



**HOME CAPITAL GROUP INC.**

**ANNUAL INFORMATION FORM**

**March 20, 2008**

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## FORWARD-LOOKING STATEMENTS

From time to time Home Capital Group Inc. (the “Company” or “Home Capital”) makes written and verbal forward-looking statements. These are included in the Annual Report, periodic reports to shareholders, regulatory filings, press releases, Company presentations and other Company communications. Forward-looking statements include, but are not limited to, business objectives and targets, Company strategies, operations, anticipated financial results and the outlook for the Company, its industry, and the Canadian economy. These statements regarding expected future performance are “financial outlooks” within the meaning of National Instrument 51-102. Please see the risk factors, which are set forth in detail on pages 24 through 30 of the Company’s 2007 Annual Report, as well as its other publicly filed information, which may be located at [www.sedar.com](http://www.sedar.com), for the material factors that could cause the Company’s actual results to differ materially from these statements. Forward-looking statements are typically identified by words such as “believe,” “expect,” “anticipate,” “estimate,” “plan,” “may,” and “could” or other similar expressions.

By their very nature, these statements require us to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These risks and uncertainties include, but are not limited to, global capital market activity, changes in government monetary and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, competition and technological change. The preceding list is not exhaustive of possible factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. The Company does not undertake to update any forward-looking statements, whether written or verbal, that may be made from time to time by it or on its behalf, except as required by securities laws.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

On December 12, 1979, Sonor Petroleum Corporation, a predecessor company to Home Capital Group Inc. was continued under the *Canada Business Corporations Act*. On March 21, 1986, under new management, the name of Sonor Petroleum Corporation was changed to Sonor Resources Corporation (a virtually inactive energy company) and, on December 31, 1986, was further changed to Home Capital Group Inc. On July 18, 1988, Home Capital was continued under the *Business Corporations Act (Ontario)*. The Company’s registered and principal office is located at 145 King Street West, Suite 2300, Toronto, Ontario, M5H 1J8.

### Intercorporate Relationships

Home Capital is a public company that primarily operates through its 100% wholly owned subsidiary Home Trust Company, previously known as Home Savings & Loan Corporation. Home Savings & Loan Corporation was incorporated on September 28, 1977 under the *Loan and Trust Corporations Act (Ontario)*. On March 9, 2000, Letters Patent of Continuance were issued authorizing Home Savings & Loan Corporation to carry on business as Home Trust Company under the *Trust and Loan Companies Act (Canada)*. By Amending Letters Patent dated May 8, 2007, the French name of Home Trust Company was changed from Société de Fiducie Home to Compagnie Home Trust. On October 29, 2007, the Company acquired 100% of the issued and outstanding common shares of Payment Services Interactive Gateway Corp. for cash consideration of \$18.4 million.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

Home Capital is a publicly traded corporation on the Toronto Stock Exchange (TSX) whose principal asset is its wholly-owned subsidiary, Home Trust Company (“Home Trust”). Home Trust is a federally regulated trust company offering deposit, mortgage lending, securitization of insured residential first mortgages, retail credit and payment card services. Home Trust is licensed to conduct business across Canada, with offices in Ontario, Alberta, British Columbia, Nova Scotia and Quebec. From 2004 to 2007, Home Capital’s total assets grew by \$2.40 billion from \$2.57 billion to \$4.97 billion at December 31, 2007. The Company also administers mortgage

assets that have been securitized through the Company's Mortgage-Backed Securities (MBS) program. The total assets administered through this program amounted to \$1.46 billion at December 31, 2007.

## **Highlights of the Last Three Years**

### **Fiscal 2005**

Home Trust on May 9, 2005, obtained a license to conduct all trust activities in the province of Quebec. Initially, this license was used to expand the Company's business relationship in the VISA merchant acquiring business partnership with First Data International. Home Trust has since expanded into the Quebec mortgage lending market.

On July 24 2005, the Company successfully completed conversion to a new provider of credit card processing services, Certegy Card Services, Inc., which has since been acquired by Fidelity Information Services ("Fidelity"). Fidelity is a leading provider of credit card processing services to credit unions and regional banks across North America.

In November 2005, Standard & Poor's (S&P) assigned its BBB/A-2 long-term and short-term counterparty ratings to Home Trust Company and BBB-/A-3 to Home Capital Group Inc. Home Trust Company was the only trust company in Canada, which is not a subsidiary of a major bank, to have received an investment grade rating from S&P. These S&P investment grade ratings, together with the Company's previously announced investment grade ratings from Fitch Ratings, enable Home Capital and Home Trust to access the public debt market at favourable rates, if required, to help fund future growth.

### **Fiscal 2006**

The Company's overall asset base experienced another year of strong double-digit growth in 2006. From January 1, 2004 to December 31, 2006, the Company's total assets grew by \$2.00 billion, from \$1.90 billion to \$3.90 billion. Total assets, including assets under administration through the MBS program, for the period January 1, 2004 to December 31, 2006 grew by \$2.80 billion from \$2.21 billion to \$5.01 billion.

Early in 2006, the Company announced a change to its VISA products with the re-launching of the Equity Plus VISA as Equityline VISA, providing clients with a VISA Gold product. This switch proved to be financially beneficial to the Company as this product grew to account for \$152.7 million of the outstanding VISA balance at December 31, 2006.

Late in 2006 after considerable analysis and evaluation, Home Trust commenced mortgage warehouse lending, wherein the Company lends a small percentage of the value of high-quality real estate loans and then carries the loans for a short period. The Company chose to enter the market to utilize excess borrowing capacity in a manner that compliments our existing skills and market reach. As at December 31, 2006 the Company was committed for \$50 million and had advanced \$28.3 million.

### **Fiscal 2007**

The Company experienced another strong year of growth, achieving all of its financial objectives. The Company's overall asset base continued a trend of double-digit growth. From January 1, 2005 to December 31, 2007, the Company's total assets grew by \$2.40 billion to reach \$4.97 billion. Total assets, including assets under administration through the Company's MBS program, for the period January 1, 2005 to December 31, 2007 grew by \$3.36 billion, from \$3.07 billion to reach \$6.43 billion.

During the year, the Company completed the acquisition of Payment Services Interactive Gateway Corp. ("PSiGate") and commenced the process of integrating PSiGate's operations to complement the Company's VISA card services line of business. As a result of this acquisition, Home Trust now offers payment processing services to internet-based merchants. Over time, this offering is expected to further enhance earnings from credit card services.

The Board of Directors approved a Normal Course Issuer Bid, commencing on August 1, 2007. From time to time, the market price of the Company's shares do not fully reflect the value of its business and future prospects

and as such the purchase of outstanding shares may represent an appropriate use of the Company's available funds. As at December 31, 2007 the Company repurchased 110,400 shares at a cost of \$3.9 million.

The Company recognizes the importance of providing value for its shareholders and during 2007 this was further enhanced through a significant increase in total declared share dividends, rising 41.9% over the prior year to end the year at \$0.44 per share compared to \$0.31 per share at the end of 2006.

The Company's key priorities moving forward are to continue business growth across all operating segments, continue efforts in minimizing credit losses, enhance marketing opportunities by cross selling products and achieve further market penetration. The Company is committed to meeting the targets set out on page 5 of the 2007 Annual Report.

### **Significant Acquisitions During Last Fiscal Year**

There were no significant acquisitions (within the meaning of such term under Part 8 of National Instrument 51-102) or dispositions that occurred during the year ended December 31, 2007. The Company did acquire Payment Services Interactive Gateway Corp., the details of which are described below.

On August 16, 2007, the Company announced that it had entered into a definitive support agreement with PSiGate pursuant to which the Company offered to acquire all of the issued and outstanding common shares of PSiGate for cash consideration of \$1.60 per common share or \$18.4 million. On October 17, 2007, 11,013,629 (95.9%) PSiGate common shares had been tendered to the Company's offer. As of October 29, 2007, the balance of the remaining outstanding common shares were acquired by the Company. The estimated fair value of total assets and liabilities assumed at the date of acquisition was \$20.4 million and \$2.0 million respectively, including goodwill of \$12.7 million and intangible assets of \$1.2 million. Income and expenses from PSiGate are included in the consumer lending segment of Note 18 in the 2007 Annual Report and consolidated in the accounts of the Company from October 16, 2007.

Further information regarding the development of the Company over the last three fiscal years can be found under the heading "Report to Shareholders" on pages 1 through 5 of the Company's 2007 Annual Report, on pages 1 through 5 of the Company's 2006 Annual Report and on pages 5 through 6 of the Company's 2005 Annual Report, which are incorporated herein by reference.

## **DESCRIPTION OF THE BUSINESS**

### **General**

The principal business of Home Capital is conducted through its wholly owned subsidiary, Home Trust, a federally regulated financial institution that provides deposit services, mortgage lending, securitization of insured residential first mortgages, payment card services and retail lending. Home Trust focuses on providing residential first mortgages to borrowers that fail to meet all of the major banks' lending requirements. At December 31, 2007, Home Trust operated through six branches located in Toronto, St. Catharines, Calgary, Vancouver, Halifax and Montreal. At that date 377 full-time staff were employed.

### **Competition**

Home Capital competes with regulated and unregulated mortgage lenders such as Canadian chartered banks, insurance companies, other financial institutions and other lenders who provide mortgage financing in the single family dwelling, multi-unit residential and commercial mortgage lending segments as well as in the raising of deposits, namely guaranteed investment certificates, registered retirement savings plans and registered retirement income funds and short-term certificates. Further, the Company competes against regulated financial institutions that provide payment card services.

### **Mortgage and Deposit Business**

Home Trust's principal line of business continues to be mortgage lending on residential properties that is primarily funded by retail deposits. In late 2006, the Company created a commercial mortgage lending division which experienced considerable growth in 2007. These loans are recorded under Other mortgages on the Consolidated Balance Sheet.

Home Trust's residential borrowers primarily consist of self-employed individuals, individuals with a short or limited credit history and individuals with some impairment in their credit history. These borrowers are referred through an extensive mortgage broker network, from other financial institutions as well as current customers of Home Trust.

It is Home Trust's policy to set large credit risk limits on our residential mortgages as follows:

- The aggregate exposure of Home to any entity or a connection shall not exceed the lesser of \$7.5 million or 2.5 percent of total regulatory capital without the approval of an independent member of the Risk and Capital Committee;
- The total aggregate exposure to any entity or connection is not to exceed the lesser of \$15.0 million or 5 percent of total regulatory capital without the approval of both the Risk and Capital Committee and the Board of Directors; and
- The CEO or President may approve transactions subject to the level of authority delegated to them by the Board of Directors.

Residential mortgage lending management will regularly review portfolio concentrations within defined geographic areas, dwelling types and mortgage priority to ensure that Home Trust is not overexposed in any particular area.

The Company accelerated commercial mortgage lending in 2007 and is committed to a credit culture that embraces prudent lending practices. The approval of commercial mortgage applications requires a formally documented determination of the realizable value of the property as well as an assessment of the borrower's capacity and willingness to pay the mortgage. In order to mitigate the risks resulting from portfolio overexposure, underwriting decisions are subject to the constraints of predetermined and approved portfolio concentration limits.

The majority of Home Trust's commercial mortgage business is derived from a select group of well-respected and established commercial mortgage brokers. Industry reputation and a clear understanding of our lending standards are critical in our selection of brokers.

Home Trust has set the following large credit risk exposure limits for its commercial mortgage lending portfolio:

- The individual exposure of Home Trust to any entity or a connection shall not exceed 5 percent of total regulatory capital without the approval of the Risk and Capital Committee.
- The aggregate exposure to any entity or connection is not to exceed 20 percent of total regulatory capital without the approval of both the Risk and Capital Committee and the Board of Directors.

Management will regularly review commercial mortgage lending portfolio concentrations within defined geographic areas and property types to ensure that Home Trust is not overexposed in any particular area.

Home Trust takes deposits in the form of short-term deposits, guaranteed investment certificates, registered retirement savings plans and registered retirement income funds. Deposits are raised through deposit brokers or directly through the Toronto branch. The deposit funds are then invested into the Company's loans portfolio with any excess absorbed by the Company's liquidity or securities portfolio in order to maximize returns.

Home Trust commenced securitization of pools of residential mortgages, insured by Canada Mortgage and Housing Corporation (CMHC) on December 7, 2000. These residential mortgages originated by Home Trust are pooled, securitized and issued to investors as CMHC-insured MBS. Interest is paid to the investors at the coupon rate stated on the MBS. The Company retains an ongoing interest in the net future cash flows of the MBS (the difference between the weighted-average mortgage rate and the MBS coupon rate, less a normal servicing fee and an estimated principal pay down). At the time of sale of the MBS, the Company values the ongoing interest based on management's best estimate of the net present value of the future net cash flows to be received from the pool and recognizes a gain on the sale of the MBS. The net present value of all future net cash flows to be recovered is recorded on the balance sheet as securitization receivable. Further, in the latter half of 2007, the Company began participating in the Canada Mortgage Bond program sponsored by CMHC and administered

through Canada Housing Trust. This program provides the Company with an alternate distribution channel to diversify its funding stream for five-year MBS pools. As at December 31, 2007, the assets under administration for these programs amounted to \$1.46 billion and the securitization receivable was \$64.0 million. Additional information regarding the Company's securitization activities can be found in Note 6 of the Notes to the Consolidated Financial Statements on pages 46 and 47 of the 2007 Annual Report.

In late 2003 Home Trust entered into an arrangement with Regency Finance Corp. (Regency), a Canadian company based in Toronto. Home Trust is Regency's exclusive agent in offering second mortgage loans to homebuyers in Ontario. This product provides financing to borrowers who require additional purchase financing or who wish to refinance their residential property at greater than 80% of the current market value. Home Trust earns administration and servicing fee revenue, which is reported under fee income in the mortgage and deposit segment of the business. These mortgage loans are then securitized into pools. Home Trust purchases these pools and collects interest income. As at December 31, 2007 these purchased pools amounted to \$82.3 million and are recorded on the consolidated balance sheet as Secured Loans. In 2007 these Secured Loans earned an average yield of 6.9%.

Mortgage activities accounted for 80.3% of the consolidated total revenue and 68.7% of the Company's consolidated net income for the year ended December 31, 2007. This compares to 83.3% and 74.4% for fiscal 2006 and 84.5% and 78.3% for fiscal 2005. Lending activities and the maintenance of loans also generated fee income. The major expense was the interest paid on the deposits held, which represented 76.3% of total expenses at December 31, 2007, 73.6% of total expenses at December 31, 2006 and 72.6% of total expenses at December 31, 2005.

### **Consumer Lending**

Home Capital broadened its product offerings with the introduction of the Home Trust VISA credit card late in 2000. In March 2002, Home Trust launched a new VISA product, the Equity Plus VISA card and discontinued accepting new unsecured accounts. The Equity Plus VISA product allowed homeowners to use their home equity as collateral to obtain credit from \$10,000 to \$250,000. These credit cards are subject to the same lending policies as set out in the mortgage lending operation of Home Trust with the exception of the loan-to-value limits for the total loan amount. In the first quarter of 2006, the Company re-launched the Equity Plus VISA as the Home Trust Equityline VISA. Equityline VISA combines the flexibility of a secured line of credit with the convenience of VISA and the added benefits of a Gold card with no annual fee. At December 31, 2007, 8,290 cards have outstanding authorized credit of \$373.3 million, compared to December 31, 2005 with 6,560 cards for authorized credit of \$272.8 million and December 31, 2005 with 3,438 cards for authorized credit of \$128.7 million.

The Company also provides retail credit services to the clients of approved retail operations. Although this product offering is not expected to experience significant growth going forward, this business line continues to be a profitable contributor for the Company.

Credit cards and retail credit services are products that have been developed to provide diversification in the Company's revenue stream. The businesses made up 11.4% of the consolidated total revenue and 16.7% of the Company's consolidated net income for the year ended December 31, 2007. This compares to 9.8% and 15.0% for the year ended December 31, 2006 and 8.4% and 10.1% for the year ended December 31, 2005.

In the fourth quarter of 2007, the Company integrated the operations of PSiGate into the operating results of the Consumer Lending segment. At December 31, 2007, PSiGate contributed \$0.2 million to net income for the Consumer Lending segment.

### **Other**

Other corporate activities of the Company involve the investment of surplus deposits into securities and cash resources for liquidity management, providing other interest income and dividend income. This contributed 8.3% of the consolidated total revenue earned by the Company and 14.6% of the consolidated net income at December 31, 2007. This compares to 6.9% and 10.6% for the year ended December 31, 2006 and 7.1% and 11.6% for the year ended December 31, 2005.

## **RISK FACTORS**

The Company, through its wholly owned subsidiary Home Trust, like other financial institutions, is exposed to a broader number of risks that the Company has identified in the enterprise risk management framework. These risks include credit, liquidity, structural interest rate, operational, investment portfolio, reputational and regulatory and legal risk. This framework outlines appropriate risk oversight processes and the communication, reporting and monitoring of key risks that could impact the achievement of the Company's business objectives and strategies.

Industry and Company specific risks and uncertainties may have a material impact on the Company's future operating results. Industry risks include monetary policies of the Bank of Canada, level of competition, changes in laws and regulations, accuracy and completeness of information on customers and counterparties and accounting policies and methods used by the Company. Company-specific risks include the ability to execute the Company's strategic plans, the ability to attract and retain employees and executives, the Company's ability to manage certain operational and infrastructure risks and the adequacy of the Company's enterprise risk management framework.

Further explanations of the types of risks cited above and the way in which the Company manages these risks can be found beginning on page 24 of Management's Discussion and Analysis (MD&A) in the 2007 Annual Report, which is incorporated herein by reference. The Company cautions that the preceding discussion of risks is not exhaustive. When considering whether to purchase Common Shares of the Company, investors and others should carefully consider these factors as well as other uncertainties, potential events and industry and Company specific factors that may impact the Company's future results.

## **DIVIDENDS**

Dividends are payable on the Common Shares of the Company if and when declared by the Board of Directors.

During the year ended December 31, 2007, the Company paid or made payable dividends totaling \$0.44 per Common Share as compared to \$0.31 and \$0.18, for fiscal 2006 and 2005, respectively.

## **DESCRIPTION OF CAPITAL STRUCTURE**

### **General Description of Capital Structure**

The authorized capital of the Company consists of an unlimited number of Common Shares, an unlimited number of Senior Preferred Shares and an unlimited number of Junior Preferred Shares. As at December 31, 2007, 34,532,490 Common Shares were issued and outstanding. No Senior Preferred Shares or Junior Preferred Shares were issued or outstanding on December 31, 2007.

Each Common Share carries one vote per share in respect of each matter to be voted on at a meeting of the shareholders. The Senior Preferred Shares and Junior Preferred Shares carry no votes in respect of matters to be voted upon at the meeting except where otherwise required by law.

On May 13, 2004, the shareholders of the Company approved a special resolution authorizing the reclassification of its issued and outstanding "Class B Subordinated Voting Shares" as "Common Shares" and eliminating all other authorized but un-issued classes of Common Shares.

The Common Shares of the Company are listed on the Toronto Stock Exchange (TSX) under the symbol HCG.

### **Ratings**

The Company has a contractual relationship with both Standard & Poor's (S&P) and Fitch Rating (Fitch) for the provision of credit rating information. Management of the Company meets with these agencies at least annually and shares with them the Company's latest financial projections and business plan assumptions.

Information regarding the ratings assigned by credit rating agencies can be found in the tables below and on page 23 of the 2007 Annual Report. The following is the complete list of ratings assigned to both the Company and Home Trust:

	Home Capital Group Inc.		Home Trust Company	
	Standard & Poor's	Fitch Rating	Standard & Poor's	Fitch Rating
Long term rating	BBB-	BBB-	BBB	BBB-
Short term rating	A-3	F3	A-2	F3
Outlook	Stable	Positive	Stable	Positive

Ratings and other opinions issued by the credit rating agencies are statements of opinion and not statements of fact as to creditworthiness or recommendations to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. The rating outlook of "Stable" indicates that the rating is not likely to change. A rating of "Positive", "Stable" or "Negative" is provided to help give an investor an understanding of the rating agency's opinion regarding the outlook for the rating in question. However, the investor must not assume that a positive or negative trend necessarily indicates that a rating change is imminent.

### **S&P**

#### Long-term rating

An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. The "+" or "-" symbols show relative standing within the rating category.

#### Short-term rating

An obligor rated 'A-3' has adequate capacity to meet its financial obligations. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. An obligor rated 'A-2' has satisfactory capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category.

### **Fitch**

#### Long-term rating

Good credit quality. 'BBB' ratings indicate that there are currently expectations of low credit risk. The capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. This is the lowest investment grade category. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

#### Short-term rating

Fair credit quality. The capacity for timely payment of financial commitments is adequate; however, near term adverse changes could result in a reduction to non-investment grade.

## MARKET FOR SECURITIES

### Trading Price and Volume

The following table shows the price ranges and the volume traded for the Common Shares for each month of the most recent fiscal year.

<b>Price Range and Volume Traded</b>			
Home Capital Group Inc. (Common Shares) Symbol: "HCG" on the TSX			
<b>Month</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume</b>
January 2007	34.22	32.12	1,186,986
February 2007	37.83	31.85	1,796,814
March 2007	36.50	32.40	2,490,159
April 2007	37.00	34.51	1,893,559
May 2007	42.31	34.30	2,241,784
June 2007	40.25	36.22	1,928,939
July 2007	40.00	34.68	974,961
August 2007	38.15	30.00	2,035,001
September 2007	36.28	33.48	1,223,768
October 2007	42.29	34.29	2,057,185
November 2007	42.00	38.24	1,771,248
December 2007	42.49	39.04	1,455,011
<b>Total</b>			<b>21,055,415</b>

## DIRECTORS AND OFFICERS

### Name, Occupation, Committees and Security Holdings

Name, City, Province/State, Country of Residence and Year First Became Director	Principal Occupation	Positions with the Company	Number and Class of Securities Beneficially Owned, Directly or Indirectly, or Controlled or Directed as at December 31, 2007
Gerald M. Soloway Toronto, Ontario, Canada (1986)	Chief Executive Officer of the Company	Director and Chief Executive Officer	2,260,129 Common Shares
John M. Marsh Port Colborne, Ontario, Canada (1986)	Corporate Director	Director	1,415,296 Common Shares
William A. Dimma Toronto, Ontario, Canada (1994)	Corporate Director	Chairman of the Board and Director	10,000 Common Shares
The Hon. William G. Davis Brampton, Ontario, Canada (1999)	Counsel, Torys LLP (a North American law firm)	Director	5,000 Common Shares
Robert A. Mitchell, C.A. Oakville, Ontario, Canada (2002)	Corporate Director	Director	8,000 Common Shares
Norman F. Angus Old Lyme, Connecticut, United States (2005)	Managing Director, Stuart Lammert & Co. (a North American corporate advisory firm)	Director	6,000 Common Shares
Janet L. Ecker Ajax, Ontario, Canada (2005)	Advisor, The Tramore Group (a Toronto project and change management firm)	Director	4,300 Common Shares
Micheline Bouchard Montreal, Quebec, Canada (2007)	Corporate Director	Director	2,500 Common Shares
Kevin P. D. Smith Burlington, Ontario, Canada (2007)	President & CEO, St. Joseph's Healthcare (Hamilton) and CEO, St. Mary's General Hospital (Kitchener)	Director	2,000 Common Shares

1. The information as to the number of shares owned or over which control or direction is exercised as at December 31, 2007 and has been provided by the respective directors.
2. The Audit Committee is currently comprised of **Mr. Mitchell** (Chair), **Ms. Bouchard**, **Mr. Dimma**, **Ms. Ecker** and **Mr. Marsh**. The Governance, Nominating and Conduct Review Committee is currently comprised of **Mr. Dimma** (Chair), **Mr. Angus**, **Ms. Bouchard**, **Mr. Davis** and **Dr. Smith**. The Human Resources and Compensation Committee is currently comprised of **Ms. Ecker** (Chair), **Mr. Dimma**, **Mr. Marsh** and **Dr. Smith**. The Risk and Capital Committee is currently comprised of **Mr. Angus** (Chair), **Mr. Mitchell**, **Dr. Smith** and **Mr. Soloway**. In addition, each of **Mr. Angus**, **Ms. Bouchard**, **Mr. Davis**, **Mr. Dimma**, **Ms. Ecker**, **Mr. Marsh**, **Mr. Mitchell**, **Dr. Smith** and **Mr. Soloway** is currently a director and Mr. Soloway is CEO of the Company's subsidiary, Home Trust Company.
3. All terms for directors are for one year of service.
4. Each of the individuals listed in the above table have held their respective positions and offices with the same, predecessor or associated firms or organizations for the past five years except:

- **Norman F. Angus**, of Old Lyme, Connecticut, is a Managing Director with Stuart Lammert and Co., a North American corporate advisory firm. Prior to joining Stuart Lammert and Co., in September 2002, Mr. Angus was with UBS from 2000 to 2002 and Lehman Brothers from 1988 to 2000. Mr. Angus has had a lengthy investment-banking career, in Canada and the United States, advising major public sector issuers and governments on privatization, restructuring and demutualization. Mr. Angus majored in finance and economics at the University of British Columbia.
- **Micheline Bouchard**, of Montreal, Quebec, served as President and Chief Executive Officer of ART Advanced Research Technologies, a biomedical company headquartered in Montreal. Prior to joining ART, Ms. Bouchard held global responsibilities at Motorola Inc. in Chicago as Corporate Vice President and General Manager, Enterprise Services. Previously she was President and Chief Executive Officer of Motorola Canada. Prior to 2002, Ms. Bouchard served as a director on the board of several companies including Sears Canada, Corby Distilleries, Ford Motor of Canada, London Life and Gaz Metropolitan. Ms. Bouchard holds both a masters and a bachelor's degree in Applied Sciences from École Polytechnique in Montréal. She also holds an Honorary Doctorate in Business from Université de Montréal, an Honorary Doctorate of Laws from McMaster University and Honorary Doctorates in Engineering from each of the University of Waterloo, the University of Ottawa and Ryerson University. Ms. Bouchard is also a member of the Order of Canada. Ms. Bouchard currently serves as a director of Telus, Citadel Group of Funds, and Harry Winston Diamond Corporation.
- **Janet L. Ecker**, of Ajax, Ontario, Janet L. Ecker, ICD.D, is an advisor with the Tramore Group, a project and change management firm. She advises clients on public policy, governance and public-private sector relationships. Ms. Ecker is also the president of the Toronto Financial Services Alliance, a public-private partnership between the City of Toronto and the financial sector. She is a regular media commentator and a Fellow with the School of Policy Studies, Queen's University. Ms. Ecker is a former Minister of Finance (2002 - 2003), Minister of Education (1999 - 2002), Government House Leader (2001 - 2002) and Minister of Community and Social Services (1996 - 1999) in the Government of Ontario. Ms. Ecker has an Honours BA in Journalism from the University of Western Ontario. Ms. Ecker was formerly a director of Denison Mines Inc. and Minacs Worldwide Inc. She is currently a director of CMA Holdings Inc.
- **Kevin P. D. Smith**, of Burlington, Ontario, currently serves as the President and Chief Executive Officer of St. Joseph's Healthcare in Hamilton, Ontario and as Chief Executive Officer of St. Mary's General Hospital in Kitchener, Ontario. Dr. Smith is also an Associate Professor in the Department of Medicine, McMaster University. Dr. Smith has also served as a Provincial Supervisor, Investigator, Hospital Coach, and Peer Reviewer for the Ministry of Health and Long-Term Care. Dr. Smith currently serves as a director on the Board of Glendale International Corporation.

The following table sets out the name of each executive officer that is not a director of the Company, and their position, municipality, province and country of residence and the length of their employment.

Name Since	Office	Municipality, Province and Country of Residence	Employed
Nick Kyprianou	President	Toronto, Ontario, Canada	1992
Brian R. Mosko	Chief Operating Officer and Sr. Vice President	Toronto, Ontario, Canada	1989
John R. K. Harry	Sr. Vice President Commercial Mortgage Lending	Acton, Ontario, Canada	2007
Cathy A. Sutherland	Vice President, Finance	Welland, Ontario, Canada	1990

All of the above named executive officers have held their present position or other executive positions with the same or associated firms or organizations for the past five years except for the following:

- Mr. Ahlvik has been employed with the Company since 2006 and was appointed an officer of the Company on February 13, 2006.
- Mr. Harry has been employed with the Company since 2007 and was appointed an officer of the Company on December 7, 2007.

### **Shareholdings of Directors and Executive Officers**

To the knowledge of Home Capital, as at December 31, 2007, the directors and officers of Home Capital as a group, beneficially owned, directly or indirectly, or exercised control or direction over 3,846,556 Common Shares or 11% of the outstanding Common Shares of Home Capital and no director or executive officer of Home Capital beneficially owned or controlled voting securities of any subsidiaries of Home Capital.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

No director or executive officer of the Company is, as at the date of this Annual Information Form, or was within the 10 years prior to the date of this Annual Information Form, a director or executive officer of any company that (i) was the subject of an order that was issued while the director or executive officer was acting in the capacity of a director, chief executive officer, or chief financial officer, or (ii) was subject to an order that was issued after the director or executive officer 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 the capacity of director, chief executive officer or chief financial officer (an "order" means a cease trade order or similar order, or an order that denied the relevant company access to any exemption under securities legislation), or (iii) no director or officer is, as at the date of this Annual Information Form, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except as follows:

- i) Mr. Dimma, the Chairman and a director of the Company, was a director of American Eco Corporation from 1997 until the year 2000. In the year 2000, American Eco went into Chapter 11 in the USA and CCAA in Canada. Subsequently it moved to Chapter 7 in the USA and into insolvency.
- ii) Mr. Davis, a director of the Company, was a director of Dylex Limited from 1995 until May 16, 2001 when he resigned as a result of a change of control transaction. Dylex was adjudged bankrupt in September 2001 with an effective date of mid-June 2001.

### **Conflicts of Interest**

There are no existing or potential material conflicts of interest between the directors and officers of the Company or its wholly owned subsidiary, Home Trust.

## **LEGAL PROCEEDINGS**

The Company and its wholly owned subsidiary, Home Trust, are not involved in any material legal proceedings.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No director or executive officer or an associate thereof had any material interest, direct or indirect, in any transaction within the three most recently completed fiscal years that has or had a material effect on the Company.

## TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar of the Company is Computershare Investor Services Inc. The transfer books for the Common Shares of the Company are kept in Toronto, Ontario, Canada.

## INTEREST OF EXPERTS

Ernst & Young LLP, Chartered Accountants, were auditors of the Company for the year ended December 31, 2007 and prepared and executed the audit report accompanying the annual financial statements. Ernst & Young LLP, Chartered Accountants are independent in accordance with the auditors' rules of professional conduct in Canada.

## AUDIT COMMITTEE INFORMATION

### Audit Committee's Charter

The Company's Audit Committee Charter sets out its responsibilities and duties, membership qualifications and procedures for reporting to the Board of Directors. A copy of the charter, approved by the Board of Directors, on October 26, 2007, is attached hereto as Appendix "A".

### Composition of the Audit Committee

As of December 31, 2007, the Audit Committee was comprised of the following five directors, all of whom are independent directors:

Robert A. Mitchell, C.A., Chair  
Micheline Bouchard  
William A. Dimma  
Janet L. Ecker  
John M. Marsh

Each member of the Audit Committee is financially literate within the meaning of Multilateral Instrument 52-110 on Audit Committees.

### Relevant Education and Expertise

The following section lists the relevant education and expertise of each Audit Committee member.

#### Robert A. Mitchell, C.A. (Chair of the Audit Committee)

Robert A. Mitchell is a Chartered Accountant and a former partner of Ernst and Young LLP. At Ernst and Young, Mr. Mitchell acted as auditor and advisor to significant clients in a broad cross-section of industries. He was also Ernst and Young's Director of Services to the trust company industry. Mr. Mitchell has participated in numerous working groups in the investment management, securities dealer and trust company industries. Mr. Mitchell has a B.Comm. from the University of Toronto. Mr. Mitchell currently serves on the board of Acuity Funds Ltd. and Orvana Minerals Corporation.

#### Micheline Bouchard

Micheline Bouchard served as President and Chief Executive Officer of ART Advanced Research Technologies, a biomedical company headquartered in Montréal. Prior to joining ART, Ms. Bouchard held global responsibilities at Motorola Inc. in Chicago as Corporate Vice President and General Manager, Enterprise Services. Previously she was President and Chief Executive Officer of Motorola Canada. Prior to 2002, Ms. Bouchard served as a director on the board of several companies including Sears Canada, Corby Distilleries, Ford Motor of Canada, London Life and Gaz Metropolitain. Ms. Bouchard holds both a masters and a bachelor's degree in Applied Sciences from École Polytechnique in Montréal. She also holds an Honorary Doctorate in Business from Université de Montréal, an Honorary Doctorate of Laws from McMaster University and Honorary Doctorates in Engineering from each of the University of Waterloo, the University of Ottawa and Ryerson University. Ms.

Bouchard is also a member of the Order of Canada. Ms. Bouchard currently serves as a director of Telus, Citadel Group of Funds and Harry Winston Diamond Corporation.

William A. Dimma, CM, O.Ont

William Dimma has numerous directorships at major Canadian corporations, is the former president of Torstar Corporation and Royal LePage and is the author of the text "Excellence in the Boardroom." Mr. Dimma has a BAsC from the University of Toronto, an MBA from York University and a DBA from the Harvard Business School. Mr. Dimma has been a director of the Company since 1994 and has also been the Chairman of the Board during his tenure. Mr. Dimma currently holds the following corporate directorships: Magellan Aerospace Corporation, Brookfield Asset Management Inc. (formerly Brascan Corporation), Malibu Engineering and Software Ltd. and York University Development Corporation. Mr. Dimma is also a director of numerous not-for-profit institutions.

Janet L. Ecker

Janet L. Ecker, ICD.D, is an advisor with the Tramore Group, a project and change management firm. She advises clients on public policy, governance and public-private sector relationships. Ms. Ecker is also the president of the Toronto Financial Services Alliance, a public-private partnership between the City of Toronto and the financial sector. She is a regular media commentator and a Fellow with the School of Policy Studies, Queen's University. Ms. Ecker is a former Minister of Finance (2002 - 2003), Minister of Education (1999 - 2002), Government House Leader (2001 - 2002) and Minister of Community and Social Services (1996 - 1999) in the Government of Ontario. Ms. Ecker has an Honours B.A. in Journalism from the University of Western Ontario. Ms. Ecker was formerly a director of Denison Mines Inc. and Minacs Worldwide Inc. She is also currently a director of CMA Holdings Inc.

John M. Marsh

John M. Marsh is a retired CEO and a Corporate Director. Mr. Marsh is a part owner of the Peace Bridge Duty Free. He has owned and operated companies involved with engineering and energy. Mr. Marsh has a BSc in mechanical engineering from the University of Western Ontario and is a Registered Professional Engineer (Ontario) and a Registered Chartered Engineer (U.K.).

**Prior Approval for Policies and Procedures**

The Audit Committee adopted a policy regarding the services that could be provided by its external auditors. The policy specifies the prior approval procedure for non-auditing services provided by the Company's external auditors. The current policy generally prohibits the Company from hiring its auditors to provide certain services unrelated to audits of the Company and its subsidiaries, including services related to bookkeeping, the design and implementation of financial information systems, evaluation, actuarial, internal audit and investment banking services, management and human resource functions, and legal services.

**External Audit Fees by Category**

The following table presents by category the aggregate fees to the external auditors Ernst and Young LLP, Chartered Accountants for the fiscal years ended December 31, 2007 and 2006.

Fee Category	Year Ended December 31, 2007(\$)	Year Ended December 31, 2006 (\$)
Audit Fees	522,700	306,450
Audit-related Fees	6,000	5,000
Tax Fees	17,975	15,500
All Other Fees	-	-
<b>Total Fees</b>	<b>546,675</b>	<b>326,950</b>

Audit Fees

Audit Fees include all aggregate fees to Ernst & Young LLP for the audit of the annual consolidated financial statements, examinations of the interim financial statements, other statutory audits and submissions and fees related to interpretation of standards of accounting and financial disclosure. Included in the year ended December 31, 2007 balance are certain non-recurring fees related to the implementation of new financial instrument accounting standards that came into effect on January 1, 2007.

#### Audit-related Fees

Audit-related Fees include all aggregate fees for certification services and other related services traditionally carried out by the independent auditor, including the audit of various trusts and other entities.

#### Tax Fees

Tax Fees include all aggregate fees to Ernst & Young LLP for tax-related advice, tax compliance and tax planning. These services consist of tax compliance including the review of tax returns, tax planning relating to income tax, capital tax, goods and services tax and provincial sales tax.

#### All Other Fees

All Other Fees include aggregate fees for all services other than those posted in audit fees, audit-related fees and tax fees. No other fees were paid or payable for fiscal 2007 and 2006.

### **ADDITIONAL INFORMATION**

Additional information relating to Home Capital Group Inc. may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's web site at [www.homecapital.com](http://www.homecapital.com).

Additional information relating to the directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's Management Information Circular issued in connection with the Annual Meeting of the Shareholders to be held on May 14, 2008.

Additional financial information is provided in the Company's Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2007, which is available in the 2007 Annual Report and at [www.sedar.com](http://www.sedar.com).

Copies of the foregoing documents may be obtained upon request from the Corporate Secretary of the Company at Home Capital Group Inc., 145 King Street, Suite 2300, Toronto, Ontario, M5H 1J8 and are available on the Company web site: [www.homecapital.com](http://www.homecapital.com).

The Company will provide to any person or company, upon request to the Corporate Secretary of the Company at the head office of the Company:

- (a) when the securities of the Company are in the course of a distribution under a preliminary short form prospectus or a short form prospectus,
  - (i) one copy of the Company's Annual Information Form ("AIF"), together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF;
  - (ii) one copy of the comparative consolidated financial statements of the Company for its most recently completed financial year for which consolidated financial statements have been filed together with the accompanying report of the auditors and one copy of the most recent interim consolidated financial statements;
  - (iii) one copy of the Company's Management Information Circular in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared instead of that Information Circular, as appropriate, and
  - (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or other short form prospectus and are not required to be provided under clauses (i), (ii) or (iii), or;
- (b) at any other time, one copy of any other documents referred to in (a) (i), (ii) and (iii) above, provided the Company may require the payment of a reasonable charge if the request is made by a person or company who is not a holder of the Company's securities.



## **APPENDIX “A”**

### **Home Capital Group Inc. Audit Committee Charter**

#### **1.0 Overall Role and Responsibility**

The Audit Committee shall assist the Board of Directors (“Board”) in the Board’s oversight role with respect to:

- i. the quality and integrity of financial information;
- ii. the external auditor’s performance, qualifications and independence;
- iii. the performance of the Corporation’s internal audit function; and
- iv. oversight of complaints with respect to accounting and auditing matters.

#### **2.0 Membership**

The Audit Committee shall consist of three or more Directors appointed annually by the Board. Members of the Audit Committee shall serve at the pleasure of the Board for such term or terms as the Board may determine.

Each of the members of the Audit Committee shall satisfy the independence standards established by the Board and the applicable independence requirements of the laws governing the Corporation.

The Board shall appoint one member of the Audit Committee as the Committee Chair.

Each member of the Audit Committee shall be financially literate, in accordance with applicable regulatory requirements, or agree to become financially literate within a reasonable time of appointment.

#### **3.0 Meetings**

The Audit Committee shall meet as often as the Audit Committee determines, but not less frequently than four meetings annually.

The quorum for meetings of the Committee shall be two (2) of its members.

The affirmative vote of a majority of the members of the Audit Committee participating in any meeting of the Audit Committee is necessary for the adoption of any resolution.

The Audit Committee shall not transact business unless a majority of members present are resident Canadians.

The Audit Committee shall have unrestricted access to management and employees of the Corporation.

The Audit Committee shall hold regularly scheduled meetings at which members of management are not present. The Audit Committee is expected to establish and maintain free and open communication with management, the external auditor and the internal auditor and shall periodically meet separately with each of them.

The Corporate Secretary, his or her designate, shall act as secretary at Audit Committee meetings. Minutes of Audit Committee meetings shall be recorded and maintained by the Corporate Secretary and subsequently presented to the Audit Committee for approval.

#### **4.0 Accountabilities and Responsibilities**

The Audit Committee shall have the accountabilities and responsibilities set out below as well as any other matters that are specifically delegated to the Audit Committee by the Board.

#### **4.1 Financial Reporting**

- Review and discuss with senior management and the external auditor the annual audited financial statements, the external auditor's report thereon and the related management's discussions and analysis. After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval, the annual financial statements and related management's discussion and analysis.
- Review and discuss with senior management and the external auditor the Corporation's interim financial statements, the external auditor's report thereon and the related management's discussion and analysis. After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval, the interim financial statements and related management's discussion and analysis.
- Review and discuss with management and the external auditor the Corporation's annual and quarterly disclosures made in management's discussion and analysis. The Audit Committee shall approve any reports for inclusion in the Corporation's Annual Report, as required by applicable legislation and make a recommendation thereon to the Board.
- Review and discuss with senior management and the external auditor management's report on its assessment of internal controls over financial reporting and the external auditor's attestation report on management's assessment.
- Review and discuss with senior management and the external auditor at least annually significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the Corporation's selection or application of accounting principles, any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies.
- Review and discuss with senior management and the external auditor at least annually reports from the external auditor on: critical accounting policies and practices to be used; significant financial reporting issues, estimates and judgments made in connection with the preparation of the financial statements; alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor; and other material written communications between the external auditor and senior management, such as any senior management letter or schedule of unadjusted differences.
- Discuss with the external auditor at least annually any "management" or "internal control" letters issued or proposed to be issued by the external auditor to the Corporation.
- Review and discuss with management and the external auditor at least annually any significant changes to the Corporation's accounting principles and practices suggested by the external auditor, internal audit personnel or senior management.
- Discuss with management the Corporation's earnings press releases, financial information and earnings guidance (if any) provided to analysts and rating agencies and any other material financial disclosure.
- Review and discuss with senior management and the external auditor at least annually the effect of regulatory and accounting initiatives as well as off-balance-sheet structures on the Corporation's financial statements.

- Discuss with the external auditor any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with senior management.
- Review and discuss with the Chief Executive Officer and Chief Financial Officer the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for the annual and interim filings with applicable securities regulatory authorities.
- Review disclosures made by the Corporation's Chief Executive Officer and Chief Financial Officer during their certification process for the annual and interim filing with applicable securities regulatory authorities about any significant deficiencies in the design or operation of internal controls which could adversely affect the Corporation's ability to record, process, summarize and report financial data or any material weaknesses in the internal controls, and any fraud involving management or other employees who have a significant role in the Corporation's internal controls.
- Discuss with senior management, at least annually, any legal matters that may have a material impact on the financial statements, operations, assets of the Corporation and any material reports or inquiries received by the Corporation or any of its subsidiaries from regulators or governmental agencies with respect to financial statements.

#### **4.2 Oversight of the External Auditor**

- Appoint or replace the external auditor (subject to shareholder ratification) and responsibility for the compensation and oversight of the work of the external auditor (including resolution of disagreements between management and the external auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The external auditor shall report directly to the Audit Committee.
- Pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the external auditor. When appropriate, the Audit Committee may delegate to one or more members the authority to grant pre-approvals of audit and permitted non-audit services. The Audit Committee shall annually review any delegation of authority to grant pre-approvals of audit and permitted non-audit services. Decisions of any member of the Audit Committee to whom this authority has been granted must be presented to the full Audit Committee at its next scheduled meeting.
- Evaluate the qualifications, performance and independence of the external auditor, including (i) reviewing and evaluating the lead partner on the external auditor's engagement with the Corporation, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the external auditor's independence. The Audit Committee shall present its conclusions with respect to the external auditor to the Board and, if so determined by the Audit Committee, recommend that the Board take additional action to satisfy itself of the qualifications, performance and independence of the external auditor.
- Obtain and review a report from the external auditor at least annually regarding: the external auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the external auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditor; any steps taken to deal with any such issues; and all relationships between the external auditor and the Corporation.
- Review and discuss with management and the external auditor prior to the annual audit the scope, planning and staffing of the annual audit.

- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
- Review and approve policies for the Corporation's hiring of partners and employees or former partners and employees of the Corporation's current and former external auditor.

#### **4.3 Oversight of the Corporation's Internal Audit Function**

- Review and concur in the (1) appointment, replacement, reassignment or dismissal of the Head of Internal Audit; and (2) the performance evaluation and compensation of the Head of Internal Audit.
- Review with the Head of Internal Audit, the external auditor and senior management at least annually, the mandate, independence, qualifications, staffing and budget of the internal audit department and the internal audit department's annual work plan.
- Review the periodic reports of the internal audit department on internal audit activities and the results of its audits.

#### **4.4 Oversight of Financial Information Complaints**

- Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- Discuss with senior management and the external auditor at least annually any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Corporation's financial statements or accounting.
- Meet with the Corporation's regulators, in accordance with applicable law.
- Exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Audit Committee by the Board.

#### **5.0 Delegations of Authority**

The Committee shall recommend to the Board the duties and powers to be delegated to any subcommittee and/or to any employee of the Corporation.

The Committee shall review and report to the Board on any policy determined by the Committee, and the decisions made by a subcommittee, and/or by any employee of the Corporation and on the performance of any subcommittee and/or employee.

#### **6.0 Performance Review**

The Audit Committee shall annually review and assess and report on the performance of the Audit Committee and the adequacy of this Charter and, where appropriate, shall recommend changes to the Board for the Board's approval.

#### **7.0 Independent Advisors**

The Audit Committee shall have the authority to retain such independent advisors as the Audit Committee may deem necessary or advisable for its purposes. The expenses related to such engagements shall be funded by the Corporation.

## **8.0 Report to the Board**

The Chair of the Audit Committee shall report to the Board on material matters arising at the Audit Committee meetings and shall present the Audit Committee's recommendation(s) to the Board for the Board's approval.

Approved by the Board, October 26, 2007