

## HOME CAPITAL GROUP INC.

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### MANAGEMENT INFORMATION CIRCULAR

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#### MANAGEMENT SOLICITATION

This management information circular (“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 Wednesday, the 11th day of May, 2005, 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 March 1, 2005.

Copies of the Corporation’s current annual information form (“AIF”), together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the current AIF, the Corporation’s most recently filed comparative annual financial statements, together with the accompanying report of the auditor, and any interim financial statements of the Corporation that have been filed for any period after the end of the Corporation’s most recently completed financial year, and this Management Information Circular are available to anyone, upon request, from the Secretary of the Corporation and without charge to security holders of the Corporation. These documents are available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Appointment of Proxies**

The persons named in the enclosed form of proxy are the nominees proposed for election as directors of the Corporation (the “Nominees”). **Shareholders have the right to appoint someone else to represent them at the meeting other than the person designated in the form of proxy. A shareholder who wishes to appoint some other person to represent such shareholder at the Meeting may do so by inserting such person’s name in the blank space provided in the form of proxy. Such other person need not be a shareholder of the Corporation.**

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.

### **Non-Registered Holders**

Only registered holders of Common Shares of the Corporation, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, Common Shares of the Corporation beneficially owned by a holder (a “Non-Registered Holder”) are registered either:

- (a) in the name of an intermediary that the Non-Registered Holder deals with in respect of the shares. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFFs, RESPs and similar plans; or
- (b) in the name of a depository (such as The Canadian Depository for Securities Limited or “CDS”).

In accordance with the Canadian securities law, the Corporation has distributed copies of the notice of meeting, this Management Information Circular, the form of proxy, and the 2004 annual report (collectively, the “Meeting Materials”) to CDS and intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Typically, intermediaries will use a service company (such as ADP Investor Communications (“ADP IC”)) to forward the Meeting Materials to Non-Registered Holders. The Corporation is a “Participating Issuer” under ADP IC’s Electronic Delivery Procedures. Non-Registered Holders who have enrolled in ADP IC’s Electronic Delivery Procedures (at [www.investordeliverycanada.com](http://www.investordeliverycanada.com)) will have received from ADP IC an e-mail notification that these Meeting Materials are available electronically at the Corporation’s website, which notification includes a hyperlink to the page within the Corporation’s website where these Meeting Materials can be viewed.

Non-Registered Holders who have not waived the right to receive Meeting Materials will receive either a voting instruction form or, less frequently, a form of proxy. The purpose of these forms is to permit Non-Registered Holders to direct the voting of the shares they beneficially own. Non-Registered Holders should follow the procedures set out below, depending on which type of form they receive.

- A. **Voting Instruction Form.** In most cases, a Non-Registered Holder will receive, as part of the Meeting Materials, a voting instruction form. If the Non-Registered Holder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the Holder’s behalf), the voting instruction form must be completed, signed and returned in accordance with the directions on the form. Voting instruction forms sent by ADP IC permit the completion of the voting instruction form by telephone or through the Internet at [www.proxyvotecanada.com](http://www.proxyvotecanada.com). Non-Registered Holders who have enrolled in ADP IC’s Electronic Delivery Procedures will only be able to complete ADP IC’s voting instruction form through the Internet, at [www.proxyvoting.com](http://www.proxyvoting.com). If a Non-Registered

Holder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the Holder's behalf), the Non-Registered Holder must complete, sign and return the voting instruction form in accordance with the directions provided and a form of proxy giving the right to attend and vote will be forwarded to the Non-Registered Holder.

or

- B. Form of Proxy. Less frequently, a Non-Registered Holder will receive, as part of the Meeting Materials, a form of proxy that has already been signed by the intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. If the Non-Registered Holder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the Holder's behalf), the Non-Registered Holder must complete the form of proxy and deposit it at the registered office of the Corporation as described above. If a Non-Registered Holder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the Holder's behalf), the Non-Registered Holder must strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided.

***Non-Registered Holders should follow the instructions on the forms they receive and contact their intermediaries promptly if they need assistance.***

## **Revocation**

A registered shareholder who has given a proxy may revoke the proxy by:

- (a) completing and signing a proxy bearing a later date and depositing it at the registered office of the Corporation as described above; or
- (b) depositing an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing: (i) 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 of the Meeting, at which the proxy is to be used, or (ii) with the chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment of the Meeting; or
- (c) in any other manner permitted by law.

A Non-Registered Holder may revoke a voting instruction form or a waiver of the right to receive Meeting Materials and to vote given to an intermediary at any time by written notice to the intermediary, except that an intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive materials and to vote that is not received by the Intermediary at least seven days prior to the Meeting.

## **Voting of Proxies**

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 that 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 represented by the proxy 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 and if the shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly.

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 the 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 the Nominees will be voted on such matters in accordance with the best judgment of the proxy nominee.

## **VOTING SHARES**

The authorized capital of the Corporation 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 March 1, 2005, 33,805,390 Common Shares were issued and outstanding. No Senior Preferred Shares or Junior Preferred Shares were issued or outstanding on March 1, 2005. Each Common Share carries one vote per share in respect of each matter to be voted on at the Meeting. 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. Holders of outstanding Common Shares of record at the close of business on March 24, 2005 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.

## FINANCIAL STATEMENTS

The financial statements of the Corporation for the year ended December 31, 2004 are included in the 2004 annual report of the Corporation accompanying this Management Information Circular.

## 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. Two directors, Mr. John Christodoulou and Ms. Sheila Ross, are not standing for re-election. 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 the Nominees will be voted FOR 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 event that any vacancies occur in the slate of nominees for the election of directors, it is intended that discretionary authority will 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 Nominees.

The following sets out the names of the nominees for election as directors, together with their province or state 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 March 1, 2005.

A record of attendance by directors of meetings of the Board and its committees during the twelve months ended December 31, 2004 is set out in Schedule A to this Management Information Circular.

| <b>Name, Province/State, Country of Residence and Year First Became Director</b> | <b>Principal Occupation</b>  | <b>Positions with the Corporation<sup>1</sup></b> | <b>Number and Class of Securities Beneficially Owned Directly or Indirectly, or Controlled or Directed as at March 1, 2005</b> |
|--|--|---|--|
| Gerald M. Soloway<br>Ontario, Canada<br>(1986)                                   | President and Chief Executive Officer of the Corporation   | Director, President and Chief Executive Officer   | 2,480,825 Common Shares  |
| John M. E. Marsh<br>Ontario, Canada<br>(1986)                                    | Corporate Director   | Director  | 1,918,802 Common Shares  |
| Harvey F. Kolodny<br>Ontario, Canada<br>(1989)                                   | Professor Emeritus, Rotman School of Management, University of Toronto (educational institution) | Director  | 25,000 Common Shares   |

| Name, Province/State, Country of Residence and Year First Became Director | Principal Occupation   | Positions with the Corporation <sup>1</sup> | Number and Class of Securities Beneficially Owned Directly or Indirectly, or Controlled or Directed as at March 1, 2005 |
|---|--|---|---|
| William A. Dimma<br>Ontario, Canada<br>(1994)                             | Corporate Director   | Chairman of the Board and Director          | 43,100 Common Shares  |
| The Hon. William G. Davis<br>Ontario, Canada<br>(1999)                    | Counsel, Torys LLP<br>(North American law firm)  | Director                                    | 5,000 Common Shares   |
| Robert A. Mitchell<br>Ontario, Canada<br>(2002)                           | Corporate Director   | Director                                    | 2,000 Common Shares   |
| Norman F. Angus<br>Connecticut, United States                             | Managing Director, Stuart Lammert & Co.<br>(corporate advisory firm)   | Not currently a Director                    | 2,000 Common Shares   |
| Janet L. Ecker<br>Ontario, Canada   | Advisor, LeDrew Laishley Reed LLP<br>(governance, government relations and strategic communications advice for a Toronto law firm) | Not currently a Director                    | Nil   |

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

**Gerald M. Soloway**, of Toronto, Ontario, has been the President and Chief Executive Officer of the Corporation since 1986. He holds a B.A. 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**, P.Eng., of Port Colborne, Ontario, 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: Vivosonic Inc. and Ontario Council for Innovation. Dr. Kolodny's current research examines the integration of project management and change management in large organizations.

**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, Brascan Financial Corporation, Malibu Engineering and Software Ltd. 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.”

**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. and Magellan Aerospace Corporation. Mr. Davis is also a trustee of Retirement Residences Real Estate Investment Trust and a member of the Governing Council of the University of Toronto.

**Robert A. Mitchell**, C.A., 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 currently holds the following corporate directorships: Acuity Funds Ltd. and Orvana Minerals Corp. He has also participated on numerous working groups in the investment management, securities dealer and trust company industries as well as the volunteer sector.

**Norman F. Angus**, of Old Lyme, Connecticut, has had a lengthy investment-banking career in both Canada and the United States, advising major public sector issuers and governments on such matters as privatization, restructuring and demutualization. He is currently a managing director and has been with Stuart Lammert & Co., a North American corporate advisory firm since September 2002. Prior to that time he was with UBS from 2000 to 2002 and Lehman Brothers from 1998 to 2000.

**Janet L. Ecker**, of Ajax, Ontario, has been an advisor with the law firm of LeDrew Laishley Reed LLP, since June 1, 2004, where she counsels clients on government relations, strategic communications, governance and public/private partnerships. She is also Executive Director of the Toronto Financial Services Alliance. She is also a panelist on TVO and a Fellow in 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. She holds the following corporate directorships: CMA Holdings, Denison Mines Inc. and Minacs Worldwide Inc.

#### Additional Disclosure Relating to Directors

To the knowledge of the Corporation, no director of the Corporation is, or has been in the last ten years, a director or executive officer of an issuer that, while that person was acting in that capacity, (a) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days, (b) was subject to an event that resulted, after that person ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days, or (c) 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 for the following:

- i) Mr. Dimma, the Chairman and a director of the Corporation, 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 then into insolvency.
- ii) Mr. Davis, a director of the Corporation, 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. The Trustee in Bankruptcy of Dylex Limited has commenced proceedings against the former directors, officers, and legal counsel of Dylex Limited in connection with the change of control transaction. The claim is being defended.

#### **APPOINTMENT AND REMUNERATION OF AUDITORS**

The directors propose that Ernst & Young LLP of Toronto, Ontario, be appointed 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. The directors feel 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, 2004 were \$189,000 in the aggregate for audit services and \$52,400 for tax support services, as compared to \$152,500 and \$18,300 respectively for 2003. 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 the Nominees will be voted FOR 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.

## REPORT ON DIRECTOR AND EXECUTIVE COMPENSATION

### 1. Report of the Human Resources and Compensation Committee

The Human Resources and Compensation Committee of the Board administers the Corporation's executive compensation program. The members of the Human Resources and Compensation Committee currently are Messrs. Davis, Dimma, Marsh and Ms. Ross and Ms. Ross is the Chairperson. As part of its mandate, this 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 four times during the financial year ended December 31, 2004.

#### *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 are 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. The Chief Executive Officer's base salary is determined according to the forgoing criteria, and the bonus portion is determined by the Committee as follows: 150% of base salary if all four benchmarks are attained, and up to an additional 50% of base salary if all benchmarks are substantially exceeded. In 2004 all the following benchmarks as set out in the Corporation's 2003 Annual Report were attained and substantially exceeded, and the bonus determined accordingly:

- 20% return on equity;
- 20% growth in earnings;
- 20% growth in fully diluted earnings per share; and
- 20% growth in combined total assets and securitized mortgages originated and managed by the Corporation.

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 that 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 that 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 require confirmation by the Board.

*Retirement Benefits*

The Corporation does not have a pension plan for its executive officers and employees. Executive officers of the Corporation are eligible to the same extent as employees to participate in the Corporation's group RRSP plan whereby the Corporation matches personal contributions of up to 3% of annual salary per year during the first five years of employment and up to 4% after five years of employment. Aside from a post-retirement health costs plan described in the Notes to Consolidated Financial Statements, the Corporation does not provide any additional or supplemental pensions, retirement allowances or like benefits to any of its executive officers.

The foregoing report has been furnished by the Hon. William G. Davis, William A. Dimma, 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, 2004, 2003 and 2002 in respect of each of the individuals who served as a policy-making executive officer of the Corporation during the year ended December 31, 2004 (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 |
|--|---------------------|-----------|-----------|---------------------------|------------------------|--------------|-----|------------------------|
|  | Fiscal Year         | Salary    | Bonus     | Other Annual Compensation | Awards                 | Payouts      |     |                        |
| Securities Under Option Granted (#)  |                     |           |           |                           | Restricted Shares      | LTIP Payouts |     |                        |
| Gerald M. Soloway, President and CEO of Home Capital Group Inc. and of Home Trust Company                              | 2004                | \$400,000 | \$725,000 | Nil                       | Nil                    | Nil          | Nil | Nil                    |
|  | 2003                | \$400,000 | \$600,000 | Nil                       | Nil                    | Nil          | Nil | Nil                    |
|  | 2002                | \$300,000 | \$450,000 | Nil                       | 450,000                | Nil          | Nil | Nil                    |
| Cathy Sutherland, Treasurer of Home Capital Group Inc. and of Home Trust Company                                       | 2004                | \$110,000 | \$50,000  | Nil                       | Nil                    | Nil          | Nil | Nil                    |
|  | 2003                | \$100,000 | \$40,000  | Nil                       | Nil                    | Nil          | Nil | Nil                    |
|  | 2002                | \$90,000  | \$30,000  | Nil                       | 35,000                 | Nil          | Nil | Nil                    |
| W. Roy Vincent, Senior Vice President and Chief Operating Officer of Home Capital Group Inc. and of Home Trust Company | 2004                | \$275,000 | \$250,000 | Nil                       | Nil                    | Nil          | Nil | Nil                    |
|  | 2003                | \$225,000 | \$200,000 | Nil                       | Nil                    | Nil          | Nil | Nil                    |
|  | 2002                | \$207,271 | \$150,000 | Nil                       | 120,000                | Nil          | Nil | Nil                    |
| Nick Kyprianou, Senior Vice President of Home Capital Group Inc. and of Home Trust Company                             | 2004                | \$235,000 | \$225,000 | Nil                       | Nil                    | Nil          | Nil | Nil                    |
|  | 2003                | \$185,000 | \$150,000 | Nil                       | 60,000                 | Nil          | Nil | Nil                    |
|  | 2002                | \$150,000 | \$100,000 | Nil                       | 20,000                 | Nil          | Nil | Nil                    |
| Brian Wilson, Senior Vice President of Home Capital Group Inc. and Home Trust Company (1)                              | 2004                | \$199,039 | \$80,000  | Nil                       | 100,000                | Nil          | Nil | Nil                    |
| Rod Adams, Senior Vice President of Home Capital Group Inc. and Home Trust Company (2)                                 | 2004                | \$52,308  | Nil       | Nil                       | Nil                    | Nil          | Nil | Nil                    |
|  | 2003                | \$191,769 | \$60,000  | Nil                       | Nil                    | Nil          | Nil | Nil                    |
|  | 2002                | \$174,811 | \$60,000  | Nil                       | 20,000                 | Nil          | Nil | Nil                    |

1. Brian Wilson was employed by the Corporation from February 16, 2004 until February 4, 2005. His compensation for the entire 2004 year is reported.
2. Rod Adams was employed by the Corporation from December 4, 2000 until March 31, 2004. His compensation for the entire 2004 year is reported.

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

| Name         | Securities Under<br>Options Granted<br>(#) | % of Total<br>Options Granted<br>to Employees in<br>Financial Year | Exercise or<br>Base Price<br>(\$/Security) | Market Value of<br>Securities<br>Underlying<br>Options on the<br>Date of Grant<br>(\$/Security) | Expiration<br>Date |
|--------------|--|--|--|---|--------------------|
| Brian Wilson | 100,000                                    | 83.33%   | 26.16                                      | 26.10   | Nov 15/11          |

**3. Management Incentive Plans and Other Arrangements**

*Stock Option Plan*

The shareholders of the Corporation approved the Corporation's Stock Option Plan (the "Plan") on December 15, 1986. The Plan was amended effective December 31, 1995 to conform to 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 maximum number of Common Shares that may be issued pursuant to the Plan shall be 3,835,198 in total, representing 11.34% of the Corporation's Common Shares issued and outstanding as at March 1, 2005, and the number of options granted to any one person shall not exceed 5% of the aggregate number of Common Shares which are issued and outstanding at that point in time. Between December 15, 1986 and March 1, 2005, 1,792,000 options to purchase Common Shares have been granted and exercised or cancelled. There are 641,198 options to purchase Common Shares available for future issue under the Plan without having to obtain shareholder approval. The total number of Common Shares to be issued upon the exercise of outstanding options under the Plan is 1,402,000, representing 4.15% of the Corporation's issued and outstanding Common Shares as at March 1, 2005. Options granted to participants are not assignable. The Board shall fix the exercise price of the options 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 Common Shares of the Corporation have traded on the TSX (or, if the Common 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. The Board has determined that an option may not vest unless the performance hurdle of increased earnings per share over the previous year is met,

a minimum period of one year from the date of a grant has expired and no more than 25% of a grant is exercised in each subsequent year.

If the participant's employment with the Corporation or one of its subsidiaries is terminated for just cause before the expiry of such participant's option, the option granted to such participant shall thereupon cease and terminate and be of no further force or effect whatsoever.

If before the expiry date of the participant's option, the participant's employment with the Corporation or one of its subsidiaries is terminated without just cause or if before the expiry date of the participant's option the participant resigns from the Corporation or one of its subsidiaries or, in the case where the participant is a director, the participant resigns or is not re-elected as a director, then the participant may, within thirty (30) days after the date of such termination or resignation, or the date at which the participant ceases to be a director, exercise the option as if the participant had continued to be a director or employee of the Corporation and to the extent that the participant had a right to exercise the option at the date of such termination or resignation or the date at which the participant ceased to be a director. At the end of such thirty (30) day period the option shall terminate.

Subject to the requirements of any stock exchange on which the Common Shares may be listed, the Board may amend or discontinue the Plan at any time, provided however that, except as permitted by the Plan, no such amendment may, without the consent of the participant, alter or impair any option previously granted to a participant under the Plan. All decisions and interpretations of the Board respecting the Plan or options granted thereunder shall be conclusive and binding on the Corporation and on all holders of options granted thereunder and their respective legal personal representatives and on all directors and employees eligible under the provisions of the Plan to participate therein.

*Equity Compensation Plan Information*

The following table provides information as at March 1, 2005 regarding the Common Shares issuable upon the exercise of options outstanding under the Stock Option Plan, as well as the number of Common Shares remaining available for issuance under the Stock Option Plan. As options can no longer be issued to non-management directors under the Stock Option Plan, the table does not include Common Shares remaining available for issuance under that Plan.

| Plan Category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities which may be issued in connection with outstanding options, warrants and rights) |
|--|---|---|---|
| Equity compensation plans approved by security holders | 1,402,000   | \$9.75  | 641,198   |

As of March 1, 2005, the maximum number of options to purchase Common Shares that the Corporation may issue under the Plan without having to obtain shareholder approval is 641,198.

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 900,000 the number of available options to purchase Common Shares.

During 2004, no options were awarded to directors, and the Board determined that in future non-management directors are no longer eligible to receive options under the Plan.

As at March 1, 2005, the directors, officers and other employees of the Corporation and its subsidiaries held options to purchase a total of 1,402,000 Common Shares.

During 2004, three directors exercised options to purchase an aggregate of 103,000 Common Shares having a net value (market value at the date of exercise less exercise price) of \$2,214,410. On February 16, 2005 one director exercised options to purchase 15,000 Common Shares having a net value of \$447,375.

As at March 1, 2005, the following directors held options to purchase Common Shares in the amount indicated following their respective names: Harvey F. Kolodny, 25,000; John M. E. Marsh, 15,000; Robert A. Mitchell, 30,000; and Gerald M. Soloway, 450,000.

In 2004, 100,000 options to purchase Common Shares were granted to the named executive officer of the Corporation and 20,000 options to purchase Common Shares were granted to employees of the Corporation and its subsidiaries. On February 14, 2005, 10,000 options to purchase Common Shares were granted to one executive officer of the Corporation and 47,500 options to purchase Common Shares were granted to employees.

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**

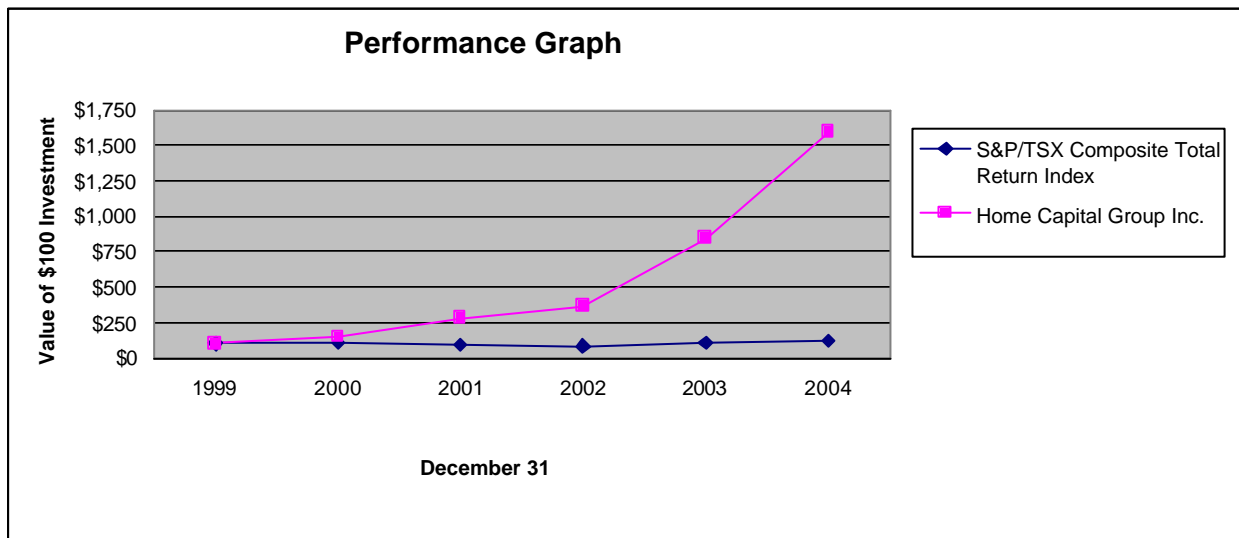
| Name              | Securities<br>Acquired<br>on Exercise | Aggregate<br>value<br>Realized (\$) | Unexercised<br>Options at<br>FY-end (#)<br>Exercisable/<br>Unexercisable | Value of<br>Unexercised<br>in-the-Money<br>Options at<br>FY-end (\$)<br>Exercisable/<br>Unexercisable <sup>(1)</sup> |
|-------------------|---------------------------------------|-------------------------------------|--|--|
| Gerald M. Soloway | 0                                     | 0                                   | 337,500/<br>112,500  | 8,193,188/<br>2,731,062  |
| Cathy Sutherland  | 0                                     | 0                                   | 46,250/<br>8,750   | 1,206,031/<br>212,844  |

| 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 <sup>(1)</sup> |
|----------------|---------------------------------|-------------------------------|---|---|
| W. Roy Vincent | 25,000                          | 630,750                       | 130,000/<br>30,000  | 3,237,825/<br>725,075   |
| Nick Kyprianou | 0                               | 0                             | 55,000/<br>35,000   | 1,271,800/<br>743,150   |
| Rod Adams      | 41,000                          | 766,000                       | 0   | 0   |
| Brian Wilson   | 0                               | 0                             | 0/<br>100,000   | 0/<br>509,000   |

1. Calculated using the closing price for the Common Shares on the TSX on December 31, 2004, less the exercise price of the options.

#### 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 Common Shares and (2) the S&P/TSX Total Return Index as of December 31, 2004.



TSX Trading Symbol HCG

|     | 1999 | 2000   | 2001   | 2002   | 2003   | 2004    | Compound Annual Growth |
|-----|------|--------|--------|--------|--------|---------|------------------------|
| TSX | 100  | 107.41 | 93.91  | 82.23  | 104.20 | 119.29  | 3.59%                  |
| HCG | 100  | 146.17 | 279.22 | 366.00 | 844.65 | 1595.65 | 74.02%                 |

## 5. Compensation of Directors

Effective January 1, 2004, each outside director of the Corporation and its subsidiaries is entitled to be paid \$35,000 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 31, 2004 to the directors of the Corporation and its subsidiaries in their capacity as directors was approximately \$245,000. 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. Effective October 20, 2004, non-management directors of the Corporation will no longer receive additional grants under the Corporation's stock option plan, particulars of which are set out above. In addition, effective October 20, 2004, upon retirement and after five years of service, only existing non-management directors will be entitled to receive a retirement allowance of \$15,000. New directors will not be entitled to receive a retirement allowance.

Mr. Robert Mitchell, a director of the Corporation and of its subsidiary Home Trust Company, received the sum of \$24,000 principally to serve as Chairman of the Audit and Risk Management Committee of the Corporation's subsidiary, Home Trust Company, for the period January 1, 2004 to December 31, 2004. This compensation was paid on a bi-weekly basis. Mr. William A. Dimma, a director and the Chairman of the Board of the Corporation, was paid \$12,500 quarterly in connection with his services as Chairman of the Board of the Corporation. In addition, Mr. Dimma was paid \$1,250 quarterly for his services as Chairman of the Corporate Governance and Nominating Committee of the Corporation and its subsidiary, and \$1,250 quarterly for his services as Chairman of the Executive Committee of the Corporation. The Hon. William G. Davis, a director and the Chairman of the Board of Home Trust Company, was paid \$6,000 quarterly in connection with his services as Chairman of the Board of the subsidiary, and \$1,250 quarterly for his services as Chairman of the Conduct Review Committee of the subsidiary. In addition, Dr. Harvey Kolodny received the sum of \$1,250 quarterly in connection with his services as Chairman of the Investment Committee of the Corporation and its subsidiary, and Ms. Sheila Ross received the sum of \$1,250 quarterly in connection with her services as Chairman of the Human Resources and Nominating Committee of the Corporation.

In 2004 the Board determined that all directors of the Corporation must acquire a minimum number of common shares of the Corporation over a certain period of service. Currently, all directors must own a minimum of 1,500 common shares of the Corporation, with a period of four years from election or appointment to accumulate this holding.

## 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:

| <b>Name and Principal Position</b> | <b>Involvement of the Corporation or Subsidiary</b> | <b>Largest Amount Outstanding During Year Ended December 31, 2004</b> | <b>Amount Outstanding as at March 1, 2005</b> |
|------------------------------------|---|---|---|
| Cathy Sutherland, Treasurer        | Lender  | \$30,416  | \$19,398                                      |

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, 2004, the premium for such insurance was \$59,750 and 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.

## **CORPORATE GOVERNANCE**

Under the rules of the Toronto Stock Exchange, the Corporation is required to disclose information relating to its corporate governance. The Corporation's Statement of Corporate Governance Practices is set out in Schedule B to this Management Information Circular.

## **CONTACTING THE BOARD OF DIRECTORS**

Shareholders, employees and other interested parties may communicate directly with the Board of Directors through the Chairman of the Board by writing to:

Chairman of the Board of Directors  
Home Capital Group Inc.  
145 King Street West  
Suite 1910  
Toronto, Ontario M5H 1J8

**CERTIFICATE**

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

By order of the Board of Directors

Toronto, Ontario  
March 24, 2005

Sharron I. Hatton  
Corporate Secretary

## SCHEDULE A

### DIRECTORS' ATTENDANCE

Set out in this Schedule A is a record of directors' attendance at meetings of the Board and its committees during the twelve months ended December 31, 2004.

| <u>Director</u>           | <u>Number of Meetings Attended</u> |                   |
|---------------------------|------------------------------------|-------------------|
|                           | <u>Board</u>                       | <u>Committees</u> |
| Gerald M. Soloway*        | 9 of 9                             | 4 of 4            |
| John M. E. Marsh          | 4 of 9                             | 2 of 4            |
| Harvey F. Kolodny         | 9 of 9                             | 11 of 11          |
| John M. Christodoulou     | 6 of 9                             | 5 of 9            |
| William A. Dimma          | 9 of 9                             | 11 of 11          |
| Sheila L. Ross            | 9 of 9                             | 4 of 4            |
| The Hon. William G. Davis | 8 of 9                             | 10 of 11          |
| Robert A. Mitchell        | 8 of 9                             | 7 of 7            |

\* With the exception of the Investment Committee and the Executive Committee, Mr. Soloway is not a member of any Board committee. He attends meetings of committees at the request of the Board.

#### Summary of Board and Committee Meetings Held

|                                     |   |
|-------------------------------------|---|
| Board                               | 9 |
| Audit and Risk Management           | 5 |
| Human Resources and Compensation    | 4 |
| Investment                          | 4 |
| Corporate Governance and Nominating | 2 |
| Executive                           | 0 |

## SCHEDULE B

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Toronto Stock Exchange (the “TSX”) requires companies incorporated in Canada and listed on the TSX to respond to a number of guidelines to enhance the flow of information provided by Canadian public companies to their shareholders and other stakeholders (the “Guidelines”). The directors of the Corporation have reviewed the Guidelines and believe that the Corporation’s corporate governance practices are generally consistent with those set out in them. The Corporation is currently monitoring the development of further corporate governance disclosure requirements by securities regulators and will take appropriate action as they are finalized.

The following is a summary of the Corporation’s position with respect to a number of matters reflecting its corporate governance practices with specific reference to the Guidelines. References in this schedule to information available on the Corporation’s website can be found at [www.homecapital.com](http://www.homecapital.com).

#### TSX Governance Guidelines

#### Governance Procedures of the Corporation

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##### Guideline 1

The board should explicitly assume responsibility for stewardship of the Corporation and specifically for:

The Board has adopted a mandate that explicitly provides that the Board is to focus on governance and stewardship of the Corporation, confirm and maintain its corporate direction and monitor its performance against defined objectives and limitations. The roles and responsibilities of the Board and each of its committees are set out in formal written mandates that are reviewed annually to ensure they reflect best practices. The Board’s Corporate Governance and Nominating Committee is responsible for the oversight, monitoring and assessment of the Corporation’s corporate governance practices and procedures and recommending necessary changes to the Board.

##### Guideline 1(a)

the adoption of a strategic planning process

The Board is responsible for the adoption of a strategic planning process and the annual approval and review of a strategic plan which involves 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, Home Trust Company, and the development of major

**TSX Governance Guidelines**

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initiatives and the raising of capital.

**Guideline 1(b)**

the identification of the principal risks of the Corporation's business and ensuring implementation of appropriate systems to manage those risks

The Board, through its Audit and Risk Management Committee, considers the principal risks of the Corporation's business and ensures the implementation of appropriate systems to manage those risks. It approves corporate policies and risk limits that address the management of risk and return as considered appropriate for prudent business practice, and reviews methods and procedures established by management for control of key risks.

**Guideline 1(c)**

Succession planning, including appointing, training and monitoring senior management

The Board's Human Resources and Compensation Committee oversees the administration of the Corporation's processes for the development, succession and compensation of senior management, including appointing, training and monitoring senior management. The Board approves all senior management appointments.

**Guideline 1(d)**

a communications policy for the Corporation

The Board has adopted a Corporate Communications Policy that governs the timely disclosure of all material information. The Corporation also communicates with shareholders and other stakeholders by way of its annual and quarterly reports, annual information form, news releases, website and other means. Shareholder feedback is received through meetings with institutional shareholders and from retail shareholders as received by mail or telephone.

Shareholders, employees and other interested parties may communicate directly with non-management directors through the Chairman of the Board by writing to: Chairman, Board of Directors, Home Capital Group Inc., 145 King Street West - Suite 1910, Toronto, Ontario M5H 1J8

## TSX Governance Guidelines

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### Guideline 1(e)

the integrity of the Corporation's internal control and management information systems

The Board's Audit and Risk Management Committee oversees the development, maintenance and review of the internal control and management information systems of the Corporation and provides the Board with regular reports thereon. The Internal Auditor reports quarterly to the Committee on the operation of internal controls, and the Committee meets regularly with the Internal Auditor, the shareholders' auditors and management to assess the adequacy and effectiveness of these systems.

### Guideline 2

A majority of directors should be "unrelated", which under the Guidelines means a director who is independent of management and free from any business or other relationships that could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Corporation.

All directors standing for election on May 11, 2005, with the exception of the Chief Executive Officer (the "CEO"), Mr. Soloway, are "unrelated" according to the definition of "unrelated" set out in the Guidelines. Furthermore, none of the directors standing for election is a "significant shareholder", defined in the Guidelines to be a shareholder with the ability to exercise a majority of the votes for the election of the Board of Directors.

### Guideline 3

The Board has responsibility for applying the definition of "unrelated director" to each individual director and for disclosing annually the analysis of the application of the principles supporting this definition and whether the Board has a majority of unrelated directors.

The directors have determined that 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, that the CEO is the only management director and related director on the Board, that 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.

### Guideline 4

The Board should appoint a committee

The Board's Corporate Governance and

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## **Governance Procedures of the Corporation**

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of directors composed exclusively of outside directors, a majority of whom are “unrelated” directors, with responsibility for proposing new nominees to the Board and for assessing directors on an ongoing basis.

Nominating Committee, which is composed of four directors who are all unrelated directors and non-management directors, is responsible for the identification and nomination of candidates for election to the Board. This Committee is also responsible for the ongoing assessment of directors.

### **Guideline 5**

The Board should implement a process, to be carried out by the nominating committee or other appropriate committee, for assessing the effectiveness of the Board, its committees and the contribution of individual directors.

The Board’s Corporate Governance and Nominating Committee conducts an annual assessment of the effectiveness of the Board and its committees, as well as the effectiveness and contribution of each individual director. The results of these assessments form the basis of recommendations to the Board for change.

### **Guideline 6**

The Corporation should provide an orientation and education program for new directors.

The Board’s 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. Furthermore, at regular Board meetings, directors are given presentations on various aspects of the business activities of the Corporation and its subsidiary, Home Trust Company, and the regulatory environment in which they operate.

### **Guideline 7**

The Board should examine its size and undertake where appropriate, a program to reduce the number of directors to a number which facilitates effective decision-making.

The Board has considered this Guideline and has determined that eight is the optimum number of members at this time.

### **Guideline 8**

The Board should review the adequacy and form of compensation of directors and ensure the compensation realistically reflects the responsibilities and risks involved in being an effective

The Human Resources and Compensation Committee of the Board reviews directors’ compensation to ensure it is competitive and consistent with the responsibilities and risks of being an effective director. The report of this

## TSX Governance Guidelines

## Governance Procedures of the Corporation

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director.

Committee on the compensation of directors is set out in the “Report on Director and Executive Compensation” section of this Management Information Circular.

### Guideline 9

Committees of the Board should generally be composed of outside directors, a majority of whom are unrelated, although some Board committees may include one or more inside directors.

The Board has five committees, being the Audit and Risk Management Committee, Human Resources and Compensation Committee, Corporate Governance and Nominating Committee, Investment Committee and Executive Committee. With the exception of the Investment and Executive Committees, all Board committees are composed solely of outside directors who are unrelated. The CEO, who is the only related director on the Board, is a member of the Investment and Executive Committees and attends meetings of the other committees when invited.

### Guideline 10

The Board should assume responsibility for, or assign to a committee of directors the general responsibility for, developing the approach to governance issues, including the Corporation’s response to these governance guidelines.

The Board’s Corporate Governance and Nominating Committee monitors best practices for corporate governance and reviews the Corporation’s governance practices to ensure they meet or exceed industry standards. The Committee periodically reviews all charters and mandates of committees of the Board to ensure they meet all applicable regulatory requirements as well as best practices.

### Guideline 11

The Board, together with the CEO, should develop position descriptions for the Board and for the CEO, involving the definition of the limits to management’s responsibilities. The Board should approve or develop corporate objectives which the CEO is responsible for meeting.

The Board had adopted a mandate that contains a position description for the Board and limits to management’s responsibilities. The Board sets corporate objectives which the CEO is responsible for meeting, and the performance of the CEO in this respect is assessed by the Human Resources and Compensation Committee and is set out in the “Report on Director and Executive Compensation” section of this Management Information Circular.

**Guideline 12**

The Board should have in place appropriate structures and procedures to ensure it can function independently of management. An appropriate structure would be to (i) appoint a chair of the Board who is not a member of management with responsibility to ensure the Board discharges its responsibilities or (ii) adopt alternate means such as assigning this responsibility to a committee of the Board or to a director sometimes referred to as the “lead director”. Appropriate procedures may involve the Board meeting on a regular basis without management present and may involve assigning the responsibility for administering the Board’s relationship to management to a committee of the Board.

The Chairman of the Board of the Corporation is an unrelated director and holds no management position with the Corporation and is responsible for ensuring that the Board operates independently of management. The Board has adopted a position description for the Chairman setting out the position’s role and responsibilities. The Chairman of the Board ensures the Board operates independently of management and manages the affairs of the Board so that it meets its obligations and responsibilities. At every meeting of the Board, the outside directors who are unrelated meet without management present.

**Guideline 13**

The Audit Committee should be composed only of outside directors. The roles and responsibilities of the Audit Committee should be defined to provide appropriate guidance to the Audit Committee members as to their duties. The Audit Committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The Audit Committee duties should include oversight responsibility for management reporting on internal control. While it is management’s responsibility to design and implement an effective system of internal control, it is the responsibility of the Audit Committee to ensure that management has done so.

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 each meeting, the Committee has sessions with the external auditor and the internal 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

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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.

Additional information relating to the composition of the Audit and Risk Management Committee, the Committee’s Charter, the relevant education and experience of its members, procedures for the engagement of non-audit services and the fees paid to the external auditors is set out in the Corporation’s Annual Information Form dated March 24, 2005, the contents of which are also available at [www.sedar.com](http://www.sedar.com).

**Guideline 14**

The Board should implement a system which enables an individual director to engage an outside advisor at the expense of the Corporation in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the Board.

Committees of the Board and individual directors may, with the approval of the Chairman of the Board, retain external advisors at the expense of the Corporation in appropriate circumstances.

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