

**Home Capital Group Inc.**

# Management Information Circular

Notice of 2018 Annual and Special Meeting of Shareholders  
May 16, 2018

Arcadian Court  
401 Bay Street  
Simpson Tower, 8<sup>th</sup> Floor  
Toronto, Ontario



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# Message to Shareholders

## **Dear Fellow Shareholders,**

On behalf of the Board of Directors of Home Capital Group Inc., I am pleased to invite you to attend our 2018 Annual and Special Meeting of Shareholders on Wednesday, May 16, 2018. The meeting will be held at 10:00 a.m., local time, at the Arcadian Court, located at 401 Bay St., Toronto, Ontario, M5H 2Y4.

We look forward to the annual meeting as it provides a valuable opportunity for directors and management to hear directly from you, our Shareholders, and address questions you may have. We will also review our accomplishments from the past year and discuss highlights of our plans for the year ahead.

Last year was an extraordinary year in which Home Capital faced material challenges that required the Corporation to adapt and change. I believe we emerged stronger in many ways but we know there is work to do to improve our performance.

In 2018, we are ready to grow under the direction of a revitalized management team and Board. We will do so with a strategy that enables Home Capital to build our business sustainably over the coming years and that puts responsible risk management at the forefront at all times. The Board has worked closely with management to develop this strategy.

Your Board is focused on ensuring that Home Capital re-establishes its reputation as one of Canada's leading Alt-A lenders, striving to be recognized as having the best products and service, strong financial performance, the highest ethical standards and the most rigorous risk management.

We also want to be known as a leader in governance. Last year's Board renewal began that process, which is being continued through the slate proposed for this annual meeting. This year we are pleased to welcome two new director nominees, Paul Derksen and Lisa Ritchie. They each bring extensive executive and strategic leadership skills, business acumen and financial industry experience, and will make a significant contribution to Home Capital's Board.

Regular board renewal is a healthy and necessary requirement for any company, and we will continue to seek opportunities to add new expertise to our Board.

On behalf of the Board, I would also like to thank the directors who are not standing for re-election, Bonita Then and Jacqueline Beaurivage, for their dedication and many positive contributions over the years.

As a final piece of our Board renewal this year I will not be standing for re-election. I am confident that with our experienced Board and talented management team, Home Capital will be successful in delivering strong performance and creating shareholder value in 2018 and beyond.

The enclosed documents describe the business to be conducted at the meeting, including the election of directors, and provide information on executive compensation for 2017 and Home Capital's governance practices.

Your vote at this meeting is important. We encourage you to read this Management Information Circular and vote your shares, regardless of whether or not you attend the meeting in person.

We are committed to keeping you, our Shareholders, informed about your investment in the Corporation. We are providing access to our proxy materials, including our Annual Report for the year ended December 31, 2017, in a fast and efficient manner via the internet on the Corporation's website at [www.homecapital.com](http://www.homecapital.com).

## MESSAGE TO SHAREHOLDERS

This year, Home Capital is using the “notice-and-access” procedure adopted by the Canadian Securities Administrators for the delivery of the Management Information Circular. Under the notice-and-access procedure, you are still entitled to receive a form of proxy (or voting instruction form) enabling you to vote at the meeting. However, instead of paper copies of the Management Information Circular, you are receiving this Notice of Meeting (“Notice”) which contains information about how to access the Circular electronically. The principal benefit of the notice-and-access procedure is that it reduces costs and the environmental impact of producing and distributing paper copies of documents in large quantities. Shareholders who have consented to electronic delivery of materials are receiving this Notice of Meeting in an electronic format.

In addition, the Notice and notice-and-access website will provide information regarding how you may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

For Shareholders who are not available to attend the meeting in person, we will also audiocast the Annual and Special Meeting at [www.homecapital.com](http://www.homecapital.com).

We thank you for your continued investment in Home Capital Group and we look forward to seeing you on May 16, 2018.

Yours truly,



**Brenda J. Eprile**  
Chair of the Board

# Notice of Annual and Special Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the Annual and Special Meeting of Shareholders of HOME CAPITAL GROUP INC. (the “Corporation”) will be held at Arcadian Court, Simpson Tower, 401 Bay Street, 8<sup>th</sup> Floor, Toronto, Ontario, on Wednesday, May 16, 2018, at 10:00 a.m. (Toronto time) for the following purposes:

- I. to receive the financial statements of the Corporation for the year ended December 31, 2017 and the auditor’s report on the financial statements (see “Business of the Meeting – Financial Statements” in the Corporation’s Management Information Circular, (the “Management Information Circular”));
- II. to elect the Board of Directors (see “Business of the Meeting – Election of Directors” in the Management Information Circular);
- III. to appoint the auditor and authorize the directors to fix the remuneration of the auditor (see “Business of the Meeting – Appointment of Auditor” in the Management Information Circular);
- IV. to consider and, if deemed advisable, pass, with or without variation, an ordinary resolution (the full text of which is reproduced in Schedule C to the Management Information Circular) approving the continuance, amendment and restatement of the rights plan agreement (the “Shareholder Rights Plan”) between the Corporation and Computershare Investor Services Inc., all as more particularly described in the Management Information Circular (see “Business of the Meeting – Shareholder Rights Plan” in the Management Information Circular);
- V. to approve the advisory resolution to accept the approach to executive compensation also known as Say on Pay (see “Business of the Meeting – Shareholder Advisory Vote on Approach to Executive Compensation” in the Management Information Circular); and
- VI. to consider any other business which may properly come before the Annual and Special Meeting of Shareholders.

## Notice-and-Access

This year we are implementing the “notice-and-access” system adopted by the Canadian Securities Administrators for the delivery of the Management Information Circular and 2017 Annual Report, which includes Management’s Discussion and Analysis and annual audited consolidated financial statements of the Corporation for the fiscal year ended December 31, 2017 (collectively, the “Meeting Materials”). Under notice-and-access, you will receive a proxy or voting instruction form enabling you to vote at the meeting. However, instead of a paper copy of the Management Information Circular, you will receive this notice which contains information about how to access the Meeting Materials electronically. Adopting the notice-and-access system allows for faster access to the Meeting Materials, helps reduce printing and postage costs and contributes to the protection of the environment.

The Management Information Circular and form of proxy (or voting instruction form, as applicable) provide additional information concerning the matters to be dealt with at the meeting. **You should access and review all information contained in the Management Information Circular before voting.**

Shareholders with questions about notice-and-access may call 1-866-964-0492 or by going to [www.computershare.com/noticeandaccess](http://www.computershare.com/noticeandaccess).

## Websites Where Meeting Materials are Posted

Meeting Materials can be viewed online on our website at [www.homecapital.com](http://www.homecapital.com), or under our SEDAR profile at [www.sedar.com](http://www.sedar.com).

## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

### Registered and Non-Registered Shareholders

If you would like paper copies of the Meeting Materials, you should first determine whether you are (i) a non-registered holder of Common Shares, as are most of our Shareholders, or (ii) a registered Shareholder.

You are a non-registered Shareholder (also known as a beneficial Shareholder) if you beneficially own Common Shares that are held in the name of an intermediary such as a bank, trust company, securities broker, trustee, depository, clearing agency (such as CDS Clearing and Depository Services Inc. or "CDS") or other intermediary. For example, you are a non-registered Shareholder if your Common Shares are held in a brokerage account of any type.

You are a registered Shareholder if you hold a paper share certificate and your name appears directly on your share certificate.

### How to Obtain Paper Copies of the Meeting Materials

Non-registered Shareholders may request that paper copies of the Meeting Materials be mailed to them at no cost. Requests may be made up to one year from the date that the Management Information Circular was filed on SEDAR by going to [www.proxyvote.com](http://www.proxyvote.com) and entering the 16-digit control number located on your voting instruction form and following the instructions provided. Alternatively, you may submit a request by calling 1-877-907-7643 or 905-507-5450 (outside of North America). Requests should be received by 5:00 p.m. (Toronto time) on May 4, 2018 if you would like to receive the Meeting Materials in advance of the voting deadline and meeting date.

If you are a registered Shareholder, you may request that paper copies of the Meeting Materials be mailed to you at no cost. Requests by registered Shareholders may be made up to one year from the date that the Management Information Circular was filed on SEDAR by calling 1-855-887-2243. Requests should be received by 5:00 p.m. (Toronto time) on May 4, 2018 by calling 1-866-962-0498 if you would like to receive the Meeting Materials in advance of the voting deadline and meeting date.

### Voting

Non-registered Shareholders should complete and submit the voting instruction form in accordance with the directions on the form. Voting instruction forms can be completed and submitted using the following options:

INTERNET: [www.proxyvote.com](http://www.proxyvote.com)  
TELEPHONE: 1-800-474-7493 (English) or 1-800-474-7501 (French)  
MAIL: Data Processing Centre, P.O. Box 3700, Stn. Industrial Park, Markham, ON, L3R 9Z9

If a non-registered Shareholder wishes to attend and vote at the meeting in person (or have another person attend and vote on such Shareholder's behalf), he or she must complete the voting instruction form in accordance with the directions provided.

Registered Shareholders who are unable to be present at the meeting should exercise their right to vote by completing and submitting the form of proxy in accordance with the directions on the form. Forms of proxy may also be completed and submitted by telephone at 1-866-732-VOTE (8683) or through the internet at [www.investorvote.com](http://www.investorvote.com). Computershare Trust Company of Canada must receive completed proxies not later than 10:00 a.m. (Toronto time) on May 14, 2018 or, if the meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and statutory holidays) before any adjourned or postponed meeting.

DATED at Toronto, Ontario, this 20<sup>th</sup> day of March, 2018.

By order of the Board of Directors



**Christer V. Ahlvik**  
Executive Vice President, Corporate Counsel & Corporate Secretary

# Important Voting Information

## What am I voting on?

Shareholders are voting on the election of directors to the Board of Home Capital Group Inc. for 2018, the appointment of an auditor for the Corporation for 2018, Say on Pay and the continuance, amendment and restatement of the Shareholder Rights Plan.

## Who is entitled to vote?

Shareholders as at the close of business on March 20, 2018 are entitled to vote. Each Common Share is entitled to one vote on those items of business identified in the Notice of Annual and Special Meeting of Shareholders.

## How do I vote?

If you are a registered Shareholder, you may vote in person at the meeting or you may sign the enclosed form of proxy appointing the persons named in the proxy or some other person you choose, who need not be a Shareholder, to represent you as proxyholder and vote your Common Shares at the meeting.

If your Common Shares are held in the name of a nominee, there are two ways you can vote your Common Shares. As required by Canadian securities legislation, you will have received from your nominee either a request for voting instructions or a form of proxy for the number of Common Shares you hold.

For your Common Shares to be voted for you, please follow the voting instructions provided by your nominee.

Since the Corporation does not have unrestricted access to the names of its non-registered Shareholders, if you attend the meeting, the Corporation may have no record of your shareholdings or of your entitlement to vote unless your nominee has appointed you as proxyholder. Therefore, if you wish to vote in person at the meeting, insert your own name in the space provided on the request for voting instructions or form of proxy and return same by following the instructions provided. Do not otherwise complete the form as your vote will be taken at the meeting. Please register with the transfer agent, Computershare Investor Services Inc., upon your arrival at the meeting.

## What if I plan to attend the meeting and vote in person?

If you are a registered Shareholder and plan to attend the meeting on May 16, 2018 and wish to vote your Common Shares in person at the meeting, do not complete or return the form of proxy. Your vote will be taken and counted at the meeting. Please register with the transfer agent, Computershare Investor Services Inc., upon your arrival at the meeting.

## Who is soliciting my proxy?

The enclosed form of proxy is being solicited by the management of Home Capital Group Inc. and the associated costs will be borne by the Corporation. The solicitation will be made primarily by mail. Proxies may also be solicited personally or by telephone by employees, officers and directors of the Corporation.

## What if I sign the form of proxy enclosed with this Management Information Circular?

Signing the enclosed form of proxy gives authority to Brenda J. Eprile or Yousry Bissada, each of whom is a director of the Corporation, or to another person you have appointed, to vote your Common Shares at the meeting.

## Can I appoint someone other than these directors to vote my Common Shares?

**Yes, you have the right to appoint as proxyholder a person or company other than the Corporation representatives named on the form of proxy.** Write the name of this person, who need not be a Shareholder, in the blank space provided in the form of proxy.

It is important to ensure that any other person you appoint is attending the meeting and is aware that he or she has been appointed to vote your Common Shares. Proxyholders should, upon arrival at the meeting, present themselves to a representative of Computershare Investor Services Inc.

## What do I do with my completed proxy or voting instruction form?

Registered Shareholders who are unable to be present at the meeting should exercise their right to vote by completing and submitting the form of proxy in accordance with the directions on the form. Forms of proxy may also be completed and submitted by telephone at 1-866-732-VOTE (8683) or through the internet at [www.investorvote.com](http://www.investorvote.com). Computershare Trust Company of Canada must receive completed proxies not later than 10:00 a.m. (Toronto time) on May 14, 2018 or, if the meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and statutory holidays) before any adjourned or postponed meeting.

## IMPORTANT VOTING INFORMATION

Non-registered Shareholders should complete and submit the voting instruction form in accordance with the directions on the form. Voting instruction forms can be completed and submitted using the following options:

INTERNET:           www.proxyvote.com  
TELEPHONE:       1-800-474-7493 (English) or 1-800-474-7501 (French)  
MAIL:               Data Processing Centre, P.O. Box 3700, Stn. Industrial Park, Markham, ON, L3R 9Z9

If a non-registered Shareholder wishes to attend and vote at the meeting in person (or have another person attend and vote on such Shareholder's behalf), he or she must complete the voting instruction form in accordance with the directions provided.

### **If I change my mind, can I take back my proxy once I have given it?**

Yes. If you change your mind and wish to revoke your proxy, prepare a written statement to this effect. The statement must be signed by you or your attorney as authorized in writing, or if the Shareholder is a corporation, under its corporate seal or by an officer or attorney of the corporation duly authorized. This statement must be delivered to the Corporate Secretary of Home Capital Group Inc. at the following address no later than 5:00 p.m. (Toronto time) on Monday May 14, 2018 or to the Chair on the day of the meeting, Wednesday May 16, 2018, or at any adjournment of the meeting.

Home Capital Group Inc. Corporate Secretary 145 King Street West, Suite 2300 Toronto, Ontario M5H 1J8 Fax: 416-363-7611

### **How will my Common Shares be voted if I give my proxy?**

The persons named on the form of proxy must vote for or withhold from voting your Common Shares in accordance with your directions, or you can let your proxyholder decide for you. In the absence of such directions, proxies received by management will be voted as follows:

- FOR the election as directors of the proposed nominees whose names are set out on page 8;
- FOR the appointment of Ernst & Young LLP as the auditor;
- FOR the advisory resolution to accept the approach to executive compensation disclosed in the Management Information Circular;
- FOR the ordinary resolution (the full text of which is reproduced in Schedule C to the Management Information Circular approving the Continuation, amendment and restatement of the Shareholder Rights Plan; and
- FOR management's proposals generally.

### **What if amendments are made to these matters or if other matters are brought before the meeting?**

The persons named in the form of proxy will have discretionary authority with respect to amendments or variations to matters identified in the Notice of Annual and Special Meeting of Shareholders of Home Capital Group Inc. and with respect to other matters which may properly come before this meeting.

As at the time of printing this Management Information Circular, management of the Corporation knows of no such amendment, variation or other matter expected to come before the meeting. If any other matters properly come before the meeting, the persons named in the form of proxy will vote on them in accordance with their best judgment.

### **How many Common Shares are entitled to vote?**

As of February 28, 2018, there were outstanding 80,246,349 Common Shares of Home Capital Group Inc. Each registered Shareholder has one vote for each Common Share held at the close of business on March 20, 2018.

According to the report of Berkshire Hathaway Inc. ("Berkshire") filed on June 26, 2017, as of June 21, 2017, Berkshire indirectly owned 19.99% of all outstanding Common Shares of the Corporation (16,044,580 Common Shares). Berkshire indicated in the report that the shares were acquired in the ordinary course of business, for investment purposes only, and were not acquired for the purpose of exercising control or direction over the Corporation. Berkshire indicated in the report that it will evaluate its investment from time to time and may, based on such evaluation, market conditions and other circumstances, increase or decrease its shareholdings as circumstances require.

According to the report of Turtle Creek Asset Management Inc., filed on August 10, 2017, as of July 31, 2017, Turtle Creek Asset Management Inc. owned 17.76% of all outstanding Common Shares of the Corporation (14,249,487 Common Shares). Turtle Creek Asset Management Inc. indicated in the report that the shares were acquired in the ordinary course of business, for investment purposes only, and were not acquired for the purpose of exercising control or direction over the Corporation.



## **IMPORTANT VOTING INFORMATION**

### **How will the votes be counted?**

Each question brought before the meeting is determined by a majority of votes cast on the question. In the case of equal votes, the Chair of the meeting is entitled to a second or casting vote.

### **Who counts the votes?**

The Corporation's transfer agent, Computershare Investor Services Inc., counts and tabulates the proxies. This is done independently of the Corporation to preserve the confidentiality of individual Shareholder votes. Proxies are referred to the Corporation only in cases where a Shareholder clearly intends to communicate with management or when it is necessary to do so to meet the requirements of applicable law.

### **If I need to contact the transfer agent, how do I do so?**

For general Shareholder inquiries, you can contact the transfer agent by mail at:

Computershare Investor Services Inc.  
100 University Avenue, 8th Floor  
North Tower  
Toronto, Ontario  
M5J 2Y1

or by telephone:  
within Canada and the United States  
at 1-800-564-6253  
and from all other countries  
at 514-982-7555

or by fax:  
within Canada and the United States  
at 1-888-453-0330  
and from all other countries  
at 416-263-9394

or by email at [service@computershare.com](mailto:service@computershare.com).

### **Voting Results**

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

### **Minutes of Meeting**

Printed copies of the minutes of the meeting may be obtained free of charge by writing to:

Home Capital Group Inc.  
Corporate Secretary  
145 King Street West, Suite 2300  
Toronto, Ontario  
M5H 1J8

# Business of the Meeting

## Financial Statements

Each year Shareholders are presented with the financial statements of the Corporation for the most recently completed financial year. The financial statements of the Corporation for the year ended December 31, 2017 are included in the 2017 Annual Report of the Corporation which can be viewed on our website at [www.homecapital.com](http://www.homecapital.com) or under the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com). The financial statements have been prepared in accordance with the Canadian generally accepted accounting principles for publicly accountable enterprises, which are International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

## Election of Directors

The nine nominees proposed for election as directors of the Corporation are listed below and in the section "Nominees for Election to the Board of Directors". All nominees have established their eligibility and willingness to serve as directors.

### Nominees for directors are:

Yousry Bissada  
Robert J. Blowes  
Paul W. Derksen  
Paul G. Haggis  
Alan R. Hibben  
Claude R. Lamoureux  
James H. Lisson  
Lisa L. Ritchie  
Sharon H. Sallows

Directors will hold office until the next Annual Meeting of Shareholders of the Corporation or until their successors are elected or appointed. If, for any reason, at the time of the Annual and Special Meeting, any of the nominees for the election of directors is unable to serve, and unless otherwise specified, it is intended that the persons designated in the form of proxy will vote at their discretion for a substitute nominee or nominees.

Additional information regarding each director nominee is available in the section "Nominees for Election to the Board of Directors".

Management is satisfied that each of the nominees is well qualified to serve on the Corporation's Board of Directors (the "Board").

## Majority Voting Policy for Directors

The Board has adopted a policy stipulating that any nominee for director who receives a greater number of votes "withheld" for his or her election than votes "for" his or her election must tender his or her resignation promptly after the Annual and Special Meeting for the Governance, Nominating and Conduct Review Committee's (the "GNC Committee") consideration. The GNC Committee will consider the offer of resignation and, absent exceptional circumstances, will recommend that the Board accept the resignation offer and the Board will accept the resignation offer absent exceptional circumstances. The Board's decision to accept or reject the resignation offer will be disclosed to the public. The nominee will not participate in any GNC Committee or Board deliberations on the resignation offer. The policy does not apply in circumstances involving contested director elections.

## Shareholder Rights Plan

Shareholders will be asked to consider and, if deemed advisable, pass, with or without variation, an ordinary resolution (the full text of which is reproduced in Schedule C to the Management Information Circular) approving the continuance, amendment and restatement of the Shareholder Rights Plan (the "Rights Plan Resolution"). Additional information regarding the Shareholder Rights Plan can be found on page 74.

The Board recommends that Shareholders vote FOR the Rights Plan Resolution.

## BUSINESS OF THE MEETING

### Appointment of Auditor

The directors propose that the firm of Ernst & Young LLP be appointed as auditor of the Corporation until the next Annual Meeting of Shareholders. Ernst & Young LLP has served continuously since 1988 as the Corporation's auditor. As part of the Corporation's corporate governance practices, the Board continues to ensure that a strict policy is in place limiting the auditor from providing services not related to the audit. All services provided by the auditor are pre-approved by the Audit Committee and comply with professional standards and securities regulations governing auditor independence.

In the past, the directors have negotiated, at an arm's length basis, the remuneration of the auditor with the auditor of the Corporation. Such remuneration has been based on the complexity of the matters dealt with by the auditor and the time spent by the auditor in providing services to the Corporation. The directors feel that the remuneration negotiated in the past with the auditor of the Corporation has been reasonable under the circumstances and would be comparable to fees charged by another auditor providing similar services.

Aggregate fees paid to the auditor during the years ended December 31, 2017 and 2016 were as follows:

### Audit Fees<sup>1</sup>

	Year Ended December 31, 2017	Year Ended December 31, 2016
Audit fees <sup>2</sup>	\$ 1,643,951	\$ 1,239,375
Audit-related fees <sup>3</sup>	\$ 90,000	\$ 57,300
Tax fees <sup>4</sup>	\$ 15,000	\$ 0
All other fees <sup>5</sup>	\$ 3,200	\$ 143,519
Total	\$ 1,752,151	\$ 1,440,194 <sup>5</sup>

- 1 All fees are exclusive of HST and include amounts paid and accrued in respect of the years ended December 31, 2017 and 2016. The prior year amounts have been revised to reflect timing differences.
- 2 Audit fees are fees for professional services in connection with the audit of the Corporation's annual consolidated financial statements, review of the interim consolidated financial statements and other services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements.
- 3 Audit-related fees include all fees paid for certification services and other related services traditionally carried out by the external auditor.
- 4 Tax fees are fees for services performed by the auditor for tax compliance, tax advice and tax planning.
- 5 All other fees include fees paid for all services other than those posted in audit fees, audit-related fees and tax fees.

Accordingly, on any ballot that may be called for relating to the appointment of an auditor and the authorization of the directors to fix the remuneration of the auditor, Common Shares will be voted by the persons designated in the proxies FOR such resolution, unless a Shareholder has specified by proxy that his or her Common Shares are to be withheld from voting in the appointment of the auditor and the authorization of the directors to fix the remuneration of the auditor.

### Shareholder Advisory Vote on Approach to Executive Compensation

Shareholders have an opportunity to vote on the Corporation's approach to executive compensation. The Corporation believes it is important for Shareholders to understand what it pays its Named Executive Officers and the rationale for these decisions. The Board has adopted a policy to hold at each annual meeting a non-binding advisory vote on the approach to executive compensation as disclosed in the Management Information Circular. The compensation section of this Management Information Circular has been developed to help Shareholders understand the Corporation's compensation philosophy and practices, the objectives of its executive compensation program, and the principles and process used by the Human Resources and Compensation Committee (the "HRC Committee") in making its compensation recommendations and the decisions ultimately made by the Board. This Shareholder advisory vote forms an important part of the ongoing process of engagement between Shareholders and the Board on compensation.

At the Annual Meeting of Shareholders on June 29, 2017, 33,912,912 (88.79%) of the Shareholder votes were for the Corporation's approach to executive compensation and 4,282,192 (11.21%) of the votes were against the Corporation's approach to executive compensation.

Please read the discussion about compensation governance and the Compensation Discussion and Analysis ("CD&A") section for details about executive compensation at the Corporation. The Chair of the HRC Committee, Sharon H. Sallows, introduces the CD&A with a message to Shareholders.

## **BUSINESS OF THE MEETING**

The Board recommends that Shareholders vote FOR the following advisory resolution:

“RESOLVED, on an advisory basis and not to diminish the role and responsibilities of the Board, that the Shareholders accept the approach to executive compensation disclosed in the Corporation’s Management Information Circular delivered in advance of the 2018 Annual and Special Meeting of Shareholders.”

This is an advisory vote and your vote is non-binding on the Board, however the results will provide the Board and the HRC Committee with important feedback on executive compensation and the Corporation’s executive compensation philosophy. The results of the vote will be disclosed in the 2018 report on voting results, which will be available on SEDAR ([www.sedar.com](http://www.sedar.com)).

The Board and the HRC Committee will take the results of the vote into account, as appropriate, when considering future compensation policies, procedures and decisions on compensation and related matters.

### **Recommendation from Management**

Management recommends that Shareholders vote FOR all items of business that are set out in the Management Information Circular.

### **Other Business**

Management is not aware of nor does management intend to present any other business at the Annual and Special Meeting of Shareholders.

# Shareholder Rights Plan

The Corporation is a party to the Shareholder Rights Plan with Computershare Investor Services Inc., as Rights Agent, dated as of March 11, 2009 (the “Shareholder Rights Plan”). The Shareholder Rights Plan was adopted and ratified by Shareholders on May 13, 2009 and continued by the Shareholders on May 16, 2012 and May 13, 2015. The Shareholder Rights Plan will expire unless Shareholders vote at the Annual and Special Meeting to continue its operation.

At the Annual and Special Meeting, Shareholders will be asked to consider, and, if deemed advisable, to approve the Rights Plan Resolution respecting the continuance, amendment and restatement of the Shareholder Rights Plan (the “Amended and Restated Rights Plan”). The Rights Plan Resolution approving the Amended and Restated Rights Plan is reproduced as Schedule C to this Management Information Circular. The Amended and Restated Rights Plan will continue in effect only if it is approved by a majority of the votes cast by Shareholders at the Annual and Special Meeting.

The Board believes that the Amended and Restated Rights Plan preserves the fair treatment of Shareholders, is consistent with current best Canadian corporate practice and addresses institutional investor guidelines. The Amended and Restated Rights Plan is not intended to prevent a take-over of the Corporation.

## **Background and Purpose of the Amended and Restated Rights Plan**

On May 9, 2016, the Canadian Securities Administrators adopted amendments to Canada’s take-over bid regime. The key changes to the new take-over bid rules in National Instrument 62-104 – Take-Over Bids and Issuer Bids (“NI 62-104”) include the following:

- the previous 35-day minimum bid period for take-over bids was extended to 105 days, which a board of directors can shorten to as little as 35 days in certain cases;
- non-exempt take-over bids are subject to a mandatory minimum tender condition of over 50% of outstanding shares, other than shares held by a bidder and its joint actors; and
- the deposit period must be extended by 10 days once the minimum tender requirement has been met and all other bid terms and conditions are satisfied or waived.

While the existing legislative framework for take-over bids in Canada has addressed many concerns related to unequal treatment of Shareholders, there will continue to be a role for rights plans in protecting the Corporation and protecting against unequal treatment of Shareholders. In particular, some remaining areas of concern include:

- protecting against “creeping bids” (the accumulation of more than 20% of the Common Shares through purchases exempt from Canadian take-over bid rules, such as (i) purchases from a small group of Shareholders under private agreements at a premium to the market price not available to all Shareholders, (ii) acquiring control or effective control through the slow accumulation of Common Shares not available to all Shareholders, or (iii) acquiring control or effective control through the slow accumulation of Common Shares over a stock exchange without paying a control premium), and requiring the bid to be made to all Shareholders; and
- preventing a potential acquirer from entering into lock-up agreements with existing Shareholders prior to launching a take-over bid, except for permitted lock-up agreements as specified in the Amended and Restated Rights Plan.

The Board has determined that it is advisable for the Corporation to continue to have a Shareholder rights plan for the reasons described above and has approved the Amended and Restated Rights Plan. The Amended and Restated Rights Plan encourages fair treatment of all Shareholders by providing Shareholders with an equal opportunity to participate in a take-over bid. The Amended and Restated Rights Plan encourages a potential acquirer to proceed by way of a Permitted Bid (as defined below), which requires the take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board.

The Amended and Restated Rights Plan is not being adopted in response to any specific proposal to acquire control of the Corporation, nor is the Board currently aware of any pending or threatened take-over bid for the Corporation. If the Shareholders approve the Rights Plan Resolution, the Amended and Restated Rights Plan will be in effect for an additional three years.

## SHAREHOLDER RIGHTS PLAN

### Summary of the Amended and Restated Rights Plan

The Amended and Restated Rights Plan contains the same terms and conditions as the Shareholder Rights Plan, with minor amendments to, among other things, reflect the new take-over bid regime set out in NI 62-104. The effect of these amendments is to extend the minimum bid period for a “Permitted Bid” from 60 to 105 days to align with minimum bid period requirements for take-over bids set out in NI 62-104.

The material terms of the Amended and Restated Rights Plan are summarized below. This summary is qualified in its entirety by reference to the actual provisions of the Amended and Restated Rights Plan, the full text of which is reproduced in Schedule D to this Management Information Circular in the form of a blackline comparison of the Amended and Restated Rights Plan to the Shareholder Rights Plan. Readers should carefully review Schedule D of this Management Information Circular in its entirety. Capitalized terms not otherwise defined in this section shall have the same meaning ascribed to such terms in the Amended and Restated Rights Plan.

### General

The Amended and Restated Rights Plan will be effective upon approval by the Shareholders at the Annual and Special Meeting. One Right attaches to each Common Share.

The Rights will separate from the Common Shares and will be exercisable ten trading days after a person has acquired, or commences a take-over bid to acquire, 20% or more of the Common Shares, other than by an acquisition pursuant to a takeover bid permitted by the Amended and Restated Rights Plan (a “Permitted Bid”). The acquisition by any person (an “Acquiring Person”) of 20% or more of the Common Shares, other than by way of a Permitted Bid, is referred to as a “Flip-in Event”. Any Rights held by an Acquiring Person will become void upon the occurrence of a Flip-in Event. Ten trading days after the occurrence of the Flip-in Event, each Right (other than those held by the Acquiring Person) will permit the purchase of \$400 worth of Common Shares for \$200.

### Permitted Bid Requirements

If a take-over bid is structured as a Permitted Bid, a Flip-in Event will not occur and the Rights will not become exercisable.

Permitted Bids must be made by means of a take-over bid circular and comply with the following:

- 1) the take-over bid must be made to all Shareholders other than the bidder;
- 2) the take-over bid must not permit the bidder to take up any Common Shares that have been tendered until 105 days after the take-over bid is made, or such shorter minimum initial deposit period that a take-over bid must remain open for deposits of securities thereunder pursuant to NI 62-104 after the take-over bid is made, and then only if at such time more than 50% of the Common Shares held by the Independent Shareholders (which term generally includes Shareholders other than the bidder and persons acting jointly or in concert with the bidder), have been tendered pursuant to the take-over bid and not withdrawn;
- 3) the take-over bid must contain an irrevocable and unqualified provision that, unless it is withdrawn, Common Shares may be deposited at any time during the period of time between the date of the take-over bid and the date on which the Common Shares subject to the take-over bid may be taken up and paid for, and that any Common Shares deposited pursuant to the take-over bid may be withdrawn until they have been taken up and paid for; and
- 4) the take-over bid must contain an irrevocable and unqualified provision that, if on the date on which Common Shares may be taken up and paid for more than 50% of the Common Shares held by Independent Shareholders are deposited or tendered pursuant to the take-over bid and not withdrawn, then the bidder must make a public announcement of that fact and the take-over bid must then remain open for an additional 10 days from the date of the public announcement.

The Amended and Restated Rights Plan also allows a Competing Permitted Bid to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all of the requirements for a Permitted Bid.

### Redemption

Until the occurrence of a Flip-in Event as to which the Board has not issued a waiver, the Board may elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.0001 (subject to adjustment) per Right.

## **SHAREHOLDER RIGHTS PLAN**

### **Fiduciary Duty of Board of Directors**

The Amended and Restated Rights Plan will not detract from or lessen the duty of the Board to act honestly and in good faith with a view to the best interests of the Corporation and its Shareholders. The Board will continue to have the duty and power to take such actions and make such recommendations to the Shareholders as are considered appropriate.

### **Amendment to the Amended and Restated Rights Plan**

The Board may amend the Amended and Restated Rights Plan with the approval of a majority of the votes cast by Independent Shareholders voting in person and by proxy. Without such approval, the Board may amend to correct any clerical or typographical error or to make such changes as are required to maintain the validity and effectiveness of the Amended and Restated Rights Plan as a result of any change in any applicable laws, rules or regulatory requirements.

### **Term**

If the Amended and Restated Rights Plan is approved by Shareholders, the Amended and Restated Rights Plan will expire at the close of business on the date of the Corporation's 2021 Annual Meeting unless the continuation of the Amended and Restated Rights Plan for additional three-year periods is approved by the Independent Shareholders of the Corporation.

### **Approval of the Rights Plan Resolution**

The Rights Plan Resolution, the text of which is reproduced as Schedule C to this Management Information Circular, must be approved by at least a majority of the votes cast at the Annual and Special Meeting by all Shareholders of the Corporation present or represented by proxy in order for the Amended and Restated Rights Plan to be effective.

The Board believes that the Amended and Restated Rights Plan is in the best interests of the Corporation and its Shareholders and unanimously recommends that Shareholders vote FOR the approval of the Rights Plan Resolution.

Unless instructed otherwise, the persons designated in the enclosed form of proxy or voting instruction form intend to vote FOR the approval of the Rights Plan Resolution.

# Home Capital Group Inc.'s Board of Directors

## Nominees for Election to the Board of Directors

The following provides background information on each of the nominees proposed for election to the Board. The number of directors to be elected is nine.

Yousry Bissada		Areas of Expertise
Toronto, Ontario, Canada Director since 2017 Not independent <sup>1</sup>	Yousry Bissada, 57, currently serves as President and Chief Executive Officer of the Corporation, its subsidiary Home Trust Company and Home Bank (a subsidiary of Home Trust Company). Prior to joining the Corporation, Mr. Bissada was President and CEO of Kanetix Ltd., a company with a specialized digital platform providing customers with estimates for insurance and other financial products. Mr. Bissada has held various executive roles with financial services companies, including Chief Financial Officer of FirstLine Trust Company and President and CEO of Filogix, and has more than three decades of experience in financial services and the mortgage industry. Mr. Bissada began his career in finance as a Certified General Accountant in 1987. Mr. Bissada currently serves as an advisor to the Board of Real Matters/Solidifi.	<ul style="list-style-type: none"> <li>• CEO and Executive Leadership</li> <li>• Strategy Formation</li> <li>• Financial Services</li> <li>• Mortgages and Real Estate</li> <li>• Accounting, Audit and Financial Literacy</li> <li>• Digital, Technology and Information Security</li> </ul>

Board/Committee Membership	Attendance	Attendance Total	Other Public Board Membership During the Last Five Years
Board of Directors	3 of 3	3 of 3 or 100%	Equity Financial Holdings Inc.
2017 Annual Meeting			Mr. Bissada was appointed President and CEO and a director of the Corporation on August 3, 2017.

Securities Held				
Year	Common Shares <sup>2</sup>	Deferred Share Units <sup>3,4</sup>	Total of Common Shares and DSUs	Compliant with Executive and Director Share Ownership Policy <sup>5</sup>
February 28, 2018	27,000	0	27,000	Yes
April 28, 2017	Not Applicable	Not Applicable	Not Applicable	Not Applicable

- 1 Independent refers to the Board's determination of whether a director is independent under the categorical standards adopted by the Board. Mr. Bissada is not Independent as he is an Officer of the Corporation.
- 2 "Common Shares" refers to the number of Common Shares of the Corporation directly or beneficially owned, or over which control or direction is exercised, by the nominee as of February 28, 2018 and April 28, 2017.
- 3 The Board approved a Directors' Deferred Share Unit Plan for all non-management directors that took effect on January 1, 2009. The Plan was amended in 2016 and renamed the Directors' and Executives' Deferred Share Unit Plan.
- 4 Refer to Compensation Discussion and Analysis section for additional information on Mr. Bissada's compensation during 2017.
- 5 Refers to the director's compliance with the Executive and Director Share Ownership Policy which is described in the Compensation of Directors section of this Management Information Circular.



<b>Robert J. Blowes</b>		<b>Areas of Expertise</b>
<p>Waterloo, Ontario, Canada            Director since 2015            Not independent<sup>1</sup></p>	<p>Robert J. Blowes, 65, was appointed as a director of the Corporation on May 13, 2015. Between May 7 and August 31, 2017, Mr. Blowes served as interim Chief Financial Officer of Home Capital Group Inc., of Home Trust Company and of Home Bank. Prior to that he was most recently the Executive Vice President and Chief Financial Officer of Home Capital Group Inc. and its subsidiary Home Trust Company. Mr. Blowes served in this capacity from 2011 until his retirement from the Corporation on December 31, 2014. Mr. Blowes joined the Corporation in 2010 as Senior Vice President, Finance.</p> <p>Prior to joining the Corporation, Mr. Blowes was with Ernst &amp; Young LLP. He was a Partner at the firm for 25 years and was part of the Financial Services Industry Group for over 10 years. Mr. Blowes' client base included banking and trust companies, life, property and casualty insurance carriers, brokerages and other financial services. Mr. Blowes also served leading technology companies and has had extensive experience with reporting issuers.</p> <p>Mr. Blowes received his Chartered Accountant designation in 1977 and Certified Public Accountant (Illinois) designation in 2004. In 2013 he was elected a Fellow of the Ontario Institute of Chartered Accountants and CPA Ontario.</p>	<ul style="list-style-type: none"> <li>• CEO and Executive Leadership</li> <li>• Strategy Formation</li> <li>• Financial Services</li> <li>• Mortgages and Real Estate</li> <li>• Accounting, Audit and Financial Literacy</li> <li>• Risk Management</li> </ul>

<b>Board/Committee Membership</b>	<b>Attendance</b>	<b>Attendance Total</b>	<b>Other Public Board Membership During the Last Five Years</b>	
Board of Directors	51 of 52	98%	None	
2017 Annual Meeting	Yes	Votes in Favour: 98.47%		
<b>Securities Held</b>				
<b>Year</b>	<b>Common Shares<sup>2</sup></b>	<b>Deferred Share Units<sup>3, 4</sup></b>	<b>Total of Common Shares and DSUs</b>	<b>Compliant with Executive and Director Share Ownership Policy<sup>5</sup></b>
February 28, 2018	7,000	5,082	12,082	Yes
April 28, 2017	7,000	2,320	9,320	Yes

1 Independent refers to the Board's determination of whether a director is independent under the categorical standards adopted by the Board. Mr. Blowes is not Independent as he served as interim Chief Financial Officer of the Corporation during the period from May 11, 2017 to August 31, 2017. Mr. Blowes will not be considered Independent until a period of not less than three years has passed following the conclusion of his service in that capacity.

2 "Common Shares" refers to the number of Common Shares of the Corporation directly or beneficially owned, or over which control or direction is exercised, by the nominee as of February 28, 2018 and April 28, 2017.

3 The Board approved a Directors' Deferred Share Unit Plan for all non-management directors that took effect on January 1, 2009. The Plan was amended in 2016 and renamed the Directors' and Executives' Deferred Share Unit Plan.

4 Refer to Compensation Discussion and Analysis section for additional information on Mr. Blowes' compensation during 2017 and stock options held as of December 31, 2017.

5 Refers to the director's compliance with the Executive and Director Share Ownership Policy which is described in the Compensation of Directors section of this Management Information Circular.

## HOME CAPITAL GROUP INC.'S BOARD OF DIRECTORS

### Paul W. Derksen

#### Areas of Expertise

Clarksburg, Ontario,  
Canada  
Independent<sup>1</sup>

Paul W. Derksen, 67, was the Executive Vice President and Chief Financial Officer of Sun Life Financial Inc. until March 2007, where he was responsible for Sun Life Financial's Actuarial, Investment and Risk Management functions and for Mergers & Acquisitions and Investor Relations. Prior to joining Sun Life, Mr. Derksen was Executive Vice President and Chief Financial Officer of CT Financial Services Inc. and Canada Trustco Mortgage Company and Chairman of Tuscan Property Ltd, and Executive Vice President and director of Merrill Lynch Canada Inc.

- CEO and Executive Leadership
- Strategy Formation
- Financial Services
- Accounting, Audit and Financial Literacy
- Risk Management

Mr. Derksen is the lead director of CI Financial Corporation and has served on the boards of a number of private and charitable organizations.

Mr. Derksen is a CPA, CA and holds an Honours B.A. in Business Administration from the Ivey School of Business at the University of Western Ontario.

#### Board/Committee Membership<sup>2</sup>

Mr. Derksen is not currently a director.

#### Other Public Board Membership During the Last Five Years

None

#### Securities Held

Year	Common Shares <sup>3</sup>	Deferred Share Units <sup>4</sup>	Total of Common Shares and DSUs	Compliant with Executive and Director Share Ownership Policy <sup>5</sup>
February 28, 2018	Not Applicable	Not Applicable	Not Applicable	Not Applicable
April 28, 2017	Not Applicable	Not Applicable	Not Applicable	Not Applicable

<sup>1</sup> Independent refers to the Board's determination of whether a director is independent under the categorical standards adopted by the Board.

<sup>2</sup> Mr. Derksen will be standing for election on May 16, 2018.

<sup>3</sup> "Common Shares" refers to the number of Common Shares of the Corporation directly or beneficially owned, or over which control or direction is exercised, by the nominee as of February 28, 2018 and April 28, 2017.

<sup>4</sup> The Board approved a Directors' Deferred Share Unit Plan for all non-management directors that took effect on January 1, 2009. The Plan was amended in 2016 and renamed the Directors' and Executives' Deferred Share Unit Plan.

<sup>5</sup> Refers to the director's compliance with the Executive and Director Share Ownership Policy which is described in the Compensation of Directors section of this Management Information Circular.

## HOME CAPITAL GROUP INC.'S BOARD OF DIRECTORS

### Paul G. Haggis

Toronto, Ontario,  
Canada  
Director since 2017  
Independent<sup>1</sup>

Paul G. Haggis, 66, was appointed as a director of the Corporation on May 7, 2017. Mr. Haggis is a director and executive with deep experience in financial services and management of large financial organizations, having served as CEO of Alberta Treasury Branches and of two of Canada's largest pension funds.

Mr. Haggis was President and CEO of OMERS, one of Canada's largest pension funds from 2003 to 2007. Prior to that, he was interim CEO of The Public Sector Pension Investment Board (PSPIB), and served as a director from April 2000 to August 2003. Earlier in his career, Mr. Haggis held a number of executive roles, including Executive Vice President, Business Development and Chief Credit Officer at Manulife Financial and CEO of Princeton Developments Ltd.

Mr. Haggis is a member of a number of boards. He is currently Chairman of the Alberta Enterprise Corporation and a director of Advantage Energy of Calgary and Pure Industrial REIT. In addition Mr. Haggis served as Chairman of Canadian Pacific Railway from 2012 to 2014, and retired as a director of Canadian Pacific in May of 2015.

Mr. Haggis was also a member of the Canadian Forces. Commissioned into the Air Force Reserve in February of 1971, he served in various capacities before retiring as Honorary Colonel of 435 Transport Squadron in 1997. Mr. Haggis is a graduate of the University of Western Ontario. Mr. Haggis is also certified as a Chartered Director (C. Dir) through the Directors College at McMaster University.

### Areas of Expertise

- CEO and Executive Leadership
- Financial Services
- Mortgage and Real Estate
- Executive Compensation and Human Resources
- Accounting, Audit and Financial Literacy
- Risk Management

Board/Committee Membership	Attendance	Attendance Total	Other Public Board Membership During the Last Five Years	
Board of Directors	23 of 27		Athabasca Oil Corporation CABancorp Inc.	
Audit Committee (Chair)	5 of 5	31 of 35 or 89%	Canadian Pacific Railway Limited Prime Restaurants Ltd.	
Risk & Capital Committee	3 of 3			
2017 Annual Meeting	Yes	Votes in Favour: 99.55%		
Securities Held				
Year	Common Shares <sup>2</sup>	Deferred Share Units <sup>3</sup>	Total of Common Shares and DSUs	Compliant with Executive and Director Share Ownership Policy <sup>4</sup>
February 28, 2018	5,950	5,912	11,862	Yes
April 28, 2017	Not Applicable	Not Applicable	Not Applicable	Not Applicable

<sup>1</sup> Independent refers to the Board's determination of whether a director is independent under the categorical standards adopted by the Board.

<sup>2</sup> "Common Shares" refers to the number of Common Shares of the Corporation directly or beneficially owned, or over which control or direction is exercised, by the nominee as of February 28, 2018 and April 28, 2017.

<sup>3</sup> The Board approved a Directors' Deferred Share Unit Plan for all non-management directors that took effect on January 1, 2009. The Plan was amended in 2016 and renamed the Directors' and Executives' Deferred Share Unit Plan.

<sup>4</sup> Refers to the director's compliance with the Executive and Director Share Ownership Policy which is described in the Compensation of Directors section of this Management Information Circular.

## HOME CAPITAL GROUP INC.'S BOARD OF DIRECTORS

### Alan R. Hibben

### Areas of Expertise

Toronto, Ontario, Canada  
Director since 2017  
Independent<sup>1</sup>

Alan R. Hibben, 64, was appointed a director of the Corporation on May 5, 2017. Mr. Hibben retired as a Managing Director in the Mergers and Acquisitions Group of RBC Capital Markets in December of 2014. He has also held the position of Head, Strategy & Development at RBC Financial Group. In this role, he was responsible for corporate strategy as well as merger, acquisition and development activities for the bank. He was also Chief Executive Officer, RBC Capital Partners, the private equity investment arm of RBC Financial Group.

- CEO and Executive Leadership
- Strategy Formation
- Financial Services
- Governance Experience
- Accounting, Audit and Financial Literacy
- Risk Management

Since December 2014, he has been an independent advisor to the Province of Ontario and to several large public and private companies. Through his advisory and investment company, Shakerhill Partners Ltd., he provides financial and strategic advice, as well as expert witness services. He is currently Chair of HudBay Minerals Inc. ("HBM": TSX and NYSE), a director of Extencicare Inc. ("EXE": TSX), and a director of the Mount Sinai Hospital Foundation.

Alan received his B.Com. from the University of Toronto. He is qualified as a Canadian CPA and also holds the CFA designation. He is an Institute Certified Director (ICD.D) of the Institute of Corporate Directors.

Board/Committee Membership	Attendance	Attendance Total	Other Public Board Membership During the Last Five Years	
Board of Directors	28 of 28			
Audit Committee	5 of 5	36 of 36 or 100%	Discovery Air Inc.	
Risk & Capital Committee (Chair)	3 of 3			
2017 Annual Meeting	Yes	Votes in Favour: 99.55%		
Securities Held				
Year	Common Shares <sup>2</sup>	Deferred Share Units <sup>3</sup>	Total of Common Shares and DSUs	Compliant with Executive and Director Share Ownership Policy <sup>4</sup>
February 28, 2018	7,000	23,156	30,156	Yes
April 28, 2017	Not Applicable	Not Applicable	Not Applicable	Not Applicable

<sup>1</sup> Independent refers to the Board's determination of whether a director is independent under the categorical standards adopted by the Board.

<sup>2</sup> "Common Shares" refers to the number of Common Shares of the Corporation directly or beneficially owned, or over which control or direction is exercised, by the nominee as of February 28, 2018 and April 28, 2017.

<sup>3</sup> The Board approved a Directors' Deferred Share Unit Plan for all non-management directors that took effect on January 1, 2009. The Plan was amended in 2016 and renamed the Directors' and Executives' Deferred Share Unit Plan.

<sup>4</sup> Refers to the director's compliance with the Executive and Director Share Ownership Policy which is described in the Compensation of Directors section of this Management Information Circular.

<b>Claude R. Lamoureux</b>		<b>Areas of Expertise</b>
<p>Toronto, Ontario, Canada Director since 2017 Independent<sup>1</sup></p>	<p>Claude R. Lamoureux, 75, was appointed as a director of the Corporation on May 7, 2017. Mr. Lamoureux is an actuary by training, and from 1990 to 2007, he was President and Chief Executive Officer of the Ontario Teachers' Pension Plan. Prior to 1990, Mr. Lamoureux spent 25 years as a senior financial executive with Metropolitan Life in Canada and the U.S., heading the company's operations in Canada from 1986 to 1990.</p> <p>He has served on many boards and currently is on the boards of Industrial-Alliance, Orbite Technologies, and the Investment Committee of La Fondation Chagnon.</p> <p>Mr. Lamoureux holds a Bachelor of Arts from the Université de Montréal, and a B.Com. from Laval University. He is a Fellow of the Society of Actuaries and an Officer of the Order of Canada.</p>	<ul style="list-style-type: none"> <li>• CEO and Executive Leadership</li> <li>• Strategy Formation</li> <li>• Financial Services</li> <li>• Governance Experience</li> <li>• Executive Compensation and Human Resources</li> <li>• Accounting, Audit and Financial Literacy</li> </ul>

<b>Board/Committee Membership</b>	<b>Attendance</b>	<b>Attendance Total</b>	<b>Other Public Board Membership During the Last Five Years</b>
Board of Directors	17 of 27		
Governance, Nominating & Conduct Review Committee (Chair)	3 of 3	23 of 33 or 70%	Maple Leaf Foods Inc. Xstrata plc Atrium Innovations Inc.
Human Resources & Compensation Committee	3 of 3		
2017 Annual Meeting	Yes	Votes in Favour: 95.27%	

<b>Securities Held</b>				
<b>Year</b>	<b>Common Shares<sup>2</sup></b>	<b>Deferred Share Units<sup>3</sup></b>	<b>Total of Common Shares and DSUs</b>	<b>Compliant with Executive and Director Share Ownership Policy<sup>4</sup></b>
February 28, 2018	10,000	5,212	15,212	Yes
April 28, 2017	Not Applicable	Not Applicable	Not Applicable	Not Applicable

1 Independent refers to the Board's determination of whether a director is independent under the categorical standards adopted by the Board.

2 "Common Shares" refers to the number of Common Shares of the Corporation directly or beneficially owned, or over which control or direction is exercised, by the nominee as of February 28, 2018 and April 28, 2017.

3 The Board approved a Directors' Deferred Share Unit Plan for all non-management directors that took effect on January 1, 2009. The Plan was amended in 2016 and renamed the Directors' and Executives' Deferred Share Unit Plan.

4 Refers to the director's compliance with the Executive and Director Share Ownership Policy which is described in the Compensation of Directors section of this Management Information Circular.

## HOME CAPITAL GROUP INC.'S BOARD OF DIRECTORS

### James H. Lisson

#### Areas of Expertise

Toronto, Ontario,  
Canada  
Director since 2017  
Independent<sup>1</sup>

James H. Lisson, 67, was appointed a director of the Corporation on May 17, 2017. Mr. Lisson has 40 years of legal, advisory, board and executive experience in Canada and England.

He spent over 30 years in Canada and England with two of Canada's leading law firms, Osler, Hoskin and Harcourt LLP and then Fasken Martineau DuMoulin LLP. Mr Lisson served seven years as a director, Chairman and then Executive Chairman of Cadillac Fairview Inc. While in England for 10 years he was extensively involved in the privatizations and financing of BAA plc the then operator of all airports in the United Kingdom and Canary Wharf Group plc a real estate development company. Mr. Lisson served on executive interchange with the Federal Department of Finance during which he advised on financial services reform and Canadian bank restructurings.

Mr. Lisson is an Institute Certified Director (ICD.D) of the Institute of Corporate Directors. He is a member of the Law Society of Ontario and the Law Society of England and Wales and a Past Chair of the National Business Law Section of the Canadian Bar Association. Among his other roles, he has served as a member of the NAFTA Financial Services Dispute Resolution Panel.

Mr. Lisson holds a Master of Laws from Yale University, a Bachelor of Laws from Dalhousie University and a B.Com from McGill University.

- Financial Services
- Governance Experience
- Government Relations and Public Policy
- Mortgages and Real Estate
- Accounting, Audit, and Financial Literacy
- Legal and Compliance

Board/Committee Membership	Attendance	Attendance Total	Other Public Board Membership During the Last Five Years
Board of Directors	20 of 20		
Governance, Nominating & Conduct Review Committee	3 of 3	26 of 26 or 100%	None
Risk & Capital Committee	3 of 3		
2017 Annual Meeting	Yes	Votes in Favour: 97.23%	

Securities Held				
Year	Common Shares <sup>2</sup>	Deferred Share Units <sup>3</sup>	Total of Common Shares and DSUs <sup>2</sup>	Compliant with Executive and Director Share Ownership Policy <sup>4</sup>
February 28, 2018	5,000	3,944	8,944	Yes
April 28, 2017	Not Applicable	Not Applicable	Not Applicable	Not Applicable

<sup>1</sup> Independent refers to the Board's determination of whether a director is independent under the categorical standards adopted by the Board.

<sup>2</sup> "Common Shares" refers to the number of Common Shares of the Corporation directly or beneficially owned, or over which control or direction is exercised, by the nominee as of February 28, 2018 and April 28, 2017. On March 5, 2018, Mr. Lisson purchased an additional 7,500 Common Shares of HCG bringing his total number of Common Shares held to 12,500.

<sup>3</sup> The Board approved a Directors' Deferred Share Unit Plan for all non-management directors that took effect on January 1, 2009. The Plan was amended in 2016 and renamed the Directors' and Executives' Deferred Share Unit Plan.

<sup>4</sup> Refers to the director's compliance with the Executive and Director Share Ownership Policy which is described in the Compensation of Directors section of this Management Information Circular.

<b>Lisa L. Ritchie</b>		<b>Areas of Expertise</b>		
Toronto, Ontario, Canada Independent <sup>1</sup>	<p>Lisa L. Ritchie, 59, was most recently Global Chief Marketing Officer for Sun Life Financial. During her tenure, Ms. Ritchie, created and championed the strategic brand direction for Sun Life and its applications in sponsorship and philanthropy. Prior to joining Sun Life, Ms. Ritchie had a global mandate as Senior Vice President, Customer Knowledge and Insights at Scotiabank. She was responsible for identifying, measuring and reporting on customer and external data, and for enhancing customer insights. Ms. Ritchie also held leadership positions at CIBC, Decima Research/Hill and Knowlton and TD Bank.</p> <p>Ms. Ritchie holds a Psychology degree from the University of Waterloo. She is currently registered in the Institute of Corporate Directors' ICD – Rotman Corporate Directors Education Program. Ms. Ritchie also completed the Canadian Securities course and several management programs at the Ivey Business School. She is currently a board member for the Humber River Hospital Foundation and Save a Child's Heart, and was Chair of the Board for The Mabin School, serving for over 8 years.</p>	<ul style="list-style-type: none"> <li>• Strategy Formation</li> <li>• Financial Services</li> <li>• Retail/Consumer</li> <li>• Marketing and Branding</li> <li>• Public Relations</li> <li>• Digital, Technology and Information Security</li> </ul>		
<b>Board/Committee Membership<sup>2</sup></b>		<b>Other Public Board Membership During the Last Five Years</b>		
Ms. Ritchie is not currently a director.		None		
<b>Securities Held</b>				
<b>Year</b>	<b>Common Shares<sup>3</sup></b>	<b>Deferred Share Units<sup>4</sup></b>	<b>Total of Common Shares and DSUs</b>	<b>Compliant with Executive and Director Share Ownership Policy<sup>5</sup></b>
February 28, 2018	Not Applicable	Not Applicable	Not Applicable	Not Applicable
April 28, 2017	Not Applicable	Not Applicable	Not Applicable	Not Applicable

1 Independent refers to the Board's determination of whether a director is independent under the categorical standards adopted by the Board.

2 Ms. Ritchie will be standing for election on May 16, 2018.

3 "Common Shares" refers to the number of Common Shares of the Corporation directly or beneficially owned, or over which control or direction is exercised, by the nominee as of February 28, 2018 and April 28, 2017.

4 The Board approved a Directors' Deferred Share Unit Plan for all non-management directors that took effect on January 1, 2009. The Plan was amended in 2016 and renamed the Directors' and Executives' Deferred Share Unit Plan.

5 Refers to the director's compliance with the Executive and Director Share Ownership Policy which is described in the Compensation of Directors section of this Management Information Circular.

## HOME CAPITAL GROUP INC.'S BOARD OF DIRECTORS

### Sharon H. Sallows

#### Areas of Expertise

Toronto, Ontario,  
Canada  
Director since 2017  
Independent<sup>1</sup>

Sharon H. Sallows, 68, was appointed as a director of the Corporation on May 7, 2017. Ms. Sallows is a professional director with public and private company experience, and considerable investment oversight background in Canada and internationally. She brings experience in lending and investment across a wide range of industry groups including real estate, infrastructure and natural resources. She has strong analytical and strategic skills with financial expertise, a proven track record in achieving organizational success in both acquisition and turnaround contexts and deep expertise in governance, compensation and human resource issues.

- Strategy Formation
- Financial Services
- Governance Experience
- Mortgages and Real Estate
- Executive Compensation and Human Resources
- Risk Management

Ms. Sallows is currently a trustee of RioCan Real Estate Investment Trust and chairs its HRC Committee. She is a trustee of Chartwell Retirement Residences and is a member of its HRC Committee. She is also a director of AIMCo and a member of its HRC Committee. Previous directorships include Ontario Teachers' Pension Plan Board where she also chaired the HRC Committee, USA REIT LLC, Executive Risk Services, Algoods Inc., Equivest Inc. and Maple Mortgage Trust.

For 14 years, Ms. Sallows was a partner in Ryegate Capital Corporation, a company engaged in private sector merchant banking as well as the provision of financial and strategic advisory services to institutional and corporate clients. Earlier in her career, she was Executive Vice President, Finance for MICC Properties Inc. Previous to that, she was Senior Vice President, Real Estate, Corporate Banking, at Bank of Montreal.

Ms. Sallows holds a Ph.D. from The Wharton School, University of Pennsylvania, a M.Sc. from The London School of Economics and a B.A. from Carleton University. She is an Institute Certified Director (ICD.D) of the Institute of Corporate Directors.

Board/Committee Membership	Attendance	Attendance Total	Other Public Board Membership During the Last Five Years	
Board of Directors	25 of 27			
Governance, Nominating & Conduct Review Committee	3 of 3	31 of 33 or 94%	None	
Human Resources & Compensation Committee (Chair)	3 of 3			
2017 Annual Meeting	Yes	Votes in Favour: 97.16%		
Securities Held				
Year	Common Shares <sup>2</sup>	Deferred Share Units <sup>3</sup>	Total of Common Shares and DSUs	Compliant with Executive and Director Share Ownership Policy <sup>4</sup>
February 28, 2018	5,000	5,123	10,123	Yes
April 28, 2017	Not Applicable	Not Applicable	Not Applicable	Not Applicable

<sup>1</sup> Independent refers to the Board's determination of whether a director is independent under the categorical standards adopted by the Board.

<sup>2</sup> "Common Shares" refers to the number of Common Shares of the Corporation directly or beneficially owned, or over which control or direction is exercised, by the nominee as of February 28, 2018 and April 28, 2017.

<sup>3</sup> The Board approved a Directors' Deferred Share Unit Plan for all non-management directors that took effect on January 1, 2009. The Plan was amended in 2016 and renamed the Directors' and Executives' Deferred Share Unit Plan.

<sup>4</sup> Refers to the director's compliance with the Executive and Director Share Ownership Policy which is described in the Compensation of Directors section of this Management Information Circular.



**Director Competency Matrix**

The GNC Committee mandate provides for the establishment and update of the industry specific experience, business expertise and individual qualifications of directors in relation to the Board's specific competency requirements so as to identify any eventual competency gaps on the Board ("Competency Matrix"). The Competency Matrix is reviewed and updated periodically and at least annually. Directors use the Competency Matrix to review and self-assess their competencies each year. The results are used to enhance the development of the Board, assist in the director recruitment process and identify potential areas for training or education. The Competency Matrix below shows, for each director nominee, the principal areas of experience and expertise that the nominees have indicated they bring to the Board.

**Directors' Competency Matrix**

	Bissada	Blowes	Derksen	Haggis	Hibben	Lamoureux	Lisson	Ritchie	Sallows
CEO and Executive Leadership	✓	✓	✓	✓	✓	✓			
Strategy Formation	✓	✓	✓		✓	✓		✓	✓
Financial Services	✓	✓	✓	✓	✓	✓	✓	✓	✓
Governance Experience					✓	✓	✓		✓
Government Relations and Public Policy							✓		
Mortgages and Real Estate	✓	✓		✓			✓		✓
Retail/Consumer								✓	
Executive Compensation and Human Resources				✓		✓			✓
Accounting, Audit and Financial Literacy	✓	✓	✓	✓	✓	✓	✓		
Risk Management		✓	✓	✓	✓				✓
Marketing and Branding								✓	
Legal and Compliance							✓		
Public Relations								✓	
Digital, Technology and Information Security	✓							✓	

## Directors' Meeting Attendance

Board and Board Committee meetings are generally set two years in advance and are reviewed periodically to optimize director attendance. The Corporation expects all directors to attend all applicable meetings. Non-attendance at Board and Board Committee meetings is rare and usually when an unprecedented commitment arises which cannot be rearranged.

During 2017, the Corporation held a significant number of unscheduled Board meetings in order to resolve the material liquidity events that arose in the second quarter of 2017. Not all directors were able to participate in all meetings as they were frequently called on short notice and prior commitments prevented them from attending. The following is a record of directors' attendance at meetings of the Board and its Committees during the twelve months ended December 31, 2017.

### Directors' Meeting Attendance for 2017

Director	Board Attendance		Committee Attendance			Total Meetings
<b>Directors standing for election in 2018</b>						
Yousry Bissada <sup>1</sup>	3 of 3	100%				3 of 3
Robert J. Blowes	51 of 52	98%				51 of 52
Paul G. Haggis <sup>2</sup>	23 of 27	85%	5 of 5	Audit Committee (Chair)	100%	31 of 35
			3 of 3	Risk & Capital Committee	100%	
Alan R. Hibben <sup>3</sup>	28 of 28	100%	5 of 5	Audit Committee	100%	36 of 36
			3 of 3	Risk & Capital Committee (Chair)	100%	
Claude R. Lamoureux <sup>4</sup>	17 of 27	63%	3 of 3	Governance, Nominating & Conduct Review Committee (Chair)	100%	23 of 33
			3 of 3	Human Resources & Compensation Committee	100%	
James H. Lisson <sup>5</sup>	20 of 20	100%	3 of 3	Governance, Nominating & Conduct Review Committee	100%	26 of 26
			3 of 3	Risk & Capital Committee	100%	
Sharon H. Sallows <sup>6</sup>	25 of 27	93%	3 of 3	Human Resources & Compensation Committee (Chair)	100%	31 of 33
			3 of 3	Governance, Nominating & Conduct Review Committee	100%	
<b>Directors not standing for election in 2018</b>						
Jacqueline E. Beaurivage <sup>7</sup>	51 of 52	98%	3 of 3	Audit Committee	100%	63 of 64
			3 of 3	Human Resources & Compensation Committee	100%	
			6 of 6	Risk & Capital Committee	100%	
Brenda J. Eprile <sup>8</sup>	50 of 52	96%	8 of 8	Audit Committee	100%	61 of 63
			3 of 3	Human Resources & Compensation Committee	100%	
Bonita J. Then <sup>9</sup>	51 of 52	98%	2 of 2	Audit Committee	100%	58 of 60
			2 of 2	Risk & Capital Committee	100%	
			3 of 4	Human Resources & Compensation Committee	75%	

<sup>1</sup> Mr. Yousry Bissada was appointed to the Boards of Directors of the Corporation, of Home Trust Company and of Home Bank on August 3, 2017.

<sup>2</sup> Mr. Paul G. Haggis was appointed to the Boards of Directors of the Corporation, of Home Trust Company and of Home Bank on May 7, 2017. Mr. Haggis was appointed to the Audit and Risk & Capital Committees on May 26, 2017.

<sup>3</sup> Mr. Alan R. Hibben was appointed to the Boards of Directors of the Corporation, of Home Trust Company and of Home Bank on May 5, 2017. Mr. Hibben was appointed to the Audit and Risk & Capital Committees on May 26, 2017.

<sup>4</sup> Mr. Claude R. Lamoureux was appointed to the Boards of Directors of the Corporation, of Home Trust Company and of Home Bank on May 7, 2017. Mr. Lamoureux was appointed to the Governance, Nominating & Conduct Review Committee on May 18, 2017 and to the Human Resources & Compensation Committee on May 26, 2017.

<sup>5</sup> Mr. James H. Lisson was appointed to the Boards of Directors of the Corporation, of Home Trust Company and of Home Bank on May 17, 2017. Mr. Lisson was appointed to the Governance, Nominating & Conduct Review Committee on May 18, 2017 and to the Risk & Capital Committee on May 26, 2017.

<sup>6</sup> Ms. Sharon H. Sallows was appointed to the Boards of Directors of the Corporation, of Home Trust Company and of Home Bank on May 7, 2017. Ms. Sallows was appointed to the Governance, Nominating & Conduct Review Committee on May 18, 2017 and to the Human Resources & Compensation Committee on May 26, 2017.

<sup>7</sup> Ms. Jacqueline E. Beaurivage retired from the Audit Committee and was appointed to the Human Resources & Compensation Committees on May 26, 2017.

<sup>8</sup> Ms. Brenda J. Eprile was appointed to the Human Resources & Compensation Committee on May 26, 2017.

<sup>9</sup> Ms. Bonita J. Then retired from the Audit, Risk & Capital and Human Resources & Compensation Committees on March 27, 2017, following her appointment as interim President and Chief Executive Officer. Ms. Then was appointed to the Human Resources & Compensation Committee on November 14, 2017.

### **In Camera Sessions**

The Board held in camera sessions of the independent directors at every regularly scheduled meeting of the Corporation during 2017.

### **Director Assessment**

The Board has a formal process of performance evaluation of the Board, its Committees, individual directors and the Chair of the Board ("Chair"). The Board believes there is value in conducting the process internally without using external resources. This allows the Board to develop an appropriately tailored approach and benefit from the direct input of each of its individual directors.

The members of the Board review the effectiveness of the Board and its Committees, preparation for and performance at meetings and overall corporate governance matters. Directors participate in a written peer review to assess individual directors on the attributes that contribute to an effective Board including among other things, contributions as a director, ongoing effort, business of the Corporation and responsibilities as a director. As well, the Chair receives peer feedback from the directors as part of the formal review conducted by the Chair. Both reviews are based on a formal written questionnaire completed by each director.

Following this assessment process, the directors have concluded that the Board and Board Committees function effectively and the Board and Board Committees were led by experienced directors who dedicate the time required to properly fulfill their roles and responsibilities.

### **Director Orientation and Continuing Education**

The Board has adopted a Director Orientation, Education and Development Policy which is intended to assist directors in discharging their responsibilities and in meeting their fiduciary duties.

Directors are expected to maintain a level of expertise needed to execute their roles and responsibilities. In addition, directors are expected to stay abreast of developments in the industry in which the Corporation participates, developments in corporate governance and best practices relevant to their contribution to the Board generally as well as to their responsibilities in their specific Committee assignments and other roles.

Directors are encouraged to attend specialty conferences to improve skills, professional qualifications and experiences. Directors may also attend appropriate accredited educational programs at the cost of the Corporation. The cumulative costs of any such educational programs shall not exceed \$5,000 per director in any calendar year without prior approval of the Chair of the Board.

On an ongoing basis, directors receive presentations on various aspects of the Corporation's businesses and operations.

### **Director Tenure**

The Board and the Corporation recognize that sound corporate governance policies are important to maintain the confidence of the Corporation's stakeholders. The Board has adopted the Director Tenure Policy that sets out the term limits for non-management directors of the Board.

Non-management directors are expected to serve up to a maximum of ten years assuming directors received solid annual performance assessments and are annually re-elected by the Shareholders.

On a case-by-case basis, and on the recommendation of the GNC Committee, the Board may extend a director's initial ten year term limit by up to an additional five years, for a maximum term limit of fifteen years.

### **Diversity Policy**

The Board recognizes the importance of diversity on the Board and at all levels of the workplace, and is committed to fostering a culture of acceptance and inclusiveness. This includes building a Board that is composed of highly talented and experienced individuals whose diverse backgrounds reflect the Corporation's stakeholders, including its customers and employees, and the communities and markets in which the Corporation operates. Diversity at the Corporation means respecting and appreciating the characteristics that make individuals and groups different from one another. The benefits of striving for a diverse Board include accessing a broader pool of high-quality talent, gaining exposure to a greater variety of perspectives and ideas, and maximizing opportunities for innovation in conducting the Corporation's business.

The Corporation has adopted a Board of Directors Diversity Policy that ensures the benefits of diversity, together with skills, background, experience and knowledge, are taken into account when considering candidates for the Board, and which promotes the development of strategies for identifying and attracting female board candidates.

The Board has adopted the objective that at least one-third of its independent directors are women which the Corporation strives to achieve annually. In 2017 the Corporation achieved 50% (4 of 8) independent directors being women. 2017 marked the third consecutive year in which the Corporation successfully met its targets for diversity respecting members of the Board. In 2018, if all director nominees are elected, the Corporation expects to achieve 29% (2 of 7) independent directors being women.

### **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) 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 their assets.

To the knowledge of the Corporation, as of the date of this Management Information Circular, no director of the Corporation has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets.

### **Interlocking Outside Boards**

As of the date of this Management Information Circular, none of the Corporation's directors served together on any other board of directors.

### Compensation of Directors

Directors are compensated for their services as directors through Board and Chair retainers. Directors who are also officers of the Corporation or its subsidiaries receive no remuneration as directors (director compensation for Ms. Bonita J. Then and Mr. Robert J. Blowes was suspended for the duration of their appointments as interim Chief Executive Officer and interim Chief Financial Officer respectively). The HRC Committee is responsible for reviewing director compensation and updating director compensation as appropriate, to recognize the workload and responsibility of Board and Committee members and to remain competitive with director compensation trends in Canada. The HRC Committee oversees a biennial review of Director compensation to ensure development of a compensation strategy that properly aligns the interests of Directors with the long-term interests of the Corporation and Shareholders. The most recent review took place in February 2018.

In fiscal 2017, all directors were required to take not less than 25% of their retainer in Deferred Share Units ("DSUs") irrespective of any requirement under the Executive and Director Share Ownership Policy. Effective January 1, 2018, each director is required to take 50% of their annual base retainer in DSUs.

### Board Retainer

In fiscal 2017, each non-management director was entitled to be paid \$100,000 per annum (prorated for partial year as applicable) for his or her services as a director of the Corporation and its subsidiaries. Directors are not paid for individual meetings or standing committees. Directors are paid ad hoc committee fees on a case by case basis. The retainer reflects that a director's duty extends beyond attendance at meetings. Directors are expected to provide advice and be available for consultation or assistance throughout the year. A number of directors received special fees due to the excessive number of Board and Committee meetings during 2017. See details in the Total Board Compensation table on page 28. The expectation is that the number of meetings will be closer to historical frequency in 2018.

The Corporation believes that it is important that a director's compensation address all elements of their responsibility to support the best interests of Home Capital Group Inc. Effective January 1, 2018, as a result of review of director remuneration by the Board's compensation consultant Willis Towers Watson, each non-management director's annual base retainer is increased to \$115,000 for his or her services as a director of the Corporation and its subsidiaries. In addition, the Board Chair retainer was reduced to \$150,000 per annum.

The aggregate compensation, paid as either cash or as DSUs by the Corporation and its subsidiaries during the year ended December 31, 2017 to the directors of the Corporation and its subsidiaries in their capacity as directors, was \$2,005,134 (the total Board and Chair retainers plus other allowances). The directors' remuneration is paid quarterly in arrears. Each of the directors of the Corporation and its subsidiaries is entitled to be reimbursed for all reasonable out-of-pocket expenses, including travel expenses, incurred in connection with their attendance at Board and Committee meetings of the Corporation, of Home Trust Company and of Home Bank.

### Chair Retainers

Chair retainers for each of the Audit and Risk and Capital Committees were \$30,000 during 2017 per annum. Chair retainers for each of the GNC and HRC Committees were \$5,000 and \$7,500 respectively during 2017 and effective January 1, 2018, were increased to \$20,000 per annum.

The following non-management directors were entitled to be paid Chair retainers for their services in 2017:

- Ms. Brenda J. Eprile received \$162,775 for her services as Chair of the Boards of the Corporation, of Home Trust Company and of Home Bank.
- Mr. Paul G. Haggis received \$26,868 for his services as Chair of the Audit Committees of the Corporation, of Home Trust Company and of Home Bank.
- Mr. Alan R. Hibben received \$26,868 for his services as Chair of the Risk and Capital Committees of the Corporation, of Home Trust Company and of Home Bank.
- Mr. Claude R. Lamoureux received \$4,973 for his services as Chair of the GNC Committees of the Corporation, of Home Trust Company and of Home Bank.
- Ms. Sharon H. Sallows received \$6,717 for her services as Chair of the HRC Committees of the Corporation, of Home Trust Company and of Home Bank.
- For Chair retainers paid to all other directors during 2017, refer to Total Board Compensation section and table for Directors' Compensation for 2017.

## HOME CAPITAL GROUP INC.'S BOARD OF DIRECTORS

### Total Board Compensation

The table below sets out compensation earned by directors in respect of the year ended December 31, 2017. The amounts are actual fees paid or accrued under the compensation arrangements described above.

Directors' Compensation for 2017 <sup>1</sup>									
Directors	Board Annual Base Retainer	Board Chair Retainer	Committee Chair Retainer	Other Meetings/Special Fees <sup>2</sup>	Total Compensation	Portion of Fees Taken in DSUs <sup>3</sup>	Total Value of DSUs Received in 2017 <sup>4</sup>	Total # of all DSUs Held <sup>5</sup>	Total Value of All DSUs Held <sup>6</sup>
<b>Directors Standing for Election in 2018</b>									
Robert J. Blowes <sup>7</sup>	\$ 69,320	\$ 0	\$ 0	\$ 0	\$ 69,320	50%	\$ 34,660	5,082	\$ 87,969
Paul G. Haggis <sup>8</sup>	\$ 65,110	\$ 0	\$ 26,868	\$ 50,000	\$ 141,978	100%	\$ 91,978	5,912	\$ 102,337
Alan R. Hibben <sup>9</sup>	\$ 65,659	\$ 0	\$ 26,868	\$ 246,500	\$ 339,027	100%	\$ 339,027	23,156	\$ 400,830
Claude R. Lamoureux <sup>10</sup>	\$ 65,110	\$ 0	\$ 4,973	\$ 62,000	\$ 132,083	100%	\$ 82,082	5,212	\$ 90,220
James H. Lisson <sup>11</sup>	\$ 62,363	\$ 0	\$ 0	\$ 50,000	\$ 112,363	100%	\$ 62,363	3,944	\$ 68,271
Sharon H. Sallows <sup>12</sup>	\$ 65,110	\$ 0	\$ 6,717	\$ 58,750	\$ 130,577	100%	\$ 80,577	5,123	\$ 88,679
<b>All Other Directors</b>									
Jacqueline E. Beurivage <sup>13</sup>	\$ 100,000	\$ 0	\$ 0	\$ 62,750	\$ 162,750	50%	\$ 50,000	10,277	\$ 177,895
Brenda J. Eprile <sup>14</sup>	\$ 100,000	\$ 162,775	\$ 0	\$ 3,250	\$ 266,025	50%	\$ 133,013	10,263	\$ 177,653
William F. Falk <sup>15</sup>	\$ 50,000	\$ 0	\$ 0	\$ 0	\$ 50,000	100%	\$ 50,000	19,013	\$ 329,115
James E. Keohane <sup>16</sup>	\$ 50,000	\$ 0	\$ 0	\$ 0	\$ 50,000	100%	\$ 50,000	6,918	\$ 119,751
John M. Marsh <sup>17</sup>	\$ 50,000	\$ 0	\$ 2,500	\$ 15,000	\$ 67,500	50%	\$ 26,250	15,006	\$ 259,754
Robert A. Mitchell <sup>18</sup>	\$ 50,000	\$ 0	\$ 15,000	\$ 15,000	\$ 80,000	25%	\$ 12,500	0	\$ 0
Kevin P.D. Smith <sup>19</sup>	\$ 50,000	\$ 125,000	\$ 3,750	\$ 0	\$ 178,750	100%	\$ 178,750	66,362	\$ 1,148,726
Gerald M. Soloway <sup>20</sup>	\$ 50,000	\$ 0	\$ 0	\$ 0	\$ 50,000	25%	\$ 12,500	1,126	\$ 19,491
Bonita J. Then <sup>21</sup>	\$ 65,761	\$ 0	\$ 8,750	\$ 50,250	\$ 124,761	25%	\$ 18,628	48,305	\$ 836,160
William J. Walker <sup>22</sup>	\$ 50,000	\$ 0	\$ 0	\$ 0	\$ 50,000	100%	\$ 50,000	8,120	\$ 140,557

1 Board members do not currently receive option based awards or non-equity incentive plan compensation and have no pension or other compensation entitlements.

2 "Other Meeting/Special Fees" reflect the fees received for participation in meetings of ad hoc committees of the Board. For certain fees, directors were given an option to receive these fees either in cash or in the form of DSUs.

3 DSUs are Deferred Share Units under the Home Capital Group Inc. Directors Deferred Share Unit Plan. Base Board, Board Chair and Committee Chair retainers are fully eligible to be compensated in DSUs.

4 Total value of DSUs received during 2017 is the value of compensation paid in respect of fiscal 2017 in the form of DSUs on the date of grant. \$50,000 of one-time compensation received by each of Mr. Haggis, Mr. Lamoureux, Mr. Lisson, Ms. Sallows and Ms. Beurivage has not been included in the total value of DSUs received during 2017 or in the total number and value of all DSUs held.

5 Total number of all DSUs held is as of December 31, 2017. This includes DSUs earned in 2017 but not yet paid as director fees are paid in arrears.

6 Total value of all DSUs held is calculated using the number of DSUs held by the director as of December 31, 2017 (reflecting all DSUs earned in respect of 2017 and inclusive of reinvested dividends) multiplied by the closing price of the Corporation's Common Shares on December 29, 2017 (\$17.31).

7 Mr. Robert J. Blowes was appointed interim Chief Financial Officer of Home Trust Company for the period May 11 to August 31, 2017. Please refer to Executive Compensation Table – Summary of Compensation of Named Executive Officers – Three Year Look Back for his compensation received during this period.

8 Mr. Paul G. Haggis was appointed to the Board on May 7, 2017. He was appointed the Chair of Audit Committee on May 26, 2017. His total compensation reflects the prorated amount paid to him from the date of election to December 31, 2017. Mr. Haggis also received one-time compensation of \$50,000 reflected under special fees due to the excessive number of Board and Committee meetings during 2017.

9 Mr. Alan R. Hibben was appointed to the Board on May 5, 2017. He was appointed Chair of Risk and Capital Committee on May 26, 2017. His total compensation reflects the prorated amount paid to him from the date of election to December 31, 2017. He also received one-time compensation of \$200,000 in DSUs reflected under special fees for his contribution to the Corporation during the liquidity events of early 2017.

10 Mr. Claude R. Lamoureux was appointed to the Board on May 7, 2017. He was appointed Chair of GNC Committee on May 17, 2017. His total compensation reflects the prorated amount paid to him from the date of election to December 31, 2017. Mr. Lamoureux also received one-time compensation of \$50,000 reflected under special fees due to the excessive number of Board and Committee meetings during 2017.

11 Mr. James H. Lisson was appointed to the Board on May 17, 2017. His total compensation reflects the prorated amount paid to him from the date of election to December 31, 2017. Mr. Lisson also received one-time compensation of \$50,000 reflected under special fees due to the excessive number of Board and Committee meetings during 2017.

## HOME CAPITAL GROUP INC.'S BOARD OF DIRECTORS

- 12 Ms. Sharon H. Sallows was appointed to the Board on May 7, 2017. She was appointed Chair of HRC Committee on May 26, 2017. Her total compensation reflects the prorated amount paid to her from the date of election to December 31, 2017. Mrs. Sallows also received one-time compensation of \$50,000 reflected under special fees due to the excessive number of Board and Committee meetings during 2017.
- 13 Ms. Jacqueline E. Beaurivage received one-time compensation of \$50,000 reflected under special fees due to the excessive number of Board and Committee meetings during 2017.
- 14 Ms. Brenda J. Eprile was appointed Chair of the Board on May 7, 2017. Her Chair retainer reflects the prorated amount paid to her in her capacity as Chair from the date of appointment to December 31, 2017.
- 15 Mr. William F. Falk retired from the Board on May 11, 2017. His total compensation reflects the prorated amount from January 1, 2017 to the date of his retirement.
- 16 Mr. James E. Keohane retired from the Board on April 27, 2017. His total compensation reflects the prorated amount from January 1, 2017 to the date of his retirement.
- 17 Mr. John M. Marsh retired from the Board on May 17, 2017. He received \$15,000 lump sum payment upon his retirement.
- 18 Mr. Robert A. Mitchell retired from the Board on June 29, 2017. He received \$15,000 lump sum payment upon his retirement. He redeemed all his DSUs in September 2017.
- 19 Dr. Kevin P.D. Smith retired from the Board and the Chair of Board on May 7, 2017. His total compensation reflects the prorated amount paid from January 1, 2017 to the date of his retirement.
- 20 Mr. Gerald M. Soloway retired from the Board on May 5, 2017. His total compensation reflects the prorated amount paid from January 1, 2017 to the date of his retirement.
- 21 Ms. Bonita J. Then was appointed interim President and Chief Executive Officer of Home Trust Company for the period March 27 to August 3, 2017. Please refer to Executive Compensation Table – Summary of Compensation of Named Executive Officers – Three Year Look Back for her compensation received during this period.
- 22 Mr. William J. Walker retired from the Board on June 29, 2017. His total compensation reflects the prorated amount paid from January 1, 2017 to the date of his retirement.

### Director Share Ownership

Independent directors are required to hold 3 times their annual base retainer in Common Shares and/or in DSUs. Directors have 5 years to achieve the required ownership level (or any increase in their ownership requirement). Common Shares are valued using the higher of cost and market value and DSUs are valued using market value at the higher of award date and current date.

### Deferred Share Units

Under the Corporation's Amended and Restated Directors and Executives Deferred Share Unit Plan (the "Deferred Share Unit Plan"), directors may elect to receive a portion of their directors' remuneration in DSUs instead of cash. A DSU is a right to receive a cash payment equal to the value of a Common Share. The number of DSUs granted to a director is determined by dividing the dollar amount of directors' compensation to be received as DSUs by the fair market value of a Common Share. The fair market value is determined by the volume weighted average trading price of a Common Share for the five trading days immediately preceding the applicable day on which the DSUs are granted.

DSUs cannot be redeemed until the director ceases to hold all positions with the Corporation and must be redeemed by December 15 of the year following the year the director ceases to hold all positions.

On redemption of a DSU, the director is entitled to a cash payment equal to the number of DSUs redeemed multiplied by the market price of a Common Share determined as at the redemption date.

### Indebtedness of Directors

As of March 20, 2018, no director of the Corporation or proposed nominee for election as a director of the Corporation is indebted to the Corporation.

### 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. The policy was renewed in Q4 2017 with an annual premium of \$727,650 for a total coverage/policy limit of \$50,000,000.

# Board of Directors and Committees of the Board

The Board fulfills its role directly and through Committees to which it delegates certain responsibilities. The Board and its Committees are focused on the continuing enhancement of our governance processes and on further strengthening of the risk and control infrastructure of the Corporation as a key enabler of future growth and meeting strategic objectives. The following is a list of directors proposed as nominees for election at the Annual and Special Meeting:

1. Yousry Bissada, 2. Robert J. Blowes, 3. Paul W. Derksen, 4. Paul G. Haggis, 5. Alan R. Hibben, 6. Claude R. Lamoureux, 7. James H. Lisson, 8. Lisa L. Ritchie, 9. Sharon H. Sallows

The following is the composition of the Board Committees as at December 31, 2017. Following the Annual and Special Meeting on May 16, 2018, the GNC Committee will review the structure of each Board Committee and propose amendments subject to the election of directors.

Audit Committee	Human Resources and Compensation Committee	Governance, Nominating and Conduct Review Committee	Risk and Capital Committee
<i>Chair</i> Paul G. Haggis	<i>Chair</i> Sharon H. Sallows	<i>Chair</i> Claude R. Lamoureux	<i>Chair</i> Alan R. Hibben
<i>Members</i> Brenda J. Eprile Alan R. Hibben	<i>Members</i> Jacqueline E. Beaurivage Brenda J. Eprile Claude R. Lamoureux Bonita J. Then	<i>Members</i> James H. Lisson Sharon H. Sallows	<i>Members</i> Jacqueline E. Beaurivage Robert J. Blowes <sup>1</sup> Paul G. Haggis James H. Lisson

<sup>1</sup> Mr. Blowes was appointed to the Risk and Capital Committee on February 14, 2018.

## Audit Committee

The Audit Committee is responsible for the oversight of:

- The quality and integrity of the Corporation's financial reporting to Shareholders.
- The effectiveness of the Corporation's internal controls including the effectiveness and independence of the Corporation's Finance, Internal Audit and Corporate Compliance functions.
- The External Auditor's performance, qualifications and independence.
- Acting as the Audit Committee for subsidiaries that are federally regulated financial institutions.

Each member of the Audit Committee is financially literate as defined under Canadian Securities Administrators rules as determined by the Board and each member satisfies the independence standards established by the Board.

Each member of the Audit Committee is an independent director and has never been a member of management of the Corporation.

The Audit Committee met eight times during 2017 and at each regularly scheduled meeting, it met in camera with the external auditor, the Senior Vice President, Internal Audit, the Chief Financial Officer and the Chief Compliance Officer & Chief Anti-Money Laundering Officer ("CAMLO"). The Audit Committee also met in camera at each regularly scheduled meeting with no members of management present.

The Audit Committee's Charter containing the Committee's responsibilities, powers and operations is available on the Corporation's website at [www.homecapital.com](http://www.homecapital.com) and is attached to the Corporation's Annual Information Form for the year ending December 31, 2017 which has been filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## Committee Accomplishments During 2017

- Reviewed and discussed with management and the external auditor the quarterly financial statements and the annual audited financial statements prior to the publication of earnings, including judgments and estimates.
- Reviewed and discussed with management and the external auditor the annual and quarterly disclosures made in management's discussion and analyses and approved reports including the Annual Report.
- Reviewed and discussed with management, the earnings press releases, financial information and earnings guidance provided to analysts, rating agencies and any other material financial disclosures.
- Reviewed and discussed with management and the external auditor any significant changes to the accounting principles and practices suggested by the external auditor or management.
- Reviewed and discussed with the President and Chief Executive Officer and the Chief Financial Officer procedures undertaken regarding certification of annual and interim filings.



## BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

- Reviewed and discussed the granting of Shareholder dividends and the granting of dividends to the Corporation from its subsidiary, Home Trust Company.
  - Reviewed and monitored the Corporation's financial plan and performance review reports.
  - Considered the results of various regulatory reviews and correspondence with regulators in conjunction with the Risk and Capital Committee.
  - Monitored progress of management efforts to review and revalidate income documentation for mortgages referred by suspended brokers.
  - Appointed, set the compensation of and supervised the work of the external auditor, reviewed the annual audit plan and conducted the annual evaluation of audit service and quality.
  - Provided oversight of the adequacy and effectiveness of internal controls through the review and monitoring of key internal control issues and the status of corrective actions with the internal and external auditors, the Chief Financial Officer and the Chief Compliance Officer & CAMLO.
  - Provided oversight of the Corporation's Finance, Internal Audit and Compliance (including both General and Anti-Money Laundering/Anti-Terrorist Financing) functions by reviewing annual work plans, mandates, independence, organizational structure, periodic reports and assessing the effectiveness of the functions and the individual performance of the Chief Financial Officer, Senior Vice President, Internal Audit, and the Chief Compliance Officer & CAMLO.
  - Reviewed progress on the IFRS 9 implementation initiative.
  - Received, investigated and acted as required, on any complaints or concerns sent to the Audit Committee, pursuant to the Corporation's Whistleblower Policy.
- 

### Human Resources and Compensation Committee

The HRC Committee assists the Board in its oversight role by:

- Overseeing the Corporation's Human Resources strategy, policies and programs.
- Monitoring all matters relating to proper utilization of Human Resources within the Corporation, with special focus on management succession and development.
- Overseeing compensation programs and managing compensation related risks.

Each member of the HRC Committee is an independent director and, with the exception of Bonita J. Then, has never been a member of management of the Corporation. While Ms. Then served as interim President and Chief Executive Officer of the Corporation from the period March 27, 2017 to August 3, 2017 inclusive, she continued to be independent for purposes of sitting on the HRC Committee under applicable securities laws. Ms. Then is not standing for election at the Annual and Special Meeting.

The HRC Committee met eight times during 2017 and at each meeting it met in camera with no members of management present. The Committee also met in camera with the Senior Executive responsible for Human Resources, in their capacity overseeing Human Resources, at each regularly scheduled meeting.

The HRC Committee's Charter containing its responsibilities, powers and operations is available on the Corporation's website at [www.homecapital.com](http://www.homecapital.com).

### Committee Accomplishments During 2017

- Participated in the recruitment of the President and Chief Executive Officer.
- Participated in the recruitment of other key Senior Executive Officers.
- Recommended and approved retention program to retain senior leaders to execute the strategic initiatives necessary to quickly increase the liquidity position and complete certain asset sales that stabilized the business. Additional information can be found in the Assessment of 2017 Financial Performance with Respect to Variable Compensation section.
- Reviewed, discussed and recommended to the Board an updated Executive Compensation Plan.
- Reviewed and recommended amendments to director compensation.
- Reviewed the Corporation's Employee Stock Option Plan.
- Reviewed and recommended to the Board, amendments to the Deferred Share Unit Plan and the Performance and Restricted Share Unit Plan.
- Reviewed and approved the Executive Officer Diversity Policy.

## **BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD**

- Reviewed succession and leadership plans for the appointment and succession of senior management, including the President and Chief Executive Officer and other Senior Executive Officer positions.
  - Reviewed and discussed a formal review of compensation related risks, their alignment with regulatory requirements and the linkage between performance and compensation.
  - Recommended to the Board performance goals for the President and Chief Executive Officer and other Senior Executive Officers.
  - Reviewed and discussed compensation benchmarking for Senior Executive Officers.
  - Reviewed and approved the Corporation's Code of Conduct and Ethics Policy, the Whistleblower Policy and other Human Resources policies.
  - Reviewed the Compensation Discussion and Analysis section of the Management Information Circular.
  - Reviewed the Corporation's Peer Group for compensation purposes.
  - Reviewed key Human Resources metrics and employee engagement results.
  - Reviewed the Executive and Director Share Ownership Policy.
- 

### **Governance, Nominating and Conduct Review Committee**

The GNC Committee assists the Board of Directors in its oversight role by:

- Identifying individuals qualified and suitable to become directors and recommending to the Board the nominees for each annual meeting of Shareholders.
- Developing the Corporation's governance policies, practices and processes.
- Monitoring the effectiveness of the Board, its Committees and the Chairs of those Committees.
- Assessing the contributions of individual directors.
- Monitoring conflicts of interest, confidential corporate information, transactions involving related parties of the Corporation and disclosure of information.
- Developing and maintaining Director Orientation, Education and Development Policy and Programs.

Each member of the GNC Committee is an independent director and has never been a member of management of the Corporation. The GNC Committee met six times during 2017 and at each regularly scheduled meeting it met in camera with no members of management present.

The GNC Committee's Charter containing the GNC Committee's responsibilities, powers and operations is available on the Corporation's website at [www.homecapital.com](http://www.homecapital.com).

### **Committee Accomplishments During 2017**

- Identified and recommended qualified candidates for nomination to the Board of Directors.
  - Reviewed corporate governance practices and recommended policies, practices and procedures to the Board.
  - Reviewed the adequacy and effectiveness of the Board governance policies and made appropriate recommendations for their improvement.
  - Reviewed and reported on emerging legislative and industry developments and trends in corporate governance.
  - Reviewed the competencies, areas of expertise, backgrounds, independence and qualifications of members of the Board.
  - Reviewed and assessed the effectiveness and performance of the Board, directors, Board Committees and the Chair of the Board.
  - Reviewed and assessed the Board Succession Plan and considered the qualifications of prospective director candidates.
  - Reviewed director share ownership requirements.
  - Reviewed the Chair's declaration that the Board of Directors functions independently of senior management.
  - Reviewed the performance of the Chair of the Board and recommended the election of the Chair.
  - Recommended to the Board the appointment of directors to Board Committees.
  - Reviewed the Charter of the Board and the Charters of Board Committees.
  - Reviewed and approved transactions pursuant to related party rules.
  - Reviewed and approved policies including the Self-Dealing, Director Orientation, Education and Development Policy, the Director Diversity Policy, the Director Tenure Policy and the Majority Voting Policy.
-

## BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

### Risk and Capital Committee

The Risk and Capital Committee is responsible for assisting the Board of Directors by:

- Providing leadership in the effective governance and oversight of the Corporation's risk profile.
- Reviewing, challenging and recommending Board approval of the Corporation's risk appetite framework and risk appetite statement, including quantitative key risk indicators and qualitative key risk principles.
- Reviewing, challenging and approving the Corporation's risk and capital policies.
- Reviewing the effectiveness of the Corporation's risk and capital practices.
- Reviewing the Corporation's adherence to internal risk and capital policies through quarterly management reporting.

Each member of the Risk and Capital Committee is an independent director and has never been a member of management of the Corporation with the exception of Mr. Robert J. Blowes. From May 11, 2017 to August 31, 2017 inclusive, Mr. Blowes served as interim Chief Financial Officer of the Corporation. Mr. Blowes also served as Executive Vice President and Chief Financial Officer of the Corporation from 2011 to December 31, 2014.

The Risk and Capital Committee met six times during 2017 and at each regularly scheduled meeting it met in camera with no members of management present. The Risk and Capital Committee also met in camera with the Chief Risk Officer at all regularly scheduled Board meetings.

The Risk and Capital Committee's Charter containing the Risk and Capital Committee's responsibilities, powers and operations is available on the Corporation's website at [www.homecapital.com](http://www.homecapital.com).

### Committee Accomplishments During 2017

- Reviewed, challenged and approved the risk appetite framework and risk appetite statement.
  - Reviewed, challenged and approved the risk management framework and policy.
  - Reviewed, challenged and discussed risk reports received from management's risk committees.
  - Reviewed and discussed the Chief Risk Officer's quarterly reports on the overall risk profile of the Corporation.
  - Reviewed and approved overall capital management strategies and policies and reviewed with senior management reports demonstrating compliance with capital management policies.
  - Reviewed, approved and challenged the capital plan and quarterly assessments of capital adequacy.
  - Reviewed, discussed and recommended to the Board, the Corporation's Internal Capital Adequacy Assessment Plan.
  - Reviewed and discussed a range of stress scenarios and the impact to the Corporation's risk profile.
  - Reviewed and approved overall credit risk management strategies and policies and reviewed reports demonstrating compliance with credit risk policies.
  - Reviewed and approved overall market risk management strategies and policies and monitored investment practices of the Corporation to ensure that the Corporation is adhering to the policies approved by the Board.
  - Reviewed and approved overall liquidity risk management policies and strategies and reviewed with senior management reports demonstrating compliance with liquidity risk policies.
  - Reviewed and recommended to the Board a liquidity contingency plan and procedures for implementation.
  - Reviewed and approved interest rate risk management strategies and policies and reviewed with senior management reports demonstrating compliance with interest rate risk policies.
  - Reviewed and approved overall operational risk management strategies and policies and reviewed with senior management reports demonstrating compliance with operational risk policies.
  - Received reports on information technology risks and projects including cyber-security risk.
  - Provided oversight of the enterprise risk management and credit functions by reviewing mandates, independence, organizational structure, work plans and periodic reports.
-

# 2017 Compensation Discussion and Analysis

## **Dear Fellow Shareholders,**

2017 was a year that presented several extraordinary challenges for Home Capital which resulted in a significant drop in our share price and market capitalization compared to the beginning of the year. In response to these challenges, the Corporation turned its focus to effecting change across many areas of our organization including leadership, employees, and notably, confirming our commitment to continuously strengthening our risk culture.

As certain events and challenges continued to unfold during the second quarter of 2017, the Human Resources and Compensation Committee (the “HRC Committee”) and the Board of Directors worked swiftly and diligently to retain the key people needed to stabilize the Corporation and to commence a recovery plan. With critical management and people in place, the HRC Committee turned its focus to bolstering the management team with key appointments and additional hires that further steadied the Corporation and have positioned us strongly for the future.

This approach, combined with the resiliency and commitment of all our employees, allowed us to be successful in meeting our short-term goal of stabilizing our operations. More importantly, we had the expertise to return to developing a longer-term strategy that prioritizes building long-term sustainable growth.

Looking ahead, we are focused on ensuring the stability of our business and operations in which we have already begun to put in place robust processes to help us achieve our future business objectives.

We are committed to transparency and to ensuring our compensation practices reinforce our number one priority: building a **sustainable risk culture** to underpin successful long-term growth.

## **Important 2017 Compensation Activities**

As we navigated the events in the first half of 2017, we recognized the immediate need to retain key executives and approved a retention program in May 2017. This allowed us to successfully retain senior leaders who executed on several strategic initiatives to increase our liquidity position, complete certain asset sales and stabilize the business.

Shortly thereafter, the HRC Committee approved the appointments of a new Chief Executive Officer and Chief Financial Officer.

Yousry Bissada was appointed President and Chief Executive Officer on August 3, 2017, bringing extensive industry experience, particularly in leading business transformations. His proven ability to balance an entrepreneurial culture with operational and regulatory discipline, to energize teams and to create value are all key to our future success. We are seeing the impact of his leadership in improving results in our business.

Under Mr. Bissada’s leadership, we added top talent to enhance the existing management team and to ensure we had deep experience across key functional areas, including underwriting, finance, sales, human resources and technology.

Brad Kotush was appointed Executive Vice President and Chief Financial Officer on September 1, 2017, offering significant expertise in public company reporting, treasury, financial planning and analysis, tax, corporate development, investor relations, strategic planning and risk management.

Edward Karthaus joined the Corporation as Executive Vice President, Sales and Marketing on October 10, 2017. Mr. Karthaus brings extensive financial services and technology experience and has focused on developing and executing on Home Capital’s residential lending sales strategy.

Amy Bruyey joined the Corporation as Senior Vice President, Human Resources on November 6, 2017 and is responsible for leading the development and management of the HR function, specifically in the areas of change management, leadership development, talent management, organizational and performance management, and compensation.

## 2017 COMPENSATION DISCUSSION AND ANALYSIS

Victor DiRisio joined the Corporation as Chief Information Officer on January 1, 2018, to lead the Corporation's Information Technology mandate, architecture and innovative digital strategy, while advancing agile IT development and operational support.

Mike Forshee joined the Corporation as Senior Vice President, Residential Underwriting on January 1, 2018, and is focused on providing strategic oversight to ensure continuous improvement of underwriting processes and protocols.

With these key appointments completed in early January 2018, the Corporation is confident that it has the talent in place to deliver on its key strategies that will deliver responsible growth.

### **New Compensation Plan for 2018**

As part of its mandate, the HRC Committee working with management conducted a review of Home Capital's compensation policies and practices to identify changes that would better align compensation to the Corporation's evolving strategic priorities.

Our overall approach is to ensure our compensation programs reward performance for the successful delivery of our business strategies. The goal is to position the Corporation as Canada's leading Alt-A lender, and to reward performance that contributes to long-term growth underpinned by a sustainable risk culture. Both the Committee and management are aligned and believe this approach is the most effective way to create meaningful value for Shareholders.

A review of both short and long-term incentive plans was conducted to identify areas of improvement and to start to evolve the Corporation's compensation practices. During this review, both management and the HRC Committee recognized a level of uncertainty existed about the future stability of the Corporation given the events of 2017. This presented a subsequent challenge in being able to develop an incentive design that could be fully optimized over the long term. Under these conditions, a pragmatic approach was taken into the design for 2018 compensation practices. In particular, we focused on ensuring incentive designs reflected our philosophy more closely and align very clearly to our top priorities, while ensuring we maintained simplicity and adaptability as we expect the Corporation to reach a more settled position.

Both management and the HRC Committee are committed to improving the Corporation's approach to compensation. As we enter the second half of 2018, the HRC Committee will revisit the compensation programs to ensure they remain aligned to our overall philosophy as well as the Corporation's priorities.

### **Short-term Incentive Program**

For 2018, the Corporation revised the design of its short-term incentive program. A key input into the design was the development of the Corporation's strategic priorities by the management team. These priorities cover all areas of the Corporation's operations and include clear, measurable targets.

In order to align the incentive design to these priorities, a balanced scorecard approach was developed. After setting a scorecard for the Corporation, all senior management defined and established scorecards with objectives that tie back to the corporate scorecard.

The scorecards all consist of clearly defined, communicated and measurable quantitative and qualitative measures. This approach provides the flexibility to focus all employees on the financial and non-financial priorities necessary to advance the Corporation's short and long-term strategy.

The balanced scorecard consists of the following 7 key measurement areas:

- Sustainable Risk Culture
- Financial Performance
- Client Satisfaction
- Operational Effectiveness
- Revenue Growth
- Employee Effectiveness
- Strategic Goals

## 2017 COMPENSATION DISCUSSION AND ANALYSIS

In terms of weighting for each measure, the financial and sustainable risk measurements comprise 65% of the corporate scorecard, with the balance devoted to other goals essential to restoring the Corporation to long-term sustainable growth.

Further details are provided on page 47.

### Long-term Incentive Program

An important element of our overall compensation package is our long-term incentive program. Our equity-based long-term incentive plan (LTIP) strongly emphasizes performance that is aligned to the creation of Shareholder value and takes into account current governance and regulatory standards.

During the review that was conducted in late 2017 and early 2018, the HRC Committee made the decision to retain the overall framework of the plan with no change to the mix of LTIP in 2018. The LTIP will continue to consist of Performance Share Units (PSUs), and will be tied directly to Return on Equity and stock options, which also aligns with Shareholder interests.

The following changes were introduced for 2018:

- Focus on Return on Equity as our internal measurement used for PSUs.
- Increase payout leverage range

The HRC Committee will continue to review the overall design in the coming year to ensure it aligns with market practice and with our compensation strategy and philosophy.

Further details are provided on page 48.

### Our Commitment

We have taken a disciplined approach to aligning our Total Rewards and Recognition Programs for executives and employees with Shareholder interests. At the same time, it's important that our Total Rewards and Recognition Programs continue to retain and motivate our existing executives and employees and assist in our recruitment efforts. We must have the right team in place to resume Home Capital's nearly 30-year track record of long-term profitable growth and creating Shareholder value.

We are committed to transparency in our philosophy and approach to compensation. We are also committed to reviewing our compensation programs every year to ensure we remain aligned with Shareholders and achieve our long-term strategic goals. We welcome feedback through our Shareholder engagement initiatives, and we encourage you to share your feedback in person at our annual meeting.

### Advisory Vote

Shareholder input is a key aspect of our engagement process, which includes inviting you to have a say on our approach to executive compensation at each annual meeting. While this vote is advisory and non-binding, the Board will consider the result in future compensation planning.

If you have any comments or questions about our approach to executive compensation, please contact us using the contact information at the back of this Management Information Circular.



**Sharon Sallows**

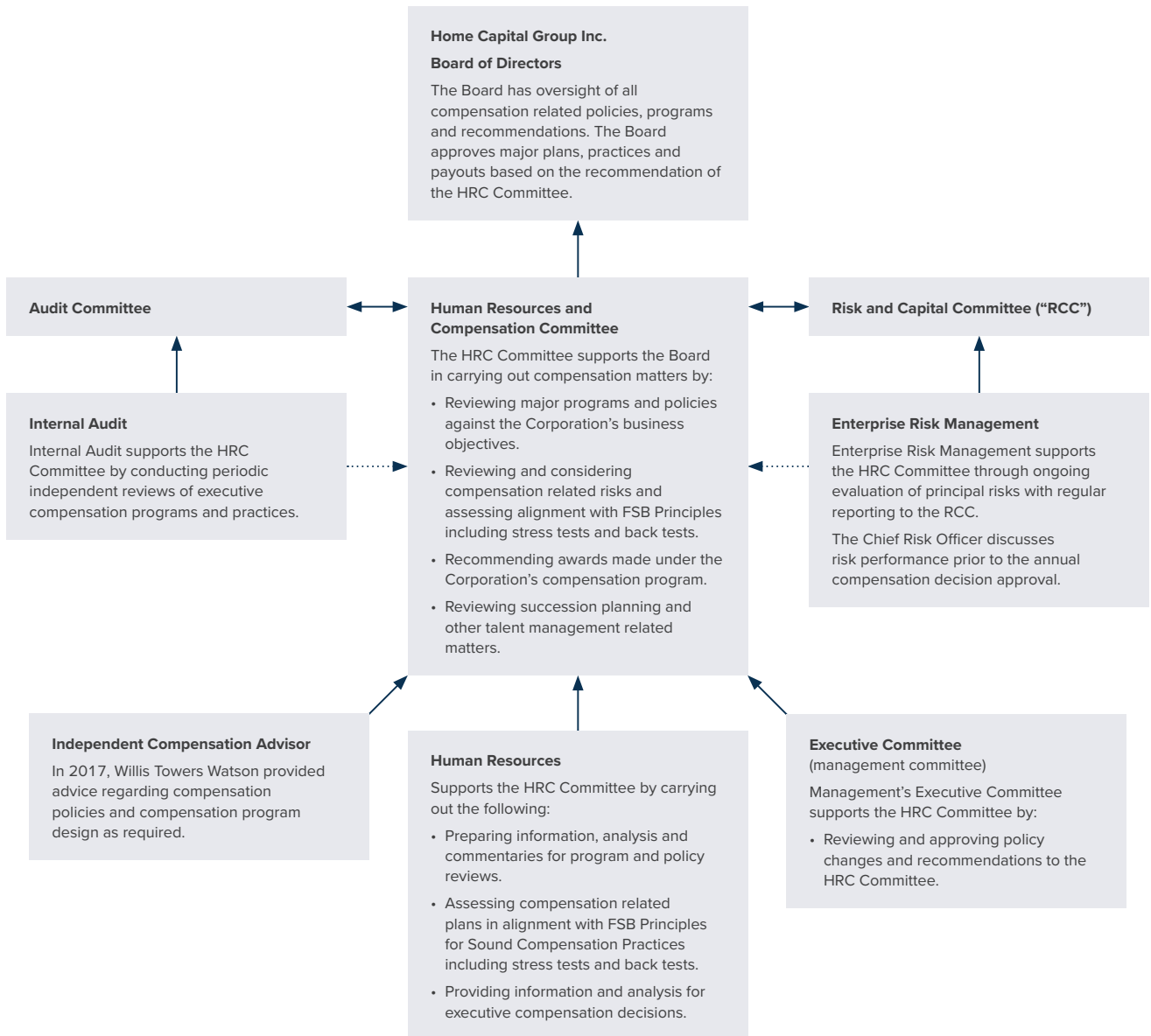
Chair of the Human Resources and Compensation Committee

**The Board’s Role in Setting Executive Compensation**

The Board determines executive compensation based on the recommendations from the HRC Committee. The HRC Committee has in camera sessions with no management present at each HRC Committee meeting.

**Compensation Governance**

The Corporation’s compensation governance structure is composed of the Board, HRC Committee, Risk and Capital Committee, Audit Committee, management’s Executive Committee, Enterprise Risk Management, Internal Audit and the HRC Committee’s independent compensation consultant.



## 2017 COMPENSATION DISCUSSION AND ANALYSIS

### HRC Committee's Role in Setting Executive Compensation

The HRC Committee reviews the Corporation's total compensation structure annually or more frequently as deemed necessary. As part of its mandate, the HRC Committee has primary responsibility for making recommendations to the Board with respect to the appointment and remuneration of directors and executive officers of the Corporation. The HRC Committee also evaluates the performance of the Corporation's executive officers and reviews the design and competitiveness of the Corporation's compensation plan.

### HRC Committee Expertise in Executive Compensation

**The Chair of the HRC Committee, Sharon H. Sallows**, is an experienced professional director with public and private companies, with a considerable investment oversight background in Canada and internationally. Ms. Sallows is an Institute Certified Director (ICD.D) of the Institute of Corporate Directors. She brings expertise in lending and investment solutions across a broad range of industry verticals, including real estate, infrastructure and natural resources. She has strong strategic business acumen with a focus on the financials, a proven track record in achieving organizational success in both acquisition and turnaround contexts, and deep expertise in governance, compensation and human resource issues. Ms. Sallows is also a member of the GNC Committee.

**Claude R. Lamoureux** is an actuary by training and was the inaugural President & CEO of the Ontario Teachers' Pension Plan. From 1990 to his retirement in 2007, he oversaw Teachers' development into one of the world's leading pension plans with more than \$100 billion in net assets, and an innovative investment program. He brings significant experience and expertise in executive compensation, governance and leadership. Mr. Lamoureux also chairs the GNC Committee.

**Jacqueline E. Beurivage** has held senior executive positions for financial services companies and a wide variety of corporate director roles. Ms. Beurivage has been an active member of the Board in executive compensation discussions and has extensive business experience in providing insights on the effectiveness of executive compensation plans and frameworks. Ms. Beurivage is an Institute Certified Director (ICD.D) of the Institute of Corporate Directors.

**Brenda J. Eprile** is the Board Chair and a member of the Audit Committee and her extensive business background includes running the risk consulting practice for the Canadian operations of a major global accounting, audit, tax and consultancy firm, and creating a multi-million-dollar regulatory consulting practice assisting financial services firms, public companies and regulators. Ms. Eprile is a financial expert (Fellow Chartered Professional Accountant) and is an Institute Certified Director (ICD.D) of the Institute of Corporate Directors. She holds a B.A. (Hons) from the University of Toronto and an MBA from York University.

**Bonita J. Then** is an experienced director and has been chief executive officer of a number of companies over 25 years, earning extensive experience in the oversight of senior management compensation. She also has experience with executive compensation arrangements while serving as a board member. Ms. Then has significant expertise in executive compensation, risk management, leadership and governance. Ms. Then was appointed to the position of interim President and CEO from March 27, 2017 to August 3, 2017.

Ms. Beurivage, Ms. Eprile and Ms. Then are not standing for election in 2018.

### Role of Enterprise Risk Management in Compensation

The Corporation's strategies and management of risk are supported by an Enterprise Risk Management framework that provides the overall process and methodologies to provide reasonable assurance that all risks inherent in the Corporation's strategies, business operations and external environment are identified, measured, assessed, mitigated and monitored in a manner consistent with the Corporation's objectives, risk appetite, and risk and compliance culture. A key principle underlying the risk appetite is the incorporation of risk and compliance measures into performance and reward measurement programs.

The Chief Risk Officer provides the Risk and Capital Committee with regular reporting of the Corporation's risk profile within the context of the risk appetite. In addition, the Chief Risk Officer discusses risk performance with the HRC Committee as part of its consideration of risk outcomes in determining annual compensation awards.

The HRC Committee provides oversight to promote alignment between compensation programs, corporate objectives and risk appetite, and to discourage risk taking beyond the Corporation's risk appetite.



## 2017 COMPENSATION DISCUSSION AND ANALYSIS

### Compensation Related Risk Review

The HRC Committee considers the implications of the risks associated with its compensation policies and practices. In 2017 the HRC Committee retained Willis Towers Watson (“WTW”), an independent consulting firm, as its compensation consultant to review its assessment of compensation related risks and alignment of compensation practices with the Financial Stability Board Principles (“FSB Principles”).

The following table summarizes the alignment of the Corporation’s current compensation approach with relevant FSB Principles.

Financial Stability Board Principles for Sound Compensation Practices	Assessment
<p><b>Principle 1</b> The firm’s board of directors must actively oversee the compensation system’s design and operation.</p>	<p>The HRC Committee reviews the Corporation’s remuneration structure at least annually and administers the executive compensation program. As part of its mandate, the HRC Committee has primary responsibility for making recommendations to the Board with respect to the remuneration of senior executives of the Corporation.</p> <p>The HRC Committee members are all independent directors with executive compensation experience.</p>
<p><b>Principle 2</b> The firm’s board of directors must monitor and review the compensation system to ensure the system operates as intended.</p>	<p>The HRC Committee reviews and approves key compensation programs and awards and considers their alignment with Shareholder interests, the Corporation’s risk appetite and regulatory requirements.</p> <p>The Quarterly HR Reports and Year-end Performance and Cost Summary support the HRC Committee’s oversight of compensation programs.</p>
<p><b>Principle 3</b> Staff engaged in financial and risk control must be independent, have appropriate authority, and be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the firm.</p>	<p>Each key control function department head reports directly to the Chair of their respective Board Committee. In addition, the variable compensation pool for control function employees is not funded based on financial performance. Control function employees are paid on the basis of a competitive salary with an annual bonus based on the achievement of departmental and individual objectives.</p>
<p><b>Principle 4</b> Compensation must be adjusted for all types of risk.</p>	<p>The Chief Risk Officer (the “CRO”) discusses enterprise and business risk performance for the year in relation to the Corporation’s risk appetite in a joint HRC Committee and Risk and Capital Committee meeting prior to annual compensation approval.</p> <p>In addition, the Executive Compensation Plan gives the HRC Committee the discretion to reduce variable compensation if they conclude that performance has been achieved in a manner that is inconsistent with the risk appetite.</p>
<p><b>Principle 5</b> Compensation outcomes must be symmetric with risk outcomes.</p>	<p>With the exception of Control Functions (ERM, Finance, Compliance and Internal Audit), the variable compensation pool is generated based on a number of corporate and business performance metrics. Should the pool be affected by external environmental factors beyond management’s control, the HRC Committee has the authority to apply discretionary adjustments to ensure that the pool continues to align with business performance.</p> <p>The HRC Committee may set the variable compensation pool to zero in extreme circumstances where the outcome is inconsistent with the intent of the plan design.</p> <p>The HRC Committee has discretionary authority to require forfeiture of all or a portion of the deferred incentive compensation if the following situations occur:</p> <ul style="list-style-type: none"> <li>• If individual or cumulative loss events occur that are related to investment or lending decisions made in a prior reporting period.</li> <li>• Discovery of a risk outcome that extends beyond the Corporation’s risk appetite as result of negligence or decisions made in a prior period.</li> </ul>

## 2017 COMPENSATION DISCUSSION AND ANALYSIS

Financial Stability Board Principles for Sound Compensation Practices	Assessment
<p><b>Principle 6</b> Compensation payout schedules must be sensitive to the time horizon of risks.</p>	<p>Compensation components such as Restricted Share Units, Performance Share Units and Stock Options are all designed to align executive compensation with the risk time horizon.</p> <p>The Executive Compensation Plan ensures variable compensation decisions, including cash awards, share units and stock options are determined coherently to align with the Corporation's short, medium and long term risks.</p>
<p><b>Principle 7</b> The mix of cash, equity and other forms of compensation must be consistent with risk alignment.</p>	<p>Senior executives have a minimum of 50% of their variable compensation delivered as deferred equity. The deferred equity portion of their variable compensation increases with their roles' accountabilities and long-term impact.</p>
<p><b>Principle 8</b> Supervisory reviews of compensation practices must be rigorous and sustained, and deficiencies must be addressed promptly with supervisory action.</p>	<p>Not applicable as Principle 8 refers to regulator responsibilities.</p>
<p><b>Principle 9</b> Firms must disclose clear, comprehensive and timely information about their compensation practices to facilitate constructive engagement by all stakeholders.</p>	<p>The Corporation makes annual disclosures in accordance with the rules of the Ontario Securities Commission and Pillar III Disclosure Requirements for Remuneration.</p> <p>The Committee's role, expertise respecting compensation and related risk, executive benchmarking, performance targets and disclosure of hedging practices are all disclosed in the Management Information Circular.</p>

### Compensation Consultants

In 2017 WTW assisted the HRC Committee with the following matters:

- Advised on overall compensation design and reviewed annual incentive design;
- Reviewed director remuneration;
- Reviewed the Corporation's alignment with FSB Principles for Sound Compensation Practices;
- Reviewed the Corporation's Compensation Comparator Group;
- Reviewed executive hiring including the interim and full-time Chief Executive Officer and Chief Financial Officer, and other retirement and termination arrangements; and
- Reviewed the 2017 Management Information Circular.

The HRC Committee meets regularly without management present to ensure a non-biased approach to compensation discussions. Compensation decisions reflect feedback from multiple sources and take into consideration information and recommendations provided by the compensation consultant and management.

The table below provides the fees paid to WTW during the years ended December 31, 2017 and 2016 in respect to services provided.

Compensation Consulting Fees	2017	2016
Compensation Consulting Fees	\$ 84,576	\$ 76,388

## 2017 COMPENSATION DISCUSSION AND ANALYSIS

### Executive Officer Diversity Policy

The Board and senior management recognize the importance of diversity at all levels in the workplace and are committed to fostering a culture of acceptance and inclusiveness. This includes building a senior executive team that is comprised of highly talented and experienced individuals whose diverse backgrounds reflect the Corporation's stakeholders, including its customers and employees and the communities and markets in which the Corporation operates. Diversity at the Corporation means respecting and appreciating the characteristics that make individuals and groups different from one another. The benefits of striving for a diverse workforce and executive team include accessing a broader pool of high-quality talent, gaining exposure to a greater variety of perspectives and ideas, and maximizing opportunities for innovation in conducting the Corporation's business.

The Corporation has adopted an Executive Officer Diversity Policy that ensures the benefits of diversity, together with skills, background, experience and knowledge, are taken into account when considering candidates for executive positions. The Corporation has adopted the objective that at least 25% of Executive Officer positions be held by women. The Corporation has also committed to ensure diversity objectives are considered in reviewing candidates for Executive Officer roles and succession. In 2017, the Corporation had 15% (2 out of 13) of designated Executive positions as held by women.

### Succession Planning for Senior Executives

Succession planning and leadership development is a key practice for the Corporation. The Board and the HRC Committee provide the oversight for senior executive succession planning.

The succession planning framework is based on the following principles:

- Identifying and developing high potential leaders and providing them with the appropriate opportunities and resources;
- Aligning talent requirements to short and long-term business strategy; and
- Assessing future capability and readiness through talent management initiatives.

The HRC Committee reviews the framework, guiding principles and succession planning of the Corporation at least annually. This includes a review of female representation among all executive roles and among the succession candidate pool for Executive Officers.

### Compensation Philosophy and Strategy

At the Annual and Special Meeting, Shareholders will have an opportunity to participate in the advisory vote on the Corporation's approach to compensation. Shareholders are encouraged to read this executive compensation disclosure to participate in the advisory vote.

This discussion on the Corporation's compensation provides Shareholders with information on the philosophy and key principles adopted in designing compensation programs as well as the characteristics of the executive compensation plan and equity plans.

All of the Corporation's compensation programs are designed to meet the following four principles *1) Alignment with the Corporation's Business Strategy; 2) Effective Risk Management; 3) Pay for Performance; and 4) Competitive Compensation*. In terms of actual variable compensation, rewards are directly linked to the strategic, financial and non-financial results of the Corporation including adherence to an acceptable risk appetite. The program also supports the Corporation's strategy to attract, retain, and motivate high performing executives.

- 1) **Alignment with the Corporation's business strategy** – link executive compensation to the achievement of specific strategic business objectives and the Corporation's overall performance.
- 2) **Effective risk management** – ensure compensation and rewards do not create an incentive for risk taking outside of the Corporation's risk appetite. The plan design is reviewed regularly to ensure it is operating as intended.
- 3) **Pay for performance** – the Corporation seeks to ensure a clear relationship between pay and performance with specific policies and guidelines to support this objective. This includes:
  - a) Aligning the financial and risk management interests and motivations of the Corporation's management team and employees with the financial performance of the Corporation; and
  - b) Motivating management to work towards the Corporation's performance objectives.
- 4) **Competitive compensation** – sets targets that will ensure competitiveness in the market where the Corporation competes for talent.

# Compensation Discussion and Analysis

This section discusses the compensation structure, decision making process, programs and awards for the Named Executive Officers (the “NEOs”) of the Corporation. For disclosure purposes, any individuals that held the CEO and CFO positions as well as any officer who would have been an NEO are included in the Compensation Discussion and Analysis. Below are the current NEOs. Please see page 49 for the profiles of our current Named Executive Officer Profiles

- 1) Yousry Bissada, President and Chief Executive Officer<sup>1</sup>
- 2) Brad W. Kotush, Executive Vice President and Chief Financial Officer<sup>2</sup>
- 3) Benjy Katchen, Executive Vice President Deposits and Consumer Lending
- 4) John R. K. Harry, Executive Vice President, Commercial Lending
- 5) David J. F. Cluff, Executive Vice President and Chief Risk Officer<sup>3</sup>

1 Mr. Bissada was appointed as President and Chief Executive Officer of the Corporation, of Home Trust Company and of Home Bank effective August 3, 2017.

2 Mr. Kotush was appointed as Chief Financial Officer of the Corporation, of Home Trust Company and of Home Bank effective September 1, 2017.

3 Mr. Cluff was promoted to Executive Vice President and Chief Risk Officer of the Corporation, of Home Trust and of Home Bank on July 6, 2017.

## Executive Compensation Decision Making Process

### Setting Compensation Targets

The HRC Committee uses discretion and judgment when determining compensation levels based on the Corporation’s compensation philosophy. Each position has a target compensation based on job level. Individual compensation targets are further modified based on the incumbent’s experience, long-term performance and other key criteria determined by the HRC Committee.

### Comparator Group Analysis

The HRC Committee reviews the comparator group with management annually to ensure that companies in the comparator group are the Corporation’s primary competitors for top talent. Home Capital operates in a relatively unique market segment and identifying a relevant comparator group remains a challenge. The following comparator group was identified based on a number of factors including:

- Total assets and revenue (within one third to three times that of the Corporation)
- Industry (banks, lenders and other companies within the mortgage space)

The following comparator group was used in 2017:

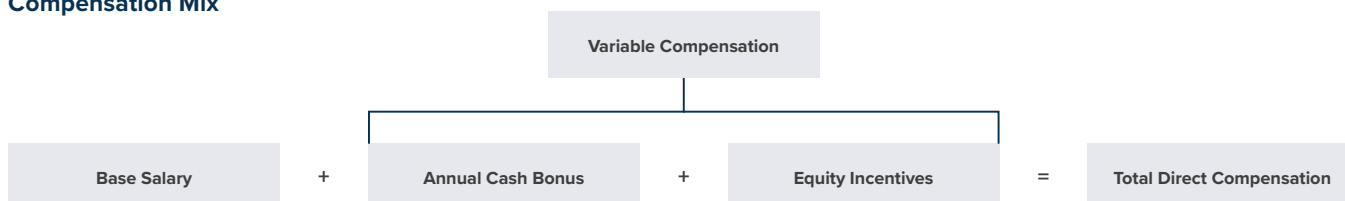
Canadian Western Bank	Equitable Group Inc. (The)
Callidus Capital Corporation	Genworth MI Canada Inc.
E-L Financial Corporation Ltd	IGM Financial Inc.
ECN Capital Corporation	Laurentian Bank of Canada
Element Fleet Management Corporation	Street Capital Corporation
First National Financial Corporation	

## COMPENSATION DISCUSSION AND ANALYSIS

### Components of the Executive Compensation Program

The Corporation's total executive compensation program is comprised of: an annual base salary, an annual cash incentive and mid/long-term incentives (equity incentives).

### Compensation Mix



The following target pay mixes are designed to align compensation for each executive, including NEOs and control function executives, considering their ability to have an impact on the Corporation's performance and the risk horizon of their decisions.

Compensation Consulting Fees	Base Salary (as a % of Total Compensation)	Variable Compensation (as a % of Total Compensation)	
		Cash	Equity
President and Chief Executive Officer	30%	28%	42%
Executive Vice President	40%–50%	25%–30%	25%–30%
Senior Vice President	50%–70%	18%–30%	12%–20%

### Variable Compensation

A significant portion of each executive's total compensation is variable or "at-risk". This variable portion of total compensation includes: an annual cash bonus, and includes one or a combination of Restricted Share Units ("RSUs"), Performance Share Units ("PSUs"), and Stock Options.

The Corporation believes that these elements of compensation provide incentives for short-term, mid-term and long-term performance and align the executives' interests with the interests of Shareholders.

The HRC Committee uses discretion when determining the mix within the equity incentive component as outlined in the Compensation Philosophy and Strategy of this Management Information Circular.

### Performance and Vesting Period of Variable Compensation Elements:

The following table provides a description of the key variable compensation performance elements and vesting period for the annual cash bonus, the RSU plan, the PSU plan and the employee stock option plan.

	Annual Cash Bonus	Restricted Share Unit Plan	Performance Share Unit Plan	Employee Stock Option Plan
<b>Purpose</b>	Align compensation with annual performance objectives	Align compensation with medium-term corporate performance and risk horizon	Align compensation with medium-term corporate performance, risk horizon and relative performance versus comparator group	Align compensation with long-term share performance and risk horizon
<b>Performance Period</b>	12 Months	1–3 Years	3 Years	Stock options granted after December 2014 have a five year term; Options granted prior to December 2014 have a seven year term

## COMPENSATION DISCUSSION AND ANALYSIS

	Annual Cash Bonus	Restricted Share Unit Plan	Performance Share Unit Plan	Employee Stock Option Plan																		
<b>Vesting Schedule</b>	Paid out at the end of performance period	1/3 vests each year over three years	Vests and paid out at the end of a three year term, subject to performance during the period	Typically 25% of options vest on each of the first through fourth anniversaries of the grant date subject to the achievement of performance hurdles which are described in the section "Performance Hurdles" of this Management Information Circular																		
<b>Additional valuation factors</b>		Fair Market Value on vesting date <sup>1</sup>	Fair Market Value and relative performance on vesting date <sup>1</sup>  Relative Total Shareholder's Returns (TSR) Performance Adjustment Factor against comparator group TSR:  PSUs granted prior to November 2016: <table border="1" data-bbox="746 818 1182 1044"> <thead> <tr> <th>Relative 3 Year TSR Performance</th> <th>Adjustment Factor</th> </tr> </thead> <tbody> <tr> <td>≥75th %tile</td> <td>150%</td> </tr> <tr> <td>50th %tile</td> <td>100%</td> </tr> <tr> <td>30th %tile</td> <td>50%</td> </tr> <tr> <td>&lt;30th %tile</td> <td>0%</td> </tr> </tbody> </table> PSUs granted after November 2016: <table border="1" data-bbox="746 1106 1182 1292"> <thead> <tr> <th>Relative 3 Year TSR Performance</th> <th>Adjustment Factor</th> </tr> </thead> <tbody> <tr> <td>≥75th %tile</td> <td>125%</td> </tr> <tr> <td>50th %tile</td> <td>100%</td> </tr> <tr> <td>≤25th %tile</td> <td>50%</td> </tr> </tbody> </table>	Relative 3 Year TSR Performance	Adjustment Factor	≥75th %tile	150%	50th %tile	100%	30th %tile	50%	<30th %tile	0%	Relative 3 Year TSR Performance	Adjustment Factor	≥75th %tile	125%	50th %tile	100%	≤25th %tile	50%	Share price on exercise date
Relative 3 Year TSR Performance	Adjustment Factor																					
≥75th %tile	150%																					
50th %tile	100%																					
30th %tile	50%																					
<30th %tile	0%																					
Relative 3 Year TSR Performance	Adjustment Factor																					
≥75th %tile	125%																					
50th %tile	100%																					
≤25th %tile	50%																					
<b>Dividends<sup>2</sup></b>	Not Applicable	Eligible and reinvested as additional units	Eligible and reinvested as additional units	Not eligible																		

<sup>1</sup> "Fair Market Value" is defined as the volume weighted average trading price of the Common Shares of the Corporation for the five trading days immediately preceding the vesting date.

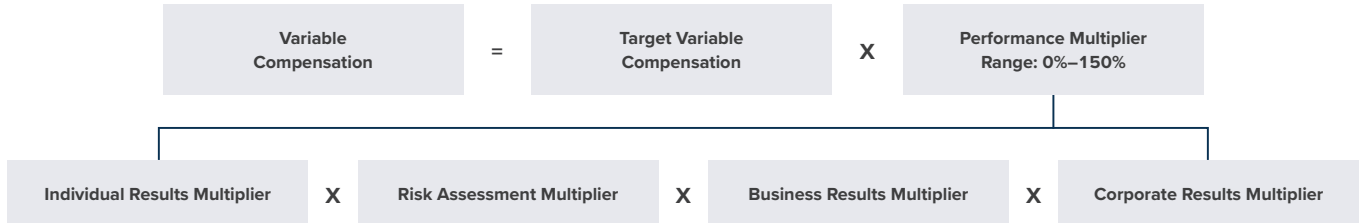
<sup>2</sup> Home Capital stock does not currently pay a dividend. The last dividend was paid in Q1 2017.

## COMPENSATION DISCUSSION AND ANALYSIS

### Establishing Performance Objectives

The HRC Committee reviews and recommends approval to the Board of the annual corporate objectives based on a combination of risk management, strategic, operational and financial targets as appropriate. Corporate performance objectives are set within the Corporation's risk appetite. At the individual level, performance objectives are set with consideration of risk management, compliance and control accountabilities.

The model below reflects the philosophy of the 2017 Compensation Plan:



In March 2018, revised executive short-term and long-term incentive programs were approved by the Board in an effort for the Corporation to navigate its way through the remainder of the year and into periods of greater stability. The HRC Committee will continue to review the overall design annually to ensure it aligns with market practice and with our compensation strategy and philosophy.

### Evaluating Performance

When determining executive compensation, the HRC Committee considers individual performance and risk assessments for all executives. Where appropriate, business and corporate results multipliers are also considered for certain executives.

### Determining Variable Pay Awards

The overall variable compensation pool and individual awards are based on business results, individual performance and alignment with the Corporation's risk appetite. The HRC Committee recommends variable compensation awards for the NEOs, including the President and CEO, to the Board in February following the end of the prior fiscal year.

The HRC Committee, along with WTW, reviewed the Corporation's equity grant practices. Based on this review, the Corporation has established a grant philosophy that primarily reflects a prospective approach to equity award determination while also taking into consideration the prior year performance.

Stock Options, RSUs and PSUs granted on March 7, 2018 that would have previously been reported as 2017 compensation for the NEOs will now be reflected as compensation for fiscal year 2018. This change was made to reflect that annual equity grants are intended to incentivize future performance and further connect pay for performance. The reporting of grants made on February 17, 2017 which were reported as compensation earned by the NEOs in respect of 2016, as well as the reporting of grants made in prior year periods, will remain unchanged.

### 2017 Performance and Compensation Review

When evaluating the overall compensation awarded to NEOs for 2017, the HRC Committee also considered, in part, the Corporation's performance during 2017.

As disclosed in the Corporation's 2017 Interim and Annual Consolidated Financial Statements and Management's Discussion and Analysis, the Corporation experienced a significant liquidity event that took place in the second quarter 2017. The Corporation successfully restored ample liquidity and stabilized its deposit funding during the second half of 2017. However, third and fourth quarter performance continued to reflect a number of negative factors stemming from the liquidity event including elevated costs and new loan originations well below historical levels.

Because of the liquidity event, the Corporation was required to slow the issuing of loan commitments and funding of new loan originations for a period in the second and third quarter while it secured new sources of funding and stabilized its liquidity. Although the Corporation successfully stabilized its liquidity position and quickly restored deposit funding, the process of restoring loan growth is ongoing. The Corporation is focused on growing its residential and commercial loan balances through a combination of improving service levels, competitive product offerings and broker outreach programs. Elevated deposit balances in the third quarter, some of which were raised at premium rates in the immediate aftermath of the liquidity event, relative to a smaller loan portfolio has negatively impacted net interest margin and earnings.

## COMPENSATION DISCUSSION AND ANALYSIS

In addition, the Corporation is operating in the context of an evolving regulatory landscape that will affect the mortgage market and the Corporation's business, though the extent of any impact is not yet clear.

Against this backdrop, management and the Board are reassessing the corporate strategy and are focused on finalizing its long-term strategy during the first half of 2018 to help grow the business, create Shareholder value and regain leadership in the Canadian alternative residential mortgage market.

### **Key Financial Results for the Year Ended December 31, 2017 Compared with the Year Ended December 31, 2016**

- Net income of \$7.5 million compared with \$247.4 million.
- Net income includes \$223.6 million of expenses directly associated with the Q2 2017 liquidity event.
- Diluted earnings per share of \$0.10 compared to diluted earnings per share of \$3.71.
- Total loans under administration of \$22.51 billion, decreased 14.8% or \$3.9 billion from \$26.42 billion.
- Provision for credit losses as a percentage of gross uninsured loans was 0.07%, compared to 0.05%.
- CET 1 capital ratio of 23.17% and Total capital ratio of 23.68% compared to 16.55% and 16.97%, respectively.

### **Assessment of 2017 Financial Performance with Respect to Variable Compensation**

While we are still committed to a pay for performance culture, 2017 was a year where the HRC Committee used its discretion in recognizing the immediate need to retain critical executives in an effort to stabilize the Corporation. With the approval of a retention program introduced in May 2017, we successfully retained senior leaders who executed the strategic initiatives necessary to quickly increase our liquidity position and complete certain asset sales to stabilize the business. Also included in these efforts were the appointments of a new President and CEO and CFO.

When evaluating the overall compensation awarded to NEOs for 2017, the HRC Committee considered, in part, the executive team's performance and contribution to the stabilization efforts during 2017. This section highlights the key accomplishments achieved by the end of 2017.

HRC Committee has worked diligently with the management team to demonstrate the resilience of the Corporation and continued to bolster the team with key hires to stabilize and better position the Corporation for the future.

Strategic accomplishments during the second half of 2017 included:

- Key Board and Executive appointments focusing on governance renewal and restoring market and Shareholder confidence;
- Retention of key executives and senior leaders;
- Securing a \$2 billion dollar line of credit from a subsidiary of Berkshire Hathaway;
- Executed expense savings initiative which targeted annualized cost savings of \$15 million when compared to the annualized run rate of Q4 2016 expenses;
- Disciplined approach to management; and
- At the executive level, all senior management have clearly defined organizational scorecard objectives aligned with the Corporation's scorecard for 2018. The scorecard was approved by the Board in 2018.



## COMPENSATION DISCUSSION AND ANALYSIS

### New Compensation Plan for 2018

In late 2017 and early 2018, a review was undertaken of both short-term and long-term incentive programs to ensure that compensation outcomes were aligned to the financial goals and priorities of the Corporation.

#### Overview of 2018 Short-term Incentive Plan

Central to the design of the short-term incentive plan was ensuring alignment with the 2018 priorities that had been developed by the Executive Team as part of the Corporation's overall strategic plan. These priorities include both financial and non-financial goals that are key to both the stability and sustained growth. As such the overall design has followed a balanced scorecard approach with measures aligned around the following key objectives:

- Sustainable Risk Culture
- Financial Performance
- Client Satisfaction
- Operational Effectiveness
- Revenue Growth
- Employee Effectiveness
- Strategic Goals

65% of the Corporation's balanced scorecard is focused on financial and sustainable risk requirements with the balance devoted to other goals which are essential to restoring the Corporation to long-term sustainable growth.

The scorecard consists of clearly defined, communicated and measurable quantitative and qualitative measures. Each measure has its own weighting and is calculated independently of each other (additive formula). The payout range for each measure is 0% - 200% of target.

The following table summarizes the main changes introduced for 2018:

Short-term Incentive Plan	2017 Design	2018 Design
Plan Measures	Blend of Corporate, Business and Individual measures	Balanced scorecard across 7 key areas
Payout Range	0%–150%	0%–200%
Payout Formula	Multiplicative (e.g. A x B x C)	Additive (e.g. A + B + C)
Risk Assessment	Separate overall assessment conducted	Specific risk objectives embedded in every scorecard

## COMPENSATION DISCUSSION AND ANALYSIS

### Overview of 2018 Long-term Incentive Plan

A review was conducted of the long-term incentive program. Key recommendations from the review concluded that much of the overall approach did not warrant any change. The Corporation will continue to award both Stock Options and PSUs and in a proportion consistent with previous years, for example, 33% of the overall grant being awarded in stock options and 67% in PSUs.

Stock option awards will continue to vest ratably over four years and will have a five year term. For competitive reasons, the decision was made to remove the earnings per share hurdle.

Other recommendations from the review were primarily focused on the PSU plan. The HRC Committee concluded that the use of Relative Total Shareholder Return as measurement of performance in 2018 presented a number of challenges given the Corporation's position.

Accordingly a decision was made that for 2018, the PSU grant will now be measured against an internal Return on Equity (ROE) measure. This measure was selected as it aligns compensation outcomes with the value returned to Shareholders as well as being consistent with market practice.

The measurement will be on a three year point to point basis against a budgeted average ROE target. In addition, the third year actual ROE (2020) must be equal to or greater than the three year average target or else the award is capped at 100%. This feature is intended to ensure that the focus remains on consistent growth throughout the three year period.

In addition, the payout range has been narrowed from 0%-125% to 50%-150%. All other aspects of the Long-Term Incentive program remain unchanged.

The following table summarizes the main changes introduced to the PSU plan for 2018:

Performance Share Unit Plan	2017 Design	2018 Design
Plan Measure	Relative Total Shareholder Return	Three-year average ROE
Payout Range	0%–125%	50%–150%
Measurement Period	Three years (point to point measurement)	Three years (point to point measurement)

The HRC Committee recognizes the need to continue to review and adapt the overall design of both short and long-term programs annually to ensure it continues to align the Corporation's goals and priorities and Shareholder interest.

## COMPENSATION DISCUSSION AND ANALYSIS

### Named Executive Officer Profiles

#### **Yousry Bissada, President and Chief Executive Officer**

Yousry Bissada currently serves as President and Chief Executive Officer of the Corporation, its subsidiary Home Trust Company and of Home Bank (a subsidiary of Home Trust Company).

Prior to joining the Corporation, Mr. Bissada was President and CEO of Kanetix Ltd., a company with a specialized digital platform providing customers with estimates for insurance and other financial products.

Mr. Bissada has held various executive roles with financial services companies, including Chief Financial Officer of FirstLine Trust Company and President and CEO of Filogix, and has more than three decades of experience in financial services and the mortgage industry.

Mr. Bissada began his career in finance as a Certified General Accountant in 1987.

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#### **Brad W. Kotush, Executive Vice President and Chief Financial Officer**

Brad W. Kotush has more than 11 years of experience as a public company Chief Financial Officer focused on financial services. In that role, he oversaw key functions such as public and internal financial reporting and budgeting, group risk management, investor relations, regulatory reporting, and treasury.

Mr. Kotush first joined a predecessor firm of Canaccord Genuity Group Inc. (Canaccord Genuity) in 1996. When that firm was acquired by Canaccord Genuity in 1998 he became Vice President of Special Projects. In 2000, he was named Executive Director, Secretary and Chief Financial Officer of Canaccord Genuity's European operations and spent three years in London, England helping to substantially grow that operation. Following that assignment, he served as Senior Vice President of Finance and Chief Information Officer. In 2006, Mr. Kotush was named Executive Vice President and Chief Financial Officer of Canaccord Genuity. In October 2015, Chief Risk Officer was added to his title. During his time at Canaccord Genuity, Mr. Kotush was involved in its initial public offering, common, preferred and convertible debenture issues as well as bank financings. His responsibilities also involved integrating multiple acquisitions, including Genuity Capital Markets in 2010 and Collins Stewart Hawkpoint plc in 2011.

Prior to joining Canaccord Genuity, Mr. Kotush spent eight years at KPMG.

Mr. Kotush is a Chartered Professional Accountant (CPA, CA) and holds a Bachelor of Arts from the University of British Columbia.

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#### **Benjy Katchen, Executive Vice President, Deposits and Consumer Lending**

Benjy Katchen is Executive Vice President, Deposits and Consumer Lending. He holds an HBA (Dean's List) from the Richard Ivey School of Business and an MBA (with distinction) from INSEAD. He has nearly 20 years of experience in the financial services industry including roles as an entrepreneur, investment banker, executive and strategy consultant.

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#### **John R. K. Harry, Executive Vice President, Commercial Lending**

John R. K. Harry currently serves as Executive Vice President, Commercial Lending.

Mr. Harry joined the Corporation in March, 2007 as Senior Vice President, Commercial Mortgage Lending and brought with him over 25 years of experience in real estate finance and banking. He is responsible for overseeing the development and management of the Corporation's commercial mortgage operations. Prior to joining the Corporation, Mr. Harry was the Vice President, Credit and Risk Management with The Equitable Trust Company. Mr. Harry has also held senior management positions with First National Financial Corporation, Adelaide Capital Corporation and Central Guaranty Trust Company.

Mr. Harry holds a B. Com. from the University of Toronto.

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#### **David J. F. Cluff, Executive Vice President and Chief Risk Officer**

David J. F. Cluff joined the Corporation in 2012 and has since held senior positions including Vice President, Enterprise Risk Management and Chief Credit Officer. Mr. Cluff brings an extensive background in credit and risk management. He was responsible for developing and leading the implementation of a credit governance framework. Prior to joining the Corporation,

## COMPENSATION DISCUSSION AND ANALYSIS

Mr. Cluff spent 12 years at the Office of the Superintendent of Financial Institutions (“OSFI”) where his last role was Director, Credit Risk Division. During his tenure with OSFI, Mr. Cluff developed a deep understanding of the regulatory landscape for financial institutions. Mr. Cluff obtained a B.Com from Mount Allison University and an MBA from St. Mary’s University and is a CFA charter holder.

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### **Former Executive Officers**

Robert J. Blowes served as interim Chief Finance Officer from May 11, 2017 to August 31, 2017.

Martin K. Reid ceased employment with the Corporation effective March 27, 2017.

Robert L. Morton retired from the Corporation on August 25, 2017.

Gregory W. Parker resigned from the Corporation on October 20, 2017.

Bonita J. Then served as interim Chief Executive Officer from March 27, 2017 to August 3, 2017.

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## COMPENSATION DISCUSSION AND ANALYSIS

### Executive Compensation Tables

#### Summary Compensation of Named Executive Officers – Three Year Look Back

The following table sets forth all compensation for services in all capacities to the Corporation and its subsidiaries for the fiscal years ended December 31, 2017, 2016 and 2015 paid to the President and Chief Executive Officers, Chief Financial Officers and to the next three most highly compensated executive officers whose total compensation received during the year ended December 31, 2017 was greater than \$150,000 (the “Named Executive Officers”).

Name and Principal Position	Year	Salary (\$) <sup>1</sup>	Share-Based Awards (\$) <sup>2</sup>	Option-Based Awards (\$) <sup>3,4</sup>	Non-Equity Incentive Plan Compensation Annual Incentive Plan (\$)	All Other Compensation (\$) <sup>5</sup>	Total Compensation (\$)
<b>Current NEOs</b>							
Yousry Bissada President & Chief Executive Officer <sup>6</sup>	2017	\$ 288,077	\$ 206,850	\$ 206,850	\$ 268,904	\$ 4,543	\$ 975,224
	2016	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	2015	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Brad W. Kotush Executive Vice President & Chief Financial Officer <sup>7</sup>	2017	\$ 140,577	\$ 47,351	\$ 23,692	\$ 71,027	\$ 254	\$ 282,901
	2016	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	2015	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Benjy Katchen Executive Vice President, Deposits & Commercial Lending <sup>8</sup>	2017	\$ 300,000	\$ 0	\$ 0	\$ 225,000	\$ 25,873	\$ 550,873
	2016	\$ 289,711	\$ 80,434	\$ 39,617	\$ 120,051	\$ 27,049	\$ 556,862
	2015	\$ 228,462	\$ 80,000	\$ 0	\$ 135,000	\$ 19,578	\$ 463,040
John R. K. Harry Executive Vice President Commercial Lending <sup>9</sup>	2017	\$ 300,000	\$ 0	\$ 0	\$ 225,000	\$ 11,983	\$ 536,983
	2016	\$ 300,000	\$ 128,891	\$ 63,484	\$ 192,375	\$ 16,714	\$ 701,464
	2015	\$ 311,538	\$ 134,000	\$ 66,000	\$ 180,000	\$ 13,708	\$ 705,247
David J. F. Cluff Executive Vice President and Chief Risk Officer <sup>10</sup>	2017	\$ 237,500	\$ 100,000	\$ 0	\$ 102,600	\$ 34,183	\$ 474,283
	2016	\$ 225,000	\$ 14,625	\$ 0	\$ 58,500	\$ 5,795	\$ 303,920
	2015	\$ 201,132	\$ 15,000	\$ 0	\$ 70,000	\$ 1,868	\$ 288,000
<b>Former NEOs</b>							
Robert J. Blowes Former Interim Chief Financial Officer <sup>11</sup>	2017	\$ 196,000	\$ 0	\$ 0	\$ 0	\$ 150,000	\$ 346,000
	2016	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	2015	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Robert L. Morton Former Executive Vice President & Chief Financial Officer <sup>12</sup>	2017	\$ 261,539	\$ 0	\$ 0	\$ 87,500	\$ 1,428,956	\$ 1,777,995
	2016	\$ 400,000	\$ 100,500	\$ 49,500	\$ 150,000	\$ 31,703	\$ 731,703
	2015	\$ 345,769	\$ 118,925	\$ 58,575	\$ 147,500	\$ 28,814	\$ 699,583
Gregory W. Parker, Former Executive Vice President, Strategy <sup>13</sup>	2017	\$ 306,923	\$ 0	\$ 0	\$ 0	\$ 353,237	\$ 660,160
	2016	\$ 380,000	\$ 140,030	\$ 68,970	\$ 209,000	\$ 6,987	\$ 804,987
	2015	\$ 392,615	\$ 125,625	\$ 61,875	\$ 212,500	\$ 3,508	\$ 796,123
Martin K. Reid Former President & Chief Executive Officer <sup>14</sup>	2017	\$ 159,149	\$ 0	\$ 0	\$ 163,612	\$ 2,031,179	\$ 2,353,940
	2016	\$ 688,500	\$ 245,978	\$ 264,903	\$ 244,754	\$ 73,867	\$ 1,518,003
	2015	\$ 714,981	\$ 225,338	\$ 110,987	\$ 263,675	\$ 70,321	\$ 1,385,302
Bonita J. Then Former Interim President & Chief Executive Officer <sup>15</sup>	2017	\$ 274,615	\$ 650,107	\$ 0	\$ 0	\$ 0	\$ 924,722
	2016	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	2015	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

1 Salary amounts for 2015 reflected an additional pay period for that year.

2 The amounts shown under Share-Based Awards for 2015 and 2016 reflect the amounts granted to each of the NEOs under the PSU and RSU Plans of the Corporation which were approved in their respective performance year. The 2015 Share-Based Awards consist of PSUs and RSUs granted in December 2015. The 2016 Share-Based Awards consist of PSUs and RSUs granted in February 2017. The 2017 Share-Based Awards consist of RSUs granted to Mr. Bissada and Mr. Kotush in September 2017. RSUs were granted to Mr. Cluff in respect of his promotion to EVP and Chief Risk Officer in December 2017. Refer to footnote 4 for equity grants issued in March 2018.

## COMPENSATION DISCUSSION AND ANALYSIS

- 3 Stock Option grant values shown under Option-Based Awards have been calculated using the following grant prices and Black Scholes factors: February 23, 2015: \$43.09 and 14.85% (24,000 options were granted to Mr. Parker); December 11, 2015; \$28.84 and 15.36%; May 12, 2016; \$31.95 and 18.00% (25,000 options were granted to Mr. Reid); February 17, 2017: \$27.65 and 18.08%. In July 2017, the Corporation began using the binomial option pricing model, prospectively, as it more accurately reflects the impact of the volatility and dividend assumptions in the valuation of options granted. The September 28, 2017 Stock Option grant values shown under Option-Based Awards for Mr. Bissada and Mr. Kotush have been calculated using \$13.90 as the grant price and \$4.23 as the binomial value. Grant date fair value and key assumptions are determined as described in the Notes to the Consolidated Financial Statements found in the Corporation's Annual Report.
- 4 Due to the revised disclosure with respect to the annual equity grant made to reflect that equity grants made in-year are granted with respect to the current year performance and to incentivize future performance, rather than as a reward in respect of the most recently completed year, option and PSU grants are not included in the table. The grant values are as follows and will be represented in next year's Summary Compensation Table: Mr. Bissada - \$980,000; Mr. Kotush - \$212,500; Mr. Katchen - \$270,000; Mr. Harry - \$225,000; and Mr. Cluff - \$175,000. See Compensation Discussion and Analysis - Executive Compensation Decision Making Process - Determining Variable Pay Awards.
- 5 The amounts shown under All Other Compensation include the Corporation's contributions to the Named Executive Officers under the Employee Share Ownership Plan, the Group RRSP, life insurance premiums, one-time bonus and any notional values of dividends from share units (PSUs and RSUs).
- 6 Mr. Bissada was appointed President and Chief Executive Officer in August 2017. As per Mr. Bissada's contract he received a prorated grant of 48,941 stock options, 14,881 RSUs and a guaranteed prorated cash incentive for 2017. Mr. Bissada is paid an annual salary of \$700,000.
- 7 Mr. Kotush was appointed Executive Vice President and Chief Financial Officer effective September 1, 2017. As per Mr. Kotush's contract he received a prorated grant of 5,607 stock options, 3,406 RSUs and a guaranteed prorated cash incentive for 2017. Mr. Kotush is paid an annual salary of \$425,000.
- 8 Mr. Katchen was provided retention payments of \$225,000 in 2 equal amounts (December 2017 and March 2018) in respect of his annual cash incentive for 2017.
- 9 Mr. Harry was provided retention payments of \$225,000 in 2 equal amounts (December 2017 and March 2018) in respect of his annual cash incentive for 2017.
- 10 Mr. Cluff was appointed to Executive Vice President and Chief Risk Officer on July 6, 2017. Mr. Cluff was provided a retention payment of \$91,600 in two equal amounts (December 2017 and March 2018) in respect of his annual cash incentive for 2017. He was also awarded an additional cash incentive bonus of \$11,000 in February 2018 in respect of 2017 and a one-time bonus of \$20,000 for his role in securing alternate financing for the Corporation in 2017.
- 11 Mr. Blowes was appointed interim Chief Financial Officer effective May 11, 2017 to August 31, 2017. He was paid a per-diem rate of \$2,800. Mr. Blowes was also paid \$150,000 for securing certain alternative financing for the Corporation in 2017. Refer to the Total Board Compensation table for Mr. Blowes' compensation in his capacity as director.
- 12 Mr. Morton held the role of Executive Vice President and Chief Financial Officer until May, 2017 and ceased employment with the Corporation, with Home Trust Company and with Home Bank effective August 25, 2017. Mr. Morton's amount in All Other Compensation also includes a severance payment and a prorated portion of his 2017 cash incentive.
- 13 Mr. Parker resigned from the Corporation on October 20, 2017. He was provided payments of \$150,000 and \$250,000 in June and July 2017 respectively for securing certain alternative financing for the Corporation.
- 14 Mr. Reid was appointed President and Chief Executive Officer in May 2016. A one-time 25,000 stock options was granted for the appointment. Mr. Reid ceased employment with the Corporation, effective March 27, 2017. Mr. Reid's amount in All Other Compensation also includes a severance payment, a prorated portion of his 2017 cash incentive and legal fees.
- 15 Ms. Then was appointed interim President and Chief Executive Officer effective March 27, 2017 until August 3, 2017. Ms. Then's salary was prorated based on an annual salary of \$700,000. She was also granted DSUs with a grant date fair value of \$400,000 for the appointment which vests on May 1, 2018 and DSUs with a grant date fair value of \$175,000 quarterly subject to proration for the duration of the interim appointment. Refer to the Total Board Compensation table for Ms. Then's compensation in her capacity as director.

## COMPENSATION DISCUSSION AND ANALYSIS

### Option Grants to Named Executive Officers

In February 2017, 74,184 stock options were granted to Named Executive Officers of the Corporation as a component of 2016 compensation. Mr. Bissada was granted 48,941 stock options as part of his appointment as President and Chief Executive Officer and Mr. Kotush was granted 5,607 stock options as part of his appointment as Chief Financial Officer.

Options Outstanding as at December 31, 2017					
Option-based Awards					
Name	Number of Securities Underlying Unexercised Options (#) <sup>1, 2, 3, 4</sup>	Option Exercise Price (\$)	Option Expiration Date	Value Of Unexercised in-the-Money Options (\$) <sup>5</sup>	
<b>Current NEOs</b>					
Yousry Bissada	48,941	\$ 13.90	September 28, 2022	\$ 166,889	
Brad W. Kotush	5,607	\$ 13.90	September 28, 2022	\$ 19,120	
Benjy Katchen	3,000	\$ 29.43	February 15, 2020	\$ 0	
	4,000	\$ 39.65	December 9, 2020	\$ 0	
	2,576	\$ 46.76	December 11, 2019	\$ 0	
	7,924	\$ 27.65	February 17, 2022	\$ 0	
John R. K. Harry	4,000	\$ 29.43	February 15, 2020	\$ 0	
	4,000	\$ 39.65	December 9, 2020	\$ 0	
	6,548	\$ 46.76	December 11, 2019	\$ 0	
	14,900	\$ 28.84	December 11, 2020	\$ 0	
	12,696	\$ 27.65	February 17, 2022	\$ 0	
David J. F. Cluff	2,000	\$ 39.65	December 9, 2020	\$ 0	
<b>Former NEOs</b>					
Robert J. Blowes	15,000	\$ 23.20	August 1, 2019	\$ 0	
	20,000	\$ 29.43	February 15, 2020	\$ 0	
	20,000	\$ 39.65	December 9, 2020	\$ 0	
	15,060	\$ 46.76	December 11, 2019	\$ 0	
Robert L. Morton <sup>6</sup>	10,000	\$ 50.02	November 13, 2019	\$ 0	
	13,224	\$ 28.84	December 11, 2020	\$ 0	
	9,900	\$ 27.65	February 17, 2022	\$ 0	
Gregory W. Parker <sup>7</sup>	0	n/a	n/a	n/a	
Martin K. Reid <sup>8</sup>	20,000	\$ 23.20	August 1, 2019	\$ 0	
	30,000	\$ 29.43	February 15, 2020	\$ 0	
	20,000	\$ 39.65	December 9, 2020	\$ 0	
	39,309	\$ 46.76	December 11, 2019	\$ 0	
	25,052	\$ 28.84	December 11, 2020	\$ 0	
	25,000	\$ 31.95	May 12, 2021	\$ 0	
	24,232	\$ 27.65	February 17, 2022	\$ 0	
Bonita J. Then	0	\$ n/a	n/a	\$ n/a	

1 In December 2014, 154,259 stock options were granted to Named Executive Officers as a component of 2014 compensation (excluding 10,000 options granted to Mr. Morton as part of his employment contract).

2 In December 2015, 130,648 stock options were granted to Named Executive Officers as a component of 2015 compensation (excluding 24,000 options granted to Mr. Parker that have been forfeited).

3 No stock options were granted to Named Executive Officers of the Corporation in 2016 with the exception of 25,000 stock options which were granted to Mr. Reid in May 2016.

4 In February 2017, 74,184 stock options were granted to Named Executive Officers as a component of 2016 compensation.

5 Value of unexercised in-the-money options as at December 31, 2017 is the difference between the exercise price of the options and the closing price of Common Shares on the TSX on December 29, 2017 (\$17.31).

6 Mr. Morton ceased employment with the Corporation effective August 25, 2017. His stock options continue to vest as per his termination agreement.

7 Mr. Parker resigned from the Corporation on October 20, 2017 resulting in the forfeiture of his stock options. His stock options continue to vest as per his termination agreement.

8 Mr. Reid ceased employment with the Corporation effective March 27, 2017. His stock options continue to vest as per his termination agreement.

## COMPENSATION DISCUSSION AND ANALYSIS

### Share Based Awards to Named Executive Officers

Share Based Awards Outstanding as at December 31, 2017					
Share Unit Awards <sup>1</sup>					
Name	Grant Date <sup>2,3</sup>	Unit Type	Number of Invested Units	Market Value of Invested Units <sup>4</sup>	Vesting Date
<b>Current NEOs</b>					
Yousry Bissada <sup>5</sup>	September 28, 2017	Restricted Share Units	4,960	\$ 85,858	September 28, 2018
	September 28, 2017	Restricted Share Units	4,960	\$ 85,858	September 28, 2019
	September 28, 2017	Restricted Share Units	4,961	\$ 85,875	September 28, 2020
Brad W. Kotush <sup>6</sup>	September 28, 2017	Restricted Share Units	1,135	\$ 19,647	September 28, 2018
	September 28, 2017	Restricted Share Units	1,135	\$ 19,647	September 28, 2019
	September 28, 2017	Restricted Share Units	1,136	\$ 19,664	September 28, 2020
Benjy Katchen <sup>7</sup>	December 11, 2015	Restricted Share Units	963	\$ 16,670	November 30, 2018
	February 17, 2017	Performance Share Units	2,937	\$ 50,839	December 1, 2019
John R. K. Harry	December 11, 2015	Performance Share Units	4,840	\$ 83,782	November 30, 2018
	February 17, 2017	Performance Share Units	4,708	\$ 81,496	December 1, 2019
David J. F. Cluff <sup>8</sup>	December 11, 2015	Restricted Share Units	180	\$ 3,116	December 11, 2018
	February 17, 2017	Restricted Share Units	178	\$ 3,081	February 17, 2018
	February 17, 2017	Restricted Share Units	178	\$ 3,081	February 17, 2019
	February 17, 2017	Restricted Share Units	178	\$ 3,081	February 17, 2020
	November 23, 2017	Restricted Share Units	2,053	\$ 35,537	November 23, 2018
	November 23, 2017	Restricted Share Units	2,054	\$ 35,555	November 23, 2019
	November 23, 2017	Restricted Share Units	2,054	\$ 35,555	November 23, 2020
<b>Former NEOs</b>					
Robert L. Morton <sup>9</sup>	December 11, 2015	Performance Share Units	4,296	\$ 74,369	November 30, 2018
	February 17, 2017	Performance Share Units	3,670	\$ 63,528	December 1, 2019
Gregory W. Parker <sup>10</sup>	n/a	Restricted Share Units	n/a	n/a	n/a
Martin K. Reid <sup>11</sup>	December 11, 2015	Performance Share Units	8,139	\$ 140,894	November 30, 2018
	February 17, 2017	Performance Share Units	8,983	\$ 155,496	December 1, 2019

1 Share Unit Awards in this table refer to RSUs and PSUs. DSUs granted to Ms. Then and Mr. Blowes are included in the Total Board Compensation table.

2 In December 2015, 40,976 PSUs were granted to Named Executive Officers as a component of 2015 total compensation.

3 In February 2017, 27,181 PSUs were granted to Named Executive Officers as a component of 2016 total compensation.

4 The Market Value of Unvested RSUs and PSUs is calculated using the closing price of the Corporation's Common Shares on the TSX on December 29, 2017 (\$17.31). PSUs assume a 1.0 performance factor. This will be finalized and adjusted upon vesting.

5 Mr. Bissada was granted 14,881 RSUs as per his employment contract.

6 Mr. Kotush was granted 3,406 RSUs as per his employment contract.

7 Mr. Katchen was granted 2,774 RSUs in 2015 as part of his 2015 total compensation.

8 Mr. Cluff was granted 520 RSUs in 2015 as part of his total compensation for 2015 and 529 RSUs in 2017 as part of his total compensation for 2016. He was granted 6,161 RSUs in November 2017 as a result of his promotion to Executive Vice President and Chief Risk Officer.

9 Mr. Morton ceased employment with the Corporation effective August 25, 2017. Mr. Morton's LTIP continues to vest.

10 PSUs granted to Mr. Parker were forfeited as a result of his resignation from the Corporation on October 20, 2017.

11 Mr. Reid ceased employment with the Corporation effective March 27, 2017. Mr. Reid's LTIP continues to vest.



## COMPENSATION DISCUSSION AND ANALYSIS

The following table sets out the value of incentive plan awards that vested or were earned in the year ended December 31, 2017.

Variable Compensation Awards – Value Vested or Earned During 2017 <sup>1</sup>			
Name	Option-based Awards – Value Vested During the Year <sup>2, 3, 4, 5, 6, 7</sup>	Share-based Awards – Value Vested During the Year <sup>8, 9, 10</sup>	Non-Equity Incentive Plan Compensation – Value Earned During the Year
<b>Current NEOs</b>			
Yousry Bissada	\$ 0	\$ 0	\$ 268,904
Brad W. Kotush	\$ 0	\$ 0	\$ 71,027
Benjy Katchen	\$ 0	\$ 22,937	\$ 225,000
John R. K. Harry	\$ 0	\$ 16,195	\$ 225,000
David J. F. Cluff	\$ 0	\$ 5,870	\$ 102,600
<b>Former NEOs</b>			
Robert L. Morton	\$ 0	\$ 0	\$ 87,500
Martin K. Reid	\$ 0	\$ 0	\$ 163,612

1 Share-based Awards in this table refer to RSUs and PSUs. DSUs granted to Ms. Then and Mr. Blowes are included in the Directors Compensation table on page 28.

2 Stock options were granted on February 15, 2013, August 6, 2013 and December 9, 2013. 25% of the options vest on the corresponding anniversary date in 2014, 2015, 2016 and 2017. The options have a term of seven (7) years.

3 Stock options were granted on May 16, 2014, November 13, 2014 and December 11, 2014. 25% of the options vest on the corresponding anniversary date in 2015, 2016, 2017 and 2018. The options have a term of five (5) years.

4 Stock options were granted on February 23, 2015 and December 11, 2015. 25% of the options vest on the corresponding anniversary date in 2016, 2017, 2018 and 2019. The options have a term of five (5) years.

5 Stock options were granted on May 16, 2016 and 25% of the options vest on the corresponding anniversary date in 2017, 2018, 2019 and 2020. The options have a term of five (5) years.

6 Stock options were granted on February 17, 2017, September 28, 2017 and December 15, 2017. 25% of the options vest on the corresponding anniversary date in 2018, 2019, 2020 and 2021. The stock options granted to Mr. Bissada on September 28, 2017 vest on September 28, 2020. Stock options granted to Mr. Kotush vest on the corresponding anniversary date in 2018, 2019, 2020 and 2021. All options granted in 2017 have a term of five (5) years.

7 The value of the stock options that vested in the fiscal year is based on the difference between the exercise price of the option and the volume weighted average trading price of a common share on the TSX for the five (5) trading days preceding the vesting date.

8 RSUs granted in 2014 vest 33.3% on December 11, 2015, 2016 and 2017. RSUs granted in 2015 vest 33.3% on December 11, 2016, 2017 and 2018. RSUs granted on February 17, 2017 vest 33% on February 17, 2018, 33% on Feb 17, 2019 and 33% on December 1, 2019.

9 The value of the share based awards that vested during the fiscal year includes dividend equivalents earned on these share-based awards during the period where Home Capital Inc. declared a dividend. Home Capital Inc. suspended the dividend in May 2017. Share based awards are valued based on the volume weighted average trading price of a common share on the TSX for the five (5) trading days preceding the vesting date.

10 PSUs granted on December 11, 2014 were vested in 2017 without payouts as performance thresholds were not reached (relative 3-year Total Shareholders' Return of 30th percentile). Amounts shown on the table represents vesting of RSUs only.

### Option Exercises in 2017

There were no stock options exercised by the Named Executive Officers during 2017.

### Employee Stock Option Plan Terms

The Corporation's Employee Stock Option Plan (the "Plan") provides for the granting of options to purchase Common Shares to employees of the Corporation and its subsidiaries.

Options may be granted under the Plan to such employees of the Corporation and its subsidiaries as the HRC Committee may from time to time determine. The maximum number of Common Shares that may be issued pursuant to the Plan is 10,670,396 in total, representing 13.3% of the Corporation's Common Shares issued and outstanding as at December 31, 2017. The number of Common Shares issuable to insiders, or issued in any one year to insiders, under the Plan or any other security-based compensation arrangements cannot exceed, in either case, 10% of the issued and outstanding Common Shares at that time, and the number of options granted to any one person including to insiders under the Plan and all other security-based compensation arrangements shall not exceed 5% of the aggregate number of Common Shares which are issued and outstanding at that point in time. As of February 28, 2018, there were 705,726 Common Shares, representing 0.88% of the Corporation's issued and outstanding Common Shares, to be issued upon the exercise of outstanding options under the Plan. As of December 31, 2017 there were 1,483,966 Common Shares, representing 1.85% of the Corporation's issued and outstanding Common Shares which remained available for issuance under the Plan.

## COMPENSATION DISCUSSION AND ANALYSIS

### Equity Compensation Plan Information

The following table sets out the number of Common Shares under The Corporation's Employee Stock Option Plan, the weighted-average exercise price of the outstanding stock options and the number of Common Shares remaining available for issuance under the Stock Option Plan as at December 31, 2017.

Equity Compensation Plan Information			
Plan Category	Securities to be Issued Upon Exercise <sup>1</sup>	Weighted-Average Exercise Price <sup>2</sup>	Securities Remaining Available for Future Issuance <sup>3</sup>
<b>Equity compensation plans approved by security holders (the "Plan")</b>	840,180	\$33.40	1,483,966

1 Securities to be Issued Upon Exercise represents all outstanding options and rights under the Plan.

2 The Weighted-Average Exercise Price represents the average exercise price of all outstanding options and rights under the Plan.

3 The number of Securities Remaining Available for Future Issuance represents all stock options and rights that may be granted under the Plan but does not include securities already granted under Note (1) above.

The Board has established a policy that is intended to limit the total number of stock options available for issue, plus all stock options outstanding that have not yet been exercised, to 7.5% or less of the total number of the Corporation's issued and outstanding Common Shares.

The Corporation monitors the level of dilution (i.e., stock options issued but not exercised as a percentage of Common Shares of the Corporation) and the annual burn rate (i.e., the number of stock options issued as a percentage of the issued and outstanding Common Shares of the Corporation) relating to stock options.

The Corporation's performance against these measures over the last three years is reported as follows:

	2017	2016	2015
<b>Overhang<sup>1</sup></b>	2.90%	3.63%	3.45%
<b>Dilution<sup>2</sup></b>	1.05%	1.67%	1.73%
<b>Burn rate<sup>3</sup></b>	0.22%	0.04%	0.37%

1 Overhang is defined as the total number of options available for issuance, plus all options outstanding that have not yet been exercised, expressed as a percentage of the total number of issued and outstanding Common Shares of the Corporation at the end of the fiscal year.

2 Dilution is defined as options issued but not exercised, expressed as a percentage of issued and outstanding Common Shares of the Corporation at the end of the fiscal year.

3 Burn rate is defined as the number of stock options issued each year, expressed as a percentage average outstanding Common Shares of the Corporation during the fiscal year. There was no annual stock option grant issued in 2016. The annual stock option grant for calendar year 2016, was issued in February 2017 in respect of the 2016 performance year.

### Strike Price and Expiry Date

The maximum term of a Stock Option is seven years. Options granted after December 3, 2014 have an expiry date of five years, provided that any option that would otherwise expire during or shortly after a blackout period shall automatically be extended until the tenth business day after such blackout period. The strike price is equal to the volume weighted trading price of the Corporation's Common Shares on the five trading days immediately preceding the date of grant.

### Performance Hurdles

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 options granted prior to September 2017 may not be exercised unless the stated performance hurdle of earnings per share is met. Options granted effective September 2017 do not include a performance hurdle. Options granted in fiscal 2017 and 2018 vest 25% at each anniversary date for the first four years after grant date and have a term of five (5) years. Vested options with a performance hurdle attached are exercisable after the performance hurdles are met and subject to blackout restrictions. Vested options without a performance hurdle are exercisable subject to blackout restrictions.

## COMPENSATION DISCUSSION AND ANALYSIS

### Dividends

Options do not generate dividends. As a result of the stock dividend paid on March 10, 2014, and pursuant to the terms of the Plan, the strike price for all outstanding options were reduced by half and option grants were doubled to align with the post stock dividend value of the Corporation's Common Shares.

### Assignment

Options are not assignable or transferable except by will or the laws of descent and distribution.

### Termination of Employment

The termination provisions in the event of retirement (on or after attaining age 65), disability or death were amended in December 2014 to provide that all unvested options will continue to vest according to the vesting schedule set out in the Participant's Grant Agreement.

If the participant's employment with the Corporation is terminated for just cause, all unexercised options, whether vested or unvested, shall be forfeited on the termination date.

If the participant's employment with the Corporation is terminated without just cause, all unvested options will forfeit on the termination date. If the participant resigns from the organization, all unvested options shall forfeit on the termination date.

The Board may determine that all or a portion of the unvested options may continue to vest as if the Participant had remained employed under a termination without cause or early retirement.

The termination provisions were amended in December 2014 to provide that, in the event of a termination without cause or constructive dismissal within twelve months (rather than 24 months) following a change of control of the Corporation, the participant may exercise any remaining vested or unvested options within thirty days.

### Amending or Discontinuing the Employee Stock Option Plan

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. Shareholder approval is not required for amendments except for any amendment or modification that (i) increases the number of Common Shares reserved for issuance under the Plan, (ii) reduces the exercise price of an option except in connection with a subdivision or consolidation of Common Shares or similar capital reorganization or payment of a stock dividend or an amalgamation, combination or other reorganization of the Corporation, (iii) extends the term of an option beyond the expiry date or beyond 7 years from its grant date (except where an expiry date would have occurred within a blackout period of the Corporation), (iv) extends the participation in the Plan of non-employee directors, (v) permits options to be transferred other than by testate or intestate succession, (vi) permits awards, other than options, to be made under the Plan, or (vii) permits amendments that by law or the rules or policies of any exchange require Shareholder approval. 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 employees eligible under the provisions of the Plan to participate therein.

### Performance and Restricted Share Unit Plan

The Corporation has a Performance and Restricted Share Unit Plan for Named Executive Officers and other eligible executives as determined by the Board. RSUs vest one third each year over a period of three years, subject to continued employment, and are paid out in cash immediately upon vesting. For grants made in February 2017, the final vesting occurs prior to the end of the third year following the year in respect of which the grants are made.

Any dividends awarded in respect to the PSUs or RSUs are reinvested as additional share units on the dividend payment date based on Fair Market Value.

PSUs are awarded at the discretion of the HRC Committee and cliff vest at the end of a three year period subject to the achievement of specific performance criteria. For grants made in March 2018, the final vesting occurs prior to the end of the third year following the year in respect of which the grants are made.

The maximum award multiplier is 125% and a minimum award threshold is 50%. See Performance and Vesting Period of Variable Compensation Elements section for details.

## COMPENSATION DISCUSSION AND ANALYSIS

As a result of the stock dividend paid on March 10, 2014, the number of outstanding PSUs and RSUs that each participant held were doubled to align with the post stock dividend value of the Corporation's Common Shares.

The termination provisions in the event of retirement (on or after attaining age 65), disability, or death were amended in December 2014 to reflect the following: all unvested share units shall continue to vest according to the vesting schedule set out in the participant's grant agreement.

If the participant's employment with the Corporation is terminated for just cause, all unvested share units shall be forfeited on the termination date.

If the participant's employment with the Corporation is terminated without just cause, all unvested share units will forfeit on the termination date. If the participant resigns from the organization, all unvested share units shall forfeit on the termination date.

The Board may determine that all or a portion of the unvested share units may continue to vest as if the participant had remained employed under a termination without cause or early retirement.

The termination provisions were amended in December 2014 to provide that in the event of a termination without cause or constructive dismissal within twelve months (rather than 24 months) following a change of control of the Corporation, any unvested share units will immediately vest.

### **Employee Share Purchase Plan**

In order to develop a sense of ownership of the Corporation and to align the interests of the Corporation with the interests of its employees, the Corporation has an Employee Share Purchase Plan ("ESPP") pursuant to which eligible employees of the Corporation can elect to purchase common shares of the Corporation up to 10% of their annual earnings. The Corporation matches 50% of the employees' contribution amount. The Corporation's contributions are fully vested immediately. Common Shares are purchased on the market by an independent trust using the amounts contributed.

### **Retirement Savings and 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 Registered Retirement Savings Plan ("Group RRSP").

The Corporation matches personal contributions to the Group RRSP of up to 3% of annual salary per year during the first eight years of employment and up to 4% after eight years of employment. Employee contributions are held in a Group RRSP Plan and the Corporation's contributions are held within a Deferred Profit Sharing Plan.

## COMPENSATION DISCUSSION AND ANALYSIS

### Employment Agreements, Termination and Change of Control

Details of payment obligations pursuant to the terms of each NEO's employment agreement or arrangement are summarized below. Upon termination, each NEO is entitled to the minimum entitlement under applicable employment standards legislation.

Mr. Bissada	<p>Mr. Bissada is guaranteed the following prorated variable compensation in the first year of employment, based on the proportion of days worked until the end of the 2017 fiscal year.</p> <ul style="list-style-type: none"><li>• A guaranteed cash bonus for 2017 in the amount of \$268,904 (proration based on \$650,000)</li><li>• A one-time Stock Option grant for 2017 in the amount of \$206,850 (proration based on \$500,000)</li><li>• A one-time RSU grant for 2017 in the amount of \$206,850 (proration based on \$500,000)</li></ul> <p>Upon termination without cause or resignation with good reason (as defined in his agreement) Mr. Bissada is entitled to</p> <ol style="list-style-type: none"><li>I. severance equal to two times the sum of i) his base salary and ii) the lesser of the target annual performance bonus or the average of the actual annual performance bonus received for the last three years (or, if less than three years, the average over such shorter period) prior to date of termination, payable in equal installments over 24 months. If Mr. Bissada commences new employment or becomes self-employed prior to the second anniversary of the date of termination, the payments will cease on the date such employment commences and he will receive an amount representing 50% of the remaining installments;</li><li>II. a prorated Annual Performance Bonus for the year in which the date of termination occurs; and</li><li>III. the one-time Stock Option grant and one-time RSU grant issued in 2017 will vest pro rata based on the number of completed months of service from the date of grant to the termination date.</li></ol> <p>Pursuant to the terms of Mr. Bissada's employment agreement entered into at the time of his appointment, if terminated on December 29, 2017, he would receive an estimated incremental payment of \$2,210,000. Notwithstanding the terms of the applicable equity plans, Mr. Bissada would be entitled to accelerated vesting of his outstanding RSUs and Options on a pro-rata basis if his employment terminated without cause or resignation with good reason.</p> <p>If Mr. Bissada's employment terminated on December 29, 2017 by reason of permanent disability or death he would receive an estimated incremental payment of \$270,000.</p> <p>Mr. Bissada is subject to a non-competition and non-solicitation for a period of one year post termination date. He is also subject to a confidentiality agreement.</p>
Mr. Kotush	<p>Mr. Kotush is guaranteed the following prorated variable compensation in the first year of employment, based on the proportion of days worked until the end of the 2017 fiscal year.</p> <ul style="list-style-type: none"><li>• A guaranteed cash bonus for 2017 in the amount of \$71,027 (proration based on \$212,500)</li><li>• A one-time Stock Option grant for 2017 in the amount of \$23,692 (proration based on \$70,883)</li><li>• A one-time RSU grant for 2017 in the amount of \$47,351 (proration based on \$141,667)</li></ul> <p>Upon termination without cause or resignation with good reason (as defined in his agreement), Mr. Kotush is entitled to</p> <ol style="list-style-type: none"><li>I. a lump sum payment equal to one and a half (1.5) times his base salary;</li><li>II. a prorated Annual Performance Bonus for the year in which the date of termination occurs.</li></ol> <p>Pursuant to the terms of Mr. Kotush's employment agreement entered into at the time of his appointment, if terminated on December 29, 2017, he would receive an estimated incremental payment of \$710,000.</p> <p>If Mr. Kotush's employment terminated on December 29, 2017 by reason of permanent disability or death he would receive an estimated incremental payment of \$72,000.</p> <p>Mr. Kotush is subject to a non-competition and non-solicitation for a period of one year post termination date. He is also subject to a confidentiality agreement.</p>
Mr. Katchen	<p>Upon termination without cause, Mr. Katchen would receive a lump sum payment representing twelve months' of his base salary and the cash portion of the Annual Performance Bonus calculated at target.</p> <p>Pursuant to Mr. Katchen's employment arrangement, if terminated without cause on December 29, 2017, he would receive an estimated incremental payment of \$525,000.</p>
Mr. Harry	<p>Upon termination without cause, Mr. Harry would receive a lump sum payment representing eighteen months' of his base salary and the cash portion of the Annual Performance Bonus calculated at target.</p> <p>Pursuant to Mr. Harry's employment arrangement, if terminated without cause on December 29, 2017, he would receive an estimated incremental payment of \$675,000.</p>
Mr. Cluff	<p>Upon termination without cause, Mr. Cluff will receive a lump sum payment representing twelve months' of his base salary in lieu of notice and twelve months of the cash portion of his Annual Performance Bonus.</p> <p>Pursuant to Mr. Cluff's employment arrangement, if terminated without cause on December 29, 2017, he would receive an estimated incremental payment of \$375,000.</p>

## COMPENSATION DISCUSSION AND ANALYSIS

The following table summarizes the Termination and Change of Control Benefits.

	Resignation	Retirement, Death, Disability	Termination Without Cause	Termination With Cause	Change of Control
Severance	None	None	Refer to Individual NEO agreement summary	None	N/A
Stock Options <sup>2</sup>	Forfeited Unvested	Continue to Vest	Forfeited Unvested 30 Days to Exercise	Forfeited	30 Days to Exercise
Restricted Share Units <sup>2</sup>	Forfeited	Continue to Vest	Forfeited	Forfeited	Immediately Vested
Performance Share Units <sup>2</sup>	Forfeited	Continue to Vest	Forfeited	Forfeited	Immediately Vested

- 1 Change of control means the sale of all or a substantial amount of assets of the Corporation to another organization or change of ownership of more than 50% following a merger or reorganization.
- 2 Pursuant to the Plan, in the event of a change of control of the Corporation, the vesting of all options granted prior to January 1, 2013 shall be accelerated in full and each option shall be immediately exercisable. For options awarded between January 1, 2013 and December 2, 2014, vesting is accelerated only if there is a change of control of the Corporation and the participant's employment is terminated without cause within 24 months of the change of control. For options awarded on or after December 3, 2014 vesting is accelerated only if there is a change of control of the Corporation and the participant is terminated without cause or constructively dismissed within 12 months of the change of control.
- 3 Immediate vesting if termination without cause occurs within 12 months of change in control.

## COMPENSATION DISCUSSION AND ANALYSIS

The following table describes the in-the-money amounts as at December 31, 2017 of unexercised options which are:

- Vested on December 31, 2017 but not exercisable and which exercise would be accelerated if there was a change of control as described under either circumstance above; and
- Unvested on December 31, 2017 and which vesting would be accelerated if there was a change of control as described under either circumstance above.

Value of Option-Based Awards on Accelerated Vesting and/or Exercisability				
Name	Number of Unexercised Options	Option Exercise Price	Option Expiration Date	Value of Unexercised In-The-Money Option
<b>Current NEOs</b>				
Yousry Bissada	48,941	\$ 13.90	September 28, 2022	\$ 166,889
Brad W. Kotush	5,607	\$ 13.90	September 28, 2022	\$ 19,120
Benjy Katchen	647	\$ 46.76	December 11, 2019	\$ 0
	7,924	\$ 27.65	February 17, 2022	\$ 0
John R. K. Harry	1,637	\$ 46.76	December 11, 2019	\$ 0
	7,450	\$ 28.84	December 11, 2020	\$ 0
	12,696	\$ 27.65	February 17, 2022	\$ 0
David J. F. Cluff	0	n/a	n/a	n/a
Robert J. Blowes <sup>2</sup>	3,765	\$ 46.76	December 11, 2019	\$ 0
<b>Former NEOs</b>				
Robert L. Morton <sup>2</sup>	2,500	\$ 50.02	November 13, 2019	\$ 0
	6,612	\$ 28.84	December 11, 2020	\$ 0
	9,900	\$ 27.65	February 17, 2022	\$ 0
Martin K. Reid <sup>2</sup>	5,000	\$ 39.65	December 9, 2020	\$ 0
	13,103	\$ 46.76	December 11, 2019	\$ 0
	12,526	\$ 28.84	December 11, 2020	\$ 0
	18,750	\$ 31.95	May 12, 2021	\$ 0
	24,232	\$ 27.65	February 17, 2022	\$ 0

<sup>1</sup> "Value of unexercised in-the-money options" is calculated using the number of securities underlying unexercised options as of December 31, 2017 multiplied by the price of the Corporation's Common Shares on December 29, 2017 (\$17.31).

<sup>2</sup> Mr. Blowes, Mr. Morton and Mr. Reid's options continue to vest as per their termination arrangements.

Refer to Share Based Awards Outstanding as of December 31, 2017 table for PSU and RSU values.

### Indebtedness of Officers

As of March 20, 2018, no officer of the Corporation is indebted to the Corporation.

### Additional Compensation Information

#### Executive Share Ownership Requirements Policy

The Corporation has share ownership requirements for its executives to align their interests with the interests of the Corporation's Shareholders and to discourage excessive risk taking. Share ownership levels are determined by calculating the total value of all equities held by the executive:

Participant	Target Ownership Level
President and CEO	3 times base salary
Executive Vice President	2 times base salary
Senior Vice President	1 times base salary

Executives covered under this policy will be required to fulfill their ownership requirement within five years of becoming subject to this policy or within five years of an increase in their share ownership requirement. All executives are expected to achieve their respective target ownership level within the set timeframe. Equities include: RSUs, PSUs, shares held in the ESPP and any privately held shares.

#### Insider Trading Policy Prohibitions

The Corporation has an insider trading policy that sets out expectations for appropriate trading behaviour for all directors, executives and employees. The policy prohibits all employees and directors from trading in the Corporation's securities during periods in which they may have knowledge of material information that has not yet been disclosed to the public. The policy prohibits all employees and directors at all times from trading in the Corporation's securities based on material, non-public information.

#### Prohibition on Hedging

The Corporation's insider trading policy specifically prohibits its directors, executives, and employees from participating in equity monetization transactions or from hedging the value of any equity based awards or Common Shares they own. This ensures that the desired alignment and mitigation of risk created by share ownership and equity based awards cannot be diluted by any hedging arrangements.

#### Stress Testing and Back Testing of the Executive Compensation Plan

The Corporation's Executive Compensation Plan was stress tested and back tested during the first quarter of 2018 to evaluate its reaction to future external and internal events under various scenarios and to understand the impact on costs to the Corporation and to the program participants. The results of the stress test concluded that the Executive Compensation Plan will behave as intended under different stress scenarios and the results of the back test concluded that the Executive Compensation Plan will not significantly impact the Corporation.

#### Clawback

The HRC Committee will require a participant in any of the Corporation's annual cash incentive plan or equity incentive plan, to repay any annual cash bonus, any equity incentives awarded, and/or forfeit any non-vested equity-based award previously granted if:

- The amount of compensation was calculated based upon the achievement of certain financial results that were subsequently subject to restatement or the correction of material errors; or
- The participant engaged in intentional misconduct that caused or partially caused the need for restatement or caused or partially caused the material error; or
- The amount of the compensation that would have been awarded to the participant, wholly or in part, had the financial results been properly reported, would have been lower than the amount actually awarded.
- A loss event occurred related to investment or lending decisions made in a prior period, and these individual or cumulated loss events would retrospectively cause the Corporation to have missed its performance targets; or
- Discovery of a risk outcome that extended beyond the Corporation's Risk Appetite as a result of decisions made in a prior period.



## COMPENSATION DISCUSSION AND ANALYSIS

### Pillar 3 Disclosure Requirements

In 2011, the Basel Committee on Banking Supervision published Pillar 3 Disclosure Requirements for Remuneration, Quantitative Compensation for Senior Executives and Material Risk Takers. These additional disclosures are provided based on the following definitions:

#### Material Risk Takers

Material Risk Takers ("MRTs") include those who have business decision making authority with material impact to the Corporation's risk exposure. The current list of MRTs was approved by the HRC Committee in March 2018 which includes seventeen MRTs. All MRTs participate in the Executive Compensation Plan and each received a variable compensation award with at least 40% of that variable award being delivered as deferred equity compensation.

#### Senior Executives

Senior Executives includes those who have significant input in defining the Corporation's strategic direction. The current list of Senior Executives was also approved by the HRC Committee in February 2018 which includes nine Senior Executives.

The following table summarizes MRT and Senior Executive compensation for 2017. Deferred compensation consists of RSUs, PSUs and Stock Options. The value of deferred compensation is calculated using the closing price of the Corporation's Common Shares on the TSX on December 29, 2017, which was \$17.31.

Aggregate Compensation – Senior Executives (2017)		
	Non Deferred	Deferred
<b>Fixed Compensation</b>		
Base Salary Earnings	\$ 3,481,707	\$ 0
<b>Variable Compensation</b>		
Cash Based Earnings	\$ 1,833,081	\$ 0
Shares and share-linked instruments	\$ 0	\$ 1,212,332
<b>Aggregate Compensation – Material Risk Takers (2017)</b>		
	Non Deferred	Deferred
<b>Fixed Compensation</b>		
Base Salary	\$ 4,839,522	\$ 0
<b>Variable Compensation</b>		
Cash Based	\$ 2,334,614	\$ 0
Shares and share-linked instruments	\$ 0	\$ 1,418,278
<b>Aggregate Deferred Compensation</b>		
	Senior Executives	Material Risk Takers
<b>Outstanding</b>	\$ 1,719,652	\$ 1,985,721
<b>Vested</b>	\$ 0	\$ 0
<b>Unvested</b>	\$ 1,719,652	\$ 1,985,721

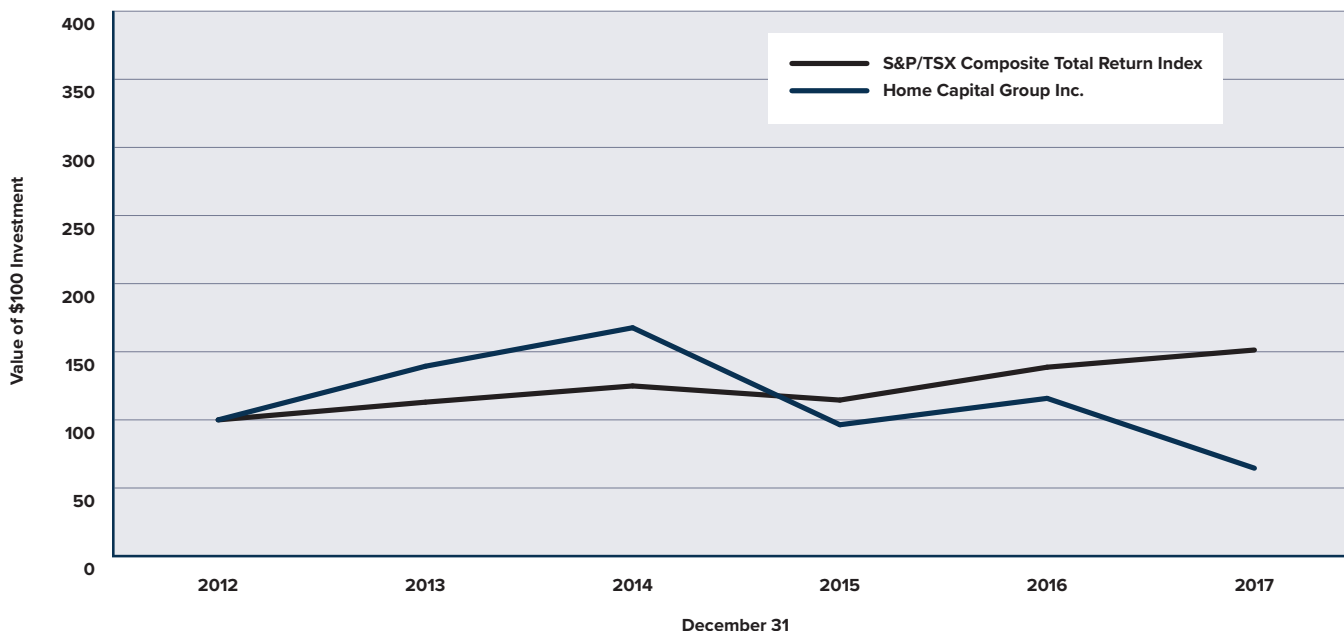
All vested and unvested awards are subject to implicit adjustments (e.g. fluctuations in the stock price). Unvested awards are also subject to explicit adjustments (e.g., claw back and forfeiture).

The Corporation provides information with respect to guaranteed awards, sign-on bonuses and severance payments to the Office of the Superintendent of Financial Institutions on a confidential basis.

## COMPENSATION DISCUSSION AND ANALYSIS

### Performance Graph

The following chart compares the cumulative Shareholder return on \$100 invested in Common Shares of the Corporation on December 31, 2012 with the equivalent cumulative value invested in the Toronto Stock Exchange index for the same period.



Comparative Value of \$100 between 2012 and 2017

	2012	2013	2014	2015	2016	2017	Compound Annual Growth
TSX	\$ 100.00	\$ 112.99	\$ 124.92	\$ 114.53	\$ 138.67	\$ 151.28	8.63%
HCG	\$ 100.00	\$ 139.37	\$ 167.63	\$ 96.42	\$ 115.80	\$ 64.54	(8.39)%
Executive Compensation <sup>1</sup>	\$ 100.00	\$ 111.80	\$ 123.54	\$ 94.66	\$ 85.93	\$ 132.49	5.79%

<sup>1</sup> Executive Compensation includes total compensation for NEOs disclosed in the Summary Compensation of Named Executive Officers – Three Year Look Back table. In 2017, Executive Compensation was higher due to a larger number of NEOs required for disclosure as well as one-time severance of \$2.4 million for Mr. Reid and Mr. Morton as noted in the Summary Compensation table.

### Executive Compensation Alignment with Shareholder Returns

Long-term compensation for the Corporation's NEOs is impacted by the price of the Corporation's Common Shares, as a significant portion of the compensation paid to the NEOs is paid in the form of PSUs, RSUs and Stock Options. The value of outstanding equity awards moves in line with the share price movements. In addition, the Corporation has a pay-for-performance philosophy that correlates the pay for the Chief Executive Officer and other named executive officers directly to the performance of the Corporation as set out in the Compensation Philosophy and Strategy section of this Management Information Circular.

## COMPENSATION DISCUSSION AND ANALYSIS

### Cost of Management Ratio

The chart below reports the total aggregate compensation for Named Executive Officers and the percentage of net income in each of the last three fiscal years noted below. The ratio in 2017 increased significantly over 2016 and 2015 due to significantly lower net income in 2017, a larger number of NEOs during 2017, and higher compensation including retention bonuses and severance.

Cost of Management Ratio			
	2017	2016	2015
Total Aggregate NEO Compensation <sup>1</sup>	\$ 8,514,793	\$ 5,522,710	\$ 6,083,807
Net Income	\$ 7,527,244	\$ 247,396,221	\$ 287,284,693
As a percentage of Net Income	113.12%	2.23%	2.12%

1 Total NEO compensation includes all elements of compensation for the Named Executive Officers.

# Additional Information

Financial information of the Corporation is provided in the Corporation's Consolidated Financial Statements for the year ended December 31, 2017 and Management's Discussion and Analysis for 2017.

To obtain a copy of the Corporation's latest Annual Information Form, the audited annual financial statements, Management's Discussion and Analysis, any interim financial statements filed after the most recent annual financial statements, this Management Information Circular, or other information on the Corporation, please visit the Corporation's profile on [www.sedar.com](http://www.sedar.com) or the Corporation's website at [www.homecapital.com](http://www.homecapital.com).

## **Corporate Governance**

In accordance with the rules of the Canadian Securities Administrators, the Corporation annually discloses information relating to its system of corporate governance. Details of the Corporation's practices are described in Schedule A to this Management Information Circular.

The Statement of Corporate Governance Practices, the Board of Directors' Charter, the Charters of the Board Committees, the position descriptions for the Chair of the Board, Chairs of the Board Committees, individual directors and the Chief Executive Officer, and the Director Independence Standards are available on the Corporation's website at [www.homecapital.com](http://www.homecapital.com).

## **Contacting the Board of Directors**

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

Chair of the Board of Directors  
Home Capital Group Inc.  
145 King Street West  
Suite 2300  
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 20, 2018

**Christer V. Ahlvik**

Executive Vice President, Corporate Counsel & Corporate Secretary

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# Schedule A – Statement of Corporate Governance Practices

At Home Capital Group Inc., we aspire to uphold high standards of corporate governance which reflect applicable legal and regulatory requirements and also emerging best practices. As a Canadian reporting issuer with securities listed on the Toronto Stock Exchange (“TSX”), our corporate governance practices meet applicable rules adopted by the Canadian Securities Administrators (“CSA”).

Home Capital Group Inc. has amended its governance practices as regulatory changes have evolved and will continue to follow changes and consider amendments to our governance practices as appropriate.

## **Board of Directors**

### **Board Mandate**

The Board Mandate sets out the Board’s purpose, organization, duties and responsibilities. The text of the Board Mandate is attached hereto as Schedule B. The Charter of the Board (which includes the Mandate) is available on the Corporation’s website at [www.homecapital.com](http://www.homecapital.com).

### **Director Independence**

The Board has adopted standards for determining whether a director is independent within the meaning of the CSA rules.

The Board has determined that all existing directors and directors standing for election to the Board on May 16, 2018 are independent within the meaning of the relevant CSA rules and the Corporation’s Director Independence Standards with the exception of Mr. Yousry Bissada who is the President and Chief Executive Officer of the Corporation and Mr. Robert J. Blowes who served as interim Chief Financial Officer of the Corporation from May 11 to August 31, 2017. The determination is based on information concerning the personal, business and other relationships and dealings of the directors collected through biographical material, reports and questionnaires completed by directors.

### **Independent Chair of the Board**

The Board has separated the roles of Chair of the Board and Chief Executive Officer. Ms. Brenda J. Eprile, Chair of the Board, is an independent director and is not, and has never been, an executive officer of the Corporation. The Board has adopted a position description for the Chair setting out the Chair’s duties and responsibilities. The Chair ensures that the Board operates independently of management. The Chair manages the affairs of the Board and ensures that the Board meets its obligations and responsibilities. At every regularly scheduled Board meeting, the Chair presides over meetings of the independent directors at which non-independent directors and members of management are not present.

### **Director Attendance**

Board members are expected to attend the Annual and Special Meeting of Shareholders as well as board meetings and meetings of Committees on which they serve. Directors are expected to attend all meetings except when an unprecedented commitment arises which cannot be rearranged.

### **Position Descriptions**

The Board has adopted written position descriptions for the Chair of the Board, Committee Chairs, individual directors and the Chief Executive Officer. The position descriptions are available on the Corporation’s website at [www.homecapital.com](http://www.homecapital.com).

The Committee Chair position description sets out the responsibilities and duties of the Chair of each Committee. The position description of the Chair of the Board is described above.

The position description for the Chief Executive Officer is approved by the Board. The Chief Executive Officer’s position description identifies the accountabilities and responsibilities of the Chief Executive Officer.

The Human Resources and Compensation Committee reviews and approves corporate goals and objectives that the Chief Executive Officer is responsible for meeting each year. The HRC Committee conducts an annual assessment of the Chief Executive Officer’s performance in relation to those objectives and reports the results of the assessment to the Board.

### **Code of Conduct and Ethics Policy**

The Board has adopted a written Code of Conduct and Ethics Policy for its directors, officers and employees. The Code provides a framework for directors, officers and employees on the conduct and ethical decision making integral to their work. By setting a tone from the top, the Board fosters a strong governance culture that influences every level of the organization.

The Board monitors compliance with the Code by requiring each director, officer and employee to annually sign an acknowledgement concerning his or her compliance with the Code.

## **SCHEDULE A – STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

A copy of the Code may be found on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.homecapital.com](http://www.homecapital.com).

### **Related Party Transactions**

In the event a director or executive officer has an interest in any transaction or agreement considered by the Board or any Committee of the Board, such interest must be declared and recorded in the minutes of the meeting and the director or executive officer must vacate the meeting while the transaction or agreement is being discussed. Each director and executive officer annually provides a certificate to the Corporation, which discloses all related parties of the director or officer and any related party transaction with the Corporation.

### **Culture of Integrity**

The Board believes that senior management must create a culture of strong corporate governance, ethical business conduct and integrity throughout the organization. The Code of Conduct and Ethics Policy addresses many areas of business conduct and provides a procedure for employees to raise concerns or questions regarding questionable audit or accounting matters.

### **Nomination of Directors**

The Governance, Nominating and Conduct Review Committee of the Board, comprised entirely of independent directors, is responsible for determining criteria for selecting and assessing potential and current directors and identifying and recommending to the Board suitable director candidates. At the Annual and Special Meeting of Shareholders on May 16, 2018, nine directors will stand for election for a one-year term. The matter of Board size is considered formally on an annual basis by the Board and on an ongoing basis by the Governance, Nominating and Conduct Review Committee.

The Committee considers the competencies and skills the Board, as a whole, should possess, assesses the competencies of current Board members and identifies any additional competencies deemed to be beneficial, when considering candidates. As part of the director selection process, the Committee uses a Board Matrix and a Director Competencies/Attributes Inventory supplemented by a Director Peer Evaluation to consider the competencies the Board, as a whole, should possess and to assess the competencies of current directors. The Board Matrix also enables the Committee to identify any additional competencies determined to be beneficial when considering candidates for the Board. The Director Competencies/Attributes Inventory enables the Board to identify competency gaps. Potential candidates are screened to ensure that they have the competencies necessary to execute their duties and responsibilities.

The Committee also considers a diversity of backgrounds and genders when reviewing qualified candidates for recommendation for appointment or election to the Board.

### **Majority Voting Policy for Directors**

The Board has adopted a policy stipulating that any nominee for director who receives a greater number of votes "withheld" for his or her election than votes "for" his or her election must tender his or her resignation promptly after the Annual and Special Meeting for the Governance, Nominating and Conduct Review Committee's consideration. The Governance, Nominating and Conduct Review Committee will consider the offer of resignation and, absent exceptional circumstances, will recommend that the Board accept the resignation and the Board will accept the resignation absent exceptional circumstances. The Board's decision to accept or reject the resignation offer will be disclosed to the public. The nominee will not participate in any Committee or Board deliberations on the resignation offer. The policy does not apply in circumstances involving contested director elections.

### **Executive Compensation**

The Human Resources and Compensation Committee is responsible for annually reviewing and approving the compensation of the President and Chief Executive Officer and other senior officers. The level of remuneration is designed to provide a competitive level of remuneration relative to comparable positions in the marketplace. A comparator group is developed by identifying companies primarily within the Corporation's market, of similar size considering value of assets, number of employees and revenue. Consultants may be retained to obtain this information and to assess the Corporation's relative position.

### **Shareholder Advisory Vote on Approach to Executive Compensation**

At the 2018 Annual and Special Meeting, Shareholders are invited to participate in an advisory vote on our approach to executive compensation.

The Board believes Shareholders should have the opportunity to review and fully understand the objectives, philosophy and principles that the Board has used to make compensation decisions. In 2012 the Board adopted a policy to hold at each annual meeting a non-binding advisory vote on the approach to executive compensation disclosed in the Management Information Circular.

## **SCHEDULE A – STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

### **Assessment of Board Committees and Directors**

In response to the Board's commitment to high standards of corporate governance, the Chair of the Governance, Nominating and Conduct Review Committee annually conducts a full Board Evaluation Survey including a written director peer review.

Board members assess their effectiveness as a Board, the effectiveness of the Board Committees and the effectiveness of each director through a peer review and annual one-on-one meetings with the Chair of the Board.

Board members are asked to rate items such as the operation of the Board and its Committees, the adequacy of the information provided to directors, Board structure, agenda planning for Board meetings, strategic direction and process, structure and size of the Board, knowledge and diversity of Board members, timeliness and completeness of information received for discussion and the overall effectiveness of the decision-making process including the effectiveness of the Chair in managing Board meetings. The self-evaluation involves questions about issues such as the effectiveness of discussions and decision-making, attendance and contribution. In addition, annually each director meets individually with the Chair of the Board.

The evaluation process is conducted in-house and requires all Board members to complete the evaluation survey. The completed survey is delivered to the Chair of the Governance, Nominating and Conduct Review Committee. The Chair compiles the results and prepares a single document that includes an analysis of responses. The analysis is presented to the Board for discussions and action if required.

### **Strategic Planning**

The Board reviews and approves the Corporation's strategic plan which takes into account, among other things, the opportunities and risks of the businesses. The strategic plan addresses key initiatives and contains details of opportunities, risks, competitive position, financial projections and other key performance indicators. Throughout the year, the Board receives strategic updates on the progress of each of the principal business groups as part of regular Board meetings.

### **Identification of Risks and Oversight of Risk Management**

The Board oversees and approves the Corporation's Risk Appetite Framework. The Board exercises its oversight of risk management through the Audit Committee, Risk and Capital Committee and Human Resources and Compensation Committee.

The Risk and Capital Committee receives regular reports on key risks affecting the Corporation, reviews the Corporation's risk profile relative to its risk appetite and oversees the structure of management's approach to defining the type and amount of risk that is appropriate to accept.

The Audit Committee oversees the Corporation's management of legislative and regulatory risk and management's implementation and maintenance of adequate and effective internal controls through review and discussion of key issues identified in reports received from the Corporation's Corporate Compliance and Internal Audit functions.

The Human Resources and Compensation Committee is responsible for reviewing the alignment of the Corporation's major compensation programs and policies with sound risk management principles.

### **Succession Planning and Evaluation of Management Performance**

The Board and the Human Resources and Compensation Committee supervise succession planning processes which include selection, appointment and the development of the President and CEO and senior management. The Board reviews the depth and diversity of succession pools for the President and CEO and other key leadership roles and monitors the progress made by succession candidates. The Board annually reviews and assesses the contingency and long-term succession plans for the CEO and senior management. The Human Resources and Compensation Committee reports to the Board at least annually on succession planning.

The Board and the Human Resources and Compensation Committee evaluate and approve compensation of the CEO and senior management team in a manner that is consistent with prudent incentives.



## **SCHEDULE A – STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

### **Disclosure Policy**

The Board has adopted a Disclosure Policy covering timely disclosure of all material information. The Policy is reviewed annually and establishes consistent guidance for determining what information is material and how the information should be disclosed to avoid selective disclosure and to ensure that material is widely disseminated. The Corporation has a Disclosure Committee comprised of senior management and chaired by the Chief Financial Officer. The Disclosure Committee is responsible for reviewing all continuous disclosure documents and ensuring their timely public release.

The Corporation communicates with Shareholders and other stakeholders through a variety of channels including the Annual Report, the Management Information Circular, quarterly reports, the Annual Information Form, news releases and the Corporation's website.

Shareholder feedback is received through group meetings with institutional Shareholders and from retail Shareholders by mail or telephone.

Shareholders, employees and other interested parties may communicate directly with non-management directors through the Chair of the Board by writing to Chair, Board of Directors, Home Capital Group Inc., 145 King Street West, Suite 2300, Toronto, Ontario M5H 1J8.

### **Additional Information Available Online**

The following information is available on the Corporation's website at [www.homecapital.com](http://www.homecapital.com):

- Code of Conduct and Ethics Policy;
- Charters of the Board of Directors and Board Committees;
- Position Descriptions for the Chair of the Board, Chair of a Committee, independent directors and the CEO;
- Directors Independence Policy; and
- This Statement of Corporate Governance Practices.

# Schedule B – Mandate of the Board

- 1) Understanding and meeting the duties and performance standards expected of the Board and each director under (i) the Corporation's governing statute, (ii) other applicable statutes and regulatory regimes, and (iii) the expectations of Shareholders and stakeholders of the Corporation;
- 2) Adopting and annually approving a strategic planning process for the Corporation under which the Board reviews (i) the strategic plan including the opportunities and risks of the Corporation's businesses and (ii) regular input from senior management on the continuing development of and the Corporation's performance against the strategic plan;
- 3) Considering and approving all activities of the Corporation related to major capital expenditures, raising capital, allocation of resources to the Corporation's lines of business, organizational restructurings and other major financial activities;
- 4) Monitoring appropriate procedures for identifying the principal risks of the Corporation's business, implementing appropriate systems to manage these risks, and receiving regular updates on the status of risk management activities and initiatives;
- 5) Supervising the succession planning processes at the Corporation, including the selection, appointment, development, evaluation and compensation of the Chief Executive Officer and senior management;
- 6) Reviewing the effectiveness of the Corporation's internal controls and management information systems by establishing appropriate internal control systems and by receiving frequent updates on the status of those systems from the internal and external auditors;
- 7) Regularly reviewing the Corporation's Disclosure Policy, and approving all material disclosure items prior to disclosure in accordance with the Disclosure Policy;
- 8) Assessing the effectiveness of the Corporation's communications, including measures for receiving feedback from stakeholders;
- 9) Overseeing the Corporation's approach to corporate governance including corporate governance principles and policies, establishing Board Committees, setting expectations of directors and undertaking regular evaluation of the Board, its Committees and its members;
- 10) Developing and communicating the Board's expectations and responsibilities to individual directors as such expectations are updated and refined; and
- 11) Creating a culture of integrity throughout the Corporation and satisfying itself as to the integrity of the Chief Executive Officer and senior management.

# Schedule C – Rights Plan Resolution

Upon motion, duly proposed and seconded, it was resolved that:

- 1) The continuance, amendment and restatement of the Shareholder rights plan, the terms and conditions of which are set out in Amended and Restated Shareholder Rights Plan Agreement dated May 16, 2018 between Home Capital Group Inc. (the “Corporation”) and Computershare Investor Services Inc., as rights agent (the “Rights Plan Agreement”), substantially on the term described in the Management Information Circular of the Corporation dated May 16, 2018, be, and is hereby ratified, confirmed and approved;
- 2) The making of any revisions to the Rights Plan Agreement as may be required by any professional commentators on Shareholder rights plans to conform the Rights Plan Agreement to Shareholder rights plans prevalent for public reporting issuers in Canada, as may be approved by any director or officer of the Corporation, is hereby approved;
- 3) The continuance of the Rights Plan Agreement, as may be amended in accordance with paragraph 2, is hereby ratified, confirmed and approved; and
- 4) Any officer or director of the Corporation be, and is hereby, authorized, for and on behalf of the Corporation, to sign and execute all documents, to conclude any agreement and to do and perform all acts and things deemed necessary or advisable in order to give effect to this Rights Plan Resolution, including compliance with all securities laws and regulations.

# Schedule D – Amended and Restated Shareholder Rights Plan

Execution Copy

AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT

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HOME CAPITAL GROUP INC.

and

COMPUTERSHARE INVESTOR SERVICES INC.

as Rights Agent

Dated as of May 16, 2018 (amending and restating the Shareholder Rights Plan Agreement dated as of March 11, 2009)

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## AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT

This agreement, dated as of ~~March 11, 2009~~ May 16, 2018 is between Home Capital Group Inc., a corporation incorporated under the laws of Ontario (the “**Corporation**”), and Computershare Investor Services Inc., a corporation existing under the laws of Canada, as rights agent (the “**Rights Agent**”, which includes any successor Rights Agent).

1. The Corporation and the Rights Agent entered into the original shareholder rights plan agreement as of March 11, 2009, which was approved by the shareholders of the Corporation at the annual and special meetings of shareholders held on May 13, 2009, May 16, 2012 and May 13, 2015.
2. ~~1-~~The Board of Directors of the Corporation has determined that it is advisable for and in the best interests of the Corporation to ~~adopt a~~ continue and amend and restate the shareholder rights plan (the “**Rights Plan**”).
3. On May 16, 2018, the shareholders of the Corporation approved a resolution continuing the Rights Plan, as amended and restated herein.
4. ~~2-~~In order to implement the Rights Plan, the Board of Directors of the Corporation has previously authorized:
  - (i) the issuance, effective at 4:00 p.m. (Eastern time) on March 11, 2009, of one right (a “**Right**”) in respect of each Common Share of the Corporation outstanding at 4:00 p.m. (Eastern time) on March 11, 2009 (the “**Record Time**”); and
  - (ii) the issuance of one Right in respect of each Common Share issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time.
5. ~~3-~~Each Right entitles the holder thereof, after the Separation Time, to purchase securities of the Corporation pursuant to the terms and subject to the conditions set forth in this agreement.
6. ~~4-~~The Corporation wishes to ~~appoint~~ confirm the appointment of the Rights Agent to act on behalf of the Corporation and holders of Rights, and the Rights Agent is willing to continue to so act, in connection with the issuance, transfer, exchange and replacement of Rights Certificates, the exercise of Rights and other matters referred to in this agreement.

**NOW THEREFORE**, in consideration of the premises and the respective covenants and agreements set forth in this agreement, the parties agree as follows.

## ARTICLE 1 INTERPRETATION

### 1.1 Certain Definitions

For the purpose of this agreement:

(a) “**Acquiring Person**” means any Person who is or becomes the Beneficial Owner of 20% or more of the then outstanding Voting Shares; provided, however, that the term “**Acquiring Person**” will not include:

(i) the Corporation or any Subsidiary of the Corporation;

(ii) any Person who becomes the Beneficial Owner of 20% or more of the then outstanding Voting Shares of the Corporation as a result of any one or any combination of:

(A) a Voting Share Reduction;

(B) a Permitted Bid Acquisition;

(C) an Exempt Acquisition;

(D) a Pro Rata Acquisition; or

(E) a Convertible Security Acquisition;

provided, however, that if a Person becomes the Beneficial Owner of 20% or more of the Voting Shares then outstanding by reason of one or any combination of a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition, a Pro Rata Acquisition or a Convertible Security Acquisition and thereafter such Person, while such Person is the Beneficial Owner of 20% or more of the Voting Shares then outstanding, increases the number of Voting Shares beneficially owned by such Person by more than 1.0% of the number of Voting Shares outstanding (other than pursuant to one or any combination of a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition, a Pro Rata Acquisition or a Convertible Security Acquisition) then, as of the date such Person becomes the Beneficial Owner of such additional outstanding Voting Shares, such Person will be an “**Acquiring Person**”;

(iii) for a period of ten days after the Disqualification Date (as defined below), any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of such Person becoming disqualified from relying on Clause 1.1(d)(v) solely because such Person or the Beneficial Owner of such Voting Shares is making or has announced an intention to make a Take-over Bid, either alone or by acting jointly or in concert with any other Person. For the purposes of this



definition, “**Disqualification Date**” means the first date of public announcement that any Person is making or has announced an intention to make a Take-over Bid; or

- (iv) an underwriter or member of a banking or selling group acting in such capacity that becomes the Beneficial Owner of 20% or more of the Voting Shares in connection with a distribution of securities of the Corporation; or
- (b) “**Affiliate**”, when used to indicate a relationship with a specified ~~corporation~~**Person**, means a Person who directly, or indirectly through one or more controlled intermediaries, controls, or is a ~~corporation~~**Person** controlled by, or is a ~~corporation~~**Person** under common control with, such specified ~~corporation~~**Person**;
- (c) “**Associate**”, where used to indicate a relationship with any Person, means a spouse of that Person, any Person who resides in the same home as that Person and to whom that Person is married or with whom that Person is living in a conjugal relationship outside marriage, a child of that Person or a relative of that Person if the relative has the same home as that Person;
- (d) a Person will be deemed the “**Beneficial Owner**” of, and to have “**Beneficial Ownership**” of, and to “**Beneficially Own**”:
  - (i) any securities as to which such Person or any of such Person’s Affiliates or Associates is the owner at law or in equity;
  - (ii) any securities as to which such Person or any of such Person’s Affiliates or Associates has the right to acquire (if such right is exercisable immediately or within a period of 60 days thereafter and whether or not upon the occurrence of a contingency) pursuant to any agreement, arrangement, pledge or understanding, whether or not in writing, (other than customary agreements with and between underwriters or banking group or selling group members with respect to a distribution of securities and other than pledges of securities in the ordinary course of the pledgee’s business) or upon the exercise of any conversion right, exchange right, share purchase right (other than a Right), warrant or option; and
  - (iii) any securities which are Beneficially Owned within the meaning of clauses (i) or (ii) by any other Person with whom such Person is acting jointly or in concert;

provided, however, that a Person will not be deemed the “**Beneficial Owner**” of, or to have “**Beneficial Ownership**” of, or to “**Beneficially Own**”, any security because:

- (iv) such security has been or agreed to be deposited or tendered pursuant to a Lock-up Agreement or is otherwise deposited or tendered pursuant to any

Take-over Bid made by such Person, any Affiliate or Associate of such Person or any Person acting jointly or in concert with such Person until such deposited security has been taken up or paid for, whichever occurs first;

- (v) such Person or any Affiliate or Associate of such Person or any other Person acting jointly or in concert with such Person holds such security and:
  - (A) the ordinary business of any such Person (the “**Fund Manager**”) includes the management of investment funds for others (which, for greater certainty, may include or be limited to one or more employee benefit plans or pension plans) and such security is held by the Fund Manager in the ordinary course of such business in the performance of the Fund Manager’s duties for the account of any other Person (a “**Client**”), including a non-discretionary account held on behalf of a Client by a broker or dealer registered under applicable laws;
  - (B) such Person (the “**Trust Company**”) is licensed to carry on the business of a trust company under applicable laws and, as such, acts as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent Persons (each, an “**Estate Account**”) or in relation to other accounts (each, an “**Other Account**”) and holds such security in the ordinary course of such duties for Estate Accounts or Other Accounts;
  - (C) such Person (the “**Plan Administrator**”) is the administrator or the trustee of one or more pension funds or plans (a “**Plan**”), or is a Plan, registered under the laws of Canada or any province thereof or the laws of the United States of America or any state thereof and such security is held by the Plan Administrator or the Plan in the ordinary course of the Plan Administrator’s or Plan’s activities;
  - (D) such Person (the “**Statutory Body**”) is established by statute for purposes that include, and the ordinary business or activity of such Person includes, the management of investment funds for employee benefit plans, pension plans and insurance plans of various public bodies and such security is held by the Statutory Body in the ordinary course of the management of such investment funds;
  - (E) such Person is a Crown Agent or agency (a “**Crown Agent**”); or
  - (F) such Person (the “**Manager**”) is the manager or trustee of a mutual fund (“**Mutual Fund**”) that is registered or qualified to issue its securities to investors under the securities laws of any province of

Canada or the laws of the United States of America or is a Mutual Fund;

provided, however, that in any of the foregoing cases, the Fund Manager, the Trust Company, the Plan Administrator, the Plan, the Statutory Body, the Crown Agent, the Manager or the Mutual Fund, as the case may be, is not then making a Take-over Bid, has not then announced an intention to make a Take-over Bid and is not then acting jointly or in concert with any other Person who is making a Take-over Bid or who has announced a current intention to make a Take-over Bid, other than an Offer to Acquire Voting Shares or other securities (1) pursuant to a distribution by the Corporation, (2) by means of a Permitted Bid or a Competing Permitted Bid or (3) by means of market transactions made in the ordinary course of business of such Person (including pre-arranged trades entered into in the ordinary course of business of such Person) executed through the facilities of a stock exchange or organized over-the-counter market;

- (vi) such Person is (A) a Client of the same Fund Manager as another Person on whose account the Fund Manager holds such security, (B) an Estate Account or Other Account of the same Trust Company as another Person on whose account the Trust Company holds such security or (C) a Plan with the same Plan Administrator as another Plan on whose account the Plan Administrator holds such security;
  - (vii) such Person is (A) a Client of a Fund Manager and such security is owned at law or in equity by the Fund Manager, (B) an Estate Account or Other Account of a Trust Company and such security is owned at law or in equity by the Trust Company or (C) a Plan and such security is owned at law or in equity by the Plan Administrator; or
  - (viii) because such Person is the registered holder of securities as a result of carrying on the business of or acting as a nominee of a securities depository.
- (e) “**Board of Directors**” means the board of directors of the Corporation or, if duly constituted and whenever duly empowered, any committee of the board of directors of the Corporation;
  - (f) “**Business Day**” means any day other than a Saturday, a Sunday or a day on which banking institutions in Toronto, Ontario are authorized or obligated by law to close;
  - (g) “**close of business**” on any given date means the time on such date (or, if such date is not a Business Day, the time on the next Business Day) at which the principal office in Toronto, Ontario of the transfer agent for the Common Shares (or, after the Separation Time, the office of the Rights Agent) is closed to the public; provided, however, that for the purposes of the definitions of

**“Competing Permitted Bid” and “Permitted Bid”, “close of business” on any date means 11:59 p.m. (local time at the place of deposit) on such date (or, if such date is not a Business Day, 11:59 p.m. (local time at the place of deposit) on the next succeeding Business Day);**

- (h) **“Common Share”** means the common shares of the Corporation and any other shares of the Corporation into which such shares may be subdivided, consolidated, reclassified or changed;
- (i) **“common shares”**, when used with reference to any Person other than the Corporation, means the class or classes of shares (or similar equity interest) with the greatest per share (or similar interest) voting power entitled to vote generally in the election of all directors of such other Person;
- (j) **“Competing Permitted Bid”** means a Take-over Bid that:
  - (i) is made after a Permitted Bid or another Competing Permitted Bid has been made and prior to the expiry of that Permitted Bid or Competing Permitted Bid (in this definition, the **“Prior Bid”**); **and**
  - (ii) satisfies all components of the definition of Permitted Bid ~~other than the requirement set out in clause (ii) of that definition; and;~~
  - (iii) ~~contains, and the take up and payment for securities tendered or deposited under the Take over Bid is subject to, irrevocable and unqualified conditions that:~~
    - (A) ~~no Voting Shares will be taken up or paid for pursuant to the Take over Bid (1) prior to the close of business on a date that is no earlier than the later of the date which is 35 days (or such other minimum deposit period for a take over bid as is provided in the *Securities Act*) after the date the Take over Bid is made and the 60th day after the date of the Prior Bid that is then outstanding and (2) then only if, at the close of business on the date Voting Shares are first taken up or paid for, more than 50% of the then outstanding Voting Shares held by Independent Shareholders have been deposited or tendered pursuant to such Take over Bid and not withdrawn; and~~
    - (B) ~~if the requirement in clause (iii)(A)(2) is satisfied, the Offeror will make a public announcement of that fact and the Take over Bid will remain open for deposits and tenders of Voting Shares for a period of at least 10 Business Days after the date of the announcement;~~
- (k) **“controlled”**: a Person is “controlled” by another Person or two or more Persons acting jointly or in concert if:

- (i) in the case of a body corporate, securities entitled to vote in the election of directors of such body corporate carrying more than 50% of the votes for the election of the directors are held, directly or indirectly, by or for the benefit of the other Person or two or more Persons acting jointly or in concert, and the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of such corporation; and
- (ii) in the case of a Person which is not a body corporate, more than 50% of the voting or equity interests of such entity are held, directly or indirectly, by or for the benefit of the other Person or Persons;

and “**controls**”, “**controlling**” and “**under common control with**” will be interpreted accordingly;

- (l) “**Convertible Securities**” means any securities issued by the Corporation (including rights, warrants and options, but excluding the Rights) carrying any purchase, exercise, conversion or exchange rights, pursuant to which the holder of Convertible Securities may acquire Voting Shares or other securities convertible into or exercisable or exchangeable for Voting Shares (in each case, whether such right is exercisable immediately or after a specified period and whether or not on condition or the happening of any contingency);
- (m) “**Convertible Security Acquisition**” means the acquisition of Voting Shares on the exercise, conversion or exchange of Convertible Securities acquired by any Person pursuant to a Permitted Bid Acquisition, Exempt Acquisition or Pro Rata Acquisition;
- (n) “**Co-Rights Agent**” has the meaning ascribed to it in subsection 5.1 (a);
- (o) “**dividends paid in the ordinary course**” means cash dividends paid in any financial year of the Corporation to the extent that such cash dividends do not exceed, in the aggregate, the greatest of:
  - (i) 200% of the aggregate amount of cash dividends declared payable by the Corporation on the Common Shares in its immediately preceding financial year;
  - (ii) 300% of the arithmetic average of the aggregate amounts of cash dividends declared payable by the Corporation on the Common Shares in its three immediately preceding financial years; and
  - (iii) 100% of the aggregate consolidated net income of the Corporation, before extraordinary items, for its immediately preceding financial year;
- (p) “**Election to Exercise**” has the meaning ascribed to it in clause 3.1(e)(ii);
- (q) “**Exempt Acquisition**” means an acquisition of Voting Shares:

- (i) in respect of which the Board of Directors has waived the application of section 4.1 pursuant to section 6.1;
- (ii) pursuant to a distribution by the Corporation of Voting Shares or Convertible Securities (and the conversion or exchange of such securities) pursuant to a prospectus or similar document (provided that the purchaser does not thereby Beneficially Own a greater percentage of the Voting Shares or Convertible Securities so offered than the percentage of Voting Shares or Convertible Securities beneficially owned by the purchaser immediately prior to that distribution) or by way of private placement provided that, in the case of a private placement, all necessary stock exchange approvals for the private placement have been obtained and the private placement complies with the terms and conditions of those approvals and the purchaser does not become the Beneficial Owner of more than 25% of the Voting Shares outstanding immediately prior to the private placement (and in making this determination, the securities to be issued to that purchaser pursuant to the private placement will be deemed to be held by that purchaser but will not be included in the aggregate number of outstanding Voting Shares immediately prior to the private placement); and
- (iii) pursuant to an amalgamation, merger or other statutory procedure requiring shareholder approval;
- (r) “**Exercise Price**” means, as of any date, the price at which a holder of a Right may purchase the securities issuable upon exercise of such Right and, until adjustment thereof in accordance with the terms hereof, the Exercise Price will be \$200.00;
- (s) “**Expansion Factor**” has the meaning ascribed to it in subsection 3.2(a);
- (t) “**Expiration Time**” means earlier of:
  - (i) the Termination Time; and
  - (ii) ~~subject to section 6.15, the close of the annual meeting of shareholders of the Corporation in 2009 and every third anniversary thereafter and so on unless the continuation of this agreement for each such three year period is approved in accordance with section 6.16;~~**the termination of a Reconfirmation Meeting (as defined in section 6.16) at which this agreement is not reconfirmed or presented for reconfirmation as contemplated in section 6.16;**
- (u) “**Flip-in Event**” means a transaction in or pursuant to which any Person becomes an Acquiring Person;
- (v) “**holder**” has the meaning ascribed to it in section 2.5;

- (w) “**Independent Shareholders**” means holders of Voting Shares other than Voting Shares Beneficially Owned by:
- (i) an Acquiring Person;
  - (ii) an Offeror, other than a Person described in any one or more of paragraphs (A) through (E) of clause 1.1(d)(v);
  - (iii) any Associate or Affiliate of such Acquiring Person or Offeror;
  - (iv) any Person acting jointly or in concert with such Acquiring Person or Offeror; and
  - (v) any employee benefit plan, stock purchase plan, deferred profit sharing plan and any other similar plan or trust for the benefit of employees of the Corporation or a Subsidiary of the Corporation, unless the beneficiaries of the plan or trust direct the manner in which the Voting Shares are to be voted or direct whether the Voting Shares are to be tendered to a Take-over Bid;
- (x) “**Lock-up Agreement**” means an agreement (the terms of which are publicly disclosed and a copy of which is made available to the Public):
- (i) not later than the date on which the Lock-up Bid (as defined below) is publicly announced; or
  - (ii) if the Lock-up Bid has been made prior to the date on which such agreement has been entered into, forthwith and in any event not later than the Business Day following the date of such agreement);

between an Offeror, any Affiliate or Associate of the Offeror or any other Person acting jointly or in concert with the Offeror and a Person (the “**Locked-up Person**”) who is not an Affiliate or Associate of the Offeror or a Person acting jointly or in concert with the Offeror whereby the Locked-up Person agrees to deposit or tender Voting Shares held by the Locked-up Person to the Offeror’s Take-over Bid or to any Take-over Bid made by an Affiliate or Associate of the Offeror or made by any other Person acting jointly or in concert with the Offeror (the “**Lock-up Bid**”), where the agreement:

- (iii) ~~(A)~~**(A)** permits the Locked-up Person to withdraw the Voting Shares in order to tender or deposit the Voting Shares to another Take-over Bid or to support another transaction that contains an offering price for each Voting Share that exceeds, or provides a value for each Voting Share that is greater than, the offering price contained or proposed to be contained in the Lock-up Bid; or

- (B)** ~~(B)~~—permits the Locked-up Person to withdraw the Voting Shares in order to tender or deposit the Voting Shares to another



Take-over Bid or to support another transaction that contains an offering price for each Voting Share that exceeds, or provides a value for each Voting Share that is greater than, the offering price contained in or proposed to be contained in the Lock-up Bid by as much or more than a specified amount (the “**Specified Amount**”) where the Specified Amount is not greater than 7% of the offering price that is contained or proposed to be contained in the Lock-up Bid; and

- (iv) does not provide for any “break-up fees”, “top-up fees”, “termination fees”, penalties, expenses or other amounts that exceed in the aggregate the greater of (A) the cash equivalent of 2.5% of the price or value payable to the Locked-up Person under the Take-over Bid and (B) one-half of the increased price or value that is paid pursuant to another Take-over Bid or transaction, if the Locked-up Person fails to tender Voting Shares pursuant thereto or withdraws Voting Shares previously tendered in order to accept the other Take-over Bid or support the other transaction;

and for greater clarity, the agreement may contain a right of first refusal or require a period of delay to give the Person who made the Lock-up Bid an opportunity to match a higher price in another Take-over Bid or other similar limitation on a Locked-up Person’s right to withdraw Voting Shares from the agreement, so long as the limitation does not preclude the exercise by the Locked-up Person of the right to withdraw Voting Shares during the period for acceptance of the other Take-over Bid or transaction;

- (y) “**Market Price**” per share of any securities on any date of determination means the average of the weighted average sale price per share of such securities (determined as described below) for the 20 consecutive Trading Days through and including the Trading Day immediately preceding such date; provided, however, that if an event of a type analogous to any of the events described in section 3.2 have caused the sale prices in respect of any Trading Day used to determine the Market Price not to be fully comparable with the sale prices on such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day, each such sale price so used will be appropriately adjusted in a manner analogous to the applicable adjustment provided for in section 3.2 in order to make it fully comparable with the sale price on such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day. The weighted average sale price per share of any securities on any date will be determined by dividing the aggregate sale price of all securities sold on the principal stock exchange in Canada on which such securities are listed and posted for trading divided by the total number of securities so sold except that:
  - (i) if for any reason such prices are not available on such day or the securities are not listed and posted for trading on any stock exchange in Canada, the Market Price will be calculated using the sale prices for such securities as



reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the principal national securities exchange in the United States on which such securities are listed or admitted to trading;

- (ii) if for any reason such prices are not available on such day or the securities are not listed and posted for trading on a stock exchange in Canada or a national securities exchange in the United States, the Market Price will be calculated using the sale prices for such securities in the over-the-counter market, as reported by The Canadian Dealing Network Inc., or such other comparable system then in use; or
- (iii) if on any such date the securities are not quoted by any such organization, the Market Price will be calculated using the average of the closing bid and asked prices as furnished by a professional market maker making a market in the securities;

provided, however, that if on any such date the securities are not traded on any exchange or in the over-the-counter market and the price referred to in clause (iii) is not available, the weighted average trading price per share of such securities on such date will mean the fair value per share of such securities on such date as determined by a nationally or internationally recognized investment dealer or investment banker chosen by the Board of Directors;

(z) **“NI 62-104” shall mean National Instrument 62-104 – Take-Over Bids and Issuer Bids;**

**(aa)** **“Nominee”** has the meaning attributed to it in subsection 3.1(d);

**(bb)** ~~(aa)~~ **“OBCA”** means the *Business Corporations Act* (Ontario), as amended, and the regulations made thereunder, and any successor laws or regulations thereto;

**(cc)** ~~(bb)~~ **“Offer to Acquire”** includes:

- (i) an offer to purchase, or a solicitation of an offer to sell; and
- (ii) an acceptance of an offer to sell, whether or not such offer to sell has been solicited,

or any combination thereof, and the Person accepting an offer to sell will be deemed to be making an offer to acquire to the Person who made the offer to sell;

**(dd)** ~~(ee)~~ **“Offeror”** means a Person who has announced a current intention to make or who is making a Take-over Bid;

**(ee)** ~~(dd)~~ **“Offeror’s Securities”** means Voting Shares Beneficially Owned by an Offeror on the date of a Take-over Bid;

- (ff)** ~~(ee)~~—“**Permitted Bid**” means a Take-over Bid which is made by means of a take-over bid circular and which also complies with the following additional provisions:
- (i) the Take-over Bid is made to all holders of Voting Shares other than the Offeror;
  - (ii) the Take-over Bid contains, and the take-up and payment for securities tendered or deposited thereunder is subject to, an irrevocable and unqualified condition that no Voting Shares will be taken-up or paid for pursuant to the Take-over Bid prior to the close of business on ~~the~~ date which is not less than ~~60~~105 days after the date of the Take-over Bid ~~and~~ or such shorter minimum initial deposit period that a take-over bid (that is not exempt from the general take-over bid requirements contained in Part 2 of NI 62-104) must remain open for deposits of securities thereunder, in the applicable circumstances at such time, pursuant to NI 62-104; and then only if at such date more than 50% of the Voting Shares held by Independent Shareholders have been deposited or tendered pursuant to the Take-over Bid and not withdrawn;
  - (iii) the Take-over Bid contains an irrevocable and unqualified provision that, unless the Take-over Bid is withdrawn, Voting Shares may be deposited pursuant to such Take-over Bid at any time during the period of time between the date of the Take-over Bid and the date on which the Voting Shares subject to the Take-over Bid may be taken-up and paid for and that any Voting Shares deposited pursuant to the Take-over Bid may be withdrawn until taken-up and paid for; and
  - (iv) the Take-over Bid contains an irrevocable and unqualified provision that, if on the date on which Voting Shares may be taken up and paid for more than 50% of the Voting Shares held by Independent Shareholders have been deposited or tendered pursuant to the Take-over Bid and not withdrawn, the Offeror will make a public announcement of that fact and the Take-over Bid will remain open for deposits and tenders of Voting Shares for not less than 10 ~~Business Days~~days from the date of such public announcement;
- (gg)** ~~(ff)~~—“**Permitted Bid Acquisition**” means an acquisition of Voting Shares made pursuant to a Permitted Bid or a Competing Permitted Bid;
- (hh)** ~~(gg)~~—“**Person**” includes any individual, body corporate, firm, partnership, association, trust, trustee, executor, administrator, legal personal representative, group, unincorporated organization, syndicate, government or governmental agency or instrumentality or other entity;
- (ii)** ~~(hh)~~—“**Privacy Laws**” has the meaning attributed to it in section 5.7;

- (jj) **“Pro Rata Acquisition”** means:
- (i) the acquisition of Voting Shares as a result of a stock dividend, a stock split or other event pursuant to which a Person receives or acquires Voting Shares on the same proportionate basis as all other holders of the same class of Voting Shares;
  - (ii) the acquisition of Voting Shares pursuant to any dividend reinvestment plan or other plan made available by the Corporation to holders of all its Voting Shares (other than holders resident in any jurisdiction where participation in such plan is restricted or impractical to the Corporation as a result of applicable law); or
  - (iii) the receipt and/or exercise of rights (other than the Rights) issued by the Corporation to all the holders of a class of Voting Shares to subscribe for or purchase Voting Shares (other than holders resident in any jurisdiction where the distribution or exercise of such rights is restricted or impractical as a result of applicable law), provided that such rights are acquired directly from the Corporation and not from any other Person, and provided that the Person exercising such rights does not thereby acquire a greater percentage of such Voting Shares, or securities convertible into or exchangeable for Voting Shares, so offered than the Person’s percentage of Voting Shares Beneficially Owned immediately prior to such acquisition.
- (kk) ~~(ii)~~ **“Record Time”** has the meaning ascribed to it in the recitals;
- (ll) ~~(jj)~~ **“Redemption Price”** has the meaning ascribed to it in subsection 6.1(a);
- (mm) ~~(kk)~~ **“Right”** has the meaning ascribed to it in the recitals;
- (nn) ~~(ll)~~ **“Rights Certificates”** means the certificates representing the Rights after the Separation Time, which are to be substantially in the form attached as Exhibit A;
- (oo) ~~(mm)~~ **“Rights Plan”** has the meaning ascribed to it in the recitals;
- (pp) ~~(nn)~~ **“Rights Register”** and **“Rights Registrar”** have the respective meanings ascribed to them in subsection 2.3(a);
- (qq) ~~(oo)~~ **“Securities Act”** means the *Securities Act* (Ontario), as amended, and the regulations and rules thereunder, and any comparable or successor laws or regulations thereto;
- (rr) ~~(pp)~~ **“Separation Time”** means, subject to subsection 6.1(d), the close of business on the tenth Trading Day after the earlier of:
- (i) the Stock Acquisition Date; ~~and~~

(ii) the date of the commencement of, or first public announcement of the intent of any Person (other than the Corporation or any Subsidiary of the Corporation) to commence, a Take-over Bid (other than a Permitted Bid or a Competing Permitted Bid); and

(iii) the date upon which a Permitted Bid or Competing Permitted Bid ceases to be such;

or such later time as may be determined by the Board of Directors; provided that ~~(iA)~~ if the foregoing results in the Separation Time being prior to the Record Time, the Separation Time will be the Record Time, ~~(iiB)~~ if any Take-over Bid referred to in clause (ii) expires or is cancelled, terminated or otherwise withdrawn prior to the Separation Time, such Take-over Bid will be deemed, for the purposes of this definition, never to have been made or ~~(iiiC)~~ if the Board of Directors determines pursuant to section 6.1 to waive the application of section 4.1 to ~~have a~~ Flip-in Event, the Separation Time in respect of that Flip-in Event will be deemed ~~a~~ never to have occurred ;

(ss) ~~(qq)~~ “**Stock Acquisition Date**” means the date of the first public announcement (which, for purposes of this definition, includes the filing of a report pursuant to section ~~1025.2~~ of the ~~Securities Act~~ NI 62-104 or section 13(d) of the *U.S. Exchange Act*) by the Corporation or an Acquiring Person of facts indicating that a Person has become an Acquiring Person;

(tt) ~~(rr)~~ “**Subsidiary**” of a Person has the meaning ascribed to it in the *Securities Act*;

(uu) ~~(ss)~~ “**Take-over Bid**” means an Offer to Acquire Voting Shares or securities convertible into or exchangeable for Voting Shares, where the Voting Shares subject to the Offer to Acquire, together with the Voting Shares into which the securities subject to the Offer to Acquire are convertible or exchangeable, together with the Offeror’s Securities, constitute, in the aggregate, 20% or more of the Voting Shares outstanding on the date of the Offer to Acquire;

(vv) ~~(tt)~~ “**Termination Time**” means the time at which the right to exercise Rights will terminate pursuant to subsection 6.1(g);

(ww) ~~(uu)~~ “**Trading Day**”, when used with respect to any securities, means a day on which the principal Canadian securities exchange on which such securities are listed or admitted to trading is open for the transaction of business or, if the securities are not listed or admitted to trading on any Canadian securities exchange, a Business Day;

(xx) “**Transferee**” has the meaning ascribed to it in subsection 4.1(b);

(yy) ~~(vv)~~ “**U.S. Exchange Act**” means the *United States Securities Exchange Act of 1934*, as amended, and the rules and regulations thereunder as from time to time in effect;

~~(ww) “Voting Shares” means the Common Shares and any other shares in the capital of the Corporation to which are attached a right to vote for the election of directors generally; and~~

**(zz)** ~~(xx) “Voting Share Reduction” means an acquisition or redemption by the Corporation or a Subsidiary of the Corporation of Voting Shares which, by reducing the number of Voting Shares outstanding, increases the percentage of outstanding Voting Shares Beneficially Owned by any Person to 20% or more of the Voting Shares outstanding; and~~

**(aaa)** “Voting Shares” means the Common Shares and any other shares in the capital of the Corporation to which are attached a right to vote for the election of directors generally.

## **1.2**      **Currency**

All sums of money which are referred to in this agreement are expressed in lawful money of Canada, unless otherwise specified.

## **1.3**      **Descriptive Headings**

Descriptive headings are for convenience only and are not to affect the meaning or construction of any of the provisions of this agreement.

## **1.4**      **References to Agreement**

References to “**this agreement**”, “**hereto**”, “**herein**”, “**hereby**”, “**hereunder**”, “**hereof**” and similar expressions refer to this agreement, as amended or supplemented from time to time, and not to any particular Article, section, subsection, clause or other portion hereof and include any and every instrument supplemental or ancillary hereto.

## **1.5**      **Calculation of Number and Percentage of Beneficial Ownership of Outstanding Voting Shares**

**(a)**      ~~(i)~~ For the purposes of this agreement, in determining the percentage of the outstanding Voting Shares of the Corporation with respect to which a Person is or is deemed to be the Beneficial Owner, all unissued Voting Shares of the Corporation of which such Person is deemed to be the Beneficial Owner will be deemed to be outstanding.

**(b)**      ~~(ii)~~ The percentage of outstanding Voting Shares of the Corporation Beneficially Owned by any Person, for the purposes of this agreement, will be and be deemed to be the product determined by the formula:

$$100 \times \frac{A}{B}$$

where:

- A = the number of votes for the election of all directors generally attaching to the outstanding Voting Shares Beneficially Owned by such Person; and
- B = the number of votes for the election of all directors generally attaching to all outstanding Voting Shares.

### 1.6 Acting Jointly or in Concert

For ~~purpose~~purposes of this agreement, a Person is acting jointly or in concert with every other Person who has any agreement, arrangement, commitment or understanding (whether formal or informal and whether or not in writing) with the first Person, or with any other Person acting jointly or in concert with the first Person, to acquire or Offer to Acquire any Voting Shares or securities convertible into or exchangeable for Voting Shares (other than customary agreements with and between underwriters or banking group or selling group members with respect to a distribution of securities and other than pledges of securities in the ordinary course of the pledgee's business).

## ARTICLE 2 THE RIGHTS

### 2.1 Legend on Certificates

Certificates for Common Shares issued after the Record Time but prior to the earlier of the Separation Time and the Expiration Time will evidence, in addition to the Common Shares, but subject to section 3.2, one Right for each Common Share evidenced thereby and will have impressed, printed or written on or otherwise affixed to them substantially the following legend:

UNTIL THE SEPARATION TIME (AS DEFINED IN THE RIGHTS AGREEMENT REFERRED TO BELOW), THIS CERTIFICATE ALSO EVIDENCES AND ENTITLES THE HOLDER OF THIS CERTIFICATE TO CERTAIN RIGHTS AS SET FORTH IN ~~AN AMENDED AND RESTATED~~ SHAREHOLDER RIGHTS PLAN AGREEMENT DATED AS OF ~~MARCH 11, 2009~~MAY 16, 2018 (AS THE SAME MAY BE FURTHER AMENDED OR SUPPLEMENTED FROM TIME TO TIME IN ACCORDANCE WITH THE TERMS THEREOF, THE "RIGHTS AGREEMENT") BETWEEN HOME CAPITAL GROUP INC. (THE "CORPORATION") AND COMPUTERSHARE INVESTOR SERVICES INC., AS RIGHTS AGENT, THE TERMS OF WHICH ARE INCORPORATED HEREIN BY REFERENCE AND A COPY OF WHICH MAY BE INSPECTED DURING NORMAL BUSINESS HOURS AT THE PRINCIPAL EXECUTIVE OFFICES OF THE CORPORATION. UNDER CERTAIN CIRCUMSTANCES, AS SET FORTH IN THE RIGHTS AGREEMENT, SUCH RIGHTS MAY BE AMENDED, REDEEMED OR TERMINATED, MAY EXPIRE, MAY BECOME VOID (IF,

IN CERTAIN CASES, THEY ARE “BENEFICIALLY OWNED” BY AN “ACQUIRING PERSON”, WHETHER CURRENTLY HELD BY OR ON BEHALF OF SUCH PERSON OR ANY SUBSEQUENT HOLDER) OR MAY BE EVIDENCED BY SEPARATE CERTIFICATES AND MAY NO LONGER BE EVIDENCED BY THIS CERTIFICATE. THE CORPORATION WILL MAIL OR ARRANGE FOR THE MAILING OF A COPY OF THE RIGHTS AGREEMENT TO THE HOLDER OF THIS CERTIFICATE WITHOUT CHARGE AS SOON AS IS PRACTICABLE AFTER RECEIPT OF A WRITTEN REQUEST THEREFOR.

Certificates representing Common Shares that are issued and outstanding at the Record Time will evidence one Right for each Common Share evidenced thereby, despite the absence of the foregoing legend until the earlier of the Separation Time and the Expiration Time.

## 2.2 **Execution, Authentication, Delivery and Dating of Rights Certificates**

- (a) The Rights Certificates will be executed on behalf of the Corporation by the Chairman of the Board of Directors, the President or any Vice-President and by any other Vice President or the Secretary. The signatures of such officers may be mechanically reproduced in facsimile on the Rights Certificates, and when so reproduced will be valid and binding on the Corporation even though ~~that~~ the Persons whose signatures are so reproduced may not hold office at the time the Rights Certificates are issued.
- (b) Promptly after the Separation Time, the Corporation will notify the Rights Agent of the Separation Time and will deliver Rights Certificates executed by the Corporation to the Rights Agent for countersignature and a disclosure statement describing the Rights, and the Rights Agent will manually countersign such Rights Certificates and deliver such Rights Certificates and disclosure statement to the holders of the Rights pursuant to subsection 3.1(d). No Rights Certificate will be valid for any purpose until countersigned by the Rights Agent.
- (c) Each Rights Certificate will be dated the date it is countersigned.

## 2.3 **Registration, Registration of Transfer and Exchange**

- (a) After the Separation Time, the Corporation will cause to be kept a register (the “**Rights Register**”) in which, subject to such reasonable regulations as it may prescribe, the Corporation will provide for the registration and transfer of Rights. The Rights Agent is hereby appointed the “**Rights Registrar**” for the purpose of maintaining the Rights Register for the Corporation and registering Rights and transfers of Rights as provided in this agreement. If the Rights Agent ceases to be the Rights Registrar, the Rights Agent will have the right to examine the Rights Register at all reasonable times. After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate, but subject to subsection (c) and subsection 4.1(b), the Corporation will execute, and the Rights Agent will manually countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder’s instructions, one or more new Rights Certificates



evidencing the same aggregate number of Rights as did the Rights Certificates so surrendered.

- (b) All Rights issued upon any registration of transfer or exchange of Rights Certificates will be valid obligations of the Corporation, and such Rights will be entitled to the same benefits under this agreement as the Rights surrendered upon such registration of transfer or exchange.
- (c) Every Rights Certificate surrendered for registration of transfer or exchange will be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Corporation or the Rights Agent, as the case may be, duly executed by the holder thereof or such holder's attorney duly authorized in writing. As a condition to the issuance of any new Rights Certificate under this section 2.3, the Corporation may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Rights Agent) in connection therewith.

#### 2.4

##### **Mutilated, Destroyed, Lost and Stolen Rights Certificates**

- (a) If any mutilated Rights Certificate is surrendered to the Rights Agent prior to the Expiration Time, the Corporation will execute and the Rights Agent will manually countersign and deliver in exchange therefor a new Rights Certificate evidencing the same number of Rights as the Rights Certificate so surrendered.
- (b) If there will be delivered to the Corporation and the Rights Agent prior to the Expiration Time (i) evidence to their satisfaction of the destruction, loss or theft of any Rights Certificate and (ii) such security or indemnity as may be required by them to indemnify them and any of their agents, then, in the absence of notice to the Corporation or the Rights Agent that such Rights Certificate has been acquired by a *bona fide* purchaser, the Corporation will execute, and upon its request the Rights Agent will countersign and deliver, in lieu of any such destroyed, lost or stolen Rights Certificate, a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so destroyed, lost or stolen.
- (c) As a condition to the issuance of any new Rights Certificate under this section, the Corporation may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Rights Agent) in connection therewith.
- (d) Every new Rights Certificate issued pursuant to this section in lieu of any destroyed, lost or stolen Rights Certificate will evidence a contractual obligation of the Corporation, whether or not the destroyed, lost or stolen Rights Certificate is at any time enforceable by anyone, and will be entitled to all the benefits of this agreement equally and proportionately with any and all other Rights duly issued by the Corporation under this agreement.



## **2.5 Persons Deemed Owners of Rights**

The Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the Person in whose name a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby for all purposes. As used in this agreement, unless the context otherwise requires, the term “**holder**” of any Rights will mean the registered holder of such Rights (or, prior to the Separation Time, of the associated Common Shares).

## **2.6 Delivery and Cancellation of Certificates**

All Rights Certificates surrendered upon exercise or for redemption, registration of transfer or exchange, if surrendered to any Person other than the Rights Agent, will be delivered to the Rights Agent and, in any case, will be promptly cancelled by the Rights Agent. The Corporation may deliver at any time to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered hereunder which the Corporation may have acquired in any manner whatsoever, and all Rights Certificates so delivered will be promptly cancelled by the Rights Agent. No Rights Certificate will be countersigned in lieu of or in exchange for any Rights Certificates cancelled as provided for in this section, except as expressly permitted by this agreement. The Rights Agent will destroy all cancelled Rights Certificates and deliver a certificate of destruction to the Corporation.

## **2.7 Agreement of Rights Holders**

Every holder of Rights, by accepting Rights, consents and agrees with the Corporation and the Rights Agent and with every other holder of Rights that:

- (a) it will be bound by and subject to the provisions of this agreement, as amended from time to time in accordance with the terms hereof, in respect of the Rights held;
- (b) prior to the Separation Time, each Right will be transferable only together with, and will be transferred by a transfer of, the associated Common Share certificate representing such Right;
- (c) after the Separation Time, the Rights Certificates will be transferable only upon registration of the transfer on the Rights Register as provided in this agreement;
- (d) prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) for registration of transfer, the Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the Person in whose name the Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (despite any notations of ownership or writing on such Rights Certificate or the associated Common Share certificate made by anyone other than the Corporation or the Rights Agent) for all purposes, and neither the Corporation nor the Rights Agent will be affected by any notice to the contrary;

- (e) it has waived any right and is not entitled to receive any fractional Rights or any fractional Common Shares upon exercise of a Right (except as provided herein);
- (f) subject to section 6.5, without the approval of the holders of Voting Shares or Rights and on the sole authority of the Board of Directors, this agreement may be amended or supplemented from time to time as provided in this agreement; and
- (g) notwithstanding anything in this agreement to the contrary, neither the Corporation nor the Rights Agent will have any liability to any holder of a Right or any other Person as a result of its inability to perform any of its obligations under this agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by a governmental authority, prohibiting or otherwise restraining performance of such obligations.

## **2.8 Rights Certificate Holder Not Deemed a Shareholder**

No holder, as such, of any Right or Rights Certificate will be entitled to vote or receive dividends as, or be deemed for any purpose to be, a holder of any Common Share which may at any time be issuable on the exercise of such Right, nor will anything contained herein or in any Rights Certificate be construed or deemed to confer on the holder of any Right or Rights Certificate, as such, any of the rights, titles, benefits or privileges of a shareholder of the Corporation or any right to vote at any meeting of shareholders of the Corporation whether for the election of directors or otherwise or on any matter submitted to shareholders of the Corporation at any meeting thereof, or to give or withhold consent to any action of the Corporation, or to receive notice of any meeting or other action affecting any shareholder of the Corporation except as expressly provided herein, or to receive dividends, distributions or subscription rights, or otherwise, until the Right or Rights evidenced by any Rights Certificate will have been duly exercised in accordance with the terms and provisions hereof.

## **ARTICLE 3 EXERCISE OF THE RIGHTS**

### **3.1 Initial Exercise Price; Exercise of Rights; Detachment of Rights**

- (a) Subject to adjustment as set forth in this agreement, from and after the Separation Time and prior to the Expiration Time, each Right will entitle the holder thereof to purchase one Common Share for the Exercise Price (which Exercise Price and number of Common Shares are subject to adjustment as set forth below).
- (b) Until the Separation Time:
  - (i) the Rights are not exercisable and may not be exercised; and
  - (ii) each Right will be evidenced by the certificate for the associated Common Share registered in the name of the holder thereof (which certificate will also be deemed to be a Rights Certificate) and will be transferable only

together with, and will be transferred by a transfer of, such associated Common Share.

- (c) From and after the Separation Time and prior to the Expiration Time:
  - (i) the Rights will be exercisable; and
  - (ii) the registration and transfer of the Rights will be separate from and independent of the Common Shares.
  
- (d) Promptly following the Separation Time, the Rights Agent will mail to each holder of record of Common Shares as of the Separation Time (other than an Acquiring Person and other than, in respect of any Rights Beneficially Owned by such Acquiring Person which are not held of record by such Acquiring Person, the holder of record of such Rights (a “**Nominee**”)), at such holder’s address as shown by the records of the Corporation (and the Corporation will furnish copies of such records to the Rights Agent for this purpose):
  - (i) a Rights Certificate representing the number of Rights held by such holder at the Separation Time in substantially the form of Exhibit A, appropriately completed, and having such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Corporation may deem appropriate and as are not inconsistent with the provisions of this agreement, or as may be required to comply with any law, rule, regulation or judicial or administrative order or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange or quotation system on which the Rights may be listed or traded from time to time, or to conform to usage; and
  - (ii) a disclosure statement prepared by the Corporation describing the Rights;

provided that a Nominee will be sent the materials provided for in clauses (i) and (ii) only in respect of all Common Shares held of record by it which are not Beneficially Owned by an Acquiring Person. In order for the Corporation to determine whether any Person is holding Common Shares which are Beneficially Owned by another Person, the Corporation may require the first-mentioned Person to furnish any information and documentation as the Corporation deems necessary or appropriate to make that determination.
  
- (e) Rights may be exercised in whole or in part on any Business Day after the Separation Time and prior to the Expiration Time by submitting to the Rights Agent at its principal office in the city of Toronto or any other office of the Rights Agent designated for that purpose from time to time by the Corporation:
  - (i) the Rights Certificate evidencing such Rights;
  - (ii) an election to exercise such Rights (an “**Election to Exercise**”) substantially in the form attached to the Rights Certificate duly completed

and executed by the holder or his or her executors or administrators or other personal representatives or his, her or their legal attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Rights Agent; and

- (iii) by certified cheque, banker's draft or money order payable to the order of the Rights Agent, of a sum equal to the applicable Exercise Price multiplied by the number of Rights being exercised and an amount sufficient to cover any tax or other governmental charge which may be payable in respect of any transfer or delivery of Rights Certificates or the issuance or delivery of certificates for the relevant Common Shares in a name other than that of the holder of the Rights being exercised.
- (f) Upon receipt of the Rights Certificate which is accompanied by a completed Election to Exercise that does not indicate that such Right is null and void as provided by subsection 4.1(b) and payment as set forth in subsection 3.1(e), the Rights Agent (unless otherwise instructed by the Corporation if the Corporation is of the opinion that the Rights cannot be exercised in accordance with this agreement) will promptly:
- (i) requisition from the transfer agent of the Common Shares, certificates representing the number of such Common Shares to be purchased (the Corporation hereby irrevocably authorizing its transfer agents to comply with all such requisitions);
  - (ii) when appropriate, requisition from the Corporation the amount of cash (if any) to be paid in lieu of issuing fractional Common Shares;
  - (iii) after receipt of the Common Share certificates, deliver them to or to the order of the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder;
  - (iv) after receipt, deliver such cash (if any) referred to in clause (ii) to or to the order of the registered holder of the Rights Certificate; and
  - (v) tender to the Corporation all payments received on exercise of the Rights.
- (g) In case the holder of any Rights exercises less than all the Rights evidenced by such holder's Rights Certificate, a new Rights Certificate evidencing the Rights remaining unexercised will be issued by the Rights Agent to such holder or to such holder's duly authorized assigns.
- (h) The Corporation covenants and agrees that it will:
- (i) take all such action as may be necessary and within its power to ensure that all Common Shares delivered upon exercise of Rights, at the time of delivery of the certificates representing such Common Shares (subject to

payment of the Exercise Price), will be duly and validly authorized, issued and delivered as fully paid and non-assessable;

- (ii) take all such action as may be necessary and within its power to comply with any applicable requirements of the OBCA, the *Securities Act* (~~Ontario~~) and the securities legislation of each of the other provinces of Canada and any other applicable law, rule or regulation in connection with the issuance and delivery of the Rights Certificates and the issuance of any Common Shares upon exercise of Rights;
- (iii) use reasonable efforts to cause all Common Shares issued on exercise of Rights to be listed on the principal exchanges or over-the-counter markets on which the Common Shares are then listed or traded;
- (iv) cause to be reserved and kept available out of its authorized and unissued Common Shares the number of Common Shares that, as provided in this agreement, will be sufficient from time to time to permit the exercise in full of all outstanding Rights; and
- (v) pay when due and payable any Canadian and United States federal and provincial and state transfer taxes and charges (for greater certainty, not in the nature of income or withholding taxes) which may be payable in respect of the original issuance or delivery of the Rights Certificates, provided that the Corporation will not be required to pay any tax or other governmental charge which may be payable in respect of any transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in a name other than that of the holder of the Rights being transferred or exercised.

### **3.2 Adjustments to Exercise Price: Number of Rights**

The Exercise Price, the number of Common Shares or other securities subject to purchase on the exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this section.

- (a) If the Corporation at any time after the Record Time and prior to the Expiration Time:
  - (i) declares or pays a dividend on the Common Shares payable in Common Shares (or other securities exchangeable for or convertible into or giving a right to acquire Common Shares) other than pursuant to any dividend reinvestment program and other than a dividend payable in Common Shares (or other securities exchangeable for or convertible into or giving a right to acquire Common Shares) in lieu of (and having a value no greater than) a dividend paid in the ordinary course;
  - (ii) subdivides or changes the outstanding Common Shares into a greater number of Common Shares;

- (iii) combines or changes the outstanding Common Shares into a smaller number of Common Shares; or
- (iv) issues any Common Shares (or other securities exchangeable for or convertible into or giving a right to acquire Common Shares) in respect of, in lieu of or in exchange for existing Common Shares;

the Exercise Price and the number of Rights outstanding (or, if the payment or effective date therefor occurs after the Separation Time, the securities purchasable on exercise of Rights) will be adjusted in the following manner.

If the Exercise Price and number of Rights are to be adjusted (i) the Exercise Price in effect after such adjustment will be equal to the Exercise Price in effect immediately prior to such adjustment divided by the number of Common Shares (or other securities of the Corporation) (the “**Expansion Factor**”) that a holder of one Common Share immediately prior to such dividend, subdivision, combination, change or issuance would hold thereafter as a result thereof and (ii) each Right held prior to such adjustment will become that number of Rights equal to the Expansion Factor, and the adjusted number of Rights will be deemed to be allocated among the Common Shares with respect to which the original Rights were associated (if they remain outstanding) and the securities of the Corporation issued in respect of such dividend, subdivision, consolidation, change or issuance, so that each such Common Share (or other security of the Corporation) will have exactly one Right associated with it.

For greater certainty, if the securities purchasable upon exercise of Rights are to be adjusted, the securities purchasable on exercise of each Right after such adjustment will be the securities that a holder of the securities purchasable on exercise of one Right immediately prior to such dividend, subdivision, consolidation, change or issuance would hold thereafter as a result thereof.

Adjustments pursuant to this subsection will be made successively whenever an event referred to in this subsection occurs.

- (b) If the Corporation at any time after the Record Time and prior to the Expiration Time fixes a record date for the issuance of rights, options or warrants to all or substantially all holders of Common Shares entitling them to subscribe for or purchase (for a period expiring within 45 calendar days after such record date) Common Shares (or securities convertible into or exchangeable for or carrying a right to acquire Common Shares) at a price per Common Share (or, if a security convertible into or exchangeable for or carrying a right to acquire Common Shares, having a conversion, exchange or exercise price, including the price required to be paid to purchase such convertible or exchangeable security or right, per share) less than 95% of the Market Price per Common Share on the second Trading Day immediately preceding such record date, the Exercise Price in respect of the Rights to be in effect after such record date will be determined by multiplying the Exercise Price in respect of the Rights in effect immediately prior



to such record date by a fraction (i) the numerator of which will be the number of Common Shares outstanding on such record date, plus the number of Common Shares that the aggregate offering price of the total number of Common Shares so to be offered (and/or the aggregate initial conversion, exchange or exercise price of the convertible or exchangeable securities or rights so to be offered (including the price required to be paid to purchase such convertible or exchangeable securities or rights)) would purchase at such Market Price per Common Share and (ii) the denominator of which will be the number of Common Shares outstanding on such record date, plus the number of additional Common Shares to be offered for subscription or purchase (or into which the convertible or exchangeable securities or rights so to be offered are initially convertible, exchangeable or exercisable). In case such subscription price may be paid by delivery of consideration, part or all of which is in a form other than cash, the value of such consideration will be as determined in good faith by the Board of Directors, whose determination will be described in a statement filed with the Rights Agent and will be binding on the Rights Agent and the holders of the Rights. Such adjustment will be made successively whenever such a record date is fixed. To the extent that such rights, options or warrants are not exercised prior to the expiration thereof, the Exercise Price will be readjusted to the Exercise Price which would then be in effect based on the number of Common Shares (or securities convertible into or exchangeable for Common Shares) actually issued on exercise of such rights, options or warrants.

- (c) For ~~purpose~~purposes of this agreement, the granting of the right to purchase Common Shares (whether from treasury or otherwise) pursuant to a dividend reinvestment plan or any employee benefit, stock option or similar plans will be deemed not to constitute an issue of rights, options or warrants by the Corporation; provided, however, that, in all such cases, the right to purchase Common Shares is at a price per share of not less than 90% of the then current market price per share (determined as provided in such plans) of the Common Shares.
- (d) If the Corporation at any time after the Record Time and prior to the Expiration Time fixes a record date for a distribution to all or substantially all holders of Common Shares (including any such distribution made in connection with a merger in which the Corporation is the continuing corporation) of (i) evidences of indebtedness or assets, including cash (other than a dividend paid in the ordinary course or a dividend paid in Common Shares, but including any dividend payable in securities other than Common Shares), (ii) rights, options or warrants entitling them to subscribe for or purchase Common Shares (or securities convertible into or exchangeable for or carrying a right to acquire Common Shares) (excluding those referred to in subsection 3.2(b)) at a price per Common Share (or, if a security convertible into or exchangeable for or carrying a right to acquire Common Shares, having a conversion, exchange or exercise price, including the price required to be paid to purchase such convertible or exchangeable security or right, per share) that is less than 95% of the Market Price per Common Share on the second Trading Day immediately preceding such record date or (iii) other

securities of the Corporation, the Exercise Price will be adjusted as follows. The Exercise Price in effect after such record date will equal the Exercise Price in effect immediately prior to such record date less the fair market value (as determined in good faith by the Board of Directors) of the portion of the evidences of indebtedness, assets, rights, options or warrants or other securities so to be distributed applicable to the securities purchasable on exercise of one Right. Such adjustments will be made successively whenever such a record date is fixed and, if such distribution is not so made, the Exercise Price in respect of the Rights will be adjusted to be the Exercise Price in respect of the Rights which would have been in effect if such record date had not been fixed.

- (e) Notwithstanding anything in this agreement to the contrary, no adjustment of the Exercise Price will be required unless such adjustment would require an increase or decrease of at least 1% in the Exercise Price; provided, however, that any adjustments which by reason of this subsection are not required to be made will be carried forward and taken into account in any subsequent adjustment. All calculations under section 3.2 will be made to the nearest cent or to the nearest ten-thousandth of a Common Share or other share, as the case may be.
- (f) If as a result of an adjustment made pursuant to section 4.1, the holder of any Right thereafter exercised will become entitled to receive any shares other than Common Shares, thereafter the number of such other shares so receivable upon exercise of any Right and the applicable Exercise Price thereof will be subject to adjustment from time to time in a manner and on terms as nearly equivalent as is practicable to the provisions with respect to the Common Shares contained in this section 3.2, and the provisions of this agreement with respect to the Common Shares will apply on like terms to any such other shares.
- (g) All Rights originally issued by the Corporation subsequent to any adjustment made to the Exercise Price will evidence the right to purchase, at the adjusted Exercise Price, the number of Common Shares purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.
- (h) Unless the Corporation has exercised its election as provided in subsection (i), upon each adjustment of an Exercise Price as a result of the calculations made in subsections (b) and (d), each Right outstanding immediately prior to the making of such adjustment will thereafter evidence the right to purchase, at the adjusted Exercise Price, that number of Common Shares obtained by:
  - (i) multiplying (A) the number of Common Shares covered by a Right immediately prior to such adjustment by (B) the Exercise Price in effect immediately prior to such adjustment; and
  - (ii) dividing the product so obtained by the Exercise Price in effect immediately after such adjustment.



- (i) The Corporation may elect on or after the date of any adjustment of an Exercise Price to adjust the number of Rights, in lieu of any adjustment in the number of Common Shares purchasable upon the exercise of a Right. Each of the Rights outstanding after the adjustment in the number of Rights will be exercisable for the number of Common Shares for which such a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights will become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the relevant Exercise Price in effect immediately prior to adjustment of the relevant Exercise Price by the relevant Exercise Price in effect immediately after adjustment of the relevant Exercise Price. The Corporation will make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the relevant Exercise Price is adjusted or any day thereafter, but, if the Rights Certificates have been issued, will be at least 10 days later than the date of the public announcement. If Rights Certificates have been issued, upon each adjustment of the number of Rights pursuant to this subsection, the Corporation, as promptly as is practicable, will cause to be distributed to holders of record of Rights Certificates on such record date, Rights Certificates evidencing, subject to section 6.4, the additional Rights to which such holders will be entitled as a result of such adjustment, or, at the option of the Corporation, will cause to be distributed to such holders of record in substitution and replacement for the Rights Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Corporation, new Rights Certificates evidencing all the Rights to which such holders will be entitled after such adjustment. Rights Certificates to be so distributed will be issued, executed and countersigned in the manner provided for herein and may bear, at the option of the Corporation, the relevant adjusted Exercise Price and will be registered in the names of holders of record of Rights Certificates on the record date specified in the public announcement.
- (j) Irrespective of any adjustment or change in an Exercise Price or the number of Common Shares issuable upon the exercise of the Rights, the Rights Certificates previously and thereafter issued may continue to express the relevant Exercise Price per Common Share and the number of Common Shares which were expressed in the initial Rights Certificates issued hereunder.
- (k) In any case in which this section requires that an adjustment in an Exercise Price be made effective as of a record date for a specified event, the Corporation may elect to defer, until the occurrence of such event, the issuance to the holder of any Right exercised after such record date of the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise over and above the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise on the basis of the relevant Exercise Price in effect prior to such adjustment; provided, however, that the Corporation delivers to such holder a due bill or other appropriate instrument evidencing such holder's right to

receive such additional Common Shares (fractional or otherwise) or other securities upon the occurrence of the event requiring such adjustment.

- (l) Notwithstanding anything in this section to the contrary, the Corporation will be entitled to make such reductions in the Exercise Price, in addition to those adjustments expressly required by this section, as and to the extent that in its good faith judgment the Board of Directors determines to be advisable in order that any (i) consolidation or subdivision of Common Shares, (ii) issuance wholly for cash of any Common Share or securities that by their terms are convertible into or exchangeable for Common Shares, (iii) stock dividends or (iv) issuance of rights, options or warrants referred to in this section, hereafter made by the Corporation to holders of its Common Shares, will not be taxable to such shareholders.
- (m) The Corporation covenants and agrees that, after the Separation Time, except as permitted by section 6.1 or 6.5, it will not take (or permit any Subsidiary of the Corporation to take) any action if at the time such action is taken it is reasonably foreseeable that such action would diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.
- (n) Whenever an adjustment to the Exercise Price or a change in the securities purchasable upon exercise of the Rights is made pursuant to this section, the Corporation will promptly:
  - (i) file with the Rights Agent and with the transfer agent for the Common Shares a certificate specifying the particulars of such adjustment or change; and
  - (ii) cause notice of the particulars of such adjustment or change to be given to the holders of the Rights.

The failure to file such certificate or cause such notice to be given as aforesaid, or any defect therein, will not affect the validity of any such adjustment or change.

### **3.3 Date on Which Exercise Is Effective**

Each Person in whose name any certificate for Common Shares is issued upon the exercise of Rights will be deemed for all purposes to have become the holder of record of the Common ~~Share~~**Shares** represented thereby on, and such certificate will be dated, the date upon which the Rights Certificate evidencing such Rights was duly surrendered (together with a duly completed Election to Exercise) and payment of the relevant Exercise Price for such Rights (and any applicable transfer taxes and other governmental charges payable by the exercising holder hereunder) was made; provided, however, that if the date of such surrender and payment is a date upon which the relevant Common Share transfer books of the Corporation are closed, such Person will be deemed to have become the holder of record of such Common Shares on, and such certificate will be dated, the next succeeding Business Day on which the relevant Common Share transfer books of the Corporation are open.

**ARTICLE 4**  
**ADJUSTMENTS TO THE RIGHTS IN THE EVENT OF CERTAIN TRANSACTIONS**

**4.1**            **Flip-in Event**

- (a) Subject to subsection 4.1(b) and section 6.1, if prior to the Expiration Time a Flip-in Event occurs, each Right will constitute, effective on and after the later of its date of issue and the close of business on the tenth Trading Day following the Stock Acquisition Date, the right to purchase from the Corporation, upon payment of the relevant Exercise Price and otherwise exercising such Right in accordance with the terms hereof, that number of Common Shares having an aggregate Market Price on the date of occurrence of such Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such right to be appropriately adjusted in a manner analogous to the applicable adjustments provided for in section 3.2 if, after such date of occurrence, an event of a type analogous to any of the events described in section 3.2 has occurred with respect to the Common Share).
  
- (b) Notwithstanding anything in this agreement to the contrary, upon the occurrence of any Flip-in Event, any Rights that are or were Beneficially Owned on or after the earlier of the Separation Time and the Stock Acquisition Date by (i) an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of an Acquiring Person); or (ii) a transferee or other successor in title, directly or indirectly, (a “**Transferee**”) of Rights held by an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of an Acquiring Person) in a transfer that the Board of Directors has determined is part of a plan, arrangement or scheme of an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of an Acquiring Person) that has the purpose or effect of avoiding clause (i), will become null and void without any further action, and any holder of such Rights (including any Transferee) will not have any right whatsoever to exercise such Rights and will not have thereafter any other rights whatsoever with respect to such Rights, whether under any provision of this agreement or otherwise. The holder of any Rights represented by a Rights Certificate which is submitted to the Rights Agent on exercise or for registration of transfer or exchange which does not contain the necessary certifications set forth in the Rights Certificate establishing that such Rights are not void under this subsection will be deemed to be an Acquiring Person for the purpose of this section and such Rights will be null and void.
  
- (c) Any Rights Certificate that represents Rights Beneficially Owned by a Person described in clause (b)(i) or (ii) or transferred to any nominee of any such person, and any Rights Certificate issued on transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, will contain the following legend:

THE RIGHTS REPRESENTED BY THIS RIGHTS CERTIFICATE ARE OR WERE BENEFICIALLY OWNED BY A PERSON WHO WAS AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON OR A PERSON ACTING JOINTLY OR IN CONCERT WITH ANY OF THEM (AS SUCH TERMS ARE DEFINED IN THE AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT). THIS RIGHTS CERTIFICATE AND THE RIGHTS REPRESENTED BY THIS CERTIFICATE WILL BE VOID IN THE CIRCUMSTANCES SPECIFIED IN SUBSECTION 4.1(b) OF THE AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT.

The Rights Agent will not be under any responsibility to ascertain the existence of facts that would require the inclusion of that legend, but will be required to include the legend only if instructed to do so by the Corporation or if a holder fails to certify on transfer or exchange in the space provided on the Rights Certificate that it is not an Acquiring Person or other Person referred to in the legend. The issuance of a Rights Certificate without the legend referred to in this subsection will not affect the application of subsection (b).

- (d) From and after the Separation Time, the Corporation will do all such acts and things as will be necessary and within its power to ensure compliance with the provisions of this section, including all such acts and things as may be required to satisfy the requirements of the OBCA and the *Securities Act* or comparable legislation of any other applicable jurisdiction and the rules of any stock exchange where the Common Shares may then be listed or traded in respect of the issuance of Common Shares upon the exercise of Rights in accordance with this agreement.
- (e) Notwithstanding any other provision of this agreement, any Rights held by the Corporation or any of its Subsidiaries will be void.

## **ARTICLE 5 THE RIGHTS AGENT**

### **5.1 General**

- (a) The Corporation hereby appoints the Rights Agent to act as agent for the Corporation and the holders of Rights in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Corporation may from time to time appoint one or more co-rights agents (each, a “**Co-Rights Agent**”) as it may deem necessary or desirable, subject to the approval of the Rights Agent. In the event the Corporation appoints one or more Co-Rights Agents, the respective duties of the Rights Agents and Co-Rights Agents will be as the Corporation may determine with the approval of the Rights Agent and the Co-Rights Agent. The Corporation agrees to pay to the Rights Agent reasonable

compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this agreement and the exercise and performance of its duties hereunder (including the fees and disbursements of any expert or advisor retained by the Rights Agent with the approval of the Corporation, such approval not to be unnecessarily withheld). The Corporation also agrees to indemnify the Rights Agent, and its officers, directors, employees and agents for, and to hold it and them harmless against any loss, liability, cost, claim, action, damage, suit or expense arising directly or indirectly out of its agency relationship with the Corporation pursuant to the terms and conditions of this Agreement, incurred without negligence, bad faith or wilful misconduct on the part of the Rights Agent or its directors, officers, employees and agents, for anything done, suffered or omitted by the Rights Agent or such persons in connection with the acceptance, execution and administration of this Agreement, including legal costs and expenses for defending against any claim of liability, which right to indemnification will survive the termination of this Agreement and the resignation or removal of the Rights Agent. In the event of any disagreement arising regarding the terms of this Agreement, the Rights Agent shall be entitled, at its option, to refuse to comply with any and all demands whatsoever until the dispute is settled either by written agreement between the parties to this Agreement or by a court of competent jurisdiction.

- (b) The Corporation will inform the Rights Agent in a reasonably timely manner of events which may materially affect the administration of this agreement by the Rights Agent and at any time, upon request, will provide to the Rights Agent an incumbency certificate with respect to the then current directors of the Corporation, provided that failure to inform the Rights Agent of any such events, or any defect therein, will not affect the validity of any action taken hereunder in relation to such events.
- (c) The Rights Agent will be protected and will incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this agreement in reliance upon any certificate for Common Shares, Rights Certificate, certificate for other securities of the Corporation, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.
- (d) In the event of any disagreement arising regarding the terms of this Agreement, the Rights Agent shall be entitled, at its option, to refuse to comply with any and all demands whatsoever until the dispute is settled either by written agreement amongst the parties of this Agreement or by a court of competent jurisdiction.

## **5.2 Merger or Amalgamation or Change of Name of Rights Agent**

- (a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or amalgamated or with which it may be consolidated, or any corporation resulting from any merger, amalgamation or consolidation to which the Rights Agent or any successor Rights Agent is a party, or any corporation succeeding to the shareholder or stockholder services business of the Rights Agent or any successor Rights Agent, will be the successor to the Rights Agent under this agreement without the execution or filing of any paper or any further act on the part of any of the parties, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of section 5.4. In case at the time such successor Rights Agent succeeds to the agency created by this agreement any of the Rights Certificates have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates have not been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Rights Certificates will have the full force provided in the Rights Certificates and in this agreement.
- (b) In case at any time the name of the Rights Agent is changed and at such time any of the Rights Certificates have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates have not been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates will have the full force provided in the Rights Certificates and in this agreement.

## **5.3 Duties of Rights Agent**

The Rights Agent undertakes the duties and obligations imposed by this agreement upon the following terms and conditions, by all of which the Corporation and the holders of Rights Certificates, by their acceptance thereof, will be bound:

- (a) the Rights Agent may consult with legal counsel (who may be legal counsel for the Corporation) and the opinion of such counsel will be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion; the Rights Agent may also, with the approval of the Corporation (where such approval may reasonably be obtained and such approval not to be unreasonably withheld), consult with such other experts as the Rights Agent considers necessary or appropriate to properly carry out the duties and obligations imposed under the agreement (at the expense of the Corporation) and the Rights Agent will be entitled to rely in good faith on the advice of any such expert;



- (b) whenever in the performance of its duties under this agreement the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by the Corporation prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof is specifically prescribed in this agreement) may be deemed to be conclusively proved and established by a certificate signed by a Person believed by the Rights Agent to be a director or the Chief Executive Officer, Chief Financial Officer or Executive Vice President, Corporate Counsel and Corporate Secretary of the Corporation and delivered to the Rights Agent; and such certificate will be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this agreement in reliance upon such certificate;
- (c) the Rights Agent will be liable hereunder only for its own negligence, bad faith or wilful misconduct;
- (d) the Rights Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this agreement or in the certificates for Common Shares or the Rights Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and will be deemed to have been made by the Corporation only;
- (e) the Rights Agent will not be under any responsibility in respect of the validity of this agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any Common Share certificate or Rights Certificate (except its countersignature thereof); nor will it be responsible for any breach by the Corporation of any covenant or condition contained in this agreement or in any Rights Certificate; nor will it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to subsection 4.1(b)) or any adjustment required under the provisions of section 3.2 or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights after receipt of the certificate contemplated by section 3.2 describing any such adjustment); nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization of any Common Shares to be issued pursuant to this agreement or any Rights or as to whether any Common Shares will, when issued, be duly and validly authorized, executed, issued and delivered as fully paid and non-assessable;
- (f) the Corporation will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this agreement;
- (g) the Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any Person designated in

writing by the Corporation, and to apply to such Persons for advice or instructions in connection with its duties, and it will not be liable for any action taken or suffered by it in good faith in accordance with the instructions of any such Persons. (It is understood that instructions to the Rights Agent shall, except where circumstances make it impractical or the Rights Agent otherwise agrees, be given in writing and, where not in writing, such instructions shall be confirmed in writing as soon as practicable after the giving of such instructions);

- (h) the Rights Agent and any shareholder, director, officer or employee of the Rights Agent may buy, sell or deal in Common Shares, Rights or other securities of the Corporation or become peculiarly interested in any transaction in which the Corporation may be interested, or contract with or lend money to the Corporation or otherwise act as fully and freely as though it were not the Rights Agent under this agreement. Nothing herein will preclude the Rights Agent from acting in any other capacity for the Corporation or for any other legal entity; and
- (i) the Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent will not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Corporation resulting from any such act, omission, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

#### **5.4 Change of Rights Agent**

The Rights Agent may resign and be discharged from its duties under this agreement upon 60 days' notice in writing (or such lesser notice as is acceptable to the Corporation) mailed to the Corporation and to each transfer agent of Common Shares by registered or certified mail, and to the holders of Rights in accordance with section 6.8, all of which will be at the Corporation's expense. The Corporation may remove the Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent and to each transfer agent of the Common Shares by registered or certified mail, and to the holders of the Rights in accordance with section 6.8. If the Rights Agent should resign or be removed or otherwise become incapable of acting, the Corporation will appoint a successor to the Rights Agent. If the Corporation fails to make such appointment within a period of 30 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of any Rights (which holder, with such notice, must submit such holder's Rights Certificate for inspection by the Corporation), then the holder of any Rights may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Corporation or by such a court, must be a corporation incorporated under the laws of Canada or a province thereof authorized to carry on the business of a trust company in the Province of Ontario. After appointment, the successor Rights Agent will be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent, upon payment by the Corporation to the predecessor Rights Agent of all outstanding fees and expenses owing by the Corporation to the predecessor Rights Agent pursuant to this agreement, will



deliver and transfer to the successor Rights Agent any property at the time held by it hereunder and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Corporation will file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares, and mail a notice thereof in writing to the holders of the Rights. Failure to give any notice provided for in this section 5.4, however, or any defect therein, will not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

#### 5.5 Compliance with Anti-Money Laundering Legislation

The Rights Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Rights Agent reasonably determines that such an act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Rights Agent reasonably determine at any time that its acting under this agreement has resulted in it being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days' prior written notice to the Corporation, provided: (i) that the Rights Agent's written notice shall describe the circumstances of such non-compliance; and (ii) that if such circumstances are rectified to the Rights Agent's satisfaction within such 10 day period, then such resignation shall not be effective.

#### 5.6 Fiduciary Duties of the Directors

Nothing contained herein shall be construed to suggest or imply that the Board of Directors shall not be entitled to recommend that holders of the Voting Shares and/or Convertible Securities reject or accept any Take-over Bid or take any other action including the commencement, prosecution, defence or settlement of any litigation and the solicitation of additional or alternative Take-over Bids or other proposals to shareholders that the directors believe are necessary or appropriate in the exercise of their fiduciary duties.

#### 5.7 Privacy Legislation

The parties acknowledge that federal and/or provincial legislation that addresses the protection of individuals' personal information (collectively, "Privacy Laws") applies to obligations and activities under this agreement. Despite any other provision of this agreement, neither party will take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Corporation will, prior to transferring or causing to be transferred personal information to the Rights Agent, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or will have determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. The Rights Agent will use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws.

**5.8**                    **Liability**

**Notwithstanding any other provision of this agreement, and whether such losses or damages are foreseeable or unforeseeable, the Rights Agent shall not be liable under any circumstances whatsoever for any (a) breach by any other party of securities law or other rule of any securities regulatory authority, (b) lost profits or (c) special, indirect, incidental, consequential, exemplary, aggravated or punitive losses or damages.**

**ARTICLE 6**  
**MISCELLANEOUS**

**6.1**                    **Redemption and Waiver**

- (a)     Until the occurrence of a Flip-in Event as to which the application of section 4.1 has not been waived pursuant to this section, the Board of Directors, with the prior consent of the holders of Voting Shares or the holders of Rights given in accordance with subsection (i) or (j), as the case may be, may elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.0001 per Right, appropriately adjusted in a manner analogous to the applicable adjustment provided for in section 3.2, if an event of the type analogous to any of the events described in section 3.2 have occurred (such redemption price being herein referred to as the “**Redemption Price**”).
  
- (b)     Until the occurrence of a Flip-in Event as to which the application of section 4.1 has not been waived pursuant to this section, upon written notice to the Rights Agent, the Board of Directors, with the prior consent of the holders of Voting Shares given in accordance with subsection (i), may determine, if such Flip-in Event would occur by reason of an acquisition of Voting Shares otherwise than pursuant to a Take-over Bid made by means of a take-over bid circular to all holders of Voting Shares and otherwise than in the circumstances set forth in subsection (d), to waive the application of section 4.1 to such Flip-in Event. If the Board of Directors proposes such a waiver, the Board of Directors will extend the Separation Time to a date subsequent to and not more than ten Business Days following the meeting of shareholders called to approve such waiver.
  
- (c)     Until the occurrence of a Flip-in Event as to which the application of section 4.1 has not been waived pursuant to this section, upon written notice delivered to the Rights Agent, the Board of Directors may determine to waive the application of section 4.1 to any Flip-in Event provided that the Flip-in Event would occur by reason of a Take-over Bid made by take-over bid circular sent to all holders of Voting Shares and provided further that if the Board of Directors waives the application of section 4.1 to such Flip-in Event, the Board of Directors will be deemed to have waived the application of section 4.1 to any other Flip-in Event occurring by reason of any Take-over Bid made by take-over bid circular to all holders of Voting Shares which is made prior to the expiry of any Take-over Bid (as the same may be extended from time to time) made by take-over bid circular

in respect of which a waiver is, or is deemed to have been, granted under this subsection.

- (d) Notwithstanding subsections (b) and (c), upon written notice to the Rights Agent, the Board of Directors may waive the application of section 4.1 in respect of any Flip-in Event, provided that both of the following conditions are satisfied:
  - (i) the Board of Directors has determined that the Person became an Acquiring Person by inadvertence and without any intention to become, or knowledge that it would become, an Acquiring Person; and
  - (ii) such Person has reduced its Beneficial Ownership of Voting Shares such that at the time of the granting of a waiver pursuant to this subsection, such Person is no longer an Acquiring Person;

In the event of any such waiver, for the purposes of this agreement, such Flip-in Event will be deemed not to have occurred and the Separation Time will be deemed not to have occurred as a result of such Person having inadvertently become an Acquiring Person.

- (e) The Board of Directors will be deemed to have elected to redeem, without further formality, the Rights at the Redemption Price on the date that a Person who has made a Permitted Bid, a Competing Permitted Bid or Take-over Bid in respect of which the Board of Directors has waived, or is deemed to have waived, pursuant to this section the application of section 4.1, takes up and pays for Voting Shares pursuant to the terms and conditions of such Permitted Bid, Competing Permitted Bid or Take-over Bid, as the case may be.
- (f) Where a Take-over Bid that is not a Permitted Bid is withdrawn or otherwise terminated after the Separation Time has occurred and prior to the occurrence of a Flip-in Event, the Board of Directors may elect to redeem all the then outstanding Rights without the consent of the holders of Voting Shares or the holders of Rights, as the case may be, at the Redemption Price and reissue Rights under this agreement to holders of record of Common Shares immediately following the time of such redemption and, thereafter, all of the provisions of this agreement will continue in full force and effect and such Rights, without any further formality, will be attached to the outstanding Common Shares in the same manner as prior to the occurrence of such Separation Time.
- (g) If the Board of Directors elects or is deemed to have elected to redeem the Rights and, in circumstances in which subsection (a) is applicable, such redemption is approved by the holders of Voting Shares or the holders of Rights in accordance with subsection (i) or (j), as the case may be, the right to exercise the Rights will thereupon, without further action and without notice, terminate, and the only right thereafter of the holders of Rights will be to receive the Redemption Price.
- (h) Within 10 days after the Board of Directors electing or having been deemed to have elected to redeem the Rights or, if subsection (a) applies, within 10 Business

Days after the holders of Voting Shares or the holders of Rights have approved the redemption of Rights in accordance with subsection (i) or (j), as the case may be, the Corporation will give notice of redemption to the holders of the then outstanding Rights by mailing such notice to each such holder at such holder's last address as it appears upon the registry books of the Rights Agent or, prior to the Separation Time, on the registry books of the Transfer Agent for the Common Shares. Any notice which is mailed in the manner herein provided will be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. The Corporation may not redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this section, and other than in connection with the purchase of Common Shares prior to the Separation Time.

- (i) If a redemption of Rights pursuant to subsection (a) or a waiver of a Flip-in Event pursuant to subsection (b) is proposed at any time prior to the Separation Time, such redemption or waiver must be submitted for approval to the holders of Voting Shares. Such approval will be deemed to have been given if the redemption or waiver is approved by the affirmative vote of a majority of the votes cast by Independent Shareholders represented in person or by proxy at a meeting of such holders duly held in accordance with applicable laws and the Corporation's by-laws.
- (j) If a redemption of Rights pursuant to subsection (a) is proposed at any time after the Separation Time, such redemption must be submitted for approval to the holders of Rights. Such approval will be deemed to have been given if the redemption is approved by holders of Rights by a majority of the votes cast by the holders of Rights represented in person or by proxy at and entitled to vote at a meeting of such holders. For the purposes hereof, each outstanding Right (other than Rights which are Beneficially Owned by any Person referred to in clauses (i) to (v) inclusive of the definition of Independent Shareholders) will be entitled to one vote, and the procedures for the calling, holding and conduct of the meeting will be those, as nearly as may be, which are provided in the Corporation's by-laws and the OBCA with respect to meetings of shareholders of the Corporation.

## **6.2 Expiration**

No Person will have any rights pursuant to this agreement or in respect of any Right after the Expiration Time, except the Rights Agent as specified in section 5.1.

## **6.3 Issuance of New Rights Certificates**

Notwithstanding any of the provisions of this agreement or of the Rights to the contrary, the Corporation, at its option, may issue new Rights Certificates evidencing Rights in such form as may be approved by the Board of Directors to reflect any adjustment or change in

the number or kind or class of securities purchasable upon exercise of Rights made in accordance with the provisions of this agreement.

#### **6.4 Fractional Rights and Fractional Shares**

- (a) The Corporation will not be required to issue fractions of Rights or to distribute Rights Certificates which evidence fractional Rights. In lieu of such fractional Rights, there will be paid to the registered holders of the Rights Certificates with regard to which such fractional Right would otherwise be issuable, an amount in cash equal to the fraction of the Market Price of a whole Right that the fraction of a Right which would otherwise be issuable is of one whole Right.
- (b) The Corporation will not be required to issue fractions of Common Shares upon exercise of the Rights or to distribute certificates which evidence fractional Common Shares. In lieu of issuing fractional Common Shares, the Corporation will pay to the registered holders of Rights Certificates, at the time such Rights are exercised as herein provided, an amount in cash equal to the same fraction of the Market Price of a whole Common Share that the fraction of a Common Share which would otherwise be issuable upon the exercise of such right is of one whole Common Share at the date of such exercise.
- (c) The Rights Agent will have no obligation to make any payments in lieu of issuing fractions of Rights or Common Shares pursuant to subsection (a) or (b), respectively, unless and until the Corporation has provided to the Rights Agent the amount of cash to be paid in lieu of issuing such fractional Rights or Common Shares, as the case may be.

#### **6.5 Supplements and Amendments**

- (a) The Corporation may make amendments to this agreement from time to time to correct any clerical or typographical error or which are required to maintain the validity of this agreement as a result of any change in any applicable legislation, rules or regulations or decision of a court or regulatory authority.—~~The Corporation, at or prior to the meeting of shareholders of the Corporation, or any adjournment or postponement thereof, to be held for shareholders of the Corporation to consider and, if deemed advisable, to adopt a resolution approving, ratifying and confirming this agreement and the Rights issued pursuant thereto, may supplement or amend this agreement without the approval of any holders of Rights or Voting Shares in order to make any changes which the Board of Directors acting in good faith may deem necessary or desirable to make this agreement effective (provided such action would not materially adversely affect the interests of the holders of Rights generally).~~ Notwithstanding anything in this section to the contrary, no such supplement or amendment may be made to the provisions of Article 5 except with the written concurrence of the Rights Agent to such supplement or amendment.

- (b) Subject to subsection (a), the Corporation, with the prior consent of the holders of Voting Shares obtained as set forth below, at any time prior to the Separation Time, may supplement or amend any of the provisions of this agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally). Such consent will be deemed to have been given if the action requiring such approval is authorized by the affirmative vote of a majority of the votes cast by Independent Shareholders present or represented at and entitled to vote at a meeting of the holders of Voting Shares duly called and held in compliance with applicable laws and the Corporation's by-laws.
- (c) Subject to subsection (a), the Corporation, with the prior consent of the holders of Rights, at any time on or after the Separation Time, may supplement or amend any of the provisions of this agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally), provided that no such supplement or amendment may be made to the provisions of Article 5 except with the written concurrence of the Rights Agent thereto.
- (d) Any approval of the holders of Rights will be deemed to have been given if the action requiring such approval is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders of Rights and representing a majority of the votes cast in respect thereof. For the purposes hereof, each outstanding Right (other than Rights which are void pursuant to the provisions hereof) will be entitled to one vote, and the procedures for the calling, holding and conduct of the meeting will be those, as nearly as may be, which are provided in the Corporation's by-laws and the OBCA with respect to meetings of shareholders of the Corporation.
- (e) Any amendments made by the Corporation to this agreement pursuant to subsection 6.5(a) which are required to maintain the validity of this agreement:
  - (i) if made before the Separation Time, be submitted to the holders of Voting Shares of the Corporation at the next meeting of shareholders and the holders of Voting Shares, by the majority referred to in subsection (b), may confirm or reject such amendment; and
  - (ii) if made after the Separation Time, be submitted to the holders of Rights at a meeting to be called for a date not later than immediately following the next meeting of shareholders of the Corporation and the holders of Rights, by resolution passed by the majority referred to in subsection (d), may confirm or reject such amendment.

Any such amendment will be effective from the date of the resolution of the Board of Directors adopting such amendment, until it is confirmed or rejected or until it ceases to be effective (as described in the next sentence) and, where such amendment is confirmed, it continues in effect in the form so confirmed. If such amendment is rejected by the holders of Voting Shares or the holders of Rights or is not submitted to the holders of Voting Shares or holders of Rights as required,



then such amendment will cease to be effective from and after the termination of the meeting at which it was rejected or to which it should have been but was not submitted or from and after the date of the meeting of holders of Rights that should have been but was not held, and no subsequent amendment to this agreement to substantially the same effect will be effective until confirmed by the shareholders or holders of Rights, as the case may be.

- (f) The Corporation will give notice in writing to the Rights Agent of any amendment or supplement to this agreement pursuant to this section within five Business Days of the date of any such amendment or supplement, provided that failure to give such notice, or any defect therein, will not affect the validity of any such supplement or amendment.
- (g) For greater certainty, neither the exercise by the Board of Directors of any power or discretion conferred on it under this agreement nor the making by the Board of Directors of any determination or the granting of any waiver it is permitted to make or give under this agreement will constitute an amendment, variation or rescission of the provisions of this agreement or Rights for purposes of this section or otherwise.

## **6.6 Rights of Action**

Subject to the terms of this agreement, all rights of action in respect of this agreement, other than rights of action vested solely in the Rights Agent, are vested in the respective holders of the Rights; and any holder of any Rights, without the consent of the Rights Agent or of the holder of any other Rights, on such holder's own behalf and for such holder's own benefit and the benefit of other holders of Rights, may enforce, and may institute and maintain, any suit, action or proceeding against the Corporation to enforce, or otherwise act in respect of, such holder's right to exercise such holder's Rights in the manner provided in such holder's Rights Certificate and in this agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this agreement and will be entitled to specific performance of the obligations under, and injunctive relief against, actual or threatened violations of the obligations of any Person subject to, this agreement.

## **6.7 Notice of Proposed Actions**

If the Corporation proposes after the Separation Time and prior to the Expiration Time to effect the liquidation, dissolution or winding-up of the Corporation or the sale of all or substantially all of the Corporation's assets, then, in each such case, the Corporation will give to each holder of a Right, in accordance with section 6.8, a notice of such proposed action. The notice must specify the date on which such liquidation, dissolution, winding-up or sale is to take place, and such notice must be so given at least 20 Business Days prior to the date of taking such proposed action.

**6.8**            **Notices**

- (a) Notices or demands authorized or required by this agreement to be given or made by the Rights Agent or by the holder of any Rights to or on the Corporation will be sufficiently given or made if delivered or sent by facsimile or by first-class mail, postage prepaid, addressed (until another facsimile number or address is filed in writing with the Rights Agent) as follows:

145 King Street West  
Suite 2300  
Toronto, Ontario  
M5H 1J8

Attention:    **Executive Vice President, Corporate Counsel and Corporate Secretary**  
Facsimile:    (416) 360-0087

- (b) Notices or demands authorized or required by this agreement to be given or made by the Corporation or by the holder of any Rights to or on the Rights Agent will be sufficiently given or made if delivered or sent by facsimile or by first-class mail, postage prepaid, addressed (until another facsimile number or address is filed in writing with the Corporation) as follows:

Computershare Investor Services Inc.  
100 University Avenue  
9th Floor, North Tower  
Toronto, Ontario M5J 2Y1

Attention:    Senior Manager, Client Services  
Facsimile:    (416) 981-9800

- (c) Notices or demands authorized or required by this agreement to be given or made by the Corporation or the Rights Agent to or on the holder of any Rights will be sufficiently given or made if delivered or sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as it appears upon the registry books of the Rights Agent or, prior to the Separation Time, on the registry books of the Corporation for the Common Shares. Any notice which is mailed in the manner herein provided will be deemed given, whether or not the holder receives the notice.

- (d) Notices will be deemed to have been received as follows:

- (i) in the case of personal delivery, on the day of delivery, unless delivered on a day that is not a Business Day or after 4:00 p.m. on the day of delivery, in which case notice will be deemed to have been received on the next Business Day;



(ii) in the case of facsimile, on the Business Day of transmission if transmitted before 4:00 p.m. on that Business Day or, otherwise, on the next Business Day following the day of transmission; and

(iii) in the case of first class mail, on the fifth Business Day following mailing.

~~(iv)~~—Any accidental error, omission or failure in giving or delivering or mailing any such notice will not invalidate or otherwise prejudicially affect any action or proceeding founded thereon.

#### **6.9 Costs of Enforcement**

The Corporation agrees that, if it or any other Person the securities of which are purchasable upon exercise of Rights fails to fulfill any of its obligations pursuant to this agreement, then the Corporation or such Person will reimburse the holder of any Rights for the costs and expenses (including reasonable legal fees) incurred by such holder in actions to enforce the holder's rights pursuant to any Rights or this agreement.

#### **6.10 Successors**

All the covenants and provisions of this agreement by or for the benefit of the Corporation or the Rights Agent bind and enure to the benefit of their respective successors and assigns hereunder.

#### **6.11 Benefits of this Agreement**

Nothing in this agreement will be construed to give to any Person other than the Corporation, the Rights Agent and the holders of the Rights any legal or equitable right, remedy or claim under this agreement; but this agreement will be for the sole and exclusive benefit of the Corporation, the Rights Agent and the holders of the Rights.

#### **6.12 Governing Law**

This agreement and each Right issued hereunder will be deemed to be a contract made under the laws of the Province of Ontario and for all purposes will be governed by and construed in accordance with the laws of such province applicable to contracts to be made and performed entirely within such province.

#### **6.13 Counterparts**

This agreement may be executed in any number of counterparts and each of such counterparts for all purposes will be deemed to be an original, and all such counterparts together will constitute one and the same instrument.

#### **6.14 Severability**

If any term or provision hereof or the application thereof to any circumstance is, in any jurisdiction and to any extent, invalid or unenforceable, such term or provision will be

ineffective as to such jurisdiction to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions hereof or the application of such term or provision to circumstances other than those as to which it is held invalid or unenforceable.

**6.15            Effective Date**

This agreement is in force in accordance with its terms.

**6.16            Shareholder Approval**

At ~~each~~the annual meeting of shareholders of the Corporation in ~~2009~~2021 and every third anniversary thereafter and so on (each such annual meeting being a “Reconfirmation Meeting”), provided that a Flip-in Event has not occurred prior to such time (other than a Flip-in Event in respect of which the application of section 4.1 has been waived pursuant to section 6.1), the board of directors may submit a resolution to ~~the~~ Independent Shareholders for their consideration and approval reconfirming and ratifying this agreement (as may be amended and restated) and its continued existence after each such meeting. If a majority of the votes cast by Independent Shareholders present or represented by proxy at any such ~~meeting~~Reconfirmation Meeting are not voted in favour of the reconfirmation of this agreement and its continued existence, then the board of directors, immediately upon confirmation by the chair of such shareholders meeting of the results of the vote on such resolution, without further formality, will be deemed to have elected to redeem the Rights at the Redemption Price.

**6.17            Determinations and Actions by the Board of Directors**

All actions, calculations and determinations (including all omissions with respect to the foregoing) which are done or made by the Board of Directors in good faith in connection with this agreement will not subject the Board of Directors or any director of the Corporation to any liability to the holders of the Rights.

**6.18            Time of the Essence**

Time will be of the essence of this agreement.

**6.19            Regulatory Approvals**

Any obligation of the Corporation or action contemplated by this agreement, including any amendment hereto, will be subject to the receipt of any requisite approval or consent from any applicable regulatory authority, including any necessary approvals of The Toronto Stock Exchange or any other stock exchange.

**6.20            Declaration as to Non-Canadian and Non-United States Holders**

If in the opinion of the Board of Directors (who may rely on the advice of legal counsel) any action or event contemplated by this agreement would require compliance by the Corporation with the securities laws or comparable legislation of a jurisdiction outside Canada or

the United States, the Board of Directors acting in good faith may take such actions as it may deem appropriate to ensure that such compliance is not required, including establishing procedures for the issuance to a Canadian resident fiduciary of Rights or securities issuable on exercise of Rights, the holding thereof in trust for the Persons entitled thereto and the sale thereof and remittance of the proceeds of such sale (if any) to the Persons entitled thereto. In no event will the Corporation or the Rights Agent be required to issue or deliver Rights or securities issuable on exercise of Rights to Persons who are citizens, residents or nationals of any jurisdiction other than Canada and the United States of America in which such issue or delivery would be unlawful without registration of the relevant Persons or securities for such purposes.

#### **6.21 Fiduciary Duties of the Board of Directors**

For greater certainty, this agreement will not be construed to suggest or imply that the Board of Directors is not entitled to recommend that holders of Voting Shares reject or accept any Take-over Bid (whether or not such Take-over Bid is a Permitted Bid or a Competing Permitted Bid) or take any other action (including the commencement, prosecution, defence or settlement of any litigation) with respect to any Take-over Bid or otherwise that the Board of Directors believes is necessary or appropriate in the exercise of its fiduciary duties.

#### **6.22 Language**

Les parties aux présentes ont exigé que la présente convention ainsi que tous les documents et avis qui s'y rattachent et/ou qui en découleront soient rédigés en langue anglaise. The parties hereto have required that this agreement and all documents and notices related thereto and/or resulting therefrom be drawn up in the English language.

**IN WITNESS WHEREOF**, the parties have caused this agreement to be duly executed as of the date first above written.

**HOME CAPITAL GROUP INC.**

By: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Name:  
Title:

**COMPUTERSHARE INVESTOR  
SERVICES INC.**

By: \_\_\_\_\_  
Authorized Signatory

\_\_\_\_\_  
Authorized Signatory

## EXHIBIT A

### FORM OF RIGHTS CERTIFICATE

Certificate No. \_\_\_\_\_ Rights \_\_\_\_\_

#### RIGHTS CERTIFICATE

This certifies that \_\_\_\_\_ is the registered holder of the number of Rights set forth above, each of which entitles the registered holder thereof, subject to the terms, provisions and conditions of the Amended and Restated Shareholder Rights Plan Agreement dated as of ~~March 11, 2009~~, May 16, 2018, as the same may be further amended, restated or supplemented from time to time (the “**Rights Agreement**”) between Home Capital Group Inc., a corporation existing under the laws of Ontario (the “**Corporation**”), and Computershare Investor Services Inc., a corporation incorporated under the Canada Business Corporations Act, as rights agent (the “**Rights Agent**”, which term includes any successor Rights Agent under the Rights Agreement), to purchase from the Corporation at any time after the Separation Time and prior to the Expiration Time (as such terms are defined in the Rights Agreement), one fully paid Common Share of the Corporation (a “**Common Share**”) at the Exercise Price referred to below, upon presentation and surrender of this Rights Certificate together with the Form of Election to Exercise and Declaration of Ownership duly executed and submitted to the Rights Agent at its principal office in the city of Toronto or any other office of the Rights Agent designated for that purpose from time to time by the Rights Agent. The Exercise Price initially is \$200 per Right and will be subject to adjustment in certain events as provided in the Rights Agreement.

In certain circumstances described in the Rights Agreement, each Right evidenced hereby may entitle the registered holder thereof to purchase or receive assets, debt securities or shares in the capital of the Corporation other than Common Shares, or more or less than one Common Share, all as provided in the Rights Agreement.

This Rights Certificate is subject to all of the terms and conditions of the Rights Agreement which terms and conditions are incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Rights Agent, the Corporation and the holders of the Rights Certificates. Copies of the Rights Agreement are on file at the registered office of the Corporation and are available upon written request.

This Rights Certificate, with or without other Rights Certificates, upon surrender at any of the offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing an aggregate number of Rights equal to the aggregate number of Rights evidenced by the Rights Certificate or Rights Certificates surrendered. If this Rights Certificate is exercised in part, the registered holder will be entitled to receive, upon surrender hereof, another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Rights Certificate may be, and under certain circumstances are required to be, redeemed by the Corporation at a redemption price of \$0.0001 per Right, subject to adjustment in certain events.

Fractional Common Shares will not be issued upon the exercise of any Right or Rights evidenced hereby, but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Rights Certificate, as such, will be entitled to vote or receive dividends or be deemed for any purpose the holder of Common Shares or of any other shares of the Corporation which may at any time be issuable upon the exercise hereof, nor will anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a shareholder of the Corporation or any right to vote for the election of directors or upon any matter submitted to shareholders of the Corporation at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders of the Corporation (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Rights evidenced by this Rights Certificate have been exercised as provided in the Rights Agreement.

This Rights Certificate will not be valid or obligatory for any purpose until it will have been manually countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Corporation and its corporate seal.

Date:

**HOME CAPITAL GROUP INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Countersigned:

**COMPUTERSHARE INVESTOR SERVICES  
INC.**

By: \_\_\_\_\_

Authorized Signature

**FORM OF ELECTION TO EXERCISE**  
(to be attached to each Rights Certificate)

**TO: HOME CAPITAL GROUP INC.**

The undersigned hereby irrevocably elects to exercise \_\_\_\_\_ whole Rights represented by the attached Rights Certificate to purchase the Common Shares issuable upon the exercise of such Rights and requests that certificates for such Common Shares be issued to:

Name

Address

City and Province

Social Insurance Number or other taxpayer identification number

If such number of Rights are not all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of and delivered to:

Name

Address

City and Province

Social Insurance Number or other taxpayer identification number

Dated: \_\_\_\_\_  
Signature \_\_\_\_\_

Signature Guaranteed:

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

Signature must be guaranteed by a Schedule 1 Canadian chartered bank, or a member firm of an acceptable Medallion Guarantee Program (STAMP, SEMP, MSP). The Guarantor must affix a stamp bearing the actual words "Signature Guaranteed".

(To be completed if true)



The undersigned hereby represents, for the benefit of the Corporation and all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person, an Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or with an Associate or Affiliate of an Acquiring Person (as such terms are defined in the Rights Agreement).

---

Signature

**FORM OF ASSIGNMENT**

FOR VALUE RECEIVED \_\_\_\_\_

hereby sells, assigns and transfers unto \_\_\_\_\_

(please print name and address of transferee)

the Rights represented by this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint \_\_\_\_\_ as attorney, to transfer the within Rights on the books of the Corporation, with full power of substitution.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
Signature

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

Signature must be guaranteed by a Schedule 1 Canadian chartered bank, or a member firm of an acceptable Medallion Guarantee Program (STAMP, SEMP, MSP). The Guarantor must affix a stamp bearing the actual words "Signature Guaranteed".

(To be completed if true)

The undersigned hereby represents, for the benefit of the Corporation and all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person, an Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or with an Associate or Affiliate of an Acquiring Person (as such terms are defined in the Rights Agreement).

\_\_\_\_\_  
Signature

## **NOTICE**

If the certification set forth above in the Form of Election to Exercise or the Form of Assignment is not completed, the Corporation reserves the right to treat the Beneficial Owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) and accordingly such Rights will be null and void.

