

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 – Name and Address of Company:

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

Item 2 – Date of Material Change:

May 26, 2016

Item 3 – News Release:

On May 26, 2016, MCAN issued a news release through the newswire services of CNW Group. A copy of the news release is attached as Schedule “A” hereto and is available on SEDAR at www.sedar.com.

Item 4 – Summary of Material Change:

On May 26, 2016, MCAN announced that MCAP Corporation (“MCAP”) has filed a preliminary prospectus with the securities regulatory authorities in each of the provinces and territories of Canada with respect to a proposed initial public offering (the “Offering”) of common shares (the “Common Shares”) by MCAP and a secondary offering (the “Secondary Offering”) of Common Shares by MCAN and another shareholder of MCAP. A copy of the preliminary prospectus is available on SEDAR at www.sedar.com.

As at March 31, 2016, MCAN indirectly owned 4.3 million partnership units, or approximately 14.7% of MCAP Commercial LP (“MCAP LP”), representing an investment in MCAP LP by MCAN of \$44.3 million. Prior to completion of the Offering, the units in MCAP LP will be exchanged for Common Shares, some of which will be sold pursuant to the Secondary Offering.

Although the number of Common Shares to be sold pursuant to the Secondary Offering has not yet been determined, MCAN currently expects to sell less than 25% of its holdings in MCAP, subject to market conditions. MCAN expects to realize a gain on the sale pursuant to the Secondary Offering which will increase its regulatory capital.

MCAN currently accounts for its investment in MCAP using the equity basis of accounting, under IAS 28 *Investment in Associates and Joint Ventures*, which historically has meant that MCAN recorded its proportionate share of income from MCAP in its consolidated results.

Following the Offering, in addition to any cash received by MCAN resulting from the proceeds received from the Secondary Offering, MCAN expects to recognize its investment in the Common Shares of MCAP at the fair market value thereof. The investment carried at fair market value compared to the original carrying value (for the same proportion of units) is anticipated to result in a gain that will be recorded upon completion of the Offering.

The preliminary prospectus is still subject to completion or amendment, and has not yet become final for the purpose of a distribution of securities to the public. There will not be any sale or acceptance of an offer to buy the securities in any jurisdiction in which such sale or acceptance

would be unlawful prior to the time a receipt for the final prospectus or other authorization is obtained from the securities commission or similar authority in such jurisdiction.

Item 5 – Full Description of Material Change:

A full description of the material change is provided in the news release attached as Schedule “A”.

Item 6 – Reliance on subsection 7.1(2) of National Instrument 51-102:

Not applicable.

Item 7 – Omitted Information:

None.

Item 8 – Executive Officer:

The following senior officers of MCAN are knowledgeable about the material change and this report:

William Jandrisits
President & Chief Executive Officer
(416) 591-2726

Jeff Bouganim
SVP & Chief Financial Officer
(416) 203-5935

Item 9 – Date of Report:

May 30, 2016

Forward-Looking Information

This report may contain forward-looking statements. These forward-looking statements can generally be identified as such because of the context of the statements and often include words such as MCAN “believes”, “anticipates”, “expects”, “plans”, “estimates” or words of a similar nature. These 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 MCAN operates. Reference is made to the risk factors disclosed in MCAN’s Annual Information Form dated February 26, 2016. These and other factors should be considered carefully and undue reliance should not be placed on MCAN’s forward-looking statements. Subject to applicable securities law requirements, MCAN does not undertake to update any forward-looking statements.

Schedule "A"

MCAP Corporation Files Preliminary Prospectus for Initial Public Offering, Including a Secondary Offering of Shares Owned by MCAN Mortgage Corporation

/NOT FOR DISTRIBUTION IN THE UNITED STATES OR OVER UNITED STATES WIRE SERVICES/

TORONTO, May 26, 2016 /CNW/ - MCAN Mortgage Corporation ("MCAN") (TSX:MKP) today announced that MCAP Corporation ("MCAP") has filed a preliminary prospectus with the securities regulatory authorities in each of the provinces and territories of Canada with respect to a proposed initial public offering (the "Offering") of common shares (the "Common Shares") by MCAP and a secondary offering ("Secondary Offering") of Common Shares by MCAN and another shareholder of MCAP. A copy of the preliminary prospectus will be available on SEDAR (www.sedar.com).

As at March 31, 2016 MCAN indirectly owned 4.3 million partnership units, or approximately 14.7% of MCAP Commercial LP ("MCAP LP"), representing an investment in MCAP LP by MCAN of \$44.3 million. Prior to completion of the Offering, the units in MCAP LP will be exchanged for Common Shares, some of which will be sold pursuant to the Secondary Offering.

Although the number of Common Shares to be sold pursuant to the Secondary Offering has not yet been determined, MCAN currently expects to sell less than 25% of its holdings in MCAP, subject to market conditions. MCAN expects to realize a gain on the sale pursuant to the Secondary Offering which will increase its regulatory capital.

MCAN currently accounts for its investment in MCAP using the equity basis of accounting, under IAS 28 Investment in Associates and Joint Ventures, which historically has meant that MCAN recorded its proportionate share of income from MCAP in its consolidated results.

Following the Offering, in addition to any cash received by MCAN resulting from the proceeds received from the Secondary Offering, MCAN expects to recognize its investment in the Common Shares of MCAP at the fair market value thereof. The investment carried at fair market value compared to the original carrying value (for the same proportion of units) is anticipated to result in a gain that will be recorded upon completion of the Offering.

The preliminary prospectus is still subject to completion or amendment, and has not yet become final for the purpose of a distribution of securities to the public. This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale or acceptance of an offer to buy these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the time a receipt for the final prospectus or other authorization is obtained from the securities commission or similar authority in such jurisdiction. This press release is not an offer of securities for sale in the United States, and the securities may not be offered or sold in the United States absent registration or an exemption from registration. The securities have not been and will not be registered under the United States Securities Act of 1933.

Forward-Looking Information

This press release may contain forward-looking statements. These forward-looking statements can generally be identified as such because of the context of the statements and often include words such as MCAN "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature. These 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 MCAN operates. Reference is made to the risk factors disclosed in MCAN's Annual Information Form dated February 26, 2016 which are incorporated herein by reference. These and other factors should be considered carefully and undue reliance should not be placed on MCAN's forward-looking statements. Subject to applicable securities law requirements, MCAN does not undertake to update any forward-looking statements.

SOURCE MCAN Mortgage Corporation

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For further information: MCAN Mortgage Corporation: Website: www.mcanmortgage.com, e-mail: mcanexecutive@mcanmortgage.com; William Jandrisits, President and Chief Executive Officer, (416) 591-2726; Jeff Bouganim, SVP & Chief Financial Officer, (416) 203-5935

CO: MCAN Mortgage Corporation

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