

**FORM 51-102F3**

**MATERIAL CHANGE REPORT**

**Item 1. Name and Address of Company**

MCAN Mortgage Corporation (“MCAN” or the “Company”)  
200 King Street West, Suite 600  
Toronto, Ontario  
M5H 3T4

**Item 2. Date of Material Change**

November 8, 2021

**Item 3. News Release**

On November 8, 2021, MCAN issued a news release through the newswire services of Cision. A copy of the news release is attached as Schedule “A” hereto and is available on SEDAR at [www.sedar.com](http://www.sedar.com)

**Item 4. Summary of Material Change**

On November 8, 2021, the Company announced that it would be offering rights (the “**Rights**”) to eligible holders of its common shares (the “**Common Shares**”) of record at the close of business on November 15, 2021 (the “**Rights Offering**”). The Rights will be exercisable until 5:00 p.m. (Toronto time) on December 8, 2021.

A maximum of 1,974,729 Common Shares will be issued under the Rights Offering.

The Company expects to raise gross proceeds of up to C\$33.3 million from the Rights Offering.

**Item 5. Full Description of Material Change**

For a full description of the material change, please see Schedule “A” attached hereto.

**Item 6. Reliance on Subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7. Omitted Information**

Not applicable.

**Item 8. Executive Officer**

The following senior officer of MCAN is knowledgeable about the material change and this report:

Karen Weaver  
President and Chief Executive Officer  
(416) 988-8312

**Item 9. Date of Report**

November 15, 2021

**SCHEDULE "A"**

**(see attached)**



## MCAN MORTGAGE CORPORATION ANNOUNCES \$33 MILLION RIGHTS OFFERING

*NOT FOR DISTRIBUTION OR DISSEMINATION INTO THE UNITED STATES OR THROUGH U.S. NEWSWIRE SERVICES*

**Toronto, Ontario – November 8, 2021.** MCAN Mortgage Corporation ("MCAN", the "Company" or "we") (TSX: "MKP") today announced that it is offering rights (the "Rights Offering") to eligible holders of its common shares (the "Common Shares") of record at the close of business on November 15, 2021 (the "Record Date").

Pursuant to the Rights Offering, each holder of Common Shares will receive one right (a "Right") for each Common Share held. Every 14 Rights will entitle the holder to subscribe for one whole Common Share of the Company at a price of \$16.86 per Common Share (the "Subscription Price").

MCAN expects to raise gross proceeds of approximately \$33.3 million from the Rights Offering and intends to use all of the proceeds less offering expenses to fund the Company's mortgage lending and investment business. The Company expects the Rights Offering to close during the second week of December.

"As MCAN continues to show solid growth, we require capital in order to fund our core business, while also maintaining adequate amounts of regulatory capital as a federally-regulated financial institution," said Karen Weaver, President and Chief Executive Officer. "Year to date growth in our corporate assets to September 30, 2021 was 30%. For the third year in a row, we will grow our corporate assets above our 10% target and we look forward to further growth of our core business into 2022. In order to take advantage of the tax benefits of a Mortgage Investment Corporation ("MIC") status, we pay out all of MCAN's non-consolidated taxable income to shareholders through dividends. As a MIC, we are entitled to deduct dividends paid up to 90 days after year end from taxable income. Therefore, we are seeking capital to fund our continued planned growth. Raising capital through a Rights Offering provides a benefit to existing shareholders in terms of the cost of capital raises and the value provided to existing shareholders should they choose to subscribe. Over the years, our shareholders have supported and participated in our previous rights offerings, resulting in full subscriptions. Our June 2021 rights offering was almost 3 times oversubscribed."

Directors and senior officers, collectively holding, directly and indirectly, approximately 1 million Common Shares, have indicated their intention to exercise some or all of their Rights, subject to market conditions. Ian Sutherland, a former director and major shareholder, who continues to hold a significant position in the Company, has indicated his intention to exercise some or all of his Rights, subject to market conditions. As well, the KingSett Canadian Real Estate Income Fund, an institutional shareholder with a significant position in the Company's Common Shares, has indicated its intention to exercise some or all of its Rights, subject to market conditions.

The Rights will trade on the Toronto Stock Exchange under the symbol MKP.RT commencing on November 12, 2021 and will cease trading at 12:00 p.m. (Toronto time) on December 8, 2021. The ex-rights trading date for the Common Shares on the Toronto Stock Exchange will be November 12, 2021. This means that Common Shares purchased on or following November 12, 2021 will not be entitled to receive Rights under the Rights Offering. Rights are exercisable until 5:00 p.m. (Toronto time) on December 8, 2021 (the "Expiry Time"), after which time unexercised Rights will be void and of no value. Shareholders must hold at least 14 Common Shares to exercise their Rights, as no fractional Common Shares will be issued.

The Rights Offering includes an additional subscription privilege under which eligible holders of Rights who fully exercise their Rights will be entitled to subscribe for additional Common Shares, if available, that are not otherwise subscribed for in the Rights Offering.

There are currently 27,646,210 Common Shares outstanding. Following completion of the Rights Offering, MCAN expects that there will be approximately 29,620,939 Common Shares outstanding.

The Rights Offering will be conducted only in the provinces and territories of Canada (the “Eligible Jurisdictions”). Accordingly, and subject to the detailed provisions of a Rights Offering circular (the “Circular”), Rights will not be delivered to, nor will they be exercisable by, persons resident outside of the Eligible Jurisdictions. Rather, such Rights may be sold on their behalf.

Details of the Rights Offering will be set out in a Notice and Circular, which are available under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com). The Notice and accompanying direct registration system statement and subscription form (the “Rights DRS Advice”) will be mailed to each eligible shareholder of MCAN as at the Record Date. To subscribe, registered shareholders must forward the completed Rights DRS Advice, together with the applicable funds, to the depositary and subscription agent, Computershare Investor Services, Inc., prior to the Expiry Time. Shareholders who own their Common Shares through an intermediary, such as a bank, trust company, securities dealer or broker, will receive materials and instructions from their intermediary.

The Rights and the Common Shares issuable upon exercise of the Rights have not been, and will not be, registered under the United States Securities Act of 1933, as amended, and accordingly, the Rights and the Common Shares are not being publicly offered for sale in the “United States” or to “U.S. persons” (as such terms are defined in Regulation S under the United States Securities Act of 1933, as amended). This press release does not constitute an offer to sell or the solicitation of an offer to buy the securities in any jurisdiction. There shall be no sale of the securities in any jurisdiction in which an offer to sell, a solicitation of an offer to buy or a sale would be unlawful.

*MCAN is a public company listed on the Toronto Stock Exchange under the symbol MKP and is a reporting issuer in all provinces and territories in Canada. MCAN also qualifies as a mortgage investment corporation (“MIC”) under the Income Tax Act (Canada) (the “Tax Act”).*

*The Company’s primary objective is to generate a reliable stream of income by investing in a diversified portfolio of Canadian mortgages, including single family residential, residential construction, non-residential construction and commercial loans, as well as other types of securities, loans and real estate investments. MCAN employs leverage by issuing term deposits that are eligible for Canada Deposit Insurance Corporation deposit insurance and are sourced through a network of independent financial agents. We manage our capital and asset balances based on the regulations and limits of both the Tax Act and OSFI.*

*As a MIC, we are entitled to deduct the dividends that we pay to shareholders from our taxable income. Regular dividends are treated as interest income to shareholders for income tax purposes. We are also able to pay capital gains dividends, which would be treated as capital gains to shareholders for income tax purposes. Dividends paid to foreign investors may be subject to withholding taxes. To meet the MIC criteria, 67% of our non-consolidated assets measured on a tax basis are required to be held in cash or cash equivalents and residential mortgages.*

*MCAN’s wholly-owned subsidiary, XMC Mortgage Corporation, is an originator of single family residential mortgage products across Canada.*

For further information, please contact:

**MCAN Mortgage Corporation**

Website: [www.mcanmortgage.com](http://www.mcanmortgage.com)

e-mail: [mcanexecutive@mcanmortgage.com](mailto:mcanexecutive@mcanmortgage.com)

Karen Weaver  
President and Chief Executive Officer  
(416) 203-5931

Floriana Cipollone  
Vice President & Chief Financial Officer  
(416) 591-5204

**A CAUTION ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS**

This news release contains “forward-looking information” within the meaning of applicable securities laws. Forward-looking information can be identified by words such as: “expect”, “intend,” “plan,” “seek,” “believe,” “estimate,” “future,” “likely,” “may,” “should,” “will” and similar forward-looking language. The expected proceeds to be raised under the Rights Offering and the use thereof constitutes forward-looking information. The forward-looking information contained in this news release is based on a number of assumptions which we believe to be reasonable, including assumptions relating to the completion of the Rights Offering and the timing thereof, the amount of proceeds raised, and the expected use of proceeds from the Rights Offering. Forward-looking information entails various risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such forward-looking information. Risks that could cause actual results to differ materially from those expressed or implied in the forward-looking information contained in this press release include, but are not limited to, that shareholders will not exercise all or any portion of the Rights, that the Company may not be able to find a suitable use of the proceeds of the Rights Offering, the level of dilution that will be experienced by shareholders who do not exercise all or a portion of their Rights, failure to complete or a delay in the Rights Offering for any other reason, the lack of a trading market for the Rights developing and the trading price of the Common Shares following completion of the offering. In addition, general risks relating to capital markets, economic conditions, regulatory changes, as well as the operations of our business may also cause actual results to differ materially from those expressed or implied in such forward-looking information. Forward-looking information is not a guarantee of future performance, and management’s assumptions upon which such forward-looking information are based may prove to be incorrect. Investors are cautioned not to place undue reliance on any forward-looking information contained herein. The Company disclaims any obligation to update or revise any forward-looking information contained in this news release, whether as a result of new information, future events or otherwise, except to the extent required by law.