



**NOTICE OF ANNUAL MEETING  
OF SHAREHOLDERS  
TO BE HELD MAY 11, 2011  
AND  
MANAGEMENT INFORMATION CIRCULAR**

**March 25, 2011**

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Toronto, Ontario M5H 3T4  
[www.mcanmortgage.com](http://www.mcanmortgage.com)

March 25, 2011

Dear Shareholders:

We invite you to attend MCAN's Annual Meeting of Shareholders that will be held at St. Andrew's Club & Conference Centre, 150 King Street West, Inverness Room, 27<sup>th</sup> Floor, Toronto, Ontario, at 4:30 p.m. (Toronto time) on Wednesday, May 11, 2011.

At the meeting, you will have the opportunity to hear about MCAN's 2010 performance and our plans going forward. You will also be able to meet and ask questions of our Board and senior management.

The attached Notice of Meeting and Management Information Circular describes the business to be conducted at the meeting and provides information on executive compensation and MCAN's governance. Your vote is important. If you are unable to attend the meeting in person, we encourage you to vote by using the enclosed proxy or voting instruction form. You are encouraged to read the attached Management Information Circular and then vote as soon as possible.

We look forward to your participation.

Yours truly,

A handwritten signature in black ink, appearing to read "Ian Sutherland".

Ian Sutherland  
Chairman of the Board

A handwritten signature in black ink, appearing to read "William Jandrisits".

William Jandrisits  
President & Chief Executive Officer

# MCAN MORTGAGE CORPORATION

## Notice of Annual Meeting of Shareholders

The Annual Meeting of Shareholders of MCAN Mortgage Corporation will be held

on **Wednesday, May 11, 2011**

at **4:30 p.m. (Toronto time)**

at **St. Andrew's Club and Conference Centre  
150 King Street West  
Inverness Room  
27<sup>th</sup> Floor  
Toronto, Ontario**

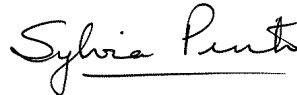
for the following purposes:

1. to receive the annual financial statements for the fiscal year ended December 31, 2010 and the auditors' report thereon;
2. to elect the board of directors;
3. to appoint the auditors; and
4. to consider such other business as may properly be brought before the meeting or at any adjournment thereof.

Our enclosed Management Information Circular (the "Circular") provides additional information on the matters to be dealt with at the meeting and forms part of this notice.

Shareholders who cannot attend the meeting in person may vote by proxy. Instructions on how to complete and return the form of proxy enclosed herewith are set out in the Circular. To be valid, a proxy must be received by our transfer agent, Computershare Trust Company of Canada, at 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1 in the postage prepaid envelope provided, or by fax at 1-866-249-7775 or (416) 263-9524, no later than 5:00 p.m. (Toronto time) on Monday, May 9, 2011, or at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of any adjournment of the meeting.

By Order of the Board of Directors



Sylvia Pinto  
Corporate Secretary

March 25, 2011

**MANAGEMENT INFORMATION CIRCULAR**  
**(“Circular”)**

**GENERAL INFORMATION**

**This Circular is provided in connection with the solicitation of proxies by management of MCAN Mortgage Corporation (“we”, “MCAN”, or the “Corporation”) for use at the Annual Meeting of Shareholders of Common Shares of MCAN (the “Meeting”) to be held at 4:30 p.m. (Toronto time) on May 11, 2011, or at any adjournment thereof, for the purposes set out in the attached Notice of Meeting.** It is expected that the solicitation will primarily be by mail. Proxies may also be solicited personally or by telephone by management. MCAN will pay the costs of solicitation. This Circular sets forth information regarding the items of business proposed to be transacted at the Meeting which a shareholder should read carefully before making a decision with respect to voting on such items of business.

**Date of Information**

All information contained herein is as at March 25, 2011, unless otherwise noted.

**Corporation’s Name Change**

MCAN Mortgage Corporation changed its name from “MCAP Inc.” effective September 15, 2006. As such, all references to “we”, “MCAN”, or the “Corporation” in this document shall be deemed to refer to “MCAP Inc.” for periods prior to September 15, 2006.

**Common Shares Outstanding**

As at the close of business on March 25, 2011, there were 14,461,305 Common Shares outstanding and these Common Shares are the only voting securities of the Corporation. Except with respect to the election of directors for which cumulative voting shall apply, each Common Share entitles the holder thereof to one vote on each matter to be considered at the Meeting. MCAN’s Common Shares trade under the symbol “MKP” on the Toronto Stock Exchange (“TSX”).

**Owners of more than 9% of the Common Shares on March 25, 2011**

To the knowledge of the directors and executive officers of MCAN, as at March 25, 2011, the only shareholders who beneficially own, directly or indirectly, or exercise control or direction over more than 9% of the issued and outstanding Common Shares are the following:

<b>Name and City of Residency</b>	<b>Common Shares</b>	<b>Approximate Percentage of Common Shares</b>
<b>Ian Sutherland (Oro-Medonte, Ontario)</b>	<b>2,178,705</b>	<b>15.07%</b>
<b>Raymond Doré (Toronto, Ontario)</b>	<b>1,929,940<sup>1</sup></b>	<b>13.35%</b>

1. Includes 201,220 shares owned and/or controlled by Susan Doré. See Nominees for Election to Board of Directors on page 9.

**Mailing of Circular**

The mailing of this Circular, the form of proxy and the 2010 Annual Report to shareholders will be completed on or about April 8, 2011. The 2010 Annual Report is being mailed to all registered shareholders except those who asked not to receive it and to those beneficial shareholders who requested a copy.

## VOTING INFORMATION

### Matters to be voted on

At this year's Meeting, shareholders are voting on:

- the election of the board of directors; and
- the appointment of the auditors.

Directors will be elected by cumulative voting as described on page 5. A simple majority (more than 50%) of the votes cast at the Meeting, in person or by proxy, is required to appoint the auditors.

### Who can vote

You are entitled to vote if you are a holder of Common Shares of MCAN as of the close of business on March 31, 2011, the record date for the Meeting.

### How to vote

**Registered Shareholders** – Registered shareholders hold shares that are registered directly in their name. If you are a registered shareholder, you may vote in person at the Meeting or give another person authority to vote for you at the Meeting by appointing a proxyholder, as set out below under **Voting by proxy** and **Appointing a proxyholder**.

**Non-Registered Shareholders** – Non-registered shareholders own shares but the shares are registered in the name of an intermediary, such as a bank, broker or trust company. Non-registered shareholders should note that only registered shareholders or the persons they appoint as their proxies are recognized and permitted to act and vote at the Meeting. If you are a non-registered shareholder, you may vote your shares through your intermediary or in person at the Meeting by following the instructions below. To vote your shares through your intermediary, you should follow the instructions on the voting instruction form or proxy form provided by your intermediary.

To vote your shares in person at the Meeting (or have another person attend the Meeting and vote on your behalf), you should take the following steps:

1. if you received a proxy form from your intermediary, you should appoint yourself (or such other person) as proxyholder by writing your name (or the name of such other person) in the space provided;
2. if you received a voting instruction form from your nominee, you should follow the corresponding instructions on the form; and
3. return the voting instruction form, or if applicable the proxy form, to the intermediary in the envelope provided.

If you voted through your intermediary and would now like to vote in person, contact your intermediary to discuss whether this is possible and what procedures you need to follow.

### Voting by proxy

If you will not be at the Meeting, you may still vote by using the proxy form. To be effective for use at the Meeting or any adjournment thereof, please complete, sign, date and return the proxy form to our transfer agent, Computershare, either in the envelope provided or fax it to 1-866-249-7775 or (416) 263-9524 so that it arrives by 5:00 p.m. (Toronto time) on Monday, May 9, 2011, or at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of any adjournment of the Meeting.

## Appointing a proxyholder

A proxyholder is the person you appoint to represent you at the Meeting and vote your shares. **You may choose anyone to be your proxyholder – the person you choose does not have to be a MCAN shareholder.** Simply insert the person's name in the blank space provided on the proxy form. You should be sure that this person is attending the Meeting and is aware that he or she has been appointed to vote your shares. If you do not insert a name in the blank space, then the persons named on the proxy form, Ian Sutherland and David Broadhurst, both of whom are directors of MCAN, are appointed to act as your proxyholder.

Your proxyholder is authorized to vote and act for you at the Meeting, including any continuation after an adjournment of the Meeting. On the proxy form you can indicate how you want your proxyholder to vote your shares or you can let your proxyholder decide for you.

## Voting discretion of proxyholder

If you give instructions on how to vote your shares, your proxyholder must follow them. If your proxy form does not specify how to vote on a particular matter, then your proxyholder can vote your shares as he or she sees fit. The shares represented by your proxy form will be voted or withheld from voting, or voted for or against, as appropriate, on any ballot that may be called for in accordance with your instructions. If you or your proxyholder does not give specific instructions, your shares will be voted as follows:

1. FOR the election as directors of all nominees listed in this Circular; and
2. FOR the appointment of Ernst & Young LLP as auditors.

Your proxyholder also has discretionary authority for amendments that are made to matters identified in the Notice of Meeting or other matters that properly come before the Meeting. As of the date of this Circular, MCAN's management does not know of any matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

## Cumulative Voting

Pursuant to MCAN's by-laws and the *Trust and Loan Companies Act* (Canada) (the "**Act**") directors are to be elected through cumulative voting in certain circumstances. Under the cumulative voting system, each shareholder has the right to cast a number of votes equal to the number of votes attached to the Common Shares held by the shareholder multiplied by ten, being the number of directors to be elected at the Meeting. The shareholder may cast all such votes in favour of one nominee or distribute them among the nominees in any manner. For example, a shareholder owning 100 Common Shares could cast 1,000 votes in favour of one nominee or distribute the 1,000 votes equally in favour of all nominees or distribute the votes in any other manner among the nominees, as long as the total number of votes cast for the nominees does not exceed 1,000.

If a shareholder votes for more than one nominee without specifying the distribution of the votes among the nominees, the votes will be distributed equally among the candidates voted for by that shareholder. If a shareholder wishes to distribute votes other than equally among the nominees, the shareholder may do so by using the form of proxy provided with this Circular or by attending the Meeting in person. **Shareholders are advised to read this section carefully, as proxies purporting to allocate more votes than a shareholder is entitled to, or otherwise completed in error, will be void.**

The form of proxy enclosed with this Circular offers shareholders three options with respect to the election of directors. **Shareholders may select only one option.** Shareholders may:

1. vote for the election of all the nominees proposed in this Circular;
2. vote for one or more of the nominees proposed in this Circular by indicating beside each nominee's name the number of votes which the shareholder wishes to allocate to that nominee; or
3. withhold from voting for the election of directors.

**Revoking your proxy**

If you are a registered shareholder and change your mind and want to revoke your proxy, you can do so by signing a written statement (or authorizing your attorney in writing to sign a written statement to this effect) and delivering it to the Corporate Secretary at the head office of MCAN Mortgage Corporation, 200 King Street West, Suite 400, Toronto, Ontario M5H 3T4, any time before 5:00 p.m. (Toronto time) on May 10, 2011, being the last business day immediately preceding the Meeting, or by depositing it with the Chairman of the Meeting on May 11, 2011, prior to commencement of voting at the Meeting. Beneficial shareholders should contact their intermediaries to discuss whether revocation is possible and, if so, for the procedures to be followed.

**Confidentiality**

Proxies returned to Computershare are counted and tabulated independently of MCAN to preserve the confidentiality of individual shareholder votes. Computershare does not inform MCAN's management about how individual shareholders have voted except where comments made by shareholders are intended for the attention of management or where required by law.

## BUSINESS OF THE MEETING

### Financial Statements

The consolidated financial statements of the Corporation for the year ended December 31, 2010 and the auditors' report thereon are in the 2010 Annual Report which will be mailed on or about April 8, 2011 to all of the registered shareholders, except those who asked not to receive it, and to those beneficial shareholders who have requested it.

### Election of Directors

The election of MCAN's directors will take place, as required by the Corporation's by-laws and the Act, by cumulative voting. Usually shareholders of a public company are entitled to one vote per common share on all matters and a simple majority of the votes cast determines whether nominees are elected to the board of directors. However, the Act requires cumulative voting for the election of directors where more than 10% of the voting shares of a company are beneficially owned, directly or indirectly, by a shareholder. In addition, our by-laws provide for cumulative voting for the election of directors where a shareholder beneficially owns, directly or indirectly, more than 9% of MCAN's voting shares. MCAN has two such shareholders, as set out on page 3 under the heading "Owners of more than 9% of the Common Shares on March 25, 2011" and, therefore, the election of MCAN's directors is currently required to be completed by cumulative voting. The process of cumulative voting is described on page 5.

Cumulative voting is intended to facilitate minority board representation. It will almost certainly allow any shareholder or group of shareholders holding in excess of 9% of the issued and outstanding Common Shares, including those shareholders set out above under "Owners of more than 9% of the Common Shares on March 25, 2011" to elect one director to a ten person board of directors.

If, at the Meeting, there are no nominees other than the individuals proposed in this Circular, the shareholders present and entitled to vote will be asked to approve a resolution permitting a single vote to be held for all nominees. The resolution will require unanimous approval. If there are additional nominees, there will be a separate vote for each nominee. If the number of nominees exceeds the number of director positions to be filled, the nominees receiving the lowest number of votes will be eliminated and the nominees having the most votes will be elected as directors.

The persons named in the enclosed form of proxy intend to cast the votes to which the Common Shares represented by the proxy are entitled equally among the proposed nominees whose names are set forth on page 9, unless the shareholder who has given such proxy has directed that the shares be otherwise voted or withheld from voting in respect of the election of directors.

Each director elected at the Meeting will thereafter hold office until the close of the next annual meeting of shareholders following the election of the directors unless the director's office is earlier vacated in accordance with our by-laws and the Act. All of the nominees listed on page 9 are currently directors of the Corporation, have been directors since the dates indicated and have held their present occupations for more than five years except as noted. **Management does not contemplate that any nominee will be unable to serve as a director, but if this should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion unless specifically instructed on the proxy form that the shares are to be withheld from voting for the election of directors.**

### Appointment of Auditors

The directors recommend that shareholders appoint Ernst & Young LLP ("E&Y") as independent auditors of MCAN until the next annual meeting of shareholders. Unless instructed otherwise, the persons named in the enclosed proxy form intend to vote for the appointment of E&Y as auditors of MCAN until the next annual meeting of shareholders where auditors are appointed. This resolution must be passed by a majority of the votes cast in order to be effective. E&Y has served as auditors of MCAN since being appointed in November 1991.

Fees paid to E&Y for the past two years are set out below:

	<b>2010</b> <b>(\$)</b>	<b>2009</b> <b>(\$)</b>
Audit Fees	479,621	180,125
Audit-Related Fees <sup>1</sup>	3,180	32,416
Tax Fees <sup>2</sup>	10,280	50,110
All Other Fees <sup>3</sup>	32,125	43,450
<b>Total Fees</b>	<b>525,206</b>	<b>306,101</b>
1. Audit-Related Fees include accounting consultations. 2. Tax Fees include tax planning, review of tax returns and tax advice. 3. All Other Fees include various non-audit services.		

### **Other Business**

Management does not intend to present any other business at the Meeting. As at the date of this Circular, we are not aware of any amendments to the proposed matters or of any other matters that may be presented for action at the Meeting. If amendments to the proposed matters or other matters requiring the vote of shareholders are properly brought before the Meeting, the persons named in the enclosed proxy form will vote on them in accordance with their best judgement.

## NOMINEES FOR ELECTION TO BOARD OF DIRECTORS

MCAN's board of directors (the "Board") currently consists of the following ten directors: David G. Broadhurst, Brydon D. Cruise, Susan M. Doré, William J. Jandrisits, Brian A. Johnson, David A. MacIntosh, Derek A. Norton, Jean C. Pinard, Robert A. Stuebing and Ian Sutherland.

### Nominee Information

The following table sets forth for each proposed nominee for election as a director that nominee's name, city, province and country of residence, his or her principal occupation, the date the nominee first became a director of MCAN, and the number of MCAN Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the nominee:

<u>Name and Municipality of Residence</u>	<u>Director Since</u>	<u>Principal Occupation</u>	<u>Common Shares Owned and/or Controlled<sup>7</sup></u>
<b>DAVID G. BROADHURST</b> <sup>1</sup> Toronto, Ontario, Canada	May 14, 1997	President, Poynton Investments Limited (financial consulting and investments)	58,157
<b>BRYDON D. CRUISE</b> Oakville, Ontario, Canada	May 11, 2010	President & Managing Partner, Brookfield Financial (real estate)	70,050
<b>SUSAN M. DORÉ</b> Toronto, Ontario, Canada	May 11, 2010	Corporate Director	1,929,940 <sup>2</sup>
<b>WILLIAM J. JANDRISITS</b> <sup>3</sup> Markham, Ontario, Canada	August 4, 2010	President and CEO MCAN Mortgage Corporation	48,182
<b>BRIAN A. JOHNSON</b> Toronto, Ontario, Canada	January 10, 2001	Partner, Crown Capital Partners (finance) Partner, Crown Realty Partners (real estate)	93,058
<b>DAVID A. MACINTOSH</b> Waterloo, Ontario, Canada	January 28, 2000	Corporate Director	28,125
<b>DEREK A. NORTON</b> Toronto, Ontario, Canada	July 24, 2000	President and CEO, MCAP Commercial LP (mortgage services provider)	278,350
<b>JEAN C. PINARD</b> <sup>4</sup> Sutton, Québec, Canada	November 3, 2005	Consultant, Pinco Inc. (real estate and structured assets)	Nil
<b>ROBERT A. STUEBING</b> Toronto, Ontario, Canada	April 19, 2004	Corporate Director <sup>5</sup>	548,082
<b>IAN SUTHERLAND</b> Oro-Medonte, Ontario, Canada	January 11, 1991	Chairman, MCAN Mortgage Corporation <sup>6</sup>	2,178,705

1. Mr. Broadhurst was appointed to replace Mr. Sutherland, on an interim basis, as Chair of the Board from February 2010 to August 2010.
2. Includes 1,728,720 shares owned and/or controlled by Raymond Doré. See Owners of more than 9% of the Common Shares on March 25, 2011.
3. Mr. Jandrisits has been a director since August 2010. Prior to August 2010, Mr. Jandrisits was Director of Investor Relations & Strategic Initiatives Canada, Starwood Capital Group. Prior to March 2006, Mr. Jandrisits was Managing Director, North American Real Estate, RBC Financial Group.
4. Pursuant to an agreement dated April 14, 2004 between the Corporation, Bentall Capital II Limited Partnership (now C-Cap II Limited Partnership ("CCLP2")), CDP Capital – Real Estate Advisory Inc., Cadcap Inc. and MCAP Financial Corporation relating to the investment of CCLP2 in the Corporation, the parties expressed their intention that CCLP2 will be entitled to nominate one nominee of CCLP2 to the Board of the Corporation, subject to CCLP2 owning a minimum of 5% of the Common Shares. Currently CCLP2 owns 8.83% of the Common Shares. This year CCLP2 has nominated Mr. Pinard for election to the Board.
5. Since July 2006. From April 2004 to June 2006, Mr. Stuebing was the Senior Vice President and Chief Financial Officer of MCAN.
6. Since May 2006. From February 2010 to August 2010, Mr. Sutherland was appointed to serve as MCAN's Interim CEO. In addition, Mr. Sutherland was Chairman, North West Company Fund (retailer) until May 2008.
7. The information as to shares beneficially owned, directly or indirectly, or over which control or direction is exercised has been furnished by the respective nominees and such nominee's associates or affiliates.

## Independence and Board Committees

Director independence is determined by the Board. A director is considered independent only when the Board determines that the director has no direct or indirect material relationship with MCAN. A “material relationship” is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director’s independent judgement. In determining whether a director is independent, the Board applies standards derived from the Canadian Securities Administrators (“CSA”) corporate governance guidelines and *National Instrument 52-110 – Audit Committees* (“NI 52-110”).

The Board determines the independence of a director when the Board approves director nominees for inclusion in this Circular. Based on this determination, the Board has concluded that eight of the ten nominees proposed for election as directors have no material relationship with MCAN and are therefore independent. The result of the Board’s determination for each nominee and committee memberships is set out below.

<b>COMMITTEES (Number of Members)</b>			
	<b>Audit <sup>1</sup> (4)</b>	<b>Conduct Review, Corporate Governance &amp; Human Resources <sup>1</sup> (4)</b>	<b>Investment (5)</b>
<b>Independent Outside Directors</b>			
David G. Broadhurst	Chair	✓	
Brydon D. Cruise		✓	✓
Susan M. Doré <sup>2</sup>	✓	✓	
Brian A. Johnson		Chair	✓
David A. MacIntosh	✓		Chair
Jean C. Pinard			✓
Robert A. Stuebing	✓		✓
Ian Sutherland <sup>3</sup>			
<b>Outside Director – Not Independent</b>			
Derek A. Norton <sup>4</sup>			
<b>Management Director – Not Independent</b>			
William J. Jandrisits <sup>5</sup>			

### **Notes:**

1. All members of the Audit Committee and Conduct Review, Corporate Governance & Human Resources Committee are considered independent under *National Policy 58-201 – Corporate Governance Guidelines* (“NP 58-201”). All members of the Audit Committee are considered independent under NI 52-110.
2. Pursuant to the *Affiliated Persons Regulations* promulgated under the Act, Mrs. Doré is an affiliated person of MCAN due to the fact that she is the spouse of a significant shareholder. However, the Board considers Mrs. Doré to be independent for the purposes of NI 52-110.
3. Pursuant to the *Affiliated Persons Regulations* promulgated under the Act, the Board has determined that Mr. Sutherland is an affiliated person of MCAN, due to the fact that he owns more than 10% of MCAN’s outstanding Common Shares.
4. Mr. Norton was MCAN’s President and CEO until April 2004 and would normally be independent after April 19, 2007 (three years after his resignation from MCAN). However, the Board has determined that Mr. Norton will continue to be a non-independent director as Mr. Norton is the President and CEO of MCAP Commercial LP (“MCLP”), an entity in which MCAN has a 22.7% limited partnership interest, and MCLP originates and services a significant share of MCAN’s assets.
5. Mr. Jandrisits is not independent and is an affiliated person of MCAN as he is MCAN’s President and CEO.

## Other Public Company Directorships

Listed below are the MCAN directors who serve on the boards of directors or trustees of other public companies:

Director	Other Public Company Directorships
David G. Broadhurst	Director – The North West Company Inc.
Brian A. Johnson	Trustee – Crombie Real Estate Investment Trust
Ian Sutherland	Director – The North West Company Inc. Director – Strongco Corporation

## Board and Committee Meetings Held and Attendance

The table below sets out Board and committee meeting attendance for MCAN's directors during 2010. In addition, nine of the ten nominees for election as director attended the 2010 shareholders' meeting. Directors have a standing invitation to attend all committee meetings, regardless of membership and all of the directors attended an annual strategic planning meeting held in November 2010.

Meetings Attended of Meetings Held

Director	Board	Audit Committee	Conduct Review, Corporate Governance & Human Resources Committee	Investment Committee	Search Committee <sup>1</sup>	Shareholder Strategic & Risk Management Committee <sup>2</sup>
David G. Broadhurst	8 of 8	5 of 5	4 of 4		2 of 2	1 of 1
Brydon D. Cruise <sup>3</sup>	4 of 4		2 of 2	2 of 2		
Raymond Doré <sup>4</sup>	3 of 6		1 of 2		2 of 2	
Susan Doré <sup>3</sup>	4 of 4	2 of 2	2 of 2			
William J. Jandrisits <sup>5</sup>	2 of 2					
Brian A. Johnson <sup>6,7</sup>	8 of 8	3 of 3	2 of 2	4 of 4		
David A. MacIntosh	8 of 8	5 of 5		4 of 4		
Derek A. Norton	8 of 8					1 of 1
Jean C. Pinard <sup>8</sup>	8 of 8		2 of 2	4 of 4		
Robert A. Stuebing <sup>9</sup>	8 of 8	2 of 2		4 of 4		
Ian Sutherland	8 of 8				2 of 2	1 of 1
Blaine Welch <sup>10</sup>	2 of 2					

1. Committee dissolved effective July 6, 2010.
2. Committee dissolved effective August 13, 2010.
3. Elected director on May 11, 2010.
4. Retired as director effective August 4, 2010.
5. Appointed director, President and CEO effective August 4, 2010.
6. Ceased to be a member of the Audit Committee effective May 11, 2010.
7. Appointed member of the Conduct Review, Corporate Governance & Human Resources Committee effective May 11, 2010.
8. Ceased to be a member of the Conduct Review, Corporate Governance & Human Resources Committee effective May 11, 2010.
9. Appointed member of the Audit Committee effective May 11, 2010.
10. Resigned as director, President and CEO effective February 26, 2010.

## **Meetings of Independent Directors**

The independent directors meet without the non-independent directors each quarter after the Corporation's quarterly Board meetings. The Chairman of the Board chairs these meetings. There were four meetings of the independent directors during the financial year ended December 31, 2010.

## **Additional Disclosure Relating to Proposed Directors**

To our knowledge, no proposed director of MCAN is, or has been in the last ten years, a director, chief executive officer or chief financial officer of a company that, (i) was the subject of an order that was issued while that person was acting in that capacity, or (ii) was subject to an order that was issued after that person 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 that capacity.

For the purposes of the above paragraph, "order" means (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) 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.

To our knowledge, no proposed director of MCAN (i) is or has been within the last ten years, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (ii) has, within the last ten 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 the assets of such proposed director, except as follows:

- Mr. Johnson, a current director of MCAN and a proposed nominee for re-election, was Chairman of the board of directors of CrownAg International Inc. ("CrownAg") from 2000 to 2005. During that time, Crown Life Insurance Company was both a shareholder and a secured creditor of CrownAg. In order to realize on its security in 2005, Crown Life Insurance Company, together with two other secured creditors, placed CrownAg into receivership under the *Bankruptcy and Insolvency Act* (Canada).
- Mr. Johnson was, until March 26, 2010, a director of Big Sky Farms Inc., a private Saskatchewan company which sought and obtained an order on November 10, 2009 under the *Companies' Creditors Arrangement Act* (Canada).
- Mr. Johnson was a director of Stegg USA Inc., a private company which filed a voluntary petition under Chapter 7 of the United States Bankruptcy Code within one year of Mr. Johnson's resignation from the board of directors on September 26, 2008.

To our knowledge, no proposed director of MCAN has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

## **Compensation of Directors**

The Conduct Review, Corporate Governance & Human Resources Committee reviews director compensation annually and recommends updates to the Board for approval when considered appropriate or necessary to recognize the workload, time commitment and responsibility of the Board and committee members. In doing so, comparative data of other public companies is used. Based on the recommendation of the Conduct Review, Corporate Governance & Human Resources Committee in November 2010, the compensation structure, which was in effect since June 2008, was amended effective January 1, 2011, as follows:

Annual Director Retainer	\$20,000
Annual Committee Chair Retainer	15,000
Board Meeting Fee	1,200
Committee Meeting Fee	1,200
Telephone Meeting Fee	600

For fiscal 2010, each director who was not employed by MCAN or any of its subsidiaries was entitled to receive remuneration, paid in the form of cash only, for each meeting attended of the Board or any committee thereof of which such director is a member, together with an annual retainer. The Chairman of the Board is entitled to an annual retainer of \$100,000 and does not receive any other fees. Directors are reimbursed for their out-of-pocket expenses incurred in attending meetings and otherwise carrying out their duties as directors. Pursuant to MCAN's current by-laws, the aggregate amount of remuneration which may be paid by MCAN to its directors (for their services as directors) currently cannot exceed \$600,000 in any year. In 2010, the total fees paid by MCAN to its directors was \$331,950. MCAN does not offer its non-employee directors any equity compensation.

### **Directors' and Officers' Liability Insurance**

MCAN maintains a directors' and officers' liability insurance policy for the benefit of its directors and officers. The policy has an aggregate insurance limit of \$10 million with a \$50,000 deductible for certain types of claims. The cost of coverage for 2010 was \$54,570.

## **COMMITTEES**

### **Audit Committee**

The Audit Committee's primary purpose is to assist the Board in fulfilling its oversight responsibilities with respect to (i) the quality and integrity of financial statements; (ii) the effectiveness of MCAN's internal control over financial reporting; the effectiveness of MCAN's risk management and compliance practices; (iii) the independent auditor's performance, qualifications and independence; (iv) the performance of the internal audit function; and (v) MCAN's compliance with legal and regulatory requirements. The Audit Committee's role and responsibilities are outlined in Schedule "A" to this Circular.

All four members of the Committee are, for the purposes of NI 52-110, considered to be independent directors and are financially literate. One of the members is a chartered accountant and all are experienced in the area of financial reporting. The Committee meets with the Corporation's internal and external auditors and management as required and may engage independent counsel and other advisors as it deems appropriate in the course of carrying out its duties.

Additional information about the Audit Committee can be found in MCAN's Annual Information Form dated March 25, 2011 ("AIF"). The AIF is available on our website at [www.mcanmortgage.com](http://www.mcanmortgage.com) and is filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Conduct Review, Corporate Governance & Human Resources Committee**

The Conduct Review, Corporate Governance & Human Resources Committee's primary purpose is to assist the Board in its oversight role with respect to: (i) conflicts of interest, confidential information, complaints of customers, transactions involving related parties; (ii) the development of MCAN's corporate governance policies, practices and processes; (iii) the identification of qualified candidates and recommending nominees for director appointments; (iv) the effectiveness of the Board and its committees; and (v) management succession, development and compensation. The Conduct Review, Corporate Governance & Human Resources Committee's role and responsibilities are outlined in Schedule "B" to this Circular.

### **Investment Committee**

The Investment Committee's primary purpose is to assist the Board in its oversight role with respect to: (i) MCAN's investment policy; and (ii) MCAN's investment practices. The Committee also appoints a management investment committee, a capital commitments committee and an asset/liability committee, and delegates authority as deemed

appropriate to implement and manage MCAN's Investment Policy and Standards. The Committee's role and responsibilities are outlined in Schedule "C" to this Circular.

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

MCAN's executive compensation policy, which focuses on performance, is designed to reflect management's expected contribution to MCAN and encourage them to act in a manner which furthers MCAN's goals and enhances profitability. Compensation for executive officers is composed of three components – base salary, annual bonus incentive and the grant of entitlements to acquire Common Shares with the assistance of loans provided by MCAN under the Executive Share Purchase Plan. In addition, in July 2010 we established a Deferred Share Unit Plan for MCAN's President and CEO.

MCAN wishes to attract, retain and motivate results-oriented individuals who will contribute to its success. The compensation strategy achieves this by:

1. linking the strategic philosophies of management and shareholders;
2. supporting and reinforcing its business strategies; and
3. linking compensation to measurement programs that drive the achievement of business growth and profitability.

### ***Base Salary***

#### Determination of Base Salary

The base salary component of the policy is intended to recognize the contribution to MCAN of each named executive officer and is intended to attract, retain and motivate MCAN's officers.

The base salary for the President and CEO is reviewed annually by the Conduct Review, Corporate Governance & Human Resources Committee. The committee conducts an annual review of the President and CEO's performance. Based upon this review, the Conduct Review, Corporate Governance & Human Resources Committee makes recommendations to the Board regarding appropriate adjustments, as needed, to the President and CEO's base salary. The Board makes the ultimate decision regarding base salary paid to the President and CEO.

The base salary for the Vice President and CFO and the Vice President, Investments, respectively, is reviewed annually by the President and CEO, who conducts an annual review of those officers' performance in the prior year. Based on these reviews, the President and CEO makes a recommendation regarding the base salaries to the Conduct Review, Corporate Governance & Human Resources Committee. Based on this recommendation, the Conduct Review, Corporate Governance & Human Resources Committee makes recommendations to the Board regarding appropriate adjustments, as needed, to the base salaries of the Vice President and CFO and Vice President, Investments. The Board makes the ultimate decision regarding the base salary paid to the Vice President and CFO and Vice President, Investments.

The President and CEO's overall performance is also evaluated annually by all the directors using an evaluation/rating questionnaire using the following qualitative performance factors:

1. Vision
2. Leadership
3. Ability to Meet Corporate Performance Objectives
4. Integrity
5. Succession Planning
6. Shareholder Relations
7. Stakeholder Relationships
8. CEO Board Relationships

The results of this questionnaire are used to ensure continuous confidence in the President and CEO's leadership role within MCAN.

### ***Bonus Incentives***

#### **Annual Incentive Plan**

The annual incentive plan has been designed to motivate and reward executives for their role in achieving business objectives set by the Board. The plan is in place to compensate the named executive officers for achieving targeted results of the Corporation, and to link their compensation directly to performance of the Corporation.

Prior to the 2009 fiscal year, on an annual basis following a budgetary and strategic planning meeting, the Board set a target earnings per share ("EPS") amount for the year. Based upon MCAN's actual EPS for the relevant year as compared to the target EPS amount, the named officers would be rewarded with bonus compensation.

For fiscal years starting 2009, the Board decided to set a target return on equity ("ROE") amount for the year. The target ROE for 2010 was 16%. Based upon MCAN's actual ROE for the relevant year as compared to the target ROE amount, the named executive officers may be rewarded with bonus compensation.

The amount of each employee's bonus shall be made up of a Company Performance Factor that shall represent 50% of the annual bonus amount and an Individual Performance Amount representing the other 50% of the total bonus amount. The Individual Performance Amount shall be made up of Personal Performance Factors that shall be determined each year for the officer by the President and CEO and approved by the Board and for the President and CEO by the Chairman of the Board and approved by the Board. For the 2010 year, the bonus entitlements of the named executive officers were as follows:

<b><u>Return on Equity</u></b>	<b><u>Actual ROE is at least 75% of Target ROE</u></b>	<b><u>Actual ROE is at least 100% of Target ROE</u></b>	<b><u>Actual ROE is at least 125% of Target ROE</u></b>
President and CEO	30%	70%	110%
VP and CFO	20%	50%	80%
VP, Investments	20%	50%	80%

#### **Discretionary Incentive Plan**

The Conduct Review, Corporate Governance & Human Resources Committee may also recommend that the Board grant discretionary bonuses to named executive officers to offset inequities that the bonus formula described above may cause, or to provide for exceptional non-financial contributions by the named executive officers or significant MCAN performance. The discretionary bonuses are intended to link compensation to MCAN performance, and to alleviate any shortfalls in the annual bonus determination. No discretionary bonuses were paid to the named executives officers in relation to the Corporation's activities in 2010.

#### ***Executive Share Purchase Plan (the "Plan")***

The Plan was established by the Board and approved by the TSX in 2002. The Plan provides executives with the opportunity to purchase Common Shares through interest-bearing loans. The aggregate number of Common Shares which may be issued pursuant to the Plan may not exceed 480,000, provided that the number of Common Shares which may be issued pursuant to this Plan together with Common Shares which may be issued pursuant to any other share compensation arrangements of MCAN may not exceed 10% of the outstanding Common Shares and the number of Common Shares which may be issued pursuant to the Plan to any one person may not exceed 5% of the outstanding Common Shares. Loans totalling \$788,927 were advanced under the Plan in 2010. The Plan was developed to more closely align the interests of management with the interests of shareholders and to compensate the named executive officers for their individual performance.

Common Shares out of treasury may be issued pursuant to the Plan at the weighted average trading price for the 20 days preceding such issue. A total of 233,703 shares (representing approximately 1.62% of the Corporation's share capital) have been issued pursuant to the Plan since the Plan was adopted and, as of the date hereof, 246,297 shares (representing approximately 1.70% of the Corporation's share capital) remain available for issuance under the Plan.

Loans advanced bear interest at prime plus 1% and are secured by MCAN shares. MCAN, at its discretion, reimburses the executive officers the interest amount in connection with loans provided pursuant to the Plan. Dividends on the shares are used to reduce the principal balance of the loans as follows: 50% of regular dividends, and 75% of capital gains dividends. The loans have a five-year renewable term and there are no restrictions with respect to paying off the loans earlier. Common Shares acquired pursuant to the Plan are pledged as collateral for the loans for so long as the relevant loans remain outstanding.

This policy is reviewed periodically to ensure MCAN is able to attract and retain intellectual capital that will sustain long-term growth and profitability. The number of Common Shares issuable for purchase to the named executive officers pursuant to the Plan is set annually by the Board, based on the officer's performance in the prior year. The Board also sets an annual cap on the aggregate amount of the outstanding loans to each named executive officer, such that the officer's purchase of Common Shares in the year is also subject to that cap.

#### ***Employee Share Ownership Plan (the "ESOP")***

The ESOP was established by the Board in 2000 to enable employees of MCAN to purchase Common Shares of the Corporation in a convenient and systematic manner and to encourage continued employee interest in the operation, growth and development of the Corporation. Participation in the ESOP is voluntary. A participating employee may contribute no more than 6% and no less than 1% of his or her annual salary into the ESOP and MCAN will contribute 50% of the employee's contribution, up to a maximum of 3% of the employee's base salary. Contributions are used to acquire Common Shares on the open market. The ESOP is administered by CIBC Mellon Trust.

Common Shares acquired with an employee's contribution vest immediately. Two withdrawals or transfers of Common Shares acquired with an employee's contribution are permitted in a calendar year. A third withdrawal or transfer results in a suspension of MCAN's future contributions to the employee's plan for a period of twelve months. Common Shares acquired with MCAN's contribution to the ESOP vest on December 31<sup>st</sup> of the year in which the shares are acquired. Unvested shares cannot be withdrawn or transferred until December 31<sup>st</sup> of each year.

#### ***Deferred Profit Sharing Plan (the "DPSP")***

The DPSP is a component of the retirement savings plan for all eligible employees and is supported entirely by contributions made by the Corporation. Under the DPSP an employee may contribute up to 7% of annual salary, depending on years of service, (up to a maximum of \$11,000 per year) to a group registered retirement savings plan for MCAN's employees and MCAN matches such employee contributions with contributions to the DPSP. While an employee has full vested rights to contributions made to the DPSP, no withdrawals are permitted from the DPSP while an individual is employed by the Corporation.

#### ***DPSP Supplemental Employee Retirement Plan (the "DPSP SERP")***

The DPSP SERP is supported entirely by contributions made by MCAN and is limited to former employees of Mutual Life who participated in Mutual Life's defined benefit pension plan and whose Company retirement benefit contributions exceed the contributions allowed under the *Income Tax Act* (Canada). Under the DPSP SERP a formula based on the employee's years of service and age at the time of leaving Mutual Life is used to determine the Corporation's contribution for each eligible employee. Pursuant to the DPSP SERP, in 2010 MCAN contributed 1.25% of Mr. Blaine Welch's base salary and 0.50% of Mr. Michael Misener's base salary on an annual basis into the DPSP SERP. Accumulated DPSP SERP contributions are payable only at retirement and earn a 7% rate of return per annum. A lump sum payment of the accumulated contributions is made on termination or death. On retirement, a member may elect a single lump sum payment or two payments over two years. Mr. Welch elected to receive a lump sum payment on his resignation in February 2010.

### Deferred Share Unit Plan (the “DSU Plan”)

The DSU Plan was established by the Board in 2010 whereby the Board granted units under the DSU Plan to the President and CEO (the “Participant”). Each unit is equivalent in value to one Common Share of the Corporation. Following his retirement/termination date, the Participant is entitled to receive cash for each unit. The individual unit value is based on the average market value of the Corporation’s Common Shares for five days preceding the retirement/termination date. The Participant was granted 30,000 units under the DSU Plan during 2010. In addition, the Participant is entitled to receive dividend distributions in the form of additional units. The underlying units follow a graded vesting schedule over three years. All dividends paid prior to July 6, 2014 vest as at July 6, 2014. All dividends paid after July 6, 2014 vest immediately. As at the date of this Circular, no units have vested.

### Summary Compensation Table

The table below sets forth the information for the last three fiscal years concerning the compensation earned by the President and CEO, the Chief Financial Officer and the other most highly compensated executive officer of MCAN and its subsidiaries (the “Named Executive Officers”) whose total salary and bonus in the last financial year exceeded \$150,000.

Name and Principal Position	Year	Salary <sup>1</sup> (\$)	Share-based Awards	Non-Equity Incentive Plan Compensation (\$)		Other Annual Compensation <sup>4</sup> (\$)	All Other Compensation (\$)	Total Compensation (\$)
				Annual Incentive Plan <sup>2</sup>	Discretionary Amount <sup>3</sup>			
William Jandrisits <sup>5</sup> President and CEO	2010	122,692	394,770 <sup>6</sup>	131,251	-	2,925	6,748 <sup>7</sup>	658,386
Tammy Oldenburg Vice President and CFO	2010	196,949	-	135,000	-	9,688	19,536 <sup>7</sup>	361,173
	2009	180,250	-	145,354	-	11,062	14,420 <sup>7</sup>	351,086
	2008	168,233	-	138,432	70,000	15,946	13,459 <sup>7</sup>	406,070
Michael Misener Vice President, Investments	2010	177,466	-	127,800	-	9,707	11,970 <sup>8</sup>	326,943
	2009	163,486	-	131,835	-	11,070	16,237 <sup>8</sup>	322,628
	2008	153,534	-	125,557	70,000	15,952	15,385 <sup>8</sup>	380,428
Blaine Welch <sup>9</sup> President and CEO	2010	87,790	-	-	-	5,463	11,132 <sup>10</sup>	104,385
	2009	297,714	-	330,000	-	16,686	14,877 <sup>10</sup>	659,277
	2008	284,012	-	314,912	200,000	29,674	16,231 <sup>10</sup>	844,829

- Salaries represent the amounts paid to the Named Executive Officer from January to December of each year. Annual salary increases take effect on March 1<sup>st</sup> of each year.
- Amounts shown are the bonuses paid pursuant to the Annual Incentive Plan discussed above. In 2008, the EPS measure achieved was \$2.14. In 2009, the ROE measure achieved was 21.2% based on January 1, 2009 opening equity. In 2010, the ROE measure achieved was 20.6% based on January 1, 2010 opening equity.
- Amounts shown are the bonuses paid pursuant to the Discretionary Incentive Plan discussed above.
- Amounts shown are for the interest obligation of the Named Executive Officer to MCAN that were reimbursed by the Corporation, at its discretion, in connection with loans provided pursuant to the Plan. Other perquisites and personal benefits do not exceed the lesser of \$50,000 and 10% of the total of the annual salary and bonus for any Named Executive Officer. However, a relocation allowance in the amount of \$60,000 has been awarded to Mr. Jandrisits.
- Appointed President and CEO effective August 4, 2010. No directors’ fees were paid to Mr. Jandrisits during 2010.
- Amount shown is the fair value as at the date of grant and the fair value of the dividend distributions in 2010, which amounts are payable as outlined under the DSU Plan.
- Amounts shown are MCAN’s contributions under MCAN’s ESOP & DPSP.
- Amounts shown are MCAN’s contributions under MCAN’s ESOP, DPSP and DPSP SERP.
- Resigned as President and CEO effective February 26, 2010.
- Amounts shown include MCAN’s contributions under MCAN’s DPSP and DPSP SERP. No directors’ fees were paid to Mr. Welch during 2008, 2009 or 2010.

## Incentive Plan Awards – Value Vested or Earned During the Year

Name and Principal Position	Year	Non-Equity Incentive Plan Compensation (\$)	
		Annual Incentive Plan <sup>1</sup> (\$)	Discretionary Amount <sup>2</sup> (\$)
William Jandrisits <sup>3</sup> President and CEO	2010	131,251	-
Tammy Oldenburg Vice President and CFO	2010	135,000	-
	2009	145,354	-
	2008	138,432	70,000
Michael Misener Vice President, Investments	2010	127,800	-
	2009	131,835	-
	2008	125,557	70,000
Blaine Welch <sup>4</sup> President and CEO	2010	-	-
	2009	330,000	-
	2008	314,912	200,000

1. Amounts shown are the bonuses paid pursuant to the Annual Incentive Plan discussed above.
2. Amounts shown are the bonuses paid pursuant to the Discretionary Incentive Plan discussed above.
3. Appointed President and CEO effective August 4, 2010.
4. Resigned as President and CEO effective February 26, 2010.

### Mr. Jandrisits' Employment Contract

An employment contract was established with Mr. Jandrisits on July 6, 2010, effective upon his appointment as President and CEO on August 4, 2010. His employment contract was amended on November 16, 2010 to amend the termination arrangements that would be available upon a change of control. The key terms of this contract are as follows:

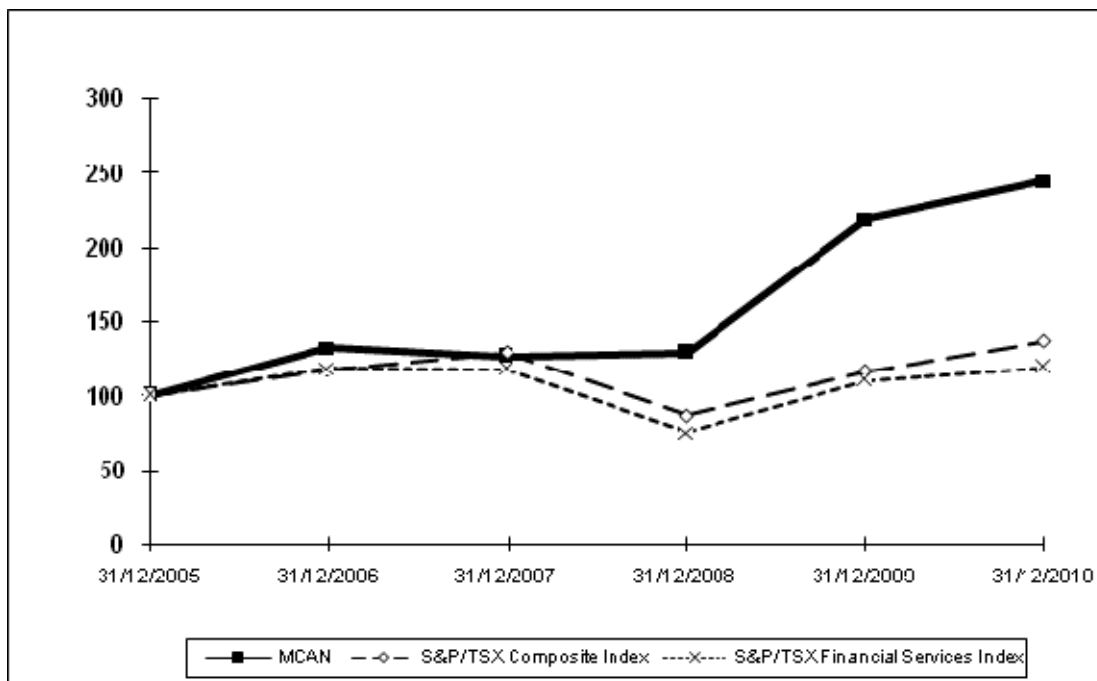
<b>Officer</b>	William J. Jandrisits, President and Chief Executive Officer
<b>Effective Date</b>	August 4, 2010
<b>Termination of Employment without Cause</b>	<p>MCAN may terminate Mr. Jandrisits' employment at any time without cause by providing him with notice or pay in lieu of notice equivalent to twelve months of base salary.</p> <p>As part of the termination package, Mr. Jandrisits will be provided with a continuation of his standard life, medical and dental benefit coverage and RRSP/DPSP plan for the duration of the statutory notice period. Subject to applicable legislation, all disability benefit coverage will be discontinued immediately upon termination. To the extent provided, continued coverage pursuant to the aforementioned benefit plans will be conditional on Mr. Jandrisits satisfying the terms and conditions required by the individual insurance policies, and paying any applicable employee premiums.</p> <p>In the event that Mr. Jandrisits obtains alternative employment within the continuance period, he will be provided with a lump sum payment, equivalent to fifty per cent of the balance owing for the remainder of the continuance period. Furthermore, immediately upon securing alternative employment, the continuation of standard life, medical and dental benefit coverage and Mr. Jandrisits' participation in MCAN's RRSP/DPSP will cease.</p> <p>The termination package shall supersede and replace any and all rights to reasonable notice of termination that Mr. Jandrisits might otherwise be entitled to at common law and Mr. Jandrisits expressly waives any rights</p>

	<p>to such notice.</p> <p>The termination package is deemed conclusively to be reasonable notice of termination and specifically includes all amounts owing for termination and/or severance pay under any contract, statute, common law or otherwise.</p>
<p><b>Termination Arrangements on Change of Control</b></p>	<p>“Change-in-Control” means:</p> <p>(A) the acceptance and sale by the holders of the Common Shares, representing in the aggregate more than fifty (50%) percent of all issued and outstanding Common Shares of any offer, whether by way of a takeover bid or otherwise, for all or any of the Common Shares;</p> <p>(B) the acquisition, by whatever means (including, without limitation, amalgamation, arrangement, consolidation or merger), by a person (or two or more persons who in such acquisition have acted jointly or in concert or intend to exercise jointly or in concert any voting rights attaching to the Common Shares acquired), directly or indirectly, of the beneficial ownership of such number of Common Shares or rights to Common Shares, which together with such person’s then owned Common Shares and rights to acquire Common Shares, if any, represent (assuming the full exercise of such rights to acquire Common Shares) more than fifty (50%) percent of the voting rights of the Common Shares together with the Common Shares that would be outstanding on the full exercise of the rights to acquire Common Shares and such person’s previously owned rights to acquire Common Shares;</p> <p>(C) the closing of a transaction whereby either the Corporation merges, consolidates, amalgamates, is arranged or absorbed by or into another person, and as a result of such transaction, the holders of Common Shares prior to the transaction own directly or indirectly less than 50% of the equity of the entity resulting from the transaction; or</p> <p>(D) the sale by the Corporation of all or substantially all of its respective assets.</p> <p>Following a change of control as defined above, MCAN will pay Mr. Jandrisits, in addition to the payments due under Termination of Employment without Cause, (i) 100% of his annual base salary if employment is terminated for any reason prior to 2013, and (ii) 50% of his annual base salary if employment is terminated after 2012.</p>

None of the other Named Executive Officers have written employment agreements or any compensation plans, contracts or arrangements where the Named Executive Officer is entitled to receive payments in the event of (i) the resignation, retirement or any other termination of employment or (ii) a change of control of MCAN or any of its subsidiaries.

## Performance Graph

The following graph compares MCAN's cumulative total shareholder return (assuming an investment of \$100 on December 31, 2005) on its Common Shares during the period from January 1, 2006 to December 31, 2010, with the S&P/TSX Composite Index (Total Return) and the S&P/TSX Financial Services Index (Total Return), assuming reinvestment of all dividends.



	Dec 31 2005	Dec 31 2006	Dec 31 2007	Dec 31 2008	Dec 31 2009	Dec 31 2010	Compound Annual Growth
MCAN	100	132	127	129	219	244	19.5%
TSX	100	117	129	86	117	137	6.5%
TSX Financial Services	100	118	117	75	110	119	3.5%

*Note: Dividends declared on MCAN's Common Shares are assumed to be reinvested at the closing price on the payment date.*

The compensation paid to MCAN's Named Executive Officers is not contingent upon the performance of MCAN's Common Shares on the TSX except to the extent of the executive officers' participation in the Plan and the DSU Plan. The positive trend in total shareholder returns is based in part on the trend in MCAN's earnings per share and return on shareholders' equity. As discussed above under "Statement of Executive Compensation", prior to the 2009 fiscal year, the bonuses paid to Named Executive Officers were based upon MCAN's earnings per share. In 2009, the bonuses were based on return on equity targets. In 2010, the bonuses were based on ROE and personal performance factors.

## Compensation of Directors

The following table sets out all amounts of compensation paid by MCAN to the directors for the Corporation's 2010 fiscal year.

Name	Director Retainer (\$)	Committee Chair Retainer (\$)	Non-executive Chairman Retainer (\$)	Board Attendance Fee (\$)	Committee Attendance Fee (\$)	Total Fees Paid (\$)
David G. Broadhurst <sup>1</sup>	8,636	5,985	42,425	4,800	7,200	69,046
Brydon D. Cruise <sup>2</sup>	9,583	-		3,000	4,800	17,383
Raymond Doré <sup>3</sup>	8,920	3,608		1,800	3,600	17,928
Susan M. Doré <sup>2</sup>	9,583	-		3,000	4,800	17,383
Brian A. Johnson <sup>4</sup>	15,000	6,392		6,600	10,200	38,192
David A. MacIntosh	15,000	10,000		6,600	10,200	41,800
Derek A. Norton <sup>5</sup>	-	-		-	-	-
Jean C. Pinard	15,000	-		7,200	7,200	29,400
Robert A. Stuebing	15,000	-		7,800	7,200	30,000
Ian Sutherland <sup>6</sup>	6,421	-	57,197	3,600	3,600	70,818
<b>TOTAL</b>	<b>103,143</b>	<b>25,985</b>	<b>99,622</b>	<b>44,400</b>	<b>58,800</b>	<b>331,950</b>

1. Served as Interim Chairman from February 26, 2010 to August 4, 2010.
2. Elected as director on May 11, 2010.
3. Retired as director effective August 4, 2010.
4. Appointed Chairman of the Conduct Review, Corporate Governance & Human Resources Committee effective May 11, 2010.
5. Waived rights to receive directors' fees.
6. Served as Interim CEO from February 26, 2010 to August 4, 2010.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the aggregate indebtedness to MCAN and its subsidiaries of all executive officers, directors, employees and former executive officers, directors and employees of MCAN and its subsidiaries.

AGGREGATE INDEBTEDNESS (\$) (As of March 25, 2011)		
Purpose	To MCAN or its Subsidiaries	To Another Entity
Share purchases	\$1,673,657	NIL

The following table sets forth the indebtedness of MCAN's directors, executive officers, proposed nominees for election as a director, or associates of any of them, to MCAN or any of its subsidiaries.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS UNDER (1) SECURITIES PURCHASE AND (2) OTHER PROGRAMS						
Name and Principal Position	Involvement of Corporation or Subsidiary	Largest Amount Outstanding During December 31, 2010 Financial Year	Amount Outstanding as at March 25, 2011	Financially Assisted Securities Purchases During December 31, 2010 Financial Year	Security for Indebtedness	Amount Forgiven During Financial Year Ended December 31, 2010
<i>Share Purchase Program</i> <sup>1</sup>						
William Jandrisits Director, President and CEO from August 4, 2010	Accounts Receivable of 6212484 Canada Inc. as Lender <sup>2</sup>	\$600,985	\$593,181	47,041	Common Shares	NIL
Tammy Oldenburg Vice President and CFO		\$294,644	\$280,477	1,838	Common Shares	NIL
Michael Misener Vice President, Investments		\$294,922	\$281,284	1,771	Common Shares	NIL

1. Details of the Executive Share Purchase Plan are set out on page 15.
2. 6212484 Canada Inc. is a wholly-owned subsidiary of MCAN.

#### DIVIDEND REINVESTMENT PLAN

In 2002, MCAN amended and restated its dividend reinvestment plan (the “**Dividend Reinvestment Plan**”). Pursuant to the Dividend Reinvestment Plan, cash dividends paid to participating registered holders of Common Shares are automatically reinvested in Common Shares purchased by Computershare, as agent, either on the open market at market prices or from treasury at the weighted average trading price for the 20 days preceding such issue, at the option of MCAN. A copy of the Dividend Reinvestment Plan and a form permitting registered shareholders to elect to participate in or withdraw from the Dividend Reinvestment Plan are available by calling the Corporate Secretary at (416) 591-5214. Beneficial owners of Common Shares must make arrangements with the financial institution or stock brokerage through which they hold their Common Shares to become a participant in the Dividend Reinvestment Plan. Once a registered holder or a beneficial owner has enrolled in the Dividend Reinvestment Plan, participation continues automatically unless terminated in accordance with the terms of the Dividend Reinvestment Plan.

#### INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as described herein under “Indebtedness of Directors and Executive Officers” and “Compensation of Directors”, no informed person of the Corporation, proposed director, or any associate or affiliate thereof, has a material interest in any transaction since the commencement of the Corporation’s most recent financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

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

Except as described herein, no person who is a director or executive officer, or nominee for election as a director or associate or affiliate of any of them has any material interest, direct or indirect, in any matter to be acted upon at the Meeting.

## AVAILABILITY OF DOCUMENTS

You may request copies of the following documents, at no charge, from the Corporate Secretary, MCAN Mortgage Corporation, 200 King Street West, Suite 400, Toronto, Ontario, M5H 3T4:

1. MCAN's latest annual information form together with any document, or the pertinent pages of any document, incorporated by reference therein;
2. MCAN's comparative financial statements for the fiscal year ended December 31, 2010 together with the accompanying report of the auditors thereon and any subsequent interim financial statements and Management's Discussion and Analysis of Operations ("MD&A") thereto; and
3. this Circular.

These documents, as well as additional information relating to MCAN, are also available at [www.mcanmortgage.com](http://www.mcanmortgage.com) and on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information regarding MCAN is provided in the Corporation's comparative financial statements and MD&A for the fiscal year ended December 31, 2010.

## SHAREHOLDER PROPOSALS

The Act permits certain eligible shareholders to submit shareholder proposals for inclusion in a management proxy circular for an annual meeting of shareholders. Any proposal by an eligible shareholder intended to be presented at the 2012 annual meeting of shareholders should be directed to the attention of the Corporate Secretary of MCAN. In order to be included in the proxy material for that meeting, the proposal must be received at our office at 200 King Street West, Suite 400, Toronto, Ontario, M5H 3T4 by February 10, 2012.

## DIRECTORS' APPROVAL

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



William Jandrisits  
Director, President and Chief Executive Officer

## **SCHEDULE “A” AUDIT COMMITTEE MANDATE**

### **Role**

The primary purpose of the Audit Committee (the “Committee”) is to assist the Board in its oversight role with respect to:

1. the quality and integrity of financial statements;
2. the effectiveness of MCAN’s internal control over financial reporting;
3. the effectiveness of MCAN’s risk management and compliance practices;
4. the independent auditor’s performance, qualifications and independence;
5. the performance of the internal audit function; and
6. MCAN’s compliance with legal and regulatory requirements.

### **Composition and Operations**

1. The Committee shall consist of at least three directors appointed annually by the Board.
2. No member of the Committee shall be an officer or employee of MCAN, its subsidiaries or affiliates. A majority of the members of the Committee will not be affiliated with MCAN as such term is defined in the *Trust and Loan Companies Act* (Canada).
3. Each member of the Committee shall satisfy the applicable independence and experience requirements of the laws governing MCAN, the applicable stock exchange on which MCAN’s securities are listed and applicable securities regulatory authorities.
4. The Board shall appoint one member of the Committee as Committee Chair.
5. Each member of the Committee shall be financially literate as such qualification is defined by applicable law and interpreted by the Board in its business judgement.
6. The Committee shall meet at least quarterly and as many additional times as necessary. The Committee shall report to the Board on its activities, findings and recommendations after each of its meetings.

### **Specific Duties**

#### Independent Auditor

1. Recommend to the Board that the independent auditor be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the issuer, subject to required shareholder approval.
2. Recommend to the Board the compensation of the independent auditor.
3. Provide oversight of the work of the independent auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services (including resolution of disagreements between management and the independent auditor regarding financial reporting). Review the engagement letter of the independent auditor and ensure that the independent auditor reports directly to the Committee.
4. Pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be provided by the independent auditor. Consider whether the non-audit services to be provided are compatible with maintaining the auditor’s independence. When appropriate, the Committee may delegate to the Chairman of the Committee the authority to grant pre-approvals of audit and permitted non-audit services, provided that such authorization does not exceed

\$25,000 at any given time, and the full Committee shall be informed of such approvals at its next scheduled meeting.

5. Review and discuss with management and the independent auditor prior to the annual audit the scope, planning and staffing of the annual audit and the degree of co-ordination between the plans of the independent auditor and the internal auditor.
6. Review and approve hiring policies regarding partners and employees or former partners and employees of the present and former independent auditor.
7. Meet separately with the independent auditor and report to the Board.
8. Review with management and the independent auditor any communications from the latter concerning deficiencies, weaknesses or matters of concern.

#### Financial Reporting

9. Review and discuss with management and the independent auditor the annual audited financial statements and any other returns or transactions required to be reviewed by the Committee and report to the Board prior to approval by the Board and publication of earnings.
10. Review and discuss with management MCAN's quarterly financial statements prior to their publication.
11. Review the annual and quarterly disclosures made in management's discussion and analysis prior to approval by the Board and publication.
12. Review such returns as the Superintendent of Financial Institutions may specify.
13. Require management to implement and maintain appropriate internal control procedures.
14. Review, evaluate and approve the procedures established under item 13.
15. Review such investments and transactions that could adversely affect MCAN's well-being as the auditor or any officer of MCAN may bring to the attention of the Committee.
16. Review at least quarterly the accounting and financial controls of the CMB program.
17. At least annually, review and discuss with management and the independent auditor the appropriateness of MCAN's accounting and financial reporting policies and any changes made thereto, including overseeing management's work plan for implementing the International Financial Reporting Standards for the financial statements.
18. Review all financial public disclosure documents, including information contained in earnings press releases, Annual Information Form, Annual Report and Management Information Circular prior to approval by the Board.
19. Review and discuss with the CEO and the CFO the procedures undertaken in connection with the CEO and CFO certifications for the annual and interim filings with applicable securities regulatory authorities.
20. Meet with the internal auditor and with management to discuss the effectiveness of the internal control procedures established for MCAN pursuant to item 13.

#### Internal Auditor

21. Review the scope of the audit to be performed by the internal auditor and the degree of co-ordination between the plans of the internal and independent auditor.

22. Review the quarterly reports of the internal auditor on internal audit activities and results of its audits.
23. Meet separately with the internal auditor and report to the Board.
24. Annually assess the effectiveness of the internal audit function.

#### Risk Management

25. Review significant risk management policies and practices.
26. Review management's reports demonstrating compliance with the risk management policies.

#### Anti-Money Laundering and Anti-Terrorist Financing Program ("AML/ATF Program")

27. Review at least annually and recommend to the Board MCAN's Anti-Money Laundering Policies and Procedures ("AML Policy").
28. Review at least quarterly the Chief Anti-Money Laundering Officer's report on MCAN's compliance with the AML/ATF Program and MCAN's AML Policy.
29. Review the internal auditor's report on the results of the testing of the effectiveness of the AML/ATF Program as per the internal auditor's cycle of audits.

#### Other

30. Establish procedures for the receipt, retention and treatment of complaints received by MCAN regarding accounting, internal accounting controls, or auditing matters, and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
31. Review correspondence with regulators or governmental agencies.
32. Review at least annually and recommend to the Board the Outsourcing Policy and performance under all material outsourcing arrangements.
33. Review at least annually and recommend to the Board the Business Continuity Plan.
34. Review the internal auditor's report on the results of testing of the Business Continuity Plan as per the internal auditor's cycle of audits.
35. Review at least annually the adequacy of MCAN's insurance, in particular its employee bonding, errors and omissions and directors and officers coverage.
36. Review any evidence of employee fraud.
37. At the discretion of the Committee, retain, oversee, compensate and terminate independent advisors to assist the Committee in its activities.
38. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual review of the Committee mandate.
39. Carry out any other appropriate duties and responsibilities assigned by the Board.

Approved: March 25, 2011

**SCHEDULE “B”**  
**CONDUCT REVIEW, CORPORATE GOVERNANCE & HUMAN RESOURCES COMMITTEE**  
**MANDATE**

**Role**

The primary purpose of the Conduct Review, Corporate Governance & Human Resources Committee (the “Committee”) is to assist the Board in its oversight role with respect to:

1. conflicts of interest, confidential information, complaints of customers, transactions involving related parties;
2. the development of MCAN’s corporate governance policies, practices and processes;
3. identifying qualified candidates and recommending nominees for director appointments;
4. the effectiveness of the Board and its committees; and
5. management succession, development and compensation.

**Composition and Operations**

1. The Committee shall consist of at least three directors appointed annually by the Board.
2. No member of the Committee shall be an officer or employee of MCAN, its subsidiaries or affiliates. A majority of the members of the Committee will not be affiliated with MCAN as such term is defined in the *Trust and Loan Companies Act* (Canada) and no member of the Committee will be affiliated with the Caisse, MCLP or any of their respective affiliates
3. Each member of the Committee shall satisfy the applicable independence and experience requirements of the laws governing MCAN, the applicable stock exchange on which MCAN’s securities are listed and applicable securities regulatory authorities.
4. The Board shall appoint one member of the Committee as Committee Chair.
5. The Committee shall meet at least quarterly and as many additional times as necessary. The Committee shall report to the Board on its activities, findings and recommendations after each of its meetings.

**Specific Duties**

Conduct Review

1. Annually review MCAN’s Code of Business Conduct & Ethics.
2. Annually review procedures to resolve conflicts of interest, including techniques for the identification of potential conflict situations and for restricting the use of confidential information.
3. Require management to establish procedures for complying with Part XI (Self-Dealing) of the Act (related party transactions).
4. Review procedures and their effectiveness in ensuring that MCAN is complying with Part XI.
5. Review MCAN’s practices to ensure that any transactions with related parties of MCAN that may have a material effect on the stability or solvency of MCAN are identified.
6. Review and approve the MCLP Contingency/Exit Plan.
7. Annually review and assess the appropriateness of the approved MCLP Contingency/Exit Plan.

8. Review, assess and, where appropriate, approve (i) any material amendments to material agreements currently in place with MCLP; (ii) any proposed new material transactions with MCLP; (iii) any investment, credit facility to, or guarantee in favour of, MCLP; (iv) the status of MCAN's investment in MCLP; (v) letters or directions from OSFI in respect of MCLP/Caisse; and (vi) the solvency and liquidity of MCLP.
9. Ensure that management reviews and assesses, on a regular basis, MCLP's adherence to MCAN policies and procedures in respect of all material functions that are outsourced to MCLP.
10. Ensure that, within 90 days after the end of each financial year, the Board will report to the Superintendent of Financial Institutions on what the Committee did during the year in carrying out its responsibilities under items 3 to 5 above.
11. The Committee shall report to the Superintendent of Financial Institutions on the mandate and responsibilities of the Committee and the procedures referred to in item 3 above.
12. Annually review procedures established to provide disclosure of information to MCAN's customers, satisfy itself that the procedures are being followed and for dealing with complaints of customers as required by the *Trust and Loan Companies Act*.

#### Corporate Governance

13. Review MCAN's approach to corporate governance issues, the disclosure and reporting thereof, including independence from management and the independence of individual directors.
14. Identify and assess new candidates for appointment or nomination to the Board, including any nominee appropriately recommended by a shareholder, and make recommendations to the Board for consideration.
15. Annually review and recommend to the Board for consideration individual directors proposed to be nominated for election at the next annual meeting of shareholders.
16. Establish an orientation and education program for directors new and ongoing.
17. Set retirement age and terms of directors.
18. Establish Board size and membership of its committees.
19. Approve use by directors of outside advisors at the expense of the company.
20. Establish an insider trading policy for MCAN and monitor compliance.
21. Oversee processes established by management to deal with MCAN's compliance with legislation, regulatory and TSX requirements, and satisfy itself that the processes and policies are being adhered to.
22. Annually review and recommend to the Board the Assessment Policy required pursuant to OSFI Guideline E-17, and satisfy itself that the processes are being implemented.
23. Establish a process for conducting an evaluation of the performance and effectiveness of the Board as a whole, of its committees and the contributions of individual directors.
24. Annually conduct an evaluation of the performance of the Chairman of the Board.
25. Annually review and assess the position descriptions for the Chairman of the Board and each Committee Chair.
26. Annually review and assess the mandates for the Board and each Board Committee.

27. Regularly review MCAN's Articles and By-Laws and recommend any changes to the Board for consideration.

#### Human Resources

28. Annually review and make recommendations to the Board for consideration regarding the CEO's short-term and long-term corporate goals and objectives and performance measurement indicators.
29. Annually evaluate the performance of the CEO considering the position description of the CEO.
30. Recommend annual CEO compensation to the Board.
31. Annually review with the CEO, the position description for the CEO and recommend any changes to the Board.
32. Annually review the level of compensation of MCAN's directors, considering peer practices and the duties and responsibilities of the directors, and recommend any changes to the Board.
33. Annually review the level of compensation of the Chairman of the Board, considering peer practices and the duties and responsibilities of the Chairman of the Board and recommend any changes to the Board.
34. Annually review the recommendations of the CEO concerning overall compensation of the executive (other than the CEO) and non-executive employees of MCAN, its subsidiaries and affiliates and make recommendations to the Board.
35. Ensure a program is in place for succession planning and management development.

#### Other

36. At the discretion of the Committee, retain, oversee, compensate and terminate independent advisors to assist the Committee in its activities.
37. Carry out any other appropriate duties and responsibilities assigned by the Board.

Approved: August 13, 2010

**SCHEDULE “C”  
INVESTMENT COMMITTEE MANDATE**

**Role**

The primary purpose of the Investment Committee (the “Committee”) is to assist the Board in its oversight role with respect to:

1. MCAN’s investment policy; and
2. investment practices.

**Composition and Operations**

1. The Committee shall consist of at least three directors appointed annually by the Board.
2. No member of the Committee shall be an officer or employee of MCAN, its subsidiaries or affiliates. Members of the Committee will not be affiliated with MCAN as such term is defined in the *Trust and Loan Companies Act* (Canada).
3. The Board shall appoint one member of the Committee as Committee Chair.
4. The Committee shall meet at least quarterly and as many additional times as necessary. The Committee shall report to the Board on its activities, findings and recommendations after each of its meetings.

**Specific Duties**

Investment Policy & Practices

1. At least annually review and recommend to the Board for approval MCAN’s Investment Policy and Standards (the “IPS”) and the procedures and authorities for implementing the IPS.
2. Recommend to the Board changes to the IPS as the Committee, from time to time, considers necessary to meet changes in the investment climate.
3. Annually review and recommend to the Board for approval the real estate appraisal policies and procedures.
4. At least annually review and approve MCAN’s asset mix strategy and risk rating guidelines. Review and monitor quarterly adherence to this strategy and the risk profile of the investment portfolio.
5. Monitor investment practices of any subsidiary and every joint venture/partnership in which MCAN is a participant to ensure adherence to prudent investment standards.
6. Review quarterly MCAN’s compliance with the financial, investment and related filing requirements of the *Trust and Loan Companies Act* (Canada), the *Income Tax Act* and MCAN’s IPS.
7. Review quarterly MCAN’s exposure to changes in interest rates, interest rate spreads and gaps, funding strategy and sources, and liquidity position and outlook.
8. At least quarterly review compliance with MCAN’s Capital Management Policy.
9. At least quarterly review and comment on investment summaries for new loans and other investments over \$1 million, as well as annual status updates prepared on the anniversary date for all such loans and investments outstanding.
10. Review quarterly specific and general loan loss reserves.

11. Review quarterly the arrears and non-performing loans.
12. Review quarterly the marketable securities and money market investments against investment policies and limits.
13. Appoint a Capital Commitments Committee (“CCC”) and an Asset/Liability Committee (“ALCO”) and delegate authorities as deemed appropriate to implement and manage this IPS.
14. Review annually and recommend to the Board for approval the General Provisioning Policy.
15. At least annually review and recommend to the Board the Liquidity Risk Management Framework and ensure quarterly testing.
16. At least quarterly assess the investment and related risks of the CMB program.
17. Review and recommend to the Board any banking facilities and other financing facilities as MCAN may, from time to time, require.

Other

18. At the discretion of the Committee, retain, oversee, compensate and terminate independent advisors to assist the Committee in its activities.
19. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual review of the Committee mandate.
20. Carry out any other appropriate duties and responsibilities assigned by the Board.

Approved: November 11, 2010

**SCHEDULE “D”  
NATIONAL INSTRUMENT 58-101  
DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES**

**CORPORATE GOVERNANCE DISCLOSURE**

The Board and management believe that a strong, effective, independent Board plays a crucial role in protecting the interests of stakeholders. The Board is committed to meeting high standards of corporate governance in all aspects of MCAN’s affairs. MCAN’s corporate governance practices are regulated on a number of levels and by many different parties. Management believes that MCAN’s corporate governance practices meet or exceed the standards set out in the Act and the guidelines of the CSA.

In order for the directors to appropriately discharge their responsibilities for stewardship of MCAN, the Board has adopted formal mandates for MCAN’s directors and officers, each committee of the Board, each committee chair, the chairman and the President and CEO. The Board does not have an Executive Committee.

Under the Act, the minimum board size is seven. In 2010, MCAN’s Board was increased from nine to ten directors. In our opinion, the Board is small enough to ensure active and meaningful participation by its members, while large enough to provide a diverse range of skill and expertise. The Conduct Review, Corporate Governance & Human Resources Committee serves as a nominating committee for the Board.

Board compensation is reviewed annually to ensure that it is appropriate in relation to responsibilities and risks involved, and comparable to that of MCAN’s peer group. Any legitimate concerns raised by shareholders are brought to the attention of MCAN’s senior executives and, depending on the materiality of the concern, the President and CEO, the Chairman and the Board.

Under *National Instrument 58-101 – Disclosure of Corporate Governance Practices*, MCAN is required to disclose certain information relating to its corporate governance practices. This information is set out below:

**1. Board of Directors**

***(a) Disclose the identity of directors who are independent.***

Of the board members, the following eight are independent under standards derived from the Canadian Securities Administrators corporate governance guidelines: Mrs. Susan Doré, Messrs, David Broadhurst, Brydon Cruise, Brian Johnson, David MacIntosh, Jean Pinard, Robert Stuebing, and Ian Sutherland. Mr. Sutherland was not independent from February 26, 2010 until August 4, 2010 while serving as MCAN’s Interim CEO.

***(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.***

The two board members who are not independent and the basis for that determination are as follows:  
Mr. Derek Norton – was MCAN’s President and CEO until April 2004 and would normally be independent after April 19, 2007 (three years after his resignation from MCAN). However, the Board has determined that Mr. Norton will continue to be a non-independent director as Mr. Norton is the President and CEO of MCAP Commercial LP, an entity in which MCAN has a 22.7% limited partnership interest and this entity originates and services a significant share of MCAN’s assets.  
Mr. William Jandrisits – is MCAN’s President and CEO.

***(c) Disclose whether or not a majority of directors are independent.***

Eight of the ten directors (80%) are independent.

***(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.***

All directorships with other public entities for the respective Board members are set out in the table on page 11.

- (e) *Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.*

The independent directors meet each quarter after the regular board meetings. The Chairman of the Board chairs these meetings. There were four meetings of the independent directors in the financial year ended December 31, 2010.

- (f) *Disclose whether or not the chair of the board is an independent director, disclose the identity of the independent chair, and describe his or her role and responsibilities.*

The current Chairman of the Board, Mr. Ian Sutherland, is an independent director within the meaning of NP 58-201. From February 26, 2010 until August 4, 2010, Mr. David Broadhurst served as Interim Chairman of the Board while Mr. Sutherland served as MCAN's Interim CEO.

The Chairman of the Board provides independent, effective leadership to the board in the governance of MCAN. He also sets the tone for the Board and its members to foster ethical and responsible decision-making, appropriate oversight of management and efficient corporate governance practices. His other key responsibilities are as follows:

- Ensure the Board operates independently from management, including meeting without management and the non-independent directors at least quarterly.
- Identify and discuss strategic initiatives and issues in consultation with other primary shareholders, directors and the CEO.
- Review Board composition with the Chair of the Conduct Review, Corporate Governance & Human Resources Committee to ensure effectiveness and ongoing support for the Corporation's strategic plan.
- Support the orientation and education program for directors new and ongoing.
- Develop and maintain a good working relationship with the Board by bringing forward issues/recommendations/initiatives for review and approval where appropriate.
- Lead the assessment of Board members, with the assistance of the Chair of the Conduct Review, Corporate Governance & Human Resources Committee.
- Ensure that the concerns, opinions and recommendations of the Board are communicated to the CEO.
- Review performance and compensation of the CEO with the Chair of the Conduct Review, Corporate Governance & Human Resources Committee.
- Oversee the disclosure policies and practices of the Corporation.
- Act as spokesperson of the Corporation recognizing that the CEO is normally the chief spokesperson.
- Communicate the views and concerns of the Board to regulators as required.
- Chair the Board meetings. Review and approve Board agendas and meeting schedules.
- Chair the Annual and Special shareholders' meetings.
- Manage governance issues at the Board level and ensure that each Committee of the Board is properly constituted and reports appropriately to the Board.
- With the Conduct Review, Corporate Governance & Human Resources Committee, actively participate in the recruitment and retention of Directors.
- Provide support and leadership to the CEO on strategic issues and initiatives.
- Maintain a dialogue with CEO to ensure that the Board is kept informed and consulted on critical and strategic issues.

- Deal effectively with dissent and work constructively towards arriving at decisions and achieving consensus.
- Carry out any other appropriate duties and responsibilities assigned by the Board.

**(g) *Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.***

The attendance record of each director is set out in the table on page 11.

## **2. Board Mandate**

***Disclose the text of the board's written mandate.***

The Board mandate is included in Schedule "E".

## **3. Position Descriptions**

**(a) *Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee.***

The Chairman of the Board has a written position description and his key responsibilities are outlined in item 1(f) above.

The Chairs of the Audit, Investment and Conduct Review, Corporate Governance & Human Resources Committees have written position descriptions. Their accountabilities and responsibilities include:

- Ensuring that the responsibilities and duties of the Committee, as outlined in its Mandate, are well understood and effectively executed by the Committee members.
- Chairing all Committee meetings, including in camera sessions – in the absence of the Committee Chair, the other members shall appoint a Committee member to chair the meeting.
- Ensuring that the Committee meets at least quarterly and as many additional times as necessary to carry out its duties effectively.
- Setting the meeting agenda with input from other Committee members, the Chairman of the Board, the Chief Executive Officer, the Secretary and other executive officers as appropriate.
- Reporting to the Board on the activities, findings and any recommendations of the Committee.
- Ensuring that accurate minutes are kept of all Committee meetings.
- Dealing effectively with dissent and working constructively towards arriving at decisions and achieving consensus.
- Coordinating with the Committee to retain, oversee, compensate and terminate independent advisors/counsel to assist the Committee in its activities.
- Ensuring that, together with the Conduct Review, Corporate Governance & Human Resources Committee, performance evaluations of the Committee are conducted biennially.

In addition, the Chair of the Audit Committee is responsible for:

- Ensuring that the Committee meets in closed sessions with the internal auditor and the independent auditors.
- Meeting at least annually with the audit partner to discuss the engagement.
- Within the limits set by the Committee, pre-approving any services to be performed by the independent auditors which have not been approved by the Committee.

The Chair of the Conduct Review, Corporate Governance Committee is responsible for:

- Ensuring that performance evaluations of the Chairman of the Board and the CEO are conducted annually.
- Ensuring that performance evaluations of the Board, Committees, Peer and Self are conducted biennially.

**(b) *Disclose whether or not the board and CEO have developed a written position description for the CEO.***

The CEO's Role Profile and Mandate is developed with input from the CEO and is approved by the board on the recommendation of the Conduct Review, Corporate Governance & Human Resources Committee. This position has primary responsibility for all aspects of the Corporation's operations and presides over and directs the entire range of activities of the Corporation within the authority delegated by the Board. The position ensures compliance with applicable regulations and laws.

The key responsibilities are as follows:

**A. Planning and Operations**

- Developing and recommending to the Board strategic plans that are in the interests of all stakeholders.
- Overseeing the development of business plans, operational requirements, staffing and budgets to support the strategic plan.
- Ensuring the development and delivery of appropriate compensation plans for the employees of the Corporation, which encourage commitment to the success of the Corporation and which align the interests of all stakeholders.
- Ensuring succession plans are in place for key personnel.
- Consulting with the Chairman on strategic matters and regularly providing updates on the status of strategic initiatives.

**B. Leadership**

- Providing overall leadership and direction to the Corporation consistent with the values, vision and mission of the Corporation.
- Championing the Corporation's values and the assessment and development of management and staff throughout the organization
- Providing strategic guidance to management and to the Board.

**C. Governance**

- Ensuring the development of policies, procedures and reporting systems to ensure compliance with regulatory and legislative requirements.
- Ensuring that the Board is provided with timely and accurate information that enables oversight of the operation of the Corporation, including strategic, financial and operational control perspectives.

**D. Risk Management**

- Providing the Board assurance that the proper systems are in place to identify and manage business risks and that such risks are acceptable to the Corporation.
- Ensuring the accuracy, completeness, integrity and appropriate disclosure of the Corporation's financial statements and other financial information through appropriate policies and procedures.
- Establishing and maintaining the Corporation's disclosure controls and procedures through appropriate policies and procedures.
- Overseeing the establishment and maintenance of the Corporation's internal control over financial reporting through appropriate policies and procedures.
- Ensuring that the Corporation has complied with all regulatory requirements for its financial information, reporting, disclosure requirement and internal control over financial reporting.
- Providing required regulatory certifications regarding the Corporation and its activities.
- Ensuring appropriate policies and procedures of the Corporation are developed, maintained and disclosed.

*E. Disclosure*

- Serving as the chief spokesperson and principal liaison for the Corporation, including effectively managing relations with the Corporation's shareholders, customers, creditors, suppliers, the media, governments, non-government organizations and the public generally.
- With the Disclosure Committee, the Disclosure Committee Coordinator and other members of management, as needed, ensuring appropriate and timely disclosure of material information.

**4. Orientation and Continuing Education**

*(a) Briefly describe what measures the board takes to orient new members regarding*

*(i) the role of the board, its committees and its directors,*

MCAN grants each director access to a web portal that contains a Directors' Manual which includes information on the duties of directors; committee memberships and mandates; mandates of the chairman of the board and each committee chair; the code of business conduct & ethics; insider trading policy; the Corporation's by-laws; and the investment policy and standards. The web portal also houses previous board and committee meeting packages.

*(ii) the nature and operation of the issuer's business.*

New directors are granted access to a web portal that contains all the Corporation's policies. In addition, recent annual and quarterly financial reports, including Management's Discussion and Analysis and the Annual Information Form are distributed to new directors. MCAN also provides new directors with specific information on operations, the strategic plan, risk and risk management, governance, integrity and corporate values and new directors are provided the opportunity to meet with senior management.

*(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligation as directors.*

On an ongoing basis, as part of regular board meetings, presentations are made to the Board to educate and keep them informed of changes within MCAN and in regulatory and industry requirements and standards. Specific information is provided on risks, economic indicators specific to our business, i.e. interest rates, and the current business and commercial environment. In an effort to provide directors with a more complete understanding of the issues facing MCAN, directors are encouraged to attend other board committee meetings of which they are not a member (subject to conflict of interest obligations of the relevant director). Directors are also provided with the materials and minutes of all board committee meetings, irrespective of whether they are a member of the committee. In addition, separate sessions, if required, are held for the directors to better understand specific programs. Directors are also encouraged to undertake training from outside sources if they deem it necessary.

**5. Ethical Business Conduct**

*(a) Disclose whether or not the board has adopted a written code for its directors, officers and employees. If the board has adopted a written code:*

*(i) disclose how a person or company may obtain a copy of the written code;*

*(ii) describe how the board monitors compliance with its code; and*

*(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.*

The Code of Business Conduct & Ethics (the "Code") has been adopted by the Board and is available on our website at [www.mcanmortgage.com](http://www.mcanmortgage.com), on SEDAR at [www.sedar.com](http://www.sedar.com) or by request to the Corporate Secretary by telephone at (416) 591-5214 or by facsimile at (416) 598-4142.

Under MCAN's Code, all directors, officers and employees must demonstrate a commitment to ethical business practices and behaviour in all business relationships, both within and outside of MCAN. Each year directors, officers and employees must execute a declaration certifying compliance with the Code. The Board, through its Conduct Review, Corporate Governance & Human Resources Committee annually reviews the operation of the Code and monitors compliance and any waivers or amendments thereof. The Board has not granted any waiver of the Code in favour of a director or executive officer for the past 12 months or for all of 2010, other than two waivers of an immaterial and administrative nature. Accordingly no material change report has been required or filed. The Code also contains whistleblower procedures that allow officers or employees who become aware of an actual or potential breach of the Code, or who have concerns regarding questionable accounting or auditing matters, to report the violation on a confidential and anonymous basis to the Chair of the Audit Committee.

- (b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.**

The Board believes that its effectiveness is furthered when directors exercise independent judgement in considering transactions and agreements. As such, if, at any Board meeting a director has a material interest in a matter being considered, such director would indicate the nature and extent of interest in the material transaction or agreement. The director will either leave the meeting or abstain from any discussions relating to the matter and not participate in any vote on the matter. The Board may also appoint a committee of independent directors to consider material transactions or agreements.

- (c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.**

All directors and employees must annually sign off on the Corporation's Code.

## **6. Nomination of Directors**

- (a) Describe the process by which the board identifies new candidates for board nomination.**

The Conduct Review, Corporate Governance & Human Resources Committee (the "Committee"), which is composed entirely of independent directors, is responsible for screening candidates and for recommending nominees for election to the Board. Candidates are approved by the full Board.

The Committee considers candidates from an "evergreen" list maintained by the Committee in anticipation of upcoming director elections and when board vacancies occur; as proposed by other directors and/or executive management; and as proposed or nominated by shareholders at shareholder meetings.

Once proposed, a prospective director must complete a questionnaire entitled "Questionnaire for Prospective Directors" for review by the Committee. The prospective director then proceeds to the next step of evaluation, which is normally an in person interview with members of the Committee, and, at the Committee's discretion, with other members of the board.

The Committee then makes a recommendation to the board, which recommendation is accompanied by the "Conduct Review, Corporate Governance & Human Resources Committee – Prospective Director Review Form".

- (b) Disclose whether or not the board has a nominating committee composed entirely of independent directors.**

The Conduct Review, Corporate Governance & Human Resources Committee is comprised of four directors, all of whom have been determined to be independent pursuant to NP 58-201.

- (c) If the board has a nominating committee, describe the responsibilities, powers and operations of the nominating committee.**

The Conduct Review, Corporate Governance & Human Resources Committee mandate is included in Schedule "B".

## 7. Compensation

- (a) *Describe the process by which the board determines the compensation for the issuer's directors and officers.*

Director compensation is reviewed annually by the Conduct Review, Corporate Governance & Human Resources Committee, which recommends any compensation changes to the board. The Committee considers directors' responsibilities and risks, the time commitment, and comparator data of other companies. Based on the Committee's recommendation in November 2010, the compensation structure, which was in effect since June 2008, was amended effective January 1, 2011. The annual aggregate remuneration payable to all directors for their services was increased and confirmed by the shareholders in May 2010 and is set out in MCAN's by-laws. Any future increases to this total amount will require shareholder approval.

The Committee also assesses CEO performance and makes recommendations to the board on compensation to the CEO, direct reports to the CEO and all other management and non-management positions. Compensation of executive officers is comprised of three components: base salary, annual bonus incentive and the grant of entitlements to acquire Common Shares with the assistance of loans provided by MCAN under the Executive Share Purchase Plan. In addition, in 2010 the Corporation established a Deferred Share Unit Plan (the "DSU Plan") whereby the Board granted units under the DSU Plan to the President and CEO.

Further information on these components is outlined under the Statement of Executive Compensation on page 14.

- (b) *Disclose whether or not the board has a compensation committee composed entirely of independent directors.*

The Conduct Review, Corporate Governance & Human Resources Committee is comprised of four directors, all of whom have been determined to be independent.

- (c) *If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.*

The Conduct Review, Corporate Governance & Human Resources Committee mandate is included in Schedule "B".

- (d) *If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.*

No compensation consultant or advisor has been retained to assist in determining compensation for any of MCAN's directors and officers.

## 8. Other Board Committees

- If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.*

There is an additional standing board committee - the Investment Committee, whose mandate is included in Schedule "C".

In addition, on February 16, 2010, the Board appointed a Search Committee to assess candidates for the position of President and CEO. On completion of the task assigned to it, the Search Committee was dissolved effective July 6, 2010. The Shareholder Strategic & Risk Management Committee was also dissolved effective August 13, 2010.

## 9. Board Assessments

*Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments.*

The Conduct Review, Corporate Governance & Human Resources Committee leads a full evaluation of the effectiveness and performance of the board, all board committees and individual directors every two years. The evaluation also includes self-evaluations and evaluations of peer performance. In January 2011, the evaluations were conducted through online questionnaires and the results were tabulated and analyzed by the Chairman of the Board and the Chair of the Conduct Review, Corporate Governance & Human Resources Committee. The results were presented to the Conduct Review, Corporate Governance & Human Resources Committee and the Board in February 2011.

The most recent biennial evaluations carried out in 2011 showed that the Board, committees, Board chair, committee chairs and individual directors were effectively fulfilling their responsibilities.

## **SCHEDULE “E” BOARD MANDATE**

### **Role**

The Board of Directors (the “Board”) is responsible for the stewardship of MCAN and for supervising the management of the business and affairs of the organization.

The Board shall, either directly or through a Board committee, carry out the duties set out in this Mandate.

### **Membership and Operations**

1. The composition and organization of the Board, including the number, qualifications and remuneration of directors; the number of Board meetings; Canadian residency requirements; quorum requirements; meeting procedures and notices of meetings are as established by the governing legislation and MCAN’s by-laws.
2. A majority of the directors shall be resident Canadians and no more than two-thirds of the directors shall be “affiliated” with MCAN for the purpose of the *Trust and Loan Companies Act* (Canada).
3. At least a majority of the directors shall be “independent” for the purpose of the Canadian Securities Administrators corporate governance guidelines.
4. The Board shall meet at least five times in each year, a majority of directors shall constitute a quorum at any meeting of the Board, and a majority of directors participating in any meeting shall be resident Canadians.

### **Responsibilities and Duties**

#### Culture of Integrity and Ethics

1. Promote a culture of integrity at MCAN. The Board shall satisfy itself as to the integrity of the Chief Executive Officer (the “CEO”) and other executive officers, and that the CEO and other executive officers create a culture of integrity throughout MCAN.
2. Approve MCAN’s Code of Business Conduct & Ethics (the “Code”) and monitor compliance thereof. Any waivers from the Code for the benefit of any director or executive officer must be approved by the Board.
3. Approve policies and procedures for dealing with all matters related to integrity and ethics, including conflicts of interest, related party transactions and the treatment of confidential information.

#### Strategic Planning

4. Develop and adopt MCAN’s strategic planning process and annually approve a strategic plan which takes into account, among other things, the opportunities and risks of MCAN’s business.
5. Approve all major corporate decisions and transactions.
6. Review and approve MCAN’s financial objectives, plans and actions, including capital allocations and expenditures, the declaration of dividends and the Capital Management Policy. Oversee management’s work plan to implement the requirements of Basel II.

#### Risk Management and Compliance

7. Ensure an effective risk culture by overseeing the implementation, by management, of appropriate systems to identify and manage the principal risks of MCAN’s business. Receive quarterly updates from management on the status of risk management activities and initiatives.
8. Ensure risk management controls are appropriate and regularly assessed for effectiveness.
9. Oversee the processes that ensure unquestioned compliance with applicable legal and regulatory requirements.

#### Succession Planning

10. Oversee and approve the selection, appointment, development, evaluation and compensation of the Chairman of the Board, Board members, the CEO, executive and non-executive officers.

11. Review and approve the establishment of annual performance expectations and short-term and long-term corporate goals and objectives for the CEO and executive officers.
12. Oversee MCAN's general approach to human resources and compensation philosophy.
13. Ensure that adequate provision has been made for management succession.

#### Communications and Public Disclosure

14. Review and approve MCAN's annual and quarterly financial statements and management discussion and analysis, press releases, annual information form, management proxy circular, prospectuses, and any other public document that requires Board approval.
15. Approve MCAN's disclosure policy that governs the release of information about MCAN and requires timely, factual and accurate disclosure of such information in accordance with all applicable legal and regulatory requirements.

#### Internal Controls

16. Oversee the internal control and management information systems and monitor the integrity and effectiveness of such systems.
17. Review reports on the effectiveness of internal control over financial reporting from management, internal and external auditors.

#### Corporate Governance

18. Oversee MCAN's approach to corporate governance issues, the disclosure and reporting thereof, including independence from management and the independence of individual directors.
19. At the recommendation of the Conduct Review, Corporate Governance & Human Resources Committee, annually determine those individual directors proposed to be nominated for election at the next annual meeting of shareholders.
20. Oversee formal evaluations of the Board, all Board committees, individual directors, the Chairman of the Board and the CEO.
21. Establish Board committees and define their mandates to assist the Board in carrying out its duties and responsibilities.

#### Director Expectations and Responsibilities

22. Act honestly and in good faith with a view to the best interests of MCAN and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
23. Attend all Board and applicable committee meetings unless there is a compelling reason for non-attendance.
24. Prepare for each Board and committee meeting by reviewing the materials provided in advance of the meeting and requesting, as appropriate, clarification or additional information in order to fully participate in Board deliberations.

#### Communication with Directors

25. Shareholders or other stakeholders of MCAN may communicate with the directors by writing to the Chairman of the Board as follows:

Chairman of the Board  
MCAN Mortgage Corporation  
200 King Street West  
Suite 400  
Toronto, Ontario  
M5H 3T4

Approved: November 11, 2010