



**EQUITABLE GROUP INC.**

**ANNUAL INFORMATION FORM  
For the year ended December 31, 2008**

**FEBRUARY 25, 2009**

## TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS .....	3
CORPORATE STRUCTURE.....	3
Intercorporate Relationships.....	3
GENERAL DEVELOPMENT OF THE BUSINESS .....	4
Three Year History.....	4
DESCRIPTION OF THE BUSINESS.....	4
Employees and Facilities.....	4
Business Overview .....	5
Competitive Conditions.....	5
Principal Products and Services .....	5
Risk Factors.....	7
DIVIDENDS .....	7
DESCRIPTION OF CAPITAL STRUCTURE .....	7
Authorized Capital .....	7
Common Shares.....	7
Preferred Shares .....	7
MARKET FOR SECURITIES.....	8
DIRECTORS AND OFFICERS .....	8
Directors .....	8
Officers .....	9
Cease Trade Orders, Bankruptcies, Penalties or Sanctions.....	11
Conflicts of Interest.....	11
LEGAL PROCEEDINGS AND REGULATORY ACTIONS .....	11
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	11
MATERIAL CONTRACTS .....	11
TRANSFER AGENT AND REGISTRAR .....	11
EXPERTS.....	11
AUDIT COMMITTEE INFORMATION .....	12
Audit Committee Mandate .....	12
Composition of the Audit Committee .....	12
Relevant Education and Experience.....	12
Pre-Approval Policies and Procedures .....	12
External Auditor Service Fees .....	12
ADDITIONAL INFORMATION .....	13
SCHEDULE “A” – Audit Committee Mandate.....	14

*Note: Unless otherwise specified, all information presented herein is as of December 31, 2008.*

## FORWARD-LOOKING STATEMENTS

Statements made by Equitable Group Inc. (the "Company" or "Equitable") in this Annual Information Form, in the Annual Report, in other filings with Canadian securities regulators and in other communications include forward-looking statements within the meaning of applicable securities laws ("forward-looking statements"). These statements include, but are not limited to, statements about the Company's objectives, strategies and initiatives, financial result expectations and other statements made herein, including the sections entitled "Business Profile and Objectives", "2009 Business Outlook", "Non-Interest Expenses", "Credit Quality and Provisions", and "Liquidity Investments and Equity Securities" in the Company's Management Discussion and Analysis for the period ended December 31, 2008, whether with respect to the Company's businesses or the Canadian economy. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "planned", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases which state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, closing of transactions, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to capital markets and additional funding requirements, fluctuating interest rates and general economic conditions, legislative and regulatory developments, the nature of our customers and rates of default, and competition as well as those factors discussed under the heading "Risks and Uncertainties" herein and in the Company's documents filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

All material assumptions used in making forward-looking statements are based on management's knowledge of current business conditions and expectations of future business conditions and trends, including their knowledge of the current credit, interest rate and liquidity conditions affecting the Company and the Canadian economy. Although the Company believes the assumptions used to make such statements are reasonable at this time and has attempted to identify in its continuous disclosure documents important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Certain material assumptions are applied by the Company in making forward-looking statements, including, without limitation, assumptions regarding its continued ability to fund its mortgage business at current levels, a continuation of the current level of economic uncertainty that affects real estate market conditions, continued acceptance of its products in the marketplace, as well as no material changes in its operating cost structure and the current tax regime. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities laws.

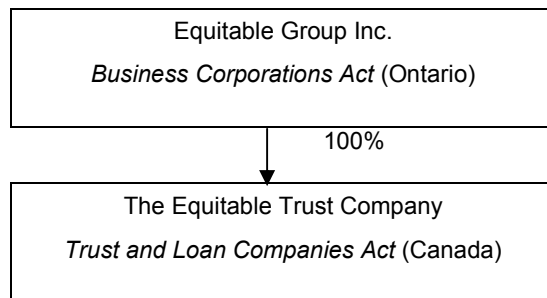
## CORPORATE STRUCTURE

Equitable was formed on January 1, 2004 to serve as the holding company of The Equitable Trust Company ("Equitable Trust"), pursuant to a Certificate of Amalgamation issued under the *Business Corporations Act* (Ontario). Equitable Trust is a federally-regulated financial institution incorporated in 1970 by Letters Patent issued under the predecessor statute of the *Trust and Loan Companies Act* (Canada). Equitable Trust is a wholly-owned subsidiary of the Company.

The Company's registered and head office is located at 30 St. Clair Avenue West, Suite 700, Toronto, Ontario, M4V 3A1.

### Intercorporate Relationships

The following chart summarizes the primary corporate structure of the Company, the jurisdiction of incorporation of each corporate entity and the percentage of votes attached to all securities beneficially owned or over which control is exercised by the Company:



## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

The Company is a niche mortgage lender that provides first charge mortgages and mortgages insured by the Canada Mortgage and Housing Corporation (“CMHC”) through Equitable Trust. Equitable Trust is licensed to conduct business across Canada. The Company’s primary sources of revenue include interest income derived from its mortgage financing business as well as income earned from the securitization of mortgages within the CMHC Mortgage Backed Securities (“MBS”) and Canada Mortgage Bond (“CMB”) Programs.

The Company’s focus is on the following lending businesses:

- Single Family Lending Services (“Single Family”). This business benefits from Equitable Trust’s well-established relationships with a large independent mortgage broker network;
- Commercial Mortgage-Broker Services (“Broker Services”). This line of business funds mortgages on a wide variety of property types, which includes mixed-use, apartment buildings, commercial and industrial buildings sourced through independent brokers; and
- Commercial Lending Services (“Commercial Lending”). These mortgages are sourced through mortgage banking organizations and include construction loans, single family and commercial warehoused loans, as well as CMHC-insured multi-unit residential mortgages originated with the intent to securitize.

In 2007, the Company became a member of the Canadian Payments Association.

The Company expanded Single Family into Alberta in 2006 and into Manitoba in 2008.

To support ongoing growth and enhance regulatory capital,

- Equitable Trust issued \$20.0 million of subordinated debentures in 2006 and an additional \$22.0 million in 2007;
- the Company issued \$25 million of common equity in 2007 and completed a public and private placement common share offering in the amount of \$40.9 million in 2008.

There were no significant acquisitions or dispositions that occurred during the year ended December 31, 2008.

## DESCRIPTION OF THE BUSINESS

### Employees and Facilities

As at December 31, 2008, Equitable Trust employed 135 full-time employees operating out of leased offices in Toronto and Calgary.

## Business Overview

The Company is a niche mortgage lender that provides first charge mortgages and mortgages insured by CMHC through its wholly-owned subsidiary, Equitable Trust. In the Single Family segment, Equitable Trust is an alternative lender to borrowers who are unable to satisfy the strict underwriting criteria of conventional bank mortgage lenders.

Equitable Trust accepts deposits from the public by issuing Guaranteed Investment Certificates (“GICs”) and pays interest on these deposits. GICs provide funding for all business lines. GICs are largely originated through deposit agents. In addition, Equitable Trust issues CMHC-insured MBS through the MBS Program, a national program approved under the *National Housing Act* (Canada). Equitable Trust generates earnings from its MBS operations in the form of gains on the sale of mortgages securitized, including securitization through the CMB Program, and recurring earnings from its retained interest in such mortgages.

Equitable Trust operates a low-cost business model. Mortgage origination and deposit-gathering functions are largely obtained through the brokerage channel, and a significant amount of mortgage administration is outsourced.

## Competitive Conditions

Equitable Trust competes with other regulated mortgage lenders who provide mortgage financing in the alternate single family segment. Canadian chartered banks, insurance companies and other financial institutions compete with Equitable Trust in the single family, multi-unit residential and commercial mortgage lending segments as well as in the GIC market.

## Principal Products and Services

### Mortgage Lending

Equitable Trust’s mortgage products consist of fixed and floating rate first charge mortgages with terms of up to five years, as well as CMHC-insured mortgages. The majority of Equitable Trust’s mortgage financing business is in single family dwelling, mixed-use property, multi-unit residential and commercial properties. In 2008, these four categories accounted for 83.7% of Equitable Trust’s mortgage portfolio. Equitable Trust also provides facilities to other mortgage originators to warehouse mortgages that are intended to be sold, which are referred to in the table below as “mortgages held for sale”. Equitable Trust’s mortgage portfolio also includes CMHC-insured mortgages and construction loans. Equitable’s total mortgage portfolio was \$3.0 billion as at December 31, 2008.

### Mortgages receivable – by property type

(\$ thousands)	2008	% of total	2007	% of total	2006	% of total
Single family dwelling <sup>(1)</sup>	1,035,300	34.2%	739,050	25.8%	549,299	25.8%
Mixed-use property	333,235	11.0%	287,643	10.0%	192,433	9.0%
Multi-unit residential	515,575	17.0%	660,071	23.0%	570,312	26.7%
CMHC-insured multi-unit residential	74,380	2.5%	178,971	6.2%	33,617	1.6%
Commercial	649,591	21.5%	652,783	22.8%	431,017	20.2%
Mortgages held for sale	297,952	9.8%	272,370	9.5%	268,396	12.6%
Construction	120,908	4.0%	77,395	2.7%	87,043	4.1%
Total mortgage principal	3,026,941	100.0%	2,868,283	100.0%	2,132,117	100.0%
Deferred net mortgage commitment fees, net (discounts) premiums and sundry	(2,786)		368		1,423	
Mortgages reported	3,024,155		2,868,651		2,133,540	
Accrued interest	13,411		14,515		10,168	
Allowances for credit losses	(14,551)		(8,925)		(8,046)	
Total mortgages receivable	3,023,015		2,874,241		2,135,662	

<sup>(1)</sup> Includes \$176,436 (2007 - nil, 2006 - nil) of CMHC-insured and \$12,267 (2007 - nil, 2006 - nil) of other insured single family dwelling mortgages.

*Single Family Dwelling Mortgages.* In this segment, Equitable Trust focuses on offering mortgages to borrowers who have difficulty qualifying for financing from conventional financing institutions due to the borrower's self-employed status, past credit issues or difficult earnings verification. CMHC-insured single family dwelling mortgages comprised 5.8% of the portfolio.

*Mixed-Use Property Mortgages.* These mortgages were originated by Equitable Trust's Broker Services team. These mortgages relate to properties that entail both a commercial and residential component. This segment grew by \$45.6 million or 15.9% from December 31, 2007.

*Multi-Unit Residential Mortgages.* This segment includes properties with more than four residential units. The principal secured by mortgages on multi-unit residential buildings is much larger than on single family dwellings, which results in efficiencies of scale for Equitable Trust. As at December 31, 2008, multi-unit residential mortgages represented \$515.6 million or 17.0% of Equitable Trust's mortgage portfolio.

*CMHC-Insured Multi-Unit Residential Mortgages.* CMHC-insured mortgages are granted on multi-unit residential properties that are held for securitization. These mortgages are pooled and sold through the CMHC MBS Program where Equitable Trust retains an ongoing interest in the mortgages (See "Mortgage Backed Securities").

*Commercial Mortgages.* The Commercial Lending operation deals primarily in larger commercial mortgages on retail, office and industrial properties. As at December 31, 2008, \$649.6 million in mortgages or 21.5% of Equitable Trust's mortgage portfolio was comprised of commercial mortgages. Retail and office sectors accounted for 59.7% of the commercial mortgage portfolio as at December 31, 2008 with recreational/hotel and industrial property sectors comprising the balance of the portfolio.

*Mortgages Held for Sale.* Mortgages held for sale are comprised of 46.2% residential and 53.8% commercial mortgages on properties across Canada as at December 31, 2008. These mortgages are originated by third-party lenders who require financing prior to pooling and eventually selling the mortgages to investors.

*Construction Mortgages.* Construction mortgage financing extended to developers and renovators of residential and commercial properties generally provides interim financing until construction is complete. As of December 31, 2008, construction mortgages represented approximately \$120.9 million or 4.0% of the mortgage portfolio.

### ***Mortgage Lending Policies.***

Equitable Trust's strict underwriting criteria are intended to minimize risks inherent in its target market. Uninsured single family mortgages must not exceed 80% of the property value and uninsured commercial mortgages must not exceed 75% of the lower of cost or appraised value. Multi-unit residential CMHC-insured mortgages must not exceed 85% of the property value. For single family dwelling mortgages, debt ratios of applicants must not exceed 50% gross debt service ratio and 50% total debt service ratio. For multi-unit residential and commercial mortgages, there are strict guidelines for debt service coverage ratios.

### ***Mortgage Origination.***

Independent mortgage brokers originated the majority of Equitable Trust's funding activity in 2008. One mortgage brokerage firm accounted for approximately 25% of this funding activity, primarily in the non-single family dwelling segment. None of the other mortgage brokers provided more than 8.5% of the total dollar volume of mortgage originated for Equitable Trust.

### ***Mortgage Backed Securities***

Since 1994, Equitable Trust has funded and securitized multi-unit residential mortgages under the CMHC MBS Program. Since 2008, Equitable Trust has also funded and securitized single family residential mortgages under the same program. Equitable Trust's participation in the CMHC MBS Program has been a steady, profitable and low-risk area of business.

In 1994, Equitable Trust entered into an exclusive agreement with First National Financial LP ("FNFLP") whereby Equitable Trust would originate CMHC-insured multi-unit residential mortgages brokered by FNFLP, across Canada, and securitize these mortgages through the CMHC MBS Program. FNFLP is Canada's largest non-bank originator and underwriter of residential mortgages and provides a full range of mortgage products and services to individuals and investors.

As an approved issuer of the CMHC MBS, Equitable Trust retains the responsibility for administering CMHC-insured mortgages after their sale to investors through the CMHC MBS Program until the maturity of the mortgage. Equitable Trust has outsourced this administrative function on the multi-unit residential mortgages to FNFLP and pays a servicing fee to FNFLP.

Under the CMHC MBS Program, all principal receipts from mortgages are passed through to MBS investors together with interest at the MBS coupon rate. Interest payable on MBS is less than the interest earned in connection with the underlying mortgages. The residual interest represents ongoing earnings and is retained by Equitable Trust, net of any fees paid to third parties for administration services.

During 2008, Equitable Trust also sold MBS to Canada Housing Trust under the CMB Program.

### **Deposit Taking**

Equitable Trust is a federally regulated deposit taking institution and is a member institution of the Canada Deposit Insurance Corporation.

Equitable Trust's GIC products consist of 30-day to 5-year fixed term GICs. Equitable Trust also offers a cashable GIC product that has a term of one year, but is cashable upon demand. Equitable Trust guarantees payment of the principal amount plus interest to the GIC holder in accordance with the terms of the GIC.

Equitable Trust sources its deposits primarily through the use of deposit agents who are members of either the Registered Deposit Brokers Association ("RDBA"), formerly the Federation of Canadian Independent Deposit Brokers, or the Investment Industry Regulatory Organization of Canada ("IIROC"), formerly the Investment Dealers' Association. RDBA members tend to be small to medium-sized regionally-based deposit agents, while IIROC members include bank-owned affiliates and other large investment dealers. The five largest bank affiliated deposit agents provided Equitable with 90.4% of its outstanding GICs as at December 31, 2008.

### **Risk Factors**

The Company (through Equitable Trust), like other financial institutions, is exposed to several risk factors that could adversely affect its business, financial condition or operating results. The risks faced by the Company are described on pages 25 through 28 of the Company's 2008 Management's Discussion and Analysis and those pages are incorporated herein by reference.

### **DIVIDENDS**

Dividends are payable on the common shares of the Company if, as and when declared by the Board of Directors.

The Company declared and paid dividends totalling \$0.40 per common share for each of the last three fiscal years.

### **DESCRIPTION OF CAPITAL STRUCTURE**

#### **Authorized Capital**

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. As at December 31, 2008, 14,882,710 common shares and no preferred shares were issued and outstanding. The following is a summary of the provisions of the common shares and the preferred shares of the Company.

#### **Common Shares**

The holders of common shares are entitled to vote at all meetings of the shareholders of the Company except meetings at which only holders of a specified class or series of shares are entitled to vote. The holders of common shares are entitled to receive dividends, if, as and when declared by the Board of Directors, subject to the preference of any holders of the preferred shares of the Company. After payment of all outstanding debts, the holders of common shares are entitled to receive the remaining property of the Company upon the liquidation, dissolution or winding-up thereof.

## Preferred Shares

The preferred shares are issuable from time to time in one or more series. The Board of Directors of the Company is authorized to fix (before issue) the number of, the consideration per share of, the designation of, and the provisions attaching to the preferred shares of each series, which may include voting rights. The preferred shares of each series will rank pari passu with the preferred shares of every other series and will be entitled to preference over the common shares and any assets in the event of liquidation, dissolution or winding-up of the Company. If any cumulative dividends or amounts payable on a return of capital are not paid in full, the preferred shares of all series will participate rateably in accordance with the amounts that would be payable on such shares if all such dividends were declared and paid in full or the sums that would be payable on such shares on the return of capital if all amounts so payable were paid in full, as the case may be.

## MARKET FOR SECURITIES

The common shares of the Company are traded on the TSX under the symbol "ETC".

The following table sets forth information relating to the monthly trading of the common shares on the TSX for the year ended December 31, 2008.

<u>Period</u>	<u>High</u> (\$)	<u>Low</u> (\$)	<u>Trading Volume</u>
January 2008	26.80	25.08	242,189
February 2008	24.86	24.86	999,706
March 2008	22.15	21.92	1,020,000
April 2008	21.10	20.90	651,336
May 2008	22.10	21.79	539,824
June 2008	21.50	21.48	954,853
July 2008	21.48	20.92	188,724
August 2008	21.20	21.10	176,758
September 2008	19.45	19.06	295,096
October 2008	13.49	12.37	357,618
November 2008	11.30	11.05	488,969
December 2008	11.99	11.75	2,130,000

## DIRECTORS AND OFFICERS

### Directors

Each director of the Company is also a director of Equitable Trust. Each director is elected for a term of one year, expiring at the next annual meeting of the Company. The following are the names and municipalities of residence of all directors as at December 31, 2008.

<b>Name and Municipality of Residence</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Board Committee Membership</b>	<b>Shareholdings</b>
Paul Alofs Toronto, Ontario, Canada	President and Chief Executive Officer, Princess Margaret Hospital Foundation	February 2, 2004	Corporate Governance	0
Austin Beutel Toronto, Ontario, Canada	Chairman, Oakwest Corporation Limited, an investment holding company	January 1, 2004	Chairman of the Board Corporate Governance (Chair)	2,086,640
Eric Beutel Toronto, Ontario, Canada	Vice-President, Oakwest Corporation Limited, an investment holding company	January 1, 2004	Investment (Equitable Trust)	2,096,640 <sup>(1)</sup>



<b>Name and Municipality of Residence</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Board Committee Membership</b>	<b>Shareholdings</b>
Joseph Dickstein Toronto, Ontario, Canada	Vice-Chairman, PPI Financial Group, a financial services company	January 1, 2004	Human Resources & Compensation (Chair) (Equitable Trust)	6,000
Eric Kirzner Toronto, Ontario, Canada	Professor of Finance, Rotman School of Management, University of Toronto	January 1, 2004	Audit (Chair) Corporate Governance	3,100
Andrew Moor Toronto, Ontario, Canada	President and Chief Executive Officer of the Company and Equitable	May 18, 2007	Investment (Equitable Trust)	19,600
Katherine Rethy Toronto, Ontario, Canada	Corporate Director and a Principal of Atticus Interim Management, a management consulting firm	May 15, 2008	Human Resources & Compensation (Equitable Trust)	2,200
Lionel Robins Toronto, Ontario, Canada	President, PFDL Investments Limited, an investment holding company	January 1, 2004	Investment (Equitable Trust) Corporate Governance	122,199
Michael Shulman Toronto, Ontario, Canada	President, The Birchwood Group Inc., an investment holding company	January 1, 2004	Audit Investment (Equitable Trust)	25,000
Nicholas Zelenczuk Toronto, Ontario, Canada	Senior Vice-President and Chief Financial Officer, CPP Investment Board	May 15, 2008	Audit	1,400

<sup>(1)</sup> Includes 2,086,640 shares held by Emberwood Glen Enterprises Ltd. Emberwood is a wholly-owned subsidiary of Oakwest Corporation Limited, of which both Austin Beutel and Eric Beutel are controlling shareholders.

Information as to shares owned, or over which control or direction is exercised, has been furnished by the respective directors.

Each of the individuals listed in the previous table held their current positions and offices for the past five years with the exception of:

- Mr. Alofs, who prior to 2003 was a private investor;
- Mr. Moor, who prior to March 1, 2007 was President and Chief Executive Officer of Invis Inc.;
- Ms Rethy, who prior to 2006 was Senior Vice-President, Global Services with Falconbridge Limited; and
- Mr. Zelenczuk, who from 2006 to 2009 was Senior Vice-President, Audit & Risk Management with BCE Inc. and prior to that was a Partner in the Advisory Services Group of KPMG LLP.

On February 4, 2009 Nicholas Zelenczuk resigned from the Board. Katherine Rethy was appointed to the Audit Committee to fill the vacancy created by Mr. Zelenczuk's resignation.

## Officers

The following table lists the name, municipality of residence and principal occupation of each executive officer of the Company and Equitable Trust as at the date hereof:

Name and Municipality of Residence	Position
Andrew Moor Toronto, Ontario, Canada	President and Chief Executive Officer of the Company and Equitable Trust
John Ayanoglou Markham, Ontario, Canada	Senior Vice-President, Finance and Chief Financial Officer of the Company and Equitable Trust
William Edmunds Toronto, Ontario, Canada	Senior Vice-President, Credit and Chief Risk Officer of Equitable Trust
Timothy Storus Toronto, Ontario, Canada	Vice-President, General Counsel, Chief Compliance Officer and Secretary of the Company and Equitable Trust
Kimberly Kukulowicz Toronto, Ontario, Canada	Vice-President, Mortgage Services of Equitable Trust
Tamara Malozewski Toronto, Ontario, Canada	Vice-President, Finance of the Company and Equitable Trust
Caryn Markman Toronto, Ontario, Canada	Vice-President, Residential Mortgages of Equitable Trust
David Soni Etobicoke, Ontario, Canada	Vice-President, Financial Controls of Equitable Trust
June Chan Toronto, Ontario, Canada	Controller of Equitable Trust
Nicholas Strube Toronto, Ontario, Canada	Treasurer of Equitable Trust
David Downie Toronto, Ontario, Canada	Assistant Vice-President, Commercial Mortgage Origination of Equitable Trust

All of the above named executive officers have held their respective present positions with the Company or Equitable Trust for the past five years, except for the following:

- Mr. Ayanoglou who, prior to joining the Company in May 2008, held the position of Vice-President, Chief Financial Officer and Corporate Secretary with Xceed Mortgage Corporation. During 2000 to 2003, he also served as Chief Financial Officer of Cartier Partners Financial Group (and its subsidiary, Regal Capital Planners);
- Mr. Edmunds who, prior to joining the Company in July 2007, held the position of President and Chief Risk Officer of GE Money Trust Company. He has held executive positions with financial institutions for over 13 years;
- Mr. Storus who, prior to joining the Company in August 2005, held the positions of General Counsel with E-L Financial Corporation Limited and Senior Legal Counsel with The Bank of Nova Scotia;
- Ms. Malozewski, who was appointed in February 2008. She has held the same position with Equitable Trust since November 2003;
- Ms. Markman who, prior to her appointment as Vice-President, Residential Mortgages in December 2007, held the position of Assistant Vice-President, Residential Mortgages with Equitable Trust;

- Ms. Chan who, prior to January 2006, was an Audit Manager at Ernst & Young LLP; and
- Mr. Soni who, prior to April 2006, was an independent consultant in banking, finance, treasury and risk management.

As at December 31, 2008, the above-named directors and executive officers as a group beneficially owned, directly or indirectly, or exercised control over 2,381,709 common shares of the Company, representing approximately 16.0% of the total number of outstanding common shares.

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

To the knowledge of the Company, no director or executive officer of the Company:

- is, as at the date of this AIF or has been within the last 10 years, a director or executive officer of any company that was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days that was issued:
  - while the director or executive officer was acting in the capacity of a director, chief executive officer or chief financial officer; or
  - after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the person was acting in the capacity as director, chief executive officer or chief financial officer;
- is, as at the date of this AIF, or has been within the last 10 years, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- has, or within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

Furthermore, to the knowledge of the Company, no director or executive officer of the Company has been subject to (a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

#### **Conflicts of Interest**

To the knowledge of the Company, no director or executive officer of the Company has an existing or potential conflict of interest with the Company or Equitable Trust.

#### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

In the ordinary course of business, the Company and Equitable Trust are parties to legal proceedings. Although the outcome of such proceedings is difficult to predict, based on current knowledge, the Company and Equitable Trust do not expect that liabilities, if any, arising from pending litigation will have a material adverse effect on the consolidated financial position or the results of operations of the Company.

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

No director, or executive officer, or an associate thereof has or had any material interest, direct or indirect, in any transaction within the last three years that has materially affected or will materially affect the Company or Equitable Trust, other than as disclosed in Note 18 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2008, which are incorporated herein by reference.

#### **MATERIAL CONTRACTS**

The Company did not enter into any contract, other than in the ordinary course of business, which is material to the Company during the 2008 financial year.

## TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Company's common shares is Computershare Investor Services Inc., 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1.

## EXPERTS

The Company's auditors are KPMG LLP, Suite 3300, Commerce Court West, P.O. Box 31, Station Commerce Court, Toronto, Ontario, M5L 1B2.

## AUDIT COMMITTEE INFORMATION

### Audit Committee Mandate

The mandate of the Company's Audit Committee is attached hereto as Schedule "A".

### Composition of the Audit Committee

The following directors were members of the Audit Committee as at December 31, 2008: Eric Kirzner (Chairman), Michael Shulman and Nicholas Zelenczuk. Mr. Zelenczuk resigned from the Audit Committee and the Board on February 4, 2009 and Katherine Rethy was appointed to the Audit Committee on the same date. Each member of the Audit Committee is both independent and financially literate, and is also responsible for Audit Committee matters related to Equitable Trust.

### Relevant Education and Experience

The relevant education and experience of each Audit Committee member as at December 31, 2008 is described below.

**Eric Kirzner (Chairman)** – Professor Kirzner is a Professor of Finance and the John H. Watson Chair in Value Investing at the Rotman School of Management at the University of Toronto. Professor Kirzner is also Director of University of Toronto Asset Management Corporation (and Chair of the Audit Committee), External Adviser to the Investment Committee of the Hospitals of Ontario Pension Plan (HOOPP), Chair of the Independent Board of Advisors of Scotia Securities Inc., and Vice-Chair of the IROC Equity Trading Committee. From 1998 to 2003 he was a director of Deutsche Bank (Canada) and Chair of its Audit Committee.

**Michael Shulman** – Mr. Shulman has been President of The Birchwood Group Inc. since 1987, a company which is an active investor in private equity and real estate in North America. He is a Chartered Accountant and the former Chairman of a national firm of Chartered Accountants.

**Nicholas Zelenczuk** – Mr. Zelenczuk is Senior Vice-President and Chief Financial Officer of the CPP Investment Board. He has more than 20 years of experience in the financial services industry and was most recently Senior Vice-President, Audit and Risk Management with BCE Inc. Previously he was a Partner in the Advisory Services Group of KPMG LLP. Earlier in his career he served as President and CEO of Deutsche Bank Canada and has held a variety of senior financial positions at CIBC Wood Gundy and at Citibank Canada's investment banking division. Mr. Zelenczuk received his B.Comm. (Honours) degree from Queen's University and is a Chartered Accountant.

**Katherine Rethy** – Ms. Rethy is a Corporate Director and a Principal of Atticus Interim Management, a management consulting firm. Ms. Rethy is an accomplished senior executive with over 23 years in professional, management and executive roles in Canadian-based global industrial companies. Her most recent position was Senior Vice-President, Global Services with Falconbridge Limited. Ms. Rethy has an LL.B. from the University of Windsor and an M.B.A. from York University and is a graduate of the Institute of Corporate Directors.

### Pre-Approval Policies and Procedures

The Audit Committee has set out in its mandate that it will pre-approve all non-audit services in excess of \$15,000 that may, from time to time, be provided by the external auditors.

## External Auditor Service Fees

Category	2008	2007
Audit Fees	\$ 342,000	\$298,000
Audit Related Fees	\$ 178,500	\$176,000
Tax Related Fees	\$ 9,000	\$ 8,000
All Other Fees	-	\$ 63,000

### *Audit Fees*

Audit fees were paid for professional services rendered by the auditors for the audit of the Company's annual consolidated financial statements or services provided in connection with statutory and regulatory filings, and the review of the Company's interim financial statements.

### *Audit Related Fees*

Audit-related fees relate to services provided in connection with the prospectus and new accounting standards, and the specified procedures report.

### *Tax Related Fees*

Tax-related fees were paid for professional services relating to tax compliance and tax advice.

### *All Other Fees*

All Other Fees were paid for services in connection with Equitable Trust's Basel II Pillar 2 Internal Capital Adequacy Assessment Process requirements.

## ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.equitablegroupinc.com](http://www.equitablegroupinc.com).

Additional financial information is provided in the Company's consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2008.

Further information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's Management Information Circular for its most recent annual meeting of shareholders.

Copies of the information referred to in this section may be obtained by writing to the Secretary of Equitable Group Inc., 30 St. Clair Avenue West, Suite 700, Toronto, Ontario, M4V 3A1 or via e-mail at [corporatesecretary@equitablegroupinc.com](mailto:corporatesecretary@equitablegroupinc.com).

## SCHEDULE "A"

### AUDIT COMMITTEE MANDATE

#### **A. Role and Responsibility**

The Audit Committee of Equitable Group Inc. (the "Company") assists the Board of Directors in fulfilling its oversight responsibilities in the following areas: (i) the quality and integrity of the Company's consolidated financial statements; (ii) the performance of the internal audit function; (iii) the qualifications, independence and performance of the external auditors; (iv) the identification and monitoring of the Company's Business, Control/Management, Operational, Strategic and Reputational Risks as set out in The Equitable Trust Company's Internal Capital Adequacy Assessment Process; (v) compliance with legal and regulatory requirements, including the Company's system of internal controls; and (vi) the performance of other responsibilities as delegated to the Audit Committee by the Board.

#### **B. Duties**

The Audit Committee shall have the following duties:

##### *Financial Reporting*

- Review the interim consolidated financial statements, interim management's discussion and analysis of financial Condition and Results of Operations ("MD&A"), and interim earnings press releases and recommend their approval to the Board before they are publicly disclosed;
- Review the annual consolidated financial statements, annual MD&A, information returns and annual earnings press releases and recommend their approval to the Board before they are publicly disclosed;
- Review and discuss with management and the external auditors significant financial reporting issues made in connection with the preparation of the Company's consolidated financial statements including critical accounting policies, accounting principles, practices, and significant management estimates and judgments and any changes thereto;
- Review any material proposed changes in accounting standards and securities policies or regulations relevant to the Company's consolidated financial statements;
- Ensure adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from its consolidated financial statements, other than the routine financial statement and MD&A public disclosure, and periodically assess the adequacy of those procedures;
- Review the process relating to and the certifications of the Chief Executive Officer and the Chief Financial Officer on the integrity of the Company's interim and annual consolidated financial statements;
- Review earnings press releases, financial information and earnings guidance (if any) provided to analysts and rating agencies prior to public disclosure; and
- Review the Annual Information Form.

##### *Internal Audit*

- Review at least annually the mandate of internal audit and the annual audit plan and ensure that the function has the necessary resources to fulfill its mandate and responsibilities;
- Review with the Head of Internal Auditor the quarterly and periodic reports of the internal audit department and management's response thereto, monitoring any necessary or subsequent follow-up on any identified issues and reviewing any problems experienced by the Head of Internal Auditor in the course of internal audits;
- Discuss with the Head of Internal Auditor the effectiveness of the Company's internal control procedures;
- Meet in private with the Head of Internal Audit at least twice annually; and
- Assess the performance of the Head of Internal Audit and confirm his/her appointment/dismissal.

##### *External Auditors*

- Ensure that the external auditors report directly to the Audit Committee;
- Oversee the work of the external auditors appointed to express an opinion on the financial statements based on their audit or in performing other audit, review or attest services, including the resolution of disagreements between management and the external auditors regarding financial reporting;
- Review a report from the external auditors describing:
  - the auditors' internal quality-control procedures;
  - all relationships between the external auditors and the Company that may affect the independence of the external auditors;

- Evaluate the performance of the external auditors and make recommendations to the Board regarding (i) the external auditors to be nominated for appointment by the shareholders of the Company, and (ii) the compensation of the external auditors;
- Review annually the total fees paid to the external auditors by category;
- Pre-approve all non-audit services in excess of \$15,000 to be provided to the Company by the external auditors;
- Review the annual audit plan with the external auditors and management, making recommendations as to the scope, extent and manner in which the external audit will be conducted and, where applicable, review reports from the external auditors on the progress of the external audit;
- Review the engagement letter;
- Review the rotation plan for partners on the engagement;
- Discuss with the external auditors the quality and acceptability of the accounting principles applied in preparing the financial statements; and
- Review and approve hiring policies regarding partners, employees, former partners and former employees of the present or former external auditors of the Company.

*Compliance and Internal Controls*

- Require management to implement and maintain appropriate internal control procedures, including anti-fraud controls, and review, evaluate and approve those procedures;
- Receive reports from management and internal audit on the design and operating effectiveness of internal controls and any significant control breakdowns;
- Receive reports from management on the Company's compliance with legal and regulatory requirements and the effectiveness of the Company's compliance policies;
- Review and approve procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls, or auditing matters; and
- Review the mandate of the Chief Compliance Officer and his/her appointment or dismissal.

*Other*

- Review and assess the adequacy of this Mandate annually, and evaluate the Committee's effectiveness with respect to this Mandate; and
- Perform such other duties and responsibilities imposed upon the Committee by applicable law or delegated to the Committee, from time to time, by the Board.

**C. Membership**

1. The Committee shall consist of a minimum of three directors.
2. Each member must be independent as defined by the Canadian Securities Administrators Multilateral Instrument 52-110 and must not be a current or former officer or employee of the Company, or its affiliate.
3. Members are appointed annually by the Board immediately following the annual meeting of shareholders of the Company. Members shall hold office until their successors are appointed or until they cease to be Directors of the Company.
4. Each member must be financially literate or be willing to acquire the necessary knowledge quickly. Financial literacy is defined as the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

**D. Vacancies**

Vacancies may be filled for the remainder of the current term of appointment of members of the Committee by the Board.

**E. Chairman and Secretary**

1. The Board shall appoint one of the directors elected to the Committee as the chairman of the Committee. In the absence of the appointed chairman, the members shall elect one of the Committee members present to act as chairman of that meeting.
2. The Secretary of the Company or designate, shall be the secretary of all meetings of the Committee and shall maintain minutes of all meetings and deliberations of the Committee.

**F. Meetings and Quorum**

1. Meetings of the Committee may be called by the Chair, by any Committee member or by the external auditors. Members may participate in meetings in person or by telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other. A member participating by such means is deemed to be present at that meeting.
2. The Committee may invite any director, officer or employee or any other person to attend meetings to assist the Committee with its deliberations.
3. Notice of each Committee meeting shall be sent to each member of the Committee by pre-paid mail, by personal delivery or other means of transmitted or recorded communication at least 24 hours before the time fixed for the meeting.
4. Notice of each Committee meeting shall also be given to the external auditor and the Head of Internal Audit, to attend and be heard at each meeting and to have the opportunity to discuss matters with the independent directors, without the presence of management.
5. Quorum for a meeting shall be a majority of the Committee members, subject to a minimum of 2 members.
6. The Committee shall report to the Board on its proceedings after each of its meetings.

**G. Frequency**

The Committee shall meet at least quarterly and shall be convened at such times, places and in such a manner as determined by the Chair of the Committee.

**H. Access to Information**

1. In the performance of its duties and responsibilities, the Committee shall have access to any and all books and records of the Company necessary for the execution of the Committee's obligations and shall discuss with the officers and auditors of the Company such accounts, records and other matters considered appropriate.
2. The Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay the compensation for the advisors employed by it.