

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 – Name and Address of Company:

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

Item 2 – Date of Material Change:

September 24, 2018

Item 3 – News Release:

On September 24, 2018, 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 September 24, 2018, MCAN announced that it has declared a dividend of \$0.32 per share payable on January 2, 2019 to common shareholders of record as of December 14, 2018. This declared dividend represents a decrease of \$0.05 per share from the prior quarterly period dividend payable on September 28, 2018 to shareholders of record as of September 14, 2018.

In its Q2 2018 Outlook, MCAN discussed the Company’s shift to a more conservative asset mix with growth focused on single family mortgages. In addition to MCAN’s current general outlook for the mortgage market, the dividend decrease to \$0.32 per share reflects the expected impact from this shift to a more conservative asset mix, growth from the single family mortgage origination business not materializing as anticipated and the delay in expected asset growth and improvements to MCAN’s net interest income.

As indicated in the Q2 2018 Outlook, MCAN continues to explore the acquisition of single family mortgages through third parties to increase single family originations that satisfy a more conservative risk tolerance.

The dividend decrease is consistent with MCAN’s dividend policy and the trending in MCAN’s taxable income. As a result of the dividend decrease, the Company’s shareholders’ equity will be positively impacted, further strengthening its balance sheet.

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

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

Item 9 – Date of Report:

October 2, 2018

Forward-Looking Information

This material change report contains “forward-looking statements” within the meaning of applicable Canadian securities laws. The words “may,” “believe,” “will,” “anticipate,” “expect,” “planned,” “estimate,” “project,” “future,” and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. Such statements reflect management’s current beliefs and are based on information currently available to management. The forward-looking statements in this material change report include, among others, statements and assumptions with respect to:

- *the current business environment and outlook;*
- *possible or assumed future results;*
- *ability to create shareholder value;*
- *business goals and strategy;*
- *the stability of home prices;*
- *effect of challenging conditions on MCAN;*
- *factors affecting MCAN’s competitive position within the housing markets;*
- *the price of oil and its impact on housing markets in Western Canada;*
- *sufficiency of MCAN’s access to capital resources; and*
- *the timing of the effect of interest rate changes on MCAN’s cash flows.*

The material factors or assumptions that were identified and applied by the Company in drawing conclusions or making forecasts or projections set out in the forward-looking statements include, but are not limited to:

- *the Company’s ability to successfully implement and realize on its business goals and strategy;*
- *factors and assumptions regarding interest rates;*
- *housing sales and residential mortgage borrowing activities;*
- *the effect of competition;*
- *government regulation of the Company’s business;*
- *computer failure or security breaches;*
- *future capital and funding requirements;*
- *the value of mortgage originations;*
- *the expected margin between interest earned on mortgage portfolios and interest paid on deposits;*
- *the relative continued health of real estate markets;*
- *acceptance of the Company’s products in the marketplace;*
- *availability of key personnel;*
- *the Company’s operating cost structure; and*
- *the current tax regime.*

Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results to differ materially from the anticipated future results expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- global market activity;*
- worldwide demand for and related impact on oil and other commodity prices;*
- changes in government and economic policy;*
- changes in general economic, real estate and other conditions;*
- changes in interest rates;*
- changes in CMB and MBS spreads and swap rates;*
- MBS and mortgage prepayment rates;*
- mortgage rate and availability changes;*
- adverse legislation or regulation;*
- availability of CMB and MBS issuer allocation;*
- technology changes;*
- confidence levels of consumers;*
- ability to raise capital and term deposits on favourable terms;*
- MCAN's debt and leverage;*
- competitive conditions in the homebuilding industry, including product and pricing pressures;*
- ability to retain the Company's executive officers and other employees;*
- litigation risk;*
- relationships with the Company's mortgage originators; and*
- additional risks and uncertainties, many of which are beyond MCAN's control, referred to in this press release and the Company's other public filings with the applicable Canadian regulatory authorities.*

Subject to applicable securities law requirements, MCAN undertakes no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in subsequent reports should be consulted.

Schedule “A”

[See attached]

Stock market symbol

TSX: MKP

MCAN MORTGAGE CORPORATION ANNOUNCES QUARTERLY DIVIDEND

Toronto, Ontario – September 24, 2018. MCAN Mortgage Corporation (“MCAN”, the “Company” or “we”) announced today that it has declared a dividend of \$0.32 per share payable on January 2, 2019 to common shareholders of record as of December 14, 2018. This declared dividend represents a decrease of \$0.05 per share from the prior quarterly period dividend payable on September 28, 2018 to shareholders of record as of September 14, 2018.

In the Q2 2018 Outlook, we discussed the Company’s shift to a more conservative asset mix with growth focused on single family mortgages. In addition to our current general outlook for the mortgage market, the dividend decrease to \$0.32 per share reflects the expected impact from this shift to a more conservative asset mix, growth from the single family mortgage origination business not materializing as anticipated and the delay in expected asset growth and improvements to MCAN’s net interest income.

As indicated in our Q2 2018 Outlook, we continue to explore the acquisition of single family mortgages through third parties to increase single family originations that satisfy a more conservative risk tolerance.

The dividend decrease is consistent with our dividend policy and the trending in the Company’s taxable income. As a result of the dividend decrease, the Company’s shareholders’ equity will be positively impacted, further strengthening its balance sheet.

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. MCAN also qualifies as a mortgage investment corporation (“MIC”) under the Income Tax Act (Canada) (the “Tax Act”).

The Company’s primary objective is to generate a reliable stream of income by investing its corporate funds in a portfolio of mortgages (including single family residential, residential construction, non-residential construction and commercial loans), as well as other types of financial investments, loans and real estate investments. MCAN employs 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 tax basis in the MIC entity) as permitted by the Tax Act. The term deposits are sourced through a network of independent financial agents. As a MIC, MCAN is entitled to deduct from income for tax purposes 100% of dividends, except for capital gains dividends, which are deducted at 50%. Such dividends are received by the shareholders as interest income and capital gains dividends, respectively.

MCAN’s wholly-owned subsidiary, XMC, is an originator of residential first-charge mortgage products across Canada. As such, XMC operates primarily in one industry segment through its sales team and mortgage brokers.

MCAN is also an NHA MBS issuer.

For further information, please contact:

MCAN Mortgage Corporation

Website: www.mcanmortgage.com

e-mail: mcanexecutive@mcanmortgage.com

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

Jeffrey Bouganim
Senior Vice President and Chief Financial Officer
(416) 203-5935

A CAUTION ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS

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- the current business environment and outlook;
- possible or assumed future results;
- ability to create shareholder value;
- business goals and strategy;
- the stability of home prices;
- effect of challenging conditions on us;
- factors affecting our competitive position within the housing markets;
- the price of oil and its impact on housing markets in Western Canada;
- sufficiency of our access to capital resources; and
- the timing of the effect of interest rate changes on our cash flows.

The material factors or assumptions that were identified and applied by us in drawing conclusions or making forecasts or projections set out in the forward-looking statements include, but are not limited to:

- the Company’s ability to successfully implement and realize on its business goals and strategy;
- factors and assumptions regarding interest rates;
- housing sales and residential mortgage borrowing activities;
- the effect of competition;
- government regulation of the Company’s business;
- computer failure or security breaches;
- future capital and funding requirements;
- the value of mortgage originations;
- the expected margin between interest earned on mortgage portfolios and interest paid on deposits;
- the relative continued health of real estate markets;
- acceptance of the Company’s products in the marketplace;
- availability of key personnel;
- the Company’s operating cost structure; and
- the current tax regime.

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results expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

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Subject to applicable securities law requirements, we undertake no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in subsequent reports should be consulted.