



MCAN MORTGAGE CORPORATION

**ANNUAL
INFORMATION
FORM**

MARCH 25, 2011

TABLE OF CONTENTS

CORPORATE STRUCTURE	2
<i>Name, Address and Incorporation</i>	2
<i>Intercorporate Relationships</i>	2
THREE YEAR HISTORY	3
NARRATIVE DESCRIPTION OF THE BUSINESS	3
<i>Performance Graph</i>	4
<i>Balance Sheet</i>	4
<i>Mortgage, Loan and Investment Portfolio</i>	5
<i>Credit Risk and Provisioning</i>	5
<i>CMB Program</i>	5
<i>Capital Management</i>	6
<i>Investment in MCAP Commercial LP</i>	8
<i>Investment Policies</i>	8
<i>Investment Policies and Standards</i>	8
<i>Risk Profile</i>	9
<i>Risk Factors</i>	9
<i>Risk Management</i>	12
<i>People</i>	14
<i>Premises</i>	14
<i>Systems</i>	14
<i>Regulatory Compliance</i>	14
<i>Internal Audit</i>	15
DIVIDEND POLICY AND RECORD	15
<i>Dividend Reinvestment Plan</i>	15
DESCRIPTION OF CAPITAL STRUCTURE	16
MARKET FOR SECURITIES	16
SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER	17
DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY	17
<i>Directors</i>	17
<i>Executive Officers</i>	18
<i>Additional Disclosure Relating to Directors and Executive Officers</i>	19
<i>Conflicts of Interest</i>	19
AUDIT COMMITTEE INFORMATION	19
AUDIT FEES	20
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	20
TRANSFER AGENT AND REGISTRAR	20
MATERIAL CONTRACTS	21
INTEREST OF EXPERTS	21
ADDITIONAL INFORMATION	21
SCHEDULE A - MANDATE OF THE AUDIT COMMITTEE	22

CORPORATE STRUCTURE

Name, Address and Incorporation

MCAN Mortgage Corporation (the “Company,” “MCAN” or “we”) was incorporated under the federal *Loan Companies Act*, now called the *Trust and Loan Companies Act* (the “Trust Act”), by Letters Patent dated January 11, 1991. We received our certificate to commence business from the Office of the Superintendent of Financial Institutions (“OSFI”) on November 7, 1991. The head and registered office of the Company is located at 200 King Street West, Suite 400, Toronto, Ontario, M5H 3T4.

We conduct our operations so as to continuously qualify as a mortgage investment corporation (“MIC”) for purposes of the *Income Tax Act* (Canada) (the “Tax Act”). Our dividend policy is to pay out substantially all of our taxable income to our shareholders. These dividends are deductible for income tax purposes to the Company and are taxable in the shareholders’ hands as interest. In addition, a MIC can pay certain capital gains dividends which are taxed as capital gains in the shareholders’ hands.

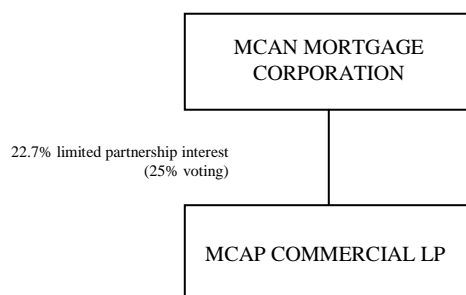
We maintain registrations to accept term deposits from residents of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario and Prince Edward Island.

Intercorporate Relationships

The Company consolidates the accounts of its wholly owned subsidiaries and equity accounts for its investment in MCAP Commercial LP (“MCLP”).

At December 31, 2010, MCAN held a 22.5% limited partnership interest in MCLP. During 2010, MCLP redeemed non-voting class B units indirectly owned by certain senior managers of MCLP such that MCAN’s interest in MCLP increased from 22.3% to 22.5%. Subsequent to year-end, our ownership increased to 22.7% as a result of another class B unit redemption. Our voting interest in MCLP is 25%. Cadcap Limited Partnership, a subsidiary of the Caisse de dépôt et placement du Québec (the “Caisse”) has a 67.7% limited partnership interest in MCLP and a 75% voting interest. The remaining 9.8% limited partnership interest, (which is non-voting) in MCLP is held by management of MCLP. MCLP is provincially registered under the *Limited Partnerships Act* (Ontario).

MCAN MORTGAGE CORPORATION CORPORATE STRUCTURE



A NOTE ABOUT FORWARD-LOOKING STATEMENTS

This annual information form may contain forward-looking statements, including statements regarding the business and anticipated financial performance of the Company. These forward-looking statements can generally be identified as such because of the context of the statements and often include words such as the Company “believes”, “anticipates”, “expects”, “plans”, “estimates” or words of a similar nature. These forward-looking statements are based on current expectations, and are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause such differences include legislative or regulatory developments, competition, technology change, global market activity, interest rates, changes in government and economic policy and general economic conditions in geographic areas where the Company operates. Reference is made to the risk factors disclosed in this Annual Information Form. These and other factors should be considered carefully and undue reliance should not be placed on the Company’s forward-looking statements. Subject to applicable securities law requirements, we do not undertake to update any forward-looking statements.

THREE YEAR HISTORY

During 2008, we acquired several portfolios of single family mortgages at a discount to their par values. Income from these portfolios and our participation in the CMB program contributed to record earnings.

In 2009 and 2010, our strong performance from our acquired mortgage portfolios and the CMB program continued. Adverse economic conditions led to an increase in impaired mortgages, although losses in both years were minimal.

There were no significant acquisitions or dispositions of subsidiaries or interests in a business that occurred during the year ended December 31, 2010.

Further information regarding the development of the Company and our outlook for 2011 is provided in the Message to Shareholders and Management's Discussion and Analysis ("MD&A") in our 2010 Annual Report, which is incorporated by reference in this Annual Information Form. These documents are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

NARRATIVE DESCRIPTION OF THE BUSINESS

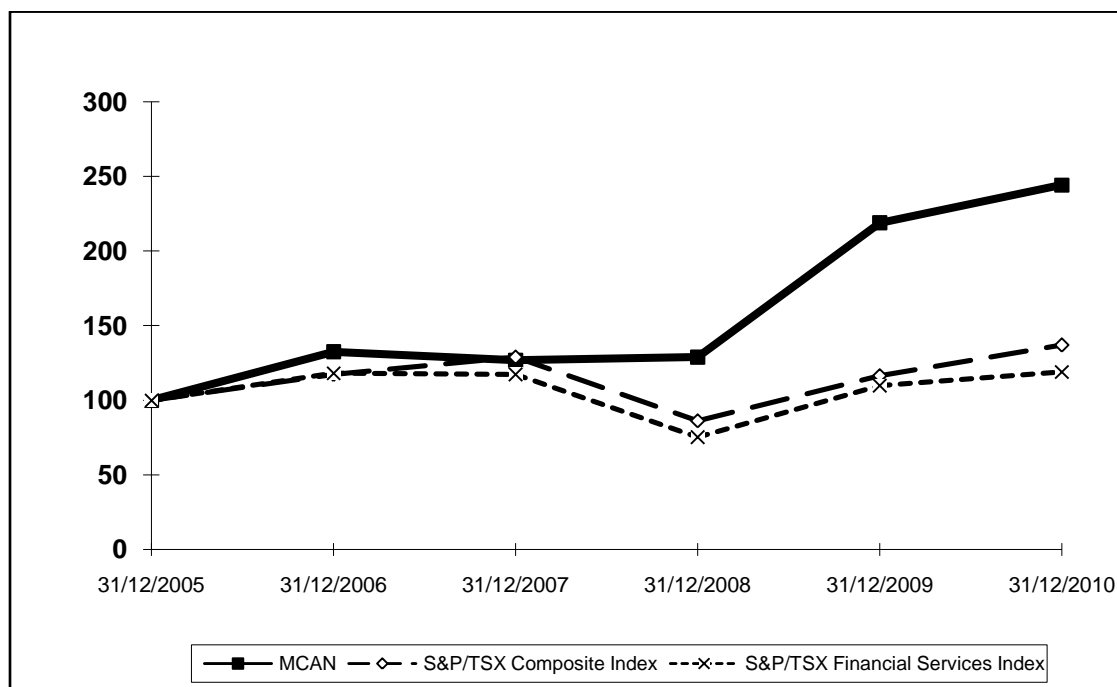
MCAN is a public company listed on the Toronto Stock Exchange ("TSX") under the symbol MKP and is a reporting issuer in all provinces and territories in Canada.

Our objective is to generate a reliable stream of income by investing our funds in a portfolio of mortgages (including single family residential, residential construction, non-residential construction and commercial loans), as well as other types of loans and investments, real estate and securitization investments. We employ leverage by issuing term deposits eligible for Canada Deposit Insurance Corporation ("CDIC") deposit insurance up to a maximum of five times capital (on a non-consolidated basis) as permitted by the Tax Act. The term deposits are sourced through a network of independent financial agents. In addition, OSFI has provided us with a consolidated regulatory assets to capital limit. As a MIC, we are entitled to deduct from income for tax purposes 50% of capital gains dividends and 100% of non-capital gains dividends that we pay to shareholders. Such dividends are received by our shareholders as capital gains dividends and interest income, respectively.

Our Board of Directors has ultimate responsibility for the management and investments of the Company. The Board of Directors has established an Investment Committee of the Board ("ICB") from among its members consisting of at least three directors, the majority of whom are independent directors. The ICB is responsible for the review and approval of the Company's Investment Policies and Standards ("IPS"), including investment limits, target asset mix and investment approval authorities. The ICB meets at least quarterly to review the Company's investment program and to monitor compliance with the IPS, the Trust Act and the Tax Act.

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.

Balance Sheet

The following table sets out the composition of our assets as at December 31, 2010 (in thousands):

Cash and cash equivalents	\$ 89,373
Marketable securities	6,608
Mortgages	422,393
Securitization investments	13,605
Loans receivable and other investments	10,079
Equity investment in MCLP	20,315
Derivative financial instruments	13,120
Other assets	3,209
	<u>\$ 578,702</u>

Mortgage Portfolio

The following table sets out the composition of our mortgage portfolio as at December 31, 2010 (dollar amounts in thousands):

Type	Outstanding Principal Amount	Percentage of Total Assets	Allowance for Credit Losses
Single family mortgages			
- Uninsured	\$ 138,889	24.0%	\$ 1,107
- Uninsured (completed inventory loans)	38,877	6.7	279
- Insured	44,227	7.6	-
Construction loans			
- Residential	175,918	30.4	2,538
- Non-residential	11,600	2.0	102
Commercial			
- Uninsured	12,768	2.2	192
- Insured	419	0.1	-
	<u>422,698</u>	<u>73.0</u>	<u>\$ 4,218</u>
Fair Value Adjustment	<u>2,270</u>	<u>0.4</u>	
	424,968	73.4	
Accrued Interest	<u>1,643</u>	<u>0.3</u>	
	426,611	73.7	
Less: Allowance for Credit Losses	<u>(4,218)</u>	<u>(0.7)</u>	
Mortgages	<u>\$ 422,393</u>	<u>73.0%</u>	

Credit Risk and Provisioning

We establish an allowance for mortgage loan losses consisting of specific and general provisions that, in management's judgment, is adequate to absorb all credit related losses in our portfolio. Specific provisions include all of the accumulated provisions for losses on particular assets required to reduce the related assets to estimated realizable value. The general provision includes provisions for losses which are considered to have occurred but cannot be determined on an item-by-item basis. The general provision is established by considering historical loss trends during economic cycles, the risk profile of our current portfolio, estimated losses for the current phase of the economic cycle and historic industry experience. The allowance is increased by provisions for losses, which are charged against income and reduced by write-offs, net of recoveries. Future changes in circumstances could materially affect our future provisions for credit losses from those provisions determined in the current year, and there could be a need to increase or decrease the allowance for credit losses.

The allowance for credit losses relating to mortgages decreased by \$512,000 in 2010 to \$4.2 million, compared to an increase of \$1.9 million in 2009. The decrease consisted of an increase in the general allowance of \$1.1 million, a decrease in specific allowances of \$1.5 million and write-offs of \$66,000. We recorded a decrease in the allowance for credit losses of \$141,000 relating to loans receivable and other investments compared to a decrease of \$186,000 in 2009. Write-offs were 1.8 basis points (\$66,000) on average mortgage balances in 2010, compared to 5.2 basis points (\$194,000) in the prior year.

Impaired loans net of specific allowances ended the year at 3.06% of the total loan portfolio, compared to 5.81% at December 31, 2009. The decrease was primarily due to the payout of a significant construction loan during the year on which we had recorded a specific allowance. We continue to proactively monitor loan arrears, and to take prudent steps to collect overdue accounts.

CMB Program

We participate in the CMB program, which involves the securitization of insured single family and multi family mortgages. We participate in the CMB program with MCLP and a private company. For accounting purposes,

we recognize an up-front gain on securitization, and at that time we recognize an interest-only strip, which is a retained interest in the securitized mortgages. The interest-only strips consist of the discounted value of future mortgage interest, principal reinvestment interest receipts and penalty income less coupon interest payments. We also recognize liabilities for future mortgage servicing and other costs, which we subcontract to MCLP and the private company that participates in the CMB program.

In addition, we earn residual securitization income, which includes the net yield earned on the interest-only strips and the CMB liabilities, refinancing and renewal gains, interest rate swap receipts (payments) and fair value changes in the interest-only strips and interest rate swaps.

In the early years of a CMB issuance, taxable income is significantly lower than accounting income due to the absence of an upfront gain on securitization for tax purposes to offset upfront cash requirements. However, taxable income significantly exceeds accounting income in the later years of a CMB issuance, in line with the receipt of ongoing CMB cash flows such as mortgage interest and principal reinvestment interest.

As part of the CMB program, we enter into “pay-floating, receive-fixed” interest rate swaps. The purpose of these swaps is to hedge interest rate risk on the interest-only strips. We receive interest on reinvested CMB principal collections, the discounted future value of which is included in the interest-only strips.

In March 2010, OSFI released a final advisory with respect to the impact of International Financial Reporting Standards (“IFRS”) rules regarding securitization on regulatory capital ratios, since IFRS rules regarding securitization require assets and liabilities that are subject to securitization to be reflected as on-balance sheet items. The advisory indicated that any on-balance sheet assets and liabilities recognized from securitization transactions (including insured mortgages that are securitized through the CMB program) were required to be included in the calculation of a regulated financial institution’s regulatory capital ratios. Pursuant to these guidelines, we are required to include any assets and liabilities recognized from securitization transactions undertaken after June 30, 2010 in the calculation of our regulatory capital ratios under IFRS. Consequently, our future participation in securitization transactions, namely through our participation in the CMB program, was significantly reduced at this time from historical participation levels in order for us to comply with our regulatory capital ratios. Although we are reviewing potential alternative structures and arrangements that may permit our continued participation in the CMB program, there can be no assurance that any such alternative structures or arrangements will be available on commercially reasonable terms, or can be implemented in a timely manner.

Capital Management

We derive our net investment income from the investment of our equity and the difference or spread between amounts earned on our assets and the cost of the term deposits that we issue to fund such assets. We have two significant capital tests that must be closely monitored. First, as a MIC, we are limited by the Tax Act to a liabilities to capital ratio of 5:1 (or an assets to capital ratio of 6:1), based on our non-consolidated balance sheet measured at its tax value. Second, as we are a loan company under the Trust Act, OSFI regulates our consolidated regulatory assets to capital. In this regard, OSFI has granted us a maximum consolidated regulatory assets to capital ratio. We borrow to the extent that we are satisfied that the borrowing and additional investments will increase our overall profitability.

OSFI has issued guidelines to federally regulated companies for capital adequacy, which include meeting a minimum regulatory capital to risk-weighted assets ratio of 10% for Total capital and 7% for Tier 1 capital. To December 31, 2010, our internal target minimum Total capital and Tier 1 ratios were both 15%. As at February 17, 2011, the Board of Directors increased both internal target minimums to 20%.

Our income tax assets and capital, regulatory assets and capital and maximum assets and ratios over the past three years are as follows:

December 31 (dollar amounts in thousands)	2010	2009	2008
Tax Act Test			
Income Tax Assets	\$ 555,360	\$ 488,024	\$ 551,589
Income Tax Capital	\$ 126,374	\$ 120,732	\$ 115,998
Income Tax Assets to Capital ratio	4.39	4.04	4.76
Maximum Assets (non-consolidated)	\$ 758,244	\$ 724,392	\$ 695,988
Maximum Assets to Capital ratio	6.00	6.00	6.00
Regulatory Test (OSFI)			
Regulatory Assets	\$ 595,473	\$ 508,351	\$ 578,124
Regulatory Capital	\$ 120,534	\$ 110,231	\$ 107,991
Regulatory Assets to Capital ratio	4.94	4.61	5.35
Total Regulatory Capital to Risk-Weighted Assets ratio	22.06%	27.47%	23.69%
Minimum Total Regulatory Capital to Risk-Weighted Assets ratio	10.00%	10.00%	10.00%
Tier 1 Regulatory Capital to Risk-Weighted Assets ratio	22.10%	27.75%	24.09%
Minimum Tier 1 Regulatory Capital to Risk-Weighted Assets ratio	7.00%	7.00%	7.00%

We are limited to the lowest maximum assets amount in the above two asset tests, and the maximum leverage permitted under the Tax Act is more constraining on the Company than the regulatory assets to capital ratio mandated by OSFI. We manage our assets to a level of 5.75 times capital on a non-consolidated tax basis to provide a prudent cushion between the maximum and total actual assets.

We fund the majority of our investments through the issuance of term deposits eligible for CDIC deposit insurance with varying maturities in certain provinces of Canada. We do not use capital markets (including asset-backed commercial paper) for liquidity.

In order to promote a more resilient banking sector and strengthen global capital standards, the Basel Committee on Banking Supervision (“BCBS”) proposed significant enhancements and capital reforms to the current framework. The revised framework, referred to as Basel III, will be effective January 1, 2013 and provides lengthy periods for transitioning numerous new requirements.

Significant Basel III reforms include the following:

- Introducing a new minimum common equity ratio (the “Common Equity Tier 1 ratio”). Financial institutions will be required to meet the new Common Equity Tier 1 ratio standard during a transition period beginning January 1, 2013 and ending on January 1, 2019. The minimum requirement, which includes a conservation buffer, increases during the transition period.
- Increasing the minimum Tier 1 capital and Total capital ratios. These increases will also be phased-in commencing January 1, 2013 with financial institutions expected to meet the new standards through a transition period ending on January 1, 2019.
- Introducing a new global leverage ratio to address balance sheet leverage. The BCBS will be monitoring and refining this new ratio between 2011 and 2017 before its final implementation in 2018.

We maintain prudent capital planning practices to ensure that we are adequately capitalized and continue to satisfy minimum standards and internal targets. Based on our current understanding of the revised capital requirements proposed by BCBS, we expect to satisfy the new requirements ahead of the implementation timelines that have been proposed by BCBS and confirmed by OSFI.

Investment in MCAP Commercial LP

At December 31, 2010, we held a 22.5% limited partnership interest in MCLP, which had a book value of \$20.3 million. Subsequent to year-end, our ownership increased to 22.7% as a result of a redemption of class B units. Our investment holds a 25% voting interest. We account for this partnership interest on the equity basis such that our investment in MCLP is increased by equity income and reduced by cash distributions. Pursuant to the MCAP Commercial LP Amended and Restated Limited Partnership Agreement, we are currently entitled to appoint one (of five) directors to the board of the General Partner of MCLP. Cadcap Inc., a subsidiary of the Caisse, controls the General Partner and is entitled to nominate three directors to the board. The remaining director position is held by the Chief Executive Officer of MCLP. We will continue to participate in the mortgage origination and servicing business through our interest in MCLP.

MCLP is an originator and servicer of mortgage loans for third party investors in Canada. We outsource our mortgage and loan origination and servicing to MCLP and other third party servicers.

We received \$1.3 million of distributions from MCLP in 2010 (2009 - \$1.9 million, 2008 - \$1.8 million).

Investment Policies

Our investment policy objective is to invest shareholders' and depositors' funds in a reasonable and prudent manner to enhance return on capital. We invest funds in a portfolio of mortgages including single-family residential, residential construction, non-residential construction and commercial mortgages, as well as other types of loans and investments, real estate and securitization investments. We may also invest in cash, short-term money market instruments and marketable securities to ensure that we are able to meet liquidity policies and our payment obligations.

Our Board of Directors has established, and we adhere to, investment policies, standards and procedures that we consider a reasonable and prudent person would apply to avoid undue risk of loss and to obtain a reasonable return on the portfolio.

Investment Policies and Standards

Management develops and recommends the Company's IPS to the ICB for review and input. The IPS is approved annually by the Board of Directors. The general standards included in the IPS are as follows:

1. The Company shall comply with the investment provisions of the Trust Act and the guidelines, limits and directions from OSFI, the Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC") and CDIC. The ICB will report deviations from the Trust Act and any guidelines, limits or directions to the Board of Directors.
2. The Company shall conduct its investment activities so as to qualify at all times as a MIC for purposes of the Tax Act.
3. The Company shall maintain an appropriate degree of liquidity in accordance with its liquidity policy and funding policy to enable it to meet its payment obligations.
4. The Company shall manage the financial risk resulting from changes in interest rates within approved limits through its Asset and Liability Management Committee ("ALCO"), which is also responsible for managing the Company's liquidity.
5. The Company shall manage its portfolio of invested assets to appropriately diversify risk among borrowers, issuers, properties and types of investments.
6. Management shall establish specific procedures based on a philosophy of prudent management, legislation and regulatory guidelines and input received from the ICB, the Board of Directors and other professionals.

7. The Company shall maintain high ethical standards in its investment practices.
8. The Company shall strive to diversify its funding sources to limit financing risk.
9. The Company shall maintain adequate capital as required under legislated and regulated borrowing multiples and capital adequacy tests.

Risk Profile

We invest in mortgages in Canada, including single family residential, residential construction, non-residential construction and commercial loans, as well as other types of loans and investments, real estate and securitization investments.

We manage our investment and lending risk by, among other things, complying with the policies set out in our IPS, some of which are disclosed below.

We are authorized to invest in uninsured residential mortgages that do not exceed 80% of the value of the real estate securing such loans. For the purposes of this ratio, value is the appraised value of the property as determined by a qualified appraiser at the time of funding. Insured single family mortgages may exceed this ratio.

We have regulatory approval to invest in conventional construction loans in an aggregate amount not exceeding 250% of regulatory capital. Conventional construction loans include residential construction loans, residential development loans and residential land loans. A single residential loan may not exceed the lesser of \$13.5 million or 20% of regulatory capital, unless insured (such internal limits are hereinafter referred to as “IPS Limit”). Aggregate commitments for residential construction loans to one borrower or related group shall not exceed the lesser of \$17 million (IPS Limit) or 25% of regulatory capital. If the aforementioned commitment is insured, it may exceed \$17 million but still must not exceed 25% of regulatory capital. Non-residential construction loans may also be included within this residential construction loan limit, up to one half of the aggregate limit. A single non-residential loan and/or related group exposure may not exceed the lesser of \$13.5 million or 20% of regulatory capital (IPS Limit).

We have regulatory approval to invest in commercial loans, in an aggregate amount not exceeding our regulatory capital. These investments are not limited to, but may include, the equity and debt instruments of private corporations or trusts, as well as high ratio mortgage loans. In addition, pursuant to our IPS, we limit our investment in each individual commercial loan to \$5 million unless it is specifically approved by the Board of Directors as recommended by the ICB (IPS Limit).

We also have regulatory approval to invest in commercial term mortgages, in an aggregate amount not exceeding 100% of regulatory capital. The maximum single commercial term mortgage may not exceed \$10 million (IPS Limit). Aggregate commercial term mortgages to one borrower or related group may not exceed the lesser of \$13.5 million or 20% of regulatory capital (IPS Limit).

We may invest in equity securities to a limit of 70% of regulatory capital and in real property to a limit of 70% of regulatory capital, subject to a combined limit of 100% of regulatory capital.

No exposure to a single entity may exceed 25% of regulatory capital.

We also monitor the risk profile of our investment portfolio by using risk rating guidelines. The ICB reviews and approves the risk rating guidelines at least annually and monitors the risk profile of the investment portfolio at least quarterly.

Risk Factors

We are exposed to a number of risks that can adversely affect our ability to achieve our business objectives or execute our business strategies, and which may result in a loss of earnings, capital or reputation. The risks identified by MCAN may not be the only risks faced by the Company. Other risks of which the Company is not

aware or which the Company currently deems to be immaterial may surface and have a material adverse impact on the Company's business, results from operations and financial condition.

The significant risks to which we are exposed are as follows:

Credit Risk

Credit risk is the risk of financial loss resulting from the failure of a counterparty, for any reason, to fully honour its financial or contractual obligations to the Company, primarily arising from our mortgage and lending activities. Fluctuations in real estate values may increase the risk of default and may also reduce the net realizable value of the collateral property to the Company. These risks may result in defaults and credit losses, which may result in a loss of earnings. Credit losses occur when a counterparty fails to meet its obligations to the Company and the value realized on the sale of the underlying security deteriorates below the carrying amount of the exposure.

Liquidity Risk

Liquidity risk is the risk that cash inflows, supplemented by assets readily convertible to cash, will be insufficient to honour all cash outflow commitments (both on and off-balance sheet) as they come due. The failure of borrowers to make regular mortgage payments increases the uncertainties associated with liquidity management, notwithstanding that we may eventually collect the amounts outstanding, which may result in a loss of earnings or capital, or have an otherwise adverse effect on our financial condition and results of operations.

Interest Rate Risk

Interest rate risk is the potential impact of changes in interest rates on our earnings and net equity. Interest rate risk arises when our assets and liabilities, both on and off-balance sheet, have mismatched repricing dates. Changes in interest rates where we have mismatched repricing dates may have an adverse effect on our financial condition and results of operations. In addition, interest rate risk may arise when changes in the underlying interest rates on assets do not match changes in the interest rates on liabilities. This potential mismatch may have an adverse effect on our financial condition and results of operations.

Economic Conditions

The Canadian economy continued to demonstrate strength in 2010, as evidenced by growth in both gross domestic product and employment. Cyclically low interest rates contributed to the stabilization of the housing market. We expect the economy to remain stable in 2011, however housing sales are expected to decline in all key markets as a result of lower levels of inventory for new homes that require an extended timeline to move through the construction process. Resales are expected to decline slightly as a result of recent changes to Canadian Mortgage and Housing Corporation ("CMHC") mortgage insurance rules.

Higher interest rates or a decline in general economic conditions could cause default rates to increase as creditworthiness decreases for borrowers who are more highly leveraged or as unemployment increases. This decline could negatively affect our net income. In addition, a general decline in economic conditions could slow the pace of housing sales and adversely affect growth in the single family mortgage market, which could adversely affect our ability to grow our mortgage portfolio.

Regulatory Risk

Changes in laws and regulations, including interpretation or implementation, could affect the Company by limiting the products or services that we can provide and increasing the ability of competitors to compete with our products and services. Also, any failure by the Company to comply with applicable laws and regulations could result in sanctions and financial penalties which could adversely impact our earnings and damage our reputation.

Market Risk

Market risk is the exposure to adverse changes in the value of financial assets. For the Company, market risk factors include interest rates, real estate values, commodity prices and foreign exchange rates, among others. Any changes in these market risk factors may negatively affect the value of our financial assets, which may have an adverse effect on our financial condition and results of operations. We do not undertake trading activities and therefore are not exposed to risks associated with activities such as market making, arbitrage or proprietary trading.

Monetary Policy

Our earnings are affected by the monetary policies of the Bank of Canada. Changes in the supply of money and the general level of interest rates could affect our earnings. Changes in the level of interest rates affect the interest spread between our mortgages, loans and investments and our term deposits, and as a result impact our net investment income. Changes to monetary policy and in financial markets in general are beyond our control and are difficult to predict or anticipate.

Outsourcing Risk

Outsourcing risk is the risk incurred when we contract out a business function to a service provider instead of performing the function ourselves, and the service provider performs at a lower standard than we would have under similar circumstances. We outsource all mortgage and loan origination and servicing to MCLP and other third parties.

Reliance on Key Personnel

Our future performance is dependent on the abilities, experience and efforts of our management and other key personnel. There is no assurance that we will be able to continue to attract and retain key personnel, although it remains a key objective of the Company. Should any key personnel be unwilling or unable to continue their employment with MCAN, there may be an adverse effect on our financial condition and results of operations.

Competition Risk

Our operations and income are a function of the interest rate environment and the availability of mortgage products at reasonable yields. The availability of mortgage products for the Company and the yields thereon are dependent on market competition. In the event that we are unable to compete successfully against our current or future competitors, there may be an adverse effect on our financial condition and results of operations.

Operational and Infrastructure Risk

We are exposed to many types of operational risks that affect all companies. Such risks include the risk of fraud by employees or others, unauthorized transactions by employees, and operational or human error. We are also exposed to the risk that computer or telecommunication systems could fail, despite efforts to maintain these systems in working order. Shortcomings or failures in internal processes, employees or systems, including any of our financial, accounting or other data processing systems, could lead to financial loss and damage to our reputation. In addition, despite our contingency plans in place, our ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our operations.

Accuracy and Completeness of Information on Customers and Counterparties

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished by them, including financial statements and other financial information. We may also rely on the representations of customers and counterparties as to the accuracy and completeness of that information. Our financial condition and results of operations may be negatively affected to the extent that we rely on financial statements and financial information that do not comply with Canadian Generally Accepted

Accounting Principles (“GAAP”), that are materially misleading or that do not fairly represent, in all material respects, the financial condition and results of operations of the customers and counterparties.

Environmental Risk

We recognize that environmental hazards are a potential liability. This risk exposure can result from non-compliance with environmental laws either as principal or lender, which may negatively affect our financial condition and results of operations. We aim to mitigate this risk by complying with all environmental laws and by applying a rigorous environmental policy to our commercial and development lending activities.

Changes in Laws and Regulations

Changes to current laws, regulations, regulatory policies or guidelines (including changes in their interpretation, implementation or enforcement), the introduction of new laws, regulations, regulatory policies or guidelines or the exercise of discretionary oversight by regulatory or other competent authorities including OSFI, could adversely affect us, including by limiting the products or services that we provide, restricting the scope of our operations or business lines, increasing the ability of competitors to compete with our products and services or requiring us to cease carrying on business. In addition, delays in the receipt of any regulatory approvals and authorizations that may be necessary to the operation of our business could adversely affect our operations and financial conditions. Our failure to comply with applicable laws and regulations could result in sanctions and financial penalties that could adversely impact our earnings and damage our reputation.

Changes in Accounting Standards and Accounting Policies

We may be subject to changes in the financial accounting and reporting standards that govern the preparation of our financial statements, including the adoption of IFRS for the fiscal year commencing January 1, 2011. These changes may materially impact how we record and report our financial condition and results of operations and, in certain circumstances, we may be required to retroactively apply a new or revised standard that results in our restating prior period financial statements.

Leverage

Leverage increases our potential exposure to all risk factors described above.

No Assurance of Achieving Investment Objectives or Payment of Dividends

As a result of the risks discussed above, there is no assurance that the Company will be able to achieve its investment objectives or be able to pay dividends at targeted or historic levels. The funds available for the payment of dividends to our shareholders will vary according to, among other things, the interest and principal payments received in respect of the Company’s investments. There can be no assurance that the Company will generate any returns or be able to pay dividends to our shareholders.

Risk Management

We operate in changing regulatory and economic environments. As a result, our management and the Board of Directors are particularly diligent in their consideration of issues of risk. Our goal is not to eliminate risk, as this would result in significantly reduced earnings, but rather to be proactive in our assessment and management of risk, as a means to gain a strategic advantage and ultimately enhance shareholder value.

Our senior management is responsible for the quality of processes, policies, procedures and controls and for internal reporting on a day-to-day basis. The Board of Directors is actively involved in the risk management process, providing oversight and guidance on an ongoing basis and at least quarterly. Internal audit is involved in the risk management process to provide validation of its effectiveness, with reports provided to senior management and the Board of Directors.

As discussed above under “Risk Factors,” we are exposed to various inherent risks, particularly interest rate risk and credit risk. We mitigate these risks through investment diversification, and by diligent management of assets and liabilities.

Credit and commitment exposure is closely monitored through a reporting process that includes a formal quarterly review involving senior management and the ICB. Weekly monitoring also takes place through our Operating Committee and Capital Commitments Committee.

Our exposure to credit risk is managed through risk management policies and procedures that emphasize the quality and diversification of our investments. Our policies establish limits on concentration by asset class, risk rating, geographic region, dollar limit and borrower. We use these policies to assess credit risk and portfolio quality. All members of management are subject to limits on their ability to commit the Company to credit risk.

We identify potential risk in our mortgage portfolio by way of regular review of market metrics, which are a key component of semi-annual market reports provided to the Board of Directors. We also undertake site visits of active mortgages. Existing risks in our mortgage portfolio are identified by arrears reporting, portfolio diversification analysis, annual reviews of large loans and risk rating trends of the entire mortgage portfolio. The aforementioned reporting and analysis provides adequate monitoring of and control over our exposure to credit risk. In the current economic environment, we have increased our monitoring of real estate market values for single family mortgages, with independent assessments of value obtained as individual mortgages exceed 90 days in arrears.

We assess a credit score and risk rating for all mortgages at the time of underwriting based on the quality of the borrower and the underlying real estate. Subsequent to the initial mortgage advance, the ongoing monitoring of a mortgage may lead to the downgrading of the status of a mortgage to monitored, in arrears, or impaired.

We closely monitor our liquidity position to ensure that we have sufficient cash to meet liability obligations as they become due. The ICB is responsible for the review and approval of liquidity policies. To December 31, 2010, we maintained a standard level of liquid investments and credit facilities in excess of 20% of term deposits maturing within 100 days. As at February 17, 2011, this standard level was increased to 125%. In addition, all single family mortgages are readily marketable within a time frame of one to three months, thus providing us with added flexibility to meet liquidity needs. We have access to capital through our ability to issue term deposits eligible for CDIC deposit insurance. These term deposits also provide us with the ability to fund asset growth as needed. We also maintain an overdraft facility to fund asset growth or meet our short-term obligations as required. The overdraft facility is a component of a larger credit facility that also has a portion which guarantees letters of credit used to support the obligations of borrowers to municipalities in conjunction with construction loans. The total facility is \$50 million, with sub-limits of \$30 million for overdrafts and \$30 million for letters of credit. We believe that our liquidity position and our access to capital markets in the form of term deposits and the banking facility support our ability to meet current and future commitments.

Management has developed a Liquidity Risk Management Framework that is reviewed and approved annually by the Board of Directors. This framework details the daily, monthly and quarterly analysis that is performed by management. Management monitors changes in cash and cash requirements on a daily basis and formally reports to ALCO on a monthly basis. Management also completes monthly and quarterly stress testing which is reviewed by ALCO and the ICB. Management monitors trends in deposit concentration with significant term deposit brokers on a monthly basis.

We have established and maintain liquidity policies which meet the standards set under the Trust Act and any regulations or guidelines issued by OSFI.

We evaluate our exposure to a variety of changes in interest rates across the term spectrum of our assets and liabilities, including both parallel and non-parallel changes in interest rates. By managing and matching the terms of invested assets and term deposits so that they offset each other, we seek to reduce the risks associated with interest rate changes, and in conjunction with liquidity management policies, we also manage cash flow mismatches. ALCO reviews our interest rate exposure on a monthly basis using interest rate spread and gap analysis as well as interest rate sensitivity analysis based on various scenarios. This information is also formally

reviewed by the ICB each quarter. We do not currently use derivative financial instruments outside of the CMB program, however the potential use of such instruments for our on-balance sheet assets is analyzed and reported to ALCO on a monthly basis.

All material outsourcing arrangements are required to comply with OSFI guideline B-10, *Outsourcing of Business Activities, Functions and Processes*. Our Enterprise Risk Management Officer and senior management regularly review outsourcing arrangements to provide reasonable assurances that the outsourcing arrangements are in compliance with this guideline. These reviews account for the materiality of the outsourcing arrangement and the status of the risk management program associated with the outsourced arrangement.

Ultimately, risk management is controlled at the highest level of the Company. ALCO reviews and manages these risks on a monthly basis. Our Board of Directors reviews and approves all risk management policies and procedures. Management reports to the Board of Directors on the status of risk management at least quarterly.

People

As at December 31, 2010, we had fifteen employees, an increase of one from December 31, 2009.

Premises

In 2010, we entered into an arrangement with MCLP to sublease space at 200 King Street West, Toronto, Ontario, expiring in 2014.

Systems

We use MCLP's systems, including networks, subsystems, and general ledger, and we also receive technology support from MCLP. Our term deposit system, which we own, operates on MCLP's systems.

Regulatory Compliance

Our Chief Compliance Officer ensures that management understands the impact of all relevant legislation affecting the business, assesses compliance with current and pending legislation and works with management to address any gaps in policies and procedures. We use a Legislative Compliance Management System that ensures all managers assess their compliance with relevant legislation on a quarterly basis. Senior management liaises with regulators to keep them apprised of Company progress and changes to our business. Our Chief Compliance Officer reports quarterly to the Conduct Review, Corporate Governance & Human Resources Committee of the Board of Directors.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant material information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure. As of December 31, 2010, an evaluation was carried out of the effectiveness of disclosure controls and procedures. Based on that evaluation, the CEO and CFO will certify that those disclosure controls and procedures were effective as at the end of the financial year ended December 31, 2010.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. As of December 31, 2010, an evaluation was carried out of the effectiveness of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and financial statements compliance with GAAP. Based on that evaluation, the CEO and CFO will certify that those internal controls over financial reporting were effective as at the end of the financial year ended December 31, 2010.

These evaluations were conducted in accordance with the standards of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of

National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings. A Disclosure Committee, comprised of members of management, assists the CEO and CFO in their responsibilities.

There were no changes in our internal controls over financial reporting that occurred during the year ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Internal Audit

We outsource our Internal Audit function to Protiviti, an independent risk consulting firm. The Internal Audit function has unrestricted access to our operations, records, property and personnel, including senior management and the Chairman of the Audit Committee of the Board of Directors (the "Audit Committee"). Internal Audit formulates an annual risk-based plan for approval by the Audit Committee and then undertakes internal audit reviews throughout the year with regular and direct reporting to both senior management and the Audit Committee.

DIVIDEND POLICY AND RECORD

Our dividend policy is to pay out substantially all of our taxable income to our shareholders. As a MIC, we can deduct dividends paid to shareholders during the year and within 90 days thereafter from income for tax purposes. We pay out substantially all of our taxable income to shareholders, whereas other financial institutions generally pay out only a portion of their taxable income to their shareholders. These dividends are taxable in the shareholders' hands as interest. In addition, a MIC can pay certain capital gains dividends which are taxed as capital gains in the shareholders' hands. We intend to continue to declare dividends on a quarterly basis.

Dividends per share over the past three years are as follows:

Fiscal Period	2010	2009	2008
First Quarter - Regular Dividend	\$ 0.26	\$ 0.25	\$ 0.23
First Quarter - Extra Dividend	0.15	0.43	-
Second Quarter	0.26	0.25	0.23
Third Quarter	0.26	0.25	0.25
Fourth Quarter	0.26	0.26	0.25
	<u>\$ 1.19</u>	<u>\$ 1.44</u>	<u>\$ 0.96</u>
Taxable Dividends	\$ 1.19	\$ 1.44	\$ 0.85
Capital Gains Dividends	-	-	0.11
	<u>\$ 1.19</u>	<u>\$ 1.44</u>	<u>\$ 0.96</u>

The Board of Directors declared a first quarter dividend of \$1.00 per share to be paid March 31, 2011 to shareholders of record as of March 2, 2011. The dividend comprises the regular quarterly dividend of \$0.27 per share (increased from \$0.26 per share) and a \$0.73 per share extra dividend.

The March 2011 extra dividend is required to pay out the balance of taxable income to shareholders. In 2010, taxable income was comparable to income for accounting purposes. In 2009, accounting income significantly exceeded taxable income as we recognized \$6.4 million of upfront gains from securitization for accounting purposes. The associated taxable income is earned throughout the duration of the issuance.

Dividend Reinvestment Plan

In 2002, we amended and restated our 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 Trust Company of Canada ("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.

DESCRIPTION OF CAPITAL STRUCTURE

Our authorized capital consists of an unlimited number of common shares with no par value. At December 31, 2010 there were 14,447,743 common shares outstanding. As of the date hereof, the number of common shares outstanding is 14,461,305. The common shares are the only voting securities of the Company. Generally, each common share provides one vote per share. However, the Directors are elected by cumulative voting, as required by the Company's by-laws and the Trust Act. The Trust 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 the voting shares of the Company. Under the cumulative voting system, each holder of common shares 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 the number of directors to be elected at the meeting. The shareholder may cast all such votes in favor of one nominee or distribute them among the nominees in any manner.

Pursuant to the Tax Act, if any shareholder or related group of shareholders acquires more than 25% of the common shares, the Company will no longer qualify as a MIC.

Changes to our capital over the past two years are analyzed in Note 17 of our consolidated financial statements for the year ended December 31, 2010 contained in our 2010 Annual Report, which is incorporated by reference in this Annual Information Form.

MARKET FOR SECURITIES

MCAN's common shares are listed and posted for trading on the TSX under the trading symbol "MKP". The volume of shares traded during 2010 was 1,938,000 compared to 1,670,000 in 2009. The range of trading prices during 2010 was \$11.48 to \$14.30.

The monthly high and low closing prices and trading volumes for the periods indicated below were as follows:

	<u>Volume Traded</u>	<u>High (\$)</u>	<u>Low (\$)</u>
January 2010	220,064	13.97	13.10
February	116,224	14.24	13.31
March	475,148	14.09	11.48
April	163,845	13.25	12.35
May	126,447	13.40	12.05
June	84,005	13.39	12.50
July	103,877	13.24	12.71
August	111,561	13.15	12.51
September	110,172	13.25	12.71
October	109,747	13.54	12.95
November	129,148	14.18	13.35
December	187,754	14.30	13.74
January 2011	269,676	14.98	13.81
February	212,494	16.64	14.84

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To MCAN's knowledge, the only common shares that are subject to a contractual restriction on transfer are the following:

Designation of class	Number of securities that are subject to a contractual restriction on transfer ¹	Percentage of class
Common shares	152,731	1.06%

1. The common shares set forth above were purchased pursuant to the Employee Share Ownership Plan ("ESOP"). The ESOP was established by the Board of Directors in 2000 to enable employees of MCAN, MCLP and MCAP Service Corporation to purchase common shares of the Company in a convenient and systematic manner. Participation in the ESOP is voluntary. An employee may contribute no more than 6% and no less than 1% of annual salary into the ESOP and the employee's employer 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 shares on the open market. The ESOP is administered by CIBC Mellon Trust Company.

Shares acquired with an employee's contributions vest immediately. Two withdrawals or transfers of shares acquired with an employee's contribution are permitted in a calendar year. A third withdrawal or transfer results in a suspension of the employer's future contributions to the employee's plan for a period of twelve months. Common shares acquired with the employer's contribution to the ESOP vest on December 31st of the year in which the shares are acquired. Unvested shares cannot be withdrawn or transferred until December 31st of each year. The number of unvested shares immediately prior to the vesting of such shares pursuant to the ESOP as at December 31, 2010 is represented in the table above.

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

As at December 31, 2010, as a group, the directors and executive officers of the Company beneficially owned, directly or indirectly, or exercised control or direction over, 5,422,134 common shares, representing a 37.53% interest in the Company.

Directors

Information concerning our directors as at December 31, 2010, and their municipalities of residence and principal occupations, is as shown in the table below. The term of each of the directors will expire at the time of our next Annual Meeting of shareholders to be held on May 11, 2011.

Name and Municipality of Residence	Director Since	Principal Occupation	Common Shares Owned and/or Controlled at December 31, 2010 ⁹	Approximate Percentage of Common Shares
DAVID G. BROADHURST ^{1,2} Toronto, Ontario, Canada	May 14, 1997	President, Poynton Investments Limited (financial consulting and investments)	58,157	0.40%
BRYDON CRUISE ^{2,3} Oakville, Ontario, Canada	May 11, 2010	President and Managing Partner, Brookfield Financial (real estate)	70,050	0.48%
SUSAN DORÉ ^{1,2} Toronto, Ontario, Canada	May 11, 2010	Corporate Director	1,999,140 ⁸	13.84%
BRIAN A. JOHNSON ^{2,3} Toronto, Ontario, Canada	January 10, 2001	Partner, Crown Capital Partners (finance), Partner, Crown Realty Partners (real estate)	93,058	0.64%
DAVID A. MACINTOSH ^{1,3} Waterloo, Ontario, Canada	January 28, 2000	Corporate Director	28,125	0.19%

<u>Name and Municipality of Residence</u>	<u>Director Since</u>	<u>Principal Occupation</u>	<u>Common Shares Owned and/or Controlled at December 31, 2010⁹</u>	<u>Approximate Percentage of Common Shares</u>
DEREK A. NORTON Toronto, Ontario, Canada	July 24, 2000	President and CEO, MCAP Commercial LP (mortgage services provider)	278,350	1.93%
JEAN C. PINARD ^{3,4} Sutton, Québec, Canada	November 3, 2005	Consultant, Pinco Inc. (real estate and structured assets)	nil	0.00%
ROBERT A. STUEBING ^{1,3} Toronto, Ontario, Canada	April 19, 2004	Corporate Director ⁵	566,131	3.92%
IAN SUTHERLAND Oro-Medonte, Ontario, Canada	January 11, 1991	Chairman, MCAN Mortgage Corporation ⁶	2,178,705	15.08%
WILLIAM JANDRISITS Markham, Ontario, Canada	August 4, 2010	President and CEO, MCAN Mortgage Corporation ⁷	47,868	0.33%

- Member of the Audit Committee.
- Member of the Conduct Review, Corporate Governance & Human Resources Committee.
- Member of the Investment Committee.
- Under the Agreement dated April 14, 2004 between the Company, Bentall Capital II Limited Partnership (now C-Cap II Limited Partnership ("CCLP2")), CDP Capital – Real Estate Advisory Inc., Cadcap Inc. and MFC relating to the investment of CCLP2 in the Company, the parties expressed their intention that CCLP2 will be entitled to nominate one nominee of CCLP2 to the Board of Directors of the Company, subject to CCLP2 owning a minimum of 5% of the common shares. This year CCLP2 has nominated Mr. Pinard for election to the Board of Directors.
- Since July 2006. From April 2004 to June 2006, Mr. Stuebing was Senior Vice President and CFO, MCAP Inc.
- Since May 2006. However, 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.
- 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.
- Includes 1,644,720 shares owned and/or controlled by Raymond Doré.
- The information as to shares owned, directly or indirectly, or over which control or direction is exercised has been furnished by the respective directors.

We do not have an Executive Committee. We are required to have an Audit Committee and a Conduct Review, Corporate Governance & Human Resources Committee.

Executive Officers

Information concerning our executive officers as at December 31, 2010, and their municipalities of residence and principal occupation is as shown in the table below.

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation for the last five years</u>	<u>Common Shares Owned and/or Controlled at December 31, 2010</u>	<u>Approximate Percentage of Common Shares</u>
WILLIAM JANDRISITS Markham, Ontario, Canada	President and CEO	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.	47,868	0.33%
TAMMY OLDENBURG Toronto, Ontario, Canada	Vice President and CFO	Prior to July 2006, Ms. Oldenburg was VP Finance and Controller, MCAP Inc.	57,982	0.40%
MICHAEL MISENER Mississauga, Ontario, Canada	Vice President, Investments	Prior to April 2006, Mr. Misener was AVP Investment Management, MCAP Financial Corporation - Real Estate Finance Group.	44,568	0.31%

Additional Disclosure Relating to Directors and Executive Officers

To our knowledge, no director or executive officer 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 director or executive officer of MCAN or a shareholder holding a sufficient number of securities of MCAN to affect materially the control 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 the director, executive officer or shareholder, except for as follows:

- Mr. Johnson, a director of MCAN, 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.

Further, to our knowledge, no director or executive officer of MCAN, or a shareholder holding a sufficient number of securities of MCAN to affect materially the control 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 likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Except as disclosed herein or as discussed in our Management Information Circular dated March 25, 2011, there are no conflicts of interest of which we are aware.

AUDIT COMMITTEE INFORMATION

The Audit Committee’s primary purpose is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to (i) the quality and integrity of financial statements to be provided to shareholders and regulatory bodies; (ii) the effectiveness of our risk management and compliance practices; (iii) the independent auditor’s performance, qualifications and independence; (iv) the performance of the internal audit function; and (v) our compliance with legal and regulatory requirements. The Audit Committee meets with the

internal and external auditors and management as required. The mandate of the Audit Committee is attached as Schedule A to this Annual Information Form.

As of December 31, 2010, the members of the Audit Committee were David G. Broadhurst (Chairman), David A. MacIntosh, Susan Doré and Robert A. Stuebing. All members of the Audit Committee are, for the purposes of *National Instrument 52-110 - Audit Committees*, considered to be independent and financially literate. The following is a description of the education and experience of each member of the committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee.

Mr. Broadhurst holds a B.A. degree and is a member of the Institute of Chartered Accountants of Ontario. He is the President of Poynton Investments Limited. He currently serves on the board and audit committee of The North West Company Inc. and on the board of a non-public Canadian company. He is also a director of the Canadian Opera Company.

Mr. MacIntosh holds a M.A. degree in Economics and held senior executive positions with Mutual Life Insurance Company in finance and investments. He currently serves on the board of a non-public Canadian company.

Mr. Stuebing holds an M.B.A. degree and is a Fellow in the Institute of Canadian Bankers. In 1980, he was a founding partner of the predecessor company that ultimately became MCAN, and retired as Senior Vice President and Chief Financial Officer in 2006. He currently serves on the board of a non-public Canadian company.

Ms. Doré is a member of the Certified General Accountant's Association of Ontario, and currently serves on the Boards of two non-public Canadian companies. She has previously served as an officer and director of a federally regulated financial institution and in the capacity of Chief Financial Officer for a securities dealer.

AUDIT FEES

Fees paid to the Company's auditor, Ernst & Young LLP for the past two years are as follows:

	<u>2010</u>	<u>2009</u>
Audit Fees	\$ 479,621	\$ 180,125
Audit-Related Fees ¹	3,180	32,416
Tax Fees ²	10,280	50,110
All Other Fees ³	<u>32,125</u>	<u>43,450</u>
Total Fees	<u>\$ 525,206</u>	<u>\$ 306,101</u>

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.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Information relating to Interest of Management and Others in Material Transactions may be found in the Indebtedness of Directors and Executive Officers section of our 2009, 2010, and 2011. Management Information Circulars dated March 13, 2009, March 12, 2010, and March 25, 2011 respectively, and filed on SEDAR, at www.sedar.com.

TRANSFER AGENT AND REGISTRAR

Computershare, located in Montreal, Quebec, is our transfer agent and registrar for the common shares.

MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the only material contract entered into by the Company within the most recently completed financial year, or before the most recently completed financial year which is currently in effect is as follows:

On November 11, 2010, MCAN and MCLP entered into an amended mortgage acquisition agreement, which replaces the mortgage origination and servicing agreement dated October 20, 2006 between the parties. Pursuant to the agreement, MCLP originates and services investment mortgages (which are intended to be held by MCAN on a long-term investment basis) for MCAN. The agreement also sets forth certain terms applicable to a sale of investment mortgages by MCAN, in that MCLP has certain rights of first refusal to assist with such sale. The origination and servicing rates are set forth in the agreement, and vary depending upon the type of mortgage that is being originated and serviced. Either party may terminate the agreement on 90 days' notice.

INTEREST OF EXPERTS

Ernst & Young LLP, the external auditor of the Company, reported on the Company's 2010 consolidated financial statements. At the time of preparing its report on the 2010 consolidated financial statements, Ernst & Young LLP was independent of the Company in accordance with the auditor's rules of professional conduct in Canada.

ADDITIONAL INFORMATION

Additional information about MCAN is available on the Company's web site at www.mcanmortgage.com and on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities, and interests of insiders in material transactions, is contained in our Management Information Circular dated March 25, 2011 in connection with our Annual Meeting of Shareholders scheduled to be held May 11, 2011. Additional financial information is provided in our consolidated financial statements and Management's Discussion and Analysis in our 2010 Annual Report for the year ended December 31, 2010.

Copies of our Annual Information Form, as well as copies of our 2010 Annual Report for the year ended December 31, 2010 and Management Information Circular dated March 25, 2011 may be obtained from:

MCAN Mortgage Corporation
200 King Street West
Suite 400
Toronto, ON M5H 3T4

Attn: Corporate Secretary
Telephone: (416) 591-5214
Fax: (416) 598-4142

SCHEDULE A - MANDATE OF THE AUDIT COMMITTEE

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