

Rights Offering Circular dated May 18, 2007

YOUR RIGHTS CERTIFICATE IS ENCLOSED. PLEASE READ THIS MATERIAL CAREFULLY AS YOU ARE REQUIRED TO MAKE A DECISION PRIOR TO 4:00 P.M. (TORONTO TIME) ON JULY 5, 2007.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This rights offering circular constitutes a public offering of these securities in Canada only. This offer is not, and under no circumstances is to be construed as, an offering of any securities for sale in any other jurisdiction or to any resident of any other jurisdiction or a solicitation in any other jurisdiction of any offer to buy any securities of MCAN Mortgage Corporation. The rights offered hereby and the common shares issuable upon exercise thereof have not been and will not be registered under the U.S. Securities Act of 1933 ("U.S. Securities Act") or any state securities laws, and may not be offered or sold in the United States or to U.S. persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. This rights offering circular does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States.

Rights Offering

**OFFERING TO THE HOLDERS OF COMMON SHARES OF
MCAN MORTGAGE CORPORATION**



OF 12,479,855 RIGHTS TO SUBSCRIBE FOR UP TO
1,559,981 COMMON SHARES AT A PRICE OF \$10.50 PER SHARE

MCAN Mortgage Corporation (the "Company," "MCAN" or "we") is issuing to the registered holders of its outstanding common shares of record at the close of business (Toronto time) on May 30, 2007 (the "Record Date") resident in the provinces and territories of Canada, transferable rights (the "Rights") to subscribe for common shares of the Company (each, a "Common Share"). Each holder of Common Shares is entitled to one Right for each Common Share held on the Record Date. The Company is hereby also qualifying for distribution the Common Shares issuable on exercise of the Rights.

**Exercise Price: \$10.50 per Common Share
(upon the exercise of eight Rights)**

	<u>Price to Rightsholders</u>	<u>Net Proceeds to the Company ⁽¹⁾</u>
Per Common Share	\$10.50	\$10.50
Total ⁽²⁾	\$16,379,800	\$16,379,800

(1) Before deducting expenses of the rights offering payable by the Company, estimated at \$110,000. See "Details of the Rights and Securities Offered — Issue of Rights and Rights Certificate".

(2) Assuming all Rights are exercised.

A holder of Rights (a "Rightsholder") is entitled to subscribe, at or before 4:00 p.m. (Toronto time) (the "Expiry Time") on July 5, 2007 (the "Expiry Date"), for one fully paid and non-assessable Common Share, at a price of \$10.50 per share (the "Exercise Price") for each eight Rights held. **Rights not exercised at or before the Expiry Time on the Expiry Date will be void and will have no value.** Computershare Investor Services Inc. (the "Subscription Agent"), at its office at 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 (the "Subscription Office"), is the subscription agent for this rights offering. Rightsholders (other than Ineligible Persons (as defined below)) may exercise the Rights by delivering fully transferable Rights certificates (the "Rights Certificates"), duly completed and executed, together with the sum of \$10.50 for each Common Share subscribed for, to the Subscription Office in the manner and upon the terms set out in this rights offering circular. The treatment of shareholders who are not residents of Canada is described under "Details of the Rights and Securities Offered — Ineligible Shareholders". The definition of an Ineligible Person is set out under "Details of the Rights and Securities

Offered — Ineligible Persons”. A Rightsholder who exercises all of the Rightsholder’s Rights by subscribing for the maximum number of Common Shares for which the Rightsholder is entitled to subscribe, may subscribe for additional Common Shares, if available, at the Exercise Price. See “Details of Rights and Securities Offered — Additional Subscription Privilege”.

The registered office and principal place of business of MCAN is located at 200 King Street West, Suite 400, Toronto, Ontario, M5H 3T4.

An investment in Common Shares bears certain risks. See “Risk Factors”.

If a holder of Common Shares wishes to retain that holder’s current percentage ownership in MCAN and assuming that all Rights are exercised, that holder should purchase the Common Shares for which the holder may initially subscribe pursuant to the Rights delivered with this rights offering circular. If that holder does not do so and other holders of Rights exercise any of their Rights, that holder’s current percentage ownership in the Company will be diluted by the issue of Common Shares under this rights offering.

Prospective investors should be aware that the acquisition or disposition of the Rights or Common Shares described in this rights offering circular may have tax consequences depending on each particular prospective investor’s specific circumstances. This offering circular does not contain any discussion, summary or other review of tax considerations for prospective investors. Prospective investors should consult their own tax advisors with respect to such tax considerations.

The Common Shares are listed on the Toronto Stock Exchange (the “TSX”) under the symbol “MKP”. The TSX has approved the listing on the TSX of the Common Shares issuable on exercise of the Rights. The Rights are listed on the TSX under the symbol “MKP.RT” and will be posted for trading on the TSX until noon (Toronto time) on the Expiry Date.

There is no stand-by commitment for the rights offering, nor is there a minimum number of Rights that must be exercised in order for the offering to close.

Unless otherwise indicated, all references herein are to Canadian dollars.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements, including statements regarding the business and anticipated financial performance of the Company. These statements 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 herein. 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.

TABLE OF CONTENTS

SUMMARY	4	Reservation of Shares.....	13
DESCRIPTION OF ISSUER’S BUSINESS.....	6	No Fractional Shares	13
Corporate Structure.....	6	OWNERSHIP OF SECURITIES OF ISSUER AND	
Investing	6	INTENTION OF INSIDERS TO EXERCISE RIGHTS	13
Outlook	7	DESCRIPTION OF SHARE CAPITAL	14
DETAILS OF THE RIGHTS AND SECURITIES		Common shares	14
OFFERED	7	Trading history	14
Issue of Rights and Rights Certificates	7	USE OF PROCEEDS.....	14
Additional Subscription Privilege.....	8	STAND-BY COMMITMENT	15
Ineligible Persons.....	8	SOLICITING DEALER.....	15
Ineligible Shareholders	9	RISK FACTORS.....	15
Delivery of Rights by Intermediaries.....	9	Credit risk.....	15
Fees Payable by Subscribers.....	9	Interest rate risk.....	15
Expiry of Rights.....	9	Liquidity risk.....	15
Trading.....	10	Market risk	15
Dilution to Existing Shareholders	10	Outsourcing risk	15
REGISTRATION AND DELIVERY OF		Competition.....	16
CERTIFICATES EVIDENCING SECURITIES	10	Leverage.....	16
SUBSCRIPTION AGENT AND TRANSFER AGENT	10	Regulatory environment.....	16
HOW TO EXERCISE THE RIGHTS.....	11	Dividends	16
General.....	11	Requirement for new capital	16
Unexercised Rights	11	Environmental risk.....	16
Signatures	11	STATUTORY RIGHTS.....	16
To Subscribe for Common Shares — Form 1.....	11	STATEMENT AS TO RESALE RESTRICTIONS.....	16
To Subscribe for Additional Common Shares —		WEBSITE	17
Form 2.....	11	ENQUIRIES.....	17
To Sell or Transfer Rights — Form 3	12		
To Divide, Combine or Exchange a Rights			
Certificate — Form 4.....	13		

SUMMARY

The following information is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this rights offering circular.

The Rights Offering

Issuer:	MCAN Mortgage Corporation
Issue:	12,479,855 Rights will be issued to subscribe for up to 1,559,981 Common Shares of the Company.
Record Date:	Close of business on May 30, 2007.
Exercise Price:	\$10.50 per Common Share.
Issue of Rights:	Shareholders will receive one transferable right to subscribe for Common Shares for each Common Share held on the close of business on the Record Date. Eight Rights will entitle the holder to purchase one Common Share at the Exercise Price prior to the Expiry Time. Fractional Common Shares will not be issued.
Eligible Shareholders:	Holders of record of Common Shares as of the Record Date who are resident in Canada.
Gross Proceeds:	Up to \$16,379,800
Estimated Expenses:	\$110,000
Expiry of Rights:	Rights not exercised at or before the Expiry Time of 4:00 pm (Toronto time) on July 5, 2007 will be void and will have no value.
Trading:	The Common Shares are listed and posted for trading on the TSX under the symbol "MKP". The TSX has approved the listing on the TSX of the Common Shares issuable on exercise of the Rights. The Rights are listed on the TSX under the symbol "MKP.RT" and will be posted for trading on the TSX until noon (Toronto time) on the Expiry Date.
Initial Subscription Privilege:	Each Rightsholder who is not an Ineligible Person (as defined in "Details of the Rights and Securities Offered — Ineligible Persons") is entitled to subscribe for one Common Share for each eight Rights held by the Rightsholder at the Exercise Price at or before the Expiry Time.
Additional Subscription Privilege:	A Rightsholder who exercises all of the Rightsholder's Rights by subscribing for the maximum number of Common Shares to which the Rightsholder is entitled will be entitled to subscribe for additional Common Shares, if available, at the Exercise Price per Common Share (see "Details of Rights and Securities Offered — Additional Subscription Privilege").
Stand-by Commitment:	There will be no stand-by commitment for the offering.
Minimum Offering:	The offering is not conditional on receiving a minimum amount of proceeds.
Ownership of Securities of Issuer and Intention of Insiders to Exercise Rights:	Directors and officers of the Company collectively own, control or represent 5,570,406 Common Shares representing 44.64% of the issued and outstanding Common Shares of the Company. None of these individuals own or control more than 10% of the Common Shares, with the exception of Raymond Doré and Ian Sutherland who own or control 14.93% and 11.61% respectively. Certain of the directors and senior officers have indicated that they intend, subject

to market conditions, to subscribe either directly or indirectly for some or all of their pro rata share of the Common Shares offered pursuant to the Initial Subscription Privilege.

See “Ownership of Securities of Issuer and Intention of Insiders to Exercise Rights”.

Dilution to Existing Shareholders:

The current percentage ownership in the Company of those registered holders of Common Shares who do not exercise their Rights will be diluted by the issue of Common Shares under this rights offering.

Use of Proceeds:

The net proceeds from this rights offering (assuming all Common Shares are subscribed for and after payment of the estimated expenses of this offering of approximately \$110,000) will be approximately \$16,269,800. The Company intends to use the net proceeds to increase regulatory capital. Specifically the new capital, once leveraged, will increase total allowable assets by \$93,551,350. MCAN expects to fully invest and leverage the new capital by early 2008.

See “Use of Proceeds”.

Subscription Agent:

Computershare Investor Services Inc. has been appointed Subscription Agent for this offering. See “Subscription Agent and Transfer Agent”.

Risk Factors:

An investment in Common Shares is subject to certain risks which prospective investors should consider before exercising their Rights offered under this rights offering circular. See “Risk Factors”.

DESCRIPTION OF ISSUER'S BUSINESS

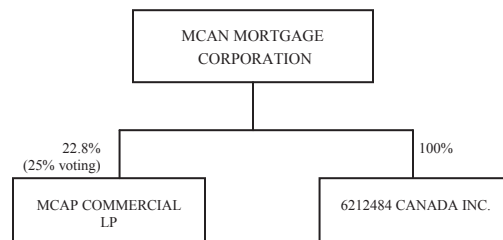
MCAN was incorporated under the federal *Loan Companies Act*, now called the *Trust and Loan Companies Act* (the "Trust Act"), by Letters Patent dated January 11, 1991. We received our certificate to commence business from the Office of the Superintendent of Financial Institutions ("OSFI") on November 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 continually 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 carry on business in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

Corporate Structure

At December 31, 2006, MCAN held a 22.8% limited partnership interest in MCAP Commercial LP ("MCLP") however, MCAN's voting interest in MCLP was 25%. MCAN also owns 100% of 6212484 Canada Inc.



Investing

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 and commercial mortgages), as well as other types of loans, real estate and marketable securities in the form of corporate bonds and real estate investment, income and royalty trusts. We employ leverage by issuing debt obligations up to a maximum of five times capital, on a non-consolidated basis, as permitted by the Tax Act. In addition, we are limited to a 9 to 1 ratio of consolidated regulatory assets to capital. 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 paid by the Company. Such dividends are received by our shareholders as capital gains dividends and interest income respectively.

We fund our operations with term deposits insured under the terms set out by Canada Deposit Insurance Corporation. The term deposits are sourced through a network of independent financial agents.

The Company's asset mix at December 31, 2006 was as follows (\$000's):

Cash and cash equivalents	\$ 17,686	3.6%
Marketable securities	12,473	2.5%
Residential construction loans	183,826	36.9%
Single family mortgages	176,646	35.5%
Commercial	35,316	7.1%
Loans and other investments	53,377	10.7%
Investment in MCLP	17,340	3.5%
Other assets	1,444	0.3%
	<u>498,107</u>	<u>100.0%</u>

Outlook

Our primary objective is to fully invest the balance sheet while maintaining acceptable and sustainable returns. We are subject to maximum asset levels under both the Tax Act and the Trust Act. The maximum asset level permitted under the Tax Act, which is the most constraining for us, effectively limits assets to 6 times capital on a non-consolidated basis, measured at tax values. We manage our assets to a level of 5.75 times capital to provide a prudent cushion between the maximum and total actual assets. Despite a level of full investment at December 31, 2006, our asset levels decreased during the first quarter of 2007. This decrease was primarily due to low residential construction loan fundings during the quarter, which is consistent with the seasonality of that line of business. As a result, we were underinvested by \$35 million at quarter end against our 5.75 internal limit. Maintaining our balance sheet at full investment will depend on our ability to find assets with satisfactory yields at manageable levels of risk. Our operations and income are a function of the interest rate environment and the availability of mortgage product at reasonable yields. The availability of mortgage product for us and the yields thereon is based on market competition.

DETAILS OF THE RIGHTS AND SECURITIES OFFERED

Issue of Rights and Rights Certificates

Each registered holder of Common Shares at the close of business (Toronto time) on May 30, 2007 (the "Record Date") resident in the provinces and territories of Canada will be issued one transferable right (a "Right") for each Common Share held. Eight Rights entitle the holder to subscribe for one fully paid and non-assessable Common Share (the "Initial Subscription Privilege") at a price of \$10.50 per share (the "Exercise Price") at or before 4:00 p.m. (Toronto time) (the "Expiry Time") on July 5, 2007 (the "Expiry Date").

Rights are evidenced by fully transferable certificates (the "Rights Certificate(s)"), which will be issued in registered form. A Rights Certificate evidencing the total number of Rights to which the holder is entitled, together with a copy of this rights offering circular, is being mailed to each holder of record of Common Shares as of the Record Date with an address of record in Canada. Rights Certificates will not be mailed to holders of Common Shares as of the Record Date whose addresses of record are or appear to be outside Canada, unless such securityholder satisfies the Company that such offering to and subscription by such securityholder is lawful and in compliance with all securities and other laws applicable in the jurisdiction where such securityholder is resident. See "Ineligible Shareholders".

Holders of Rights Certificates may also be entitled to subscribe for additional Common Shares, if available, at the Exercise Price per Common Share (the "Additional Subscription Privilege"). See "Additional Subscription Privilege".

Certificates representing Common Shares purchased on the exercise of the Rights (the "Share Certificate(s)") will be registered in the name of the registered holder of the Rights Certificate and will be sent to

that person at the address specified on the Rights Certificate. Share Certificates will not be issued or sent to persons resident or who appear to be resident outside Canada, unless such securityholder satisfies the Company that such offering to and subscription by such securityholder is lawful and in compliance with all securities and other laws applicable in the jurisdiction where such securityholder is resident. See “Ineligible Persons”.

The holding of a Rights Certificate does not constitute the holder a shareholder of the Company nor grant that holder any of the rights of a shareholder of the Company.

The directors, officers and other insiders of the Company may trade and exercise the Rights. For a discussion of the intentions of the insiders of the Company with regard to the exercise of Rights, see “Ownership of Securities of Issuer and Intention of Insiders to Exercise Rights”.

The sellers or purchasers of any Rights through the facilities of the TSX will be required to pay any service charges, commissions or other fees charged by their brokers. See “Fees Payable by Subscribers”.

Additional Subscription Privilege

A holder of a Rights Certificate, who has fully exercised the Rights evidenced by the Rights Certificate by subscribing for the maximum number of Common Shares to which that holder is entitled to subscribe pursuant to the Initial Subscription Privilege, may subscribe for additional Common Shares, if available, at the Exercise Price per Common Share pursuant to the Additional Subscription Privilege. See “How to Exercise the Rights - To Subscribe for Additional Common Shares - Form 2”. Those additional Common Shares will be allotted from those of the Common Shares, if any, not issued pursuant to the Initial Subscription Privilege. The holder will be entitled to that holder’s pro rata share of additional Common Shares calculated on the basis of the number of Rights exercised pursuant to the Initial Subscription Privilege by that holder as a percentage of the total number of Rights exercised pursuant to the Initial Subscription Privilege by all Rightsholders who subscribe for additional Common Shares.

A Rightsholder may subscribe for additional Common Shares by: (i) completing the Form 2 on the Rights Certificate entitled “To Subscribe for Common Shares Pursuant to the Additional Subscription Privilege”; and (ii) delivering the Rights Certificate, together with payment for those additional Common Shares, to the Subscription Office at or before the Expiry Time on the Expiry Date. In the event that payment for all of the additional Common Shares subscribed for pursuant to this Additional Subscription Privilege does not accompany the subscription, the over-subscription will be invalid.

If the rights offering is fully subscribed, then the funds included for the over-subscriptions will be returned by the Subscription Agent to the relevant subscribers. If the rights offering is not fully subscribed, Share Certificates representing the Common Shares due to subscribers as a result of over-subscriptions will be delivered by the Subscription Agent, together with the Share Certificates due to those subscribers pursuant to their subscriptions. In addition, the Subscription Agent will return to any subscriber exercising the Additional Subscription Privilege any excess funds paid in respect of an over-subscription for Common Shares where the number of additional Common Shares available to that subscriber is less than the number of additional Common Shares subscribed for. No interest will be payable by the Subscription Agent or the Company in respect of any excess funds returned to subscribers.

For a discussion of the intentions of the insiders of the Company with regard to the exercise of the Additional Subscription Privilege, see “Ownership of Securities of Issuer and Intention of Insiders to Exercise Rights”.

Ineligible Persons

Following a sale or transfer of Rights, Rights Certificates will not be registered in the name of, and subscriptions for Common Shares will not be accepted from or on behalf of, any person who is or appears to be, or who the Company or the Subscription Agent has reason to believe is, not a resident of Canada, unless such securityholder satisfies the Company that such offering to and subscription by such securityholder is lawful and in compliance with all securities and other laws applicable in the jurisdiction where such securityholder is resident (an “Ineligible Person”).

Ineligible Shareholders

None of the Rights or Common Shares issuable upon the exercise of the Rights are qualified or registered under the securities laws of jurisdictions other than Canada and no securities are being offered by the Company for sale in any other jurisdiction. Therefore, Rights Certificates will only be delivered by the Company to holders of Common Shares as of the Record Date who are not Ineligible Persons. Shareholders of record will be presumed to be resident in the place of their address of record, unless the contrary is established to the satisfaction of the Company.

Instead, shareholders who are Ineligible Persons will be sent a letter advising them that their Rights Certificates will be issued to and held by the Subscription Agent, which will hold the Rights issued to shareholders who are Ineligible Persons as agent for the benefit of all of those shareholders. Instructions as to the sale, transfer or exercise of the Rights represented thereby will not be accepted from shareholders. The Rights evidenced by such Rights Certificate will be sold by the Subscription Agent on behalf of all such Ineligible Person. The net proceeds (less any applicable withholding tax and net of reasonable expenses) of such sale will be paid to them on a pro rata basis by cheque. A registered shareholder whose address of record is outside the participating jurisdictions but who holds Common Shares on behalf of a holder who is eligible to participate in this rights offering must notify the Subscription Agent, in writing, on or before the 7th day prior to the Expiry Date if such beneficial holder wishes to participate in this rights offering. Otherwise, the Subscription Agent will sell the Rights of such holder as described above. Thereafter, the Subscription Agent in its capacity as agent for the Ineligible Persons will attempt, on a best-efforts basis only, to sell the Rights issued to Ineligible Persons through the facilities of the TSX prior to the Expiry Time on a date or dates and at a price or prices as the Subscription Agent determines in its sole discretion. Neither MCAN nor the Subscription Agent will accept responsibility for the price obtained on the sale of Rights nor the inability to sell the Rights on behalf of any Ineligible Persons. The Subscription Agent's ability to sell Rights, and the prices obtained for the Rights, are dependent on market conditions. The Subscription Agent will not be subject to any liability for failure to sell any Rights of shareholders who are Ineligible Persons at any particular price or prices, or at all. The proceeds received by the Subscription Agent from the sale of Rights, net of any applicable costs, brokerage fees and expenses, will be divided among the shareholders who are Ineligible Persons pro rata according to the total number of Common Shares held by them on the Record Date. The Subscription Agent will mail cheques to shareholders who are Ineligible Persons at their addresses appearing in the records of the Subscription Agent for their respective proportions of those net proceeds, subject to any applicable taxes which must be withheld for particular shareholders, provided that the Subscription Agent shall not be required to make any such payment to any shareholder who is an Ineligible Person in the event the amount owing to such shareholder is less than \$10.00. Such amount shall be forwarded to the Company to be used by the Company to set off a portion of the remuneration of the Subscription Agent for its services hereunder.

Delivery of Rights by Intermediaries

Rights delivered to brokers, dealers or other intermediaries may not be delivered by those intermediaries to beneficial owners of Common Shares who are Ineligible Persons, unless such securityholder satisfies the Company that such offering to and subscription by such securityholder is lawful and in compliance with all securities and other laws applicable in the jurisdiction where such securityholder is resident. Intermediaries receiving Rights which would otherwise be deliverable to residents outside Canada should attempt to sell those Rights for the accounts of those residents and should deliver any proceeds of sale to those residents.

Fees Payable by Subscribers

Payment of any service charge, commission or other fee payable in connection with the trading of Rights (other than the fees for the services to be performed by the Subscription Agent referred to under "Subscription Agent and Transfer Agent") will be the responsibility of the Rightsholder. This will require the sellers or purchasers of any Rights to pay any service charges, commissions or other fees charged by their brokers. There will be no commission charged by the Company upon the issuance of Rights to holders of Common Shares or upon the exercise of Rights.

Expiry of Rights

Rights not exercised at or before the Expiry Time on the Expiry Date will be void and will have no value.

Trading

The Common Shares are listed and posted for trading on the TSX under the symbol “MKP”. The TSX has approved the listing on the TSX of the Common Shares issuable on the exercise of the Rights. The Rights are listed on the TSX under the symbol “MKP.RT” and will be posted for trading on the TSX until noon (Toronto time) on the Expiry Date.

Dilution to Existing Shareholders

If a holder of Common Shares wishes to retain that holder’s current percentage ownership in the Company, and assuming that all Rights are exercised, that holder should purchase the Common Shares for which the holder may subscribe pursuant to the Rights delivered with this rights offering circular. If that holder does not do so and other holders of Rights exercise any of their Rights, that holder’s current percentage ownership in the Company will be diluted by the issue of Common Shares under the rights offering.

REGISTRATION AND DELIVERY OF CERTIFICATES EVIDENCING SECURITIES

Common Shares purchased through the Initial Subscription Privilege and the Additional Subscription Privilege will be registered in the name of the person subscribing for those Common Shares. Certificates representing Common Shares will be mailed as soon as practicable following the Expiry Time to the subscriber at the address appearing on the Rights Certificate.

The Subscription Agent will be fully discharged from all responsibility as agent with regard to the funds received when it has forwarded share certificates to the subscribers entitled to them, forwarded the proceeds of the rights offering to the Company and, in the event of over-subscription exceeding the number of Common Shares available, returned the excess over-subscription funds to the subscribers so entitled.

SUBSCRIPTION AGENT AND TRANSFER AGENT

Computershare Investor Services Inc. (the “Subscription Agent”) has been appointed as the subscription agent to receive subscriptions and payments from holders of Rights and to perform the services relating to the exercise of the Rights and provide details of such arrangements. The Subscription Agent also acts as the registrar and transfer agent for the Common Shares. Subscriptions for Common Shares and payment of the subscription price from holders of Rights Certificates can be sent by mail or courier to the following address, hereinafter referred to as the Subscription Office:

By Courier or Hand Deliver

Computershare Investor Services Inc.
100 University Avenue
9th Floor
Toronto, ON
M5J 2Y1
Attention: Corporate Actions

Toll free: 1 800 564-6253

By Mail

Computershare Investor Services Inc.
P.O. Box 7021
31 Adelaide Street East
Toronto, On
M5C 3H2
Attention: Corporate Actions

The Company will pay for all services of the Subscription Agent.

HOW TO EXERCISE THE RIGHTS

General

By completing the appropriate form on the Rights Certificate in accordance with the instructions outlined below, a holder may:

- (a) subscribe for Common Shares under the Initial Subscription Privilege (Form 1);
- (b) subscribe for additional Common Shares under the Additional Subscription Privilege (Form 2);
- (c) sell or transfer Rights (Form 3); or
- (d) divide, combine or exchange a Rights Certificate (Form 4).

Unexercised Rights

A Rights Certificate holder who completes Form 1 by exercising some, but not all, of the Rights evidenced by the Rights Certificate, will be deemed to have elected not to exercise the balance of the Rights, which will be void and of no value, unless that holder elects to divide the Rights Certificate by completing Form 4 (see “To Divide, Combine or Exchange a Rights Certificate — Form 4”, below).

Signatures

If a form on the Rights Certificate is signed by a trustee, executor or administrator, by an officer of a company or by any person acting in a representative capacity, the Rights Certificate must be accompanied by evidence satisfactory to the Subscription Agent of authority to so sign.

To Subscribe for Common Shares — Form 1

Eight Rights entitle the holder to subscribe under the Initial Subscription Privilege for one Common Share upon the payment of the Exercise Price of \$10.50 per Common Share. No fractional Common Shares will be issued. The holder of a Rights Certificate may subscribe for all or any lesser number of Common Shares for which the Rights Certificate entitles the holder to subscribe by completing and executing Form 1 on the Rights Certificate and delivering the Rights Certificate, together with payment in full of the Exercise Price for those Common Shares subscribed for, to the Subscription Office. The Exercise Price is payable in Canadian funds by certified cheque, bank draft or money order payable to “Computershare Investor Services Inc.”. **All payments, together with Form 1 duly completed on the Rights Certificates, must be received by the Subscription Agent at the Subscription Office at or before the Expiry Time on the Expiry Date.**

Completion of Form 1 constitutes a representation that the holder is a person resident in Canada or the agent of such a person.

To Subscribe for Additional Common Shares — Form 2

A Rightsholder who exercises all of the Rightsholder’s Rights by subscribing for all of the Common Shares for which that Rightsholder is entitled to subscribe pursuant to the Initial Subscription Privilege (“Second Stage Participants”) will be entitled to subscribe for Common Shares represented by Rights not exercised pursuant to the Initial Subscription Privilege, if any (the “Unsubscribed Shares”).

To exercise such privilege, any holder of a Rights Certificate who completes Form 1 on the face of the Rights Certificate for the maximum number of whole Common Shares that can be subscribed for with the number of Rights evidenced by such certificate and who also exercises the Additional Subscription Privilege must also complete Form 2 on the face of the Rights Certificate and specify the number of additional Common Shares desired to be subscribed for.

If there are sufficient Unsubscribed Shares to satisfy all additional subscriptions by participants in the Additional Subscription Privilege, each participant will be allotted the number of additional Common Shares subscribed for.

If the aggregate number of Common Shares subscribed for under the Additional Subscription Privilege exceeds the number of the Unsubscribed Shares, those shares will be allotted to each participant in the Additional Subscription Privilege on a proportionate basis in accordance with the following formula:

The number of the Unsubscribed Shares allotted to each participant in the Additional Subscription Privilege will be the lesser of:

- (a) the number of Common Shares which that participant has subscribed for under the Additional Subscription Privilege, and
- (b) the product (disregarding fractions) of the multiplication of the number of Unsubscribed Shares by a fraction of which the numerator is the number of Common Shares subscribed for by that participant under the Initial Subscription Privilege and the denominator is the aggregate number of Common Shares subscribed for under the Initial Subscription Privilege by all participants in the Additional Subscription Privilege.

If any participant has subscribed for fewer Common Shares than the number resulting from the application of the formula in (b) above, the excess Common Shares will be allotted in a similar manner among the participants who were allotted fewer Common Shares than they subscribed for.

If, as a result of the application of the foregoing formula, a participant in the Additional Subscription Privilege is allotted a number of Common Shares which falls short of the number specified in Form 2 on the face of the participant's Rights Certificate, Computershare Investor Services Inc. will, when mailing the share certificate for the Common Shares issued to the participant, refund, without interest, the excess portion of the total Subscription Price paid by the participant.

To accept the offer to subscribe for additional Common Shares pursuant to the Additional Subscription Privilege, a Rights Certificate holder must complete and execute Form 2 as well as Form 1 on the Rights Certificate and deliver to the Subscription Office, at or before the Expiry Time on the Expiry Date, the Rights Certificate, together with payment in full of the Exercise Price for each Common Share and each additional Common Share subscribed for. The Exercise Price for Common Shares and additional Common Shares is payable in Canadian funds by certified cheque, bank draft or money order payable to "Computershare Investor Services Inc.". **All payments, together with Form 1 and Form 2 duly completed on the Rights Certificates, must be received by the Subscription Agent at the Subscription Office at or before the Expiry Time on the Expiry Date.**

Second Stage Participants will be mailed their initial Common Shares, their additional Common Shares allotted, if any, and any excess subscription monies, without interest, by first class insured mail within 30 days of the Expiry Date.

To Sell or Transfer Rights — Form 3

Rights Certificates are in registered form. A Rights Certificate holder, in lieu of exercising Rights to subscribe for Common Shares, may sell or transfer the Rights personally or through the usual investment channels (such as stockbrokers or investment dealers) by completing Form 3 on the Rights Certificate and delivering the Rights Certificate to the purchaser (transferee). Rights Certificates will not be registered in the name of an Ineligible Person.

The transferee may exercise all of the Rights of the transferring holder without obtaining a new Rights Certificate. If a Rights Certificate is transferred in blank, the Company and the Subscription Agent may thereafter treat the bearer as the absolute owner of the Rights Certificate for all purposes and neither the Company nor the Subscription Agent will be affected by any notice to the contrary. Payment of any service charge, commission or other fee payable in connection with the trading of Rights will be the responsibility of the holders of the Rights.

The signature of the transferring Rightsholder on Form 3 must be guaranteed by an Eligible Institution or otherwise to the satisfaction of the Subscription Agent. “Eligible Institution” means a Canadian Schedule I chartered bank, a major trust company in Canada, or a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchanges Medallion Program (SEMP), or a member of the New York Stock Exchange Medallion Signature Program (MSP). The signature of the transferee on any one or more of the forms on the Rights Certificate must correspond exactly with the name of that transferee shown on Form 3.

To Divide, Combine or Exchange a Rights Certificate — Form 4

A Rights Certificate may be divided, combined or exchanged by completing and executing Form 4 on the Rights Certificate and delivering the Rights Certificate to the Subscription Office. The Subscription Agent will then issue new Rights Certificates in any denominations (totalling the same number of Rights as are evidenced by the Rights Certificate being divided, exchanged or combined) as are requested by the holder. Rights Certificates must be surrendered for division, combination or exchange in sufficient time prior to the Expiry Date to permit the new Rights Certificates to be issued to and used by the holder.

Reservation of Shares

The Company will, at all times, reserve sufficient unissued Common Shares to permit the exercise of all of the Rights.

No Fractional Shares

The Company will not issue fractional Common Shares upon the exercise of the Rights. Where the exercise of Rights would appear to entitle a holder of Rights to fractional Common Shares, the holder’s entitlement will be reduced to the next lowest whole number of Common Shares.

OWNERSHIP OF SECURITIES OF ISSUER AND INTENTION OF INSIDERS TO EXERCISE RIGHTS

The following table sets forth, to the knowledge of the Company, details regarding the ownership of Common Shares by the persons owning, directly or indirectly, or exercising control or direction over, securities of the Company carrying more than 10% of the voting rights attached to the outstanding Common Shares and by the officers and directors of the Company as a group, as at May 15, 2007:

Name	Class of shares	Number of shares held	Percentage of class
Raymond Doré (Director)	Common	1,863,717	14.93%
Ian Sutherland (Chairman of the Board)	Common	1,448,634	11.61%
Directors and officers of MCAN as a group other than Mr. Doré and Mr. Sutherland ⁽¹⁾	Common	1,123,510	9.00%

Notes:

- (1) Mr. Jean Pinard is the nominee director of C-Cap II Limited Partnership, which is indirectly owned by Caisse de dépôt et placement du Québec, which holds 1,134,545 Common Shares. These 1,134,545 Common Shares are not included in the above number.

The Company has made reasonable enquiries of the intentions of insiders concerning the exercise of Rights. Mr. Doré, Mr. Sutherland, and certain of the directors and officers of MCAN have indicated that they intend, subject to market conditions, to subscribe either directly or indirectly for some or all of their pro rata share of the Common Shares offered pursuant to the Initial Subscription Privilege.

DESCRIPTION OF SHARE CAPITAL

Common shares

The authorized share capital of MCAN consists of an unlimited number of common shares, of which 12,479,855 Common Shares are issued and outstanding as at May 15, 2007.

Each Common Share entitles the holder thereof to receive notice of, to attend, and to exercise one vote per share at all meetings of shareholders of MCAN on all matters other than the election of the board of directors. Directors are elected based on cumulative voting as set out by the Trust Act. Subject to the Trust Act, holders of Common Shares are entitled to receive in each financial year of the Company, any dividends declared at the discretion of the directors. Shareholders are also entitled to receive the remaining assets of the Company in the event of a liquidation, dissolution or winding up of the Company or in the event of any other distribution of assets for the purpose of winding up the affairs of the Company.

Trading history

MCAN's Common Shares are listed and posted for trading on the TSX under the symbol MKP. The closing price of the Common Shares on the TSX on May 17, 2007 was \$12.92.

	Volume	Range	Dividend	
			Fully Taxable	Capital Gain
2006 January	128,254	\$ 9.53 - \$ 9.75	\$ 0.19	\$ -
February	197,076	9.57 - 10.40	-	-
March	178,293	9.37 - 10.48	0.43	0.12
April	105,834	9.99 - 10.39	-	-
May	90,405	10.00 - 10.30	-	-
June	98,357	9.55 - 10.30	0.21	-
July	104,980	9.86 - 10.27	-	-
August	86,300	9.90 - 10.23	-	-
September	145,124	10.01 - 10.50	-	-
October	151,129	10.03 - 10.40	0.21	-
November	162,033	10.05 - 11.15	-	-
December	109,943	10.41 - 11.40	-	-
2007 January	84,908	10.62 - 11.50	0.21	-
February	108,072	11.15 - 12.39	-	-
March	77,320	12.00 - 12.75	0.19	0.12
April	112,138	12.36 - 13.00	-	-
May (until May 17)	56,641	12.50 - 12.95	-	-

USE OF PROCEEDS

The net proceeds from this rights offering (assuming all Common Shares are subscribed for and after the payment of the estimated expenses of this offering of approximately \$110,000) will be approximately \$16,269,800. The Company intends to use the net proceeds to increase regulatory capital. As a company governed by the Trust Act and the Tax Act, the level of assets that the Company can invest in is limited by the amount of regulatory capital that the Company maintains. By increasing regulatory capital, the Company will be able to make larger investments in higher yielding assets and management believes that such increase will have the following effects:

1. MCAN's total allowable assets will be increased by \$93,551,350 (\$16,269,800 x 5.75)

2. MCAN's large exposure limit to a single entity will be increased to approximately \$25 million. This will allow MCAN to participate to a greater degree in the activities of MCLP and its related companies as well as invest in larger individual exposures, including construction loans, which management anticipates will provide for a more rapid growth in assets.

Once the new capital is fully invested and leveraged, the impact on earnings per share and dividends per share is expected to be positive. MCAN expects to fully invest and leverage the new capital by early 2008.

STAND-BY COMMITMENT

There will be no stand-by commitment for the Offering.

SOLICITING DEALER

There will be no soliciting dealer used in connection with the Offering.

RISK FACTORS

The securities of the Company involve a high degree of risk, including, but not necessarily limited to, the risks described below. Before making an investment decision, each prospective investor should carefully consider the following factors.

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. 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.

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.

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.

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.

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 the majority of our mortgage and loan origination and servicing to MCLP and its affiliate MCAP Service Corporation. All material outsourcing arrangements are required to comply with OSFI guideline B-10 Outsourcing of Business Activities, Functions and Processes, in particular, OSFI's ability to enforce its supervisory power in respect of the Company. Our Chief Compliance Officer and senior management regularly review outsourcing arrangements to provide reasonable assurances that the outsourcing arrangements are in compliance with OSFI's guideline.

Competition

Our operations and income are a function of the interest rate environment and the availability of mortgage product at reasonable yields. The availability of mortgage products for the Company and the yields thereon are dependent on market competition.

Leverage

Leverage increases our sensitivity to all risk factors described above.

Regulatory environment

MCAN is a federally regulated financial institution and is therefore restricted in the activities that it may engage in to earn returns for its shareholders. The Company's ability to invest in certain assets is constrained by its level of regulatory capital. MCAN regularly monitors its compliance with regulatory requirements and assesses its capital base against these requirements.

Dividends

Payment of dividends are declared at the discretion of the directors of the Company. Therefore, there are no assurances that the dividends will be maintained at current levels in the short or long term.

Requirement for new capital

It is not possible to predict with certainty the timing or the amount of future capital requirements of the Company. However, the Company may require additional financing in the future. Such additional financing may be raised through additional public or private equity or debt financings or other sources, and, if obtained by way of subsequent equity financing, may result in dilution to the holders of Common Shares. There can be no assurance that additional capital will be available, if and when needed, or that, if available, the terms and conditions of such financing will be favourable to the Company.

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. 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.

STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides security holders of the offeree issuer with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, if there is a misrepresentation in a circular or notice that is required to be delivered to those security holders, or if such document is not delivered to those security holders. However, such rights must be exercised within the prescribed time limits. Security holders should refer to the applicable provisions of the securities legislation of the province of residence for particulars of those rights, or consult with a lawyer.

STATEMENT AS TO RESALE RESTRICTIONS

Securities legislation in some provinces and territories of Canada restrict the ability of a holder to trade the Rights and the Common Shares issued on exercise of the Rights, without certain conditions having been fulfilled or applicable prospectus requirements having been complied with. The following is a general summary of the restrictions governing the first trades in the Rights and underlying Common Shares. Additional restrictions apply to "insiders" of the Company and holders of Rights or Common Shares who are "control persons" or the equivalent or who are deemed to be part of what is commonly referred to as a "control block" in respect of the Company for

purposes of securities legislation. Each holder is urged to consult his or her professional advisors to determine the exact conditions and restrictions applicable to trades of the Rights and the underlying Common Shares.

Generally, the first trade in Rights and underlying Common Shares will be exempt from the prospectus requirements of applicable Canadian securities legislation if: (a) the Company is and has been a “reporting issuer” in a jurisdiction of Canada for the four months immediately preceding the trade; (b) the trade is not a “control distribution” as defined in the applicable securities legislation; (c) no unusual effort is made to prepare the market or to create a demand for the Rights or Common Shares; (d) no extraordinary commission or other consideration is paid to a person or company in respect of such trade; and (e) if the seller is an insider or officer of the Company, the seller has no reasonable grounds to believe that the Company is in default of applicable securities legislation.

If such conditions have not been met, then Rights and underlying Common Shares may not be resold except pursuant to a prospectus or prospectus exemption, which may only be available in limited circumstances.

The Company is and has been a reporting issuer or its equivalent for more than four months in each of the provinces and territories of Canada where required. It is not a reporting issuer in any other jurisdiction.

The Rights and Common Shares have not been and will not be registered under the U.S. Securities Act or under any state securities laws, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons unless an exemption from such registration requirement under the U.S. Securities Act is available.

The foregoing is a summary only and is not intended to be exhaustive. Holders should consult with their advisors concerning restrictions on resale, and should not resell their Rights or Common Shares until they have determined that any such resale is in compliance with the requirements of applicable legislation.

WEBSITE

Continuous disclosure regarding the Company may be obtained at www.mcanmortgage.com or on the website for the System for Electronic Document Analysis and Retrieval at: www.sedar.com.

ENQUIRIES

Enquiries relating to the rights offering and this rights offering circular should be addressed to:

MCAN Mortgage Corporation
Suite 400, 200 King St W
Toronto, Ontario M5H 3T4

Telephone: 1 800 387-9096
Fax: 1 877 821-0710
Email: rights@mcanmortgage.com