

**ADOPTED**

**9/20/2004**

**(As amended 3/12/07)**

**HOME Banc CORP.**

**BOARD OF DIRECTORS**

**CORPORATE GOVERNANCE GUIDELINES**

The following corporate governance guidelines have been approved and adopted by the Board of Directors (the “Board”) of HomeBanc Corp. (the “Company”) to provide a framework within which the Board and management can effectively pursue the Company’s objectives for the benefit of its shareholders. These guidelines, along with the Company’s Articles of Incorporation, Bylaws, Code of Conduct and Ethics, Code of Ethics for Senior Financial Officers and the charters of various Board committees, provide the foundation for the Company’s governance.

**I. THE ROLE OF THE BOARD AND MANAGEMENT**

The Board believes that the Company’s long-term success is dependent upon the maintenance of an ethical business environment that focuses on adherence to both the letter and spirit of the regulatory and legal mandates, as well as the Company’s Code of Conduct and Ethics. The Board expects management to conduct operations in an ethical manner consistent with applicable laws, rules and regulations and the Company’s Code of Conduct and Ethics and Code of Ethics for Senior Financial Officers.

The Board is elected by the Company’s shareholders and represents the shareholders’ interest in perpetuating and increasing the value of the business enterprise. The Board believes that the primary responsibility of Directors is to oversee the affairs of the Company for the benefit of the Company and its shareholders. The Board recognizes and agrees that day-to-day management of the Company is the responsibility of the Company’s executive officers and that the role of the Board is to oversee management’s performance of that function. The responsibility of each Director is to exercise his or her business judgment and to act in what he or she reasonably believes to be in the best interests of the Company and its shareholders.

The Company’s management, under the oversight of the Board and its Audit Committee, has the responsibility to prepare financial statements that fairly present the Company’s consolidated financial position, results of operations and cash flows. The Board periodically shall approve operating and strategic plans and review financial performance periodically, including both actual performance for the period reviewed and performance relative to the Company’s overall strategic plan. The Audit Committee has the responsibility to engage an independent accounting firm, which will audit the financial statements prepared by management and issue an opinion on those statements based on Generally Accepted Accounting Principles. The Board, the Audit Committee and management shall establish and adhere to policies designed to prevent actions by the Company or its employees that might compromise the independence of the independent auditors.

## **II. BOARD FUNCTIONS**

The Board, directly and through its appropriate committees, shall:

- review and approve strategic plans;
- review Company financial and strategic performance;
- oversee and evaluate management's systems for internal control, financial reporting and public disclosure;
- establish and review periodically corporate governance standards;
- select the Company's Chief Executive Officer, and evaluate and determine the compensation of the Chief Executive Officer;
- evaluate and approve the Company's overall compensation philosophy, including compensation and incentive plans, for employees and officers for the Company and its subsidiaries, taking into account the methodology and recommendations provided by the Chief Executive Officer, and administer incentive compensation plans;
- evaluate the information and recommendations provided by the Chief Executive Officer for senior management performance and senior management compensation;
- plan for effective succession of the Chief Executive Officer and senior management;
- set a tone for a climate of corporate trust and confidence, as well as legal compliance;
- set standards for Director qualification;
- set standards for Director orientation and continuing education; and
- undertake an annual performance evaluation of the Board.

## **III. SELECTION OF THE BOARD**

### **A. Board Membership Criteria**

The Nominating and Governance Committee will annually review the appropriate experience, skills and qualifications expected of Board members in the context of the current membership of the Board. This assessment should include, among other relevant factors, in the context of the perceived needs of the Board at that time, issues of experience, reputation, judgment, diversity and skills.

Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the Company and its shareholders. In selecting candidates for nomination as Directors, the Nominating and Governance Committee will consider such criteria as it may deem appropriate, which may include current or recent experience as a senior executive officer, business expertise currently desired on the Board (with specific attention to the requirements for membership on the Audit Committee), industry experience, general ability to enhance the overall composition of the Board, and subscription to the Company's values philosophy (collectively, the "Screening and Selection Criteria"). Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and

should be committed to serving on the Board for an extended period of time. The number of other public company boards on which a Director may serve shall be subject to a case-by-case review by the Nominating and Governance Committee to determine whether each Director will be reasonably likely to devote sufficient time to perform his or her duties as a Director of the Company. A Director must advise the Chairman of the Board and the Chairman of the Nominating and Governance Committee before accepting an invitation to serve as a director of another public company. The Nominating and Governance Committee, in consultation with the Chairman of the Board, will review whether such board membership may unduly affect the ability of the Director to fulfill the Director's duties to the Company.

### **B. Selection of New Directors**

The Board should be responsible for selecting its own nominees and recommending them for election by the shareholders. The Board delegates the screening process necessary to identify qualified candidates to the Nominating and Governance Committee, including consultation with the Chairman of the Board and the Chief Executive Officer.

The Nominating and Governance Committee, in consultation with the Chairman of the Board, shall periodically examine the composition of the Board and determine whether the Board would better serve its purposes with the addition of one or more Directors. If the Nominating and Governance Committee determines that adding a new Director is advisable, the Committee shall initiate a search for a suitable candidate, which may include working with other Directors, management and a search firm retained to assist in the search, each as the Nominating and Governance Committee deems necessary or appropriate. The Nominating and Governance Committee shall consider all appropriate candidates proposed by management and the Directors and all candidates properly submitted by shareholders pursuant to the procedures set forth in Section III.C below. The Nominating and Governance Committee shall determine the process to consider nominations for directors received from the Company's shareholders. Information regarding potential candidates shall be presented to the Nominating and Governance Committee, which shall evaluate the candidates based on the needs of the Board at that time, the criteria listed in these Guidelines and the criteria established from time to time by the Nominating and Governance Committee. The Nominating and Governance Committee shall then meet to consider the selected candidate(s), and submit the approved candidate(s) to the full Board for approval and recommendation to the shareholders.

### **C. Shareholder Recommendations of Board Nominees**

Any shareholder may recommend a candidate for nomination, provided the shareholder has continuously held, for at least the one year prior to the date the nomination is submitted, at least \$2,000 in market value, or 1%, of the Company's securities entitled to vote for the election of directors, by submitting notice of such recommendation, together with the other information specified herein, in writing, to the Nominating and Governance Committee, c/o Secretary, HomeBanc Corp., 2002 Summit

Boulevard, Suite 100, Atlanta, Georgia, 30319. In order to be considered by the Board and the Nominating and Governance Committee, such nominations must be received no less than 120 days and not more than 180 days prior to the anniversary of the date of the Company's notice of annual meeting provided with respect to the previous year's annual meeting of shareholders; *provided, however*, that if no annual meeting was held in the previous year or if the date of the next annual meeting has been changed by more than 30 calendar days from the date of the previous year's annual meeting, such notice by the shareholder, to be timely, must be received no later than the close of business on the 10<sup>th</sup> day following the date on which the notice of the date of the annual meeting is given to shareholders or made public, whichever occurs first.

Such shareholder recommendations of director nominees must set forth the following information to the extent known to the recommending shareholder: (1) the name, age, business address and residence address of the proposed nominee; (2) the principal occupation or employment of the proposed nominee; (3) the class and number of shares of Company capital stock beneficially owned by the proposed nominee; (4) the signed consent of the proposed nominee to being nominated and to serving as a Director of the Company; (5) a description of the relationship between the proposed nominee and the shareholder making the nomination, including material interests of the shareholder in the business of the nominee; (6) a description of any arrangement or understanding between the proposed nominee and the shareholder making the nomination or any other person or persons (and the name of such other person or persons) pursuant to which the nominations are made by the shareholder making the nomination; (7) the name and address of the shareholder, as they appear on the record books of the Company; (8) the class and number of shares of Company capital stock beneficially owned by the shareholder making the nomination recommendation; (9) any other information required to be disclosed in solicitations of proxies for elections of directors or that is otherwise required pursuant to Regulation 14A; (10) a director and officer questionnaire; and (11) a consent that permits the Company to conduct background checks of the proposed nominee.

No shareholder nominee shall be eligible for election unless that person is nominated by the Nominating and Governance Committee after compliance with these procedures. At the annual meeting of shareholders, the Chairman of the Board may, if the facts warrant, determine and declare at the meeting that a shareholder nomination was not made in accordance with these procedures. If the Chairman of the Board makes such determination, the nomination shall be disregarded.

#### **IV. BOARD COMPOSITION**

##### **A. Size of the Board**

The Company's Articles of Incorporation, as amended, provides that the number of directors which shall constitute the whole Board of Directors shall be fixed from time to time by resolution of the Board. The Board shall determine, after considering the recommendations of the Nominating and Governance Committee, the number of

members of the Board appropriate to provide that all of the necessary or desirable core competencies are possessed by the Board as a whole.

### **B. Director Independence**

The Company shall have at all times a majority of independent directors, as required by the New York Stock Exchange (“NYSE”). All non-management directors serving as members of the Board shall be independent directors. For purposes of determining if any director is an “independent director”, the Company has adopted categorical standards for determining director independence, which are attached hereto as Annex A (the “Director Independence Standards”) and which take into consideration the definition of “independent director” as defined by the rules and regulations of the NYSE. At least once per year, the Board will review each relationship that exists with a Director and his or her related interests for the purpose of determining whether the Director is independent under the Director Independence Standards. This information shall be initially reviewed by the Nominating and Governance Committee and, in the case of members of that committee, also by the full Board.

The Board shall consider all relevant facts and circumstances when making a determination of independence. The Board shall consider the issue not merely from the standpoint of a Director, but also from that of persons or organizations with which the Director has a significant affiliation. An independent director should be free of any relationship with the Company or its management that is reasonably likely to impair the Director’s ability to make independent judgments.

### **C. Service on Other Boards of Directors**

In deciding whether to serve on another public company board, the Board believes that Directors should consider his or her time commitments, the potential effects on his or her attendance of Board meetings, and participation and effectiveness on all boards where he or she serves. Prior to accepting an invitation to serve on another public company’s board of directors, Directors should advise the Chairman of the Board and the Chairman of the Nominating and Governance Committee. The Nominating and Governance Committee, in consultation with the Chairman of the Board, will review whether such board membership may unduly affect the ability of the Director to fulfill the Director’s duties to the Company.

### **D. Term and Age Limits**

The Board has determined not to establish formal term limits or age limits for the retirement of directors. However, the Nominating and Governance Committee, in conjunction with the Chairman of the Board, will formally review each Director’s continuation on the Board shortly before the end of such Director’s then current term. This review shall be conducted in connection with the Nominating and Governance Committee’s annual evaluation of governance and Board effectiveness, consideration of nominations to the Board at the annual shareholders’ meeting at which such Director’s term shall expire, and the Board’s annual self-evaluation.

## **V. BOARD MEETINGS**

### **A. Selection of Agenda Items for Board Meetings**

The Chairman of the Board and the Lead Independent Director, in consultation with the Chief Executive Officer, will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda. Each Director may raise, at any Board meeting, subjects that are not on the agenda for that meeting.

### **B. Attendance at Board Meetings and Review of Board Materials**

Each Director is expected to attend all meetings of the Board and committees on which the Director serves, and is expected to attend the Company's Annual Meeting of Shareholders. In advance of each Board meeting, a proposed agenda and, to the extent feasible or appropriate, information and data that is important to an understanding of the business to be discussed, will be distributed. Each Director is requested to review these materials prior to the Board meeting.

### **C. Lead Independent Director**

One independent Director, to be determined on a rotating basis, shall be elected by the independent Directors as the Lead Independent Director. At all times when the Chairman of the Board is an independent Director, the Chairman of the Board shall be the Lead Independent Director. The Lead Independent Director shall be responsible for leading the executive sessions of independent Directors, advising on Board meeting schedules and agendas, and for performing such other duties as are requested by the Board. The general authority and responsibilities of the Lead Independent Director shall be established by the Board, and shall include communicating the results of the evaluations of the Chairman of the Board and the Board; however, if the Chairman of the Board is the Lead Independent Director, the results of the evaluations of the Chairman of the Board shall be communicated by the Chairperson of the Nominating and Governance Committee. In addition, where appropriate, the Lead Independent Director shall be responsible for coordinating responses to shareholders and leading the Board in crisis situations. The Lead Independent Director shall serve a one-year term in such capacity, or until his or her resignation as Lead Independent Director or the election by the independent Directors of a successor Lead Independent Director.

## **VI. BOARD COMMITTEES**

### **A. Number, Structure and Independence of Committees**

The Company shall have an Audit Committee, a Compensation Committee, and a Nominating and Governance Committee. All members of the Audit Committee, the Compensation Committee and the Nominating and Governance committee shall be "independent," as such term is defined by the NYSE and the applicable rules of the Securities and Exchange Commission ("SEC"). The Board may appoint an Executive Committee or such other committees as it deems appropriate from time to time.

## **B. Assignment of Committee Members**

The Nominating and Governance Committee shall, after consultation with the Chairman of the Board and with consideration of the desires of individual Board members, recommend to the full Board the assignment of Board members to committees.

## **C. Committee Meetings**

Each Committee Chairperson, in consultation with committee members, will determine the frequency and length of committee meetings. Each committee shall meet as set forth in each Committee's charter, and otherwise as frequently as required to carry out its responsibilities. Each Committee Chairperson, in consultation with the appropriate members of senior management and staff, will develop the agenda for each committee meeting.

# **VII. DIRECTOR OBLIGATIONS**

## **A. Ethics and Conflicts of Interest**

Directors, as well as officers and employees, must act ethically at all times and should acknowledge their adherence to the policies described in the Company's Code of Conduct and Ethics and in these Guidelines. If an actual or potential conflict of interest exists for a Director, the Director should promptly inform the Chairman of the Board and the Lead Independent Director, and if the conflict of interest involves the Chairman of the Board or the Lead Independent Director, the Director should inform the Chairman of the Nominating and Governance Committee. If a significant conflict exists and cannot be resolved, the Director should submit his or her resignation to the Board. All Directors shall recuse themselves from any discussion or decision affecting their personal or professional interests.

## **B. Reliance on Others; Liability Insurance**

In discharging their obligations and responsibilities, the Directors are entitled to rely, in good faith, on the honesty and integrity of their fellow Directors, the Company's management, independent auditors and outside advisors. Further, to promote the ability of each Director to act in accordance with the Director's reasonable, good faith business judgment without undue concern for the substantial risk of personal liability faced by public company directors, the Company shall seek to purchase and maintain at all times directors' and officers' liability insurance in amounts deemed reasonably appropriate.

## **C. Directors Who Change Their Present Job Responsibility or Who Become Non-Independent Directors**

Directors who change the occupation or position they held when initially elected shall immediately notify the Chairman of the Board and the Chairman of the Nomination and Governance Committee of such change. Directors who are independent directors when initially elected who, for any reason, may subsequently not satisfy all criteria for independent directors set forth in the Director Independence Standards shall immediately

notify the Chairman of the Board and the Chairman of the Nominating and Governance Committee of such change in status and tender his or her resignation from the Board. The Board does not believe that in every instance Directors who retire or change from the occupation or position they held when they became Board members should necessarily be required to leave the Board or that any non-management director who may subsequently be deemed non-independent should immediately be required to leave the Board. There should, however, be an opportunity for the Board, through the Nominating and Governance Committee, to review the continued appropriateness of Board membership under the changed circumstances. If requested by the Chairman of the Board, the resignation tendered by such Director whose occupation has so or who has ceased to be an independent director changed shall be accepted, and such Director shall cease to be a Director

## **VIII. DIRECTOR ORIENTATION AND EDUCATION**

The Company will establish, or identify and provide access to, appropriate orientation programs, sessions or materials for newly elected Directors. The program or materials will include information to acquaint new Directors with the Company, including its strategy, long-range plans, financial statements, properties and operations, Corporate Governance Guidelines and the Code of Conduct and Ethics. As part of the orientation, new Directors will be introduced to the Company's senior management, its internal auditors and its independent auditors. From time to time, Directors will receive information and updates on legal and regulatory changes that affect the Company and the Directors.

## **IX. DIRECTOR COMPENSATION**

The form and amount of Director compensation will be determined by the Compensation Committee in accordance with policies and principles set forth in its charter. Changes in Director compensation recommended by the Compensation Committee will be considered by the Board, which may approve or deny such changes, in whole or in part. The Board believes that the level of Director compensation generally should be competitive with that paid to directors of other corporations of similar size and complexity, and the time and effort required by the Company of its Directors. The Company's management periodically shall review and report to the Compensation Committee the status of the Company's Board compensation in relation to other comparable companies. The Compensation Committee understands that the independence of Directors may be jeopardized if Director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a Director is affiliated, or if the Company enters into consulting contracts with or provides other direct or indirect compensation to a Director or an organization with which the Director is affiliated.

## **X. BOARD ACCESS TO SENIOR MANAGEMENT AND ADVISORS**

Board members have unrestricted access to the Company's senior management. Furthermore, the Board encourages senior management, from time to time, to bring to

Board meetings officers and managers who: (a) can provide additional insight to matters before the Board because of such person's involvement in the areas being discussed, or (b) are officers and managers with potential for future advancement that senior management believes should be given exposure to the Board. As necessary and appropriate, Board members shall also have access to outside legal, accounting and other professional advisors to assist them in carrying out their duties and responsibilities as Directors.

## **XI. SHAREHOLDER COMMUNICATIONS WITH THE BOARD**

Shareholders who wish to communicate with the Board, a Board committee, the non-management Directors as a group, or other individual Directors may do so by sending written communications addressed to: Board of Directors of HomeBanc Corp., c/o Office of the General Counsel, HomeBanc Corp., 2002 Summit Boulevard, Suite 100, Atlanta, Georgia 30319. All communications will be compiled by the Secretary and submitted to the Board at its next regularly scheduled meeting.

## **XII. ANNUAL PERFORMANCE EVALUATIONS**

The Board shall conduct an annual evaluation of itself and its committees to determine whether it and its committees are functioning effectively, individually and as a whole. The Nominating and Governance Committee shall receive and review comments from each Director and report to the Board with an assessment of the Board's performance. This assessment should review the Board's contribution as a whole and the areas in which the Board and/or management believes a better contribution is possible. Similar annual reviews and assessments will be undertaken by each of the Board's committees.

## **XIII. LEADERSHIP DEVELOPMENT**

### **A. Formal Evaluation of the Chairman of the Board**

Each year, or more frequently if desired, the Nominating and Governance Committee shall evaluate the performance of the Chairman of the Board. In evaluating the Chairman, the committee shall take into consideration the Chairman's performance in both qualitative and quantitative areas, such as: leadership and vision, integrity, and keeping the Board informed on matters affecting the Company and its affiliated subsidiaries.

### **B. Formal Evaluation of the Chief Executive Officer**

Each year, or more frequently as desired, the Compensation Committee shall evaluate the performance of the Chief Executive Officer. In evaluating the Chief Executive Officer, the committee shall take into consideration the Chief Executive Officer's performance in both qualitative and quantitative areas, such as integrity and the performance of the business, including the achievement of financial objectives and goals. The committee shall set the compensation of the Chief Executive Officer. The Compensation Committee's evaluation of the Chief Executive Officer will be

communicated to the Chief Executive Officer by the Chairman of the Compensation Committee and considered by the Compensation Committee in the course of its deliberations when establishing the compensation of the Chief Executive Officer for the ensuing year.

### **C. Succession Planning**

The Nominating and Governance Committee shall establish procedures for succession planning for the Chief Executive Officer. The Chief Executive Officer will periodically provide to the Nominating and Governance Committee a report regarding his or her leadership development plans regarding succession planning for the position of Chief Executive Officer, which shall include a recommendation for his or her successor as a result of an unexpected event to the Chairman of the Nominating and Governance Committee. This report and recommendation should be updated by the Chief Executive Officer periodically.

The Board has the responsibility to fill the positions of Chairman and Chief Executive Officer as it deems best for the Company and its shareholders from time to time.

## **XIV. PERIODIC REVIEW OF CORPORATE GOVERNANCE GUIDELINES**

These Corporate Governance Guidelines shall be reviewed by the Nominating and Governance Committee on a periodic basis, but not less than annually. Any recommended changes shall be submitted to the Board for consideration.

## **XV. DISCLOSURE OF CORPORATE GOVERNANCE GUIDELINES**

The Company shall maintain, and update promptly, its investor relations Internet website to include these Corporate Governance Guidelines, and its committee charters, including, without limitation, its Audit, Compensation, and Nominating and Governance Committee Charters, and disclose in its annual proxy statement that this information is available on the Company's website, and is available in print to any Company shareholder that requests it.

### **Categorical Standards for Determining Director Independence**

The Corporate Governance Guidelines (the “Guidelines”) of HomeBanc Corp. (the “Company”) provide that the Company shall have at all times a majority of independent directors as defined by the rules and regulations of the New York Stock Exchange. For a director to be deemed “independent,” the Company’s Board of Directors (the “Board”) must affirmatively determine that the director has no material relationship with the Company or his or her affiliates. This determination shall be disclosed in the proxy statement for each annual meeting of the Company’s shareholders.

In making its determination of director independence, the Board shall apply the following standards:

1. No director shall be deemed “independent” if:
  - a. The director is, or has been within the last three years, an employee of the Company or an immediate family member of such director is, or has been within the last three years, an executive officer of the Company.
  - b. The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).
  - c. (i) The director, or an immediate family member of such director, is a current partner of a firm that is the Company’s internal or external auditor; (ii) the director is a current employee of such firm; (iii) the director has an immediate family member who is a current employee of such a firm and who participates in the firm’s audit, assurance or tax compliance (but not tax planning) practice; or (iv) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company’s audit within that time.
  - d. The director, or an immediate family member of such director, is, or has been within the last three years, employed as an executive officer of another company where any of the Company’s present executive officers at the same time serves or served on that company’s compensation committee.

- e. The director a current employee or general partner, or an immediate family member of such director is a current executive officer or general partner of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other entity's consolidated gross revenues.
  - f. In addition to the immediately preceding provision above that applies to property and services generally, the director is, or an immediate family member of such director is, an executive officer, general partner or significant equity holder (i.e., in excess of 10%) of an entity that is a paid provider of professional services to the Company, any of its affiliates, any executive officer or any affiliate of an executive officer, and which received payments with respect to such services in an amount which, in the preceding twelve months, exceeds \$100,000 (but does not exceed the greater of \$1 million or 2% of such other entity's consolidated gross revenue).
  - g. The director is an executive officer of any tax exempt organization that received contributions in any single fiscal year within the preceding three years which exceeded the greater of \$1 million or 2% of such tax exempt organization's consolidated gross revenues.
2. Notwithstanding the foregoing, arm's-length transactions entered in the normal course of business between the Company and any director (or any immediate family member of such director) which consist solely of first or second mortgage loans on the principal dwelling or owner-occupied second home of such person extended on the same non-preferential, market terms (including fees and charges) offered by the Company to its customers generally, shall not disqualify a director from being deemed independent.

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