

HOME CAPITAL GROUP INC.

MANAGEMENT INFORMATION CIRCULAR

MANAGEMENT SOLICITATION

This Management Information Circular is furnished in connection with the solicitation of proxies by the Management of HOME CAPITAL GROUP INC. (the “Corporation”) for use at the annual meeting (the “Meeting”) of the shareholders of the Corporation to be held at the Design Exchange, Trading Floor, Second Floor, 234 Bay Street, Toronto, Ontario, on Tuesday, the 27th day of May, 2003, at the hour of 11:00 o’clock in the forenoon (Toronto time), for the purposes set out in the notice of meeting accompanying this Management Information Circular. This solicitation is made by the Management of the Corporation. It is expected that the solicitation of proxies will be primarily by mail. Proxies also may be solicited personally or by telephone by employees, officers and directors of the Corporation. The cost of solicitation will be borne by the Corporation. Except as otherwise stated, the information contained herein is given as of April 1, 2003.

The form of proxy forwarded to shareholders with the notice of meeting confers discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the notice of meeting or other matters which may properly come before the meeting.

The form of proxy affords the shareholder an opportunity to specify that the shares registered in the shareholder’s name shall be voted or withheld from voting in respect of the election of directors, the appointment of auditors and the authorization of the directors to fix the remuneration of the auditors.

On any ballot that may be called for, the shares represented by proxies in favour of management nominees will be voted or withheld from voting in respect of the election of directors, the appointment of auditors, and the authorization of the directors to fix the remuneration of the auditors, in accordance with the specification made by shareholders in the manner referred to above.

In respect of proxies in which the shareholders have not specified that the proxy nominees are required to vote or withhold from voting in respect of the election of directors, the appointment of auditors and the authorization of the directors to fix the remuneration of the auditors, the shares represented by proxies in favour of management nominees will be voted for the election of directors, the appointment of auditors and the authorization of the directors to fix the remuneration of the auditors.

Management knows of no matters to come before the meeting other than the matters referred to in the foregoing notice of meeting. However, if any other matters which are not now known to Management should properly come before the meeting, the shares represented by proxies in favour of Management nominees will be voted on such matters in accordance with

the best judgment of the proxy nominee.

To be used at the meeting, a shareholder's proxy must be deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the meeting on the day of the meeting, or any adjournment thereof. Proxies given by shareholders for use at the meeting may be revoked at any time prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by their attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited in the same manner as that for proxies.

VOTING SHARES

The authorized capital of the Corporation consists of an unlimited number of Senior Preferred Shares; an unlimited number of Junior Preferred Shares; an unlimited number of Class C non-voting shares; an unlimited number of Class B subordinate voting shares ("Class B Shares"); and an unlimited number of convertible Class A shares ("Class A Shares"). As at April 1, 2003 15,483,728 Class B Shares and 1,254,167 Class A Shares were issued and outstanding. No Senior Preferred Shares, Junior Preferred Shares or Class C non-voting shares were issued or outstanding. Each Class A Share carries five votes per share and each Class B Share carries one vote per share in respect of each matter to be voted on at the meeting. The Senior Preferred Shares, Junior Preferred Shares and Class C non-voting shares carry no votes in respect of matters to be voted upon at the meeting except where otherwise required by law. Holders of outstanding Class B Shares and Class A Shares of record at the close of business on April 16, 2003 are entitled to vote at the meeting except to the extent that a person has transferred the ownership of any of such shares after that date and the transferee of such shares establishes proper ownership and requests not later than ten days before the meeting that the transferee's name be included in the list of shareholders, in which case the transferee will be entitled to vote such shares at the meeting.

CERTAIN RIGHTS OF THE CORPORATION'S RESTRICTED VOTING SHARES

The following is a summary of the rights attaching to the Corporation's Class B Shares and Class C non-voting shares, in the event that a take-over bid is made for securities of the Corporation having superior voting rights or voting rights, respectively.

If a take-over bid (as defined in the articles of the Corporation substantially in the same way as defined in the *Securities Act* (Ontario)) is made to holders of Class A Shares, each Class B Share and each Class C non-voting share (if any are then issued and outstanding) shall become convertible into one Class A Share at the option of the holder thereof at any time during the period of 14 days following the completion of the take-over bid for Class A Shares. However, this conversion right shall not come into effect if:

- (a) an identical offer is made concurrently to purchase Class B Shares and Class C non-voting shares (if any are then issued and outstanding), which offer has no condition attached to it other than the right not to take up and pay for shares tendered if no shares are purchased pursuant to the take-over bid for Class A Shares;

- (b) holders of more than 50% of the issued and outstanding Class A Shares deliver a certificate or certificates to the Corporation's transfer agent certifying that such holders will not deposit such Class A Shares under the take-over bid therefor; or
- (c) the take-over bid for Class A Shares is not completed by the offeror.

The articles of the Corporation provide that a holder of Class A Shares is entitled at any time and from time to time to convert all or any part of the Class A Shares held by such holder into Class B Shares on a share-for-share basis, upon irrevocable notice. The articles further provide that a holder of Class B Shares has similar rights respecting the conversion of all or any part of such shares into Class C non-voting shares.

If a take-over bid is made to holders of Class B Shares, each Class C non-voting share (if any are then issued and outstanding) shall become convertible into one Class B Share at the option of the holder thereof at any time during the period commencing two business days prior to the latest time (the "Expiry Time") at which shares can be deposited pursuant to the take-over bid for Class B Shares and ending at the Expiry Time. However, this conversion right shall not come into effect if:

- (a) an identical offer is made concurrently to purchase Class C non-voting shares, which offer has no condition attached to it other than the right not to take up and pay for shares tendered if no shares are purchased pursuant to the take-over bid for Class B Shares; or
- (b) holders of Class A Shares and Class B Shares which have attached thereto more than 50% of the votes attached to all shares of the Corporation deliver a certificate or certificates to the Corporation's transfer agent certifying that such holders will not deposit such Class A Shares and Class B Shares pursuant to the take-over bid for the Class B Shares.

In order to exercise the foregoing conversion right, the holder of Class C non-voting shares must concurrently elect (a) to convert into Class C non-voting shares any of the Class B Shares resulting from such conversion which are not taken up and paid for pursuant to the take-over bid for Class B Shares and (b) to accept the take-over bid for the Class B Shares and not to exercise any right of withdrawal under the take-over bid for Class B Shares.

The articles of the Corporation provide for certain procedures to be followed in order to effect a conversion and provide that upon a take-over bid being made for any class of voting securities of the Corporation, the Corporation or its transfer agent shall communicate in writing to the holders of Class B Shares and Class C non-voting shares the full details of the offer and the mode of exercise of any conversion rights.

Holders of Class B Shares and Class C non-voting shares may have additional rights under applicable securities legislation in the event of a take-over bid.

PRINCIPAL HOLDERS OF VOTING SHARES

To the knowledge of the directors and officers of the Corporation, no person or corporation beneficially owns or exercises control or direction over securities carrying more than 10% of the voting rights attached to any class of outstanding voting securities of the Corporation

other than Gerald M. Soloway and John M. E. Marsh.

Gerald M. Soloway, President, Chief Executive Officer and a director of the Corporation, and members of his immediate family and companies they control own 541,666 $\frac{2}{3}$ Class A Shares and 905,957 $\frac{1}{3}$ Class B Shares, representing 16.61% of the votes attached to all outstanding shares of the Corporation.

John M. E. Marsh, a director of the Corporation, and companies controlled by Mr. Marsh and his immediate family own 441,666 $\frac{2}{3}$ Class A Shares and 654,734 $\frac{1}{3}$ Class B Shares, representing 13.16% of the votes attached to all outstanding shares of the Corporation.

ELECTION OF DIRECTORS

The present term of office of each director of the Corporation will expire immediately prior to the election of directors at the meeting. Each of the persons whose name appears hereunder is proposed to be elected as a director of the Corporation to serve until the next annual meeting of shareholders or until a successor is elected or appointed. It is intended that on any ballot that may be called for relating to the election of directors, the shares represented by proxies in favour of Management nominees will be voted in favour of the election of such persons as directors of the Corporation unless a shareholder has specified by proxy that their shares are to be withheld from voting in the election of directors. In the event that any vacancies occur in the slate of Management nominees, it is intended that discretionary authority shall be exercised to vote the shares represented by such proxies for the election of such other person or persons as directors in accordance with the best judgment of the Management nominees.

The following sets out the names of the Management nominees for election as directors, together with their municipality of residence, length of service as a director, principal occupation, other principal directorships and committee memberships. Also indicated for each nominee is the number of shares beneficially owned, directly or indirectly, or over which control or direction was exercised as at April 1, 2003.

| Name and Year First Became Director | Principal Occupation | Positions with the Corporation ¹ | Number and Class of Securities Beneficially Owned, Directly or Indirectly, or Controlled or Directed as at April 1, 2003 |
|-------------------------------------|--|---|--|
| Gerald M. Soloway (1986) | President and Chief Executive Officer of the Corporation | Director, President and Chief Executive Officer | 541,666 2/3 Class A Shares 905,957 1/3 Class B Shares |
| John M. E. Marsh (1986) | Corporate Director | Director | 441,666 2/3 Class A Shares 654,734 1/3 Class B Shares |
| Harvey F. Kolodny (1989) | Professor Emeritus, Rotman School of Management, University of Toronto (educational institution) | Director | 25,000 Class B Shares |
| John M. Christodoulou (1990) | Chairman & Chief Executive Officer, Guardian Capital Group Ltd. (investment management company) | Director | 17,000 Class B Shares |
| William A. Dimma (1994) | Corporate Director | Chairman of the Board and Director | 25,000 Class B Shares |
| Sheila L. Ross (1999) | Partner, TMP Worldwide Executive Search (international executive search firm) | Director | 2,500 Class B Shares |
| The Hon. William G. Davis (1999) | Counsel, Torys LLP (North American law firm) | Director | 1,000 Class B Shares |
| Robert A. Mitchell (2002) | Corporate Director | Director | 1,000 Class B Shares |

- The Audit and Risk Management Committee of the Corporation is comprised of **Messrs. Christodoulou, Dimma, Davis, Kolodny and Mitchell**, and **Dr. Kolodny** is the Chairman. The Executive Committee of the Corporation is comprised of **Messrs. Davis, Dimma, Marsh, and Soloway**, and **Mr. Dimma** is the Chairman. The Human Resources and Compensation Committee is comprised of **Messrs. Dimma, Davis, Marsh and Ms. Ross**, and **Ms. Ross** is the Chairman. The Investment Committee is comprised of **Messrs. Christodoulou, Kolodny and Soloway**, and **Dr. Kolodny** is the Chairman. The Corporate Governance and Nominating Committee is comprised of **Messrs. Dimma, Kolodny and Mitchell**, and **Mr. Dimma** is the Chairman. In addition, each of **Messrs. Dimma, Davis, Kolodny, Marsh, Mitchell and Soloway** and **Ms. Ross** is a director, and **Mr. Soloway** is the President of the Corporation's subsidiary, Home Trust Company.

Director Information

Gerald M. Soloway, of Toronto, Ontario, has been the President and Chief Executive Officer of the Corporation since 1986. He holds a B.A. (Economics) from the University of Western Ontario and an LL.B from Osgoode Hall. Prior to his involvement with the Corporation, Mr. Soloway practiced law in Toronto, specializing in real estate, mortgage and commercial law and acting on behalf of major banks and trust companies.

John M. E. Marsh, of Port Colborne, Ontario, is the owner of E&M Machinery, a US manufacturing company, and has owned and operated companies involved with engineering and energy. In addition, he is part owner of the Peace Bridge Duty Free.

Harvey F. Kolodny, of Toronto, Ontario, is professor emeritus with the Joseph L. Rotman School of Management at the University of Toronto. He currently holds the following directorships: Virosonic Inc. and Ontario Council for Innovation. Dr. Kolodny's current research examines the integration of project management and change management in large organizations.

John M. Christodoulou, of Toronto, Ontario, is the Chairman and CEO and a director of Guardian Capital Group Limited, a publicly listed financial services company. He was formerly President of SwissRe Management Limited

and a professor at the Graduate Schools of Business Administration, Queen's University and York University.

William A. Dimma, C.M., O.Ont., of Toronto, Ontario, has been a director of numerous major Canadian corporations, and is the former president of Torstar Corporation and Royal LePage. He currently holds the following corporate directorships: Magellan Aerospace Corporation, Minacs Worldwide Inc., Brascan Financial Corporation and York University Development Corporation. Mr. Dimma is also a director of numerous not-for-profit institutions and the author of the text "Excellence in the Boardroom."

Sheila L. Ross, of Toronto, Ontario, is a partner in TMP Worldwide Executive Search, an executive search firm owned by TMP Worldwide, a publicly listed US company. Ms Ross specializes in recruiting and staffing in the financial services and retail sectors.

The Hon. William G. Davis, P.C., C.C., Q.C., of Brampton, Ontario, is counsel with the firm of Torys LLP, Toronto and is the former Premier of Ontario (1971-1985). He currently holds the following corporate directorships: First American Financial Corporation, First American Title Insurance Company, BPO Properties Ltd., Magellan Aerospace Corporation, Magna Entertainment Corp., NIKE Canada, Ltd. and St. Lawrence Cement. Mr. Davis is also a member of the Governing Council of the University of Toronto.

Robert A. Mitchell, of Oakville, Ontario, is a former partner of Ernst & Young LLP, an accounting firm, having acted as auditor and advisor to significant clients in a broad cross-section of industries. He has also participated on numerous working groups in the investment management, securities dealer and trust company industries as well as the volunteer sector.

EXECUTIVE COMPENSATION

1. Report of the Human Resources and Compensation Committee

The Corporation's executive compensation program is administered by the Human Resources and Compensation Committee of the Board. As part of its mandate, the Committee has primary responsibility for making recommendations to the Board with respect to the appointment and remuneration of executive officers of the Corporation. The Human Resources and Compensation Committee also evaluates the performance of the Corporation's senior executive officers and reviews the design and competitiveness of the Corporation's compensation plan. The Human Resources and Compensation Committee met five times during the financial year ended December 31, 2002.

Executive Compensation Program

The Corporation's executive compensation reflects the Corporation's desire to remunerate its executives at a level commensurate with the market rate for executives with similar levels of responsibility. The compensation paid to each executive officer is considered annually and is eligible, in most cases, for additional performance-oriented incentive compensation. Both the annual and the incentive compensation is established upon a consideration of the short-term and the long-term performance of the Corporation and the individual contribution towards that performance made by the executive officer concerned.

Annual Compensation

The compensation for the President and Chief Executive Officer is set annually by the Human Resources and Compensation Committee based on an assessment of a variety of factors, including an awareness of compensation paid to senior executives in comparable positions, and the Chief Executive Officer's performance in relation to achieving organizational goals, establishing and implementing the Corporation's strategic plans, the Corporation's relative financial performance and competitive issues.

Annual salary levels for other executive officers of the Corporation are reviewed annually based on performance, industry compensation levels, the number of employees under direct and indirect supervision and the ability of the Corporation to pay. The recommendations of the Human Resources and Compensation Committee with regard to executive officers are then presented to the Board for approval prior to implementation.

Incentives Based on Current Results

In most cases, senior managers are eligible for annual incentive awards which are determined by the Human Resources and Compensation Committee with reference to their performances as well as the performance of the Corporation as a whole. The recommendations of the Human Resources and Compensation Committee with regard to executive officers are then presented to the Board for approval prior to implementation.

Stock Options

The Corporation has a stock option plan which is administered by the Human Resources and Compensation Committee. The plan is designed to give each option holder an interest in preserving and maximizing shareholder value in the long term, to enable the Corporation to attract and retain individuals with experience and ability and to reward individuals for current performance and expected future performance. The Human Resources and Compensation Committee has the sole discretion to determine the key employees to whom it recommends that grants be made and to determine the terms of the options forming part of such grant.

The Human Resources and Compensation Committee prepares recommendations on the allocation of stock options and presents these recommendations to the Board for modification or approval. Any grant by and any determination made by the Committee requires confirmation by the Board.

The foregoing report has been furnished by William A. Dimma, the Hon. William G. Davis, John M. E. Marsh and Sheila Ross.

2. Compensation of Officers

The following table sets forth all annual and long-term compensation for services in all capacities to the Corporation and its subsidiaries for the financial years ended December 31, 2002, 2001 and 2000 in respect of each of the individuals who served as a policy-making executive officer of the Corporation during the year ended December 31, 2002 (the "named executive officers"), and the particulars relating to certain options granted to named executive officers.

| Name and Principal Position | Annual Compensation | | | | Long-Term Compensation: | | | All Other Compensation |
|--|---------------------|-----------|-----------|---------------------------|---|-------------------|--------------|------------------------|
| | | | | | Awards | Payouts | | |
| | Fiscal Year | Salary | Bonus | Other Annual Compensation | Securities Under Option Granted | Restricted Shares | LTIP Payouts | |
| Gerald M. Soloway, President and CEO of Home Capital and President and CEO of Home Trust Company | 2002 | \$300,000 | \$450,000 | Nil | 100,000 @ \$13.52/ 125,000 @ \$14.29 | Nil | Nil | Nil |
| | 2001 | \$300,000 | \$400,000 | Nil | Nil | Nil | Nil | Nil |
| | 2000 | \$300,000 | \$300,000 | Nil | Nil | Nil | Nil | Nil |
| W. Roy Vincent, Senior Vice-President and Chief Operating Officer | 2002 | \$207,271 | \$150,000 | Nil | 10,000 @ \$13.52/ 50,000 @ \$14.29 | Nil | Nil | Nil |
| | 2001 | \$180,943 | \$100,000 | Nil | 20,000 @ \$9.37 | Nil | Nil | Nil |
| | 2000 | \$155,564 | \$85,000 | Nil | Nil | Nil | Nil | Nil |
| Rodney K. Adams, ¹ Senior Vice-President | 2002 | \$174,811 | \$60,000 | Nil | 10,000 @ \$13.52 | Nil | Nil | Nil |
| | 2001 | \$133,615 | \$ 30,000 | Nil | Nil | Nil | Nil | Nil |
| | 2000 | \$ 8,077 | n/a | Nil | 20,000 @ \$6.05 | Nil | Nil | Nil |
| Cathy Sutherland, Treasurer | 2002 | \$ 90,000 | \$ 30,000 | Nil | 10,000 @ \$13.52/ 7,500 @ \$14.29 | Nil | Nil | Nil |
| | 2001 | \$ 85,000 | \$ 20,000 | Nil | Nil | Nil | Nil | Nil |
| | 2000 | \$ 75,904 | \$ 10,000 | Nil | 10,000 @ \$5.75 | Nil | Nil | Nil |

1. Rodney K. Adams started his employment with the Corporation on December 4, 2000; his salary would have equalled his 2001 salary had he worked the entire year.

**OPTION/SAR GRANTS DURING THE MOST
RECENTLY COMPLETED FINANCIAL YEAR**

| Name | Securities Under Options/SARs Granted (#) | % of Total Options/SARs Granted to Employees in Financial Year | Exercise or Base Price (\$/Security) | Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security) | Expiration Date |
|-------------------|--|--|--|--|--------------------|
| Gerald M. Soloway | <u>100,000</u> | 35.40% | <u>13.52</u> | <u>13.50</u> | Mar 6/07 |
| | 125,000 | 63.29% | 14.29 | 14.00 | Dec. 5/09 |
| W. Roy Vincent | <u>10,000</u> | 3.54% | <u>13.52</u> | <u>13.50</u> | Mar 6/07 |
| | 50,000 | 25.32% | 14.29 | 14.00 | Dec 5/09 |
| Rodney K. Adams | 10,000 | 3.54% | 13.52 | 13.50 | Mar 6/07 |
| Cathy Sutherland | <u>10,000</u> | 3.54% | <u>13.52</u> | <u>13.50</u> | Mar 6/07 |
| | 7,500 | 3.80% | 14.29 | 14.00 | Dec 5/09 |

3. Management Incentive Plans and Other Arrangements

Employee Stock Option Plan

The Corporation's Employee Stock Option Plan (the "Plan") was approved by the shareholders of the Corporation on December 15, 1986. The Plan was amended effective December 31, 1995 to conform with the Revised Policy on Listed Company Share Incentive Arrangements of The Toronto Stock Exchange (the "TSX"). The Plan, as amended, provides for the granting to certain directors, officers and other employees of the Corporation and its subsidiaries of non-assignable options to purchase shares. The exercise price of the options shall be fixed by the Board at the time of issuance at the "market price" of such shares subject to all applicable regulatory requirements. The "market price" per share at any date shall not be less than the weighted average price at which the Class B Shares of the Corporation have traded on the TSX (or, if the Class B Shares are not then listed and posted for trading on the TSX, on such stock exchange in Canada on which such shares are listed and posted for trading as may be selected for such purpose by the Board) during the two trading days immediately preceding the date on which the options were approved by the Board. In December, 2002, the Board amended the terms of the Plan such that, if an option grant is made during a Board meeting at which approval to quarterly or year end financial statements is given, the averaging calculation shall be extended to include five trading days following such Board meeting. The period of exercise of any option will not extend beyond a period of ten years from the date of grant of the option. The period within which an option or portion thereof may be exercised by a participant will be determined in each case by the Board.

As of April 1, 2003, the maximum number of options to purchase Class B Shares that the Corporation may issue under the Plan without having to obtain shareholder approval is 483,099.

The TSX did not require the Corporation to obtain shareholder approval to amend the Plan in 1995. Shareholders approved an amendment to the Plan in 2001 to authorize the issuance of additional options and also approved an amendment to the Plan in 2002 to increase by 450,000 the number of available options to purchase Class B Shares.

During 2002, 247,500 options were awarded to directors, with an average exercise price of \$14.05. As at April 1, 2003, the directors, officers and other employees of the Corporation held options to purchase a total of 707,500 Class B Shares.

During 2002, three directors exercised options to purchase an aggregate of 240,785 Class B Shares having a net value (market value at the date of exercise less exercise price) of \$2,664,416.40.

As at April 1, 2003, the following directors held options to purchase Class B Shares in the amount indicated following their respective names: John M. Christodoulou, 7,500; The Hon. William G. Davis, 14,000; William A. Dimma, 12,500; Harvey F. Kolodny, 12,500; John M. E. Marsh, 7,500; Robert A. Mitchell, 15,000; Sheila L. Ross, 25,000; and Gerald M. Soloway, 225,000.

In 2002, 312,500 options to purchase Class B Shares were granted to the named executive officers of the Corporation and 150,000 options to purchase Class B Shares were granted to employees of the Corporation.

The following table sets forth details concerning options exercised pursuant to the Plan by the named executive officers and the financial year and value of outstanding options issued pursuant to the Plan.

OPTIONS EXERCISED DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR

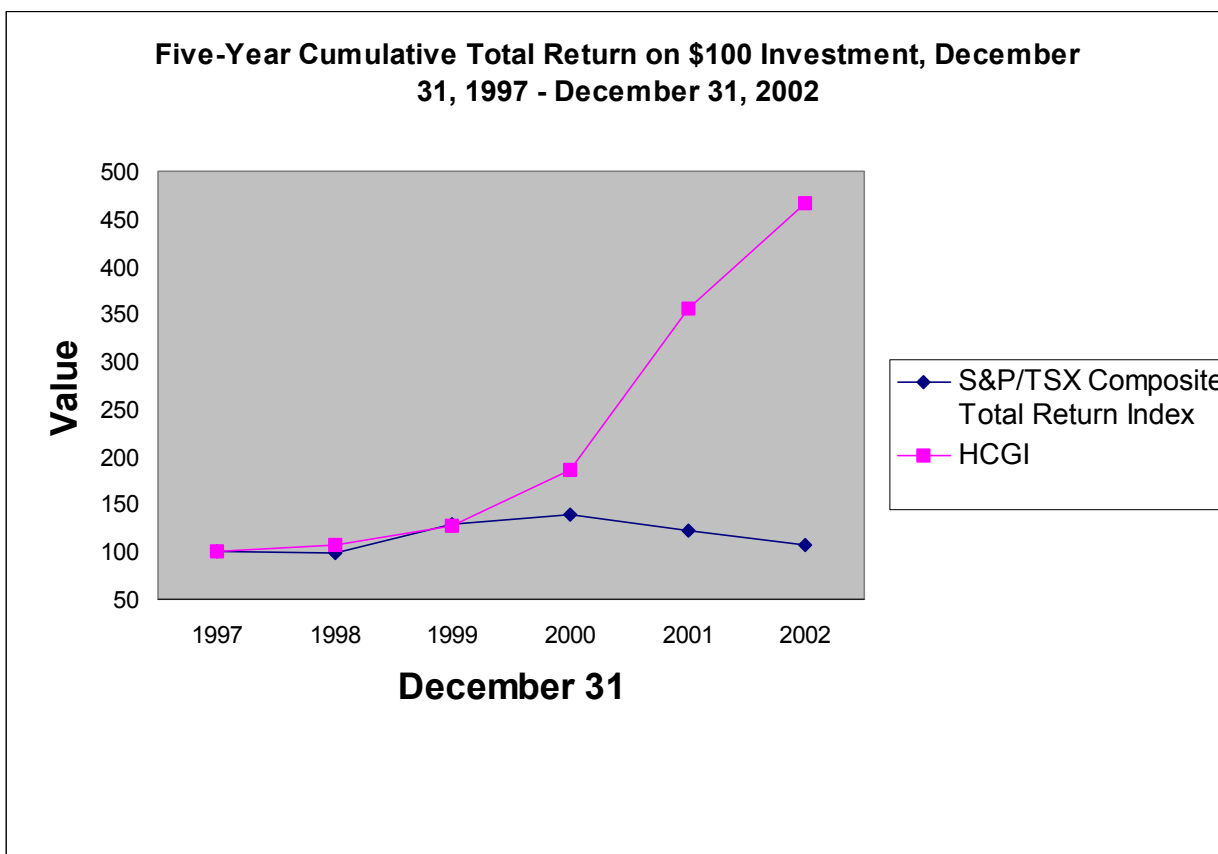
| Name | Securities Acquired on Exercise | Aggregate value Realized (\$) | Unexercised Options at FY-end (#) Exercisable/Unexercisable | Value of Unexercised in-the-Money Options at FY-end (\$) Exercisable/Unexercisable ⁽¹⁾ |
|-------------------|---------------------------------|-------------------------------|---|---|
| Gerald M. Soloway | 210,785* | 2,354,891 | 0/ 225,000 | 0/ 124,250 |
| W. Roy Vincent | 65,000* | 714,350 | 32,500/ 60,000 | 229,600/ 20,300 |
| Rodney K. Adams | 7,000 | 53,270 | 13,000/ 10,000 | 109,650/ 9,800 |
| Cathy Sutherland | 15,000* | 155,370 | 10,000/ 17,500 | 87,500/ 11,375 |

* Options exercised on expiry date.

4. Performance Graph

The following graph shows changes over the past five-year period in the value of \$100 invested in: (1) the Corporation's Class B Shares and (2) the TSX 300 Total Return Index as of December 31, 2002.

¹ Calculated using the closing price for the Class B Shares on the TSX on December 31, 2002, less the exercise price of the options.



TSX Trading Symbol HCG.B

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | Compound Annual Growth |
|---------|------|--------|--------|--------|--------|--------|------------------------|
| TSX 300 | 100 | 98.42 | 129.63 | 139.23 | 121.73 | 106.56 | 1.284% |
| HCGI | 100 | 107.38 | 127.50 | 186.38 | 356.02 | 466.67 | 36.040% |

5. Compensation of Directors

Effective January 1, 2002, each outside director of the Corporation and its subsidiaries is entitled to be paid \$15,000 per annum for such individual's services as a director. The aggregate cash compensation paid by the Corporation and its subsidiaries during the year ended December 1, 2002 to the directors of the Corporation and its subsidiaries in their capacity as directors was approximately \$132,500. The directors' remuneration is paid quarterly in arrears. Each of the directors of the Corporation and its subsidiaries is entitled to be reimbursed for any out-of-pocket expenses incurred in connection with their attendance at meetings of the Board or any committees thereof; and each outside director is entitled to a fee of \$1,000 for each of the quarterly meetings of the Board and annual meeting of shareholders that they attend. Executive Committee members receive \$1000 per meeting attended. In addition, directors of the Corporation are eligible to participate in the Corporation's stock option plan, particulars of which are set out above and, commencing in 1999, upon retirement and after five years of service, non-management directors are entitled to an amount equivalent to one year's basic directors' fees.

Dr. Harvey Kolodny, a director of the Corporation and of its subsidiary Home Trust Company, was also paid \$2,000 per month principally to serve as Chairman of the Audit and Risk Management Committee of Home Trust Company. Mr. William A. Dimma, a director and the Chairman of the Board of the Corporation, was paid \$2,000 per month in connection with his services as Chairman of the Board of the Corporation during the period January 1, 2002 to October 31, 2002. Effective November 1, 2002, Mr. Dimma's compensation was increased to \$50,000 per annum for his services in this regard. The Hon. William G. Davis, a director and the Chairman of the Board of the Corporation's subsidiary, Home Trust Company, was paid \$2,000 per month in connection with his services as Chairman of the Board of the subsidiary.

6. **Indebtedness of Directors and Officers**

The following table sets forth indebtedness incurred by directors, executive officers, and senior officers of the Corporation and their associates:

| Name and Principal Position | Involvement of the Corporation or Subsidiary | Largest Amount Outstanding During Year Ended December 31, 2002 | Amount Outstanding as at March 5, 2003 |
|-----------------------------|--|--|--|
| Cathy Sutherland, Treasurer | Lender | \$48,588.99 | \$38,260.19 |

In 1990, Home Trust Company made a mortgage loan to Ms. Sutherland secured by a first charge against her principal residence in Welland, Ontario. The mortgage matured on February 8, 2002 and was renewed. The renewed term bears interest at a rate of 3% per annum and matures on February 2, 2007.

7. **Directors' and Officers' Insurance**

Directors' and officers' liability insurance has been purchased by the Corporation for the benefit of the directors and officers of the Corporation and its subsidiaries. For the fiscal year ended December 31, 2001 the premium for such insurance was \$33,125 which was paid by the Corporation and its subsidiaries. The aggregate insurance coverage obtained under the policy is limited to \$5,000,000 in respect of the policy year. The deductible to be borne by the Corporation is \$250,000 in respect of any one claim.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

In February 1995, the TSX approved a report of its committee on corporate governance including a recommendation that as a listing requirement, companies incorporated in Canada and listed on the TSX be obligated to respond to a number of guidelines (the "Guidelines") set out in the report designed to enhance the flow of information provided by Canadian public companies to their shareholders and other stakeholders. The TSX proposed changes to the guidelines in April 2002 and November 2002 (the "Proposed Guidelines"). At the date of this proxy circular, these proposals have not been adopted by the TSX. The directors of the Corporation have reviewed the Guidelines and the Proposed Guidelines and believe that the Corporation's corporate governance practices are generally consistent with those set out in the Guidelines, and in certain circumstances, the Proposed Guidelines. The Corporation is currently monitoring the TSX corporate governance proposals and will take appropriate action as the Proposed Guidelines or any successor proposals are finalized.

The following is a brief commentary on the Corporation's position with respect to a number of matters reflecting its corporate governance practices with specific reference to the Guidelines.

1. Responsibility for Corporate Governance Practices

The Chairman of the Corporation's Board (who is an unrelated director and who holds no management position with the Corporation or its subsidiary, Home Trust Company) and the Corporate Governance and Nominating Committee are responsible to the Board for the oversight, monitoring and assessment of the Corporation's corporate governance practices and procedures.

2. Mandate of the Board

The Board is responsible for the stewardship of the Corporation, and as part of the overall stewardship responsibility, the Board assumes responsibility for the oversight of the following:

- the adoption of a strategic planning process and the annual approval and review of a strategic plan, which includes an analysis of risks relating to significant aspects of the business and operations of surrounding major issues of interest to the Corporation and its subsidiary and the development of major initiatives and the raising of capital
- the identification of principal risks of the Corporation's business and overseeing the implementation of a system to manage these risks;
- the administration of the process for the development, succession and compensation of senior management, including appointing, training and monitoring senior management;
- the development, maintenance and review of internal control and management information systems;
- the authorization, implementation and monitoring of all public and regulatory communications; and
- the ongoing and detailed review of the results of the operations of the Corporation and its subsidiaries.

3. Composition of the Board

The Guidelines direct that the Corporation's Board be made up of a majority of unrelated directors and makes it the responsibility of the Board to make a determination of the status of each of its members as related or unrelated, as such terms are defined and understood in the Guidelines. An "unrelated director" is a director who is not a member of management and is free from any interest and any business, family or other relationship which could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the issuer, other than interests and relationships arising solely from holdings in the issuer. The directors of the Corporation have determined that:

- a. the Board, which consists of eight members, has seven members who are both non-management directors (i.e. not officers or employees of the Corporation or its

subsidiaries) and unrelated directors;

- b. the Chief Executive Officer (the “CEO”) is the only management director and related director on the Board;
- c. the Chairman of the Board is an unrelated director and holds no management position either with the Corporation or with its wholly owned subsidiary, Home Trust Company;
- d. two of the directors, including the CEO, own significant holdings of the Corporation’s multiple voting Class A Shares, but no single director holds a controlling number of such shares. The largest such holding by a single director represents 16.61 percent of the votes attached to all outstanding shares.

4. Size of the Board

One of the Guidelines recommends that the Board examine its size and, with a view to determining the impact of the number upon effectiveness, undertake, where appropriate, a program to establish a board comprised of members who facilitate effective decision making. The Board has considered this Guideline and has determined that eight is the optimum number of members at this time.

5. Independence of the Board

Another of the Guidelines makes it the Board’s responsibility to ensure that the Board functions independently of management. The Guidelines suggest that the independence of the Board is most simply assured by separating the office of Chairman of the Board from that of CEO. The Chairman of the Board of the Corporation is an unrelated director and holds no management position with the Corporation. In addition, the majority of the Board is comprised of unrelated and non-management directors and the Board meets regularly without management.

6. Significant Shareholder

Another of the Guidelines provides that in the case of a corporation with a significant shareholder, the Board must disclose whether it is constituted with the appropriate number of directors which are not related to either the corporation or the “significant shareholder”. The Guidelines define a significant shareholder as a “shareholder with the ability to exercise a majority of the votes for the election of the Board”. The Corporation does not have a “significant shareholder”.

7. The Nomination and Recruitment of Directors

Another of the Guidelines provides that the Board appoint a committee of directors composed solely of non-management directors, a majority of whom are unrelated directors, to be responsible for proposing to the full Board new nominees to the Board. The Corporation’s Corporate Governance and Nominating Committee, which is composed of three directors, all of whom are unrelated directors and non-management directors, is responsible for the identification and nomination of candidates for election to the Board.

8. The Education and Assessment of Directors

The Guidelines also provide that a corporation should provide an orientation and education program for new recruits to the Board and provide continuing education for all directors. The Corporate Governance and Nominating Committee is responsible for the orientation and education of new directors appointed to the Board and the continuing education of directors. The Corporate Governance and Nominating Committee is also responsible for the ongoing assessment of directors.

9. Committees of the Board

The Corporation's Board maintains five committees: Audit and Risk Management; Executive; Human Resources and Compensation; Corporate Governance and Nominating; and Investment.

The Guidelines state that the audit committee should be made up of unrelated directors only. The executive committee may include one or more inside directors, and the other board committees should be comprised of non-management directors with a majority of their members being unrelated directors.

The Corporation's Audit and Risk Management Committee consists entirely of unrelated directors and unrelated directors constitute a majority on each of the Corporation's other committees. The CEO, who is the only related director on the Board, is a member of the Executive Committee and the Investment Committee and attends meetings of the other committees when invited.

10. The Audit and Risk Management Committee

The Audit and Risk Management Committee is composed of five outside, unrelated directors. It meets on at least four occasions each year with external auditors in attendance. At least once a year, the Audit and Risk Management Committee holds a formal meeting with the external auditor without management present. The Committee also discusses the question of auditor independence with the auditors, specifically addressing all matters required by applicable standards including the provision of non-auditing services.

All members of the Audit and Risk Management Committee are "financially literate" and at least one member has accounting and related financial expertise in accordance with the following definition of these terms as determined by the Board. The definition of "financially literate" is the ability to read and understand a balance sheet, an income statement, a cash flow statement and the notes attached thereto and the definition of "accounting or related financial expertise" is the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.

The mandate of the Audit and Risk Management Committee includes the following: the Corporation's external audit plan including evaluation of auditor independence; the internal auditing process; accounting standards and practices; determination of non-audit services the external auditors are providing; the remuneration, evaluation and termination of external auditors; financial information and accounting systems; internal control and data security procedures; financial risk management; the Corporation's financial reporting and statements; compliance of the regulated subsidiary with all laws, regulations and standards, including the Canada Deposit Insurance Corporation Standards and the *Trust and Loan*

Companies Act (Canada), and its Code of Conduct; and as otherwise set out in the Audit and Risk Management Committee mandate.

11. The Executive Committee

The Executive Committee is comprised of four directors, including three non-management, unrelated directors and the CEO, who is the only related director on the Board. The Executive Committee is chaired by a non-management related director and meets as needed.

The mandate of the Executive Committee includes the following: to assist the CEO in analysis of key issues; to determine recommendations to the Board including, but not limited to, raising capital, new businesses, allocation of capital, and organizational changes; to review the objectives and assumptions of the multi-year strategic plan prior to final preparation for the Board; and to review monthly financial statements versus plans and issues arising from the quarterly report to the Board and the impact on strategic issues, if any.

12. The Human Resources and Compensation Committee

The Guidelines recommend that the Board review the adequacy and form of compensation of directors and ensure that the compensation adequately reflects the responsibilities and risks of being a director.

The Human Resources and Compensation Committee is composed of four non-management, unrelated directors and has responsibility for the establishment and oversight of the Corporation's compensation and succession plans including stock options and directors' compensation.

13. The Corporate Governance and Nominating Committee

The Guidelines also provide that every board of directors should implement a process to be carried out by the appropriate committee for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors.

The Corporate Governance and Nominating Committee is composed of three non-management, unrelated directors and is responsible for the nomination of directors, assessing the effectiveness of the Board, the committees of the Board and the contribution of each individual director.

14. The Investment Committee

The Investment Committee is composed of three directors, two of whom are unrelated. It meets on four or five occasions each year.

The Committee is responsible for the development, implementation and monitoring of policies governing the investment of the Corporation's stock and bond portfolio.

15. External Advisors

A Guideline recommends that the Board implement a system which enables an individual director to engage an external advisor at the expense of the Corporation in appropriate circumstances. Committees of the Board and individual directors may, as required, with the approval of the Chairman of the Board, retain external advisors.

16. Shareholder Feedback

Although not mentioned in the Guidelines, it is important for a corporation to have measures in place for receiving shareholder feedback and measures for dealing with shareholder concerns. In order to receive shareholder feedback and deal with shareholder concerns, the Corporation in both its quarterly and annual reports sets out the name and phone number of the necessary person at the Corporation who is to deal with such concerns and feedback.

APPOINTMENT AND REMUNERATION OF AUDITORS

Management intends to nominate Ernst & Young LLP of Toronto, Ontario, as auditors of the Corporation to hold office until the close of the next annual meeting of shareholders. Ernst & Young LLP were first appointed as auditors of the Corporation at the 1988 annual meeting of shareholders.

In the past, the directors have negotiated, on an arm's length basis, the remuneration of the auditors with the auditors of the Corporation. Such remuneration has been based upon the complexity of the matters dealt with by the auditors and the time spent by the auditors in providing services to the Corporation. Management feels that the remuneration negotiated in the past with the auditors of the Corporation has been reasonable under the circumstances and would be comparable to fees charged by other auditors providing similar services. Fees paid or expected to be paid to Ernst & Young LLP in connection with the fiscal year ended December 31, 2002 were \$159,000 in the aggregate for audit, attest and related services and \$28,000 for tax support services. No fees were paid to the auditors in connection with financial information systems design and implementation services.

Accordingly, on any ballot that may be called for relating to the appointment of auditors and the authorization of the directors to fix the remuneration of the auditors, shares represented by proxies in favour of Management nominees will be voted in favour of such resolution, unless a shareholder has specified by proxy that their shares are to be withheld from voting in the appointment of auditors and the authorization of the directors to fix the remuneration of the auditors.

FINANCIAL STATEMENTS

The financial statements of the Corporation for the year ended December 31, 2002 are included in the 2002 annual report of the Corporation accompanying this Management Information Circular.

CERTIFICATE

The contents of this Management Information Circular and its distribution to the shareholders of the Corporation have been approved by the Board of the Corporation.

April 16, 2003

Gerald M. Soloway
President and CEO