



**ANNUAL INFORMATION FORM**

For the Fiscal Year Ended December 31, 2009

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**MARCH 22, 2010**

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**ACCORD FINANCIAL CORP.  
ANNUAL INFORMATION FORM  
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## **ACCORD FINANCIAL CORP.**

### **ANNUAL INFORMATION FORM For the Fiscal Year Ended December 31, 2009**

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#### **GENERAL**

Included in this Annual Information Form ("AIF") are certain forward-looking statements. All statements regarding Accord Financial Corp. (the "Company"), other than statements of historical facts included in this AIF, including, without limitation, those regarding the Company's financial position, business strategy, projected costs and plans, objectives of management for future operations and certain risks affecting the Company's business (as described on pages 19 and 20 of the Company's 2009 Annual Report to Shareholders ("2009 Annual Report"), which pages are incorporated herein by reference), may be or include forward-looking statements. The Company has tried to identify these forward-looking statements by using words such as "may", "will", "expect", "anticipate", "believe", "intend", "plan", "estimate", "potentially" and similar expressions. Such forward-looking statements necessarily involve known and unknown risks and uncertainties that may cause the Company's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to have been correct. The forward-looking information contained herein is current only as of the date of this document. The Company disclaims any intentions or obligation to update or revise any forward-looking statements or comments as a result of any new information, future event or otherwise, unless such disclosure is required by law.

Except as otherwise stated, the information in this AIF is given as of March 22, 2010 and all dollar amounts are stated in Canadian dollars.

#### **CORPORATE STRUCTURE**

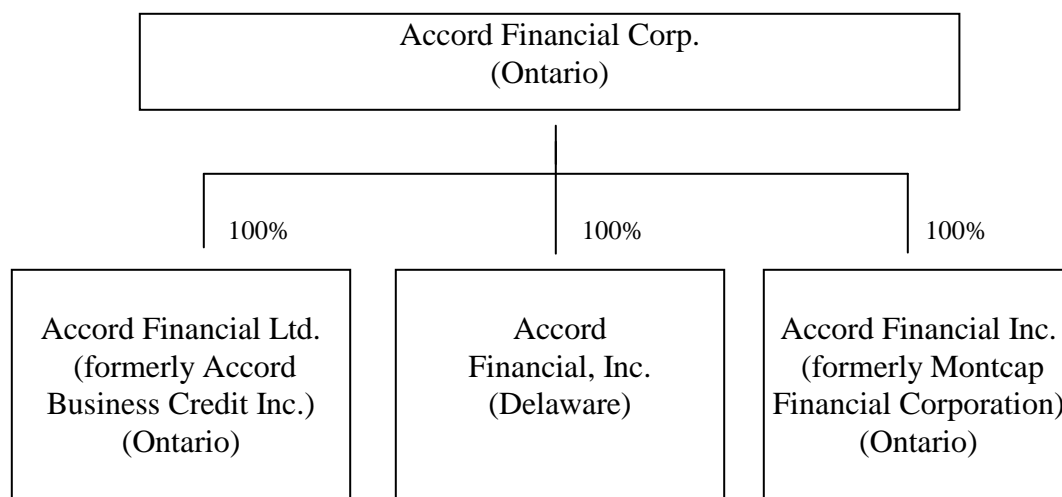
##### **Name, Address and Incorporation**

Accord Financial Corp. and its predecessor have been in the factoring and asset-based financing business since 1978. The Company was incorporated under the laws of Ontario by articles of continuance dated March 26, 1992. By articles of amendment dated March 31, 1992, the Company changed its name to its current name and split the outstanding common shares on a 6.4-for-one basis. By articles of amendment dated August 5, 1993, the authorized capital of the Company was amended by deleting the Class A Special Shares, the Class B Special Shares and the Second Preferred Shares in their entirety and conforming changes were made to the First Preferred Shares.

The Company's head office is located at 77 Bloor Street West, Suite 1803, Toronto, Ontario, M5S 1M2.

## Intercorporate Relationships

The Company is a holding company, which, through its subsidiaries, is a leading North American provider of factoring and other asset-based financial services to businesses, including financing, credit guarantees and receivables collection. The following chart sets forth the Company's corporate structure and its voting and equity interest in each of its subsidiaries and their respective jurisdictions of incorporation as at December 31, 2009.



## GENERAL DEVELOPMENT OF THE COMPANY'S BUSINESS

### General Developments

The Company acquired Accord Financial Ltd. ("AFL") (formerly Accord Business Credit Inc. ("ABC")), a private factoring company which had been founded in 1978, by a reverse takeover in 1992. On January 23, 1992, the Company (then called Delta Star Resources Inc.) commenced a share exchange take-over bid (the "Bid") for all of the outstanding shares of AFL. On March 6, 1992, the shareholders of the Company overwhelmingly approved all items of business and effective April 1, 1992 all of the outstanding shares of AFL were acquired by the Company. For accounting purposes, the Bid was treated as a reverse take-over bid of the Company by AFL and the Company's principal asset became its 100% ownership of AFL.

Effective December 31, 1992, the Company completed two additional acquisitions. Through Accord Financial, Inc. ("AFIU"), a Delaware company organized to hold the Company's United States interests, the Company acquired the factoring business of J.T.A. Factoring, Inc., a Greenville, South Carolina based company, and operated the business as J.T.A. Factors, Inc. ("JTA"). Until December 31, 1995, J.T.A. was 85% owned by the Company and 15% owned by J.T.A. management. Effective January 1, 1996, management's 15% was acquired by the Company. Also on December 31, 1992, Accord Financial Inc. ("AFIC") (formerly Montcap Financial Corporation ("MFC")), a private Montreal, Quebec based factoring and asset-based lending company was acquired. In January 2000, the Company, through its AFIC subsidiary, acquired, as an investment, a 25% interest in Liquid Capital Corp. ("LCC"), a North American franchisor of factoring operations. On September 3, 2002, AFIU acquired the business and the

majority of assets and certain liabilities of J.T.A. and continued its operations under its own name. On October 31, 2005, the Company purchased i Trade Finance Inc. (“i Trade”), a small company specializing in international trade finance, and wound its operations up into AFIC. During December 2006, the Company sold its interest in LCC. On July 16, 2009, ABC and MFC changed their names to AFL and AFIC, respectively.

### **Three Year History**

The Company’s net earnings totalled \$3,089,000 in 2009, 39% lower than 2008 as the Company’s operations continued to be adversely impacted by the severe economic recession. Diluted earnings per share for 2009 were 33 cents. The Company’s return on average shareholders’ equity (“ROE”) was 6.7%. The volume of receivables factored by the Company rose by 10% to a record \$1.748 billion in 2009. Volume in the Company’s non-recourse business rose by 19%, while there was a small increase in its recourse business. International volume rose by 20% to \$447 million and comprised 26% of the Company’s total volume in 2009. Revenue declined by 14% to \$24,045,000 in 2009 on lower funds employed and reduced factoring yields. Interest expense declined by 59% to \$1,180,000 in 2009 on lower interest rates and a 34% decline in average borrowings, while general and administrative (“G&A”) expenses declined 2% to \$13,290,000. The provision for credit and loan losses declined by 5% to \$3,648,000 in 2009. During 2009, the Company obtained title to certain foreclosed assets securing a defaulted loan. An impairment charge of \$1,265,000 was subsequently taken against the assets, which are held for sale. Net earnings from Canadian operations rose 16% to \$2,752,000 in 2009 as a result of lower expenses. Net earnings from U.S. operations declined 87% to \$337,000 principally as a result of the losses related to two significant loans becoming non-performing in 2009 and lower revenue. During 2009, 78,200 common shares were repurchased and cancelled under the Company’s normal course issuer bids at a cost of \$455,000 (an average price of \$5.82 per common share). The Company paid dividends totalling 26 cents per common share in 2009. As part of the Company’s succession plans, the Company appointed Mr. Tom Henderson as its new President and CEO on May 6, 2009. Mr. Henderson took over this position from Mr. Ken Hitzig, the Company’s founder, who was subsequently appointed Executive Chairman of the Board of the Company. As part of the Company’s plan to increase the awareness of its “brand name”, with the name changes noted above, all subsidiaries now operate as Accord Financial.

The Company’s net earnings totalled \$5,041,000 in 2008, 20% lower than 2007 as its operations were impacted by adverse economic and credit conditions. Diluted earnings per share for 2008 were 53 cents, while the Company’s ROE was 11.7%. The volume of receivables factored by the Company in 2008 was a then record \$1.596 billion. Volume in the Company’s higher-yielding recourse business rose by 7%, while lower-yielding non-recourse volume rose by 6% compared to 2007. International volume rose by 11% to \$374 million and comprised 23% of the Company’s total volume. Revenue declined by 1% to \$28,060,000 in 2008 on lower factoring commissions resulting from reduced yields. Interest expense declined by \$121,000 or 4% to \$2,871,000 in 2008. G&A expenses rose by 3% to \$13,491,000. The provision for credit and loan losses rose by 60% to \$3,848,000 in 2008 as net charges-offs were 63% higher and the Company increased its allowance for losses significantly in light of the impact of adverse economic and credit conditions on the Company’s loan portfolio. Net earnings from Canadian operations declined by 45% to \$2,372,000 in 2008 principally as a result of a higher provision for credit and loan losses and lower revenue. Net earnings from U.S. operations rose by 35% to \$2,699,000. During 2008, the Company repurchased and cancelled 154,000 common shares acquired under its normal course issuer bids at a cost of \$1,005,000 (an average price of \$6.53 per common share). The Company paid dividends totalling 24 cents per common share in 2008.

The Company's net earnings declined 12% to \$6,287,000 in 2007. Diluted earnings per share for 2007 were 66 cents, while its ROE was 16.0%. The volume of receivables factored by the Company in 2007 was a then record \$1.497 billion. Volume in the Company's higher-yielding recourse business rose by 13%, while lower-yielding non-recourse volume declined by 2%. International volume rose by 7% to \$336 million and comprised 22% of the Company's total volume. Revenue declined by 2% to \$28,346,000 in 2007. Interest expense rose by \$601,000 or 25% to \$2,992,000 in 2007 on higher borrowings. G&A expenses at \$13,143,000 were the lowest in eight years. The provision for credit and loan losses rose by 22% to \$2,401,000 in 2007. Net earnings from Canadian operations declined by 14% to \$4,303,000 as a result of a higher provision for credit and loan losses and interest expense. Net earnings from U.S. operations declined 7% to \$1,984,000. During 2007, the Company repurchased and cancelled 41,600 common shares acquired under its normal course issuer bids at a cost of \$333,000 (an average price of \$8.00 per common share). The Company paid dividends totalling 22 cents per common share in 2007.

## **DESCRIPTION OF THE COMPANY'S BUSINESS**

### **Description of the Business**

The Company, operating through its three wholly owned subsidiaries, is a leading North American provider of factoring and other asset-based financial services to businesses, including financing, collection services, credit investigation and guarantees. AFL and AFIC operate in Canada, while AFIU operates in the United States. As noted above, AFL has been in operation since 1978, while AFIC and AFIU were acquired on Dec. 31, 1992. The Company had an estimated 29% share of the Canadian factoring market in 2009. Its share of the U.S. market, while unknown, is not significant.

The Company, through its subsidiaries, operates in one dominant industry segment, which involves providing asset-based financial services, principally factoring, to industrial and commercial enterprises in Canada and United States. The Company provides a wide range of factoring and other asset-based financial services, including financing, collection services, credit investigation and guarantees. Its clients operate in many different industries, including apparel, financial and professional services, transportation, chemicals, electronics, oilfield services, temporary staffing, telecommunications, textiles, food products, furniture, sporting goods, footwear, floor coverings, printing and industrial products. The Company's business principally involves: (i) recourse factoring by AFIC and AFIU, which entails financing or purchasing accounts receivable on a recourse basis, as well as asset-based lending, namely, financing other tangible assets, such as inventory and equipment; and (ii) non-recourse factoring by AFL, which principally involves providing credit guarantees and collection services on a non-recourse basis, generally without financing. The operations of the Company's three subsidiaries are described in more detail below. As at December 31, 2009, the Company had 96 employees.

### **Accord Financial Ltd. (Canadian Non-Recourse Factoring Subsidiary)**

AFL provides its factoring services to a diversified client base, which includes manufacturers and wholesale distributors engaged in various industries including apparel, textiles, footwear, floor coverings and home furnishings, furniture, electronics, food products and toys. AFL has leased offices in Toronto and shares leased office space with AFIC in Montreal. Its business is somewhat seasonal as its clients' customers, principally large "big box" and other retailers in the above noted industries, experience

seasonal demand for the apparel and other products they sell, resulting in increased volumes of business for AFL during the Spring and Christmas selling seasons. While most of AFL's business is Canadian based, AFL provides factoring services to many international clients and approximately 31% of its factoring volume is international in nature. AFL is a member of Factors Chain International and acts as the Canadian correspondent for many international factoring companies. In 1999, AFL partnered with Export Development Canada ("EDC") to offer a full service package to Canadian exporters, referred to as Export Ease, including accounts receivable insurance, credit reporting and receivables management functions. AFL has been in business since 1978.

AFL operates as an "old-line" factor specializing in credit protection and collection services. Factoring provides a means for a manufacturer or wholesaler to contract out to AFL the operations that would otherwise be performed by an internal credit and collection department. That is, AFL will ledger and collect its client's receivables. AFL will also review a client's customer list and, based upon its extensive credit information system, will set parameters within which the client can provide goods to its customers with the credit risk being assumed by AFL. In addition to these services, AFL provides to its clients the availability of financing those receivables prior to collection, although it has relatively few loan accounts. During 2005, the Company consolidated its Montreal operations into one office with AFL vacating its former office and moving into AFIC's. As at December 31, 2009, AFL employed 36 persons in Toronto and Montreal.

#### **Accord Financial Inc. (Canadian Recourse Factoring Subsidiary)**

AFIC provides recourse factoring services, principally the financing or purchase of accounts receivable, as well as asset-based lending and purchase order financing, to a wide range of small and medium-sized companies based in Canada. Client companies include financial and professional services, printing, packaging, oilfield services, food processing, apparel, textile, electronics, telecommunication, transportation, manufacturing and industrial products enterprises. AFIC has been engaged in this business since its formation in 1990 and operates out of leased premises in Montreal and Toronto. AFIC also provides LCC's franchisees with back office processing, credit guarantees and financing. In 2006, LCC expanded its franchise factoring operation into the United States and currently has approximately 50 active franchisees across Canada and the U.S. In 2000, AFIC launched Export Ease*Plus*, a new program offered in conjunction with EDC to provide exporters with immediate payment on foreign accounts receivable. In 2002, AFIC entered into a referral program with Bank of Nova Scotia ("BNS"), which was expanded in early 2004 to include an export factoring program for the Bank's existing customers and future referrals. As noted above, on October 31, 2006, the operations of i Trade were acquired and wound up into AFIC. As at December 31, 2009, AFIC had 39 employees.

#### **Accord Financial, Inc. (U.S. Recourse Factoring Subsidiary)**

AFIU is engaged in the factoring of small and medium-sized companies' accounts receivable on a recourse basis through the financing or purchase of their receivables, as well as asset-based lending and purchase order financing. Its operations are similar to those of AFIC. AFIU's clients are located throughout the United States and are engaged in such industries as manufacturing, temporary staffing, pharmaceutical supply, textiles, telecommunications, electronics, food services, logistics and industrial products. AFIU, including its wholly owned subsidiary J.T.A., has been in the factoring business since 1977. It employed 18 persons as at December 31, 2009. It operates out of leased premises in Greenville, South Carolina with regional representation in St. Petersburg, Florida and Charlotte, North Carolina.

AFIU's assets comprised approximately 44% of the Company's total assets at December 31, 2009, while it comprised approximately 29% and 11%, respectively, of the Company's total 2009 revenue and net income.

### **Competitive Conditions**

The Company operates in an intensely competitive environment and its results could be significantly affected by the activities of other industry participants. The Company expects competition to persist in the future as the markets for its services continue to develop and as additional companies enter its markets. Through experienced management and staff, coupled with its financial resources, the Company is well positioned to meet increased competition and develop new opportunities.

AFL and AFIC compete in Canada with close to 60 other factoring and finance companies serving a similar market. The estimated volume of receivables factored by all companies in Canada in 2009 was \$4.9 billion, compared to 2008's estimate of \$4.7 billion. The Company's (AFL and AFIC) estimated share of this business in 2009 was 29%.

AFIU competes in one of the fastest growing segments of the U.S. factoring market. The number of participants is not precisely known, but is estimated at well over 200. Because of the size of the U.S. market and the increased number of small and medium-sized enterprises, there are good opportunities for factoring companies to serve this market. AFIU, including J.T.A., has been in business for over 30 years, and, with an excellent reputation in the industry, is well positioned to compete in this market.

### **Risk Factors**

Past performance is not a guarantee of future performance. Although management remains optimistic about the Company's long-term prospects, future results are subject to substantial risks and uncertainties which are beyond its control. Typical risk factors and uncertainties that may affect the Company's business are described on pages 19 and 20 of its 2009 Annual Report, which pages are incorporated herein by reference.

### **SELECTED FINANCIAL INFORMATION**

Selected financial information for the three most recently completed financial years of the Company is provided on page 7 of its 2009 Annual Report, which page is incorporated herein by reference. A ten year financial summary (2000 to 2009) is also provided on page 22 of its 2009 Annual Report.

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Company's 2009 Management's Discussion and Analysis can be found on pages 6 to 21 of its 2009 Annual Report, which pages are incorporated herein by reference. It is also filed separately under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

### **DIVIDENDS**

During 2009 the Company paid dividends totaling \$0.26 per common share, comprised of four quarterly dividends of \$0.065 (paid on March 2, June 1, September 1 and December 1) per common

share. In 2008 the Company paid dividends totaling \$0.24 per common share, comprised of two quarterly dividends of \$0.055 (paid on March 3 and June 2) and four quarterly dividends of \$0.065 (paid on September 2 and December 1) per common share. In 2007 the Company paid dividends totaling \$0.22 per common share, comprised of four quarterly dividends of \$0.055 (paid on March 1, June 1, September 3 and December 3) per common share. A ten year history of dividends paid is included in the ten year financial summary on page 22 of the Company's 2009 Annual Report. There are no restrictions on the payment of dividends by the Company.

The Company currently pays a quarterly dividend of \$0.065 per common share.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The authorized capital stock of the Company consists of an unlimited number of common shares and an unlimited number of first preferred shares, issuable in series. The first preferred shares may be issued in one or more series and rank in preference to the common shares. Designations, preferences, rights, conditions or prohibitions relating to each class of shares may be fixed by the Board of Directors. The Company had 9,408,971 common shares outstanding at March 22, 2010. There were no preferred shares outstanding at that date.

Holders of the Company's common shares are entitled to vote at all meetings of the shareholders of the Company and are entitled to receive dividends as and when declared on the Company's common shares.

## **MARKET FOR SECURITIES OF THE COMPANY AND TRADING PRICE AND VOLUME**

The Company's outstanding common shares are listed and posted for trading on the Toronto Stock Exchange under the trading symbol "ACD". The following table sets forth the monthly reported high and low closing prices and trading volume of the common shares during 2009.

<b>Common Shares (ACD)</b>			
<b>Month 2009</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume traded</b>
December	5.50	5.25	28,800
November	5.95	5.25	30,100
October	6.09	5.81	2,000
September	6.15	6.00	9,100
August	6.25	5.86	2,500
July	6.10	5.91	30,400
June	6.70	5.98	19,400
May	6.19	5.85	10,100
April	6.15	5.80	43,700
March	5.83	5.69	30,000
February	6.40	5.74	11,800
January	6.25	5.80	9,600

## DIRECTORS AND EXECUTIVE OFFICERS

### Board of Directors

At March 22, 2010, the directors of the Company, their municipalities of residence and principal occupations were as follows:

<b>Director Name and Principal Occupation</b>	<b>Municipality of Residence</b>	<b>Director Since</b>
H. Thomas Beck <sup>(2)(3)</sup> President, Fernhill Holdings Ltd. (investment co.)	Toronto, Ontario Canada	March 6, 1992
Austin C. Beutel <sup>(1)(2)(3)</sup> Corporate Director	Toronto, Ontario Canada	March 29, 1990
Robert J. Beutel President, Oakwest Corp. Limited (investment co.)	Toronto, Ontario Canada	March 29, 1990
Ben Evans <sup>(1)</sup> Financial Consultant	Stamford, Connecticut U.S.A.	January 1, 2000
Tom Henderson President and CEO of the Company	Greenville, South Carolina U.S.A.	July 28, 2009
Ken Hitzig Executive Chairman of the Board of the Company	Toronto, Ontario Canada	March 6, 1992
Simon Hitzig Strategy Consultant – Financial Services Industry	Toronto, Ontario Canada	May 7, 2008
John D. Lamont <sup>(1)(2)(3)</sup> Chairman and CEO, Lamont Management Inc. (investment company)	Oakville, Ontario Canada	March 6, 1992
Frank D. White <sup>(1)</sup> President, Frank White Enterprises Inc. (business management company)	Mount Royal, Quebec Canada	April 1, 1992

1. Member of the Company's Audit Committee.
2. Member of the Company's Compensation Committee.
3. The term of office for each of the Directors of the Company will expire on May 5, 2010. Each of the current Directors is being nominated by management of the Company for re-election to the Board of Directors for a further one-year term with the exception of Messrs. Thomas Beck, Austin Beutel and Jack Lamont, who are not standing for reelection.

## Executive Officers

At March 22, 2010, the executive officers of the Company, their municipalities of residence and principal occupations were as follows:

<b>Executive Officer Name</b>	<b>Principal Occupation</b>	<b>Municipality of Residence</b>
Stuart Adair	Vice-President, Chief Financial Officer & Treasurer of the Company	Toronto, Ontario Canada
Jim Bates	Vice-President, Ontario, Accord Financial Ltd.	Pickering, Ontario Canada
Tom Henderson	President and CEO of the Company	Greenville, South Carolina U.S.A.
Ken Hitzig	Executive Chairman of the Board of the Company	Toronto, Ontario Canada
Fred Moss	President, Accord Financial Inc.	Montreal, Quebec Canada
Mark Perna	President, Accord Financial Ltd.	Richmond Hill, Ontario Canada

1. Each of the named executive officers of the Company has held the principal occupation shown opposite his name for the past five years with the exception of Tom Henderson who was appointed President and CEO of the Company on May 6, 2009. Mr. Henderson is also President and CEO of Accord Financial, Inc.

## Shareholdings of Directors and Executive Officers

Collectively, as at March 22, 2010, the Directors and Officers of the Company own, directly or indirectly, or exercise control or direction over 5,086,339 common shares, representing approximately 53.9% of the Company's outstanding common shares.

## Additional Disclosure for Directors and Executive Officers

To the knowledge of the Company, no director or executive officer of the Company 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 order 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 its assets.

## **LEGAL PROCEEDINGS**

In the ordinary course of business, the Company and its subsidiaries are routinely defendants in or parties to a number of pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. In view of the inherent difficulty of predicting the outcome of such matters, the Company cannot state what the eventual outcome of such matters will be; however, based on current knowledge, management does not believe 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.

## **TRANSFER AGENT AND REGISTRAR**

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

## **MATERIAL CONTRACTS**

Other than in the ordinary course of business, the Company has not entered into any material contracts.

## **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 any of its subsidiaries.

## **EXPERTS**

The Company's independent auditors are KPMG LLP ("KPMG"), Suite 4600, Bay Adelaide Centre, 333 Bay Street, Toronto, Ontario, M5H 2S5. KPMG has served as the Company's auditors since March 6, 1992. The Company's consolidated financial statements as at December 31, 2009 and for the year then ended have been filed under National Instrument 51-102 in reliance on the report of KPMG, Chartered Accountants, given on their authority as experts in auditing and accounting.

## **AUDIT COMMITTEE INFORMATION**

### **Charter of the Audit Committee**

The responsibilities and duties of the Audit Committee of the Company's Board of Directors (the "Board") are set out in the Committee's Charter, a copy of which is attached as Appendix A to this AIF.

### **Composition of the Audit Committee**

The Audit Committee is composed of the following four members: Messrs. Austin C. Beutel (Chairman), Ben Evans, John D. Lamont and Frank D. White. The Board believes that the composition of the Audit Committee reflects a high level of financial literacy and expertise. Each member of the Audit Committee has been determined by the Board to be "independent" and "financially literate" as such terms are defined under Canadian securities laws. The Board has made these determinations based on the education and

breadth and depth of business experience of each member of the Committee. A description of the education and experience of each member of the Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee is provided below.

Mr. Beutel is Chairman of Oakwest Corporation Limited, a private investment holding company. Mr. Beutel retired in 1994 as Chairman of Beutel Goodman and Co. Ltd. (“Beutel”), an investment management firm for which he served as President from 1967 to 1989. He holds an M.B.A. (Harvard), the Chartered Financial Analyst designation, and has over 50 years of business experience. As Chairman of Beutel, Mr. Beutel analyzed private and publicly traded corporations of all sizes and in doing so on a regular basis, he closely reviewed and evaluated their financial statements. Mr. Beutel has also evaluated companies’ internal controls and procedures for financial reporting. Mr. Beutel also serves as Non-Executive Chairman of Equitable Group Inc., and is a member of the Board of Directors of Astral Media Inc. (“Astral”), Aecon Group Inc. and Opta Minerals, Inc. He is Chairman of the Audit Committee of Astral. Mr. Beutel has been a member of the Board since the Company was established 30 years ago. Mr. Beutel is also a member of the Board’s Compensation Committee.

Mr. Evans is a U.S. Certified Public Accountant with over 50 years of professional and business experience. He has served as both a partner and a consultant with Ernst & Young, LLP, New York City, specializing in the audit of factoring and finance companies, and in advising creditor committees in insolvencies. He also currently serves as a director on the Board of The Penn Traffic Company, a U.S. listed company, and is Chairman of its Audit Committee. Mr. Evans has also served as a director of several other U.S. listed companies.

Mr. Lamont has served on the Board of Directors of the Company since 1988 and contributes close to 50 years of hands-on business experience. A licensed customs broker, Mr. Lamont is Chairman and CEO of Lamont Management Inc. and over the last two decades has been involved in the acquisition of 17 companies. Mr. Lamont is also a member of the Board’s Compensation Committee and serves as a director of other entrepreneurial companies.

Mr. White is the owner of several independent businesses, including TMS Truck Masters, and has served as a director of Accord since 1992. Mr. White has a B.Comm. and is a Chartered Accountant with over 45 years of business experience. Mr. White is also a member of the Board of Governors and Chairman of the Audit Committee of Dynamic Mutual Funds.

**Auditors’ Service Fees**

Aggregate fees billed for professional services rendered by KPMG for the fiscal years ended December 31, 2009 and 2008 were as follows:

	<b>2009</b>	<b>2008</b>
	<u>\$’000</u>	<u>\$’000</u>
Audit fees	230	235
Audit-related fees	-	-
Tax fees	17	14
All other fees	<u>-</u>	<u>-</u>
Total fees	<u>247</u>	<u>249</u>

The Audit Committee is required to pre-approve the audit and non-audit services performed by KPMG, the independent auditor of the Company and its subsidiaries, prior to the services being provided in order to assure that the provision of such services does not impair KPMG's independence.

## **ADDITIONAL INFORMATION**

Additional information respecting the Company is available on its web site at [www.accordfinancial.com](http://www.accordfinancial.com) and is filed under its profile on SEDAR (System for Electronic Document Analysis and Retrieval) at [www.sedar.com](http://www.sedar.com).

Additional information relating to the Company, including directors' and officers' remuneration, principal holders of the Company's securities and options to purchase securities is contained in its Management Proxy Circular dated March 22, 2010 (the "Circular"), which is filed on SEDAR.

Additional financial information is also provided in the Company's Audited Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2009, which are set out in the Company's 2009 Annual Report and also filed separately on SEDAR. Copies of this Annual Information Form, the Annual Report and Circular may be downloaded from SEDAR or obtained free of charge upon request from the Secretary of the Company at:

Accord Financial Corp.  
77 Bloor Street West  
18th Floor  
Toronto, Ontario  
Canada M5S 1M2

Attention: Mr. Jim Bates  
Telephone: 416-961-0007  
Fax: 416-961-9443  
Email: [jbates@accordfinancial.com](mailto:jbates@accordfinancial.com)

**ACCORD FINANCIAL CORP.**

**CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Accord Financial Corp. (the “Company”) and has the responsibilities and duties as set out below:

**MANDATE**

1. To assist the Board in fulfilling its oversight responsibilities for:
  - the integrity of the Company’s financial statements
  - the Company’s compliance with legal and regulatory requirements
  - the qualifications and independence of the external auditors
  - the performance of the external auditors
  - the system of internal control over financial reporting (“internal controls”).
2. To perform such duties as may be required under any applicable legislation and regulations including those of the Ontario Securities Commission (“OSC”) and the Toronto Stock Exchange (“TSX”) as more fully described under the heading "Duties" below.
3. To perform such other duties as may from time to time be assigned to the Committee by the Board.
4. To act as the Audit Committee for any other company beneficially owned by the Company, as determined by the Board.

**AUTHORITY**

The Committee has authority to:

- conduct or authorize investigations into any matters within its scope of responsibility;
- retain independent counsel, accountants or others to advise the Committee or assist in the conduct of an investigation as it determines necessary to carry out its duties;
- communicate directly with Company officers, external auditors or outside counsel and advisors, as it deems necessary, and determine appropriate funding for independent advisors.

**DUTIES**

The duties of the Committee shall be to:

**Financial Information**

- review the quarterly and annual consolidated financial statements of the Company prior to approval by the Board and disclosure to the public; review should include discussion with management and, with respect to the annual consolidated financial statements, external auditors of significant issues regarding the financial results, accounting principles, practices and management estimates and judgments;
- review the quarterly and annual Management’s Discussion & Analysis of Results of Operations and Financial Condition (“MD&A”) prior to review and approval by the Board;
- review annual and interim earnings press releases and earnings guidance prior to approval by the Board and before such releases are issued to the public;
- discuss significant financial risk exposures and the steps management of the Company has taken to monitor, control and report such exposures;
- review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards;
- review the Annual Information Form;

- when introduced, 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 quarterly and annual consolidated financial statements;

### **Compliance**

- review transactions and investments that could adversely affect the well-being of the Company brought to its attention by the external auditors or by any officer of the Company;
- review any outstanding litigation matters;
- meet separately, at least four times annually, with management and, at least twice annually, with the external auditors;
- annually, review the Charter for the Committee and evaluate the Committee's effectiveness in fulfilling its mandate. The Board will update the Charter at that time, if considered necessary.

### **Internal Controls**

- require Company management to implement and maintain appropriate internal control procedures over financial reporting and review, evaluate and approve these procedures;
- meet with the Chief Financial Officer and with other members of management of the Company to discuss the effectiveness of the Company's internal control procedures;
- establish procedures for processing complaints regarding accounting, internal controls or auditing matters, including confidential, anonymous submissions from employees.

### **External Auditors**

- have responsibility for the oversight of the external auditors who report directly to the Committee;
- recommend to the Board the appointment and termination of the Company's external auditors, subject to shareholder approval;
- review the annual audit plan and letter of engagement;
- at least annually review the report of the external auditors;
- review and recommend to the Board the annual fee for the audit of the Company, and review the Company's audit related expenses and pre-approve permitted non-audit services;
- approve any significant non-audit relationship with the external auditors. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services by the external auditor. The pre-approved services shall be presented to the Committee at the first meeting following pre-approval;
- assess all relationships between the external auditors and the Company that pertain to independence and determine the external auditor's independence;
- meet with the external auditors to discuss the annual consolidated financial statements including the Company's disclosure under MD&A;
- review with the external auditors any audit problems or difficulties and management's response;
- set clear policies for the Company's employment of current and former partners and employees of the external auditors.

### **Reporting/Other Duties**

- report to the Board on the proceedings of each Committee meeting and on the Committee's recommendations at the next regularly scheduled Board meeting;
- provide for an open avenue of communication between the external auditors and the Board of Directors;
- institute and oversee special investigations as needed.

## **COMMITTEE COMPOSITION**

### **Structure**

The Committee shall be composed of not less than three Board members. Each member must be financially literate or become financially literate within a reasonable period of time subsequent to his/her appointment to the Committee.

### **Independence**

Every Committee member must be independent, as defined by instrument from time to time. No member of the Committee may be a current or former officer or employee of the Company or of any of its subsidiaries or affiliates. No member may be a person who is affiliated with the Company or of any of its subsidiaries or affiliates or related as determined by the Board

for the purposes of the TSX Guidelines on Corporate Governance. Fees for acting as a Director or as a member of any committee of the Board (annual retainer and/or attendance fees) are the only compensation a member of the Committee may be paid by the Company. However, the foregoing will not serve to prevent a Director from exercising options to acquire shares of the Company granted by the Board.

#### **Appointment of Committee Members**

Members are appointed or reappointed annually by the Board, such appointments to take effect immediately following the annual meeting of the shareholders of the Company. Members shall hold office until their successors are appointed or until they cease to be Directors of the Company.

#### **Vacancies**

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

#### **Appointment and Qualifications of Committee Chair**

The Board shall appoint from the Committee membership, a chair for the Committee (the “Chair”) to preside at meetings. In the absence of the Chair, one of the other members of the Committee present shall be chosen from among those present to preside at that meeting. The Chair of the Committee must have all of the qualifications for Committee membership and have accounting or related financial expertise.

### **MEETINGS**

#### **Calling of Meetings and Quorum**

Meetings of the Committee may be called by the Chair, by any member of the Committee, or by the external auditors.

The Committee may call a meeting of the Board to consider any matter of concern to the Committee. The Committee shall not transact business at a meeting unless a quorum of the members is present. The quorum for a meeting of the Committee shall be two members. Written resolutions in lieu of a meeting are not permitted. Meetings may be held by telephone.

#### **Notice of Meetings**

Notice of meetings of the Committee shall be sent by prepaid mail, by personal delivery or other means of transmitted or recorded communication or by telephone at least 12 hours before the meeting to each member of the Committee at the member's address or communication number last recorded with the Secretary. A Committee member may in any manner waive notice of a meeting of the Committee and attendance at a meeting is a waiver of notice of the meeting, except where a member attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called.

#### **Notice to the External Auditors**

The external auditors are entitled to receive notice of every meeting of the Committee and 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.

#### **Frequency**

The Committee shall meet at least four times annually.

#### **Secretary and Minutes**

The Secretary of the Company or, in the absence of the Secretary, any other person appointed by the Committee shall act as Secretary of the Committee. Minutes of meetings of the Committee shall be recorded and maintained by the Secretary and subsequently presented to the Committee and to the Board, if required by the Board.