remove the right of Shareholders to replace or terminate the Manager by extraordinary resolution.

In consideration for its services, the Corporation currently pays to the Manager a management fee equal to 0.75% per annum of the net asset value of the Corporation calculated and payable monthly in arrears plus any applicable taxes. The Manager is responsible to pay the Mortgage Consultant out of the 0.75% fee for advice and consultation with regard to portfolio construction. The Corporation reimburses the Manager for all reasonable costs and expenses incurred by the Manager on behalf of the Corporation.

The Corporation also currently pays the Manager a service fee that the Manager applies to pay the service fees payable to dealers based on the number of Class A Shares held by clients of such dealers at the end of each relevant quarter. The service fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter) is equal to 0.40% per annum of the net asset value of the Class A Shares held at the end of the relevant quarter by clients of dealers, plus applicable taxes (the "**Service Fee**").

The Corporation paid the Manager aggregate management fees of $245,176 for the financial year ended December 31, 2015 and $155,328 for the period from January 1, 2016 to September 30, 2016.

The Mortgage Services Agreement and the Mortgage Consulting Agreement

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. Currently, the Mortgage Services Agreement will remain in place until the termination of the Corporation, unless the Mortgage Services Provider (i) resigns with not less than 120 days prior notice or (ii) is removed by the Manager as result of the Mortgage Services Provider (a) becoming bankrupt or insolvent or making a general assignment for the benefit of its creditors, or (b) breaching a material obligation under the Mortgage Services Agreement which is incurable or which remains uncured after a reasonable cure period. For providing services pursuant to the Mortgage Services Agreement, the Corporation also pays the Mortgage Services Provider a fee equal to 0.60% of the net asset value of the Corporation per annum, plus applicable taxes, calculated and paid monthly in arrears. The Corporation reimburses the Mortgage Services Provider for all out-of-pocket expenses incurred by the Mortgage Services Provider in connection with the performance of its services under the Mortgage Services Agreement.

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 Mortgage Consulting Agreement will remain in place until the termination of the Corporation, unless the Mortgage Consultant (i) resigns with not less than 120 days prior notice or (ii) is removed by the Manager as result of the Mortgage Consultant (a) becoming bankrupt or insolvent or making a general assignment for the benefit of its creditors, or (b) breaching a material obligation under the Mortgage Consulting Agreement which is incurable or which remains uncured after a reasonable cure period. 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.

Changes to the Management Arrangements of Eclipse Pursuant to Proposed Transition

As described below, as part of the Proposed Transition, the basis for calculating the management fee payable to the Manager and the fee payable to the Mortgage Consultant and the Mortgage Services Provider will change from a percentage of net asset value to a percentage of total assets of the Corporation, since the Corporation will stop calculating its net asset value when it is no longer an investment fund. In addition, the Service Fee will be removed since the Service Fee will no longer be payable to dealers.

Pursuant to the Proposed Transition, the Manager and the Board have proposed that certain terms of the Management Agreement, the Mortgage Services Agreement and the Mortgage Consulting Agreement (the "**Material Agreements**") be amended (the "**Material Agreements Amendments**"). The amendments are intended to address the fact that following implementation of the Proposed Transition (i)

the Corporation will cease calculating its net asset value and (ii) it will be possible for the independent directors of the Board to vote for the termination of the Material Agreements.

The Material Agreements Amendments will provide that the Corporation will pay (i) the Manager an annual management fee equal to 0.55% per annum of the total assets of the Corporation (out of which the Manager is responsible for paying the Mortgage Consultant), and (ii) the Mortgage Services Provider an annual Mortgage Service Fee equal to 0.45% per annum of the total assets of the Corporation. Based on the amount of leverage currently employed by the Corporation, which is approximately 22.5% of assets, the proposed changes to the annual management fee and the mortgage service fee described above will result in a decrease in aggregate fees paid under the Management Agreement and the Mortgage Services Agreement. If debt exceeds 25.9% of assets, aggregate fees paid to the Manager and the Mortgage Services Provider will be greater under the current fee proposal.

The Material Agreements Amendments will also change the term and termination provisions of the Management Agreement. Pursuant to the Material Agreements Amendments, the term of the Management Agreement will be 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 (each, a "Termination for Cause"); 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.

The Mortgage Services Agreement and the Mortgage Consulting Agreement will also be amended to contain substantially similar term and termination provisions pursuant to the Material Agreements Amendments.

If the Proposed Transition is implemented, the Mortgage Services Provider will continue to provide mortgage services to the Corporation pursuant to the Mortgage Services Agreement and the Mortgage Consultant will continue to provide mortgage consulting services to the Corporation pursuant to the Mortgage Consulting Agreement. Any fees payable to the Mortgage Consultant for its services under the Mortgage Consulting Agreement will continue to be paid by the Manager out of its compensation from the Corporation. There is no additional fee payable by the Corporation to the Manager or the Mortgage Consultant for such services, and the Manager will not charge the Corporation the fee payable by the Manager to the Mortgage Consultant as a disbursement or as expenses under the Management Agreement. The Mortgage Services Provider will continue to allocate investment opportunities to the Corporation and other entities managed by the Mortgage Services Provider in accordance with its current allocation policy.

BENEFITS OF THE PROPOSED TRANSITION

1. Potential to Facilitate Future Growth for the Corporation

The Corporation has had strong performance and an excellent track record during its three and a half years in existence. Despite the strong performance, the Corporation's ability to grow under the Investment Funds Regime is restricted. The Corporation is restricted in its ability to raise capital thereby limiting growth from its investment strategies as a result of changes to the regulatory framework for investment funds implemented by the CSA in September 2014. The CSA now only permits new equity capital to be invested in government insured mortgages, which has not been the primary focus of the Corporation. If the Proposed Transition is implemented, it is expected that the Corporation would be able to issue a diversified range of securities to investors, which will help facilitate growth of the Corporation, as considered appropriate by the Board in the context of then current market conditions and the performance of the Corporation, and subject to prior Shareholder approval of any such new securities, as required. Should the opportunity arise to make an acquisition that is determined to be in the interests of the Corporation, the flexibility to raise capital may make such acquisitions more feasible.

2. Strong Returns Investing in Single Family Residential Mortgages

Since inception, the Corporation has consistently generated stable monthly dividends and increased its net asset value for investors by investing in a diversified portfolio of interests in short-term single-family residential Canadian mortgages. The Corporation will continue to invest in a portfolio of interests in single family residential mortgages that will allow retail investors to gain access to a unique investment proposition which is generally not otherwise available to many retail investors. High net worth accredited investors and institutional investors have access to similar strategies in unlisted investment vehicles. Since the initial public offering, the Corporation has paid each of its targeted monthly dividends and has increased the dividend by 8.3% while also increasing the net asset value by 5.1% since being fully invested in February 2014 (to September 30, 2016). The Corporation has delivered a return of 7.8% per annum since it listed on the Toronto Stock Exchange (to September 30, 2016), while its benchmark, the FTSE TMX Canada Short-Term Canada Bond Index, provided a return of 2.6% over the same period. The Corporation outperformed its benchmark by 5.2% per annum over such period. If the Proposed Transition is implemented, management and the Mortgage Consultant believe that the Corporation's earnings per share have further potential growth, thereby allowing the Corporation to grow dividends over time. The Board expects to increase the current dividend of $0.65 per annum by 15.4%, to $0.75 per annum, following the implementation of the Proposed Transition, although the final

amount of any dividend remains subject to declaration by the Board. The business plan following the Proposed Transition allows for the retention of capital for potential loan losses and a path to revenue and earnings growth as new capital is added to the Corporation.

3. Shareholders Granted Voting Rights

Currently, only the Voting Shares (not listed) of the Corporation carry the right to vote on all shareholder matters. Holders of Class A Shares (publicly listed) currently have limited voting rights. If the Proposed Transition is implemented, Shareholders will become entitled to vote on all shareholder approval matters under the OBCA, including the annual election of directors. Voting on such matters will be facilitated through annual general meetings where Shareholders will have the ability to attend, vote and discuss other business matters with management if they so desire. As an investment fund, there currently is no requirement for the Corporation to hold annual meetings of Shareholders.

4. Elimination of Trailer Fee

If the Proposed Transition is implemented, the Corporation will no longer pay the trailer fee to dealers in respect of the Class A Shares, consistent with other listed corporations. Eliminating the trailer fee will result in more income available for distribution to Shareholders.

5. Elimination of Redemption Feature Provides More Stability for the Corporation

The Proposed Transition will result in the removal of the redemption rights currently attached to the Class A Shares. The Manager believes that this change will provide the Corporation with long term stability in its equity. Annual redemptions of Class A Shares at their net asset value per Class A Share currently are limited to 15% of the total outstanding Class A Shares of the Corporation.

Though a Shareholder will no longer be able to redeem Class A Shares following the Proposed Transition, the Common Shares (for which Class A Shares will be exchanged pursuant to the Proposed Transition) will trade on the Toronto Stock Exchange. A continued redemption feature under the current Investment Funds Regime would likely continue to reduce the Corporation's market liquidity by reducing the capital base of the Corporation as the Corporation is restricted in its ability to raise new capital under the Investment Funds Regime.

6. Potential for Analyst Coverage

Financial institutions in Canada typically do not provide research coverage of investment funds and the Manager believes that research analysis coverage of the Corporation is more likely to occur if the Corporation switched to the Public Company Regime. Analyst research coverage, if implemented, may enhance the liquidity of the Corporation's Common Shares.

STRUCTURE AND EVOLUTION OF MORTGAGE INVESTMENT CORPORATIONS

MICs are investment vehicles that enable investors to invest in a pool of mortgages on a tax-advantaged basis. Typically, shares of a MIC are qualified investments under the Tax Act for various registered retirement savings plans and other similar registered plans. The enactment of section 130.1 of the Tax Act allowed a corporation, established for the purpose of buying and selling mortgages, to pass-through income earned on its investments to its shareholders without the imposition of corporate tax. Prior to the establishment of MICs, investors were generally limited to accessing mortgages by owning a portion of a syndicated mortgage. MICs make investments in mortgages more accessible to individual investors and provide another alternative method to invest in real estate.

In the early stages, regulatory restrictions on the listing of blind pools of mortgages forced MICs to utilize the Investment Funds Regime. As the non-bank mortgage lending industry has matured, there is increasingly a compelling argument to use a more typical corporate finance structure such as that provided by the Public Company Regime for MICs, given the benefits of such a structure (as set out in "*Benefits of the Proposed Transition*"). However, the CSA have stated that in their view an investment fund should not invest in non-guaranteed mortgages as a result of modernization changes to the Investment Funds Regime. The Ontario Securities Commission has stated that it will not permit an investment fund that invests in non-government guaranteed mortgages to raise capital by public offering in Ontario. The MIC industry today features issuers classified both under the Investment Funds Regime and the Public Company Regime. The Manager believes that the Company is the only remaining publicly traded MIC organized as an investment fund that invests in non-guaranteed mortgages.

Given the foregoing, the Manager and the Board are of the view that the Public Company Regime is the preferred approach for non-bank mortgage lending entities such as the Corporation as the industry continues to evolve and mature. The Proposed Transition, if approved and implemented, will result in the Corporation moving from the Investment Funds Regime to the Public Company Regime.

Investing in mortgages through a MIC still provides investors access to stable cash flows generated by interest payments, while their capital is secured by real estate assets. MICs that hold relatively short-duration mortgages, such as the Corporation, also provide inflation protection as they are able to adjust lending rates in accordance with changes in market rates, resulting in a higher yield for investors as interest rates rise.

MICs in Canada are generally structured in one of three ways:

- private MICs
- publicly traded investment funds
- public company MICs

Each of these structures is described in greater detail below.

Private MICs

Private MICs raise capital by way of private placements utilizing offering memoranda rather than prospectuses. As corporations, private MICs are obligated to provide annual audited statements to shareholders, but are not subject to the same level of disclosure requirements as public reporting issuers.

Publicly Traded Investment Funds

MICs that are structured as publicly traded investment funds trade on a public market, raise capital and provide continuous disclosure pursuant to the Investment Funds Regime. The disclosure requirements under the Investment Funds Regime include, but are not limited to, audited annual financial statements, semi-annual unaudited financial statements, annual and semi-annual management reports of fund performance, quarterly summaries of investment portfolio filings, an annual information form, and periodic publications of net asset value per share. MICs structured as publicly traded investment funds under the Investment Funds Regime, like other investment funds, do not typically hold annual general meetings involving public shareholders.

Public Company MICs

Public company MICs that are subject to the Public Company Regime raise capital and provide continuous disclosure pursuant to the same requirements as are typical for real estate investment trusts, banks and other public companies. These requirements under the Public Company Regime include, but

are not limited to, annual audited financial statements, quarterly unaudited financial statements, annual and quarterly management's discussion and analysis, and an annual information form. Common shareholders of public companies have voting rights and are able to exercise these voting rights at annual general meetings where they elect the board of directors and approve certain other matters presented to shareholders.

RISK FACTORS

For information on risk factors relating to the Corporation and its business, please refer to Appendix IV of this Circular.

RECOMMENDATION

The Board has determined that the Proposed Transition is in the best interests of the Corporation and unanimously recommends that Shareholders vote in favour of the extraordinary resolution approving the Proposed Transition.

In arriving at such determinations, consideration was given to, among other things, factors set forth under *"Benefits of the Proposed Amendments"*.

The independent review committee of the Corporation has also reviewed the Proposed Transition and recommended that the Proposed Transition be put to the Shareholders for their consideration on the basis that it achieves a fair and reasonable result for the Corporation and Shareholders.

CONDITIONS TO IMPLEMENTING THE PROPOSED TRANSITION

The Proposed Transition will not be implemented unless it is approved by Shareholders at the Meeting and all required securities regulatory and stock exchange approvals are obtained, if required. In order to become effective, the Transition Resolution must be approved by a two-thirds majority of Shareholders present in person or represented by proxy at the Meeting. In addition, the changes must be approved by a two thirds majority of the holders of the Voting Shares. The holders of the Voting Shares have unanimously approved matters to be voted on at the Meeting.

There can be no assurance that the conditions precedent to implementing the Proposed Transition will be satisfied on a timely basis, if at all. If the requisite Shareholder approval for the Proposed Transition is not obtained or if any other required securities regulatory or stock exchange approval is not obtained, the Proposed Transition will not be implemented.

TIMELINE

The following is a summary of the expected key dates relevant to the Meeting and the Proposed Transition. The dates are subject to change.

Proxy Due Date[(1)]	9:00 a.m. (Toronto time) on November 28, 2016
Meeting Date	9:00 a.m. (Toronto time) on November 30, 2016
Redemption Notice Deadline[(1)]	December 7, 2016 at 4:00 p.m. (Toronto time)
Redemption Date	December 29, 2016
Effective Date of Proposed Transition	Currently intended to be January 1, 2017
Redemption Payment Date	On or about January 16, 2017

[(1)] Shareholders should contact their broker or other intermediary through which their Shares are held in advance of the Meeting, as brokers and other intermediaries may set deadlines earlier than November 28, 2016 for receipt of voting instruction forms or proxies and earlier than December 7, 2016 for receipt of the Redemption Notice.

EXPENSES OF THE PROPOSED TRANSITION

The Manager and the Mortgage Consultant, will pay certain of the costs relating to the Meeting and the amendments to agreements associated with the Proposed Transition. All other costs, including costs that relate to the ongoing continuous disclosure for the Corporation under the Public Company Regime, will be borne by the Corporation.

TERMINATION OF THE PROPOSED TRANSITION

At any time before or after the holding of the Meeting, but no later than the Effective Date, the Proposed Transition may be terminated by the Board without further notice to, or action on the part of, Shareholders if prior to the filing of the articles of amendment, the Board determines in its sole judgment that it would be inadvisable for the Corporation to proceed with the Proposed Transition.

SECURITIES AUTHORIZED UNDER EQUITY COMPENSATION PLANS

The Corporation currently has no equity compensation plans in place.

INTEREST OF MANAGEMENT AND OTHERS IN THE PROPOSED TRANSITION

No director or executive officer of the Corporation or associate or affiliate of such person has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

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 INFORMED PERSONS 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 which has materially affected or would materially affect the Corporation.

AUDITOR

The auditor of the Corporation is Ernst & Young LLP, Chartered Professional Accountants and Licensed Public Accountants, located in Toronto, Ontario. Ernst & Young LLP was first appointed auditor of the Corporation in April 2013.

DIRECTORS AND OFFICERS OF THE MANAGER

For information regarding the directors and officers of the Manager, please refer to Appendix IV of this Circular.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Outstanding Securities and Voting Rights

As of October 27, 2016, the Corporation had 2,500,198 Class A Shares and seven Voting Shares outstanding.

Record Date

The Board has fixed October 31, 2016 as the record date for the purpose of determining holders of Class A Shares entitled to receive notice of and to vote at the Meeting. Any holder of Class A Shares of record at the close of business on the record date is entitled to vote the Class A 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 October 27, 2016, 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 Class A Shares or Voting Shares of the Corporation, other than those noted below:

Class A Shares

Name	Number of Class A Shares Held	Approximate Proportion of Class A Shares Held to All Outstanding Class A Shares
MCAP Commercial LP	300,000	12%
The Braaten Joint Partner Trust	250,000	10%

Voting Shares

Name	Number of Voting Shares Held	Approximate Proportion of Voting Shares Held to All Outstanding Voting Shares
Mark Aldridge	1	14.3%
Brian Carey	1	14.3%
Gordon Herridge	1	14.3%
Derek Norton	1	14.3%
Don Ross	1	14.3%
Ken Teskey	1	14.3%
Blaine Welch	1	14.3%

Restricted Securities

The Class A Shares are "restricted securities" within the meaning of such term as defined in NI 51-102, as the Class A Shares do not carry a right to vote generally, except as mandated in special circumstances and by law, and the rights and restrictions of the Voting Shares include voting rights superior to those of the Class A Shares. The Voting Shares are "restricted securities" within the meaning

of such term as defined in NI 51-102 as the rights and restrictions of the Class A Shares include superior rights to participate in the earnings or assets of the Corporation.

Pursuant to the Articles, holders of Class A Shares are entitled to vote only on certain matters. Under the Articles, the following acts (each, a "**Class A Shareholder Matter**") require the approval of the holders of Class A Shares:

i) a change to the investment objectives or investment restrictions of the Corporation, unless such changes are necessary to maintain the Corporation's status as a MIC or otherwise to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;

ii) a change in the Manager, other than in connection with (a) the replacement of the Manager with an affiliate of MCAP Financial Corporation, (b) following the Manager's resignation pursuant to the terms and conditions of the Management Agreement, or (c) the termination of the Management Agreement and replacement of the Manager effective immediately upon a Manager Event of Default (as defined in the Articles);

iii) any increase in (a) the basis of calculating the management fee paid to the Manager or the mortgage service fee paid to the mortgage service provider to the Corporation, or (b) the rate per annum of the management fee or the mortgage service fee;

iv) the sale of all or substantially all of the assets of the Corporation other than in the ordinary course of its activities;

v) any amendment, modification or variation in the provisions or rights attaching to the Class A Shares or Voting Shares;

vi) any issuance of Class A Shares when the net proceeds per Class A Share are less than the most recently calculated NAV per Share (as defined in the Articles) prior to the date of setting the subscription price for such issuance. For greater certainty, if such NAV per Share is calculated prior to a record date for a distribution in respect of such Class A Shares being issued, the most recently calculated NAV per Share for purposes of determining the subscription price will be adjusted to account for any distribution which has been declared payable in respect of such Class A Shares and which will not be received by the subscribers;

vii) a reorganization with, or transfer of assets to, another entity, if: (a) the Corporation ceases to continue after the reorganization or transfer of assets; and (b) the transaction results in Class A Shareholders becoming securityholders in the other entity; or

viii) a reorganization with, or acquisition of assets of, another entity, if (a) the Corporation continues after the reorganization or acquisition of assets; and (b) the transaction results in the securityholders of the other entity holding a majority of the outstanding securities of the Corporation.

At any meeting of holders of the Class A Shares, holders of Class A Shares are entitled to one vote for each Class A Share held. Items (i) through (vi) of the definition of Class A Shareholder Matter require approval by resolution passed by at least 66 2/3 % of the votes cast by Shareholders; and items (vii) and (viii) of the definition of Class A Shareholder Matter require approval by a resolution passed by at least a simple majority (unless a greater majority is required by applicable laws) of the votes cast by Class A Shareholders. **Holders of Class A Shares have no right to participate if a takeover bid is made for Voting Shares.**

The Voting Shares have the right to one vote per share at all meetings of shareholders (except where the holders of a specified class or classes of shares, other than Voting Shares, are entitled to vote separately or collectively as a class as provided in the applicable share conditions or in the OBCA).

The Transition Resolution is considered a Class A Shareholder Matter and the OBCA also provides all shareholders of the Corporation with the right to vote on any amendment to the Articles. As such, in accordance with the foregoing voting rights provided under the Articles and the OBCA, the approval of the Transition Resolution must receive the affirmative vote of not less than two-thirds of the votes cast thereon by (i) the holders of Class A Shares voting separately as a class and (ii) the holders of Voting Shares voting separately as a class. The holders of the Voting Shares have unanimously approved the Transition Resolution.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS FOR SHAREHOLDERS

In the opinion of Blake, Cassels and Graydon LLP, counsel to the Corporation, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act and the regulations thereunder (the "**Regulations**") in respect of the Proposed Transition. This summary only applies to a Shareholder who, for the purposes of the Tax Act and at all relevant times, (i) holds Class A Shares as capital property; (ii) deals at arm's length and is not affiliated with the Corporation; and (iii) is an individual (other than a trust) resident in Canada (a "**Holder**").

Generally, Shares will be considered to be capital property to a Holder unless such Shares are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold Shares as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Class A Shares and every other ''Canadian security'' (as defined in the Tax Act) owned by such Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property.

This summary does not apply to a Holder (i) that is a "specified financial institution" or a "financial institution" both as defined in the Tax Act; (ii) an interest in which constitutes a "tax shelter investment" within the meaning of the Tax Act; (iii) that reports its Canadian tax results in a "functional currency" (which excludes Canadian dollars); or (iv) that has entered or will enter into a "derivative forward agreement" (as that term is defined in the Tax Act) with respect to the Class A Shares.

This summary is based upon the facts set out in the Circular, a certificate of an officer of the Corporation as to certain factual matters, the current provisions of the Tax Act and the Regulations, and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**") that have been published in writing by it prior to the date hereof. This summary also takes into account all specific proposals to amend the Tax Act and the Regulations (the "**Proposed Amendments**") publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and assumes that all Proposed Amendments will be enacted in the form proposed. However, there can be no assurance that the Proposed Amendments will be enacted in the form proposed or at all. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action or decision, or any changes in the administrative practices and assessing policies of the CRA, nor does it take into account other federal, provincial, territorial or foreign income tax considerations, which may differ from the Canadian federal income tax considerations discussed below.

This summary is based upon the assumption that the Corporation will qualify as a MIC at all relevant times. The Corporation has advised counsel that it intends to meet all of the requirements under the Tax Act to qualify as a MIC throughout its current taxation year and for all of its future taxation years. Counsel expresses no opinion as to the status of the Corporation as a MIC.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, Holders should consult their own tax advisors for advice as to the tax consequences to them in respect of the Proposed Transition having regard to their own particular circumstances.

Amendment to Articles

On the automatic exchange of Class A Shares for Common Shares on the Reorganization Date (as defined in the attached Appendix I), the Holder will not realize a capital gain or capital loss. Instead, for purposes of the Tax Act, the Holder will be deemed to have disposed of the Class A Shares for proceeds of disposition equal to the Holder's adjusted cost base in the Class A Shares on the Reorganization Date and the Holder will be considered to have acquired the Common Shares received on the exchange at an aggregate cost equal to the adjusted cost base of the Holder's Class A Shares exchanged.

Redemption of Shares

On the redemption of Class A Shares in accordance with the redemption right on the final redemption date, a Holder will be deemed to receive a dividend equal to the amount, if any, by which the redemption price exceeds the paid-up capital of the Holder's Class A Shares redeemed. Any such deemed dividend would be required to be included in the Holder's income as interest payable on a bond issued by the Corporation, unless and to the extent that the Corporation elects that all or part of the dividend be a capital gains dividend (to the extent the Corporation has realized sufficient capital gains, net of any applicable capital losses, in the year). The gross-up and dividend tax credit applicable to taxable dividends received by individuals from a taxable Canadian corporation will not apply to dividends paid by the Corporation. Capital gains dividends received by a Holder will be treated as a capital gain of the Holder from the disposition of capital property in the year. See ''*Taxation of Capital Gains and Capital Losses*'' below for the treatment of any capital gain. The Holder will also be considered to have disposed of the relevant Class A Shares for proceeds of disposition equal to the Net Asset Value per Class A Share (less the deemed dividend, if any, referred to above). The Holder will realize a capital gain (or capital loss) to the extent that such adjusted proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Holder's Class A Shares disposed of. See "*Taxation of Capital Gains and Capital Losses*" below for the treatment of any capital gain or capital loss.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a ''**taxable capital gain**'') realized by a Holder in a taxation year will be included in the Holder's income for the year, and one-half of any capital loss (an ''**allowable capital loss**'') realized by a Holder in a taxation year must be deducted against taxable capital gains realized by the Holder in the year. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back up to three taxation years or carried forward indefinitely and deducted against net taxable capital gains realized in such years, to the extent and in the circumstances specified in the Tax Act. Capital gains realized may give rise to a liability for alternative minimum tax under the Tax Act.

Dissenting Shareholders

A Dissenting Shareholder will be deemed to receive a dividend equal to the amount, if any, by which any payment made by the Corporation (other than any interest awarded by a court) exceeds the paid-up capital of the Dissenting Shareholder's Class A Shares immediately before the Reorganization Date. Any such deemed dividend would be treated in the manner as described above under the heading "*Redemption of Shares*". The Dissenting Shareholder will also be considered to have disposed of the Class A Shares for proceeds of disposition equal to the amount of any payment made by the Corporation

(less the deemed dividend referred to above, if any, and any interest awarded by a court). The Dissenting Shareholder will realize a capital gain (or capital loss) to the extent that such adjusted proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Dissenting Shareholder's Class A Shares disposed of. See "*Taxation of Capital Gains and Capital Losses*" above for the treatment of any capital gain or capital loss. A Dissenting Shareholder will also be required to include any interest awarded by a court in computing such Dissenting Shareholder's income.

DISSENT RIGHTS

*The following description of the right of Shareholders to dissent granted under Section 185 of the OBCA (the "**Dissent Rights**") is not a comprehensive statement of the procedures to be followed by a Shareholder wishing to exercise his, her or its Dissent Rights (a "**Dissenting Shareholder**") who seeks payment of the fair value of shares in which such Dissenting Shareholder has exercised Dissent Rights. The following description is qualified in its entirety by the reference to the full text of section 185 of the OBCA, which is attached to this Circular as Appendix III. A Dissenting Shareholder who intends to exercise Dissent Rights should carefully consider and comply with the provisions of section 185 of the OBCA.*

It is recommended that Shareholders wishing to avail themselves of their Dissent Rights seek legal advice, as failure to comply strictly with the provisions of section 185 of the OBCA may prejudice any such rights.

Section 185 of the OBCA provides shareholders with the right to dissent from certain resolutions of a corporation which effect extraordinary corporate transactions or fundamental changes. Accordingly, any registered Shareholder who dissents from the Transition Resolution in compliance with the Dissent Rights will be entitled, in the event the Transition Resolution becomes effective, to be paid by the Corporation the fair value of the Class A Shares held by such Dissenting Shareholder determined as of the close of business on the day before the Transition Resolution is adopted, on the same terms as provided for under section 185 of the OBCA.

The Dissent Rights provide that a Shareholder may only make a claim under such Dissent Rights with respect to all the Class A Shares held by the Shareholder on behalf of any one Beneficial Holder (as defined below) and registered in the Shareholder's name. One consequence of this is that a registered Shareholder may only exercise the Dissent Rights in respect of the Class A Shares which are registered in that registered Shareholder's name. In many cases, shares beneficially owned by a person are registered either: (a) in the name of an intermediary that such person deals with in respect of such shares; or (b) in the name of a clearing agency (such as CDS) of which the intermediary is a participant. Accordingly, a Beneficial Holder will not be entitled to exercise their Dissent Rights directly (unless the Class A Shares are re-registered in the Beneficial Shareholder's name). A Beneficial Holder who wishes to exercise their Dissent Rights should immediately contact the intermediary with whom the Beneficial Holder deals in respect of his, her or its Class A Shares and either: (i) instruct the intermediary to exercise the Dissent Right on the Beneficial Shareholder's behalf (which, if the Class A Shares are registered in the name of CDS or other clearing agency, would require that the Class A Shares first be re-registered in the name of the intermediary); or (ii) instruct the intermediary to re-register the Class A Shares in the name of the Beneficial Shareholder, in which case the Beneficial Holder would become a registered Shareholder and would have to exercise the right to dissent directly.

The Dissent Rights provide that a registered Shareholder who wishes to dissent from the Transition Resolution must provide a written objection to the Transition Resolution (a "Notice of Dissent") to the offices of the Corporation at Suite 2930, Box 793, 181 Bay Street, Toronto, ON M5J 2T3 Attention: Ms. Kathryn Banner, Vice President & Corporate Secretary at or before the date of the Meeting or any adjournment or postponement thereof.

The filing of a Notice of Dissent does not deprive a registered Shareholder of the right to vote at the Meeting; however, the Dissent Rights provide, in effect, that a registered Shareholder who has submitted a Notice of Dissent and who votes in favour of the Transition Resolution will be deprived of further rights of dissent. The Dissent Rights do not provide, and the Corporation will not assume, that a vote against the Transition Resolution or an abstention constitutes a Notice of Dissent, but a registered Shareholder need not vote his, her or its Class A Shares against the Transition Resolution in order to dissent.

Similarly, the revocation of a proxy conferring authority on the proxy holder to vote in favour of the Transition Resolution does not constitute a Notice of Dissent; however, any proxy granted by a registered Shareholder who intends to dissent, other than a proxy that instructs the proxy holder to vote against the Transition Resolution, should be validly revoked in order to prevent the proxy holder from voting such Class A Shares in favour of the Transition Resolution and thereby causing the registered Shareholder to forfeit his, her or its Dissent Rights.

The Corporation is required, within ten (10) days after the Shareholders adopt the Transition Resolution, to notify each Dissenting Shareholder that the Transition Resolution has been adopted. Such notice is not required to be sent to any Dissenting Shareholder who has voted for the Transition Resolution or who has withdrawn his, her or its Notice of Dissent. A Dissenting Shareholder who wishes to exercise his, her or its Dissent Rights must, within twenty (20) days after receipt of notice that the Transition Resolution has been adopted or, if the Dissenting Shareholder does not receive such notice, within twenty (20) days after such Shareholder learns that the Transition Resolution has been adopted, send to the Corporation a written notice (a "**Payment Demand**") containing his, her or its name and address, the number and class of shares in respect of which he, she or it dissented, and a demand for payment of the fair value of such shares.

Within thirty (30) days after a Payment Demand is made, the Dissenting Shareholder must send to the Corporation or the transfer agent for the Corporation the certificates representing the Class A Shares in respect of which he, she or it has dissented. A Dissenting Shareholder who fails to send the certificates representing the Class A Shares in respect of which he, she or it has dissented forfeits his, her or its right to dissent. The Corporation or the transfer agent for the Corporation will endorse on any share certificate received from a Dissenting Shareholder a notice that the Holder is a Dissenting Shareholder and will forthwith return the share certificates to the Dissenting Shareholder. After making a Payment Demand, a Dissenting Shareholder ceases to have any rights as a Shareholder other than the right to be paid the fair value of his, her or its Class A Shares as determined under section 185 of the OBCA unless: (i) the Dissenting Shareholder withdraws the Payment Demand before the Corporation makes the Offer to Pay (as hereinafter defined), (ii) the Corporation fails to make a timely Offer to Pay to the Dissenting Shareholder and the Dissenting Shareholder withdraws his, her or its Payment Demand; or (iii) the Board revokes the Transition Resolution, in all of which cases the Dissenting Shareholder's rights as a Shareholder are reinstated as of the date of the Payment Demand.

The Corporation is required, not later than seven (7) days after the later of the Effective Date or the date on which the Corporation received a Payment Demand from a Dissenting Shareholder, to send to the Dissenting Shareholder who submitted the Payment Demand in accordance with the OBCA either (i) a written offer to pay for the Class A Shares in respect of which he, she or it has dissented in an amount considered by the Board to be the fair value thereof, accompanied by a statement showing the manner in which such fair value was determined (an "**Offer to Pay**"), or (ii) a notice that, under the OBCA, the Corporation is unable to lawfully pay a Dissenting Shareholder for the Class A Shares in respect of which he, she or it dissented in accordance with section 185 of the OBCA. Every written Offer to Pay made by the Corporation to a Dissenting Shareholder must be on the same terms.

Unless the Corporation has provided notice that it is unable to make the payment provided for in the Offer to Pay in accordance with the OBCA, the Corporation must pay for the Class A Shares of a

Dissenting Shareholder within ten (10) days after an Offer to Pay has been accepted by such a Dissenting Shareholder, but any such Offer to Pay lapses if the Corporation does not receive an acceptance thereof within thirty (30) days after the Offer to Pay has been made.

Under section 185 of the OBCA, if the Corporation fails to make an Offer to Pay or if a Dissenting Shareholder fails to accept an Offer to Pay that has been made, the Corporation may, within fifty (50) days after the Effective Date apply to the Ontario Superior Court of Justice to fix a fair value for the Class A Shares of any remaining Dissenting Shareholders. If the Corporation fails to apply to the Ontario Superior Court of Justice, a Dissenting Shareholder may apply to the Ontario Superior Court of Justice within a further period of twenty (20) days or within such further period as the Ontario Superior Court of Justice may allow.

HOW TO REDEEM YOUR CLASS A SHARES

Subject to the Corporation's right to suspend redemptions and the passing of the Extension Resolution, Class A Shareholders are entitled to surrender Class A Shares for redemption in December 2016, provided the Class A Shares are surrendered during the period from the first business day of November until 4:00 p.m. (Toronto time) on the 7th day of December. The Class A Shares surrendered for redemption will be redeemed on December 29, 2016 at a redemption price per Class A Share equal to the net asset value per Share on December 29, 2016, less any costs associated with the redemption including commissions and other such costs, if any, related to the liquidation of any portion of the Mortgage Portfolio required to fund such redemption. Payment will be made on or about January 16, 2017.

The Corporation will not accept for redemption, on December 29, 2016, Class A Shares representing more than 15% of the average number of Class A Shares outstanding for the 180-day period immediately preceding December 29, 2016. In the event that the number of Class A Shares tendered for redemption exceeds the limit set forth above, the Corporation will redeem Class A Shares tendered for redemption and not withdrawn or revoked on a pro rata basis.

A Class A Shareholder who desires to exercise his or her annual redemption privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the Class A Shareholder, a written notice of the Class A Shareholder's intention to redeem such Class A Shares, no later than 4:00 p.m. (Toronto time) on December 7, 2016. Accordingly, a Class A Shareholder should ensure that the CDS Participant is provided with a redemption notice sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time. Any expense associated with the preparation and delivery of redemption notices will be for the account of the Class A Shareholder exercising the redemption privilege.

By causing a CDS Participant to deliver to CDS a redemption notice, a Class A Shareholder shall be deemed to have irrevocably surrendered his or her Class A Shares for redemption. The Manager may from time to time prior to the December 29, 2016 permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that such withdrawal will not adversely affect the Corporation. Any expense associated with the preparation and delivery of the redemption notice will be for the account of the Class A Shareholder exercising the redemption privilege.

Any redemption notice that CDS determines to be incomplete, not in proper form, not duly executed or not received by December 7, 2016, shall, for all purposes, be void and of no effect and the redemption privilege to which it relates shall be considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the Class A Shareholder's instructions will not give rise to any obligations or liability on the part of the Corporation or the Manager to the CDS Participant or to the Class A Shareholder.

Any and all Class A Shares that have been surrendered to the Corporation for redemption are deemed to be outstanding until (but not after) the close of business on December 29, 2016, notwithstanding that the redemption amount is not paid until January 16, 2017.

GENERAL PROXY INFORMATION

Circular

This Circular is furnished in connection with the solicitation of proxies by the Manager of the Corporation to be used at the Meeting or at any adjournment or postponement thereof. The Meeting will be held on November 30, 2016 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 special 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.

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.

Beneficial Holders

The information set forth in this section is of significant importance to non-registered beneficial holders of Class A Shares ("**Beneficial Holders**"). All of the Class A 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 Class A Shares can be recognized and acted upon at the Meeting. Class A 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 Class A Shares of the Corporation for their clients. The Corporation does not know for whose benefit the Class A 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 Class A 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 Class A 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 Class A Shares to be represented at the Meeting. **A Beneficial Holder receiving a voting instruction form cannot use that form to vote Class A 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**.

If you are a registered Class A Shareholder and wish to vote in favour of the Proposed Transition, you should submit a form of proxy voting in favour of the Proposed Transition well in advance of the 9:00 a.m. (Toronto time) deadline on November 28, 2016 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 in Toronto at 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1, Attention: Proxy Department at any time up to 9:00 a.m. (Toronto time) on November 28, 2016 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 October 31, 2016 are entitled to receive the notice of special meeting 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 Class A Share of the Corporation held by such Shareholder. In order to become effective, the Transition Resolution must be approved by a two thirds majority of the holders of shares of the Corporation present in person or represented by proxy at the Meeting.

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 15% 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 November 30, 2016. At the adjourned Meeting, the business of the Meeting will be transacted by those Shareholders present in person or represented by proxy.

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. 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 Class A 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 Transition Resolution.**

Discretionary Authority of Proxies

The proxy form confers discretionary authority upon the management appointees named therein with respect to such matters as, though not specifically set forth in the Notice, may properly come before the Meeting or any adjournment or postponement thereof, including, without limitation, amendment or variation to the Transition Resolution. Management does not know of any such matter that may be presented for consideration at the Meeting. However, if such a matter is presented, the proxy will be voted on the matter in accordance with the best judgment of the management appointees named in the proxy form.

On any ballot that may be called for at the Meeting, all Class A Shares in respect of which the management appointees named in the accompanying proxy form have been appointed to act will be voted in accordance with the specification of the Shareholder signing the proxy form. **If no specification is**

made, the Shares will be voted in favour of the Transition Resolution and in accordance with the best judgment of the management appointees named in the proxy form with respect to any other matters that may properly come before the Meeting or any adjournment or postponement thereof.

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 Manager. The Manager 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 Manager may, without additional compensation, solicit proxies personally or by telephone.

ADDITIONAL INFORMATION

For further information on the Corporation, see the annual information form of the Corporation dated March 15, 2016 and financial information about the Corporation is available in the Corporation's comparative financial statements and management report of fund performance for its most recently reported financial year and subsequent quarterly reports. These documents and other information about the Corporation are available on SEDAR at **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 to request copies of the Corporation's financial statements and management's report on fund performance or at **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 1st day of November, 2016.

Eclipse Residential Mortgage Investment Corporation

(signed) "*Mark A. Caranci*"
Mark A. Caranci
President and Chief Executive Officer

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APPENDIX I

THE RESOLUTIONS

Transition Resolution

BE IT RESOLVED AS AN EXTRAORDINARY RESOLUTION THAT the Proposed Transition, as described in the management information circular dated November 1, 2016 (the "**Circular**") is hereby approved by shareholders of Eclipse Residential Mortgage Investment Corporation (the "**Corporation**") and, without limiting the generality of the foregoing:

1. Effective on the Reorganization Date, the Voting Shares in the capital of the Corporation shall be reorganized (the "**Voting Share Reorganization**") such that all of the Voting Shares outstanding on the Reorganization Date shall be redeemed by the Corporation in accordance with the applicable provisions of the Existing Articles (as defined below) and cancelled.

2. The articles of incorporation of the Corporation, as amended, in effect on the date hereof (the "**Existing Articles**") shall be amended as follows:

   (i) To create, effective the date hereof, a new class of shares designated as Common Shares, unlimited in number, and having the rights, privileges, restrictions and conditions set out in Schedule A hereto.

   (ii) Effective on the Reorganization Date, the Class A Shares in the capital of the Corporation shall be reorganized (together with the Voting Share Reorganization, the "**Reorganization of Capital**") such that each Class A Share outstanding on the Reorganization Date shall be exchanged on the Reorganization Date for one Common Share.

   In this regard, "**Reorganization Date**" means January 1, 2017.

   (iii) The Voting Shares and the Class A Shares forming part of the authorized capital of the Corporation on the date hereof shall cease to form part of the authorized capital of the Corporation immediately following the completion of the Reorganization of Capital on the Reorganization Date. Accordingly, the provisions of Schedule A of the Existing Articles shall thereupon be deleted in their entirety.

   (iv) Effective upon the completion of the Reorganization of Capital on the Reorganization Date:

      (a) the reference to Class A Shares in section 1 of Schedule B Other Provisions to the Existing Articles shall be amended to refer to Common Shares; and

      (b) paragraphs 2(b) through 2(k) inclusive of Schedule B Other Provisions to the Existing Articles shall be deleted in their entirety and paragraph 2(a) shall be renumbered as section 2.

3. The Existing Articles shall be amended to make such other consequential amendments as may be necessary to give effect to and implement the foregoing resolutions.

4. Any one officer or director of the Corporation be and is hereby authorized and directed for and on behalf of the Corporation to do and perform all acts and things and to execute and deliver all documents, certificates, instruments and agreements, whether under the corporate seal of the

Corporation or otherwise, and to take all such steps as in the opinion of the officer or director may be necessary or advisable in order to carry out and give full effect to any of the foregoing resolution, the execution and delivery of such applications, documents, certificates, instruments and agreements by such director or officer being conclusive evidence of such determination.

5. Notwithstanding that the foregoing resolutions have been duly approved by the shareholders of the Corporation, the directors of the Corporation, in their sole discretion, are hereby authorized and empowered to elect not to implement the amendments to the Articles or any other transactions contemplated by any of the foregoing resolutions at any time before it is acted upon without further approval from the shareholders of the Corporation.

Extension Resolution

BE IT RESOLVED AS AN EXTRAORDINARY RESOLUTION THAT the Existing Articles be amended as follows:

1. Paragraph (A)(3)(c) of Schedule A of the Existing Articles shall be deleted and replaced with the following:

   "**Annual Redemption Notice Period"** means the period from the first Business Day of November (annually, starting in 2014) until 4:00 p.m. (Toronto time) on (i) for any year except 2016, the 15th day of November, or the immediately preceding Business Day in the event that the 15th day of November is not a Business Day, and (ii) in respect of the year 2016, December 7, 2016.

2. Any one officer or director of the Corporation be and is hereby authorized and directed for and on behalf of the Corporation to do and perform all acts and things and to execute and deliver all documents, certificates, instruments and agreements, whether under the corporate seal of the Corporation or otherwise, and to take all such steps as in the opinion of the officer or director may be necessary or advisable in order to carry out and give full effect to any of the foregoing resolution, the execution and delivery of such applications, documents, certificates, instruments and agreements by such director or officer being conclusive evidence of such determination.

Schedule A
Description of Classes of Shares / Description des catégories d'actions

1. The rights, privileges, restrictions and conditions attaching to the Common Shares (as defined herein) are as follows:

A. INTERPRETATION

1. Unless otherwise provided herein, in the event that any day on or by which any action is required to be taken hereunder is not a Business Day (as defined herein), then such action shall be required to be taken on the next succeeding day that is a Business Day.

2. Unless otherwise provided herein, the term "close of business" means 4:00 p.m. (Toronto time) or such other time as may be established by the Manager (as defined herein).

3. As used herein:

(a) "**Act**" means the *Business Corporations Act* (Ontario), as amended from time to time;

(b) "**Automatic Repurchase Shareholder**" has the meaning ascribed to it in Section C;

(c) "**Automatic Repurchase**" has the meaning ascribed to it in Section C;

(d) "**Business Day**" means any day on which there is a regular trading session of the TSX;

(e) "**CDS**" means CDS Clearing and Depository Services Inc. and includes any successor corporation or any other depository subsequently appointed by the Company.

(f) "**Common Shares**" means the shares in the capital of the Corporation designated as Common Shares;

(g) "**Commercial Mortgages**" means Mortgages on and secured by Real Property used for commercial purposes, including retail, industrial, office or multi-unit residential of greater than four units;

(h) "**Conforming Single Family Residential Mortgages**" means Mortgages on and secured by Single Family Residential Properties that are generally in conformance with Schedule A Banks' Mortgage underwriting standards at the time each Mortgage is underwritten;

(i) "**Distributions**" means any distributions paid in any form by the Corporation on the Common Shares, including without limitation (a) dividends in respect of the Common Shares, (b) payments made on a reduction of stated capital, or (c) any combination of any such distributions;

(j) "**Insured Single Family Residential Mortgages**" means Mortgages on and secured by Single Family Residential Properties that are insured for principal and interest by one of the Mortgage Insurance Companies;

(k) "**Investment Objectives**" means the investment objectives of the Corporation as defined and set forth in Schedule B Other Provisions of the articles of the Corporation;

(l) "**Investment Restrictions**" means the investment restrictions of the Corporation as defined and set forth in Schedule B Other Provisions of the articles of the Corporation;

(m) "**Loan-to-Value**" means the ratio, expressed as a percentage, determined by A/B * 100 where:

A = the principal amount of the Mortgage, together with all other equal and prior ranking mortgages or tranches of mortgages on the Real Property, and

B = the appraised market value of the Real Property securing the Mortgage at the time of funding the Mortgage or any more recent appraisal, whichever occurs later;

(n) "**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;

(o) "**Mortgage Insurance Companies**" means Canada Guaranty Mortgage Insurance Company, Canada Mortgage and Housing Corporation and Genworth MI Canada Inc. and all its subsidiaries licensed to provide Mortgage insurance, including without limitation, Genworth Financial Mortgage Insurance Company of Canada;

(p) "**Mortgage Portfolio**" means the portfolio, composed primarily of Single Family Residential Mortgages but also including Other Mortgages and cash and cash equivalents, owned by the Corporation from time to time;

(q) "**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), and where such cash flows may be represented by separate securities or constitute contractual rights under securitization or other similar programs;

(r) "**Non-Conforming Single Family Residential Mortgages**" means Mortgages on and secured by Single Family Residential Properties that are not Conforming Single Family Residential Mortgages and (i) have a maximum Loan-to-Value of 85%, and/or (ii) are Insured Single Family Residential Mortgages;

(s) "**Other Mortgages**" means (i) Commercial Mortgages and (ii) Residential Construction Mortgages;

(t) "**Portfolio Mortgages**" means Mortgages included in the Mortgage Portfolio;

(u) "**Real Property**" means land, rights or interest 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;

(v) "**Related Persons**" with respect to a shareholder, means a person who is considered to be related to the shareholder for the purpose of determining the maximum percentage of shares of any class of the Corporation that may be owned, directly or indirectly, by the shareholder and persons related to the shareholder for purposes of paragraph 130.1(6)(d) of the Tax Act;

(w) "**Repurchased Shares**" has the meaning ascribed to it in Section C;

(x) "**Residential Construction Mortgages**" means Mortgages on and secured by Real Property to fund the construction of Single Family Residential Properties;

(y) "**Schedule A Bank**" means Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, The Toronto-Dominion Bank and Royal Bank of Canada;

(z) "**Shareholders**" means holders of Common Shares.

(aa) "**Single Family Residential Mortgages**" means (i) Mortgages that are either (a) Non-Conforming Single Family Residential Mortgages or (b) Conforming Single Family Residential Mortgages, or (ii) Mortgage-Related Securities;

(bb) "**Single Family Residential Properties**" means owner occupied single family detached, semi-detached, freehold townhomes and condominium properties;

(cc) "**Tax Act**" means the *Income Tax Act* (Canada), as amended;

(dd) "**Triggering Transaction**" has the meaning ascribed to it in Section C; and

(ee) "**TSX**" means the Toronto Stock Exchange or any successor thereto.

B. COMMON SHARES

The rights, privileges, restrictions and conditions attaching to the Common Shares are as follows:

1. Voting Rights

The holders of the Common Shares shall be entitled to receive notice of and to attend and vote at all meetings of Shareholders (except where the holders of a specified class or classes of shares, other than Common Shares, are entitled to vote separately or collectively as a class as provided in the applicable share conditions or in the Act) and each Common Share shall confer the right to one vote in person or by proxy at all such meetings of Shareholders.

2. Distributions

(a) Subject to Section B.2(c) below, the holders of the Common Shares shall be entitled to receive, and the Corporation shall pay thereon, Distributions as and when declared from time to time by the board of directors of the Corporation on the Common Shares, out of the assets of the Corporation properly applicable to the payment of Distributions, in an amount determined by the board of directors of the Corporation in their absolute discretion.

(b) Subject to Section B.2(d) below, Distributions will be paid by bank wire through CDS.

(c) Notwithstanding the foregoing, if the board of directors of the Corporation determine that it is in the best interests of the Corporation and Shareholders, the board of directors of the Corporation may declare Distributions payable in kind (including, but not limited to any assets of the Corporation) in amounts determined by the board of directors of the Corporation in their absolute discretion.

3. Liquidation, Dissolution or Winding-up

The holders of the Common Shares shall be entitled to receive, subject to the rights of the holders of another class of shares, the remaining property of the Corporation on the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary.

4. No Fractions

The Corporation may not issue fractions of Common Shares.

C. RESTRICTIONS ON OWNERSHIP OF SHARES

No Shareholder is permitted to hold at any time, directly or indirectly, together with Related Persons, more than 25% of any class or series of the issued shares of the Corporation.

In the event that as determined by the board of directors of the Corporation in its sole discretion, any transaction affecting any Common Shares (each a "**Triggering Transaction**"), if completed, would cause any holder(s) of such Common Shares (each an "**Automatic Repurchase Shareholder**"), together with Related Persons, to hold more than 25% of the Common Shares, that portion of such Common Shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the issued Common Shares (the "**Repurchased Shares**") will, simultaneously with the completion of a Triggering Transaction, automatically be deemed to have been repurchased by the Corporation (an "**Automatic Repurchase**") without any further action by the Corporation or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to the 10-day volume weighted average trading price of the Common Shares on the TSX for the 10 days prior to the date on the date of the Triggering Transaction. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder within 60 days following the date of the Triggering Transaction.

APPENDIX II

COMPARISON OF INVESTMENT FUNDS REGIME AND PUBLIC COMPANY REGIME

The continuous disclosure obligations for an investment fund are governed primarily by National Instrument 81-106 *Investment Fund Continuous Disclosure* ("**NI 81-106**"), while the continuous disclosure obligations for a public company are governed primarily by National Instrument 51-102 *Continuous Disclosure Requirements* ("**NI 51-102**"). While the two continuous disclosure regimes are similar and both require periodic disclosure to investors on an annual and interim basis, there are a number of specific key differences as outlined in the table below. Further, as an investment fund, the Corporation currently undertakes prospectus offerings under National Instrument 41-101 General Prospectus Requirements, using NI 41-101F2 *Information Required in an Investment Fund Prospectus* ("**NI 41-101F2**"), the long form prospectus for an investment fund. As a public company, the Corporation will be required to use NI 41-101F1 *Information Required in a Prospectus* ("**NI 41-101F1**"), the long form prospectus for a public company. A comparison of the key differences is also included in the table.

In addition, investment funds are subject to the requirements of National Instrument 81-102 *Investment Funds* ("**NI 81-102**"). For investment funds that are not mutual funds, the applicable provisions include restrictions concerning types of investments (including a prohibition on purchasing a mortgage other than a "guaranteed mortgage"), investments in other investment funds, certain types of investment practices, use of short selling and specified derivatives and securities lending. NI 81-102 also requires shareholder and/or regulatory approval for certain changes, including an increase in management fees, restricts the fund's custody agreements and prohibits the fund from issuing shares at a price less than net asset value and from issuing warrants. The Public Company Regime does not have similar restrictions or requirements.

All capitalized terms, unless otherwise defined herein, have the meanings ascribed to such terms as set out in the Circular.

	Investment Fund Regime	**Public Company Regime**
Continuous Disclosure Comparison		
1. Key legislation	NI 81-106	NI 51-102
2. Focus of disclosure	Investor returns and portfolio management; investor focused data (e.g. net asset value and management expense ratio).	Financial condition of revenue-generating operations. Focus is on the operational level. Because the Public Company Regime focuses on operational matters, it does not have a prescribed framework for the reporting of investment portfolio performance and net asset value, similar to that of investment funds.
3. Corporate Governance Requirements	Investment funds must have a manager and an independent review committee, which are subject to prescribed criteria and disclosure obligations. **Reference:** National Instrument 81-107 *Independent Review Committee for*	A public company has broad-based corporate governance requirements applicable to all aspects of governance. A public company must, at a minimum, have an independent audit committee. In addition, a public company should

	Investment Fund Regime	Public Company Regime
	Investment Funds and Form 81-101F2 *Contents of Annual Information Form* ("**NI 81-101F2**")	either have a compensation committee and a nominating committee, or describe what steps the Board takes to encourage an objective compensation and nomination process if it does not have the relevant committees. A public company must make prescribed disclosure regarding its committees and corporate governance practices in its annual information form. The Corporation currently has an independent audit committee. It does not have a nomination 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 of the Board review and approve any director nominations proposed by the Manager. 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. **Reference:** National Instrument 52-110 *Audit Committees*, National Instrument 58-101 *Disclosure of Corporate Governance Practices* and National Policy 58-201 *Corporate Governance Guidelines*.
4. Audit and Accounting Standards	**Acceptable Accounting Principles:** IFRS. **Acceptable Auditing Standards:** Canadian Generally Accepted Auditing Standards ("**GAAS**")	**Acceptable Accounting Principles:** IFRS. **Acceptable Auditing Standards:** GAAS.
5. Annual Financial Statements*	**Filing Deadline:** Within 90 days after the investment fund's financial year-end. The annual financial statements must include: 1. a statement of financial position as of the end of the financial	**Filing Deadline:** Within 90 days after the public company's financial year-end. The annual financial statements must include: 1. a statement of comprehensive

	Investment Fund Regime	**Public Company Regime**
	year; 2. a statement of comprehensive income; 3. a statement of changes in financial position; 4. a statement of cash flows; 5. a statement of investment portfolio as of the end of the financial year; and 6. notes to the annual financial statements. **Reference:** Section 2.1 of NI 81-106	income; 2. a statement of changes in equity; 3. a statement of cash flows; 4. a statement of financial position as at the end of the financial year; and 5. notes to the financial statements. **Reference:** NI 51-102 Section 4.1
6. Interim Financial Statements*	**Filing Deadline:** Within 60 days after the end of a period of at least three months that ends six months before the end of a financial year. **Frequency:** Once a year. Information required to be included in the interim financial statements are similar to those required in the annual financial statements. **Reference:** Section 2.3 of NI 81-106	**Filing Deadline:** Within 45 days after the end of each of the first three quarters of each financial year. **Frequency:** Three times a year. Information required to be included in the interim financial statements are similar to those required in the annual financial statements. **Reference:** Section 4.3 of NI 51-102
7. Annual Management Report	**Filing Deadline:** Within 90 days after the investment fund's financial year-end. An investment fund needs to file, together with the annual financial statements, an annual Management Report of Fund Performance ("**MRFP**"), setting out high level information about the fund's portfolio and market performance. <u>Overall focus</u>: The MRFP focuses primarily on an investment fund's market performance and investor return and various risks, and compares trends over the last 10 financial years. A MRFP includes • management discussion of fund performance; • financial highlights; • past performance;	**Filing Deadline:** Within 90 days after the public company's financial year-end. A public company needs to file, together with the annual financial statements, an annual Management's Discussion & Analysis ("**MD&A**"), setting out a detailed discussion of the company's operational performance <u>Overall focus</u>: The MD&A focuses primarily on a public company's operational level results and financial condition and compares trends over the last 8 quarters. An MD&A requires a disclosure of more diversified, specific information about the company's operation and performance, including • prescribed financial data derived from current annual financial statements and quarterly reports for each of the last 8 quarters,

	Investment Fund Regime	Public Company Regime
	• summary of investment portfolio; and • other material information. **Reference:** Form 81-106F1 *Contents of Annual and Interim Management Report of Fund Performance* ("**NI 81-106F1**") (Part B) and may not incorporate by reference any other document.	discussion of factors that have caused period to period variations; • analysis of the company's liquidity; • capital resources; • discussion of any off-balance sheet arrangement reasonably likely to have a current of future effect on the financial performance; • analysis of each of the company's critical accounting estimates; • discussion of the nature and extent of companies use of financial instruments and their business purposes; and • if applicable, MD&A must include the disclosure required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"). **Reference:** Form 51-102F1 *Management's Discussion and Analysis* ("**NI 51-102F1**")
8. Interim Management Report	**Filing Deadline:** Within 60 days after the end of a period of at least three months that ends six months before the end of a financial year. An investment fund needs to file, together with the interim financial statements, an interim MRFP. Information required to be included in the interim MRFP is similar to information required in the annual MRFP. **Reference:** NI 81-106F1 (Part C)	**Filing Deadline:** Within 45 days after the end of each of the first three quarters of each financial year. A public company needs to file, together with the interim financial statements, an interim MD&A. Information required to be included in the interim MD&A is similar to information required in the annual MD&A. **Reference:** NI 51-102F1
9. Quarterly Portfolio Disclosure	**Filing Deadline:** Must post to the investment fund's website within 60 days of the end of each of the first and third quarters. A quarterly portfolio disclosure must	No corresponding requirements for a public company to prepare separate quarterly disclosure in addition to the interim financial statements and interim MD&A.

	Investment Fund Regime	**Public Company Regime**
	include: • a summary of investment portfolio prepared in accordance with Item 5 of Part B of Form 81-106F1; and • the total net asset value of the investment. **Reference:** NI 81-106F1 (Part B) Item 5	
10. Annual Information Form	**Filing Deadline:** Within 90 days of its financial year-end. The prescribed content for an Annual Information Form of an investment fund requires the following disclosures that are not generally found in the Annual Information Form of a public company: • Investment Restrictions • Valuation of Portfolio Securities • Calculation of Net Asset Value; and • Purchases and Switches **Reference:** NI 81-101F2	**Filing Deadline:** Within 90 days of its financial year end. The prescribed content for an Annual Information Form of a public company requires the following disclosures that are not generally found in the Annual Information Form of an investment fund: • Description of Business • Risk Factors • Additional Information; and • Information Circular Disclosure. **Reference:** NI 51-102F2 Disclosure of executive compensation pursuant to NI 51-102F6 is required with the Annual Information Form or a management information circular prepared in connection with an annual meeting of the shareholders.
11. CEO/CFO Certifications*	There are no corresponding CEO/CFO certification obligations for an investment fund.	**Filing Deadline:** Concurrent with the filing of the annual and interim financial statements, as applicable Annual and interim financial statements of a public company must be reviewed and approved by the board of directors, and certified by filling a certificate signed by the CEO and the CFO, certifying as to • the accuracy and fair representation • no misrepresentation • disclosure controls and procedures; and • internal controls over financial reporting.

	Investment Fund Regime	Public Company Regime
		Reference: NI 52-109F1 *Certification of Annual Filings Full Certificate* and NI 52-109F2 *Certification of Interim Filings Full Certificate*
12. Net Asset Value and Management Expense Ratio calculations	An investment fund must, upon calculating the net asset value (“**NAV**”) of the investment fund under this section, make the following information available to the public at no cost: • the net asset value of the investment fund; and • the net asset value per security of the investment fund unless the investment fund is a scholarship plan. An investment fund may also disclose its calculation of Management Expense Ratio as set out in NI 81-106. **Reference:** Parts 14 and 15 of NI 81-106	The concept of calculating NAV and Management Expense Ratio is not found in the Public Company Regime.
Prospectus Disclosure Comparison		
1. Long Form Prospectus Disclosure	The disclosure required in an investment fund prospectus is set out in NI 41-102F2 and the form and structure is similar to a public company prospectus. For key differences between the form of an investment fund prospectus and a public company prospectus, please see corresponding section under “Public Company Regime” on the right. **Reference:** NI 41-101F2 *Information Required in an Investment Fund Prospectus*	Certain additional disclosure required in a public company prospectus include • disclosure of historical, current and prospective information about the general business of the public company; • executive compensation, including disclosure of information relating to indebtedness of directors and executive officers in accordance with NI 51-102F5 and NI 51-102F6, which information is also required annually in either the management information circular provided in respect of an annual meeting, or with the annual information form; • disclosure of corporate governance and audit committee information; and • incorporation of disclosure prescribed in MD&A and Annual Information Form for public

	Investment Fund Regime	**Public Company Regime**
		companies. **Reference:** NI 41-101F1 *Information Required in a Prospectus*

* The Corporation has undertaken to the Canadian Securities Administrators to include in its continuous disclosure certain additional disclosure, including the composition and performance of its mortgage portfolio and related risks. The Corporation has also undertaken, among other things, to prepare and file quarterly financial statements and management reports of fund performance (MRFPs) to Shareholders rather than on a semi-annual basis and comply with the certification requirements of NI 52-109.

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APPENDIX III

DISSENT PROVISIONS FROM THE ONTARIO BUSINESS CORPORATIONS ACT

Rights of dissenting shareholders

185. (1) Subject to subsection (3) and to sections 186 and 248, if a corporation resolves to,

(a) amend its articles under section 168 to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation;

(b) amend its articles under section 168 to add, remove or change any restriction upon the business or businesses that the corporation may carry on or upon the powers that the corporation may exercise;

(c) amalgamate with another corporation under sections 175 and 176;

(d) be continued under the laws of another jurisdiction under section 181; or

(e) sell, lease or exchange all or substantially all its property under subsection 184 (3),

a holder of shares of any class or series entitled to vote on the resolution may dissent. R.S.O. 1990, c. B.16, s. 185 (1).

Idem

(2) If a corporation resolves to amend its articles in a manner referred to in subsection 170 (1), a holder of shares of any class or series entitled to vote on the amendment under section 168 or 170 may dissent, except in respect of an amendment referred to in,

(a) clause 170 (1) (a), (b) or (e) where the articles provide that the holders of shares of such class or series are not entitled to dissent; or

(b) subsection 170 (5) or (6). R.S.O. 1990, c. B.16, s. 185 (2).

One class of shares

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares. 2006, c. 34, Sched. B, s. 35.

Exception

(3) A shareholder of a corporation incorporated before the 29th day of July, 1983 is not entitled to dissent under this section in respect of an amendment of the articles of the corporation to the extent that the amendment,

(a) amends the express terms of any provision of the articles of the corporation to conform to the terms of the provision as deemed to be amended by section 277; or

(b) deletes from the articles of the corporation all of the objects of the corporation set out in its articles, provided that the deletion is made by the 29th day of July, 1986. R.S.O. 1990, c. B.16, s. 185 (3).

Shareholder's right to be paid fair value

(4) In addition to any other right the shareholder may have, but subject to subsection (30), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents becomes effective, to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted. R.S.O. 1990, c. B.16, s. 185 (4).

No partial dissent

(5) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the dissenting shareholder on behalf of any one beneficial owner and registered in the name of the dissenting shareholder. R.S.O. 1990, c. B.16, s. 185 (5).

Objection

(6) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent. R.S.O. 1990, c. B.16, s. 185 (6).

Idem

(7) The execution or exercise of a proxy does not constitute a written objection for purposes of subsection (6). R.S.O. 1990, c. B.16, s. 185 (7).

Notice of adoption of resolution

(8) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (6) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn the objection. R.S.O. 1990, c. B.16, s. 185 (8).

Idem

(9) A notice sent under subsection (8) shall set out the rights of the dissenting shareholder and the procedures to be followed to exercise those rights. R.S.O. 1990, c. B.16, s. 185 (9).

Demand for payment of fair value

(10) A dissenting shareholder entitled to receive notice under subsection (8) shall, within twenty days after receiving such notice, or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing,

(a) the shareholder's name and address;

(b) the number and class of shares in respect of which the shareholder dissents; and

(c) a demand for payment of the fair value of such shares. R.S.O. 1990, c. B.16, s. 185 (10).

Certificates to be sent in

(11) Not later than the thirtieth day after the sending of a notice under subsection (10), a dissenting shareholder shall send the certificates, if any, representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent. R.S.O. 1990, c. B.16, s. 185 (11); 2011, c. 1, Sched. 2, s. 1 (9).

Idem

(12) A dissenting shareholder who fails to comply with subsections (6), (10) and (11) has no right to make a claim under this section. R.S.O. 1990, c. B.16, s. 185 (12).

Endorsement on certificate

(13) A corporation or its transfer agent shall endorse on any share certificate received under subsection (11) a notice that the holder is a dissenting shareholder under this section and shall return forthwith the share certificates to the dissenting shareholder. R.S.O. 1990, c. B.16, s. 185 (13).

Rights of dissenting shareholder

(14) On sending a notice under subsection (10), a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shares as determined under this section except where,

(a) the dissenting shareholder withdraws notice before the corporation makes an offer under subsection (15);

(b) the corporation fails to make an offer in accordance with subsection (15) and the dissenting shareholder withdraws notice; or

(c) the directors revoke a resolution to amend the articles under subsection 168 (3), terminate an amalgamation agreement under subsection 176 (5) or an application for continuance under subsection 181 (5), or abandon a sale, lease or exchange under subsection 184 (8),

in which case the dissenting shareholder's rights are reinstated as of the date the dissenting shareholder sent the notice referred to in subsection (10). R.S.O. 1990, c. B.16, s. 185 (14); 2011, c. 1, Sched. 2, s. 1 (10).

Same

(14.1) A dissenting shareholder whose rights are reinstated under subsection (14) is entitled, upon presentation and surrender to the corporation or its transfer agent of any share certificate that has been endorsed in accordance with subsection (13),

(a) to be issued, without payment of any fee, a new certificate representing the same number, class and series of shares as the certificate so surrendered; or

(b) if a resolution is passed by the directors under subsection 54 (2) with respect to that class and series of shares,

(i) to be issued the same number, class and series of uncertificated shares as represented by the certificate so surrendered, and

(ii) to be sent the notice referred to in subsection 54 (3). 2011, c. 1, Sched. 2, s. 1 (11).

Same

(14.2) A dissenting shareholder whose rights are reinstated under subsection (14) and who held uncertificated shares at the time of sending a notice to the corporation under subsection (10) is entitled,

(a) to be issued the same number, class and series of uncertificated shares as those held by the dissenting shareholder at the time of sending the notice under subsection (10); and

(b) to be sent the notice referred to in subsection 54 (3). 2011, c. 1, Sched. 2, s. 1 (11).

Offer to pay

(15) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (10), send to each dissenting shareholder who has sent such notice,

(a) a written offer to pay for the dissenting shareholder's shares in an amount considered by the directors of the corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or

(b) if subsection (30) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares. R.S.O. 1990, c. B.16, s. 185 (15).

Idem

(16) Every offer made under subsection (15) for shares of the same class or series shall be on the same terms. R.S.O. 1990, c. B.16, s. 185 (16).

Idem

(17) Subject to subsection (30), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (15) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made. R.S.O. 1990, c. B.16, s. 185 (17).

Application to court to fix fair value

(18) Where a corporation fails to make an offer under subsection (15) or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as the court may allow, apply to the court to fix a fair value for the shares of any dissenting shareholder. R.S.O. 1990, c. B.16, s. 185 (18).

Idem

(19) If a corporation fails to apply to the court under subsection (18), a dissenting shareholder may apply to the court for the same purpose within a further period of twenty days or within such further period as the court may allow. R.S.O. 1990, c. B.16, s. 185 (19).

Idem

(20) A dissenting shareholder is not required to give security for costs in an application made under subsection (18) or (19). R.S.O. 1990, c. B.16, s. 185 (20).

Costs

(21) If a corporation fails to comply with subsection (15), then the costs of a shareholder application under subsection (19) are to be borne by the corporation unless the court otherwise orders. R.S.O. 1990, c. B.16, s. 185 (21).

Notice to shareholders

(22) Before making application to the court under subsection (18) or not later than seven days after receiving notice of an application to the court under subsection (19), as the case may be, a corporation shall give notice to each dissenting shareholder who, at the date upon which the notice is given,

(a) has sent to the corporation the notice referred to in subsection (10); and

(b) has not accepted an offer made by the corporation under subsection (15), if such an offer was made,

of the date, place and consequences of the application and of the dissenting shareholder's right to appear and be heard in person or by counsel, and a similar notice shall be given to each dissenting shareholder who, after the date of such first mentioned notice and before termination of the proceedings commenced by the application, satisfies the conditions set out in clauses (a) and (b) within three days after the dissenting shareholder satisfies such conditions. R.S.O. 1990, c. B.16, s. 185 (22).

Parties joined

(23) All dissenting shareholders who satisfy the conditions set out in clauses (22) (a) and (b) shall be deemed to be joined as parties to an application under subsection (18) or (19) on the later of the date upon which the application is brought and the date upon which they satisfy the conditions, and shall be bound by the decision rendered by the court in the proceedings commenced by the application. R.S.O. 1990, c. B.16, s. 185 (23).

Idem

(24) Upon an application to the court under subsection (18) or (19), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall fix a fair value for the shares of all dissenting shareholders. R.S.O. 1990, c. B.16, s. 185 (24).

Appraisers

(25) The court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders. R.S.O. 1990, c. B.16, s. 185 (25).

Final order

(26) The final order of the court in the proceedings commenced by an application under subsection (18) or (19) shall be rendered against the corporation and in favour of each dissenting shareholder who, whether before or after the date of the order, complies with the conditions set out in clauses (22) (a) and (b). R.S.O. 1990, c. B.16, s. 185 (26).

Interest

(27) The court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment. R.S.O. 1990, c. B.16, s. 185 (27).

Where corporation unable to pay

(28) Where subsection (30) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (26), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares. R.S.O. 1990, c. B.16, s. 185 (28).

Idem

(29) Where subsection (30) applies, a dissenting shareholder, by written notice sent to the corporation within thirty days after receiving a notice under subsection (28), may,

(a) withdraw a notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder's full rights are reinstated; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders. R.S.O. 1990, c. B.16, s. 185 (29).

Idem

(30) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that,

(a) the corporation is or, after the payment, would be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities. R.S.O. 1990, c. B.16, s. 185 (30).

Court order

(31) Upon application by a corporation that proposes to take any of the actions referred to in subsection (1) or (2), the court may, if satisfied that the proposed action is not in all the circumstances one that should give rise to the rights arising under subsection (4), by order declare that those rights will not arise upon the taking of the proposed action, and the order may be subject to compliance upon such terms and conditions as the court thinks fit and, if the corporation is an offering corporation, notice of any such application and a copy of any order made by the court upon such application shall be served upon the Commission. 1994, c. 27, s. 71 (24).

Commission may appear

(32) The Commission may appoint counsel to assist the court upon the hearing of an application under subsection (31), if the corporation is an offering corporation. 1994, c. 27, s. 71 (24).

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APPENDIX IV

INFORMATION CONCERNING THE CORPORATION

Capitalized terms used in this appendix have defined meanings. Please refer to the "Glossary of Terms" at the end of this section for a list and meanings of the terms used herein.

CORPORATE STRUCTURE

Details of Incorporation

Eclipse Residential Mortgage Investment Corporation is a corporation incorporated under the *Business Corporations Act* (Ontario) (the "**OBCA**") pursuant to Articles of Incorporation dated April 3, 2013, with a registered and head office located at Suite 2930, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario, M5J 2T3. Prior to closing the Corporation's initial public offering, the Corporation amended its articles to create the Class A Shares and to change the common shares to Voting Shares, among other things. Upon receiving approval from Shareholders, and on such date as determined by the Board, the Corporation will redeem all of the outstanding Voting Shares of the Corporation (the "Voting Shares"), and will file articles of amendment of the Corporation (i) to create a new class of voting common shares (the "Common Shares") that will not have an annual redemption feature and that will have the voting rights that are typical for common shares under the OBCA; (ii) to exchange all Class A Shares for Common Shares; (iii) to revise the Corporation's investment restrictions, including removal of the majority of the Corporation's investment restrictions (with such removed investment restrictions to be adopted by the Corporation, with certain changes, as investment guidelines) and (iv) to make any other consequential amendments as may be necessary to give effect to and implement the Proposed Transition.

The Manager provides management services to the Corporation and has entered into a Management Agreement with the Corporation. The Corporation has also entered into a Mortgage Consulting Agreement with the Mortgage Consultant and a Mortgage Services Agreement with the Mortgage Service Provider.

Status of the Corporation and the Proposed Transition

Prior to the Proposed Transition, the Corporation operated as a non-redeemable investment fund, as defined in NI 81-106 and filed public disclosure documents according to NI 81-106. Pursuant to the Proposed Transition, if successful, the Corporation will transition to a non-investment fund reporting issuer and will file public disclosure pursuant to NI 51-102. To provide Shareholders with an understanding of the Corporation's characteristics as they are required to be disclosed under NI 51-102, this Appendix IV has been prepared in accordance with Form 41-101F1.

The Corporation qualifies as a MIC and is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Shares are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions thereof or any other legislation.

THE BUSINESS

General

The Corporation focuses on the acquisition of a diversified mortgage portfolio primarily composed of Single Family Residential Mortgage investments that seeks to preserve capital and to generate income to pay monthly distributions to the Shareholders.

The Corporation qualifies as a MIC under the Income Tax Act. A MIC is generally able to operate as a flow-through entity so that a shareholder of a MIC is taxed as if the investments owned by the MIC in underlying mortgages were directly owned by the shareholder. Taxable dividends, other than capital gains dividends, received by a shareholder of a MIC are deemed to be interest received by the shareholder. Capital gains dividends are deemed to be capital gains of the shareholders.

The Corporation is designed to acquire a diversified portfolio of Mortgages primarily composed of interests in Single Family Residential Mortgages. The Mortgage Service Provider, an affiliate of MCAP, is the registered titleholder to all mortgages in which the Corporation has a beneficial interest. The Corporation obtains rights and ownership of such mortgages by entering into agreements with MCAP Service Corporation. The Corporation primarily invests in Non-Conforming Single Family Residential Mortgages. Non-Conforming Single Family Residential Mortgages may have higher Loan-To-Value ratios than Conforming Single Family Residential Mortgages, the borrower's credit history may have a lower credit score as a result of less established credit history, and income verification may not be by typical means given that the borrower may be self-employed or have alternative sources of income rather than traditional employment income. The Corporation's investment portfolio included 770 Single Family Residential Mortgages at June 30, 2016, diversified by location, mortgage type and maturity date.

The Corporation targets a portfolio primarily composed of junior tranches of uninsured first mortgages and, to a lesser extent, insured mortgages with open terms, insured six-month convertible mortgages and second charge mortgages. Junior tranches of uninsured first mortgages represent a junior position in an uninsured first mortgage. The senior position in the first mortgage is entitled to recover its investment prior to the junior position in the event of a default by the borrower and, accordingly, earns a lower interest rate than the entire mortgage rate, which allows the Corporation to earn a higher interest rate on its investment in the junior tranche of the mortgage. As at June 30, 2016, the total weighted average Loan-to-Value of the uninsured first mortgages which have been tranched was 76%, and of this amount the weighted average Loan-to-Value of the senior positions which are held by third parties was 65%. An insured mortgage with open terms and an insured six-month convertible mortgage are insured for principal and interest by a Mortgage Insurance Company and typically carry a term from six months to one year. A second charge mortgage is secured by a stand-alone charge against the underlying real property and is subordinate to the charge of the first mortgage.

The value of the portfolio of mortgages is subject to the risk of default by borrowers and interest rate risk. The Corporation seeks to mitigate the risk of loss as a result of default by borrowers in a number of ways including: (i) purchasing mortgages from MCAP that upon origination were subject to an extensive mortgage approval process by MCAP; (ii) purchasing individual mortgages (excluding insured mortgages) with a maximum Loan-to-Value ratio of 85% and with a maximum Loan-to-Value ratio of 80% on the portfolio of mortgages (excluding insured mortgages); (iii) purchasing certain mortgages that are insured; and (iv) constructing a diversified portfolio based on maturity date, geographic location and number of mortgages. The Corporation seeks to mitigate interest rate risk by focusing on mortgages that have a term of up to three years.

Competitive Advantages

Relationship with MCAP

The Corporation's principal advantage in the Canadian Single Family Residential Mortgage market is its ability to benefit from the capabilities, expertise and competitive advantages of MCAP. MCAP Financial Limited Partnership is the Mortgage Consultant and MCAP Service Corporation is the Mortgage Services Provider. MCAP Financial Corporation initiated the founding and organization of the Corporation and, accordingly, was considered a "promoter" of the Corporation within the meaning of the securities legislation of certain provinces of Canada.

MCAP and its predecessors have been originating and servicing Mortgages in Canada for over 20 years. Over this period, MCAP has originated and serviced Mortgages for a wide variety of major Canadian institutions seeking exposure to the Canadian Mortgage market. As at August 31, 2016, MCAP services approximately $58 billion in Mortgages, of which approximately $52 billion are Single Family Residential Mortgages. Although not directly regulated by the Office of the Superintendent of Financial Institutions ("**OSFI**") itself, MCAP must comply with relevant regulations and standards imposed (i) on federally regulated financial institutions ("**FRFIs**") in order for those FRFIs (or securitization vehicles managed by such FRFIs) to be able to purchase mortgages from MCAP and to have MCAP service those mortgages, and (ii) by CMHC in order to be able to continue to qualify to have access to CMHC's securitization programs. This provides MCAP with an extensive familiarity with the Canadian Mortgage regulatory system. MCAP also has significant prior experience with MICs.

MCAP operates under a proven business model, which includes a variety of Mortgage products originated across Canada and funded with strong, long lasting relationships with institutional investors utilizing a wide array of funding structures and vehicles. This business model is augmented by a prudent balance sheet and effective warehouse management.

Long history

MCAP and its predecessors have been originating loans in all segments of the Mortgage market since 1991. Over the course of its history, MCAP has underwritten, originated and serviced Mortgages for insurance companies, institutional investors, major Canadian banks and other financial institutions.

Experienced senior management team

MCAP's senior management team has on average more than 22 years of experience in the Canadian Mortgage finance industry and more than 20 years at MCAP. MCAP's comprehensive team of professionals is dedicated to building productive long term relationships with clients and has demonstrated this capability by establishing a strong reputation in the Canadian Mortgage lending market.

Deep and varied pipeline of Mortgage investment opportunities available to the Corporation

MCAP originates Mortgage loans across diversified market segments, including Single Family Residential Mortgages and Other Mortgages. In fiscal year 2015, MCAP originated in excess of $14.3 billion in Mortgage loans across all segments, $11.3 billion of which were Single Family Residential Mortgages. MCAP has highly trained, in-house origination, structuring and underwriting teams located in offices in Vancouver, Calgary, Edmonton, Toronto, Montréal and Halifax. MCAP's Canadian geographic diversity ensures that it has an exceptional understanding of each key real estate market in Canada. MCAP originated $32.6 million of junior tranches of first mortgages, second charge mortgages and short-term insured mortgages in 2015 on behalf of the Corporation representing 100% of the Corporation's investments.

Established Mortgage servicing platform

In addition to its origination and underwriting capabilities, MCAP has industry leading Mortgage servicing operations and, as at August 31, 2016, administered a Single Family Residential Mortgage and Other Mortgage portfolio with a principal balance of over $58 billion on behalf of a wide range of financial institutions and institutional investors. In addition to servicing Mortgages originated internally, it also services Mortgage portfolios on behalf of other third party Mortgage providers. MCAP's servicing platform was the first in Canada to be publicly "rated" by a rating agency and has been consistently rated at "above average" by S&P since 2002. MCAP has serviced the Single Family Residential Mortgage Portfolio on behalf of the Corporation since the Corporation's inception.

MCAP has servicing offices located in Calgary, Edmonton, Regina and Kitchener along with its head office in Toronto. MCAP is able to scale its strong servicing platform, processes and call centres to effectively and efficiently manage all its clients' Mortgage-related needs.

Established relationship with Mortgage brokers

The vast majority of business originated is derived through a wide network of over 4,500 independent mortgage brokers and agents across Canada. Prior to being permitted to conduct business with MCAP, all brokers must pass a rigorous evaluation process and must continue to meet performance standards on an on-going basis.

History of strong performance relating to loan losses

Since inception, MCAP has funded $54.0 million of uninsured mortgages inclusive of junior tranches of first mortgages and second charge mortgages on behalf of the Corporation. Since inception, cumulative realized loan losses as of June 30, 2016 were $15,715.

Sophisticated controls regarding governance and regulatory compliance

The vast majority of MCAP's investors are financial institutions subject to various Canadian regulatory requirements. Accordingly, MCAP's internal controls, operating processes, and reporting capabilities are regularly reviewed and audited by its investors. These audits confirm that MCAP's processes meet or exceed all requirements placed upon it by investors and upon its investors by their respective regulators. MCAP has rigorous processes in place to ensure that its controls meet applicable legal and regulatory rules, including Guideline B-21 (OSFI's Guideline on Residential Mortgage Insurance Underwriting Policies and Procedures), Guideline B-20 (OSFI's Guideline on Residential Mortgage Underwriting Practices and Procedures) ("**Guideline B-20**"), Guideline B-8 (OSFI's Guideline on Deterring and Detecting Money Laundering and Terrorist Financing), Guideline B-10 (OSFI's Guideline on Outsourcing of Business Activities, Functions and Processes), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and the regulations thereunder, cost of borrowing disclosure as required pursuant to the Regulations of the *Bank Act*, and the applicable provincial and federal legislation governing the use and privacy of personal information, including the *Personal Information Protection and Electronic Documents Act*.

MCAP manages large pools of mortgages on behalf of FRFIs, which requires a high degree of formalization in structure and rigor and in the normal course of business MCAP is consistently under independent reviews and evaluations by third parties. As a direct result of the discipline resulting from this method of operation, MCAP has developed strong internal and external controls so as to ensure Mortgage loans underwritten and serviced by MCAP are managed in accordance with the documented policies and procedures that govern these asset classes. The existence of these sophisticated controls, policies and reporting capabilities ensures that MCAP can readily sell its products to a wide variety of Canadian securitization conduits and financial institutions.

Investment Objectives

The Corporation's investment objectives are to acquire and maintain a diversified Mortgage Portfolio comprised primarily of Single Family Residential Mortgages that seeks to preserve capital and generate sufficient income to permit the Corporation to pay monthly distributions to the Shareholders.

Investment Strategies

The Corporation seeks to accomplish its investment objectives through prudent investments in a Mortgage Portfolio consisting primarily of Single Family Residential Mortgages. Currently, the

Corporation is fully invested in 100% Single Family Residential Mortgages. The Corporation may also invest in Other Mortgages (i.e., Commercial Mortgages and Residential Construction Mortgages), subject to a limit of 20% of the principal amount of the Mortgage Portfolio.

The Mortgage Portfolio is diversified based on a number of factors, including the maturity date of the Mortgages and the geographic location of the underlying Real Property. The Portfolio Mortgages will be on properties principally located in major urban centres across Canada. The weighted average Loan-to-Value of the Mortgage Portfolio, excluding Insured Single Family Residential Mortgages, will not exceed 80%, with no single Mortgage having a Loan-to-Value of more than 85% at the time of funding.

The Corporation is currently invested in Single Family Residential Mortgages, including: (i) junior tranches of first Mortgages; (ii) second charge Mortgages where MCAP is the servicer of the first Mortgage on the Real Property; and (iii) short-term Insured Single Family Residential Mortgages.

Junior Tranches of First Mortgages

Junior tranches of first mortgages represent a direct ownership of Mortgages together with the owners of the senior tranches of the Mortgages, provided that the entire mortgage is serviced by MCAP. The senior position in the mortgage is typically acquired by a Canadian financial institution (often a bank, life insurer or credit union) and is entitled to a lower interest rate than the entire mortgage rate which allows the Corporation to earn an increased yield on its investment in the junior tranche of the mortgage. This practice is known as “tranching”. The Corporation believes that tranching provides an improved risk-return proposition to the Corporation over holding what otherwise would be the entire mortgage investment.

The junior and senior tranches of the mortgage are governed by a standard form of participation agreement which permits MCAP to control the administration of the entire mortgage. Typically, unless there is an event of default under the mortgage (i.e. failure of the borrower to pay an amount owing), both the senior and junior positions of the mortgage will receive their shares of the interest payments according to the participation agreements. If there is a default, then the senior participant (or after it has been fully repaid then the junior participant) is entitled to direct the servicer to enforce the mortgage on behalf of both participants in accordance with applicable law with all costs to be borne by the borrower. Title to the mortgage and all other security is in the name of a nominee which will hold title on behalf of both participants as beneficial owners of the mortgage.

Second Charge Mortgages

A second charge Mortgage is secured by a stand-alone charge against the underlying Real Property that is subordinate to the first charge. Some of the second charge Mortgages invested in by the Corporation are on re-finances by borrowers that would have qualified for an Insured Single Family Residential Mortgage prior to the rule changes implemented by the Mortgage Insurance Companies.

Short-term Insured Mortgages

The Corporation may invest in short-term Insured Single Family Residential Mortgages. At maturity of a mortgage, and while the borrowers evaluate their renewal options, borrowers may elect to apply for a short-term mortgage extension. These loans typically have a higher interest rate than longer term mortgages. In evaluating the mortgage renewal decision, borrowers typically take into consideration other options such as selling their home and paying off the mortgage, paying down their mortgage or increasing the size of their mortgage for home improvements or other expenditures. Borrowers may require time to make this decision and as such a short-term mortgage can be provided. These mortgages are often insured and offer an attractive risk-return proposition given that they are 100% guaranteed by a Mortgage Insurance Company. The insurance coverage and the yield offered to the Corporation are the primary

investment considerations with respect to investments in Insured Single Family Residential Mortgages while the Loan-to-Value is a secondary investment consideration.

Leverage

The Corporation currently utilizes the Loan Facility with a Canadian chartered bank (the "Lender") to borrow up to 25% of the Total Assets of the Corporation. Once the Proposed Transition has been implemented, the Corporation expects to borrow between 20% and 50% of the Total Assets; however, the Corporation may borrow more provided that it does not exceed the borrowing limits applicable to qualified MICs. Accordingly, at the time new leverage is incurred, the Corporation may not have leverage above 6:1 (total long positions (including leverage positions) divided by the net assets of the Corporation). The terms, conditions, interest rate, fees and expenses of and under the Loan Facility are typical of credit facilities of this nature and require the Corporation to provide a security interest in favour of the Lender in the assets of the Corporation to secure such borrowings. In the event that the Corporation does not fulfill its obligations under the Loan Facility, the Corporation could incur substantial costs and losses if the Lender seizes or otherwise enforces on or sells Mortgages under the security arrangements for the Loan Facility. The Lender is at arm's length to the Corporation, Manager, Mortgage Consultant, Mortgage Services Provider and their respective affiliates and associates.

At present, the Corporation employs a conservative leverage strategy of using the Loan Facility to invest in fully insured mortgages.

Pursuant to the Loan Facility, the Corporation may also, from time to time, at the discretion of the Manager, borrow in order to (i) facilitate its operating activities and fund working capital requirements, (ii) enhance liquidity of assets, and (iii) facilitate entering into Mortgage loans or funding subsequent advances in an expedient manner. The Corporation may use the Loan Facility to fund new Mortgages as an interim measure prior to raising additional capital. Other than borrowings by the Corporation under the Loan Facility and short-term credits necessary for settlement of securities transactions, which are not considered borrowing, the Corporation does not engage in further borrowing.

Investment Process

The Corporation benefits from MCAP's capabilities, expertise and competitive advantages in underwriting Single Family Residential Mortgages. MCAP employs similar investment processes in providing its services to both the Manager and the Corporation as MCAP employs in its operations. MCAP's process is tailored according to the type of Mortgage investment under consideration. All Single Family Residential Mortgages are underwritten, processed and serviced pursuant to a prescribed and documented manual, which sets out policies and procedures that MCAP must adhere to when underwriting a Mortgage. Insured Single Family Residential Mortgages are governed by the policies and procedures of the Mortgage Insurance Companies. These policies are reviewed and approved by the Department of Finance (Canada). MCAP's lending policies and procedures in respect of Non-Conforming Single Family Residential Mortgages are based on best practices developed by MCAP and predecessor companies over the past 20 years.

Once a potential Mortgage investment is approved by the Mortgage Services Provider, such Mortgage investment is then referred to the Manager for additional approval and, if approved, acquired by the Corporation for inclusion in the Mortgage Portfolio. The Manager may approve the purchase of a mortgage investment recommended by MCAP to the Corporation subject to its satisfactory review of several factors including: (i) compliance with the Corporation's investment objectives, investment strategies, investment restrictions and investment guidelines; (ii) confirmation from MCAP that such Mortgage investment has been reviewed by appropriate MCAP personnel to ensure it meets the Corporation's investment objectives, investment strategies, investment restrictions and investment guidelines; and (iii) reasonableness of pricing. The Manager's review of pricing includes a review of

compliance with pricing procedures that have been agreed upon with MCAP and a review of the reasonableness of pricing factors such as market interest rates and market spreads based on the credit profile of the Mortgage.

MCAP's Mortgage review system is based on the level of experience and seniority of the individual employees within the organization. More senior and experienced members of the organization have higher monetary limits in terms of approval authority for Mortgage investments. MCAP feels that the strength of its investment process is rooted in the following factors:

Internal Credit Risk Control

MCAP maintains a strong internal credit risk assessment program, which was developed and implemented in consultation with industry partners including the Schedule A Banks and the Mortgage Insurance Companies. MCAP is also subject to regular audits from numerous third parties, such as investors and Mortgage Insurance Companies, and has adopted and implemented a culture of continuous improvement.

Fundamental Credit Adjudication

MCAP has a stand-alone alternative lending origination team that adjudicates Non-Conforming Single Family Residential Mortgages (excluding Insured Single Family Residential Mortgages). MCAP underwrites Single Family Residential Mortgages based on the fundamental factors of credit analysis: collateral, character, credit, capacity and capital (commonly known as the five Cs). Collateral refers to the quality and value of the underlying Real Property supporting the Mortgage. Prime marketable real estate located in recognizable urban centers is the most important component on all deals. Thus, MCAP views the appraisal process as the most critical component of the overall adjudication process which is disclosed in further detail below. The character of the borrower is an assessment of how the borrower has managed the past performance of their credit including items such a repayment history, delinquencies, credit usage and any previous debt consolidation. The credit of the borrower refers specifically to the borrowing history of the applicant and the levels of current borrowing outside of the Mortgage application. Capacity of the borrower refers to the borrower's ability to make the Mortgage payments and uses calculations such as gross debt service and total debt service. Lastly, capital of the borrower is an assessment of the financial capacity and capital reserves that a borrower has to service the Mortgage should the borrower's circumstances change during the term of the loan. MCAP believes that, combined, these measures form the basis of sound credit management and risk assessment of Mortgages.

Quality Broker Referrals

All newly originated Mortgages that are referred to MCAP must be from an approved list of mortgage brokers. In order to be included in the list of mortgage brokers approved by MCAP, mortgage brokers are subject to a proprietary due diligence process and the quality of each mortgage broker's respective portfolio of originated Mortgages is monitored and reviewed on a regular basis. Mortgage brokers are a significant source of mortgage origination referrals for MCAP. As such, MCAP places an emphasis on building strong relationships with its mortgage brokers.

Extensive Due Diligence

MCAP believes that prudent investing in uninsured Single Family Residential Mortgages requires accurate and effective assessment of the quality of the underlying Real Property. Traditional mortgage lenders tend to take a calculated approach to mortgage origination which focuses on specific items such as credit and income. Although credit and income are important factors, MCAP views them more as tools, in its hands-on approach to mortgage underwriting, to increase or decrease the price and/or the resulting Loan-to-Value. The Corporation leverages MCAP's experience and systems, which utilize multiple levels

of review to identify Mortgages for investment for which the underlying Real Property (i) is in a marketable location, (ii) at the time of underwriting, is well kept and maintained, and (iii) is accurately valued through an appraisal by an MCAP-approved appraiser. In this regard MCAP, on behalf of the Corporation, exercises extensive due diligence on all Real Property targeted for potential Mortgage investment. This is carried out as part of MCAP's standard underwriting process and prior to the issuance of a commitment letter to the borrower. Due diligence includes title searches on properties in order to ascertain the most recent sale price and date and identification of current registered ownership and encumbrances. In many instances MCAP also researches the complete Multiple Listing Service history on the targeted Real Property for the previous 5-7 years. MCAP uses a small group of selected appraisers in each urban market that the Corporation invests in. MCAP orders all appraisals directly, with the exception of a small subset of brokers. It is not unusual for a mortgage broker to submit an appraisal as part of the application process. In instances such as this the appraisal is reviewed as part of the original underwriting process but it is not relied upon to remove any conditions of the commitment and as such MCAP will still follow its standard appraisal approval process. Further, MCAP engages a third party appraiser to review the quality of a sample of appraisals on a regular basis.

MCAP's hands-on approach to underwriting is based on a thorough, case-by-case assessment of the credit of the individual mortgage applicant. The following table provides a comparison of MCAP's approach to underwriting Non-Conforming Single Family Residential Mortgages with the approach that is typically used by regulated lenders.

	MCAP	**Regulated Lenders**
Property Type	High quality residential	High quality residential
Underwriting Approach	Hands-on adjudication	Automatic adjudication
Rate	+/- 4%	+/- 2.5%
Loan-to-Value (LTV)	Up to 85%	Up to 80%
Mortgage Term	Focus on 1-3 years	Typically 5 years
Property Location	Major urban centres (very liquid markets)	No restriction
Indicative Borrower	Salaried or self-employed; Less established credit history	Salaried; Established credit history

Three Year History

The Corporation was incorporated on April 3, 2013 and commenced operations upon the closing of its initial public offering on June 28, 2013. Since inception (to June 30, 2016), the Corporation has increased its monthly dividend and increased its net asset value by investing in a diversified portfolio comprised primarily of interests in Single Family Residential Mortgages that seeks to preserve capital and generate sufficient income to permit the Corporation to pay monthly dividends on the Shares. As at June 30, 2016, the Corporation held 770 Single Family Residential Mortgages and no Other Mortgages.

Since inception, the Corporation's mortgage portfolio has performed well with 0.05% in realized losses as a percentage of the fair value of mortgages outstanding as of June 30, 2016.

OVERVIEW OF THE SECTOR THAT THE CORPORATION OPERATES IN

Canadian Single Family Residential Mortgage Lending Industry

According to the Bank of Canada, residential mortgages outstanding have consistently increased on a year-over-year basis since 1990, across economic cycles and through market downturns. MCAP believes that growth in the single-family mortgage market, which comprises the vast majority of residential mortgages outstanding, is primarily driven by the following three factors:

1) Supply and Demand for Housing:

According to the CMHC Second Quarter 2016 Housing Market Outlook, net migration to Canada has been in the range of 219,000 to 272,000 individuals per year for the years 2013 through 2015. Net migration contributes to annual household formation, a leading indicator of housing demand, which creates demand for new mortgages. According to CMHC, average annual household formation is estimated at 190,000 over the 2011 to 2016 period.

According to CMHC, new housing starts were reported as 195,535 in 2015, a level that is in line with the average for the preceding five years of approximately 195,000 housing starts per year.

Annual residential unit sales and the average price per dwelling unit have steadily increased over time, which is reflected in the growth in the Canadian single-family residential mortgage market. From 1990 to 2015, single-family residential unit sales have grown at a compound annual growth rate of 2.9% and average housing prices have increased over the same time period at a compound annual growth rate of 4.7%.

Analyses by each of CMHC, the Bank of Canada, Canadian Real Estate Association, and Mortgage Professionals Canada all conclude that Canada's housing market has notable regional differences. It is generally agreed that recently the housing markets in Toronto and Vancouver are experiencing price appreciation and increased unaffordability in comparison to other markets, which are experiencing either improving or relatively unchanged affordability levels. Re-sale activity in Vancouver and Toronto has been strong year-to-date, but is forecasted to trend downwards in part due to recent regulatory changes. Alberta, Saskatchewan and Newfoundland and Labrador are experiencing a noticeable decline in resale activity, and the rest of Canada has generally reflected more normalized resale activity and price levels.

2) Employment:

Per Statistics Canada, employment continues to remain strong with the national unemployment rate holding relatively stable at 7.0% in September 2016 as compared to 7.1% in September 2015. Regional differences have emerged with Ontario and BC experiencing year over year declines in the unemployment rate to 6.6% and 5.7% from 6.9% and 6.4% respectively. By contrast, Alberta has experienced an increase in unemployment, with the unemployment rate rising from 6.6% to 8.5% year over year.

3) Interest rate environment:

Mortgage interest rates have decreased to historic lows over the past several years, which has contributed to the recent growth of the amount of mortgages outstanding in the single-family mortgage market. According to BMO Economics Research, the Bank of Canada's previous two rate reductions and falling global bond yields reduced average interest rates applicable to

single-family mortgages by about 30 basis points in Canada during 2015. These changes effectively lowered single-family mortgage debt-service costs by just over 1% of income. The continued low interest rate environment has contributed to stabilized housing affordability over the past several years, with an average mortgage debt-service ratio in 2015 of 39.5%, slightly higher than the long-term average of 38.6% according to the Mortgage Professionals Canada "Annual State of the Residential Mortgage Market in Canada" December 2015 report (the "**MPC December 2015 report**").

Mortgage interest rates on Non-Conforming Single Family Residential Mortgages are charged a premium to Conforming Single Family Residential Mortgages and are less volatile to interest rate movements on Bank of Canada bond yields. At present, these rates continue to remain at historic lows.

MCAP estimates that annual single-family mortgage originations in Canada are currently approximately $400 to $450 billion, consisting of mortgage financing for purchases of homes (including resale transactions) and renewals of existing mortgages at the scheduled maturity thereof ("**renewals**") and refinancings of existing mortgages prior to the scheduled maturity thereof ("**refinancings**") from existing homeowners. These figures are supported by the MPC December 2015 report (based on a survey of homeowners completed in October 2015) that estimates new mortgages for 2015 of $447 billion comprised of $188 billion on new homes and resales, $200 billion of mortgage renewals and $59 billion from refinancings.

MCAP believes that Single Family Residential Mortgages are the most conservative, the most liquid and largest of all the asset classes in the Canadian Mortgage market. The majority of FRFIs, including each of the Schedule A Banks, own Single Family Residential Mortgages as part of their loan portfolios. Single Family Residential Mortgage lending is a core activity of every major bank in Canada due to quality credit and historically low loan losses. The Canadian Single Family Residential Mortgage market can generally be sub-divided into two segments: (i) Conforming Single Family Residential Mortgages, and (ii) Non-Conforming Single Family Residential Mortgages.

Conforming Single Family Residential Mortgages

Conforming Single Family Residential Mortgages are generally categorized as Mortgages which are either fully insured by one of the Mortgage Insurance Companies, or which are non-insured conventional Mortgages, which in turn, are Mortgages with Loan-to-Value of 80% or less on loans originated since the introduction of Guideline B-20 in June 2012. Borrowers with these Mortgages have strong credit histories and files that are fully documented in terms of income verification and other important aspects of the loan applications. Conforming Single Family Residential Mortgages often receive the best interest rates from Mortgage lenders.

Non-Conforming Single Family Residential Mortgages

Non-Conforming Single Family Residential Mortgages may have a higher Loan-to-Value than Conforming Single Family Residential Mortgages, the borrower's credit history may have a lower credit score, and income verification may not be by typical means given that the borrower may be self-employed or have alternative sources of income rather than traditional employment income. Apart from these differences, the underlying Real Property security for Non-Conforming Single Family Residential Mortgages may be similar to that for Conforming Single Family Residential Mortgages in that it may be located in good marketable areas and well maintained at the date of underwriting. Non-Conforming Single Family Residential Mortgages may also carry many of the same characteristics as Conforming Single Family Residential Mortgages in that they may have the same payment frequency and the loans may be amortized resulting in a recapture of capital for the lender throughout the Mortgage term. The

Corporation does not invest in Non-Conforming Single Family Residential Mortgages that have a Loan-to-Value of greater than 85%.

Single Family Residential Mortgage Market Opportunity

Due to a series of regulatory changes in the Canadian Single Family Residential Mortgage market dating back to 2008 with a focus on reducing the tax payer's exposure to the Canadian housing market, there has been an increase in the pool of Non-Conforming Single Family Residential Mortgages which are not underwritten by Schedule A Banks. This has resulted in favourable investment opportunities available to the Corporation, particularly with respect to business with self-employed individuals who cannot prove out their income and salaried individuals who have experienced a life event or who have a less established credit history that does not meet traditional lending guidelines.

There are four major national regulated lenders that occupy the space. These are Home Capital Group Inc., Equitable Bank, Canadian Western Bank and MCAN Mortgage Corporation. In 2015, these lenders originated +/-$9B in new origination volume. In addition, there are a number of smaller regional Trust companies, Credit Unions, private lenders and MICs that occupy the space. MCAP has the ability to source product from a national distribution network and as such can compete with the four national lenders.

Changes in the Regulatory Environment

Recent regulatory changes relevant to the Single Family Residential Mortgage market include the following:

December 2015: The Federal Government moved to tighten lending rules for homes worth more than $500,000 effective February 15, 2016 by requiring 5% down on the first $500,000 and 10% down on the next $500,000 up to $1,000,000.

July 2016: The B.C. Provincial Government announced that it is introducing a 15% tax on home purchases by foreign nationals (non-Canadians and non-residents) in Metro Vancouver effective August 2, 2016.

September 2016: The B.C. Provincial Government approved a proposal to tax vacant homes up to 2%. The tax would only apply to homes that are empty for a year or more and non-primary residences i.e. second properties that are business investments. The rate has not yet been determined.

October 2016: The Federal Government announced the following:

1) Effective October 17, 2016, all new high ratio insured homebuyers (>80% Loan-to-Value ratio) must qualify for mortgage insurance at an interest rate the greater of the Bank of Canada's conventional five-year fixed posted rate or the contract rate (already in place for high-ratio insured mortgages with variable interest rates or fixed rates with terms less than five years). This requirement is extended for low ratio insured mortgages (<80% Loan-to-Value ratio) effective November 30, 2016.

2) Effective November 30, 2016, mortgage loans that lenders insure using portfolio insurance must meet the eligibility criteria that previously applied to high ratio mortgages only. These criteria include no refinances, a maximum amortization period of 25 years or less, properties of less than $1,000,000, a minimum credit score of 600, a maximum gross debt service and total debt service ratios of 39% and 44%, respectively, calculated using the qualifying rate, owner occupied residents for properties that are single units and for variable rate loans that allow fluctuations in

amortization periods, loan payments that are recalculated at least once every five years to conform to an established amortization schedule.

3) Effective the 2016 taxation year, the sale of primary residences must be reported to the CRA.

4) Currently all mortgage insurance in Canada covers 100% of eligible lender claims for insured mortgages that default; however, the Federal Government released a public consultation paper on a proposal to have the lenders share some of the risk. Comments are due by February 28, 2017

Generally, policymakers designed the changes to target concerns surrounding a) increased indebtedness of the average Canadian consumer fuelled by a low interest rate environment, b) recent price appreciation with respect to the Toronto and Vancouver markets and associated concerns surrounding affordability/overvaluation, c) real estate speculators, including foreign home buyers, who are flipping Canadian homes as business investments and taking advantage of capital gains tax exemptions and d) the governments exposure to the Canadian housing market.

The above regulatory changes are expected to have a limited impact on MCAP's Non-Conforming Single Family Residential Mortgages (excluding Insured Single Family Residential Mortgages) for the following reasons:

- MCAP focuses on affordable housing to Canadian residents only. MCAP's Non-Conforming Single Family Residential Mortgage (excluding Insured Single Family Residential Mortgages) program is not active in the high end housing market nor does it lend to foreign investors.

- Non-Conforming Single Family Residential Mortgage (excluding Insured Single Family Residential Mortgages) products are uninsured and home owners are required to put a minimum of 20% down on first mortgages.

- Homebuyers are qualified at higher interest rates given that interest rates charged on the mortgages are a premium to Conforming Single Family Residential Mortgage rates.

Commercial and Residential Construction Mortgages

To date, the Corporation has not invested in any Commercial or Residential Construction Mortgages and likely will not until it achieves sufficient scale.

Commercial

The Canadian Commercial Mortgage lending market consists primarily of retail properties, industrial properties, multi-unit residential and office buildings. Retail properties are generally differentiated based on their size and the composition of their tenants. MCAP believes that the location, condition and functional utility of the Real Property are all key factors in assessing the financial viability of an investment in a retail property. Industrial real estate is typically used for manufacturing and/or warehousing. MCAP believes that the important considerations to take into account when investing in industrial real estate include the borrower's financial position and experience, the location of the Real Property as well as the condition of the Real Property and of the buildings and structures on the Real Property. With respect to office buildings, MCAP believes that important considerations to take into account when investing in office buildings includes an analysis of the creditworthiness of tenants, the lease maturity profile, location, condition and the functional utility of the Real Property.

Residential Construction Mortgages

The Canadian Residential Construction Mortgage market consists primarily of land development, condominium construction and freehold construction. MCAP believes that the important factors to consider when investing in this market include: (i) the track record of builders with respect to the product being developed; (ii) the long term sales liquidity in the geographic location; (iii) affordability of price points for each particular project; and (iv) prior acceptance of the product in the market. The Corporation intends to invest in Residential Construction Mortgages that are either tranched Mortgages or short-term bridge Mortgages, with a forecasted completion timeframe of 18-30 months which MCAP believes helps to limit the exposure to changing market conditions.

INVESTMENT RESTRICTIONS AND GUIDELINES

Investment Restrictions

Pursuant to the Proposed Transition, the investment restrictions of the Corporation will be as follows:

> The Corporation will not make or hold any investment, conduct any activity or take any action or omit to take any action that would result in the Corporation failing to qualify as a "mortgage investment corporation" within the meaning of the *Income Tax Act* (Canada).

Investment Guidelines

Pursuant to the Proposed Transition, the investment guidelines of the Corporation will be as follows, which may be amended, from time to time, as approved by the Board:

1. the Corporation expects borrowings to range between 20% and 50% of the Total Assets of the Corporation; however, the Corporation may employ higher leverage levels provided that borrowings are not in excess of those requirements set out for the Corporation to qualify as a "mortgage investment corporation" within the meaning of the Tax Act;

2. at the time of investment, the weighted average term to maturity of Mortgages invested in by the Corporation may not exceed 60 months;

3. at the time of funding, the weighted average Loan-to-Value of the Mortgage Portfolio may not exceed 80% and no single Portfolio Mortgage may have a Loan-to-Value exceeding 85%, excluding Insured Single Family Residential Mortgages;

4. not more than 30% of the principal amount of the Mortgage Portfolio will be secured by second Mortgages, excluding Insured Single Family Residential Mortgages (for greater clarity, a junior position in, or junior tranche of, a first ranking mortgage is not considered a second Mortgage);

5. not more than 15% of the principal amount of the Mortgage Portfolio may be comprised of Mortgage-Related Securities;

6. at the time of investment, not more than 20% of the principal amount of the Mortgage Portfolio may be comprised of Other Mortgages;

7. the Corporation will not invest in securities other than Mortgages secured by Real Property situated in Canada, Mortgage-Related Securities and cash and cash equivalents;

8. the Corporation does not expect that it will invest in Real Property, except that the Corporation may hold Real Property acquired as a result of foreclosure where such foreclosure is necessary to protect the Mortgage investment of the Corporation as a result of a default by the mortgagor and the Corporation will use commercially reasonable efforts to dispose of any such Real Property acquired on foreclosure, and the Corporation will not manage or develop any Real Property;

9. not more than 10% of the principal amount of the Mortgage Portfolio will be comprised of Mortgages of the same borrower; and

10. not more than 5% of the principal amount of the Mortgage Portfolio will be comprised of Mortgages secured by the same property.

The Board may, in the future, make further changes to the investment guidelines on advice from the Manager and the Mortgage Consultant and when the Board believes it would be in the best interests of the Corporation to do so.

THE PORTFOLIO

The Corporation's investment portfolio was made up of 770 Single Family Residential Mortgages and had an estimated annualized yield on net asset value of 11.51% at June 30, 2016. The yield on net asset value is calculated based on estimated annual net interest income (expected income from the current portfolio net of interest expense from the current borrowings) divided by the net asset value of the Corporation. The portfolio has a low duration, with a weighted average maturity of less than one year as at June 30, 2016.

The following tables show the portfolio by geographic location, conforming versus non-conforming, days in arrears, and insured versus uninsured.

Schedule of Investment Portfolio

As at June 30, 2016

Type of Mortgage	Weighted Average Yield	No. of Mortgages	Weighted Average Maturity	Weighted Average Loan-to-Value	Fair Value	% of Portfolio June 30, 2016	% of Portfolio Dec. 31, 2015
Junior tranches of uninsured first mortgages	10.49%	628	Mar. 31/17	76%	$ 20,640,832	67%	66%
Insured six-month convertible mortgages	6.91%	39	Sept. 17/16	77%	5,447,799	18%	17%
Insured mortgages with open terms	7.66%	14	Oct. 2/16	75%	1,912,630	6%	6%
Second charge mortgages	11.05%	82	Jan. 25/17	80%	1,592,369	5%	6%
Uninsured first mortgages	9.88%	7	Apr. 10/17	73%	1,171,542	4%	5%
Total/Average	**9.69%**	**770**	**Feb. 10/17**	**76%**	**$ 30,765,172**	**100%**	**100%**

Fair Value of Mortgages by Geographic Location

As at June 30, 2016

Province/Territory	Junior Tranches of Uninsured First Mortgages	Insured Six-Month Convertible Mortgages	Insured Mortgages with Open Terms	Second Charge Mortgages	Uninsured First Mortgages	Total
British Columbia	15%	0%	15%	19%	3%	12%
Alberta	18%	12%	31%	4%	30%	18%
Saskatchewan	4%	4%	12%	3%	0%	4%
Manitoba	3%	4%	0%	5%	0%	3%
Ontario	60%	71%	35%	63%	67%	60%
Quebec	0%	2%	0%	3%	0%	0%
New Brunswick	0%	3%	0%	0%	0%	1%
Nova Scotia	0%	1%	7%	0%	0%	1%
Newfoundland and Labrador	0%	0%	0%	3%	0%	0%
Prince Edward Island	0%	3%	0%	0%	0%	1%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**

Conforming vs. Non-Conforming

As at June 30, 2016

	Junior Tranches of Uninsured First Mortgages	Insured Six-Month Convertible Mortgages	Insured Mortgages with Open Terms	Second Charge Mortgages	Uninsured First Mortgages	Total
Conforming	0%	100%	100%	0%	0%	24%
Non-conforming	100%	0%	0%	100%	100%	76%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**

Insured vs. Uninsured

As at June 30, 2016

	Junior Tranches of Uninsured First Mortgages	Insured Six-Month Convertible Mortgages	Insured Mortgages with Open Terms	Second Charge Mortgages	Uninsured First Mortgages	Total
Insured	0%	100%	100%	0%	0%	24%
Uninsured	100%	0%	0%	100%	100%	76%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**

Days in Arrears

As at June 30, 2016

	Junior Tranches of Uninsured First Mortgages	Insured Six-Month Convertible Mortgages	Insured Mortgages with Open Terms	Second Charge Mortgages	Uninsured First Mortgages	Total
Not in arrears	91%	85%	84%	98%	88%	90%
Less than 30 days	5%	9%	0%	1%	0%	5%
31 to 90 days	3%	4%	0%	0%	12%	3%
91 to 180 days	0%	0%	0%	0%	0%	0%
More than 180 days	1%	2%	16%	1%	0%	2%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**

As at June 30, 2016, 15 loans with an aggregate principal of $945,035 were in default, which included 10 junior tranches of uninsured first mortgages, three second charge mortgages and two insured mortgages with open terms. A mortgage is generally considered to be in default when it is in arrears for a period greater than 90 days or when legal action has commenced. The principal of mortgages in default represented 3.0% and 3.9% of the June 30, 2016 total assets and net asset value, respectively. Excluding defaults on insured mortgages, the principal of mortgages in default amounted to $492,571 or 1.6% and 2.0% of the June 30, 2016 total assets and net asset value, respectively. A realized loss of $1,149 and a net change in unrealized loss of $182 were recorded during the three months ended June 30, 2016. As at June 30, 2016, an unrealized loss of $67,629 has been recorded by the Fund in respect of mortgages in default, representing approximately 0.29% of total uninsured mortgages.

FEES AND EXPENSES

Pursuant to the Proposed Transition, the aggregate fees payable to the Manager and Mortgage Service Provider will be 1.0% per annum of the Total Assets, plus applicable taxes.

The Manager will receive a Management Fee from the Corporation equal to 0.55% of the Total Assets per annum, plus applicable taxes, calculated and paid monthly in arrears, for acting as the manager of the Corporation. 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.

For providing services pursuant to the Mortgage Services Agreement, the Mortgage Services Provider will receive a fee from the Corporation (the "Mortgage Service Fee") equal to 0.45% of the Total Assets per annum, plus applicable taxes, calculated and paid monthly in arrears.

The Corporation pays for all expenses it incurs in connection with its operations and management. In addition to the fees referenced above, it is expected that these expenses will include, without limitation: (i) financial reporting costs, and mailing and printing expenses for periodic reports to securityholders and other securityholder communications including marketing and advertising expenses; (ii) any taxes payable by the Corporation; (iii) fees payable to its transfer agent and its custodian and sub-custodian; (iv) costs and fees payable to any agent, legal counsel, investment counsel, investment advisor, actuary, valuator, technical consultant, accountant or auditor or other third party service provider; (v) ongoing regulatory filing fees, licence fees and other fees (including in respect of the Corporation, stock exchange fees and listing fees); (vi) any expenses incurred in connection with any legal proceedings in which the Manager participates on behalf of the Corporation or any other acts of the Manager or any other agent of the Corporation in connection with the maintenance or protection of the property of the Corporation, including, without limitation, costs associated with the enforcement of Mortgages; (vii) any fees or indemnity payable to, and expenses incurred by, directors; (viii) premiums for directors' and officers' insurance coverage for the directors and officers of the Manager; (ix) any additional fees payable to the Manager for performance of extraordinary services on behalf of the Corporation; (x) consulting fees

including website maintenance costs and expenses associated with the preparation of tax filings; (xi) costs of any annual or special meetings of shareholders; (xii) other administrative expenses of the Corporation; and (xiii) Mortgage-related costs incurred by the Corporation in respect of certain Portfolio Mortgages. The Corporation is also responsible for all taxes, commissions, mortgage brokerage fees and other costs of securities transactions, debt service, commitment fees and costs relating to any credit facilities, insurance premiums and any extraordinary expenses which it may incur or which may be incurred on its behalf from time to time, as applicable.

For greater certainty, the salaries of the employees of the Manager are borne by the Manager.

RISK FACTORS

Certain risk factors relating to the Corporation and the Shares are described below. Additional risks and uncertainties not currently known to the Manager, or that are currently considered immaterial, may also impair the operations of the Corporation. If any such risk actually occurs, the business, financial condition, liquidity or results of operations of the Corporation and the ability of the Corporation to make distributions on the Shares could be materially adversely affected.

No Assurance of Achieving Investment Objectives

There can be no assurance that Portfolio Mortgages invested in by the Corporation will result in a guaranteed rate of return or any return to Shareholders or that losses will not be suffered on one or more of the Portfolio Mortgages. Although Portfolio Mortgages and Mortgage-Related Securities will undergo a thorough review and selection process by the Manager and MCAP, respectively, there is no assurance that the Corporation will be able to achieve its investment objectives, pay distributions at the targeted levels or preserve capital. The funds available for distribution to Shareholders will vary according to, among other things, losses of principal and/or interest in relation to Portfolio Mortgages and the interest and principal payments received in respect of the Portfolio Mortgages. There is no assurance that the Mortgage Portfolio will earn any positive return. The Manager, on behalf of the Corporation, may periodically re-evaluate the Corporation's targeted level of distributions and adjust it higher or lower, which may have a material effect on the price or value of the Shares. An investment in the Corporation is appropriate only for investors who have the capacity to absorb a loss on their investment and who can withstand the effect of distributions not being paid in any period or at all.

Changes in Real Property Values

The Corporation's investments in Mortgage loans will be secured by Real Property, the value of which may fluctuate. The value of Single Family Residential Properties is affected by, among other factors, general economic conditions, local real estate markets, the attractiveness of the property and the level of supply and demand in the market for comparable properties. A substantial decline in value of Real Property provided as security for a Mortgage may cause the value of such Real Property to be less than the outstanding principal amount of the Mortgage loan. In that case, and in the event the Mortgage loan is uninsured, the Corporation's realization on its security and its exercise of foreclosure or power of sale rights in respect of the relevant property might not provide the Corporation with proceeds sufficient to satisfy the outstanding principal amount of, and interest owing, under the Mortgage loan. However, even in the event the loan is insured, the Corporation may not be able to realize proceeds sufficient to satisfy the outstanding principal amount of, and interest owing under, the Mortgage loan if its claim to the relevant Mortgage Insurance Company is denied in whole or in part or if the relevant Mortgage Insurance Company becomes insolvent.

While independent appraisals are required before the Corporation may make any Mortgage investments, the appraised values provided, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying Real Property, which may fluctuate. In addition, the appraised values

reported in independent appraisals may be subject to certain assumptions and conditions, including the completion of construction, rehabilitation, remediation or leasehold improvements on the Real Property providing security for the loan. There can be no assurance that these assumptions and conditions will be satisfied and if and to the extent they are not satisfied appraised value may not necessarily reflect the market value of the Real Property at the time the conditions are satisfied.

Concentration and Composition of the Mortgage Portfolio

The Mortgage Portfolio will be comprised primarily of Single Family Residential Mortgages, although the Corporation also may hold Other Mortgages and cash and cash equivalents. Given the concentration of the Corporation's exposure to Mortgages, the Corporation will be more susceptible to adverse economic or regulatory occurrences affecting Real Property than an entity that holds a diversified portfolio of securities. Investments in Mortgages are relatively illiquid. Such illiquidity will tend to limit the Corporation's ability to vary the composition of the Mortgage Portfolio promptly in response to changing economic or investment conditions. The investment objectives, investment strategies, investment restrictions and investment guidelines of the Corporation permit the assets of the Corporation to be invested in different types of Mortgages. Therefore, the composition of the Mortgage Portfolio may vary from time to time, subject to the investment objectives, investment strategies, investment restrictions and investment guidelines of the Corporation. The Mortgage Portfolio will be invested, and may from time to time be concentrated, by location of the properties, type of property, or other factors resulting in the Mortgage Portfolio being less diversified than at other times. As a result, the returns generated by the Mortgage Portfolio may change as its composition changes.

No Guarantees or Insurance

Other than Insured Single Family Residential Mortgages, a Mortgage borrower's obligations to the Corporation or any other person are not guaranteed by the Government of Canada, the government of any province or any agency thereof nor are they insured under the *National Housing Act* (Canada). In relation to uninsured Single Family Residential Mortgages, and if additional security is given by the borrower or a third party or if a private guarantor guarantees the Mortgage borrower's obligations, there is no assurance that such additional security or guarantee will be available or sufficient to make the Corporation whole if and when resort is to be had thereto. Further, Shares are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions thereof or any other legislation.

Competition

MCAP's products compete with those offered by banks, insurance companies, trust companies and other financial institutions. Certain of these competitors are better capitalized, hold a larger percentage of the Canadian Mortgage market, may have greater financial, technical and marketing resources than MCAP and will have greater name recognition than MCAP. MCAP will experience competition in all aspects of its business, including price competition. If price competition increases, MCAP may not be able to raise the interest rates it charges in response to a rising cost of funds or may be forced to lower the interest rates that it is able to charge borrowers, which has the potential to reduce the value of the Portfolio Mortgages that the Corporation has purchased from MCAP or the return on or yield of Portfolio Mortgages that the Corporation may purchase from MCAP. Price-cutting or discounting may reduce the return on or yield of the Portfolio Mortgages invested in by the Corporation. This could have a material adverse effect on the Corporation's business, financial condition and results of operations and on the amount of cash available for distribution to be made on the Shares.

Sensitivity to Interest Rates

At any point in time, the interest rates being charged for Portfolio Mortgages are reflective of the general level of interest rates and, as interest rates fluctuate, it is expected that the aggregate yield on Mortgage investments will also change. It is anticipated that the market price for the Shares and the value of the Mortgage Portfolio at any given time may be affected by the level and term structure of interest rates prevailing at such time. The Corporation's income will consist primarily of interest payments on the Portfolio Mortgages. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Portfolio Mortgages are based), the Corporation may find it difficult to purchase additional Mortgages bearing rates sufficient to achieve the targeted payment of distributions on the Shares. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Corporation's ability to maintain distributions on the Shares at a consistent level. As well, if interest rates increase, the value of the Corporation's Mortgage Portfolio may be negatively impacted.

Risks Related to Mortgage-Related Securities

The Corporation may invest in mortgage-related securities ("**Mortgage-Related 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). Such cash flows may be represented by separate securities or constitute contractual rights under securitization or other similar programs. In most cases, however, the underlying pool of Mortgages will consist of Insured Single Family Residential Mortgages rather than Mortgage-Related Securities.

In addition to default risk which can adversely affect Mortgage-Related Securities, investments in Mortgage-Related Securities are also generally sensitive to changes in the pre-payment rate on the applicable Mortgages underlying this form of investment. In particular, an increase in prepayments has the effect of shortening the average amortization, and thereby reducing the interest income, of the applicable underlying Mortgages, which may cause principal losses and a material adverse effect on the market value of Mortgage-Related Securities. Conversely, a decrease in the pre-payment rate and an increase in the amortization of the applicable underlying Mortgages may cause an increase in the market value of Mortgage-Related Securities.

Fluctuations in Distributions

The funds available for distribution by the Corporation will vary according to, among other things, the value of the Mortgage Portfolio and the interest earned thereon. Fluctuations in the market value of the Mortgage Portfolio may occur for a number of reasons beyond the control of the Manager or the Corporation. The Corporation depends on revenue generated from the Mortgage Portfolio. There can be no assurance regarding the amount of revenue that will be generated by the Portfolio Mortgages. The amount of distributions will depend upon numerous factors, including the ability of borrowers to make applicable payments under Portfolio Mortgages, interest rates, unexpected costs, and other factors which may not now be known by or which may be beyond the control of the Corporation, the Manager or MCAP. If the Board, on the advice of the Manager, determines that it would be in the best interests of the Corporation, it may reduce or suspend for any period, or altogether cease indefinitely, the distributions to be made on the Shares. Distributions made to Shareholders may exceed actual cash available to the Corporation from time to time because of items such as debt payment obligations, fluctuations in Mortgage Portfolio returns and redemptions of Shares, if any (provided that redemptions will no longer be a factor if the Proposed Transition is implemented). The excess cash required to fund distributions may be funded from the Loan Facility or from the capital of the Corporation.

Availability of Investments

As the Corporation relies on MCAP to source the Portfolio Mortgages, the Corporation is exposed to adverse developments in the business and affairs of MCAP, to its management and financial strength, competition faced by MCAP and by MCAP's ability to operate its businesses efficiently and profitably. The ability of the Corporation to make investments in accordance with its investment objectives, investment guidelines and investment strategies depends upon the availability of suitable investments and the amount of funds available to make such investments. Additionally, the Corporation may occasionally hold excess funds to be invested in additional Mortgages, which may negatively impact returns.

Risks Related to Mortgage Extensions and Mortgage Defaults

MCAP may from time to time deem it appropriate to extend or renew the term of a Portfolio Mortgage past its maturity, or to accrue the interest on a Portfolio Mortgage, in order to provide the borrower with increased repayment flexibility. MCAP generally will do so if it believes that there is a very low risk to the Corporation of not being repaid the full principal and interest owing on the Portfolio Mortgage. In these circumstances, however, the Corporation is subject to the risk that the principal and/or accrued interest of such Portfolio Mortgage may not be repaid in a timely manner or at all, which could impact the cash flows of the Corporation during and after the period in which it is granting this accommodation. Further, in the event that the valuation of the asset has fluctuated substantially due to market conditions, there is a risk that the Corporation may not recover all or substantially all of the principal and interest owed to the Corporation in respect of such Portfolio Mortgage. When a Mortgage is extended past its maturity, the loan can either be held over on a month-to-month basis, or renewed for an additional term at the time of its maturity. Notwithstanding any such extension or renewal, if the borrower subsequently defaults under any terms of the loan, the Mortgage Services Provider has the ability to exercise its Mortgage enforcement remedies in respect of the extended or renewed Mortgage. Exercising Mortgage enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact the cash flows of the Corporation during the period of enforcement. In addition, as a result of potential declines in Real Property values, the priority ranking of the Mortgage and other factors, there is no assurance that the Corporation will be able to recover all or substantially all of the outstanding principal and interest owed to the Corporation in respect of such Mortgages by the Mortgage Service Provider's exercise of Mortgage enforcement remedies for the benefit of the Corporation. Should the Corporation be unable to recover all or substantially all of the principal and interest owed to the Corporation in respect of such Mortgage loans, the returns, financial condition and results of operations of the Corporation could be adversely impacted.

Foreclosure or Power of Sale and Related Costs

One or more borrowers could fail to make payments according to the terms of their loan, and the Corporation could therefore be forced to exercise its rights as mortgagee. The recovery of a portion of the Corporation's assets may not be possible for an extended period of time during this process and there are circumstances where there may be complications in the enforcement of the Corporation's rights as mortgagee. Legal fees and expenses and other costs incurred by the Corporation in enforcing its rights as mortgagee against a defaulting borrower are usually recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, although there is no assurance that they will actually be recovered. In the event that these expenses are not recoverable they will be borne by the Corporation. Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, Mortgage payments to prior charge holders, insurance costs and related charges must be made through the period of ownership of Real Property regardless of whether Mortgage payments are being made. The Corporation may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

Litigation Risks

The Corporation may, from time to time, become involved in legal proceedings in the course of its business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. During litigation involving a borrower in respect of a Portfolio Mortgage, the Corporation may not be receiving payments of interest on such Portfolio Mortgage, thereby impacting cash flows. The unfavourable resolution of any legal proceedings could have an adverse effect on the Corporation and its financial position and results of operations that could be material.

Trading Price of Shares and Liquidity

The Shares may trade in the market at a premium or discount to book value per share and there can be no assurance that the Shares will trade at a price equal to book value per share or that a liquid market will develop. This risk is separate from the risk that the book value per share may decrease.

Qualification as a MIC

Although the Corporation intends to qualify at all times as a MIC, no assurance can be provided in this regard, including with respect to whether Mortgages representing junior tranches of first mortgages would be secured "debts" for purposes of the 50% asset test that must be met by the Corporation to qualify as a MIC. Although the Corporation is of the view that such Mortgages governed by participation agreements in the form entered into by the Corporation would be secured "debts" for purposes of the 50% asset test if acquired on the date hereof, no advance income tax ruling has been requested or obtained from the CRA in this regard and there can be no assurance that the CRA will agree with the Corporation's view. If for any reason the Corporation does not maintain its qualification as a MIC under the Income Tax Act, dividends paid by the Corporation on the Shares will cease to be deductible by the Corporation in computing its income and will no longer be deemed to have been received by Shareholders as interest or a capital gain, as the case may be. In such event, as long as a class of shares in the capital of the Corporation is listed on a designated stock exchange, the rules in the Income Tax Act regarding the taxation of public corporations and their shareholders apply, with the result that the combined corporate and shareholder tax may be significantly greater. In addition, unless the Shares are listed on a designated stock exchange, the Shares may not constitute qualified investments for trusts governed by registered retirement savings plans ("RRSP"), registered retirement income funds ("RRIF"), deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts ("TFSA") (collectively, "Plans").

The Corporation monitors major positions held in Shares in relation to the outstanding balance of Shares to ensure that no one Shareholder, together with Related Persons, of the Corporation exceeds the 25% maximum ownership limit set by the Income Tax Act for the Corporation to maintain its qualification as a MIC. The terms of the Shares include certain provisions intended to prevent this condition from being violated.

Reliance on the Manager

Pursuant to the Management Agreement, the Manager will advise the Corporation in a manner consistent with the investment objectives and the investment restrictions of the Corporation. Although the employees of the Manager who are primarily responsible for the performance of the obligations owed to the Corporation have extensive experience, there is no certainty that such individuals will continue to be employees of the Manager in the future. In addition, there is no assurance that the Manager will continue to provide services to the Corporation. There is no certainty that the persons who are currently officers and directors of the Manager will continue to act in such capacity. Shareholders will be required to rely on the good faith, expertise and judgment of the individuals comprising the management of the Manager

from time to time. Shareholders do not have the right to direct or influence in any manner the business or affairs of the Manager.

Reliance on MCAP

MCAP Service Corporation, in its capacity as the Mortgage Services Provider, will perform its obligations in relation to sourcing and servicing the Portfolio Mortgages, among other duties and obligations, and MCAP Financial Limited Partnership, in its capacity as the Mortgage Consultant, will perform its obligations in relation to the provision of Mortgage consulting services, among other duties and obligations. MCAP's operations on behalf of the Corporation and the Manager are dependent on the abilities, experience and efforts of its employees and management and other key employees including MCAP Commercial LP's senior management team. Should any of these persons be unable or unwilling to continue in their employment, this could have a material adverse effect on MCAP's operations on behalf of the Corporation and the Manager. Shareholders do not have the right to direct or influence in any manner the business or affairs of MCAP.

The Corporation May Be Unable to Fund Investments

The Corporation may commit to making future Mortgage investments in anticipation of repayment of principal outstanding and/or the payment of interest under existing Mortgage investments. In the event that such repayments of principal or payments of interest are not made, the Corporation may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may be required to obtain interim financing and to fund such commitments or face liability in connection with its failure to make such advances.

Leverage

The Manager intends to use the Loan Facility to enhance returns from the Mortgage Portfolio, and may use the Loan Facility to (i) facilitate its operating activities and fund working capital requirements, (ii) enhance the liquidity of assets and (iii) facilitate entering into Mortgage loans or funding subsequent advances in an expedient manner. The use of leverage may reduce returns (both distributions and capital) to Shareholders.

Conflicts of Interest

The Corporation is subject to a number of actual and potential conflicts of interest involving MCAP, the Mortgage Consultant and the Mortgage Services Provider. MCAP, the Mortgage Consultant and the Mortgage Services Provider provide Mortgage origination and/or Mortgage-related services to other investors, including FRFIs and pension funds as well as investing on their own account. Accordingly, the services provided by the Mortgage Consultant pursuant to the Mortgage Consulting Agreement and the Mortgage Services Provider pursuant to the Mortgage Services Agreement are not exclusive to the Corporation and neither the Mortgage Consulting Agreement nor the Mortgage Services Agreement restricts MCAP, the Mortgage Consultant or the Mortgage Services Provider from establishing, as applicable, additional Mortgage origination and/or servicing arrangements, contracting with competitors to the Corporation, entering into other advisory relationships or from engaging in other business activities, even though such activities may be in competition with the Corporation and/or involve substantial time and resources of MCAP, the Mortgage Consultant or the Mortgage Services Provider. MCAP, the Mortgage Consultant and/or the Mortgage Services Provider currently provide Mortgage origination and/or servicing to a number of different investors having more assets than the Corporation and this precludes MCAP, the Mortgage Consultant and/or the Mortgage Services Provider from devoting all of their time and effort to the business of the Corporation. In addition, the directors and officers of MCAP, the Mortgage Consultant and/or the Mortgage Services Provider may have a conflict of interest in allocating their time between respective businesses and interests of MCAP, the Mortgage Consultant, the

Mortgage Services Provider and the Corporation, and other businesses or projects in which they may become involved.

MCAP, the Mortgage Consultant and/or the Mortgage Services Provider may also manage, advise on or service Mortgages for institutional investors that may have investment objectives similar to those of the Corporation and may engage in sale and servicing transactions involving the same types of securities, instruments or Mortgage products as offered to the Manager for sale to the Corporation. Such transactions may be executed independently of those involving the Manager and the Corporation, and thus at prices or rates that may be more or less favourable than those obtained by the Corporation.

General Economic Conditions

The Mortgage financing industry in Canada continues to benefit from historically low and stable interest rates. There is a risk that an increase in interest rates could slow the pace of property sales and adversely affect growth in the Canadian Mortgage market, which could adversely affect the Corporation's operations. A decline in general economic conditions could also cause default rates to increase as creditworthiness decreases for borrowers. This could have a material adverse effect on the Corporation's operating results.

In addition, a significant decline in real estate values could negatively affect the Corporation's operating results and growth prospects as this may result in a decrease in the value of Mortgages. As property values decline, security on Mortgages could also be adversely affected, thereby reducing the ability to liquidate properties held by defaulting borrowers at favourable prices.

The Corporation's Mortgage Portfolio may include assets whose values can fluctuate because of changing interest rates and economic and market conditions. In addition, some of these assets could be difficult to sell at any given time. Changes in interest rates and other market factors such as stock market prices and demographics could affect the preferences of its customers for different types of products and adversely impact the Corporation's profitability. A reduction in positive spreads between Mortgage rates and capital market funding rates could have a material adverse effect on the Corporation's operating results.

In addition, there are economic trends and factors that are beyond the Corporation's control and which may affect its operations and business. Such trends and factors include adverse changes in the condition in the specific markets for the Corporation's and MCAP's products and services, the conditions in the broader market for Single Family Residential Mortgages and Other Mortgages and the conditions in the domestic or global economy generally. Although the Corporation's performance is affected by the general condition of the economy, not all of its service areas are affected equally. It is not possible for the Corporation's management to accurately predict fluctuations and the impact of such fluctuations on performance.

Restrictions on Ownership and Repurchase of Shares

No Shareholder of the Corporation is permitted, together with Related Persons, at any time, to hold more than 25% of any class of the issued shares of the Corporation. The terms and conditions of the Shares provide that the portion of such Shares held by a Shareholder, together with Related Persons, that exceeds 24.9% of the issued Shares will be repurchased by the Corporation. Such repurchases of Shares could be significant and could engender similar risks to those that arise in the context of significant redemptions of Shares.

Failure or Unavailability of Computer and Data Processing Systems and Software

MCAP Service Corporation is dependent upon the successful and uninterrupted functioning of its computer and data processing systems and software. The failure or unavailability of these systems could

interrupt operations or materially impact the Mortgage Consultant's and the Mortgage Services Provider's ability to originate, monitor or service customer accounts. If sustained or repeated, a system failure or loss of data could negatively affect the ability of the Mortgage Consultant and the Mortgage Service Provider to discharge their duties to the Corporation. In addition, the Mortgage Service Provider depends on automated software to collect payments on Mortgages. If such software fails or is unavailable on a prolonged basis, the Mortgage Service Provider could be required to manually complete such activities, which could have a material adverse effect on the Mortgage Service Provider's ability to discharge its duties to the Corporation.

Subordinate and Non-Conventional Financing

Subordinate financing (such as a second charge Mortgage), which, subject to the investment restrictions and investment guidelines, may be carried on by the Corporation in accordance therewith, is generally considered a higher risk than first ranking financing. Subject to the Corporation's investment restrictions, Portfolio Mortgages will be secured by a charge, which may be in a first, but may often be a subsequent, ranking position upon or in the underlying Real Property. When a charge on Real Property is in a position other than first ranking, it is possible for the holder of a prior charge on the Real Property, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the Real Property in order to realize the security given for such loan. Such actions may include a foreclosure action, or an action forcing the Real Property to be sold. A foreclosure action may have the ultimate effect of depriving any person having other than a first ranking charge on the Real Property of the value of their security of the Real Property. If an action is taken to sell the Real Property and sufficient proceeds are not realized from such sale to pay off all creditors who have prior charges on the Real Property, the holder of a subsequent charge will lose their investment or part thereof to the extent of such deficiency unless they can otherwise recover such deficiency from other property, if any, owned by the debtor. Where permitted by the investment restrictions and investment guidelines, and when the Corporation invests in a second or subsequent Mortgage, it will also hold the first Mortgage or have a written agreement with the holder of the first charge to deal with permitted actions and procedures on the default of the Mortgage. The Corporation may make an investment in a Mortgage where its Loan-to-Value exceeds 80%, which exceeds the investment limit for conventional Mortgage lending by Schedule A Banks.

Change in Legislation

There can be no assurance that certain laws applicable to the Corporation or to MCAP, including Canadian federal and provincial tax laws, tax proposals, securities laws, other governmental policies or regulations and governmental, administrative or judicial interpretation thereof, will not change in a manner that will adversely affect the Corporation, MCAP, the Mortgage Consultant or the Mortgage Services Provider or fundamentally alter the tax consequences to Shareholders acquiring, holding or disposing of Shares.

Changes in Mortgage Financing Regulations and Guidelines

There can be no assurance that future regulatory and guideline changes will not adversely affect the Corporation, MCAP, the Mortgage Consultant or the Mortgage Services Provider, including changes resulting in limited Mortgage investment opportunities and increased competition from FRFIs offering similar products. In the event of such increased competition, MCAP, the Mortgage Consultant and the Mortgage Services Provider may not be able to raise the interest rates it charges in response to a rising cost of funds or may be forced to lower the interest rates that it is able to charge borrowers, which has the potential to reduce the value of the Portfolio Mortgages that the Corporation has purchased from MCAP Service Corporation or the return on or yield of Portfolio Mortgages that the Corporation may purchase from MCAP Service Corporation. This could have a material adverse effect on the Corporation's

business, financial condition and results of operations and on the amount of cash available for distribution to be made on the Class A Shares.

Environmental Matters

On behalf of the Corporation, the Mortgage Services Provider may in the future take possession, through enforcement proceedings, of Real Properties that secure defaulted Portfolio Mortgages to recover the Corporation's investment in such Portfolio Mortgages. Prior to taking possession of Real Properties which secure a Mortgage investment, the Mortgage Services Provider will assess the potential environmental liability associated with such enforcement and determine whether it is significant, having regard to the value of the Real Property. If the Mortgage Services Provider subsequently takes possession of the Real Property, the Corporation could be subject to environmental liabilities in connection with such Real Property, which could exceed the value of the property.

Global Financial Developments

Global financial markets continue to experience uncertainty. This has been, in part, related to concerns over if and when central banks curtail asset purchases, reduce their balance sheets and/or look to increase interest rates. At the same time, capital regulations are expected to make liquidity and capital more expensive for banks. This has contributed to liquidity becoming a more valuable commodity for financial institutions and it has also raised concerns with respect to the continued availability of credit to those institutions and to the issuers who borrow from them. While the central banks as well as global governments continue to work to ensure the availability of much needed liquidity to the global economies, no assurance can be given that markets will continue to function, and that general asset pricing and asset valuation metrics will not be significantly reduced, if and when central banks potentially reduce the supply of liquidity to markets and/or look to increase interest rates. No assurance can be given that efforts to respond to the continued weak underlying economic performance in western countries will continue or that, if continued, they will be successful or these economies will not be adversely affected by potential inflationary pressures resulting from the steps previously taken by central banks in relation to the financial crisis or central banks' efforts to slow inflation if and when it appears. These market conditions and further volatility or illiquidity in capital markets may also adversely affect the prospects of the Corporation and the value of the portfolio. A substantial decline in equities markets could be expected to have a negative effect on the Corporation and the market price of the Shares.

Market Disruptions

War and occupation, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect securities markets, inflation and other factors relating to the value or liquidity of the Mortgage Portfolio.

Accrued Gains

The adjusted cost base to the Corporation for tax purposes of Portfolio Mortgages may be less than their fair market value. Accordingly, the Corporation may realize capital gains upon the disposition of Portfolio Mortgages. The Corporation intends to distribute any such capital gains (less any applicable capital losses) as capital gains dividends to Shareholders. Capital gains dividends received by a Shareholder will be treated as a capital gain of the Shareholder from a disposition of capital property in the year in which the dividend is received.

Exchange of Tax Information

The Corporation is required to comply with due diligence and reporting obligations imposed under Part XVIII of the Income Tax Act that implemented the Canada-United States Enhanced Tax Information Exchange Agreement. As long as the Shares continue to be listed and are regularly traded on the TSX, the Corporation should not have any U.S. reportable accounts and, as a result, it should not be required to provide information to the CRA in respect of Shareholders. However, dealers through which Shareholders hold their Shares are subject to due diligence and reporting obligations with respect to financial accounts that they maintain for their clients. Shareholders may be requested to provide information to their dealer in order to allow the dealer to identify U.S. persons holding Shares. If a Shareholder is a U.S. person (including a U.S. citizen or green card holder who is resident in Canada) or if the Shareholder does not provide the requested information, the Shareholder's dealer will be required by the Income Tax Act to report certain information about the Shareholder's investment in the Corporation to the CRA, unless the Shares are held by a Plan. The CRA is expected to provide that information to the U.S. Internal Revenue Service.

Bill C-29, Budget Implementation Act, 2016, No. 2 contains proposals to amend the Income Tax Act to implement the Organization for Economic Co-operation and Development Common Reporting Standard (the "CRS Proposals"). Pursuant to the CRS Proposals, "Canadian financial institutions" (as defined in the CRS Proposals) would be required to have procedures in place to identify accounts held by residents of foreign countries (other than the U.S.) or by certain entities the "controlling persons" of which are resident in a foreign country (other than the U.S.) or by certain entities the "controlling persons" of which are resident in a foreign country (other than the U.S.) and to report required information to the CRA. Such information would be exchanged on a reciprocal, bilateral basis with countries that have agreed to bilateral information exchange with Canada under the Common Reporting Standard in which the account holders or such controlling persons are resident. Under the CRS Proposals, after June 30, 2017, Common Shareholders will be required to provide certain information regarding their investment in the Corporation for the purpose of such information exchange (which information exchange is expected to occur beginning in May 2018), unless the investment is held within Plans.

DIVIDENDS AND DISTRIBUTION POLICY

Dividends are declared from time to time by the Board, acting in its sole discretion, out of the assets of the Corporation available for the payment of dividends and other distributions. Shareholders are entitled to receive dividends as and when declared. The Corporation intends to continue to make monthly cash distributions to Shareholders of record on the last business day of each month and pay such cash dividends on or before the 10th business day of the following month. Notwithstanding the above, the Corporation has the right to determine a record date that is other than the last business day of each month.

The amount of monthly cash dividends may fluctuate from month to month and there can be no assurance that the Corporation will make any dividends in any particular month or months.

The Corporation offers a distribution reinvestment plan (the "DRIP"), pursuant to which Shareholders are entitled to elect to have dividends and other distributions of the Corporation automatically reinvested, commission free, in additional Shares at a price per Share calculated by reference to the volume weighted average trading price on the TSX for the ten trading days immediately preceding the relevant distribution payment date. No brokerage commission is payable to the broker of a Shareholder in connection with the purchase of a Share under the DRIP. All administrative costs are borne by the Corporation. Shareholders resident outside of Canada are not entitled to participate in the DRIP. Upon ceasing to be a resident of Canada, a Shareholder must terminate his or her participation in the DRIP. The Manager will make available to each Shareholder annually within the time periods prescribed by law the information necessary to enable such Shareholder to complete an income tax return with respect to amounts paid by the Corporation to the Shareholder in the preceding taxation year of the Corporation.

Historical declared distributions to the holders of Shares are shown below.

Record Date	Payment Date	Dividend per Share
Aug 30, 2013	Sep 16, 2013	$0.05000
Sep 30, 2013	Oct 15, 2013	$0.05000
Oct 31, 2013	Nov 14, 2013	$0.05000
Nov 29, 2013	Dec 13, 2013	$0.05000
Dec 31, 2013	Jan 15, 2014	$0.05000
Jan 31, 2014	Feb 14, 2014	$0.05000
Feb 28, 2014	Mar 14, 2014	$0.05000
Mar 31, 2014	Apr 14, 2014	$0.05000
Apr 30, 2014	May 14, 2014	$0.05000
May 30, 2014	Jun 13, 2014	$0.05000
Jun 30, 2014	Jul 15, 2014	$0.05000
Jul 31, 2014	Aug 15, 2014	$0.05000
Aug 29, 2014	Sep 15, 2014	$0.05000
Sep 30, 2014	Oct 15, 2014	$0.05000
Oct 31, 2014	Nov 14, 2014	$0.05000
Nov 28, 2014	Dec 12, 2014	$0.05000
Dec 31, 2014	Jan 15, 2015	$0.05000
Jan 30, 2015	Feb 13, 2015	$0.05000
Feb 27, 2015	Mar 13, 2015	$0.05000
Mar 31, 2015	Apr 15, 2015	$0.05000
Apr 30, 2015	May 15, 2015	$0.05417

Record Date	Payment Date	Dividend per Share
May 29, 2015	Jun 12, 2015	$0.05417
Jun 30, 2015	Jul 15, 2015	$0.05417
Jul 31, 2015	Aug 17, 2015	$0.05417
Aug 31, 2015	Sep 15, 2015	$0.05417
Sep 30, 2015	Oct 15, 2015	$0.05417
Oct 30, 2015	Nov 13, 2015	$0.05417
Nov 30, 2015	Dec 14, 2015	$0.05417
Dec 31, 2015	Jan 15, 2016	$0.05417
Jan 29, 2016	Feb 12, 2016	$0.05417
Feb 29, 2016	Mar 14, 2016	$0.05417
Mar 31, 2016	Apr 14, 2016	$0.05417
Apr 29, 2016	May 13, 2016	$0.05417
May 31, 2016	Jun 14, 2016	$0.05417
Jun 30, 2016	Jul 15, 2016	$0.05417
Jul 29, 2016	Aug 15, 2016	$0.05417
Aug 31, 2016	Sep 15, 2016	$0.05417
Sep 30, 2016	Oct 17, 2016	$0.05417
Oct 31, 2016	Nov 14, 2016	$0.05417
Nov 30, 2016	Dec 14, 2016	$0.05417
Dec 30, 2016	Jan 16, 2017	$0.05417

CONSOLIDATED CAPITALIZATION

There have been no material changes in the share and loan capital of the Corporation since June 30, 2016. Set forth in the table below is the capitalization of the Corporation as at June 30, 2016 and at such date as adjusted to give effect to the Proposed Transition.

	Authorized	**Outstanding as at June 30, 2016**	**Outstanding as at June 30, 2016 after Giving Effect to the Proposed Transition[1]**
Share Capital			
Class A Shares[2]	Unlimited	$24,140,326 (2,509,998 Class A Shares)	nil
Common Shares[2]	Unlimited	nil	$24,140,326 (2,509,998 Common Shares)
Voting Shares	100	$67 (7 Voting Shares)	nil
Total Capitalization		**$24,140,393**	**$24,140,326**

Notes:

(1) Assuming no redemptions.

(2) Pursuant to the Proposed Transition, articles of amendment of the Corporation will be filed to create the Common Shares and to exchange, on the effective date of the Proposed Transition, all Class A Shares for Common Shares.

PRINCIPAL HOLDERS OF SHARES

As at October 27, 2016, 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 Class A Shares, other than those noted below:

Class A Shares

Name	**Number of Class A Shares Held**	**Approximate Proportion of Class A Shares Held to All Outstanding Class A Shares**
MCAP Commercial LP	300,000	12%
The Braaten Joint Partner Trust	250,000	10%

PRIOR SALES

The following table sets out the prior sales of the Shares by the Corporation for the 12 month period prior to the date of this schedule.

Issue Type	Date	Price per Share	Quantity	Gross Proceeds[1]
DRIP	April 14, 2016	$9.5911[2]	179	$1,717
DRIP	May 13, 2016	$9.6087[2]	180	$1,730
DRIP	June 14, 2016	$9.6227[2]	188	$1,809

Notes:

(1) These amounts have been rounded.

(2) Ascribed value. These values have been rounded.

The Shares are listed for trading on the TSX under the symbol "ERM". The following table summarizes the high and low prices for the Shares and the volume of trading for the Shares on the TSX on a monthly basis for the 12 month period prior to the date of this schedule.

Month	High	Low	Volume
October 2015	$9.20	$8.76	28,061
November 2015	$9.20	$8.99	49,494
December 2015	$9.35	$8.75	45,696
January 2016	$9.20	$8.50	52,711
February 2016	$9.50	$9.15	45,267
March 2016	$9.45	$9.12	24,455
April 2016	$9.39	$9.15	34,491
May 2016	$9.50	$9.20	19,257
June 2016	$9.44	$9.10	50,582
July 2016	$9.98	$9.14	18,862
August 2016	$9.52	$9.27	23,846
September 2016	$9.45	$9.31	17,982

CANADIAN INCOME TAX CONSIDERATIONS

The following is a general summary, as of the date hereof, of the principal Canadian federal income tax consequences generally applicable to the acquisition, holding and disposition of Common Shares by an investor who, for purposes of the Income Tax Act, is a resident of Canada, deals at arm's length and is not affiliated with the Corporation and holds the Common Shares as capital property. The Common Shares will generally be considered to constitute capital property to an investor unless the investor either holds the Common Shares in the course of carrying on a business of trading or dealing in securities or has acquired the Common Shares in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain investors who are resident in Canada and whose Common Shares do not otherwise qualify as capital property may, in certain circumstances, make an irrevocable election to have their Common Shares and every other "Canadian security" (as defined in the Income Tax Act) owned by them deemed to be capital property.

This summary does not apply to an investor (i) that is a "specified financial institution" or a "financial institution" both as defined in the Income Tax Act; (ii) an interest in which constitutes a "tax shelter investment" within the meaning of the Income Tax Act; (iii) that reports its Canadian tax results in a "functional currency" (which excludes Canadian dollars); or (iv) that has entered or will enter into a

"derivative forward agreement" (as that term is defined in the Income Tax Act) with respect to the Common Shares.

This summary is based on the current provisions of the Income Tax Act, all specific amendments to the Income Tax Act publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof (the "Proposals"), and an understanding of the current administrative practices and assessing policies of the CRA that have been published in writing by it prior to the date hereof. Except for the Proposals, this summary does not take into account or anticipate any change in law, whether by legislative, governmental or judicial decision or action, or any changes in the administrative practices and assessing policies of the CRA, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ significantly from the tax considerations described herein. No assurance can be given that the Proposals will be enacted in the form proposed or at all.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Common Shares. It is not intended to constitute tax advice to any prospective investor. The income tax consequences of acquiring, holding and disposing of Common Shares will vary depending on the investor's particular circumstances, including the province in which the investor resides or carries on business. Investors are urged to consult their own income tax advisers with respect to their particular circumstances.

Status of the Corporation

Classification under Income Tax Act

This summary is based upon the assumption that the Corporation will qualify as a MIC at all times. The Corporation intends to meet all of the requirements under the Income Tax Act to qualify as a MIC at all times. If the Corporation were to not qualify as a MIC at any time, the income tax considerations would be materially different from those described below.

MIC Requirements

The following requirements must be met throughout a taxation year in order for the Corporation to qualify as a MIC for that taxation year:

a) *Canadian Corporation.* The Corporation must be a "Canadian corporation", as defined in the Income Tax Act, which generally means a corporation incorporated or resident in Canada;

b) *Undertaking.* The Corporation's only undertaking was the investing of its funds. The Corporation cannot have managed or developed any real or immovable property;

c) *Prohibited Foreign Investment.* None of the property of the Corporation consisted of debts owing to the Corporation secured on real or immovable property situated outside Canada, debts owing to the Corporation by non-resident persons unless such debts were secured on real or immovable property situated in Canada, shares of the capital stock of corporations not resident in Canada, or real or immovable property situated outside of Canada or any leasehold interest in such property;

d) *Shareholder Requirements.* The Corporation had at least 20 shareholders. In addition, no shareholder (together with Related Persons, see below) of the Corporation at any time in the year owned, directly or indirectly, more than 25% of the issued shares of any class of the Corporation. Special rules apply for the purposes of counting shareholders that are registered pension plans or deferred profit sharing plans;

e) *Voting Shareholders.* Holders of preferred shares (as defined in the Income Tax Act) (if any) of the Corporation have the right, after payment to them of their preferred dividends and payment of dividends in a like amount per Share to the Common Shareholders, to participate pari passu (equally) with the Common Shareholders in any further payment of dividends;

f) *50% Asset Test*. The cost amount for purposes of the Income Tax Act to the Corporation of its property in the form of or as a combination of money, debts secured on certain specified residential properties, and funds on deposit with a bank or other corporation any of whose deposits are insured by the Canada Deposit Insurance Corporation or the Régie de l'assurance-dépôts du Québec or a credit union (such debts and deposits referred to as "Required Property") constituted at least 50% of the cost amount to the Corporation of all of its property;

g) *25% Asset Test.* The cost amount for tax purposes to the Corporation of its property in the form of interests in real or immovable property (including leasehold interests in such property but excepting real or immovable property acquired by foreclosure after default by the mortgagor) did not exceed 25% of the cost amount to the Corporation of all of its property; and

h) *Debt to Equity Ratio.* Where at any time in the year the cost amount to the Corporation for purposes of the Income Tax Act of its money and Required Property represented less than two-thirds of the aggregate cost amount to the Corporation of all of its property, the Corporation's liabilities may not exceed 75% of the cost amount to the Corporation of all its property. Where, however, throughout the year the cost amount to the Corporation of its money and Required Property represented two-thirds or more of the aggregate cost amount to the Corporation of all of its property, the Corporation's liabilities may not exceed 83.33% of the cost amount to the Corporation of all its property.

With respect to the requirement noted above that no shareholder (together with Related Persons) may own more than 25% of the shares of any class of the Corporation, for these purposes "Related Persons" include a corporation and the person or persons that control the corporation, a parent corporation and its subsidiary corporation(s) and corporations that are part of the same corporate group, and an individual and that individual's spouse, common law partner or child under 18 years of age. The rules in the Income Tax Act defining "Related Persons" are complex and Shareholders should consult with their own tax advisors in this regard.

For the purposes of the 50% asset test noted above, the requirement is that the Corporation's investments must comprise the specified minimum amount of "debts" that are secured by mortgages, hypothecs or in any other manner, on "houses" as that term is defined in section 2 of the *National Housing Act* (Canada) or on property included within a "housing project", as that term is defined in that section as it read on June 16, 1999. Generally, a "house" for this purpose includes all or part of a building or moveable structure that is intended for human habitation containing not more than two family housing units, and "housing project" for this purpose means a project consisting of one or more houses, one or more multiple family dwellings, housing accommodation of the hostel or dormitory type, one or more condominium units or any combination thereof, together with any public space, recreational facilities, commercial space and other buildings appropriate to the project, but does not include a hotel.

Eligibility for Investment

The Common Shares will be qualified investments as of the date hereof for Plans, provided that the Corporation qualifies at all times as a MIC and further provided that at any time in the relevant calendar year, the Corporation does not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employee, or a subscriber under the Plan, or of any other person who does not deal at arm's length with that person. The Common Shares which are listed on a

designated stock exchange, which includes the TSX, will also be qualified investments as of the date hereof for Plans. The Common Shares are currently listed on the TSX.

The Common Shares will not be a "prohibited investment" for trusts governed by a TFSA, RRSP or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, (i) does not deal at arm's length with the Corporation; or (ii) has a "significant interest" as defined in the Income Tax Act in the Corporation. Generally, a holder or annuitant, as the case may be, will not have a significant interest in the Corporation unless the holder or annuitant, as the case may be, owns, directly or indirectly, 10% or more of the issued shares of any class of the capital stock of the Corporation (or of any related corporation), either alone or together with persons with which the holder or annuitant, as the case may be, does not deal at arm's length. In addition, the Common Shares will not be a "prohibited investment" if the Common Shares are "excluded property" as defined in the Income Tax Act for trusts governed by a TFSA, RRSP or RRIF.

Holders or annuitants should consult their own tax advisors with respect to whether Common Shares would be prohibited investments, including with respect to whether the Common Shares would be excluded property.

Taxation of the Corporation

The Corporation will be considered to be a public corporation either on the basis that it qualifies as a MIC or on the basis that the Common Shares are listed on the TSX. As a public corporation, the Corporation is subject to tax at the full general corporate income tax rates on its taxable income. However, provided the Corporation qualifies as a MIC, the Corporation may deduct in computing its income for a taxation year the amount of dividends paid to its Shareholders as follows:

a) all taxable dividends, other than capital gains dividends, paid by the Corporation to its Shareholders during the year or within 90 days after the end of the year (to the extent not deductible in computing the Corporation's income for the previous year); and

b) one-half of all capital gains dividends paid by the Corporation to its Shareholders during the period commencing 91 days after the commencement of the year and ending 90 days after the end of the year.

The Corporation must elect to have a dividend qualify as a capital gains dividend. The Corporation may elect that dividends paid during a 12 month period commencing 91 days after the commencement of a taxation year and ending 90 days after the end of the year be capital gains dividends to the extent of the Corporation's capital gains for the year less any applicable capital losses. The election must be made in respect of the full amount of a dividend and can only be made if the Corporation qualifies as a MIC throughout the taxation year.

The Corporation intends to make distributions to the extent necessary to reduce its taxable income each year to nil so that no tax is payable by it under Part I of the Income Tax Act and to generally elect to have dividends treated as capital gains dividends to the maximum extent allowable.

Taxation of Common Shareholders

Distributions

A Common Shareholder is required to include in its income, as interest payable on a bond issued by the Corporation, any amount received by the Common Shareholder from the Corporation as or on account of a taxable dividend (other than capital gains dividends), whether paid in cash or reinvested in Common Shares. Capital gains dividends received by a Common Shareholder (whether paid in cash or reinvested in

Common Shares) will be treated as a capital gain of the Common Shareholder from a disposition of capital property in the year in which the dividend is received. See “Disposition of Common Shares” below for the tax treatment of capital gains.

The gross up and dividend tax credit applicable to taxable dividends received by individuals from a taxable Canadian corporation will not apply to dividends paid by the Corporation. Any amount paid by the Corporation to a Common Shareholder on a return of capital will generally be deemed to be a dividend paid by the Corporation and received by the Common Shareholder. This deemed dividend will be treated in the same manner as other dividends received by the Common Shareholder from the Corporation, and its treatment will depend on whether the Corporation elects that the entire dividend be a capital gains dividend (to the extent that the Corporation has realized sufficient capital gains, net of any applicable capital losses, in the year). A return of capital on the Common Shares will generally not affect the adjusted cost base of a Common Shareholder’s Common Shares.

The amount of a dividend reinvested in additional Common Shares will be the cost of such Common Shares and will be averaged with the cost of other Common Shares owned by the Common Shareholder in determining the adjusted cost base of a Common Shareholder’s Common Shares.

Disposition of Common Shares

A sale or other disposition of a Common Share by a Common Shareholder (other than to the Corporation), including a deemed disposition, will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition of the Common Share exceed (or are exceeded by) the Common Shareholder’s adjusted cost base of such Common Share and any reasonable disposition costs.

In general, one-half of a capital gain (“taxable capital gains”) realized in the year by a Common Shareholder on the disposition of Common Shares will be included in the Common Shareholder’s income for the year, and one half of a capital loss (“allowable capital losses”) realized in the year on such disposition of Common Shares will be deducted from the Common Shareholder’s taxable capital gains, if any, realized in such year. Allowable capital losses in excess of taxable capital gains for a particular year may generally be carried back three years or forward indefinitely and deducted against taxable capital gains realized in such years, subject to the detailed rules in the Income Tax Act.

Common Shareholders realizing capital gains on the disposition of Common Shares or receiving capital gains dividends on Common Shares may be subject to alternative minimum tax under the Income Tax Act.

On a repurchase of Common Shares by the Corporation, the Common Shareholder generally will be deemed to have received, and the Corporation will be deemed to have paid, a dividend in an amount equal to the amount by which the purchase price exceeds the paid-up capital of the repurchased Common Shares. This deemed dividend will be treated in the same manner as other dividends received by the Common Shareholder from the Corporation, and its treatment will depend on whether the Corporation elects that the entire dividend be a capital gains dividend (to the extent the Corporation has realized sufficient capital gains, net of any applicable capital losses, in the year). The balance of the purchase price will constitute proceeds of disposition of the Common Shares for purposes of the capital gains rules, as described above.

Taxation of Plans

Dividends received by a Plan on Common Shares that are a qualified investment for such a Plan will be exempt from income tax in the Plan, as will capital gains realized by the Plan on the disposition of such Common Shares. Withdrawals from Plans, other than a TFSA and registered education savings plan in some cases, are generally subject to tax under the Income Tax Act.

Tax Implications of the Corporation's Distribution Policy

If a Common Shareholder invests in Common Shares before a dividend is declared, the Common Shareholder will be taxed on the full amount of any such dividend that is received by the Common Shareholder (and similarly in the case of a deemed dividend resulting from a return of capital distribution). If the Corporation adopts a distribution policy of paying equal monthly distributions to Common Shareholders of record on the last business day of each month, an investor who acquires a Common Share late in the month but prior to the dividend or other distribution will pay tax on the entire dividend (or deemed dividend) though the Common Shareholder will have only recently acquired Common Shares.

DIRECTORS AND OFFICERS OF THE CORPORATION

Directors and Officers

Assuming the completion of the Proposed Transition, the following table sets forth the name, municipality of residence and position of the directors and officers of the Corporation, and his or her position and office with the Corporation, and respective principal occupation during the five preceding years.

Name and Municipality of Residence	Position with the Corporation	Principal Occupation
MARK A. CARANCI[(1)] Toronto, Ontario	President and Chief Executive Officer Director (appointed April 2013)	President and Chief Executive Officer, Brompton Funds Limited and Brompton Corp.
RAYMOND R. PETHER[(2)] Toronto, Ontario	Director (appointed April 2013)	Director, Brompton Funds Limited and Brompton Corp.
CHRISTOPHER S. L. HOFFMANN[(2)] Toronto, Ontario	Director (appointed August 2014)	Director, Brompton Funds Limited since July 2014; Director of Brompton Corp.; Vice President of Nutowima Ltd.; private investor
CRAIG T. KIKUCHI[(1)] Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Brompton Funds Limited and Brompton Corp.; Director, Brompton Funds Limited since July 2014; previously Corporate Secretary, Brompton Funds from July 2013 to March 2015,
ARTHUR R.A SCACE[(2)(3)] Toronto, Ontario	Director (appointed May 2013)	Corporate Director
JAMES W. DAVIE[(2)(3)] Toronto, Ontario	Director (appointed May 2013)	Corporate Director
KEN S. WOOLNER[(2)(3)] Calgary, Alberta	Director (appointed May 2013)	Chief Executive Officer and Director of Velvet Energy Ltd.
CHRISTOPHER CULLEN Toronto, Ontario	Senior Vice President	Senior Vice President, Brompton Funds Limited and Brompton Corp.
ANN WONG Toronto, Ontario	Vice President and Controller	Vice President and Controller, Brompton Funds Limited and Brompton Corp.

Name and Municipality of Residence	Position with the Corporation	Principal Occupation
JASON GOLETZ Toronto, Ontario	Vice President, Sales & Marketing	Vice President, Sales and Marketing, Brompton Funds Limited and Brompton Corp. since May 2012; previously Director of Sales, Qwest Investment Management from March 2009 to May 2012
KATHRYN BANNER Toronto, Ontario	Vice President and Corporate Secretary	Vice President & Corporate Secretary, Brompton Funds Limited and Brompton Corp. since March 2015, Assistant Vice President, Brompton Funds Limited and Brompton Corp. from February 2011 to March 2015

Notes:

(1) Executive officer of the Corporation.

(2) Independent director of the Board.

(3) Member of the Audit Committee.

Directors and executive officers of the Corporation, as of October 27, 2016, as a group beneficially owned, directly or indirectly, or exercised control or direction over approximately 30,000 Shares, representing approximately 1.2% of the issued and outstanding Shares.

The term of each director expires at the close of the next annual meeting of the Corporation following such director's appointment. 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.

Corporate Cease Trade Orders or Bankruptcies

No director or executive officer of the Corporation: (a) is, or has been in the last 10 years before the date hereof, a director, chief executive officer or chief financial officer of an issuer (including the Corporation) that: (i) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an order 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 of director, chief executive officer or chief financial officer; or (b) is, or has been in the last 10 years, a director or executive officer of any issuer (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. For the purposes of paragraph (a) above, "order" means 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.

Penalties or Sanctions

No director or executive officer of the Corporation has been subject to (i) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, or has entered into a settlement agreement with a Canadian securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in deciding to vote for a proposed director.

Personal Bankruptcies

No director or executive officer of the Corporation has in the last 10 years, 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 his assets.

Biographies

Mark A. Caranci (President, Chief Executive Officer and Director): Mr. Caranci has over 24 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 April 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 12 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 (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 (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.

Craig T. Kikuchi (Chief Financial Officer and Director): Mr. Kikuchi has over 20 years of financial experience with public and private companies. Mr. Kikuchi joined the Brompton Group in 2002 as Controller, served as Vice-President and became Chief Financial Officer of Brompton Funds in October 2006 and Director in July 2014. Mr. Kikuchi worked for PricewaterhouseCoopers LLP from September 1996 to January 2002, where he held progressively senior roles, including the role of manager in both the assurance and business advisory services practice and the taxation and legal services practice. Mr. Kikuchi is a Chartered Professional Accountant and is a member of the Chartered Professional Accountants of Ontario. He is also a CFA charterholder and is a member of the Toronto CFA Society. He received a Bachelor of Arts degree in Economics from the University of Western Ontario.

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 20 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.

Christopher Cullen (Senior Vice-President): Mr. Cullen has over 15 years of professional experience in banking, securities, and engineering. Mr. Cullen joined the Brompton Group in March of 2006 and is Senior Vice-President of Brompton Funds. Previously Mr. Cullen was a Commercial Banking Manager at Canadian Imperial Bank of Commerce, and prior to this he was a Research Associate with UBS Securities (Canada). From 1997 to 1999, Mr. Cullen was a Process Engineer with an international engineering consultancy. Mr. Cullen is a CFA charterholder and is a member of the Toronto CFA Society. Mr. Cullen graduated with a Bachelor of Applied Science in Chemical Engineering and Applied Chemistry (Honours) from the University of Toronto and a Master of Business Administration from the Rotman School of Management, also at the University of Toronto.

Jason Goletz (Vice-President, Sales & Marketing): Mr. Goletz has over 20 years of experience in the investment and financial services industry. Mr. Goletz joined Brompton in 2012 and is Vice-President, Sales & Marketing. Prior to his role at Brompton, Mr. Goletz held various senior sales and marketing positions with private and public fund companies and investment dealers including Qwest Investment Management Corporation, Integral Wealth Securities Limited, and Sentry Select Capital Inc. Mr. Goletz received a Bachelor of Arts degree in Economics from the University of Toronto.

Ann Wong (Vice-President and Controller): Ms. Wong has over 15 years of financial experience with public and private companies and is Vice-President and Controller of Brompton Funds. Prior to joining the Brompton Group, Ms. Wong was a Senior Manager in the Treasury Finance group of Canadian Imperial Bank of Commerce, and also worked for PricewaterhouseCoopers LLP as a manager in the assurance and business advisory services practice. Ms. Wong is a Chartered Professional Accountant, a member of the Chartered Professional Accountants of Ontario and a Certified Public Accountant from the State of Delaware. She is also a CFA charterholder and a member of the Toronto CFA Society. She received a Bachelor of Arts degree and a Master of Accounting degree from the University of Waterloo.

Kathryn Banner (Vice-President and Corporate Secretary): Ms. Banner has been involved in the financial industry for over 18 years. Since joining the Brompton Group in 2000, Ms. Banner has held progressively senior roles and is currently Vice- President and Corporate Secretary of Brompton Funds with a focus on regulatory, compliance and corporate services. From 1996 to 2000, Ms. Banner was employed by a financial services company. She has been involved with investment funds, a public energy services income trust and both international and domestic oil and gas companies. She received a Bachelor of Arts degree and a Master of Arts degree from the University of Waterloo.

Conflicts of Interest

The Manager, MCAP, the Mortgage Consultant and the Mortgage Services Provider and their directors and officers engage in the promotion, management, investment management, mortgage consulting or mortgage services of other funds, trusts or corporations with investment objectives similar to the Corporation. MCAP, the Mortgage Consultant and the Mortgage Services Provider may act as mortgage consultant or mortgage services provider for other entities and may in the future act as mortgage consultant or mortgage services provider to other entities which may be considered competitors of the Corporation. The services of the Manager are not exclusive to the Corporation. The directors and officers of the Corporation are required by law to act in the best interests of the Corporation. Discharge by the directors and officers of the Corporation of their obligations to the Corporation may result in a breach of their obligations to the other companies, and in certain circumstances could expose the Corporation to liability to those companies. Similarly, discharge by the directors and officers of their obligations, if applicable, to any other company could result in a breach of their obligations to act in the best interests of the Corporation.

The Manager, MCAP, the Mortgage Consultant or Mortgage Service Provider or their affiliates may be managers or administrators of funds or corporations with similar investment objectives as the Corporation. Although none of the directors or officers of the Manager, MCAP, the Mortgage Consultant or Mortgage Service Provider will devote his or her full time to the business and affairs of the Corporation, each director and officer of the Manager, the Mortgage Consultant or Mortgage Service Provider will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Corporation, the Manager and the Mortgage Consultant or Mortgage Service Provider, as applicable.

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 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 Proposed Transition, in consideration of these services provided to the Corporation, the Manager will be paid a Management Fee equal to 0.55% of the Total Assets of the Corporation, paid monthly in arrears, plus applicable taxes. 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.

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 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 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 that is attributable to time spent by such Named Executive Officer on the activities of the Corporation during the financial years ended December 31, 2013, 2014 and 2015. The term "**Named Executive Officer**" when used in this Appendix IV 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, 2015, 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	**2015** **2014** **2013**	6,975 5,135 8,384	nil nil nil	nil nil nil	2,389 1,491 2,564	nil nil nil	nil nil nil	nil nil nil	9,364 6,626 10,948
Craig T. Kikuchi Chief Financial Officer	**2015** **2014** **2013**	4,628 3,425 5,622	nil nil nil	nil nil nil	1,938 1,328 1,917	nil nil nil	nil nil nil	nil nil nil	6,566 4,753 7,539

Director Compensation

Mark A. Caranci, Christopher S. L. Hoffmann and Raymond R. Pether do not receive any remuneration from the Corporation for serving as a member of the Board or any Board committee. Only Arthur R. A. Scace, James W. Davie and Ken S. Woolner receive compensation as directors of the Corporation. They are each currently paid an annual fee of $1,250. 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, 2015.

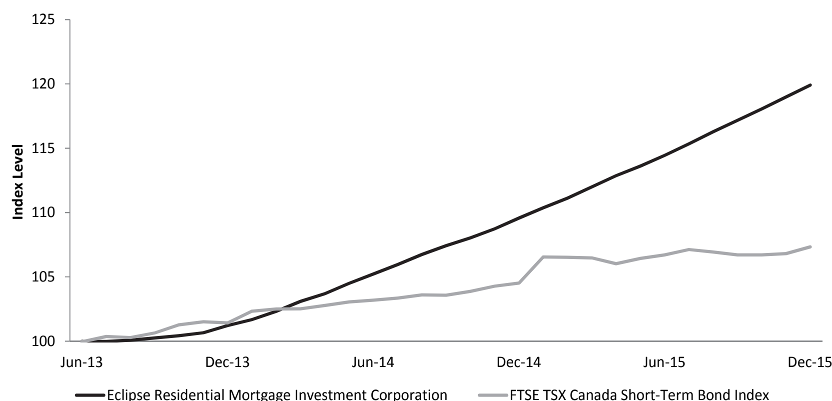
Name	Fees earned ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total ($)
Arthur R. A. Scace	2,500	nil	nil	nil	nil	nil	2,500
James W. Davie	2,500	nil	nil	nil	nil	nil	2,500
Ken S. Woolner	2,500	nil	nil	nil	nil	nil	2,500

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 since the Corporation has been a reporting issuer, 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 Shares was $119.90 or 19.9% as compared to $107.34 or 7.34% for its benchmark the FTSE TMX Canada Short-Term Bond Index.



Share-Based and Options-Based Awards

The Corporation 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.

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.

Corporate Strategy

The Manager and the 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 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.
- Brompton Corp.

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

- Brompton 2015 Flow-Through Limited Partnership
- Canadian High Income Equity Fund
- Flaherty & Crumrine Investment Grade Fixed Income Fund
- Precious Metals Bullion Trust
- Symphony Floating Rate Senior Loan Fund
- SSF Trust
- Taylor North American Equity Opportunities Fund
- Tech Leaders Income Fund
- Goldman Sachs U.S. Income Builder Trust
- Global Healthcare Income & Growth Fund

Messrs. Caranci, Pether and Hoffmann are also directors of Brompton Flow-Through Management Limited, the general partner Brompton 2015 Flow-Through Limited Partnership. They are also directors of Brompton Mutual Funds Limited, with classes of shares of Brompton Resource Class and Brompton Dividend & Income Class, as well as Brompton Opportunities Fund Inc., with a class of shares of Brompton Energy Opportunities Fund.

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

Arthur R. A. 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 are independent: James W. Davie, Christopher S. L. Hoffmann, Raymond R. Pether, Arthur R. A. Scace and Ken S. 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. Consequently, a majority of the members of the Board are independent.

The Board has determined that Mark 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 Board holds in camera independent director meetings following every scheduled Board meeting as well as following special Board meetings as deemed necessary.

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. 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 all current Board members in 2015 and 2016.

Name of Board Member	Board Meetings	Audit Committee Meetings
Mark A. Caranci	9/9	n/a
Christopher S. L. Hoffmann	6/9	n/a
Raymond R. Pether	9/9	n/a
James W. Davie	9/9	9/9
Arthur R. A. Scace	9/9	9/9
Ken S. Woolner	6/9	7/9

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 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.

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, which can only be amended with the approval of a majority of the independent directors, and if 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.

AUDIT COMMITTEE

Audit Committee and Composition

The Board has an audit committee (the "**Audit Committee**") comprised of three directors, all of whom are independent and financially literate (within the meaning of applicable securities laws). The Audit Committee assists the directors of the Corporation in fulfilling their responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures of the Corporation and the quality and integrity of financial statements of the Corporation. Not less frequently than annually, the Audit Committee also reviews the Mortgage Portfolio for compliance with the Corporation's investment restrictions. In addition, the Audit Committee is responsible for directing the auditors' examination of specific areas and for the selection of potential independent auditors to be appointed by the Manager. The Audit Committee will pre-approve all non-audit services to be provided to the Corporation by the auditors of the Corporation.

A copy of the Audit Committee's charter is attached as Schedule B.

Relevant Education and Experience

The relevant education and experience of each of the members of the Audit Committee can be found in their respective biographies. See "*Directors and Officers of the Corporation — Biographies*".

External Auditor Service Fees (By Category)

Year Ended December 31, 2015				
Audit Fees	**Audit-Related Fees**	**Tax Fees**	**All Other Fees**	**Total**
$86,947	nil	$2,495	nil	$89,442

MANAGER OF THE CORPORATION

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.

Duties and Services Provided by the Manager

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.

Details of the Management Agreement

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.

Pursuant to amendments to the Management Agreement to be made in connection with the Proposed Transition, the term of the Management Agreement will be a period of ten years ending on January 1, 2027, which will be renewed automatically for successive five year terms thereafter unless:

(iii) 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 (each, a "Termination for Cause"); 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;

(iv) 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:

Name	Municipality of Residence	Position with the Manager
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
JASON GOLETZ	Toronto, Ontario	Vice President, Sales and Marketing
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 & Corporate Secretary, Brompton Funds

Biographies

The backgrounds of the persons listed in the above table are described under "*Directors and Officers of the Corporation — Directors and Officers*", except that the backgrounds of Ms. Lau, Mr. Clare and Ms. Tiraborelli are described below.

Laura Lau (Senior Vice-President and Senior Portfolio Manager): Ms. Lau has over 20 years of experience in financial services and is Senior Vice President and Senior Portfolio Manager with Brompton Group. Ms. Lau leads Brompton's portfolio management team that oversees assets of approximately $1 billion. Prior to joining Brompton, she was a Senior Portfolio Manager and Chief Derivatives officer at a major Canadian fund manager from 2004 to 2011 where she co-managed over $500 million in resource portfolios including the NCE flow-through funds. In 2011, Ms. Lau received the Brendan Wood TopGun Investment Mind Award which is awarded to portfolio managers for their depth of inquiry, insight and knowledge of the Canadian market and sectors they invest in based on votes from sell-side analysts. She was also the co-manager of a resource fund which won the 2011 Canadian Lipper Fund Award for best fund over one year in the natural resources equity category. She was lead manager for a five-star Morningstar rated fund. Ms. Lau is a CFA charterholder and is a member of the Toronto CFA Society and also holds the Derivatives Market Specialist designation. Ms. Lau graduated with a Bachelor of Applied Science in Industrial Engineering from the University of Toronto.

Michael D. Clare (Vice-President and Portfolio Manager): Mr. Clare has over 13 years of experience in financial services and is a Vice President and Portfolio Manager with Brompton Group. Mr. Clare is a member of Brompton's portfolio management team that oversees assets of approximately $1 billion. He specializes in equity security selection with a focus on the energy sector as well as the analysis of crude oil and natural gas markets and is the portfolio manager for the Brompton Energy Opportunities Fund. Prior to joining Brompton in 2012, Mr. Clare was a portfolio manager at Creststreet Asset Management Limited where he was the lead portfolio manager. Mr. Clare is a CFA Charterholder and is a member of the Toronto CFA Society. He is also a Chartered Professional Accountant and a member of the Chartered Professional Accountants of Ontario. He received an Honours Bachelor of Commerce degree from Queen's University.

Michelle Tiraborelli (Vice-President): Ms. Tiraborelli has been working in the financial industry since 2006 and joined Brompton Funds in 2010. Prior to joining the Brompton Group, Ms. Tiraborelli was an Investment Advisor with BMO Nesbitt Burns. She has also worked as an Analyst with a Toronto based

corporate development consulting firm focused on private company mergers & acquisitions, and business expansion. Ms. Tiraborelli received a Bachelor of Science, Honours degree from Queen's University. She also holds a Master of Business Administration degree from the Hong Kong University of Science and Technology, having studied jointly at the HKUST Business School in Hong Kong and New York University's Stern School of Business.

THE MORTGAGE CONSULTANT AND MORTGAGE SERVICES PROVIDER

The 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.

If the Proposed Transition is implemented, the Mortgage Consulting Agreement will be revised to contain term and termination provisions substantially similar to those that will be implemented in the Management Agreement. See "*Manager of the Corporation—Details of the Management Agreement*".

The services provided by the Mortgage Consultant under the Mortgage Consulting Agreement are not exclusive to the Corporation or the Manager and nothing in the Mortgage Consulting Agreement prevents the Mortgage Consultant from providing similar Mortgage consulting services 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 Mortgage Consultant is entitled to a fee for its services under the Mortgage Consulting Agreement as further described under "*Fees and Expenses*". 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.

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, 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 strategies and objectives subject to its investment restrictions; (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 and confirming insurance coverage, if applicable; (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.

If the Proposed Transition is implemented, the Mortgage Services Agreement will be revised to contain term and termination provisions substantially similar to those that will be implemented in the Management Agreement. See "*Manager of the Corporation—Details of the Management Agreement*".

The services provided by the Mortgage Services Provider are not exclusive to the Corporation or the Manager and nothing in the Mortgage Services Agreement prevents the Mortgage Services Provider from providing similar Mortgage sourcing or servicing services 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 Mortgage Services Provider is entitled to a fee for its services under the Mortgage Services Agreement as further described under "*Fees and Expenses*". The Corporation reimburses the Mortgage Services Provider out of the Corporation's property for all out-of-pocket expenses incurred by the Mortgage Services Provider in connection with the performance of its services under the Mortgage Services Agreement.

Directors and Officers of the Mortgage Consultant and Mortgage Services Provider

The principal individuals who may perform services applicable to the Corporation for and on behalf of the Mortgage Consultant and the Mortgage Services Provider are as follows:

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

Biographies

The backgrounds of the persons listed in the above table are described below.

Derek Norton (Director, Chief Executive Officer): Mr. Norton is the Chief Executive Officer and Chairman of the MCAP group of companies, including the Issuer. He has worked at MCAP and its predecessor companies since 1988. He heads the executive committee of the MCAP group of companies and is responsible for the overall strategic planning and operations. Prior to joining MCAP, he spent 11 years with other major institutional commercial lenders in Canada and Australia. Mr. Norton's background includes expertise in single-family residential mortgages, commercial mortgages, residential construction financing, and Canadian loan securitization. He has extensive knowledge of Canada's regulatory environment, having held directorships for both public and private lending institutions. He received his Bachelor of Commerce degree from the University of British Columbia.

Mark Aldridge (President & Chief Operating Officer): Mr. Aldridge joined MCAP in 2001 and was promoted to his current position in 2013. As MCAP's President & Chief Operating Officer, he is responsible for the planning, direction and overall profitability of all activities relating to the operations of MCAP's lines of business including capital markets, single-family, Commercial Mortgages and Construction Financing. In this role, Mark prepares, executes and oversees MCAP's annual business plan and long-term strategic plan in order to optimize MCAP's long-term sustainable earnings and value, while preserving its assets, capital and reputation. Prior to becoming President & Chief Operating Officer, Mark was MCAP's Executive Vice President & Chief Financial Officer. Mr. Aldridge graduated from McMaster University with a Bachelor of Commerce (Honours) and is a Chartered Professional Accountant (CPA, CA).

Brian Carey (Executive Vice President and Chief Financial Officer): Mr. Carey joined MCAP in 2007 and was promoted to his current position in 2013. As MCAP's Executive Vice President & Chief Financial Officer, he is responsible for managing all aspects of MCAP's finance and treasury groups. This includes ensuring that financial controls are in place to safeguard the assets of MCAP and its clients, as well as adhering to regulatory financial reporting requirements and corporate governance. Mr. Carey also

advises the Board of Directors on MCAP's financial affairs and results and supports the Chief Executive Officer on strategic initiatives including acquisitions, divestitures and their impact on MCAP's corporate structure. Mr. Carey received his Bachelor of Business Administration from Wilfrid Laurier University, his MBA at the Rotman School of Management, University of Toronto and is a Chartered Professional Accountant (CPA, CA).

Ken Teskey (Chief Risk Officer & Corporate Secretary): Mr. Teskey has been a part of MCAP team since 1988. As Chief Risk Officer, Mr. Teskey is responsible for overseeing the management of risks to the business and ensuring the Board of Directors, senior executive and staff are aware of their responsibilities in minimizing risk and ensuring compliance. Prior to joining the senior executive, Mr. Teskey ran the origination program of MCAP's British Columbia construction business. He also practiced law at a prominent Vancouver firm which led him to be the original legal advisor for all MCAP business lines. Mr. Teskey received both his Bachelor of Commerce and his LLB from the University of British Columbia.

Jason Wright (Executive Vice President, Capital Markets): Mr. Wright joined MCAP in 1999 and is responsible for funding and securitization activities relating to MCAP's single-family and commercial mortgage originations. Mr. Wright leads the capital markets group which is responsible for interest rate risk management activities, third-party mortgage sales, executing various securitization transactions including CMB and NHA-MBS, managing certain third-party investor relationships and related reporting and compliance activities. Mr. Wright earned his Bachelor of Business Administration (Honours) at Wilfrid Laurier University and is also a Chartered Financial Analyst.

Paul Bruce (Executive Vice President, Single-Family): Mr. Bruce joined MCAP in 1992 and is currently responsible for the strategic direction of MCAP's single-family residential mortgage operations. During his tenure with MCAP and predecessor companies, he has held various senior positions with responsibilities for mortgage administration, "sub-servicing", credit adjudication, default management and mortgage investigations. Mr. Bruce has been an industry leader in mortgage fraud investigations, established the mortgage fraud unit at MCAP and is a former member of the CMHC mortgage fraud task force.

Jeff Armstrong (Senior Vice President, Credit Risk and Asset Management): Mr. Armstrong joined MCAP in 1989 and has held numerous senior positions at MCAP including Senior Vice President, Credit Risk where he was accountable for the oversight of Credit Risk Management for MCAP's Single Family Residential Mortgage business from 1999 - 2010. He is currently responsible for overall credit risk and asset management, portfolio acquisitions and default management for the Non-Conforming Single Family Residential Mortgage (excluding Insured Single Family Residential Mortgage) line of business. During his tenure, he developed and implemented MCAP's Non-Conforming Single Family Residential Mortgage (excluding Insured Single Family Residential Mortgage) Underwriting Policies and Procedures and Credit Risk Assessment program and was accountable for numerous residential mortgage portfolio acquisitions. He has been a member of the Canadian Association of Accredited Mortgage Professionals (CAAMP) and a member of the Credit Scoring and Risk Association (CSRSA). He received a Bachelor of Arts from the University of Western Ontario.

Don Ross (Senior Vice President, Investor Marketing): Mr. Ross joined MCAP in 1989 and has held senior positions in commercial asset management, loan servicing, investor relations, commercial lending, investment management, capital markets and structured finance. He is responsible for providing Institutional Investors with the opportunity to participate and invest in one or more of MCAP's chosen product lines through managed mortgage funds, loan syndications or securitization structures. He is also responsible for providing investors with access to MCAP's other services including loan servicing and administration and asset management. With more than 26 years of progressive experience in the real estate industry, Mr. Ross has developed relationships with the majority of major financial institutions in

Canada. Mr. Ross holds an Honours Bachelor of Business Administration degree from Wilfrid Laurier University.

Mark Yhap (Managing Partner, Commercial Mortgages): Mr. Yhap joined MCAP in 1989 and is responsible for the origination, underwriting, funding, and servicing of commercial mortgages across the country. During his tenure with MCAP, he has had extensive mortgage experience in loan origination, underwriting, funding, investor relations, securitization and structured finance. Mr. Yhap earned his Bachelor of Business Administration (Honours) from Wilfrid Laurier University and is a Chartered Financial Analyst.

Robert Balfour (Managing Partner, Development Finance Group): Mr. Balfour has been with MCAP since 1994. He leads a team of 35 professionals who provide Construction & Development Financing for commercial properties and residential developments. Mr. Balfour has been active in real estate finance in the Alberta market since 1975. His broad industry experience comes from time spent in the brokerage industry and with trust and life insurance companies. He is a licensed mortgage and real estate broker with active community affiliations and served as a Past President of the Alberta Mortgage & Loans Association. Mr. Balfour received his Bachelor of Commerce in Finance from the University of Calgary.

Conflict of Interest Matters

The Manager

The services of the Manager are not exclusive to the Corporation. Nothing in the Management Agreement prevents the Manager from providing Mortgage management to other persons that could be considered competitors of the Corporation or from engaging in other activities. See "*Manager of the Corporation — Details of the Management Agreement*".

MCAP

MCAP, the Mortgage Consultant and the Mortgage Services Provider are engaged in a wide range of Mortgage product origination, servicing, trading and/or other business activities. MCAP, the Mortgage Consultant and/or the Mortgage Services Provider provide Mortgage origination and/or servicing to other investors, including FRFIs. In addition, MCAP, the Mortgage Consultant and/or the Mortgage Services Provider invest on their own account for their own benefit. Accordingly, the services provided by the Mortgage Consultant pursuant to the Mortgage Consulting Agreement and the Mortgage Services Provider pursuant to the Mortgage Services Agreement are not exclusive, and neither the Mortgage Consulting Agreement nor the Mortgage Services Agreement restrict MCAP, the Mortgage Consultant or the Mortgage Services Provider, as applicable, from establishing additional Mortgage origination and servicing arrangements, contracting with competitors to the Corporation, entering into other advisory relationships or engaging in other business activities. Such activities may be provided to competitors of the Corporation and/or involve substantial time and resources of MCAP, the Mortgage Consultant and/or the Mortgage Services Provider. MCAP, the Mortgage Consultant and/or the Mortgage Services Provider currently provide Mortgage origination and servicing to a number of different investors having more assets than the Corporation and this will preclude MCAP, the Mortgage Consultant and/or the Mortgage Services Provider from devoting all of their time and effort to the business of the Corporation.

MCAP, the Mortgage Consultant and the Mortgage Services Provider may also manage, advise on or service Mortgages for institutional investors that may have investment objectives similar to those of the Corporation and may engage in servicing and sale transactions involving the same types of securities and instruments as offered to the Manager for sale to the Corporation. Such transactions may be executed independently of those involving the Manager and the Corporation, and thus at prices or rates that may be more or less favourable than those obtained by the Corporation.

The Corporation will rely on the Mortgage Services Provider to originate Mortgages for potential sale to the Corporation and to service Portfolio Mortgages owned by the Corporation. The Mortgage Services Provider currently originates mortgage products for a number of investors other than the Corporation. To the extent that Mortgage products originated by the Mortgage Services Provider are eligible as Mortgages and comply with the Corporation's investment restrictions and investment guidelines, the Mortgage Services Provider may sell such Mortgages to the Corporation if approved by the Manager or to other investors. In offering Mortgages to the Corporation, the Mortgage Services Provider must adhere to the protocols and policies set out in the Mortgage Services Agreement in respect of all Mortgages offered. Such protocols and policies shall require the Mortgage Services Provider to: (i) take into account the risk-return profile of the Mortgage products and the risk-return parameters, preferences and policy statements of the Corporation; and (ii) abide by applicable legal and regulatory rules, guidelines and advisory statements applicable to Mortgage products offered by the Mortgage Services Provider to the Corporation if approved by the Manager. While the Mortgage Services Provider's offerings of Mortgage products to the Corporation will be made independently of those offered to such other persons or selected for its own investments, the Mortgage Services Provider may offer an interest in the same Mortgage products to the Corporation as offered by the Mortgage Services Provider to such other persons as those selected for its own investment.

In addition, the directors and officers of MCAP, the Mortgage Consultant and/or the Mortgage Services Provider may have a conflict of interest in allocating their time between respective businesses and interests of the Mortgage Consultant and/or the Mortgage Services Provider and other businesses or projects in which they may become involved.

Where any one of MCAP, the Mortgage Consultant or the Mortgage Services Provider, in the course of its business, reaches the conclusion that it is or may be in a material conflict of interest position, it will refer the matter to the Manager.

Such conflicts of interest are subject to statutory trading prohibitions and restrictions and internal policies and procedures of MCAP, the Mortgage Consultant and/or the Mortgage Services Provider, all of which are intended to preclude the conflicts of interest from operating, or being acted upon, to the detriment of the Corporation.

Policies and Procedures of the Mortgage Consultant

The Mortgage Consultant and the Mortgage Services Provider use a common loan allocation policy ("Loan Allocation Policy"). The Loan Allocation Policy applies to determine the allocation of Mortgages to the Corporation and to other investors of the Mortgage Consultant and Mortgage Services Provider where, under the terms of the relevant investment guidelines and/or investment restrictions, particular Mortgages would be eligible for purchase by the Corporation and by one or more other investors. In these situations, and where there are sufficient Mortgages available for all such purchasers including the Corporation, Mortgages will be allocated to the Corporation and other investors in accordance with their requirements. Where, however, there are insufficient Mortgages to meet the requirements of the Corporation and other investors in a particular time period, and provided that there are no binding contractual requirements that would otherwise apply, the Mortgage Consultant and the Mortgage Services Provider generally allocate a proportionate share of the required amounts to the Corporation and each other investor. The Mortgage Consultant and the Mortgage Services Provider continually review requests made by the Corporation and other investors for Mortgage products in order to attempt to best meet the requirements of the Corporation and other investors on a continuing basis as investor requirements and Mortgage-related markets evolve. For this purpose, and generally on a weekly basis, a loan allocation committee for the Mortgage Consultant and the Mortgage Services Provider meets to discuss current and projected investor requirements for Mortgage products, and to allocate Mortgages in accordance with the Loan Allocation Policy. At the same time, however, the Mortgage Consultant and the Mortgage Services Provider recognize that the Loan Allocation Policy is an evolving document. In this respect, the

Mortgage Consultant and the Mortgage Services Provider look to evolve Mortgage allocation mechanisms based on a variety of factors, including market developments, the needs of the Corporation and other investors, and the availability of different Mortgage products. As such, the procedures set out herein, and the Mortgage allocation mechanism as between the Corporation and other investors and the results of such Mortgage allocation mechanism, may be subject to change over time.

CUSTODIANS, AUDITORS, REGISTRARS AND TRANSFER AGENTS

Custodian

Pursuant to the Custodian Agreement, the Custodian, located in Toronto, Ontario, is responsible for certain aspects of the day-to-day administration of the Corporation and provides safekeeping and custodial services in respect of the Corporation's assets. For the year ended December 31, 2015, the Corporation paid $6,779 in respect of custodian fees.

The Custodian may, in accordance with the terms of the Custodian Agreement, appoint sub-custodians and enter into sub-custodian agreements. CIBC Mellon Global Securities Company, located in Toronto, Ontario, has been appointed as sub-custodian for the safekeeping of client cash.

Auditors

The auditors of the Corporation are Ernst & Young LLP, Chartered Professional Accountants, Licenced Public Accountants. The address of the auditor is 222 Bay Street, Toronto, Ontario.

Registrar and Transfer Agent

Equity Financial Trust Company, at its principal offices in Toronto, is the registrar and transfer agent for the Shares.

DESCRIPTION OF THE COMMON SHARES

The Corporation is authorized to issue an unlimited number of Common Shares. A summary of the terms and conditions of the Common Shares, as they will exist upon completion of the Proposed Transition, is set forth below. As of October 27, 2016, assuming completion of the Proposed Transition (based on a one-for-one exchange ratio for the Class A Shares), there would be issued and outstanding 2,500,198 Common Shares.

Dividend Rights

Pursuant to the Proposed Transition, the Common Shareholders will be entitled to receive dividends as and when declared by the Board on the Common Shares out of the assets of the Corporation properly applicable to the payment of dividends or distributions in an amount and at a time determined by the Board it its sole discretion.

Rights upon Dissolution or Winding Up

Common Shareholders will be entitled to receive, subject to the rights of the holders of another class of shares, the remaining property of the Corporation on the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary.

Voting Rights

Common Shareholders will be entitled to receive notice of and to attend and vote at all meetings of Shareholders (except where the holders of a specified class or classes of shares, other than Common Shares, are entitled to vote separately or collectively as a class) and each Common Share will confer the right to one vote in person or by proxy at all such meetings of Common Shareholders.

Restrictions on Ownership

No Shareholder of the Corporation is permitted, together with Related Persons, at any time to hold more than 25% of any class of the issued Shares. In the event that (i) the exercise by any Shareholder of a redemption right associated with the Shares, or (ii) as determined by the Board in its sole discretion, any other transaction affecting any Shares (each a "Triggering Transaction"), if completed, would cause any Shareholder(s) (each an "Automatic Repurchase Shareholder"), together with Related Persons, to hold more than 25% of the Shares, that portion of such Shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the issued Shares (the "Repurchased Shares") will, simultaneously with the completion of a Triggering Transaction, automatically be deemed to have been repurchased by the Corporation (an "Automatic Repurchase") without any further action by the Corporation or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to the 10-day volume weighted average trading price of the Common Shares on the TSX for the 10 days prior to the date of the Triggering Transaction, less any costs associated with such purchase. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder within 60 days following the date of the Triggering Transaction.

Amendments

Amendments to the terms of the Shares must be approved by the Shareholders of the Corporation in accordance with applicable laws.

WINDING UP OF THE CORPORATION

The Corporation may wind-up its affairs at any time at the discretion and with the approval of Shareholders by a special resolution passed at a duly convened meeting of Shareholders called for the purpose.

LEGAL AND ADMINISTRATIVE PROCEDINGS

There are no legal or administrative proceedings to which the Corporation is or was a party or which are known by the Corporation to be contemplated since the beginning of the most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager will receive the fees described under "*Fees and Expenses*" 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 invested in such properties. See "*Fees and Expenses*" and "*Risk Factors — Conflicts of Interest*". 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.

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.

MATERIAL CONTRACTS

Contracts material to investors in the Corporation that have been or that will have been entered into by the Corporation on or prior to the closing date of the Reorganization are the

(i) Management Agreement,

(ii) Custodian Agreement,

(iii) Mortgage Services Agreement, and

(iv) Mortgage Consulting Agreement.

Copies of these material contracts may be accessed free of charge by prospective or existing Shareholders at www.sedar.com under the Corporation's profile. They are also available for inspection at the Corporation's office during normal business hours.

FINANCIAL STATEMENTS AND MD&A

The unaudited interim financial statements of the Corporation for the period ended June 30, 2016 and the audited financial statements for the year ended December 31, 2015 were each prepared in accordance with IFRS and are available at www.sedar.com under the Corporation's profile. The unaudited financial statements for the period ended September 30, 2016 are expected to be filed on or before November 14, 2016.

Reporting to Shareholders

The Corporation will make available to Shareholders such financial statements and other continuous disclosure documents as are required by applicable law, including consolidated unaudited interim and consolidated audited annual financial statements that will include the accounts of the Corporation and a consolidated statement of investments. The Corporation shall make available to each Shareholder annually, within the time periods prescribed by law, information necessary to enable such Shareholder to complete an income tax return with respect to the amounts payable by the Corporation.

EXPERTS

The matters referred to under "*Canadian Income Tax Considerations*" and certain other legal matters relating to the securities offered hereby will be passed upon by Blake, Cassels & Graydon LLP on behalf of the Corporation. As of the date hereof, the partners and associates of Blake, Cassels & Graydon LLP, as a group, beneficially own less than 1% of the outstanding Shares of the Corporation.

The auditor of the Corporation is Ernst & Young LLP, Chartered Professional Accountants and Licensed Public Accountants. Ernst & Young LLP is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

GLOSSARY OF TERMS

"Board" means the board of directors of the Corporation.

"Brompton" means the Brompton group of companies.

"Brompton Funds" means Brompton Corp. and its wholly owned subsidiary Brompton Funds Limited, which acts as manager of the Corporation. Brompton Corp. is in the business of managing investment funds.

"business day" means any day on which the Toronto Stock Exchange is open for business.

"Circular" means the management information circular of the Corporation dated November 1, 2016 to which this Appendix IV is attached.

"Class A Shareholder" means a holder of a Class A Share.

"Class A Shares" means the Class A shares of the Corporation.

"CMHC" means the Canadian Mortgage and Housing Corporation.

"Commercial Mortgages" means Mortgages on and secured by Real Property used for commercial purposes, including retail, industrial, office or multi-unit residential of greater than four units.

"Common Share" has the meaning given to it under "*Corporate Structure—Details of Incorporation*".

"Common Shareholder" means a holder of a Common Share.

"Corporation" means Eclipse Residential Mortgage Investment Corporation.

"Conforming Single Family Residential Mortgages" means Mortgages on and secured by Single Family Residential Properties that, to MCAP's knowledge, are generally in conformance with Schedule A Banks' mortgage underwriting standards at the time each Mortgage is underwritten.

"CRA" means the Canada Revenue Agency or any successor organization.

"Custodian" means Computershare Trust Company of Canada, in its capacity as custodian under the Custodian Agreement.

"Custodian Agreement" means the custodian agreement entered into among the Corporation, the Custodian, the Manager and the Mortgages Services Provider dated as of June 28, 2013, as it may be amended from time to time.

"DRIP" has the meaning given to it under "*Dividends and Distribution Policy*".

"Extraordinary Resolution" means a resolution passed by the affirmative vote of at least 66⅔% of the votes cast, either in person or by proxy, at a meeting of Shareholders called for the purpose of approving such resolution.

"FRFIs" means federally regulated financial institutions;

"Guideline B-20" means Guideline B-20: Residential Mortgage Underwriting Practices and Procedures issued by OSFI.

“Income Tax Act” means the *Income Tax Act* (Canada), as amended, or successor statutes, and shall include regulations promulgated thereunder.

“Insured Single Family Residential Mortgages” means Mortgages on and secured by Single Family Residential Properties that are insured for principal and interest by one of the Mortgage Insurance Companies.

“Loan Facility” means the loan facility of the Corporation.

“Loan-to-Value” means the ratio, expressed as a percentage, determined by A/B x 100 where:

A = the principal amount of the Mortgage, together with all other equal and prior ranking mortgages or tranches of mortgages on the Real Property, and

B = the appraised market value of the Real Property securing the Mortgage at the time of funding the Mortgage or any more recent appraisal, whichever occurs later.

“Management Agreement” means the management agreement dated as of June 28, 2013 between the Corporation and the Manager, as it may be amended from time to time.

“Management Fee” means the management fee payable to the Manager pursuant to the Management Agreement.

“Manager” means Brompton Funds Limited, or if applicable, its successor.

“MCAP” means MCAP Financial Corporation (together with its affiliates and subsidiaries).

“MIC” means a “mortgage investment corporation” as defined under the Income Tax Act.

“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 Consultant” means MCAP Financial Limited Partnership.

“Mortgage Consulting Agreement” means the agreement among the Mortgage Consultant, the Corporation and the Manager dated as of June 28, 2013 as it may be amended from time to time.

“Mortgage Insurance Companies” means Canadian Mortgage and Housing Corporation, Genworth MI Canada Inc. and Canada Guaranty Mortgage Insurance.

“Mortgage Portfolio” means the portfolio, comprised primarily of Single Family Residential Mortgages but also including Other Mortgages and cash and cash equivalents, owned by the Corporation from time to time.

“Mortgage-Related Securities” has the meaning given to it under “*Risk Factors — Risks Related to Mortgage-Related Securities*”.

“Mortgage Services Agreement” means the agreement dated as of June 28, 2013 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 Services Provider” means MCAP Service Corporation.

“Multiple Listing Service” means the real estate database service operated by local real estate boards under which properties may be listed, purchased or sold.

“Named Executive Officer” has the meaning given to it under “*Executive Compensation — Summary Compensation Table*”.

“NI 81-102” means National Instrument 81-102 of the Canadian Securities Administrators (or any successor policy, rule or national instrument), as it may be amended from time to time.

“NI 81-106” means National Instrument 81-106 of the Canadian Securities Administrators (or any successor policy, rule or national instrument), as it may be amended from time to time.

“NI 51-102” means National Instrument 51-102 of the Canadian Securities Administrators (or any successor policy, rule or national instrument), as it may be amended from time to time.

“Non-Conforming Single Family Residential Mortgages” means Mortgages on and secured by Single Family Residential Properties that are not Conforming Single Family Residential Mortgages and (i) have a maximum Loan-to-Value of 85%, and/or (ii) are Insured Single Family Residential Mortgages.

“OSFI” means Office of the Superintendent of Financial Institutions.

“Other Mortgages” means (i) Commercial Mortgages and (ii) Residential Construction Mortgages.

“Parentco” means has the meaning given to it under “*Executive Compensation*”.

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

“Proposed Transition” has the meaning given to it in the Circular.

“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.

“Related Persons”, with respect to a shareholder, means a person who is considered to be related to the shareholder for the purpose of determining the maximum percentage of shares of any class of the Corporation that may be owned, directly or indirectly, by the shareholder and persons related to the shareholder for purposes of paragraph 130.1(6)(d) of the Income Tax Act.

“Residential Construction Mortgages” means Mortgages on and secured by Real Property to fund the construction of Single Family Residential Properties.

“Schedule A Bank” means Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, The Toronto-Dominion Bank and Royal Bank of Canada.

“Share” means, prior to the Proposed Transition, a Class A Share, and following implementation of the Proposed Transition, a Common Share.

“Shareholder” means a holder of a Share.

"Single Family Residential Mortgages" means (i) Mortgages that are either (a) Non-Conforming Single Family Residential Mortgages or (b) Conforming Single Family Residential Mortgages; or (ii) Mortgage-Related Securities.

"Single Family Residential Properties" means owner occupied single family detached or semi-detached houses, freehold townhomes and condominium properties.

"Total Assets" means the value of the assets of the Corporation.

"TSX" means the Toronto Stock Exchange.

"Voting Shares" means shares in the capital of the Corporation designated as Voting Shares.

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.

SCHEDULE B

CHARTER OF THE AUDIT COMMITTEE OF ECLIPSE RESIDENTIAL MORTGAGE INVESTMENT CORPORATION

This charter applies to Eclipse Residential Mortgage Investment Corporation (the "Corporation").

1. The Audit Committee will be composed of a minimum of three independent directors. Each member of the Audit Committee must be independent. "Independent" shall have the meaning, as the context requires, given to it in National Instrument 52-110 – *Audit Committees*, as may be amended from time to time.

2. At the time of his or her appointment to the Audit Committee, each member of the Audit Committee shall have, or shall acquire within a reasonable time following appointment to the Audit Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

3. Each member of the Audit Committee shall serve during the pleasure of the board of directors. The Board may fill vacancies in the Audit Committee by appointment from among the directors, and if and whenever a vacancy shall exist in the Audit Committee, the remaining members may exercise all of its powers so long as a quorum remains in office.

4. *The mandate of the Audit Committee is as follows: The Audit Committee will:*

   a) Review and recommend to the Board for approval:

      - The audited and unaudited financial statements of the Corporation and the management's discussion and analysis;

      - All financial information in annual information forms, prospectuses, other offering documents of the Corporation and annual and interim profit or loss press releases prior to their release; and

      - Recommendations of the auditors for strengthening internal controls to ensure that processes are in place to mitigate or eliminate risks associated with financial reporting and cash management for the Corporation as well as the response of management to these recommendations.

   b) Oversee the work of the external auditor, including the auditor's work in preparing or issuing an audit report, performing other audits, review or attest services or any other related work. Meet periodically with the auditors and at least once a year meet in confidence with the auditors and report to the Board on such meetings including the nature of the auditor's recommendations. Resolve disagreements between the external auditor and management as to financial reporting matters brought to the Audit Committee's attention.

   c) Review the reappointment or appointment of the auditors and make recommendations to the Board with respect to the nomination and remuneration of the auditors to the Corporation on an annual basis. Review the audit plans of the auditors and report to the Board of any significant reservations the Audit Committee may have or the auditors may have expressed with respect to such arrangements or scope.

d) Review policies and procedures regarding the adequacy and effectiveness of internal controls over the accounting and financial reporting systems for the Corporation.

e) Review with management, the auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material adverse effect upon the financial position or operating results of the Corporation and the manner in which these matters have been disclosed in the financial statements of the Corporation.

f) Review and pre-approve any non-audit related services provided by the auditors of the Corporation and the fees related thereto. Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Corporation, including non-audit services, and discussing the relationships with the auditors.

g) Establish procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of the Corporation or any entity providing services on behalf of the Corporation of concerns regarding questionable accounting or auditing matters.

h) On a regular basis, review and approve the Corporation's hiring practices regarding partners, employees and former employees of the present and former external auditor of the Corporation.

i) Ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of those procedures.

j) Perform other activities related to this charter as requested by the Board.

4. A quorum for the transaction of business of the Audit Committee shall consist of two members of the Committee.

5. The time and place for meetings of the Audit Committee and procedures at such meetings shall be determined from time to time by, the Audit Committee. The Secretary of the Corporation shall, upon request of the Committee Chairman, any member of the Audit Committee, the external auditors, the President, Chief Executive Officer or the Chief Financial Officer of the Corporation, call a meeting of the Audit Committee by letter, telephone, facsimile, telegram or other communication equipment, by giving at least 48 hours' notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.

6. Any member of the Audit Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.

7. The Audit Committee shall keep minutes of its meetings which shall be submitted to the Board of Directors.

8. One of the members of the Audit Committee shall be elected as its chairman by the Audit Committee or the Board of Directors of the Corporation and the Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.

9. For the purposes of performing their duties, the members of the Audit Committee shall have the right, at all reasonable times, to inspect the books and financial records of the Corporation and to discuss with management and the officers such accounts, records and matters relating to the financial statements of the Corporation.

10. The Audit Committee may invite such officers, directors and employees of the Corporation and the external auditors as it may see fit, from time to time, to attend at meetings of the Audit Committee. Such external auditors are entitled to attend and be heard at each Audit Committee meeting. The Audit Committee has the authority to communicate directly with internal and external auditors.

11. The Audit Committee has the authority to retain, at the Corporation's expense, independent legal counsel, financial and other advisors, consultants and experts to assist the audit committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve and pay any such firm's fees and other retention terms without prior approval of the Board of Directors.

12. The Board of Directors may, at any time, amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.

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