



NOTICE OF ANNUAL AND SPECIAL MEETING  
OF SHAREHOLDERS  
TO BE HELD MAY 8, 2019  
AND  
MANAGEMENT INFORMATION CIRCULAR

March 15, 2019

# NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS 2019

TAKE NOTICE THAT THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF  
**MCAN MORTGAGE CORPORATION** WILL BE HELD AT

VANTAGE VENUES  
150 KING STREET WEST  
27<sup>TH</sup> FLOOR  
TORONTO, ONTARIO

ON WEDNESDAY, THE 8<sup>TH</sup> DAY OF MAY 2019

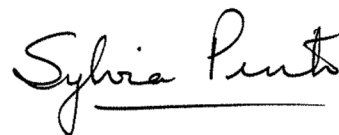
AT 4:30 P.M. (TORONTO TIME),

FOR THE FOLLOWING PURPOSES:

1. TO RECEIVE THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CORPORATION FOR THE YEAR ENDED DECEMBER 31, 2018 AND THE REPORT OF THE AUDITORS THEREON;
2. TO CONSIDER, AND IF DEEMED ADVISABLE, PASS A SPECIAL RESOLUTION CONFIRMING CERTAIN AMENDMENTS TO BY-LAW NO. TEN, AS MORE PARTICULARLY DESCRIBED IN THE ACCOMPANYING MANAGEMENT INFORMATION CIRCULAR (THE "**CIRCULAR**") TO DECREASE THE SIZE OF THE BOARD OF DIRECTORS OF THE CORPORATION FROM TEN (10) DIRECTORS TO EIGHT (8) DIRECTORS;
3. TO ELECT THE BOARD OF DIRECTORS;
4. TO APPOINT THE AUDITORS;
5. TO CONSIDER, AND IF DEEMED ADVISABLE, PASS A SPECIAL RESOLUTION CONFIRMING CERTAIN AMENDMENTS TO BY-LAW NO. TEN, AS MORE PARTICULARLY DESCRIBED IN THE ACCOMPANYING CIRCULAR TO INCREASE THE MAXIMUM AGGREGATE REMUNERATION THAT MAY BE PAID TO THE DIRECTORS OF THE CORPORATION IN ANY GIVEN YEAR FOR THEIR SERVICES FROM \$800,000 TO \$1,000,000;
6. TO CONSIDER, AND IF DEEMED ADVISABLE, PASS AN ORDINARY RESOLUTION CONFIRMING CERTAIN AMENDMENTS TO BY-LAW NO. TEN, AS MORE PARTICULARLY DESCRIBED IN THE CIRCULAR INTENDED TO BETTER ALIGN THE CORPORATION'S EXISTING BY-LAW WITH THE CURRENT REQUIREMENTS OF THE *TRUST AND LOAN COMPANIES ACT* (CANADA); AND
7. TO TRANSACT SUCH OTHER BUSINESS AS MAY PROPERLY BE BROUGHT BEFORE THE MEETING.

**YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU HOLD. WHETHER OR NOT YOU ARE ABLE TO ATTEND THE ANNUAL AND SPECIAL MEETING IN PERSON, WE ENCOURAGE YOU TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED FORM OF PROXY OR VOTING INSTRUCTION FORM IN ACCORDANCE WITH THE INSTRUCTIONS THEREIN SO THAT YOUR SHARES CAN BE VOTED AT THE MEETING OR ANY CONTINUATION AFTER AN ADJOURNMENT OR POSTPONEMENT THEREOF IN ACCORDANCE WITH YOUR INSTRUCTIONS.**

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Sylvia Pinto', with a horizontal line underneath the name.

SYLVIA PINTO  
CORPORATE SECRETARY

March 15, 2019

**TO BE COUNTED PROXIES MUST BE RECEIVED BY COMPUTERSHARE TRUST COMPANY OF CANADA NO LATER THAN 5:00 P.M. (TORONTO TIME) ON MAY 6, 2019.**

In order to ensure that your proxy is received in time for MCAN's Annual and Special Meeting to be held on Wednesday, May 8, 2019, we recommend that you vote in any of the following ways:

VOTING METHOD	REGISTERED SHAREHOLDERS/ NON-OBJECTING BENEFICIAL SHAREHOLDERS/EMPLOYEES  If your shares are held in your name and represented by a physical certificate or if your shares are held with an investment dealer, a broker, bank or other intermediary or you are a participant in the Corporation's Employee Share Ownership Plan	OBJECTING BENEFICIAL SHAREHOLDERS  If your shares are held with an investment dealer, a broker, bank or other intermediary
INTERNET	Go to <a href="http://www.investorvote.com">www.investorvote.com</a> and follow the instructions. You will need your 15-digit control number, which is on your proxy form or voting instruction form.	Go to <a href="http://www.proxyvote.com">www.proxyvote.com</a> and enter your 16-digit control number, which is located on the enclosed voting instruction form.
FAX	Complete, sign and date your proxy form or voting instruction form and send it by fax to Computershare Trust Company of Canada at 1-866-249-7775 (toll-free in North America) or 1-416-263-9524 (outside of North America).	N/A
MAIL	Complete, sign and date your proxy form or voting instruction form and return it in the envelope provided.	Complete, sign and date your voting instruction form and return it in the envelope provided.

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# MANAGEMENT INFORMATION CIRCULAR

## GENERAL INFORMATION

This Management Information Circular ("**Circular**") is furnished by the management of MCAN Mortgage Corporation, ("**we**", "**MCAN**", "**our**", the "**Company**" or the "**Corporation**"), which is soliciting proxies for use at the Annual and Special Meeting of Shareholders of the Corporation (the "**Meeting**"), and at any continuation after an adjournment or postponement thereof, to be held at the date, time and place and for the purposes set forth in the foregoing notice of Meeting.

It is expected that the solicitation will primarily be by mail. Proxies may also be solicited personally or by telephone by management. All expenses in connection with the solicitation of proxies will be borne by MCAN.

The mailing of the proxy materials to registered shareholders and non-objecting beneficial owners will be completed by MCAN on or about April 9, 2019. In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, the Meeting materials are being mailed to all registered shareholders (except those who have asked not to receive them) and to those beneficial shareholders who requested them (to the depository and intermediaries for onward distribution to such beneficial shareholders).

Unless otherwise stated, all information contained in this Circular is as at March 15, 2019.

## INFORMATION ON VOTING

### VOTING MATTERS

At the Meeting, shareholders will vote on the following matters:

1. The special resolution confirming an amendment to Section 3.01 of By-law No. Ten to decrease the size of the Board from ten directors to eight directors;
2. The election of directors;
3. The appointment of auditors;
4. The special resolution confirming an amendment to Section 3.17 of By-law No. Ten to increase the maximum aggregate remuneration that may be paid to the directors of the Corporation in any given year for their services from \$800,000 to \$1,000,000; and
5. The ordinary resolution confirming an amendment to Section 3.04 of By-law No. Ten to better align the Corporation's existing by-law with the current requirements of the *Trust and Loan Companies Act* (Canada) (the "**Act**").

### RECORD DATE FOR NOTICE OF MEETING

The Board has fixed March 22, 2019 as the record date (the "**Record Date**") for the purpose of determining shareholders entitled to receive notice of and to vote at the Meeting.

### COMMON SHARES OUTSTANDING AND OWNERS OF MORE THAN 10% OF THE COMMON SHARES

As at the close of business on March 15, 2019, there were 23,910,417 common shares of MCAN ("**Common Shares**") outstanding and these Common Shares are the only voting securities of the Corporation. Except with respect to the election of directors, for which cumulative voting shall apply, each Common Share entitles the holder thereof to one vote on each matter to be considered at the Meeting. The Common Shares trade under the symbol "MKP" on the Toronto Stock Exchange ("**TSX**").

To the knowledge of the directors and executive officers of MCAN, as at March 15, 2019, the only person or company who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the issued and outstanding Common Shares is the following:

Name	Number of Common Shares	Percentage of Common Shares
Ian Sutherland	3,468,457	14.51%

## VOTING BY PROXY

### REGISTERED SHAREHOLDERS

Registered shareholders may vote in person at the Meeting or may give another person authority to vote at the Meeting on their behalf by appointing a proxyholder. **To be valid, a proxy must be received by our transfer agent, Computershare Trust Company of Canada ("Computershare"), at 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1 in the postage prepaid envelope provided, or by facsimile at 1-866-249-7775 or (416) 263-9524, no later than 5:00 p.m. (Toronto time) on Monday, May 6, 2019, or at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of an adjournment or postponement of the Meeting.**

### BENEFICIAL SHAREHOLDERS

The information set forth in this section is of significant importance if you do not hold your shares in your own name. You are a non-registered shareholder or **"beneficial owner"** if your shares are held by a nominee, that is, if your certificate has been deposited with or held by a bank, a trust company, an investment dealer, a stock broker, a trustee or any other institution. Under applicable securities legislation, a beneficial owner of securities is a "non-objecting beneficial owner" (or **"NOBO"**) if such beneficial owner has, or is deemed to have, provided instructions to the intermediary holding the securities on such beneficial owner's behalf not objecting to the intermediary disclosing ownership information about the beneficial owner in accordance with said legislation, and a beneficial owner is an "objecting beneficial owner" (or **"OBO"**) if such beneficial owner has or is deemed to have provided instructions objecting to the same.

If you are a NOBO, you received these materials from your intermediary or its agent, and your intermediary is required to seek your instructions as to the manner in which to exercise the voting rights attached to your shares. The Corporation has agreed to pay for intermediaries to deliver to NOBOs the proxy-related materials and the relevant voting instruction forms. **The voting instruction form that is sent to a NOBO by the intermediary or its agent should contain an explanation as to how you can exercise the voting rights attached to your shares, including how to attend and vote directly at the Meeting. Please read such instructions carefully in order to ensure that your shares are voted at the Meeting.**

**However, if you wish to vote in person at the Meeting, you must insert your own name in the Appointee Section of the voting instruction form you received and return the completed form in the envelope provided, via facsimile or the internet.**

If you are an OBO, you received these materials from your intermediary or its agent, and your intermediary is required to seek your instructions as to the manner in which to exercise the voting rights attached to your shares. The Corporation has agreed to pay for intermediaries to deliver to OBOs the proxy-related materials and the relevant voting instruction form. **The voting instruction form that is sent to an OBO by the intermediary or its agent should contain an explanation as to how you can exercise the voting rights attached to your shares, including how to attend and vote directly at the Meeting. Please read such instructions carefully in order to ensure that your shares are voted at the Meeting.**

### APPOINTING A PROXYHOLDER

A proxyholder is the person you appoint to act on your behalf at the Meeting and to vote your shares in your name. You may choose anyone to be your proxyholder – the person you choose does not have to be a shareholder of MCAN. Simply insert the person's name in the blank space provided on the proxy form (registered shareholders) or the voting instruction form (beneficial shareholders or employees). You should be sure that this person is attending the Meeting and is aware that he or she has been appointed to vote your shares. If you do not insert a name in the blank space, then the persons named on the form, being Ian Sutherland, or failing him, Susan Doré, each of whom is a director of MCAN, will be appointed to act as your proxyholder.

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

### VOTING DISCRETION OF PROXYHOLDER

If you give directions on how to vote your shares, your proxyholder must vote your shares according to your instructions. If your proxy form or voting instruction form does not specify how to vote on a particular issue, then your proxyholder can vote your shares as he or she sees fit. If your proxyholder does not attend the Meeting and vote in person, your shares will not be voted.

If you have appointed a person designated by MCAN as proxyholder as provided in the form of proxy and you do not provide any instructions concerning a matter identified in the Notice of Meeting, the shares represented by such proxy will be voted as follows:

**FOR the special resolution confirming the amendment to By-law No. Ten to decrease the size of the Board;**

**FOR the election of each of the eight persons nominated for election as a Director;**

**FOR the appointment of Ernst & Young LLP as auditors;**

**FOR the special resolution confirming the amendments to By-law No. Ten to increase the maximum aggregate remuneration that may be paid to the directors; and**

**FOR the ordinary resolution confirming the amendment to By-law No. Ten to better align the Corporation's existing by-law with the current requirements of the Act.**

The form of proxy confers discretionary authority on the persons named therein with respect to amendments or variations to matters identified in the notice of Meeting and with respect to other business which may properly be brought before the Meeting.

### **CUMULATIVE VOTING**

Pursuant to MCAN's by-laws and the Act, directors of MCAN are to be elected through cumulative voting in certain circumstances. Under the cumulative voting system, each shareholder has the right to cast a number of votes equal to the number of votes attached to the Common Shares held by the shareholder multiplied by eight, being the number of directors to be elected at the Meeting. The shareholder may cast all such votes in favour of one nominee or distribute them among the nominees in any manner. For example, a shareholder owning 100 Common Shares could cast 800 votes in favour of one nominee or distribute the 800 votes equally in favour of all nominees or distribute the votes in any other manner among the nominees, as long as the total number of votes cast for the nominees does not exceed 800.

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

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

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

### **REVOKING YOUR PROXY**

If you are a registered shareholder and change your mind and wish to revoke your proxy, you may do so by signing a written statement outlining your instructions to revoke your previously submitted proxy (or authorizing your attorney in writing to sign a written statement to this effect) and delivering it to the Corporate Secretary at the head office of MCAN, 200 King Street West, Suite 600, Toronto, Ontario M5H 3T4, any time before 5:00 p.m. (Toronto time) on May 7, 2019, being the last business day immediately preceding the Meeting, or by depositing it with the Chair of the Meeting on May 8, 2019, prior to commencement of voting at the Meeting. Beneficial shareholders should contact their intermediaries to discuss whether revocation is possible and, if so, for the procedures to be followed.

### **CONFIDENTIALITY**

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



## QUESTIONS

For general shareholder enquiries, you can contact Computershare by:

**Phone** 1-800-564-6253 (toll-free within Canada and United States)

**Fax** 1-888-453-0330 (toll-free within Canada and United States)

**Email** [service@computershare.com](mailto:service@computershare.com)

**Mail** Computershare Investor Services Inc.  
100 University Avenue  
8<sup>th</sup> Floor, North Tower  
Toronto, Ontario M5J 2Y1

## BUSINESS TO BE TRANSACTED AT THE MEETING

### FINANCIAL STATEMENTS

The audited consolidated financial statements of MCAN for the year ended December 31, 2018, and the auditors' report thereon will be placed before the Meeting. These audited consolidated financial statements form part of the 2018 Annual Report of MCAN.

### CONFIRMATION OF AMENDMENT TO SECTION 3.01 OF BY-LAW NO. TEN TO DECREASE THE SIZE OF THE BOARD OF THE CORPORATION FROM TEN (10) DIRECTORS TO EIGHT (8) DIRECTORS

Where cumulative voting applies under the Act or the by-laws of a company, the Act also requires that the number of directors be fixed by by-law. On February 22, 2019, the Board approved an amendment to Section 3.01 of By-law No. Ten fixing the number of directors at eight. Such amendment will be effective on confirmation by the shareholders at the Meeting. The text of Section 3.01 of By-law No. Ten, as amended, is set out in Schedule "A" of this Circular.

At the Meeting, holders of Common Shares will be asked to consider and, if deemed advisable, pass a special resolution, the full text of which is set out below, confirming this amendment. The persons named in the enclosed form of proxy intend to cast the votes represented by the proxy in favour of the special resolution, unless the shareholder who has given such proxy has directed that the shares be otherwise voted on such resolution.

"RESOLVED THAT:

1. The amendment to Section 3.01 of By-law No. Ten in the form presented to the shareholders, is hereby confirmed.
2. Any officer or director of the Corporation is authorized and directed to execute and deliver all such documents and instruments, including a restatement of the by-laws of the Corporation, and to take such other actions, as may be necessary or desirable to give effect to the special resolution.

**Management recommends that shareholders vote FOR this special resolution amending Section 3.01 of By-law No. Ten to decrease the size of the Board from ten directors to eight directors**

### ELECTION OF DIRECTORS

The election of MCAN's directors will take place, as required by the Corporation's by-laws and the Act, by cumulative voting. Usually, shareholders of a public company are entitled to one vote per common share on all matters and a simple majority of the votes cast determines whether nominees are elected to the Board. However, the Act requires cumulative voting for the election of directors where more than 10% of the voting shares of a company governed by the Act are beneficially owned, directly or indirectly, by a shareholder. The process of cumulative voting is described on page 3. Shareholders are urged to read that section carefully, as proxies purporting to allocate more votes than a shareholder is entitled to, or otherwise completed in error, will be void.

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

The management representatives named in the enclosed form of proxy intend to cast the votes to which the Common Shares represented by the proxy are entitled equally among the proposed nominees who are listed under "Information Concerning Nominees as Directors" starting at page 6, unless the shareholder who has given such proxy has directed that the Common Shares be otherwise voted or withheld from voting in respect of the election of directors.

Each director elected at the Meeting will thereafter hold office until the close of the next annual meeting of shareholders following the election of the directors unless the director's office is earlier vacated in accordance with the Corporation's by-laws and the Act. All of the eight nominees listed on page 6 are currently directors of the Corporation, have been directors since the dates indicated and have held their present occupations for more than five years, except as noted in the respective director profiles starting at page 9. Management does not contemplate that any nominee will be unable to serve as a director, but if this should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion unless specifically instructed on the proxy form that the Common Shares are to be withheld from voting in respect of the election of directors.

#### **ADVANCE NOTICE FOR NOMINATION OF DIRECTORS**

In 2015, the Board approved certain by-law amendments including the adoption of advance notice provisions (the "**Advance Notice Provisions**") in circumstances where director nominations are made by shareholders of the Corporation, other than in connection with a requisitioned shareholders' meeting or a shareholder proposal in accordance with the Act. The Advance Notice Provisions fix a deadline by which shareholders must submit director nominations to the Corporation in writing prior to any annual or special meeting of shareholders where directors are to be elected and sets forth the specific information that a nominating shareholder must include in such notice for an effective nomination to occur.

Pursuant to the Advance Notice Provisions, in the case of an annual meeting of shareholders, notice to the Corporation must be made not less than 30 days prior to the date of that meeting; provided, however, that if the first public announcement of the date of the annual meeting is less than 50 days prior to the meeting date, notice may be made not later than the 10th day following such public announcement. In the case of a special meeting of shareholders (which is not also an annual meeting) called for any purpose which includes the election of directors, notice to the Corporation must be made not later than the 15th day following the day on which the first public announcement of the date of the special meeting was made.

## INFORMATION CONCERNING NOMINEES AS DIRECTORS

The eight nominees as directors, listed below, have supplied the information concerning their principal occupation and the number of Common Shares of the Corporation beneficially owned or over which control or direction is exercised. Each director's term of office will expire at the close of the next annual meeting of shareholders following the election of directors. Mr. W. Terrence Wright is retiring from the Board in accordance with MCAN's Director Tenure and Renewal Policy and, accordingly will not be standing for re-election.

Name and Municipality of Residence	Director since	Occupation	Common Shares Owned and/or Controlled
<b>VERNA E. CUTHBERT</b> Westmount, Québec, Canada	September 2013	Corporate Director MCAN Mortgage Corporation	6,742
<b>SUSAN M. DORÉ</b> Toronto, Ontario, Canada	May 2010	Corporate Director MCAN Mortgage Corporation	1,462,445
<b>GORDON J. HERRIDGE</b> Peachland, British Columbia, Canada	May 2018	Corporate Director MCAN Mortgage Corporation	129,831
<b>LORAINÉ D. McINTOSH</b> Toronto, Ontario, Canada	May 2017	Corporate Director MCAN Mortgage Corporation	6,347
<b>GAELÉN J. MORPHET</b> Toronto, Ontario, Canada	January 2018	Chief Investment Officer Cinnamon Investments ULC	Nil
<b>DEREK G. SUTHERLAND</b> Toronto, Ontario, Canada	May 2017	President Canadazil Capital Inc.	121,387
<b>IAN SUTHERLAND</b> Oro-Medonte, Ontario, Canada	January 1991	Chair of the Board MCAN Mortgage Corporation	3,468,457
<b>KAREN H. WEAVER</b> Collingwood, Ontario, Canada	November 2011	Interim Chief Executive Officer MCAN Mortgage Corporation	27,794

**Management recommends that shareholders vote FOR the election of all nominees listed above.**

## APPOINTMENT OF AUDITORS

At the Meeting, the shareholders will be called upon, as recommended by the Board, to appoint Ernst & Young LLP ("E&Y") to hold office until the close of the next annual meeting of shareholders.

E&Y reports directly to the Audit Committee and has been MCAN's external auditor since November 1991. In addition to performing the audit of the Corporation's consolidated financial statements, E&Y provided other services to the Corporation and its subsidiaries. The Corporation performs an annual assessment of E&Y and, at least every five years, a comprehensive review of E&Y.

The following table presents, by category, the fees billed by E&Y for the fiscal years 2018 and 2017:

	2018 \$	2017 \$
Audit Fees <sup>(1)</sup>	503,000	724,500
Audit-Related Fees <sup>(2)</sup>	70,000	65,000
Tax Fees <sup>(3)</sup>	45,000	45,000
All Other Fees <sup>(4)</sup>	3,000	1,000
<b>Total Fees</b>	<b>621,000</b>	<b>835,500</b>

- (1) Audit fees relate to professional services for the audit of the annual consolidated financial statements of the company, and other audits or procedures as required. 2017 includes one-time fee associated with audit of IFRS 9 transition.
- (2) Audit-Related Fees include Autorité des marchés financiers and CMHC compliance.
- (3) Tax Fees include tax planning, review of tax returns and tax advice.
- (4) Other Fees include accounting consultation services.

**Management recommends that shareholders vote FOR the appointment of Ernst & Young as auditors of MCAN.**

## **CONFIRMATION OF AMENDMENT TO SECTION 3.17 OF BY-LAW NO. TEN TO INCREASE THE MAXIMUM AGGREGATE REMUNERATION THAT MAY BE PAID TO THE DIRECTORS OF THE CORPORATION IN ANY GIVEN YEAR FOR THEIR SERVICES FROM \$800,000 TO \$1,000,000**

The Board undertakes an annual review of director compensation to ensure that it meets the objective of properly aligning the interests of directors with long-term shareholder interests. The maximum aggregate of \$800,000 was set in 2015. While the number of directors is being decreased, the number of Board and Committee meetings have increased over the years and, as a result, on February 22, 2019, the Board approved an amendment to Section 3.17 of By-law No. Ten to increase the maximum aggregate remuneration paid to the directors from \$800,000 to \$1,000,000 in any given year. If confirmed by the shareholders, the amendment shall be deemed to have become effective as of the date of the Board's approval thereof, being February 22, 2019. The text of Section 3.17, as amended, is set out in Schedule "A" of this Circular.

At the Meeting, holders of Common Shares will be asked to consider and, if deemed advisable, pass a special resolution the full text of which is set out below, confirming this amendment. The persons named in the enclosed form of proxy intend to cast the votes represented by the proxy in favour of the special resolution, unless the shareholder who has given such proxy has directed that the shares be otherwise voted on such resolution.

### **"RESOLVED THAT:**

1. The amendment to Section 3.17 of By-law No. Ten in the form presented to the shareholders, is hereby confirmed.
2. Any officer or director of the Corporation is authorized and directed to execute and deliver all such documents and instruments, including a restatement of the by-laws of the Corporation, and to take such other actions, as may be necessary or desirable to give effect to the special resolution.

**Management recommends that shareholders vote FOR this special resolution amending Section 3.17 of By-law No. Ten to increase the maximum aggregate remuneration paid to the directors of the Corporation in any given year for their services from \$800,000 to \$1,000,000.**

## **CONFIRMATION OF AMENDMENT TO SECTION 3.04 OF BY-LAW NO. TEN INTENDED TO BETTER ALIGN THE CORPORATION'S EXISTING BY-LAW WITH THE CURRENT REQUIREMENTS OF THE ACT.**

The Act requires cumulative voting for the election of directors where more than 10% of the voting shares of a company governed by the Act are beneficially owned, directly or indirectly, by a shareholder. MCAN's by-laws provided for cumulative voting for the election of directors where a shareholder beneficially owns, directly or indirectly, more than 9% of MCAN's voting shares. On February 22, 2019, the Board approved an amendment to Section 3.04 of By-law No. Ten to better align the Corporation's existing by-law with the current requirement of the Act. The text of Section 3.04, as amended, is set out in Schedule "A" of this Circular.

At the Meeting, holders of Common Shares will be asked to consider and, if deemed advisable, pass an ordinary resolution, the full text of which is set out below, confirming this amendment. The persons named in the enclosed form of proxy intend to cast the votes represented by the proxy in favour of the resolution, unless the shareholder who has given such proxy has directed that the shares be otherwise voted on such resolution.

### **"RESOLVED THAT:**

1. The amendment to Section 3.04 of By-law No. Ten in the form presented to the shareholders, is hereby confirmed.
2. Any officer or director of the Corporation is authorized and directed to execute and deliver all such documents and instruments, including a restatement of the by-laws of the Corporation, and to take such other actions, as may be necessary or desirable to give effect to the ordinary resolution.

**Management recommends that shareholders vote FOR this resolution amending Section 3.04 of By-law No. Ten intended to better align the Corporation's existing By-law with the current requirements of the Act.**

## VOTING RESULTS

Following the Meeting, a report on the voting results will be available on our website at [www.mcanmortgage.com](http://www.mcanmortgage.com) and will be filed with the securities regulator at [www.sedar.com](http://www.sedar.com).

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The objective of the Statement of Corporate Governance Practices is to provide shareholders and other stakeholders with a clear vision of our governance policies and practices. We believe these policies and practices comply with the disclosure and listing requirements of the TSX and the corporate governance guidelines set out in National Policy 58-201 – *Corporate Governance Guidelines* and National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (collectively the “**Corporate Governance Guidelines**”).

The Board regularly reviews governance practices and processes to ensure the Board continues to effectively oversee management and our business affairs and to ensure our governance framework meets regulatory requirements.

### COMPOSITION OF THE BOARD

The Board will be composed of eight directors after the Meeting. The Board determines the independence of a director annually when the Board approves director nominees for inclusion in the annual circular, prior to the appointment of a new director between annual meetings, and as circumstances arise during the year.

Director independence is determined by the Board through a fact based and context driven analysis and in accordance with MCAN’s Director Independence Policy and National Policy 58-201 *Corporate Governance Guidelines* (“**NP 58-201**”) and Multilateral Instrument 61-101 *Protection of Minority Holders in Special Transactions*, as applicable. A director is considered independent only when the Board determines that the director does not have an interest that could, in the view of the Board, be reasonably expected to interfere with, or be perceived to affect the exercise of a director’s independent judgement. In determining whether a director is independent for purposes of general corporate governance, and in the context of a specific transaction, the Board will consider certain factors that could be perceived to amount to or create a conflict of interest, including, but not limited to: past service as an executive of MCAN, consulting or other commercial relationships with MCAN, directly or indirectly having, or having a spouse who has, a significant interest or substantial investment in, or being, or having a spouse who is, a significant borrower in respect of, MCAN, and other business, personal or family relationships with MCAN, MCAN affiliated entities and its counterparties.

If a director or proposed director has a material relationship, the members of the Board who are independent within the meaning of the Director Independence Policy shall determine whether the relationship does in fact affect independence by judging the overall “independent mindedness” of the individual. The Board shall make an affirmative determination for each independent director that such director does not have a material relationship.

Following a review conducted by its Conduct Review, Corporate Governance & Human Resources Committee (the “**CRCG&HR Committee**”), the Board has determined that five of the eight nominees as directors, representing a majority of the directors, have no material relationship with MCAN and are therefore independent at the date of this Circular. All else being the same, Messrs. D. Sutherland and I. Sutherland will be considered independent directors on July 1, 2019.

The Corporation, therefore, complies with the Corporate Governance Guidelines which stipulate that the Board should have a majority of independent Directors.

**IAN SUTHERLAND, CPA, CA, CFA**

Mr. Sutherland is a corporate director. He is a founding member of the MCAP Group of Companies from which MCAN was later formed. He was appointed to the Board of MCAN in 1991 and reappointed as Chair of the Board each year since 2010.

Mr. Sutherland also served as a director and chair of the audit committee of MCAP Commercial LP between 2004 and 2018.

Mr. Sutherland was a director of the North West Company from 1987 to 2012, and he served as its President and CEO from 1993 to 1997 and its Chairman from 1997 to 2008.

Mr. Sutherland was Chairman of the Board and Investment Committee of Teachers Retirement Annuity Fund (Manitoba) from 1997 to 2001, serving on various committees. Mr. Sutherland also served on several charitable foundation boards.

**Non-Independent Director, Chair of the Board** – Mr. Sutherland is not independent of MCAN on the basis that his son was Vice President & Chief Risk Officer of MCAN through June 30, 2016. All else being the same, Mr. Sutherland will become an independent director on July 1, 2019, on the expiration of the three years of his son having served as an executive officer of MCAN. Mr. Sutherland is an affiliated person of MCAN, due to the fact that he, directly or indirectly, controls or directs more than 10% of MCAN's outstanding Common Shares.

Oro-Medonte, Ontario, Canada

Director since January 1991

**Common Share Ownership:** 3,468,457

**Compliant with Director Share Ownership Policy:** Yes

**Other Public Company Directorships:** None

**Public Board interlocks:** None

Voting Results on Election at 2018 Annual General Meeting:	Votes For:	Votes Withheld:	% of Votes For:
	9,170,303	6,102	99.93%

**VERNA E. CUTHBERT, LL.B., B.A.**

Ms. Cuthbert is a corporate director. She is a member of the Law Society of Upper Canada and *avocate à la retraite* of the Barreau du Québec. Prior to her retirement in Spring of 2017 she was a senior commercial lawyer and counsel with Fasken Martineau DuMoulin's office in Montreal and prior to that she was a partner in an international law firm headquartered in New York.

Ms. Cuthbert practiced law for more than 41 years in Ontario and in Quebec for more than 31 years. She specialized in commercial real estate financing and development, acquisitions and dispositions and acted for many public and private corporations, institutional investors, lenders, developers and pension funds and as such she has extensive experience in both common law and civil law jurisdictions in financing, lending, leasing, joint ventures, development and management contracts and transactions.

**Independent Director**

Westmount, Québec, Canada

Director since September 2013

Member of:

Conduct Review, Corporate Governance & Human Resources Committee

Enterprise Risk Management & Compliance Committee

**Common Share Ownership:** 6,742

**Compliant with Director Share Ownership Policy:** Yes

**Other Public Company Directorships:** None

**Public Board interlocks:** None

Voting Results on Election at 2018 Annual General Meeting:	Votes For:	Votes Withheld:	% of Votes For:
	8,993,553	8,129	99.91%

**SUSAN M. DORÉ, CPA, CGA**

Ms. Doré is a corporate director. She has been a director and/or officer of MCAN, Mutual Trust and other predecessor companies since 1980. Ms. Doré is a founding member of the MCAP Group of Companies.

Ms. Doré retired from her position as MCAN's Corporate Secretary in 2003. Prior to this role, she held various positions with MCAN and its predecessor companies. Ms. Doré has also served as a director for various private companies and currently serves on the board of a non-public company. She is an Institute of Corporate Directors, Director ("ICD.D") in Canada and a member of the Institute of Corporate Directors.

**Independent Director, Lead Director**

Toronto, Ontario, Canada

Director since May 2010

Member of:  
Audit Committee  
Conduct Review, Corporate Governance & Human Resources Committee

**Common Share Ownership:** 1,462,445

**Compliant with Director Share Ownership Policy:** Yes

**Other Public Company Directorships:** None

**Public Board interlocks:** None

<b>Voting Results on Election at 2018 Annual General Meeting:</b>	<b>Votes For:</b>	<b>Votes Withheld:</b>	<b>% of Votes For:</b>
	9,026,029	18,260	99.80%

**GORDON J. HERRIDGE, CPA, CA**

Mr. Herridge is a corporate director. He was Senior Vice President, Corporate Services at MCAP Commercial LP when he retired in July 2017. In that role, Mr. Herridge served on the Executive Committee of MCAP, focusing primarily on Strategic Planning, Corporate Governance and Risk Management matters. Prior to that role, Mr. Herridge held the roles of Executive Vice President and Chief Financial Officer of MCAP Leasing and Chief Financial Officer of MCAP Service Corporation. Prior to his career at MCAP, Mr. Herridge worked with private commercial real estate development and management companies as well as in public accounting.

**Independent Director**

Peachland, British Columbia, Canada

Director since May 2018

Member of:  
Audit Committee (Chair)  
Enterprise Risk Management & Compliance Committee

**Common Share Ownership:** 129,831

**Compliant with Director Share Ownership Policy:** Yes

**Other Public Company Directorships:** None

**Public Board interlocks:** None

<b>Voting Results on Election at 2018 Annual General Meeting:</b>	<b>Votes For:</b>	<b>Votes Withheld:</b>	<b>% of Votes For:</b>
	9,001,667	7,887	99.91%

**LORAIN D. McINTOSH, CPA, CA**

Ms. McIntosh is a corporate director. Prior to her retirement in early 2015, Ms. McIntosh served as an Audit and Advisory Partner with Deloitte LLP. Ms. McIntosh has over 30 years of experience providing accounting, assurance and advisory services to a wide range of organizations across Canada (both public and private) with a particular emphasis on the financial services sector. Clients served include entities (both regulated and non-regulated) in the following sectors: Banking (Schedule I, Schedule II, Credit Unions), Mortgage Lending, Leasing, Securitization, Insurance (P&C and Life), and federal Crown Corporations. Ms. McIntosh is recognized for her expertise with respect to securitization, leasing, and other complex financial structures and transactions. She has extensive experience with financial accounting, reporting and disclosure matters.

**Independent Director**

Scarborough, Ontario, Canada

Director since May 2017

Member of:  
Enterprise Risk Management & Compliance Committee (Chair)  
Audit Committee

**Common Share Ownership:** 6,347

**Compliant with Director Share Ownership Policy:** Yes

**Other Public Company Directorships:** None

**Public Board interlocks:** None

<b>Voting Results on Election at 2018 Annual General Meeting:</b>	<b>Votes For:</b>	<b>Votes Withheld:</b>	<b>% of Votes For:</b>
	9,023,553	8,129	99.91%

**GAELEN J. MORPHET, CFA**

Gaelen J. Morphet is Chief Investment Officer of Cinnamon Investments ULC, having held that position since March 2018. Prior to that she was Executive Vice President & Chief Investment Officer of Sentry Investments until October 2017 when Sentry was acquired by CI Financial. Prior to this role, Ms. Morphet was Senior Vice President and Chief Investment Officer at Empire Life Investments and Empire Life Insurance Company, a position she held since 2009. She held previous positions as First Vice President, Canadian Equities at CIBC Global Asset Management, and Senior Vice President, Equities at Merrill Lynch Investment Managers.

Ms. Morphet is a director of CMA Investco Inc. and a member of the Foundation Board of the AGO and the Ontario Arts Foundation. She previously served on the Board of the North York General Hospital Foundation and the Ontario Science Center.

**Independent Director**

Toronto, Ontario, Canada

Director since January 2018

Member of:  
Audit Committee  
Conduct Review, Corporate Governance & Human Resources Committee

**Common Share Ownership:** Nil

**Compliant with Director Share Ownership Policy:** Yes

**Other Public Company Directorships:** None

**Public Board interlocks:** None

<b>Voting Results on Election at 2018 Annual General Meeting:</b>	<b>Votes For:</b>	<b>Votes Withheld:</b>	<b>% of Votes For:</b>
	9,032,999	7,887	99.91%





#### **DEREK G. SUTHERLAND, CPA, CA, CBV**

Mr. Sutherland has been President, Canadazil Capital Inc. (risk advisory and transaction due diligence) since July 2016. He joined MCAN in 2004 and was promoted to Vice President and Chief Risk Officer (CRO) in January 2013 where he was responsible for oversight of all relevant risks across MCAN. He held this role until 2016 and in 2017 was elected to the Board.

Before being named as CRO, Mr. Sutherland held roles at MCAN where he was at times responsible for or was actively involved with term deposits, liquidity management, outsourcing, portfolio management, mortgage fundings, investment management, compliance and anti-money laundering. Prior to joining MCAN, Mr. Sutherland was with KPMG, where he worked in the corporate finance and audit practices, primarily serving financial institutions.

Mr. Sutherland is an Institute of Corporate Directors, Director ("ICD.D") in Canada and a member of the Institute of Corporate Directors.

**Non-Independent Director** – Mr. Sutherland is not independent of MCAN on the basis that he was MCAN's Vice President and Chief Risk Officer until June 30, 2016. All else being the same, Mr. Sutherland will become an independent director on July 1, 2019, on the expiration of the three years of having served as an executive officer of MCAN.

Toronto, Ontario, Canada

Director since May 2017

Member of:  
Enterprise Risk Management & Compliance Committee

**Common Share Ownership:** 121,387

**Compliant with Director Share Ownership Policy:** Yes

**Other Public Company Directorships:** None

**Public Board interlocks:** None

<b>Voting Results on Election at 2018 Annual General Meeting:</b>	<b>Votes For:</b>	<b>Votes Withheld:</b>	<b>% of Votes For:</b>
	9,199,307	6,102	99.93%



#### **KAREN H. WEAVER**

Ms. Weaver is Interim Chief Executive Officer of MCAN, having been appointed to that position on October 9, 2018.

Ms. Weaver has over 25 years as an executive of publicly listed corporations including DH Corporation from 2014-2017 and First Capital Realty Inc. from 2004-2014 where she served as the Chief Financial Officer. She held previous positions at Brookfield Properties Corporation, Canadian Operations and Gentra Inc. Previously in the United States, Ms. Weaver worked for a financial institution and at KPMG.

Ms. Weaver is a licensed public accountant from Washington State, USA, is a certified corporate director ("ICD.D") in Canada and a member of the Institute of Corporate Directors. She also holds a NACD CERT in Cyber Security Oversight.

Ms. Weaver serves as a director at a private company advisory board for major owner operator of apartment portfolios in Canada and United States and is currently a Trustee of the NWHP (Northwest Healthcare Properties) REIT Board where she also serves as an audit committee member. Ms. Weaver also serves on the Board of MCAP Commercial LP.

**Non-Independent Director, Interim Chief Executive Officer** – Ms. Weaver is considered a non-independent and affiliated director during her tenure as Interim Chief Executive Officer.

Collingwood, Ontario, Canada

Director since November 2011

Prior to being appointed Interim CEO, Ms. Weaver was Chair of the Audit Committee and a member of the Conduct Review, Corporate Governance & Human Resources Committee

**Common Share Ownership:** 27,794

**Compliant with Director Share Ownership Policy:** Yes

**Other Public Company Directorships:** NorthWest Healthcare Properties REIT

**Public Board interlocks:** None

<b>Voting Results on Election at 2018 Annual General Meeting:</b>	<b>Votes For:</b>	<b>Votes Withheld:</b>	<b>% of Votes For:</b>
	9,023,494	8,187	99.91%

## DIRECTOR COMPETENCY MATRIX

The CRCG&HR Committee in consultation with the Chair of the Board maintains a skills and competencies matrix (“**Competency Matrix**”) outlining industry specific expertise, business experience and other skills considered necessary for the Board to carry out its mandate effectively. The Competency Matrix is reviewed and updated periodically and at least annually. The Competency Matrix is used to enhance the development of the Board, assist in the director recruitment process and identify potential areas for training or education.

MCAN's Board is composed of members with a broad spectrum of competencies that reflect the nature and scope of MCAN's business. The Competency Matrix below shows, for each director nominee, the top five principal areas of experience and expertise that the nominees bring to the Board.

Skills Experience	V. Cuthbert	S. Doré	G. Herridge	L. McIntosh	G. Morphet	D. Sutherland	I. Sutherland	K. Weaver
Regulated Financial Institution/Regulatory	✓	✓		✓	✓	✓	✓	
Risk/Controls/Compliance Management			✓	✓		✓		✓
Strategic/Value Creation/Growth	✓	✓	✓	✓	✓	✓		✓
Accounting/Reporting		✓	✓	✓				
Enterprise Leadership		✓			✓		✓	✓
Mortgage Lending	✓		✓			✓	✓	✓
Investment	✓				✓	✓	✓	
Legal	✓							
HR/Quality/Performance Management/Compensation		✓		✓	✓			
IT/Cyber/Privacy Management			✓					
Public Board Experience							✓	✓

## ADDITIONAL DISCLOSURE RELATING TO PROPOSED DIRECTORS

To the knowledge of management of MCAN, no proposed director of MCAN is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including MCAN) that, (i) was subject to 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 the knowledge of management of MCAN, no proposed director of MCAN (i) is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company (including MCAN) 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 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such proposed director.

To the knowledge of management of MCAN, no proposed director of MCAN has been subject to (i) 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 (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

## BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy (the “**Diversity Policy**”) that sets out the approach to diversity on the Corporation’s Board.

The Corporation believes that a diverse board will enhance the decision making of the Board by utilizing the different skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of services, and other distinguishing qualities of the members of the Board. Diversity will be considered in determining the optimum composition of the Board, and all appointments will be based on merit, having due regard to the overall effectiveness of the Board.

The CRCG&HR Committee is responsible for annually reviewing and assessing Board composition on behalf of the Board and will make recommendations to the Board on the appointment of new directors.

- In reviewing Board composition, the CRCG&HR Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to enable it to discharge its duties and responsibilities effectively.
- In identifying suitable candidates for appointment to the Board, the CRCG&HR Committee will consider candidates on merit using objective criteria and with due regard for the benefits of diversity on the Board. In an effort to promote the specific objective of gender diversity, the Diversity Policy requires that the selection process for suitable candidates must involve the following steps:
  - a list identifying potential candidates for the appointment must be compiled and must include at least one female candidate; and
  - if, at the end of the selection process, a female candidate is not selected, the Board must be satisfied that there are objective reasons to support its determination.
- As part of the biennial performance evaluation of the effectiveness of the Board, Board committees and individual directors, the CRCG&HR Committee will consider the balance of skills, experience, independence and knowledge of the Corporation on the Board and the diversity representation of the Board, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness.

The CRCG&HR Committee will discuss and agree annually on all measurable objectives for promoting diversity on the Board, recommend them to the Board for adoption and report on the annual and cumulative progress for achieving the measurable objectives.

The CRCG&HR Committee will monitor and implement the Diversity Policy on a continuous basis and report to the Board annually on the achievement of the measurable objectives for promoting diversity. In addition, the CRCG&HR Committee will review the Diversity Policy annually, discuss any revisions that may be required and recommend any such revisions to the Board for approval.

The following table sets out the number and percentage of women on MCAN’s Board since 2017 and proposed for election at the 2019 Meeting:

Year	Target	# of Women on Board	Total # of Board Members	%
2019	30%	5	8	63%
2018	30%	5	10	50%
2017	30%	4	10	40%

## PUBLIC COMPANY DIRECTORSHIPS

If a nominee as director is a director of another issuer that is a reporting issuer in a Canadian jurisdiction, that relationship is identified in the respective director profiles starting at page 9. The CRCG&HR Committee, when considering nominees, takes into account other commitments of the nominees and their anticipated ability to participate actively at Board and Committee meetings.

## INTERLOCKING DIRECTORSHIPS

No nominee as director currently serves with any other director of the Corporation on the board of another company that is a public issuer.

## MAJORITY VOTING FOR DIRECTORS

The Board has adopted a Majority Voting Policy for the election of directors. Any nominee in an uncontested election who receives more withheld votes than votes in his or her favour shall be considered to not have received the support of shareholders. Such nominee is required to immediately tender his or her resignation to the Board.

The CRCG&HR Committee will consider the resignation offer and will make a recommendation to the Board on whether or not to accept it. A resignation could only be refused in exceptional circumstances. Within 90 days following the applicable meeting of MCAN's shareholders, the Board will make its decision, taking into consideration the CRCG&HR Committee's recommendation. The Board will promptly disclose its decision, via press release. A director who tenders his or her resignation pursuant to this policy will not be permitted to attend any meeting of the Board or CRCG&HR Committee, at which his or her resignation is considered.

This policy is consistent with the requirements of the TSX and applies only to uncontested elections, meaning elections where the number of nominees for directors is equal to the number of directors to be elected upon such election as determined by the Board. A copy of this policy can be found on MCAN's web site at <https://mcanmortgage.com/investors/corporate-governance/>.

## BOARD MANDATE

The Board is responsible for the stewardship of MCAN and for supervising the management of the business and affairs of the organization. The Board, either directly or through a Board committee, carries out the duties set out in its mandate.

The Board mandate is attached as Schedule "B" and is also available on the Corporation's web site at <https://mcanmortgage.com/investors/corporate-governance/>.

## BOARD OPERATIONS

The directors are expected to attend in person, to the extent feasible, all meetings of the Board and Committees on which they sit. Annual Board and Committee meeting schedules are provided to directors in advance and are updated on an ongoing basis. Directors are asked to notify the Corporation if they are unable to attend, and attendance at meetings is duly recorded. The attendance of directors at Board and Committee meetings for the last fiscal year is provided below under the heading "Board and Committee Meetings Held and Attendance".

Financial and other information that is important to the understanding of agenda items is made available to directors several days before scheduled Board meetings to facilitate directors' preparation for meetings. Apart from the Interim Chief Executive Officer, who is a member of the Board and participates as such, the Board invites members of management to attend parts of Board meetings for reporting and informational purposes and to familiarize the Board with such members.

The Board meets *in camera* at each of its meetings without any member of management present to ensure free and open discussion among the non-management directors. In addition, the independent directors meet without the non-independent directors and members of management each quarter, either before or after the Corporation's quarterly Board meetings.

## CHAIR OF THE BOARD

The Chair is charged with the responsibility of managing the affairs, development and effective functioning of the Board, and provides effective leadership to the Board in the governance of MCAN. The Chair sets the tone for the Board and its members to foster ethical and responsible decision-making, appropriate oversight of management and efficient corporate governance practices. The Chair leads the Board in the review and consideration of the strategic plan and ensuring appropriate tone from the top in fostering financial soundness and regulatory compliance, acts in an advisory capacity on behalf of the Board to the CEO, manages the relationships between management and the Board and assists in managing shareholder engagement. The Chair's mandate is available on the Corporation's web site at <https://mcanmortgage.com/investors/corporate-governance/>.

## LEAD DIRECTOR

The Lead Director is charged with the responsibility of supporting and enhancing the ability of the independent members of the Board to act and express themselves independently, thereby enhancing the Corporation's corporate governance practice. The Lead Director leads the Board in consideration of any issue where it is determined that the Chair of the Board is not independent, the Chair of the Board has a conflict or in the absence of the Chair of the Board. The Lead Director's mandate is available on the Corporation's web site at <https://mcanmortgage.com/investors/corporate-governance/>.

## INDIVIDUAL DIRECTOR MANDATE

Each director shall act honestly and in good faith with a view to the best interests of MCAN, its shareholders and other stakeholders and with the diligence and care of a reasonably prudent person. The expectations and responsibilities of directors are described in an Individual Director Mandate available on the Corporation's web site at <https://mcanmortgage.com/investors/corporate-governance/>.

## COMMITTEES OF THE BOARD

The Board has three standing Committees, the Audit Committee, the Conduct Review, Corporate Governance & Human Resources Committee, and the Enterprise Risk Management & Compliance Committee, to facilitate the carrying out of its duties and responsibilities and meet applicable statutory requirements. The Board may also form ad hoc committees to address specific matters. During the year the Board formed an ad hoc committee to oversee operating initiatives.

The Board appoints the members of the standing Committees for a one-year term following the annual meeting of shareholders.

The Board has also developed detailed position descriptions for the Chair of each standing Committee. The position descriptions outline the appointment and broad responsibilities of the Chair and are available on the Corporation's web site at <https://mcanmortgage.com/investors/corporate-governance/>. The position descriptions are reviewed periodically by the CRCG&HR Committee.

For the background and experience of the Committee members, see the respective director profiles starting at page 9.

## AUDIT COMMITTEE

The Audit Committee's primary purpose is to assist the Board in fulfilling its oversight responsibilities with respect to the:

- quality and integrity of MCAN's financial information,
- effectiveness of MCAN's internal control over financial reporting,
- meeting of MCAN's reporting issuer obligations,
- independent auditor's performance, qualifications and independence,
- performance of MCAN's internal audit function,
- compliance by MCAN with legal and regulatory requirements pertaining to financial disclosure, and
- governance of MCAN's information technology function.

At March 15, 2019, the Audit Committee was comprised of:

- Susan M. Doré,
- Gordon J. Herridge (Chair),
- Loraine D. McIntosh, and
- Gaalen J. Morphet.

All four members of the Audit Committee are, for the purposes of NP 58-201 and National Instrument 52-110 *Audit Committees*, considered to be independent directors, financially literate and are experienced in the area of financial reporting. The Audit Committee meets with the Corporation's internal and external auditors and management as required and may engage independent counsel and other advisors as it deems appropriate in the course of carrying out its duties.

Additional information about the Audit Committee and the Audit Committee's role and responsibilities can be found in MCAN's Annual Information Form dated February 22, 2019, filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") or on MCAN's website at <https://mcanmortgage.com/investors/corporate-governance/>.

## **CONDUCT REVIEW, CORPORATE GOVERNANCE & HUMAN RESOURCES COMMITTEE**

The CRCG&HR Committee's primary purpose is to assist the Board in its oversight role with respect to:

- conflicts of interest, confidential information, complaints of customers and transactions involving related parties,
- the development of MCAN's corporate governance policies, practices and processes,
- the identification of qualified candidates and the recommendation of nominees for director appointments,
- the effectiveness of the Board, its committees, the chairs of those committees and the contributions of individual directors, and
- management succession, development and compensation.

At March 15, 2019, the CRCG&HR Committee was comprised of:

- Verna E. Cuthbert,
- Susan M. Doré,
- Gaelen J. Morphet, and
- W. Terrence Wright (Chair).

The CRCG&HR Committee's role and responsibilities can be found on MCAN's website at <https://mcanmortgage.com/investors/corporate-governance/>.

The CRCG&HR Committee is further discussed below under the heading "Compensation Discussion and Analysis".

## **ENTERPRISE RISK MANAGEMENT ("ERM") & COMPLIANCE COMMITTEE**

The ERM & Compliance Committee's primary purpose is to assist the Board in its oversight role with respect to:

- reviewing and recommending Board approval of the enterprise risk management framework, risk appetite framework, risk appetite statement and risk tolerance limits,
- reviewing and recommending Board approval of the asset mix and funding strategy, including management of interest rate risks,
- identifying MCAN's key business risks,
- reviewing and recommending MCAN's risk policies,
- ensuring the effectiveness of MCAN's risk management practices,
- the progress of any risk management activities,
- reviewing and recommending Board approval of the Internal Capital Adequacy Assessment Process,
- the effectiveness of MCAN's compliance function and MCAN's compliance with legal and regulatory requirements; and
- the effectiveness of MCAN's Anti-Money Laundering & Anti-Terrorist Financing Program.

At March 15, 2019, the ERM & Compliance Committee was comprised of:

- Verna E. Cuthbert,
- Gordon J. Herridge,
- Loraine D. McIntosh (Chair),
- Derek G. Sutherland, and
- W. Terrence Wright.

The ERM & Compliance Committee's role and responsibilities can be found on MCAN's website at <https://mcanmortgage.com/investors/corporate-governance/>.

## **BOARD AND COMMITTEE MEETINGS HELD AND ATTENDANCE**

The table below sets out Board and committee meeting attendance for MCAN's directors during 2018. All of the eight nominees for election as director attended the 2018 annual general meeting of shareholders. Directors have a standing invitation to attend all committee meetings, regardless of membership and typically attend all such meetings. All the directors attended the strategic planning meetings held in September and December 2018. The directors demonstrated strong commitment to their roles and responsibilities through their attendance rate at Board and Committee meetings.

Director	Board Meetings Attended #	Committee Meetings Attended				Total Board and Committee Meetings Attended	
		Audit	CRCG&HR	ERM & Compliance	Investment <sup>(1)</sup>	#	%
Verna E. Cuthbert <sup>(2)</sup>	11/12		1/1	6/6	1/2	19/21	90%
Susan M. Doré	11/12	7/7	4/4			22/23	96%
Gordon J. Herridge <sup>(3)</sup>	9/9	4/4		4/4		17/17	100%
Loraine D. McIntosh	12/12	7/7		6/6		25/25	100%
Gaelen J. Morphet <sup>(4)</sup>	11/12	3/3	2/2		1/1	17/18	94%
Derek G. Sutherland	12/12			6/6	2/2	20/20	100%
Ian Sutherland	12/12					12/12	100%
Karen H. Weaver <sup>(5)</sup>	12/12	5/5	3/3			20/20	100%
W. Terrence Wright <sup>(6)</sup>	12/12	3/3	2/2	5/5		22/22	100%
<b>Former Directors</b>							
Brian A. Johnson <sup>(7)</sup>	3/3		2/2		2/2	7/7	100%
William J. Jandrisits <sup>(8)</sup>	8/9					8/9	89%

- (1) The Investment Committee was dissolved on August 9, 2018 and all responsibilities were assumed by the other committees and the Board.
- (2) Ms. Cuthbert was appointed to the CRCG&HR Committee on August 9, 2018.
- (3) Mr. Herridge was elected a director of the Corporation, appointed to the Audit Committee and to the ERM & Compliance Committee on May 8, 2018.
- (4) Ms. Morphet was appointed to the Audit Committee on August 9, 2018, to the CRCG&HR Committee on May 8, 2018, and to the Investment Committee on February 23, 2018.
- (5) Ms. Weaver ceased to be a member of the Audit Committee and the CRCG&HR Committee on October 9, 2018, following her appointment as Interim CEO.
- (6) Mr. Wright ceased to be a member of the Audit Committee and the ERM & Compliance Committee on May 8, 2018. He was appointed to the CRCG&HR Committee on May 8, 2018 and was re-appointed to the ERM & Compliance Committee on August 9, 2018.
- (7) Mr. Johnson did not stand for re-election at the annual general meeting of shareholders held May 8, 2018 and also ceased to be a member of the CRCG&HR Committee and the Investment Committee on the same day.
- (8) Mr. Jandrisits ceased to be President & CEO and a director of the Corporation on October 9, 2018.

## MEETINGS OF INDEPENDENT DIRECTORS

The independent directors meet without the non-independent directors and members of management each quarter, or as many times as required. The Lead Director chairs these meetings. There were four meetings of the independent directors during the financial year ended December 31, 2018.

## ETHICAL BUSINESS CONDUCT

The Board establishes the tone from the top and helps ensure that senior management has integrity and can create and sustain a culture of integrity in the Corporation.

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

Under MCAN's Code, all directors, officers and employees must demonstrate a commitment to ethical business practices and behaviour in all business relationships, both within and outside of MCAN. Each year, directors, officers and employees must execute a declaration certifying compliance with the Code. The Board, through its CRCG&HR Committee, annually reviews the operation of the Code and monitors compliance and any waivers or amendments thereof.

The Board has not granted any waiver of the Code in favour of a director or executive officer for all of 2018 or up to the date of the Circular. Accordingly, no material change report relating to the conduct of a director or executive officer has been required or filed.

The Code also references the Whistleblowing Policy that allows officers or employees who become aware of potentially

improper or unlawful conduct in the workplace, or have concerns regarding questionable accounting or auditing matters, to report the violation on a confidential and anonymous basis to the Chair of the Audit Committee.

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

## BOARD TENURE AND RENEWAL

The Board has adopted a Board Tenure and Renewal Policy (the “**Policy**”) to ensure ongoing Board renewal, sustain Board performance and add expertise. According to the Policy, directors may serve until the earlier of when they turn 70 years of age or they have served 15 years. However, all directors will be allowed to serve for at least five years, regardless of their age, subject to annual review by the Board. The Policy allows for the Board to recommend any director for re-election after age 70 or the expiry of the 15 year term, in exceptional circumstances or to further the best interests of the Corporation.

An officer will resign from the Board when no longer employed by the Corporation. However, the Board may request a former CEO to continue as a director for a term not longer than five years in exceptional circumstances.

The CRCG&HR Committee reviews, on an annual basis, the tenure of individual directors. This review includes:

- a skills matrix to ensure the Board possesses the requisite experience, expertise and business and operational insights for the effective stewardship of the Corporation; and
- a Board succession template that indicates the years of service, with suggested retirement dates.

In addition, to ensure adequate board renewal, the CRCG&HR Committee is responsible for leading a full evaluation of the effectiveness and performance of the Board, all Board committees and individual directors every two years. The evaluation process is outlined under “Board Assessments” below.

The CRCG&HR Committee monitors and implements the Policy and reports to the Board thereon. In addition, the CRCG&HR Committee reviews the Policy annually, discusses any revisions that may be required and recommends any such revisions to the Board for approval.

The chart below shows the amount of time that the eight director nominees for election at the 2019 Meeting have been on MCAN's Board:

Range	Percentage
0 - 5 years	63% (5 of 8)
6 - 10 years	25% (2 of 8)
Over 11 years	12% (1 of 8)

## NOMINATION OF DIRECTORS

The CRCG&HR Committee, which is composed entirely of independent directors, is responsible for screening candidates and for recommending nominees for election to the Board. Candidates are approved by the full Board.

The CRCG&HR Committee considers candidates from an “evergreen” list maintained by the CRCG&HR Committee in anticipation of upcoming director elections and when Board vacancies occur; as proposed by other directors and/or executive management; and as proposed or nominated by shareholders prior to shareholder meetings in accordance with MCAN's advance notice provisions for the nomination of directors.

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

The CRCG&HR Committee then makes a recommendation to the Board, which recommendation is accompanied by the “Conduct Review, Corporate Governance & Human Resources Committee – Prospective Director Review Form”.



## ORIENTATION AND CONTINUING EDUCATION

Summary of Director's Orientation and Education Programs	
Programs/Education Session	Description
Orientation when a new member joins the Board	<ul style="list-style-type: none"> <li>✓ Briefing session on role and responsibilities of the Board, its Committees and directors and on Corporation's business</li> <li>✓ Access to reference documents available on Corporation's portal</li> <li>✓ Access to Corporation's strategic plan</li> </ul>
Continuing education	<ul style="list-style-type: none"> <li>✓ Quarterly updates on business segments, investor relations, treasury and strategic planning</li> <li>✓ Quarterly regulatory updates</li> <li>✓ Regulator sponsored programs</li> <li>✓ Information sessions on various topics (Anti-Money Laundering and Anti-Terrorist Financing, Cyber Security and Disclosure)</li> </ul>
Relevant Education Courses	<ul style="list-style-type: none"> <li>✓ Opportunity to attend relevant courses and educational events</li> </ul>

MCAN uses a variety of measures to orient new directors regarding the role of the Board, its committees and its directors and provides a number of continuing education opportunities regarding the nature and operation of MCAN's business. MCAN grants each director access to a web portal that contains a Directors' Manual which includes information on Board and committee membership; the director independence policy; duties of directors; committee mandates; mandates of the Chair of the Board, the Lead Director, each committee chair and the executives; the code of business conduct & ethics; insider trading policy; and the Corporation's by-laws. The web portal also houses previous Board and committee meeting packages.

In addition, the portal contains all the Corporation's policies. New directors are directed to the recent annual and quarterly financial reports, including management's discussion and analysis and the Annual Information Form on SEDAR or on the Corporation's web site. MCAN also provides new directors with specific information on operations, the strategic plan, risk and risk management, governance, integrity and corporate values. Additionally, new directors are provided the opportunity to meet with senior management. Depending on the timing of the appointment, a new director, prior to officially joining the board, may also be invited to attend MCAN's strategic planning session.

On an ongoing basis, as part of regular Board meetings or otherwise, presentations are made to the Board to educate and keep them informed of changes within MCAN and in regulatory and industry requirements and standards. Specific information is provided on financial reporting, risks and economic indicators specific to our business and the current business and commercial environment. In an effort to provide directors with a more complete understanding of the issues facing MCAN, directors are encouraged to attend other Board committee meetings of which they are not a member (subject to conflict of interest obligations of the relevant director). Directors are also provided with the materials and minutes of all Board committee meetings, irrespective of whether they are a member of the committee. In addition, separate sessions, if required, are held for the directors to better understand specific programs. Directors are also encouraged to undertake training and attend education sessions on topics of relevance to MCAN offered by outside sources if they deem it necessary. MCAN's directors have been members of the Institute of Corporate Directors ("ICD") since 2014. Through continuing education, tools and resources, thought leadership and advocacy offered by ICD, MCAN's Board has the opportunity to leverage and translate a wealth of shared wisdom into the highest standard of directorship.

## BOARD ASSESSMENTS

The CRCG&HR Committee leads a full evaluation of the effectiveness and performance of the Board, all Board committees and individual directors (self and peer) every two years. The evaluation includes the completion of online questionnaires and/or director interviews conducted by the Chair of the Board and the Chair of the CRCG&HR Committee based on a director interview guide. The results of the evaluations are tabulated and analyzed by the Chair of the Board and the Chair of the CRCG&HR Committee and are presented to the CRCG&HR Committee and the Board with any recommendations for improving the functioning and composition of the Board.

In December 2018, the evaluation was conducted through online questionnaires. The results were presented to the Board in February 2019. The results indicated that the Board, committees and individual directors were effectively fulfilling their responsibilities.

The next set of evaluations is scheduled for December 2020, at which time the Committee will review its current process and consider whether a review by an external party is required.

## MANAGEMENT

### RESPONSIBILITIES OF THE CHIEF EXECUTIVE OFFICER (“CEO”)

The CEO is accountable for executing the Corporation’s strategic direction approved by the Board including effectively managing risks, issues, opportunities and changes to plans. The CEO must lead effective management and continual control and improvement of operations as required to implement the strategic plan within compliance of risk and regulatory frameworks and profitability targets overall.

The CEO is accountable for risk management and compliance capabilities across the organization, including maintaining a strong risk culture throughout the company to ensure that all key stakeholders’ (company employees, shareholders, regulatory bodies and depositors) interests are served.

The CEO provides credible and agile leadership and direction to the executive team to ensure effective execution of business plans and operations and leads by example for integrity, respect and sound judgement. The CEO is the primary spokesperson for the company.

### SUCCESSION PLANNING

The CRCG&HR Committee has responsibility for the succession planning process for the CEO and the other executive officers.

The Board assesses, with input from the CRCG&HR Committee, the need to fill potential vacancies whether arising through retirement or otherwise and whether qualified internal candidates are identified to fill such vacancies on an immediate and longer-term basis. The Board meets periodically with members of the senior management team through their participation in meetings and presentations to the Board, at the annual strategic planning session and through informal meetings throughout the year. Such meetings provide the opportunity for Board members to get to know the senior management team of the Corporation and assess their executive leadership potential. Executive assessments are also performed and development opportunities are identified and form part of the talent management process at the executive level.

The Corporation recognizes the importance of leadership roles in the achievement of its strategic goals. Succession planning exercises are conducted for all senior management positions annually and updates are provided to the CRCG&HR Committee. Leadership development opportunities are discussed at a company-wide level and leadership development plans for emerging leaders are reviewed and updated.

### EXECUTIVE OFFICER DIVERSITY

The Board adopted an Executive Officer Diversity Policy (the “**EO Diversity Policy**”) that sets out the Corporation’s approach to diversity in executive officer roles.

An “executive officer” means each officer appointed by the Board from time to time and, as at the date hereof, means:

- President & Chief Executive Officer (“**CEO**”) or the Interim CEO,
- Vice President & Chief Financial Officer,
- Vice President & Chief Risk Officer,
- Vice President & Chief Investment Officer (“**CIO**”),
- Vice President, Single Family Mortgage Operations,
- Vice President, Operations & Treasurer,
- Vice President & Chief Audit Officer,
- Vice President, Chief Compliance Officer, CAMLO & Privacy Officer,
- Vice President, Information Technology, and
- Vice President, Corporate Secretary & Governance Officer.

While the Corporation appreciates that diversity, including, but not limited to, gender, age and ethnicity, are important and valuable considerations in assessing executive officers, other factors such as performance, qualifications, capabilities and experience are also considered when choosing and recruiting executive officers. The best candidate whose portfolio of skills is most suited for the position is selected and no one aspect of diversity, including gender, is the decisive factor.

The CRCG&HR Committee oversees succession planning on behalf of the Board and will make recommendations to

the Board on the appointment of executive officers, taking into account various aspects of diversity, including gender.

- In reviewing the succession plan for the executive officers, the CRCG&HR Committee will consider the benefits of all aspects of diversity, including, but not limited to, those described above.
- The CRCG&HR Committee will also consider candidates on merit based on performance, qualifications, capabilities and experience and with due regard for the benefits of diversity. In an effort to promote the specific objective of gender diversity, the EO Diversity Policy requires that the succession plan for executive officers must involve the following steps:
  - a list identifying potential candidates for executive officer appointments must be compiled and must include at least one female candidate; and
  - if, at the end of the selection process, a female candidate is not selected, the CRCG&HR Committee must be satisfied that gender was not the decisive factor and that proper consideration was given in the decision making to the CRCG&HR Committee's objective of enhancing diversity among the executive officers.

The CRCG&HR Committee will monitor and implement the EO Diversity Policy and report to the Board thereon. In addition, the CRCG&HR Committee will review the EO Diversity Policy annually, discuss any revisions that may be required and recommend any such revisions to the Board for approval.

The following table sets out the number and percentage of women who served or are serving as executive officers at MCAN since 2017:

As At	Target By 2020	# of Women Executive Officers	Total # of Executive Officers	%
March 15, 2019	25%	5	10	50%
March 9, 2018	25%	3	10	30%
March 10, 2017	25%	2	9	22%

## DIRECTORS' COMPENSATION

### COMPENSATION POLICY

The CRCG&HR Committee reviews director compensation annually and recommends any compensation changes to the Board for approval when considered appropriate or necessary to recognize the workload, time commitment and responsibility of the Board and committee members. In doing so, comparative data of other public companies is used. For 2018, the companies used in the comparison included Atrium Mortgage Investment Corporation, B2B Real Estate Investment Trust, Equitable Group Inc., Firm Capital Corporation, First National Financial Corporation, Home Capital Group Inc., and VersaBank.

Based on the recommendation of the CRCG&HR Committee in November 2018, the following compensation structure, which has been in effect since January 1, 2018, was considered appropriate, competitive, reflective of the market and remained unchanged:

Compensation	\$
Chair of the Board Annual Retainer	100,000
Annual Director Retainer	35,000
Annual Committee Chair Retainer	20,000
Annual Lead Director Retainer	10,000
Board Meeting Fee (per quarterly meeting)	1,500
Committee Meeting Fee (per quarterly meeting)	1,500
Off-cycle/Other	
> than 2 hours	1,500
< than 2 hours	750

For fiscal 2018, each director who was not employed by MCAN or any of its subsidiaries was entitled to receive remuneration, paid in the form of cash only, for each meeting attended of the Board or any committee thereof of which such director is a member, together with an annual retainer. The Chair of the Board is entitled to an annual retainer only and does not receive any other fees. Directors are reimbursed for their out-of-pocket expenses incurred in attending meetings and otherwise carrying out their duties as directors. Pursuant to the by-laws of MCAN that were in effect for fiscal 2018, the aggregate amount of remuneration which may be paid by MCAN to its directors (for their services as directors) cannot exceed \$800,000 in any year. In 2018, the total fees paid by MCAN to its directors were \$780,857. If the amendment to Section 3.17 of By-law No. Ten is confirmed by the shareholders at this Meeting, the aggregate amount of remuneration will be increased to \$1,000,000 in any year. Any future increases to this total amount will require shareholder approval. MCAN does not offer its non-employee directors any equity compensation.

## DIRECTOR COMPENSATION TABLE

The following table sets out all compensation awarded, earned, paid, or payable in cash by MCAN to the directors for the Corporation's 2018 fiscal year:

Name	Board Position	Fees Earned in Cash <sup>(8)</sup> (\$)	Total (\$)
Verna E. Cuthbert	Director	60,500	60,500
Susan M. Doré	Director and Lead Director	74,250	74,250
Gordon J. Herridge <sup>(1)</sup>	Director and Chair of the Audit Committee	58,009	58,009
Loraine D. McIntosh <sup>(2)</sup>	Director and Chair of the ERM & Compliance Committee	122,162	122,162
Gaelen J. Morphet	Director	56,000	56,000
Derek G. Sutherland <sup>(3)</sup>	Director	110,412	110,412
Ian Sutherland	Director and Chair of the Board	100,000	100,000
Karen H. Weaver <sup>(4)</sup>	Director, Interim CEO	100,945	100,945
W. Terrence Wright <sup>(5)</sup>	Director and Chair of the CRCG&HR Committee	85,000	85,000
<b>Former Directors</b>			
Brian A. Johnson <sup>(6)</sup>	Director and Chair of the CRCG&HR Committee	38,579	38,579
William J. Jandrisits <sup>(7)</sup>	Director and President & CEO	-	-

Notes:

- (1) Mr. Herridge was appointed Chair of the Audit Committee on October 9, 2018.
- (2) Ms. McIntosh was appointed Chair of the ERM & Compliance Committee on May 8, 2018.
- (3) Mr. D. Sutherland was Chair of the Investment Committee prior to its dissolution on August 9, 2018.
- (4) Ms. Weaver ceased to be Chair of the Audit Committee on October 9, 2018 and was appointed Interim CEO on the same day. As such, effective October 9, 2018, Ms. Weaver did not receive any further compensation as a director. For Ms. Weaver's compensation as Interim CEO, see page 34 of the Circular.
- (5) Mr. Wright ceased to be Chair of the ERM & Compliance Committee on May 8, 2018 and was appointed Chair of the CRCG&HR Committee on the same day.
- (6) Mr. Johnson ceased to be a director of the Corporation on May 8, 2018.
- (7) Mr. Jandrisits did not receive any compensation in his capacity as a director of the Corporation. He ceased to be a director and MCAN's President & CEO on October 9, 2018. For Mr. Jandrisits' compensation as President & CEO, see page 34 of this Circular.
- (8) Compensation includes fees earned for standing and ad hoc committees.

## DIRECTOR SHARE OWNERSHIP

MCAN's share ownership requirement is intended to align directors' interests with the shareholders they represent. All non-executive directors are required to reach an equity ownership target equal to three times the annual director retainer within three years of joining the Board, measured at the higher of cost or market value as at the date of the Circular. If the requirement was previously met and the market value subsequently changed such that the director was offside, the director has one year to attain compliance. The Chair of the Board is also required to hold shares with a value of at least three times the annual retainer for the position, measured at the higher of cost or market value as at the date of the Circular within three years of appointment.

# COMPENSATION DISCUSSION AND ANALYSIS

## COMPENSATION GOVERNANCE

The CRCG&HR Committee assists the Board in establishing MCAN's compensation philosophy and structure, and in discharging its oversight accountabilities relating to the compensation and retention of senior management employees, and in particular, the CEO. At March 15, 2019, the CRCG&HR Committee was comprised of W. Terrence Wright (Chair), Verna E. Cuthbert, Susan M. Doré and Gaelen J. Morphet. All members of the CRCG&HR Committee are independent directors of the Board and no member has been an officer or employee of MCAN or any of its affiliates in the past five years.

All members have direct experience in compensation matters as either former executive officers, partners and legal counsel in law firms or through board positions in other publicly traded companies.

Mr. Wright, in his roles as counsel, executive management member, board member, chair of governance committee or board chair of several reporting and non-reporting profit and not-for-profit companies, has been involved in the design and determination of executive compensation matters for more than twenty-five years. Mr. Wright is a member of the Institute of Corporate Directors.

Ms. Cuthbert is a member of the Law Society of Ontario (Ontario Bar call 1976) and avocate à la retraite of the Barreau du Québec (Quebec Bar call 1986). Until her recent retirement she was a partner and counsel with Fasken Martineau DuMoulin and prior to that a partner in a major international law firm based in New York City. She is also a member of the Institute of Corporate Directors, the Association des Femmes en Finance du Québec and governor of both the Fondation du Barreau du Québec and Fondation du centre des femmes de Montréal. Having practised corporate and commercial law for over forty years, she has had a number of years of experience in dealing directly with compensation matters for both public and private corporate clients, partners, associates, and staff.

Ms. Doré has been an officer and/or a director of MCAN and predecessor companies for over thirty-five years and has had significant experience in compensation and related matters. She is an Institute of Corporate Directors, Director ("ICD.D") in Canada and a member of the Institute of Corporate Directors.

Ms. Morphet has previously served as an executive officer of investment and insurance companies in Canada, including Sentry Investments, Empire Life Investments and Empire Life Insurance and CIBC Asset Management. She has been involved in executive compensation matters throughout her career. As an executive in the financial industry in Canada for over twenty years, she has had multiple experiences in dealing with compensation matters in public and private companies.

The Chair of the Board also participates in all CRCG&HR Committee meetings as an ex-officio member. Collectively, this experience provides the CRCG&HR Committee with the knowledge, skills, experience and background in executive compensation and human resources matters to make decisions on the suitability of MCAN's compensation policies and practices.

The responsibilities, powers and operation of the CRCG&HR Committee are set out in its mandate, which is available on the Corporation's web site at <https://mcanmortgage.com/investors/corporate-governance/>.

The CRCG&HR Committee carries out the responsibilities of the Board in respect of compensation matters and makes recommendations to the Board as appropriate. In particular, the CRCG&HR Committee is responsible for making recommendations to the Board relating to the:

- annual non-financial strategic objectives applicable to each of the Corporation's Named Executive Officers (together the "NEOs" and each a "NEO");
- performance evaluation of the CEO;
- administration of the Corporation's equity and non-equity incentive plans; and
- review and recommendation of director compensation.

The CRCG&HR Committee held four regularly scheduled meetings in fiscal year 2018. The CEO attends meetings of the CRCG&HR Committee but does not have the right to vote on any matter. Other senior officers may also attend parts of a meeting for presentation purposes. No officer, including the CEO, is present when his or her compensation is discussed.

The CRCG&HR Committee has instituted good governance practices that enhance its ability to effectively carry out its accountabilities. These practices include:

- utilizing a work plan which sets out the timetable of all regularly occurring matters for which the CRCG&HR Committee has accountability;
- hiring an external advisor at least every three years to advise the CRCG&HR Committee on compensation levels and structure, and requiring their attendance when their reports are discussed and when requested to attend by the Chair of the CRCG&HR Committee; and
- holding in-camera sessions without management present during every CRCG&HR Committee meeting.

## COMPENSATION CONSULTANT

The CRCG&HR Committee commissions a third party to review executive compensation and to conduct a benchmarking analysis of the executive compensation program and oversight functions every three years. Annually, the CRCG&HR Committee reviews data from the comparator companies from SEDAR or other sources to ensure that compensation levels continue to be competitive. In 2018, Perrault Consulting Incorporated (“PCI”) was engaged by the CRCG&HR Committee to assist in a benchmarking compensation program to compare compensation levels of the senior executives of MCAN to comparator companies.

For 2018, there were fourteen companies from the mortgage, financial services and real estate sectors used in the comparison. These companies employ executives with similar skills and experience to MCAN's executives. For 2018 the companies included in the peer group were: BTB REIT, Clairvest Group Inc., Crown Capital Partners Inc., Firm Capital Mortgage Investment Corporation, First National Financial Corporation, Killam Apartment REIT, MCAP Commercial LP, Plaza Retail REIT, Sprott Inc., Street Capital Corporation, Timbercreek Financial Corporation, Versa Bank, Atrium Mortgage Corporation and Senvest Capital Inc.

Many of the comparators are much larger and more complex than MCAN. The smaller comparators were selected to represent a similar size and complexity to MCAN. All comparator companies are publicly listed with the exception of MCAP Commercial LP, in which MCAN has a 13.7% interest.

The following table lists the aggregate fees billed by PCI:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Executive Compensation – Related Fees	\$41,429	-
All Other Fees	-	-

## ELEMENTS OF EXECUTIVE COMPENSATION

Element		Features / Objective	Performance Period	Form
Total Direct Compensation				
FIXED	SHORT-TERM	<b>Base Salary</b> <ul style="list-style-type: none"><li>Annually reviewed in accordance with contracts</li><li>Reviewed every year for market competitiveness and every three years by a third-party consultant</li></ul> <b>Objective:</b> recognize contribution, provide a level of income certainty, attract and retain talent	1 year	Cash
		<b>Annual Incentive</b> <ul style="list-style-type: none"><li>Corporate performance measures: 100% earnings per share</li><li>Individual performance scorecard based on strategic objectives</li></ul> <b>Objective:</b> award achievement of specific goals	1 year	Cash
AT RISK	LONG-TERM	<b>Long-term Incentive<sup>(1)</sup>:</b>		
		<b>Restricted Share Units (“RSUs”) &amp; Performance Share Units (“PSUs”)</b> (awarded under the Restricted Share Unit Plan and the Performance Share Unit Plan) <ul style="list-style-type: none"><li>RSU payout is not based on Company performance metric</li><li>PSU payout based on EPS targets</li></ul> <b>Objective:</b> align interests of executives and shareholders to create shareholder value / reward achievement of sustained long-term performance / attraction and retention	Cliff vest after 3 years	Share-based Awards settled in Cash
		<b>Executive Share Purchase Plan (“ESP Plan”)</b> <ul style="list-style-type: none"><li>Opportunity to purchase Common Shares of the Corporation</li><li><b>Objective:</b> align interests of executives and shareholders to create shareholder value / reward achievement of sustained long-term performance / attraction and retention and provide executives with opportunity to purchase Common Shares through interest bearing loans up to 2x the executive's salary</li></ul>	N/A	Common Shares
Other Compensation				
<b>Health benefits</b> <b>Group Registered Retirement Savings Plan (“RRSP”)</b> <b>Deferred Profit Sharing Plan (“DPSP”)</b>		<ul style="list-style-type: none"><li>Provide market competitive benefit program</li><li>Invest in employee health and well being</li><li>Promote responsible retirement planning and support funding for income at retirement</li></ul>	1 Year	N/A
<b>Employee Share Ownership Plan (“ESOP”)</b>		<ul style="list-style-type: none"><li>Consistent with the broad program available to all permanent employees</li></ul>		
<b>Deferred Share Unit Plan (“DSUs”)</b>		<ul style="list-style-type: none"><li>Available for use in attracting senior executives</li></ul>	3 years (1/3 <sup>rd</sup> vest each year)	Share-based Awards settled in Cash at Retirement

Notes:

- (1) LTIP is granted in accordance with the terms outlined in each executive's employment contract. For each of the CFO and CIO the award is up to 35% of base salary. All other executives are granted a discretionary amount of up to 25% of base salary. In determining the annual LTIP award, the grant is reduced by 10% of any outstanding loan pursuant to the ESP Plan.

## EXECUTIVE COMPENSATION

MCAN's executive compensation program focuses on performance and is designed to reflect management's expected contribution to MCAN and to encourage them to act in a manner which furthers MCAN's goals, is consistent with MCAN's chosen strategy and risk appetite, and enhances long-term profitability.

Compensation for executive officers is comprised of three components – base salary and benefits, annual incentive and long-term incentive programs.

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

- linking management performance with the achievement of the Company's strategic objectives;
- supporting and reinforcing its business and risk management strategies; and
- ensuring that MCAN's compensation programs are competitive with the market and industry practices.

We outline our compensation program design, specifically with respect to the following NEOs in 2018:

NEO	Title
Karen H. Weaver	Interim Chief Executive Officer ("Interim CEO")
Dipti Patel	Vice President, Chief Financial Officer ("VP, CFO")
Martin Beaudry	Vice President, Single Family Mortgage Operations ("VP, SFMO")
Carl Brown	Vice President, Operations & Treasurer ("VP, Treasurer")
Robert Horton <sup>(1)</sup>	Vice President, Strategic Initiatives ("VP, Strategic Initiatives")

Notes:

(1) Mr. Horton departed from MCAN on January 24, 2019 and was not replaced.

## TOTAL COMPENSATION

### BASE SALARY

The base salary component of the program is intended to recognize the contribution to MCAN of each NEO, to provide the respective officer with a level of income certainty and to attract, retain and motivate MCAN's officers. Base salaries and total compensation for executives are determined relative to positions with equivalent responsibilities and scope within a comparator group.

The base salary for the CEO is reviewed annually by the CRCG&HR Committee. The CRCG&HR Committee conducts an annual review of the CEO's performance. Based upon this review, the CRCG&HR Committee makes recommendations to the Board regarding appropriate adjustments, as needed, to the CEO's base salary. The Board makes the ultimate decision regarding the base salary paid to the CEO.

The CEO reviews the base salaries of the other NEOs on an annual basis in connection with the CEO's review of the other NEOs' performance in the prior year. Following the completion of the reviews of performance and salary, the CEO makes a recommendation regarding base salaries to the CRCG&HR Committee who in turn makes a recommendation to the Board regarding appropriate adjustments, as needed, to the base salaries of the NEOs. The Board makes the ultimate decision regarding the base salaries paid to the NEOs.

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

- Vision
- Leadership
- Ability to Achieve Corporate Strategic Goals
- Integrity
- Succession Planning
- Shareholder Relations
- Stakeholder Relationships
- CEO / Board Relationships



The results of this questionnaire feed into the CRCG&HR Committee annual review and are used to help ensure continuous confidence in the CEO's leadership role within MCAN.

## SHORT-TERM INCENTIVE PROGRAMS ("STIP")

The amount of each NEO's annual incentive is made up of a "Company Performance Component" and an "Individual Performance Component". The Company Performance Component is based on corporate performance against a specified financial target. The Board set the financial target as earnings per share ("**EPS**") of \$1.84 for 2018. The Individual Performance Component is comprised of personal performance objectives that are recommended each year for the NEOs (other than the CEO), by the CEO and approved by the Board, and for the CEO, by the Chair of the Board and approved by the Board. Annual incentives are only paid if the NEO is actively employed at the time of payment.

For fiscal year 2018, the weighting between the Company Performance Component and Individual Performance Component was as follows:

NEO	Company Performance Component	Individual Performance Component
Interim CEO <sup>(1)</sup>	N/A	N/A
VP, CFO	60%	40%
VP, SFMO	40%	60%
VP, Treasurer	40%	60%
VP, Strategic Initiatives	40%	60%

Notes:

(1) See Summary Compensation Table on page 34 for arrangements with the Interim CEO.

## ANNUAL INCENTIVE PLAN

The annual incentive plan has been designed to motivate and reward executives for their role in achieving objectives approved by the Board in the annual budget and longer-term business plan. The plan is in place to compensate the NEOs for achieving specific outcomes aligned with the Corporation's strategic objectives and risk appetite and to link their compensation directly to performance of the Corporation over the year, with the aim of enhancing long term profitability.

The annual incentive is based on a combination of financial performance factors comprising the "Company Performance Component" and personal objectives that help to meet the longer-term strategic goals of the Corporation comprising the "Individual Performance Component".

The Company Performance Component is based on achievement of EPS relative to the annual target. EPS for Target is \$1.84 and scales from \$1.54 (\$0.30 below Target) for Threshold to \$2.14 (\$0.30 above Target) for Maximum.

The Individual Performance Component is based on performance of the executive against specific objectives linked to the Corporation's strategic plan, including measures or targets related to strategic direction, financial capital and liquidity plans, risk management and controls, business operating effectiveness, leadership and people management, and governance and management. Results are weighted based on the objectives and the related performance level. Achievement of objectives as expected results in an annual incentive entitlement at the Target level; less than expected achievement results in an annual incentive entitlement at the Threshold level; outstanding achievement results in an annual incentive entitlement at the Maximum level. Failure to achieve the Threshold level of performance for individual performance disqualifies NEOs from participating in the annual incentive plan.

The Board appointed Karen H. Weaver as MCAN's Interim CEO effective October 9, 2018. Prior to her appointment, Ms. Weaver served on the Board of MCAN, having been appointed in November 2011. At the time of her appointment as Interim CEO, Ms. Weaver was Chair of the Audit Committee and also served on the CRCG&HR Committee. As Interim CEO, Ms. Weaver's compensation is comprised of a monthly amount of \$50,000 during her tenure in this position. She is also provided a monthly housing assistance payment of \$4,100.

Ms. Dipti Patel was appointed VP, CFO effective November 9, 2018. Ms. Patel has been with MCAN since May 2009 and has served in several executive positions including Vice President Operational Effectiveness and Chief Audit Officer. Her compensation as VP, CFO for 2018 effective on her start date comprised an annualized salary of \$225,000, potential annual incentive at target of 50% and an annual LTIP grant of 35%. The actual incentive award earned reflects positions held throughout 2018 and varied in potential based on the compensation arrangements related to each position held during the year.

Mr. Carl Brown was appointed VP, Operations and Treasurer effective October 24, 2018, having previously served as VP Operations. Mr. Brown has been with MCAN since January 2013. His compensation as VP, Operations and Treasurer for 2018 effective on his start date comprised an annualized salary of \$205,000, potential annual incentive at target of 35% and an annual LTIP grant of 25%. The actual incentive award earned reflects positions held throughout 2018 and varied in potential based on the compensation arrangements related to each position held during the year.

Mr. Horton departed from MCAN on January 24, 2019 and his position was not replaced.

The annual incentive award is calculated as a percentage of base salary, utilizing the above weighting of the Company Performance Component and the Individual Performance Component as follows:

NEO	Potential Award			2018	
	Threshold	Target	Maximum	Actual Annual Incentive Award	
Interim CEO	N/A	N/A	N/A	N/A	N/A
Company Performance Component					
Individual Performance Component					
VP, CFO					
Company Performance Component	15.0%	30%	48%	\$14,790	15.0%
Individual Performance Component	10.0%	20%	32%	\$53,070	32.0%
Total	25.0%	50%	80%	\$67,860	47.0%
VP, SFMO					
Company Performance Component	7.0%	14%	20%	\$14,196	7.0%
Individual Performance Component	10.5%	21%	30%	\$42,588	21.0%
Total	17.5%	35%	50%	\$56,784	28.0%
VP, Treasurer					
Company Performance Component	7.0%	14%	20%	\$13,158	7.0%
Individual Performance Component	10.5%	21%	30%	\$47,933	25.5%
Total	17.5%	35%	50%	\$61,091	32.5%

## CLAWBACK OF PRIOR AWARDS

The Corporation has a clawback policy whereby, should an incidence of gross negligence, intentional misconduct or fraud by the CEO, the CFO or the CIO ever arise with respect to the financial reporting of the Corporation or its subsidiaries that contributes to a material restatement of its financial statements in a way that results in lower incentive-based rewards, the Board, upon the recommendation of the CRCG&HR Committee, shall have the discretion to clawback all or a portion of the after-tax gains on any incentive-based awards including the annual incentive, of the applicable officers listed above.

## LONG TERM INCENTIVE PROGRAMS (“LTIP”)

### PERFORMANCE SHARE UNIT PLAN AND PERFORMANCE DEFERRED SHARE UNIT PLAN

The Performance Share Unit Plan (the “**PSU Plan**”) and Performance Deferred Share Unit Plan (“**PDSU Plan**”) were established by the Board in August 2016, to align the LTIP and deferred annual incentive plan compensation with shareholder interests and future targets set for the Corporation’s EPS performance in the year prior to vesting. Each PSU and PDSU is equivalent in value to one Common Share.

In August 2016, the Board granted PSUs and PDSUs under the PSU Plan and the PDSU Plan, as applicable, to certain NEOs and other officers (the “**PSU Participants**” and the “**PDSU Participants**”, or collectively, the “**Participants**”). The PSUs and PDSUs vest after three years, however, payment to the Participant is dependent upon the Corporation’s EPS. Based on the Corporation’s actual EPS against the target, the award amount could range from 0% to 150% of the accrued value at the time of vesting. The Board expects to consider PSU and PDSU grants on an annual basis.

The Participants are entitled to dividend distributions in the form of additional PSUs or PDSUs, as applicable, during the vesting period. If the EPS target is reached, the PSU Participants are entitled to receive a cash payment based on the value of the Common Shares at the time of vesting and the PDSU Participants are entitled to receive a cash payment following their retirement/termination date, based on the average market value of the Common Shares for the five days preceding the payment date.

The PSU Plan and the PDSU Plan transactions between March 9, 2018 (being the date of the previous Management Information Circular) to the date of this Circular are as follows: a total of 14,185 new PSUs or PDSUs were granted to the Participants; 7,941 PSUs or PDSUs, as applicable, were issued to the Participants as a result of dividend distributions; and 54,840 PSUs were forfeited by PSU Participants. The aggregate outstanding PSUs and PDSUs as of the date of this Circular is 74,777. On August 24, 2019, 5,101 PSUs and 12,099 PDSUs will vest but will not be paid out as the EPS target was not met for this period, resulting in an award amount of 0%.

## **RESTRICTED SHARE UNIT PURCHASE PLAN**

The Restricted Share Unit Plan (the “**RSU Plan**”) was established by the Board in August 2013, at which time the Board granted units under the RSU Plan to certain NEOs and certain other employees (the “**RSU Participants**”). Each RSU is equivalent in value to one Common Share. The RSUs vest after three years, at which time the RSU Participants are entitled to receive a cash payment based on the average market value of the Common Shares for the five days preceding the payment date. In addition, the RSU Participants are entitled to receive dividend distributions in the form of additional RSUs during the vesting period. The Board expects to consider RSU grants on an annual basis based on performance and as recommended by the CEO.

The RSU Plan transactions between March 9, 2018 (being the date of the previous Management Information Circular), and the date of this Circular are as follows: 21,185 new RSUs were granted to the RSU Participants; 2,606 additional RSUs were issued to the RSU Participants as a result of dividend distributions; 31,429 RSUs vested and were paid out to RSU Participants; and 1,824 RSUs were forfeited by RSU Participants. The aggregate outstanding RSUs as of the date of this Circular is 36,893.

## **DEFERRED SHARE UNIT PLAN**

The Deferred Share Unit Plan (the “**DSU Plan**”) was established by the Board in 2010 to grant DSUs under the DSU Plan to certain members of senior management of the Company (the “**DSU Participants**”). Each DSU is equivalent in value to one Common Share of the Corporation. Following their individual retirement/termination dates, the DSU Participants are entitled to receive cash for each DSU. The individual DSU value is based on the average market value of the Common Shares for the five days preceding the retirement/termination date. In addition, the DSU Participants are entitled to receive dividend distributions in the form of additional DSUs. The DSUs follow a graded vesting schedule over three years. All dividends paid after this three-year period vest immediately.

The DSU Plan transactions between March 9, 2018 (being the date of the previous Management Information Circular), and the date of this Circular are as follows: 12,250 new DSUs were granted to the DSU Participants; 4,139 additional DSUs were issued to the DSU Participants as a result of dividend distributions; and 62,723 DSUs were paid out upon the departure of the CEO. The aggregate outstanding DSUs as of the date of this Circular is 12,558.

## **EXECUTIVE SHARE PURCHASE PLAN**

The Executive Share Purchase Plan was established by the Board and approved by the TSX in 2002. The ESP Plan provides executives with the opportunity to purchase Common Shares through interest-bearing loans up to an amount not exceeding two times such executive's base salary. The aggregate number of Common Shares which may be issued pursuant to the ESP Plan may not exceed 480,000 (representing approximately 2.00% of the outstanding Common Shares), provided that the number of Common Shares which may be issued pursuant to this ESP Plan together with Common Shares which may be issued pursuant to any other share-based compensation arrangements of MCAN may not exceed 10% of the outstanding Common Shares and the number of Common Shares which may be issued pursuant to the ESP Plan to any one person may not exceed 5% of the outstanding Common Shares.

Loans totaling \$742,210 were advanced under the ESP Plan in 2018. The ESP Plan was developed for better alignment between the interests of management and the interests of shareholders and to compensate the NEOs and other executive officers for their individual performance.

Common Shares issued from treasury may be issued pursuant to the ESP Plan at the weighted average trading price for the 20 days preceding such issuance. A total of 360,802 Common Shares (representing approximately 1.51% of the outstanding Common Shares) have been issued pursuant to the ESP Plan since the ESP Plan was adopted and, as of the date of this Circular, 119,198 Common Shares (representing approximately 0.50% of the outstanding Common Shares) remain available for issuance under the ESP Plan.

The loans advanced bear interest at prime plus 1%. MCAN, at its discretion, may reimburse the executive officers the interest amount in connection with loans provided pursuant to the ESP Plan as part of their compensation. Dividends on the Common Shares are used to reduce the principal balance of the loans as follows: 50% of regular dividends and 75% of capital gains dividends. The loans have a five-year renewable term and there are no restrictions on early repayment. Common Shares acquired pursuant to the ESP Plan are pledged as collateral for the loans for so long as the relevant loans remain outstanding.

This ESP Plan is reviewed periodically to ensure that MCAN is able to attract and retain a senior management team that will drive long-term growth and profitability. The Board also sets an annual cap on the aggregate amount of the outstanding loans to each NEO or other executive officers, such that the officer's purchase of Common Shares in the year is also subject to that cap.

	2018	2017	2016
<b>Burn Rate</b> (the number of Common Shares issued each year, expressed as a percentage of the weighted average number of issued and outstanding Common Shares for the relevant fiscal year)	0.22%	0.03%	0.05%

## OTHER INCENTIVE PLANS

### EMPLOYEE SHARE OWNERSHIP PLAN

The ESOP was established by the Board in 2000 and amended and restated effective January 1, 2015, and January 1, 2017, to enable employees of MCAN to purchase Common Shares of the Corporation in a convenient and systematic manner and to encourage continued long-term employee interest in the operation, growth and development of the Corporation. Participation in the ESOP is voluntary. A participating employee may contribute no more than 6% and no less than 1% of his or her annual salary into the ESOP and MCAN will contribute 50% of the employee's contribution, up to a maximum of 3% of the employee's base salary. Contributions are used to acquire Common Shares on the open market. Effective January 1, 2017, a participating employee may elect to hold all or part of the Common Shares acquired with any contribution in a tax-free savings account in the form prescribed by MCAN (the "Group TFSA"). The ESOP is administered by Computershare and Computershare has been appointed by MCAN to act as trustee for the Group TFSA.

For purposes of the ESOP, Common Shares acquired with an employee's contribution vest immediately. Two withdrawals or transfers of Common Shares are permitted in a calendar year. A third withdrawal or transfer results in a suspension of MCAN's future contributions to the employee's plan for a period of twelve months. Under the terms of the ESOP prior to January 1, 2017, Common Shares acquired with MCAN's contribution to the ESOP vested on November 30th of the year in which the Common Shares were acquired. Unvested Common Shares could not be withdrawn or transferred until November 30th of each year. Effective January 1, 2017, Common Shares acquired with MCAN's contributions to the ESOP vest immediately and are treated in the same manner as employee contributions.

### DEFERRED PROFIT SHARING PLAN

The DPSP is a component of the retirement savings plan for all eligible employees and is supported entirely by contributions made by the Corporation. Under the DPSP, an employee may contribute up to 7% of his or her annual salary, depending on years of service (up to a maximum of \$13,250 for 2018), to a group registered retirement savings plan for MCAN's employees and MCAN matches such employee contributions with contributions to the DPSP. While an employee has fully vested rights to contributions made to the DPSP, no withdrawals are permitted from the DPSP while an individual is employed by the Corporation.

## ALIGNING COMPENSATION WITH THE FINANCIAL STABILITY BOARD'S PRINCIPLES

The Financial Stability Board's Principles (the "FSB Principles") were designed to enhance the stability and soundness of financial institutions by protecting them against excessive risk taking. The Corporation believes that its approach to compensation aligns with the Office of the Superintendent of Financial Institutions' ("OSFI") Corporate Governance Guideline and with the FSB Principles as outlined in the table below:

FSB Principles	MCAN's Compensation Practices
<p>The Board actively oversees the design and operation of the Company's compensation system</p>	<ul style="list-style-type: none"> <li>• The Board, through the CRCG&amp;HR Committee, establishes MCAN's compensation philosophy and structure.</li> <li>• The CRCG&amp;HR Committee recommends and the Board approves the CEO and other Executive Officer Compensation.</li> <li>• The CRCG&amp;HR Committee, composed of 4 independent directors: <ul style="list-style-type: none"> <li>○ Oversees the hiring, promotion and compensation of executive officers.</li> <li>○ Ensures effective succession and leadership development planning is in place.</li> <li>○ Approves and amends material compensation programs.</li> <li>○ Reviews the performance of the executive officers and awards of STIP and LTIP and recommends approval to the Board.</li> </ul> </li> <li>• The CRCG&amp;HR Committee assesses the performance of the CEO.</li> <li>• The CRCG&amp;HR Committee meets in camera for part of each Committee meeting and provides its report to the Board.</li> <li>• Every three years the CRCG&amp;HR Committee obtains advice on the components of compensation from independent compensation consultants.</li> </ul>
<p>The Board monitors and reviews the compensation system to ensure it operates as intended</p>	<ul style="list-style-type: none"> <li>• Key performance objectives are approved by the CRCG&amp;HR Committee at the beginning of the year and performance against those objectives is evaluated periodically during the year and at the end of each year in order to establish that year's STIP awards and increases in base salary.</li> <li>• Every 3 years the CRCG&amp;HR Committee obtains advice on the components of compensation from independent compensation consultants.</li> </ul>
<p>Employees in financial and risk control functions must be compensated in a manner that is independent of the business areas they oversee</p>	<ul style="list-style-type: none"> <li>• Compensation for all employees is determined based on the Company's EPS target and their individual performance and is independent of the specific business unit they support.</li> </ul>
<p>Compensation is adjusted for all types of risk</p>	<ul style="list-style-type: none"> <li>• All executive compensation plans have a discretionary element that permits the CRCG&amp;HR Committee to consider risk when determining awards. The strategic objectives consider the Company's risk appetite framework.</li> <li>• For the CFO and CIO, STIP is based on 60% Company performance and 40% personal and strategic goals.</li> <li>• For all other executives, including the Second Line of Defense, STIP is based on 40% Company performance and 60% personal and strategic goals.</li> </ul>
<p>Compensation outcomes are symmetric with risk outcomes</p>	<ul style="list-style-type: none"> <li>• STIP incentives are based on pre-established thresholds, targets, and maximum percentages of base salary by employee level, with no minimums or guaranteed annual incentives.</li> <li>• No special or transactional payments have been made since 2008.</li> <li>• Incentive compensation for the CEO, CFO and CIO is subject to claw back and forfeiture in the event of a financial restatement resulting from intentional fraud or willful misconduct.</li> <li>• Incentive compensation for all employees is subject to forfeiture if an employee resigns or is terminated for cause.</li> </ul>

FSB Principles	MCAN's Compensation Practices
Compensation payouts are aligned with the time of horizon of risks	<ul style="list-style-type: none"> <li>• The CRCG&amp;HR Committee has discretion, which it has used, to make STIP payments in excess of target in RSUs in lieu of cash, which defers payment for 3 years.</li> <li>• The personal and strategic goals comprise the balance of STIP and relate to specific objectives in the plan. For all executives, these objectives include ERM and regulatory initiatives.</li> </ul>
The mix of cash, equity, and other forms of compensation is consistent with risk alignment	<ul style="list-style-type: none"> <li>• Since 2009 MCAN has moved a significant share of total compensation to longer term incentives based on compensation governance trends and the risk-based approach of the FSB Principles.</li> <li>• Since 2008 base salaries have only been increased by an inflationary factor and a significant portion of each executive's pay is in long-term incentives to ensure alignment of compensation with the risk time horizon and to enhance focus on longer-term value.</li> <li>• The portion of LTIP based compensation increases with seniority (the CEO receives the highest portion of compensation in LTIP, followed by the CFO and CIO).</li> <li>• For the CEO (excluding the Interim CEO), at risk compensation comprises 55% of total compensation. At risk compensation is comprised of STIP and LTIP.</li> <li>• For the other NEOs, at risk compensation comprises approximately 42% of total compensation. At risk compensation is comprised of STIP and LTIP.</li> <li>• LTIP is in the form of ESPP, RSUs and PSUs. The payment of PSUs is based on EPS during the 3 years the PSUs are held.</li> <li>• Management at any one time has targets and payments set out over a 3 year period to discourage the taking of excessive risks to increase short term profits.</li> <li>• The financial targets are based on reasonable targets in MCAN's annual budget and strategic plan that is recommended by management and approved by the Board.</li> <li>• MCAN has no stock option plans that may reward executives for short term or exogenous factors.</li> <li>• MCAN has no golden handshake agreements. Management contracts and termination payments are based on common law requirements and industry practice.</li> </ul>

## SUMMARY COMPENSATION TABLE

The following summary compensation table provides information as to the total compensation for the last three fiscal years paid, awarded to and earned by each of the NEOs:

Name and Principal Position	Year	Salary <sup>(8)</sup> (\$)	Share-based Awards <sup>(9)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation <sup>(11)</sup> (\$)	Total Compensation (\$)
				Annual Incentive Plans <sup>(10)</sup>		
NEOs						
Karen Weaver <sup>(1)</sup> Interim CEO	2018	134,231	-	-	8,200	142,431
Dipti Patel <sup>(2)</sup> VP, CFO	2018	123,561	52,167	67,860	28,032	271,620
	2017	62,491	56,133	20,779	33,754	173,157
	2016	150,000	33,672	49,308	9,750	242,730
Martin Beaudry <sup>(3)</sup> VP, SFMO	2018	202,333	45,879	56,784	20,391	325,387
	2017	200,000	21,285	58,368	18,200	297,853
	2016	15,256	-	20,000	-	35,256
Carl Brown <sup>(4)</sup> VP, Treasurer	2018	183,298	46,639	61,091	43,587	334,615
	2017	178,981	53,048	61,180	22,704	315,913
	2016	171,511	38,363	68,954	22,138	300,966
Robert Horton <sup>(5)</sup> VP, Strategic Initiatives	2018	194,592	61,286	-	15,567	271,445
	2017	187,500	49,831	67,872	15,257	320,460
	2016	175,000	34,235	73,888	14,985	298,108
Former NEOs						
William Jandrisits <sup>(6)</sup> Former CEO	2018	301,533	296,402	-	576,989	1,174,924
	2017	379,552	296,244	243,566	43,011	962,373
	2016	369,513	215,342	259,920	43,550	888,325
Jeffrey Bouganim <sup>(7)</sup> Former CFO	2018	250,391	120,320	-	54,376	425,087
	2017	271,060	150,702	131,107	26,487	579,356
	2016	263,937	94,573	132,613	26,361	517,484

### Notes:

- (1) Ms. Weaver was appointed Interim CEO effective October 9, 2018. Prior to that she was a director of the Corporation and Chair of the Audit Committee. No directors' fees have been paid to Ms. Weaver since her appointment as Interim CEO. The amount shown under "All Other Compensation" for Ms. Weaver includes Company-paid housing assistance. Ms. Weaver is paid a flat fee of \$50,000 per month during her interim appointment.
- (2) Ms. Patel was promoted to Vice President & CFO on November 9, 2018 replacing Mr. Bouganim who exited the Corporation on November 26, 2018. Prior to that, she held the position of Vice President, Operational Effectiveness to which she was promoted effective May 8, 2018. Prior to that, she held the position of Vice President, Chief Audit Officer. Amount shown in "Share-Based Awards" for 2018, is the fair value of the dividend distributions under the RSU Plan of \$1,446 (2017 - \$1,505; 2016 - \$3,091), plus the fair value of new units granted in the year and the fair value of the dividend distributions under the PSU Plan of \$50,721 (2017 - \$54,628; 2016 - \$30,581). Ms. Patel was on maternity leave for a portion of 2017 and 2018. Amount shown in "All Other Compensation" includes a maternity top-up in the amount of \$29,693 for 2017. In 2018, an amount of \$20,000 was awarded in recognition of additional work performed in the year and for continued employment, of which 50% is payable in cash on April 30, 2019 and 50% is payable in cash on October 31, 2019, subject to active employment at the time of payment.
- (3) Mr. Beaudry was appointed Vice President, Single Family Mortgage Operations on December 5, 2016. Amount shown in "Share-Based Awards" for 2018, is the fair value of new units granted in the year and the fair value of the dividend distributions under the PSU Plan of \$45,879 (2017 - \$21,285).
- (4) Mr. Brown was promoted to Vice President, Operations and Treasurer on October 24, 2018. Prior to that, he held the position of Vice President, Operations. Amount shown in "Share-Based Awards" for 2018 is the fair value of the dividend distributions under the RSU Plan of \$2,187 (2017 - \$3,737; 2016 - \$7,201), plus the fair value of new units granted in the year and the fair value of the dividend distributions under the PSU Plan of \$44,452 (2017 - \$49,311; 2016 - \$31,162). Amount shown in "All Other Compensation" for 2018, includes an amount of \$20,000 that was awarded in recognition of additional work performed in the year and for continued employment, of which 50% is payable in cash on April 30, 2019 and 50% is payable in cash on October 31, 2019, subject to active employment at the time of payment.
- (5) Mr. Horton was appointed Vice President, Strategic Initiatives on October 1, 2018. Prior to that, he held the position of Vice President, Chief Risk Officer. Due to his departure from the Corporation on January 24, 2019, Mr. Horton did not receive any amount under the Annual Incentive Plan (STIP) for 2018. Amount shown in "Share-Based Awards" for 2018 is the fair value of the dividend distributions under the RSU Plan of \$1,365 (2017 - \$2,317; 2016 - \$4,078), plus the fair value of new units granted in the year and the fair value of the dividend distributions under the PDSU Plan of \$59,921 (2017 - \$47,514; 2016 - \$30,157).
- (6) Mr. Jandrisits departed the Corporation on October 9, 2018. In connection with his departure from the Corporation, Mr. Jandrisits received \$531,070 which included a severance payment and vacation pay. Amount shown in "Share-Based Awards" for 2018 is the fair value of the dividend distributions under the DSU Plan of \$88,232 (2017 - \$68,130; 2016 - \$58,674), plus the fair value of the dividend distributions under the RSU Plan

of \$14,204 (2017 - \$20,602; 2016 - \$19,561), plus the fair value of new units granted in the year and the fair value of the dividend distributions under the PSU Plan and the PDSU Plan of \$193,966 (2017 - \$207,512; 2016 - \$137,107).

- (7) Mr. Bouganim resigned as an officer of the Corporation effective November 26, 2018. In connection with his departure from the Corporation he received a discretionary annual incentive and vacation pay in the amount of \$28,574. Amount shown in "Share-Based Awards" for 2018, is the fair value of the dividend distributions under the RSU Plan of \$8,058 (2017 - \$11,589; 2016 - \$14,573), plus the fair value of new units granted in the year and the fair value of the dividend distributions under the PSU Plan of \$112,262 (2017 - \$139,113; 2016 - \$80,000).
- (8) Salary represents the amount paid to the NEO from January to December of each year. An annual salary increase takes effect on March 1st of each year.
- (9) The fair value of the dividend distributions in the year pursuant to the DSU Plan, the RSU Plan, the PSU Plan and PDSU Plan is based on the average market value of the Common Shares underlying the units for the preceding five business days leading up to the dividend payment date. The fair value of new units granted pursuant to the PSU and PDSU Plans is based on the average market value of the Common Shares underlying the units for the preceding five business days leading up to the grant date. This methodology was used because it is the most accurate reflection of the average market value.
- (10) Amount shown is the STIP paid pursuant to the Annual Incentive Plan. In 2018 the EPS target was \$1.84. In 2017, the adjusted EPS target was \$1.84. In 2016, the adjusted return on equity target was 19.23%.
- (11) The amount shown includes, as applicable, MCAN's contributions under MCAN's ESOP, DPSP and the interest obligations of the NEOs to MCAN that were reimbursed by the Corporation, at its discretion, in connection with loans provided pursuant to the ESP Plan.

## OUTSTANDING SHARE-BASED AWARDS

The following tables outline all share-based awards granted to the NEOs entitled to receive such awards and outstanding at December 31, 2018:

Name	Share-Based Awards Deferred Share Units (DSUs)		
	Number of Unvested DSUs (#)	Market or Payout Value of Unvested DSUs (\$)	Market or Payout Value of Vested DSUs Not Paid Out or Distributed (\$)
William Jandrisits <sup>(1)</sup> Former CEO	Nil	Nil	Nil

Notes:

- (1) Pursuant to the DSU Plan, Mr. Jandrisits received the cash value of his DSUs in the amount of \$1,029,277, following his departure in October 2018. The value was calculated in accordance with the terms of the DSU Plan by multiplying the number of vested DSUs by the value of the Common Shares on the TSX on the first trading day following the departure.

Name	Share-Based Awards Performance Share Units (PSUs) <sup>(3)</sup>		
	Number of Unvested PSUs (#)	Market or Payout Value of Unvested PSUs <sup>(4)</sup> (\$)	Market or Payout Value of Vested PSUs Not Paid Out or Distributed (\$)
Dipti Patel VP, CFO	8,548	108,738	Nil
Martin Beaudry VP, SFMO	3,955	50,311	Nil
Carl Brown VP, Treasurer	7,886	100,317	Nil
William Jandrisits <sup>(1)</sup> Former CEO	Nil	Nil	22,122
Jeffrey Bouganim <sup>(2)</sup> Former CFO	Nil	Nil	Nil

Notes:

- (1) At the time of Mr. Jandrisits' departure in October 2018, 1,556 PSUs were cancelled and 1,739 PSUs remained outstanding. The outstanding PSUs will be paid out if the performance targets are reached.
- (2) At the time of his resignation, all of Mr. Bouganim's PSUs were cancelled.



- (3) Pursuant to the PSU Plan, the NEOs do not receive the cash value of the PSUs or any additional PSUs received as a result of dividend distributions, until three years following the award of the PSUs, subject to continued employment with MCAN and on the achievement of the Corporation's EPS performance approved by the Board.
- (4) The market or payout value is the value of the Common Shares underlying the unvested PSUs at the average market value of the Common Shares on the TSX for the five business days preceding December 31, 2018 (being the last trading day of 2018) which was \$12.7209.

Name	Share-Based Awards Performance Deferred Share Units (PDSUs) <sup>(2)</sup>		
	Number of Unvested PDSUs (#)	Market or Payout Value of Unvested PDSUs <sup>(3)</sup> (\$)	Market or Payout Value of Vested PDSUs Not Paid Out or Distributed (\$)
Robert Horton VP, Strategic Initiatives	8,549	108,751	Nil
William Jandrisits <sup>(1)</sup> Former CEO	Nil	Nil	192,340

Notes:

- (1) At the time of Mr. Jandrisits' departure in October 2018, 15,557 PDSUs were cancelled and 15,120 PDSUs remained outstanding. The outstanding PDSUs will be paid out if the performance targets are reached.
- (2) Pursuant to the PDSU Plan, the NEO does not receive the cash value of the PDSUs or any additional PDSUs received as a result of dividend distributions, until retirement/termination date and on the achievement of the Corporation's EPS performance approved by the Board.
- (3) The market or payout value is the value of the Common Shares underlying the unvested PDSUs at the average market value of the Common Shares on the TSX for the five business days preceding December 31, 2018 (being the last trading day of 2018) which was \$12.7209.

## INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING THE YEAR

Name and Principal Position		Year	Share-Based Awards – Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
			Long-Term Incentive Plan <sup>(1)</sup> (\$)	Annual Incentive Plan <sup>(2)</sup> (\$)
<b>NEOs</b>				
Dipti Patel VP, CFO		2018	25,080	67,860
Martin Beaudry VP, SFMO		2018	Nil	56,784
Carl Brown VP, Treasurer		2018	37,906	61,091
Robert Horton VP, Strategic Initiatives		2018	23,665	NIL
<b>Former NEOs</b>				
William Jandrisits Former CEO		2018	246,221	NIL
Jeffrey Bouganim Former CFO		2018	139,676	NIL

Notes:

- (1) The amounts shown are the value of the RSUs that vested and that were paid in 2018 pursuant to the RSU Plan.
- (2) The amounts shown were paid pursuant to the Annual Incentive Plan.

## HEDGING OF ECONOMIC RISKS FOR PERSONAL EQUITY OWNERSHIP

All executives and directors are prohibited from entering into transactions that have the effect of hedging the economic value of any direct or indirect interests by such persons in Common Shares, unless such transactions are executed and disclosed in full compliance with all applicable regulations and have been previously approved by the CRCG&HR Committee.

## TERMINATION AND CHANGE OF CONTROL BENEFITS

The Company had employment agreements in place with each NEO during 2018. The details relating to payments and other obligations arising under various scenarios pursuant to the terms of employment agreements and plan terms and conditions are described below. Except where stated otherwise, (i) the salaries of each NEO will cease as of the date of termination, and (ii) each NEO is entitled to receive any accrued and outstanding base salary and amounts owing under the Company's benefits program, including accrued vacation pay, up to the date of termination.

Termination of Employment without Cause	
Severance	<p>Ms. Patel is entitled to salary continuance in an amount equal to her base salary plus the average annual incentive for the immediately preceding three years, for a period equal to the Severance Period (as defined below) or until re-employment, whichever is earlier. In the event of re-employment, or upon request, Ms. Patel is entitled to a lump sum payment of 50% of salary continuance for the balance of the Severance Period. The Severance Period is equal to 6 months until the fifth anniversary of employment upon which time it increases to 7 months and increases by one additional month on each anniversary of commencement of employment thereafter, to a maximum of 24 months. Ms. Patel's Severance Period is 11 months based on 9 years of employment.</p> <p>Mr. Beaudry is entitled to a lump sum payment in an amount equal to his base salary plus the average annual incentive for the immediately preceding three years, for a period equal to the Severance Period (as defined below). The Severance Period is equal to 1 month per completed year of service to a maximum of 24 months. Mr. Beaudry's Severance Period is 2 months based on 2 years of employment.</p> <p>Mr. Brown is entitled to salary continuance in an amount equal to his base salary plus the average annual incentive for the immediately preceding three years, for a period equal to the Severance Period (as defined below) or until re-employment, whichever is earlier. In the event of re-employment, or upon request, Mr. Brown is entitled to a lump sum payment of 50% of salary continuance for the balance of the Severance Period. The Severance Period is equal to 6 months until the fifth anniversary of employment upon which time it increases to 7 months and increases by one additional month on each anniversary of commencement of employment thereafter, to a maximum of 24 months. Mr. Brown's Severance Period is 8 months based on 6 years of employment.</p>
Annual Incentive	If terminated prior to the end of any fiscal year, the NEOs are not entitled to the current year's annual incentive. All employees, including the NEOs, must be actively employed at the time of payment to receive any incentive payment.
RSUs	In the event of termination without cause, all NEOs are entitled to vest a pro rata number of RSUs based on the number of days during the vesting period prior to termination compared to the entire term of the vesting period. The balance of RSUs is forfeited and cancelled.
PSUs	In the event of termination without cause, all NEOs are entitled to vest a pro rata number of PSUs based on the number of days during the vesting period prior to termination compared to the entire term of the vesting period. The balance of PSUs is forfeited and cancelled. Payout of the vested PSUs are still subject to the performance requirements.
Other	All the NEOs are entitled to continued coverage under the Corporation's benefits program for the duration of the notice period or until re-employment, whichever is earlier.

None of the NEOs have any contract, agreement, plan or arrangement with MCAN that provides for payments to the NEO at, following or in connection with any Change of Control, other than the termination arrangements.

The following table shows the estimated incremental payments that would be paid to each NEO following the termination of their employment without cause, assuming the triggering event took place on December 31, 2018:

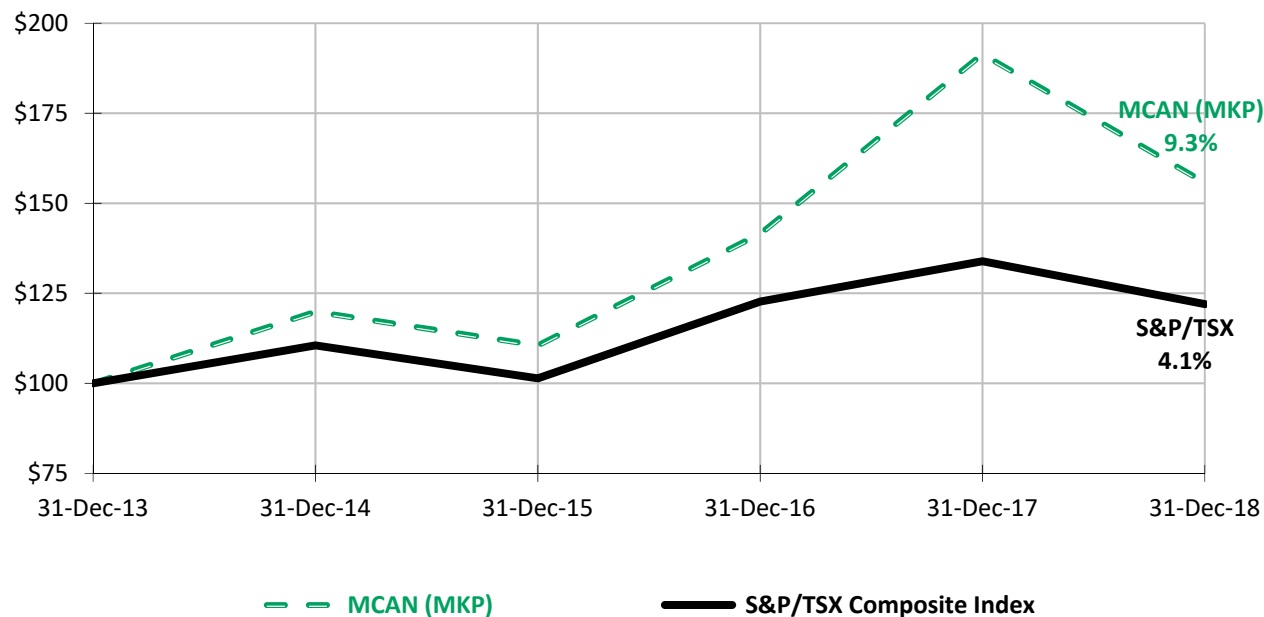
Event	Dipti Patel (\$)	Martin Beaudry (\$)	Carl Brown (\$)
<b>Termination with Cause</b>			
Severance	-	-	-
Annual Incentive	-	-	-
RSU/PSU	-	-	-
Other	-	-	-
<b>Termination without Cause</b>			
Severance	206,250	33,800	136,667
Annual Incentive	45,982	45,050	63,741
RSU/PSU	59,419	17,969	56,062
Other	13,214	3,014	13,459
<b>Change of Control</b>			
Severance	206,250	33,800	136,667
Annual Incentive	45,982	45,050	63,741
RSU/PSU	108,738	50,311	100,317
Other	13,214	3,014	13,459
<b>Death</b>			
Severance	-	-	-
Annual Incentive	-	-	-
RSU/PSU	59,419	17,969	56,062
Other	-	-	-
<b>Resignation</b>			
Severance	-	-	-
Annual Incentive	-	-	-
RSU/PSU	-	-	-
Other	-	-	-
<b>Retirement<sup>(1)</sup></b>			
Severance	-	-	-
Annual Incentive	-	-	-
RSU/PSU	59,419	17,969	56,062
Other	-	-	-

Notes:

(1) Retirement is defined as age 55 with at least 5 years of service.

## PERFORMANCE GRAPH

The following graph compares MCAN's cumulative total shareholder return (assuming an investment of \$100 on December 31, 2013) on its Common Shares during the period from January 1, 2014 to December 31, 2018, with the S&P/TSX Composite Index (Total Return), assuming reinvestment of all dividends.



	Jan 1 2014	Dec 31 2014	Dec 31 2015	Dec 31 2016	Dec 31 2017	Dec 31 2018	Compound Annual Growth
MCAN	\$100.00	\$119.88	\$110.53	\$141.56	\$191.42	\$155.74	9.3%
S&P/TSX Composite Index	\$100.00	\$110.55	\$101.36	\$122.73	\$133.89	\$121.99	4.1%

The compensation paid to MCAN's NEOs is not contingent upon the performance of the Common Shares on the TSX except to the extent of the applicable NEO's participation in the DSU Plan, the RSU Plan, the PSU Plan and the PDSU Plan. In 2016, annual incentives awarded were based on adjusted return on equity and personal performance factors. In 2017, annual incentives awarded were based on adjusted EPS and personal performance factors. For 2018 annual incentives awarded were based on EPS and personal performance factors.

MCAN outperformed the TSX Composite Index over the past five years and in four of the five years but specifically did not outperform in 2018. We believe the positive trend in total shareholder returns is based on various internal and external factors and in part on the trend in MCAN's earnings per Common Share, return on shareholders' equity and dividend payments.

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

MCAN maintains a directors' and officers' liability insurance policy for the benefit of its directors and officers. The policy has an aggregate insurance limit of \$10 million with a \$50,000 deductible for certain types of claims. The cost of coverage for 2018 was \$52,500.

## INDEBTEDNESS OF DIRECTORS AND OFFICERS

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

AGGREGATE INDEBTEDNESS (\$) (As of March 15, 2019)		
Purpose	To MCAN or its Subsidiaries	To Another Entity
Common Share purchases	\$1,613,305 <sup>(1)</sup>	Nil
Other	Nil	Nil

(1) Pursuant to the ESP Plan, details of which are set out on page 30 of this Circular.

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

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS UNDER (1) SECURITIES PURCHASE PROGRAMS AND (2) OTHER PROGRAMS <sup>(1)</sup>						
Name and Principal Position	Involvement of Corporation or Subsidiary	Largest Amount Outstanding During 2018 Fiscal Year	Amount Outstanding as at March 15, 2019	Financially Assisted Securities Purchases During 2018 Fiscal Year	Security for Indebtedness	Amount Forgiven During 2018 Fiscal Year <sup>(2)</sup>
Common Share Purchase Program <sup>(3)</sup>						
Current NEOs	Accounts Receivable of 6212484 Canada Inc. as Lender <sup>(4)</sup>					
Karen Weaver Interim CEO		\$299,997	\$296,587	21,316	Common Shares	Nil
Martin Beaudry VP, SFMO		\$96,844	\$90,806	Nil	Common Shares	Nil
Carl Brown VP, Treasurer		\$122,840	\$111,139	Nil	Common Shares	Nil
Former NEOs						
William Jandrisits <sup>(5)</sup> Former CEO		\$468,889	\$417,962	Nil	Common Shares	Nil
Jeffrey Bouganim Former CFO		\$133,990	Nil	Nil	Common Shares	Nil

(1) There is no indebtedness under any other program other than the ESP Plan.

(2) No amounts have been forgiven since the ESP Plan was established.

(3) Details of the ESP Plan are set out on page 30 of this Circular.

(4) 6212484 Canada Inc. is a wholly-owned subsidiary of MCAN.

(5) Mr. Jandrisits has until October 8, 2019 to repay the amount outstanding.

## DIVIDEND REINVESTMENT PLAN

In 2011, MCAN received approval from the TSX to amend and restate its dividend reinvestment plan effective November 11, 2011 (the "**Dividend Reinvestment Plan**") to, among other things, provide eligible participants with a 2 per cent (2%) discount on the purchase of Common Shares issued from treasury. Prior to the amendment, Common Shares purchased from treasury under the Dividend Reinvestment Plan were issued by MCAN without any discount to the "average market price" (as such term was defined in the prior plan). Pursuant to the amended terms of the Dividend Reinvestment Plan, the discount is effective until further notice from MCAN. Notwithstanding the foregoing, MCAN continues to reserve the right to deliver Common Shares purchased on the open market, in which case the discount would not apply.

Pursuant to the Dividend Reinvestment Plan, as amended, cash dividends paid to participating holders of Common Shares (less any applicable withholding taxes) are automatically reinvested in Common Shares purchased by Computershare, as agent, at MCAN's discretion, either (i) on the open market at market prices or (ii) from treasury at the weighted average trading price for Common Shares on the TSX for the five (5) trading days preceding the relevant dividend payment date less a discount of 2 per cent (2%).

There are no commissions, service charges or brokerage fees payable by participants under the Dividend Reinvestment Plan, except where purchases of Common Shares under the Dividend Reinvestment Plan are made on the open market. Such purchases are made through registered brokers whose fees are included in determining the average weighted cost to participants of Common Shares so purchased. All other administrative costs of the Dividend Reinvestment Plan, including the fees and expenses of Computershare, as agent, are borne by 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 MCAN's Corporate Secretary at (416) 591-5214, and a copy of the Dividend Reinvestment Plan is also available on MCAN's website at [www.mcanmortgage.com](http://www.mcanmortgage.com) under the heading "Investor Relations" or on SEDAR at [www.sedar.com](http://www.sedar.com). 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 by the participant in accordance with the terms of the Dividend Reinvestment Plan.

## **INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as described herein under "Indebtedness of Directors and Officers" and "Directors' Compensation", no informed person of the Corporation, proposed director, or any associate or affiliate thereof, had a material interest in any transaction since the commencement of the Corporation's most recently completed financial year or has a material interest in any proposed transaction that has materially affected or would materially affect the Corporation or any of its subsidiaries.

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

Except as described herein, no person who has been a director or executive officer of MCAN at any time since the beginning of the 2018 financial year, or any nominees for election as a director or any associate or affiliate of any of them has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

## **OTHER BUSINESS**

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

## **AVAILABILITY OF DOCUMENTS**

You may request copies of the following documents, at no charge, from the Corporate Secretary, MCAN Mortgage Corporation, 200 King Street West, Suite 600, Toronto, Ontario, M5H 3T4:

1. MCAN's latest annual information form together with any document, or the pertinent pages of any document, incorporated by reference therein;
2. MCAN's comparative financial statements for the fiscal year ended December 31, 2018 together with the accompanying report of the auditors thereon and any subsequent interim financial statements and management's discussion and analysis of operations thereto; and
3. this Circular.

These documents, as well as additional information relating to MCAN, are also available at [www.mcanmortgage.com](http://www.mcanmortgage.com) and on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information regarding MCAN is provided in the Corporation's comparative annual financial statements and management's discussion and analysis of operations for the fiscal year ended December 31, 2018.

## SHAREHOLDER PROPOSALS

The Act permits certain eligible shareholders to submit shareholder proposals for inclusion in a management proxy circular for an annual meeting of shareholders. Any proposal by an eligible shareholder intended to be presented at the 2020 annual meeting of shareholders should be directed to the attention of the Corporate Secretary of MCAN. In order to be included in the proxy material for that meeting, the proposal must be received at our office at 200 King Street West, Suite 600, Toronto, Ontario, M5H 3T4 by November 22, 2019.

## DIRECTORS' APPROVAL

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



Karen H. Weaver  
Director, Interim Chief Executive Officer

## SCHEDULE “A” – BY-LAW NO. TEN AMENDMENTS

Sections 3.01, 3.04 and 3.17 of By-law No. Ten of the Corporation be repealed and replaced with the following:

- 3.01 Number of Directors and Quorum** - Until changed in accordance with the Act, the Board shall consist of eight (8) directors, of whom (a) a majority shall be resident Canadians for the purposes of the Act and (b) a majority or such greater number as may be required under the Governing Legislation shall be outside directors, not affiliated with the Corporation and a majority shall constitute a quorum at any meeting of the Board. Subject to any exceptions contained in the Act, a majority of the quorum at any meeting of the Board must be resident Canadians.
- 3.04 Election and Term** – Shareholders shall, at each annual meeting of shareholders, elect directors to hold office until the close of the next annual meeting of shareholders and all the directors then in office shall retire but, if qualified, shall be eligible for re-election. The number of directors to be elected at each such meeting shall be the number of directors fixed pursuant to Section 3.01. Except where the Act or these by-laws provide for cumulative voting for the election of directors, the persons, to the number authorized to be elected, who have the greatest number of votes at any election shall be the directors. If, at any election referred to in the preceding sentence, two or more persons have an equal number of votes and there are not sufficient vacancies remaining to enable all the persons receiving an equal number of votes to be elected, the directors who receive a greater number of votes or the majority of them shall, in order to complete the full number of directors, determine which of the persons so receiving an equal number of votes are to be elected. If any director makes an assignment for the benefit of creditors or comes within the operation of any insolvency law he thereupon ceases to be a director. The election of directors shall take place by way of cumulative voting in accordance with the Act where the aggregate of the voting shares of the Corporation beneficially owned by a person and any entities controlled by the person carries more than 10% of the voting rights attached to all the outstanding voting shares of the Corporation.
- 3.17 Remuneration of Directors** – The directors shall be paid such remuneration for their services, if any, as the Board may from time to time by resolution determine, to the extent that such remuneration in the aggregate shall not exceed \$1,000,000 in any year until changed by directors' remuneration By-law, and such remuneration shall be in addition to any professional fees paid to a director in a professional capacity or any salary paid to a director who is also an officer or employee of the Corporation subject to the provisions of Section 6.10 hereof. The Board may by resolution from time to time award special remuneration out of the funds of the Corporation to any director who performs any special work or service for, or undertakes any special mission on behalf of, the Corporation outside the work or services ordinarily required of a director by the Corporation. In addition, each director shall also be reimbursed in respect of his or her out-of-pocket expenses properly incurred in attending Board, committee and shareholders' meetings or otherwise in respect of the performance by him or her of his or her duties as a director, as the Board may from time to time determine. For the purposes hereof “directors' remuneration By-law” means a By-law fixing the aggregate of all amounts that are to be paid to all directors in respect of directors' remuneration during a fixed period of time that has been confirmed by Special Resolution. The following payments, which may be made by the Corporation to a person who is a director, shall not be subject to the limitation of the directors' remuneration By-law: (a) any professional fees paid to a director for services provided in a professional capacity, (b) in the case of a person who is a director and is also an officer or an employee of the Corporation, any salary paid to such a person in respect of the office or employment, (c) special remuneration out of the funds of the Corporation awarded to any director who performs any special work or service for, or undertakes any special mission on behalf of, the Corporation outside the work or services ordinarily required of a director by, the Corporation, and (d) reimbursement of a director's out-of-pocket expenses properly incurred by the director in attending Board, committee and shareholders' meetings or otherwise in respect of the performance by the director of the duties of a director, subject to such limitation as the Board may from time to time determine.



## **SCHEDULE “B” – BOARD MANDATE**

### **Role**

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

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

### **Membership and Operations**

1. The composition and organization of the Board, including the number, qualifications and remuneration of directors; the independence of directors; the number of Board meetings; Canadian residency requirements; quorum requirements; meeting procedures and notices of meetings are as established by the governing legislation and MCAN's by-laws and policies in effect from time to time.
2. A majority of the directors shall be resident Canadians, shall be independent in accordance with the requirements of laws governing MCAN, the applicable stock exchange on which MCAN's securities are listed, applicable securities regulatory authorities and MCAN's Director Independence Policy, and no more than two-thirds of the directors shall be “affiliated” with MCAN for the purpose of the Trust and Loan Companies Act (Canada).
3. Each member of the Board shall satisfy the applicable experience requirements of laws governing MCAN, the applicable stock exchange on which MCAN's securities are listed and applicable securities regulatory authorities.
4. The Board shall meet at least five times in each year, a majority of directors shall constitute a quorum at any meeting of the Board, and a majority of directors participating in any meeting shall be resident Canadians.

### **Responsibilities and Duties**

#### Culture of Integrity and Ethics

1. Promote a culture of integrity at MCAN. The Board shall satisfy itself as to the integrity of the Chief Executive Officer (the “CEO”) and the executive officers, and that the CEO and executive officers create a culture of integrity throughout MCAN.
2. Approve MCAN's Code of Business Conduct & Ethics (the “Code”) and, through the Conduct Review, Corporate Governance & Human Resources Committee, monitor compliance thereof.
3. Establish policies and procedures for dealing with all matters related to integrity and ethics, including conflicts of interest, related party transactions and the treatment of confidential information.

#### Strategic Planning and Performance Oversight

4. Develop and adopt MCAN's strategic planning process and annually approve a strategic plan which takes into account, among other things, the opportunities and risks of MCAN's business. The strategic plan must address an annual review of the budget, structure and resources for all functions.
5. At least quarterly obtain and review a report from management on progress of the strategic plan, specifically from Investments, Single Family, Securitization, and Deposits.
6. Approve all major corporate decisions and strategic initiatives, including the Non-Marketable Securities.
7. Review and approve MCAN's financial objectives, plans and actions, including liquidity, funding, capital issuances, capital allocations and expenditures, and the declaration of dividends.
8. Monitor investment practices of any subsidiary and every joint venture/partnership in which MCAN is a participant to ensure adherence to prudent investment standards.

### Risk Management and Compliance

9. Ensure an effective risk culture by overseeing the implementation, by management, of appropriate systems to identify, quantify and manage the principal risks of MCAN's business. Receive regular updates from management on the status of the principal risks and management activities and initiatives.
10. Ensure risk management controls are appropriate and regularly assessed for effectiveness.
11. Review at least annually and approve as required the risk appetite framework and risk-based capital requirements and approve the appropriate capital level for risk.
12. Review and approve MCAN's Internal Capital Adequacy Assessment Process ("ICAAP").
13. Oversee the policies and processes to identify and ensure compliance with applicable legal and regulatory requirements.
14. Approve exceptions and/or specific transactions as required by the Company's underwriting policies.

### Succession Planning

15. Oversee and approve MCAN's succession planning processes, including the selection, appointment, development, evaluation and compensation of the Chair of the Board, Lead Director, Board members, the CEO and executive officers, including the heads of MCAN's oversight functions.
16. Review and approve the establishment of annual performance targets and short-term and long-term corporate goals and objectives for the CEO and executive officers, including the heads of MCAN's oversight functions.
17. Oversee MCAN's general approach to human resources and compensation philosophy.

### Communications and Public Disclosure

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

### Internal Controls

20. Oversee the internal control and management information systems, monitor the integrity and effectiveness of such systems and obtain assurances on a regular basis that these systems and controls are designed and operating effectively.
21. Review reports on the effectiveness of internal control over financial reporting from management, internal and external auditors.

### Corporate Governance

22. Oversee MCAN's approach to corporate governance issues, the disclosure and reporting thereof, including independence from management and the independence of individual directors.
23. At the recommendation of the Conduct Review, Corporate Governance & Human Resources Committee, annually determine those individual directors proposed to be nominated for election at the next annual meeting of shareholders.
24. Oversee formal evaluations of the Board, all Board committees, individual directors, the Chair of the Board and the CEO, with the assistance of independent external advisors as required, with the scope and frequency of such external input to be established by the Conduct Review, Corporate Governance & Human Resources Committee.
25. Establish Board committees, define their mandates and, subject to applicable law, delegate such matters to any committee in order to assist the Board in carrying out its duties and responsibilities.

26. Oversee compliance with MCAN's governance policies in effect from time to time, including the Director Independence Policy.

#### Director Expectations and Responsibilities

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

#### Communication with Directors

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

Chair of the Board

MCAN Mortgage Corporation  
200 King Street West  
Suite 600  
Toronto, Ontario  
M5H 3T4

Reviewed: November 2018