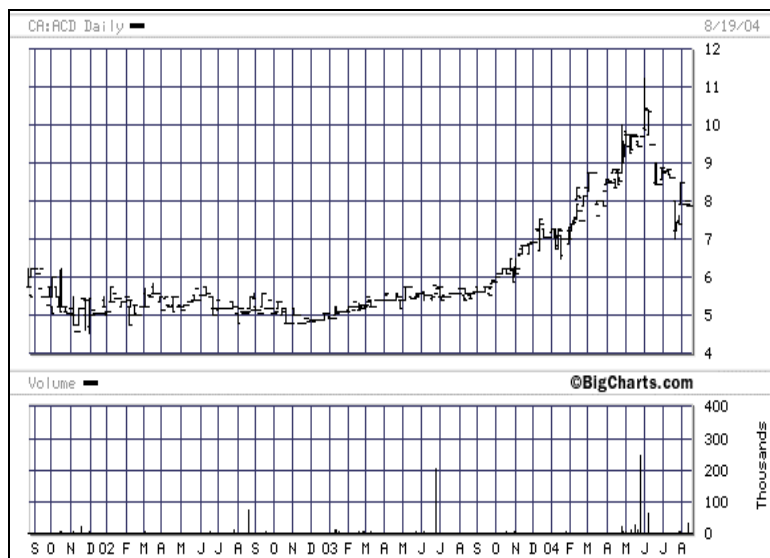


Recommendation: Buy
Target Price: \$10.00

Accord Financial Corp. (ACD-TSX)
Life Is Good

Current Price	\$7.90	Basic Sh. (O/S)	9.7 MM		
Target Price	\$10.00	FD (O/S)	10.0 MM		
52 Wk High	\$11.25	Mngt. & Dir.	5.8 MM		
52 Week Low	\$5.45	Market Cap.	\$77 MM		
		Float	\$31 MM		
YE Mar. 31	2002A	2003A	2004E	2005E	2006E
EPS - FD	\$0.49	\$0.61	\$0.76	\$0.81	\$0.95
P/E - FD	--	--	10.3x	9.7x	8.3x
BVPS	\$4.80	\$4.64	\$3.90	\$4.56	\$5.36
P/Book	--	-- #	2.0x	1.7x	1.5x
ROAE	10.4%	12.9%	18.5%	19.7%	19.8%



Source: BigCharts, August 19/04

Accord Financial Corp Continues To Put Up Good Numbers: Accord Financial recently released its Q2/04 results that came in slightly better than we had expected. The delay in the issue of this note stems from the fact that the Company releases its bottom-line results shortly after the end of the quarter and then follows up a few weeks later with a full release of its financial statements, which we received this week. Overall, there were no major surprises in Q2/04 on the revenue front, but Accord's costs were even lower than expected. As a result, year-over-year earnings growth was up close to 50%. For the remainder of the year we expect 2H/04 results to be in line with seasonal patterns, and thus, Q3/04 results should be similar to the \$0.18 achieved in Q2/04, while Q4/04 results should be much stronger. On the back of these results, we have raised our FY2004 estimate by \$0.05. It should also be noted that since our last note, the Company paid out a special dividend of \$1.50; thus, our revised target price is now set at \$10.00 versus \$11.15 previously. Buy recommendation maintained.

Special Dividend Drives Changes In Balance Sheet, Future ROAEs And Share Liquidity: Accord's recent special dividend has three important implications for investors in the stock. First, Accord was gone from an asset to equity ratio of 1.6x to 2.0x by paying out approximately \$15.0m in surplus cash. The Company has subsequently issued approximately \$12.5MM in promissory notes at prime plus 0.5%, and thus, bank borrowings will remain relatively constant at \$20.0MM per quarter. However, the higher leverage should comfortably push Accord's ROAE to the 20% level on a go-forward basis. Finally, share liquidity could improve significantly going forward as many of the early investors in Accord, having received their special dividend, may be more inclined to sell.

Outlook For 2H04: Most of Accord's businesses are quite stable with Montreal-based Montcap having been the star over the past 2-3 years. However, Accord's US operations, which have undergone a major restructuring over the past three years, have finally begun to shine once again and we expect ongoing improvement in 2H/04. In Canada, the most interesting development within the Company is Liquid Capital, which is a back-office outsourcing service for "one man factor shops". While this business does not as yet represent 10% of Accord's overall revenues, it is the fastest growing part of the Company and could begin to influence overall corporate results in a meaningful way in 2005. This business is operated out of Montreal and has an active list of 25 factors operating throughout Canada.

Valuation And Recommendation: Accord remains one of the best managed and reasonably priced financial services stocks in Canada (See Figure 1). In our view, much of this valuation discount stems from the low level of liquidity in the stock. However, with its recent dividend now paid out, we expect that some long-term investors will begin to lighten up over time and that decent size blocks of the stock will become available from time to time. Given a more normal liquidity profile and an ROAE that should average close to the 20% level in 2004-2006, we believe the stock could trade higher than the valuation implied by our 12-month target price of \$10.00.

FIGURE 1. Canadian Lending Institutions - Comparative Valuations

Bank	Mkt Cap (\$MM)	P/E			P/Book			ROAE		Retention	SGR*	SGR/PE
		2003	2004	2005	2003	2004	2005	2004	2005	2005	2005	2005
RBC	39,603	13.8x	12.8x	11.3x	2.3x	2.0x	1.8x	16.9%	17.0%	65.0%	11.1%	1.0
BNS	36,578	15.2x	13.2x	11.9x	2.6x	2.5x	2.4x	19.6%	20.9%	65.0%	13.6%	1.1
TD	29,054	29.1x	12.1x	11.2x	2.5x	2.2x	1.9x	19.4%	18.4%	70.0%	12.9%	1.2
BMO	26,653	15.1x	12.6x	11.8x	2.4x	2.1x	1.9x	17.9%	17.0%	70.0%	11.9%	1.0
CIBC	23,293	12.5x	11.6x	10.7x	2.3x	2.0x	1.7x	18.1%	17.4%	70.0%	12.2%	1.1
National	7,825	13.1x	11.4x	10.6x	2.1x	1.8x	1.6x	17.1%	16.4%	70.0%	11.5%	1.1
Home Cap	750	25.3x	17.4x	13.4x	6.2x	4.8x	3.7x	30.9%	30.9%	90.0%	27.8%	2.1
Laurentian	651	8.3x	16.7x	11.8x	1.0x	1.0x	0.9x	5.7%	8.0%	50.0%	4.0%	0.3
CWB	535	13.5x	13.8x	11.5x	1.7x	1.5x	1.3x	11.2%	11.8%	85.0%	10.1%	0.9
Equitable	203	19.8x	14.2x	10.7x	2.4x	2.0x	1.7x	15.2%	17.2%	75.0%	12.9%	1.2
VFC	115	13.2x	13.6x	8.9x	1.9x	1.6x	1.4x	13.0%	16.7%	100.0%	16.7%	1.9
Accord	79	12.3x	10.4x	9.8x	1.7x	2.0x	1.7x	17.9%	19.1%	75.0%	14.4%	1.5
Sector Average		16.4x	13.5x	11.1x	2.6x	2.1x	1.8x	16.9%	17.4%	75.8%	13.4%	1.2x

I, JP Donville, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

RECOMMENDATION TERMINOLOGY

Sprott's recommendation terminology is as follows:

Top Pick	our best investment ideas, the greatest potential value appreciation
Buy	expected to outperform its peer group
Market Perform	expected to perform with its peer group
Reduce	expected to underperform its peer group

Our ratings may be followed by "(S)" which denotes that the investment is *speculative* and has a higher degree of risk associated with it.

Additionally, our target prices are set based on a 12-month investment horizon.

This report is issued by (i) in Canada, Sprott Securities Inc., a member of the IDA and CIPF, and (ii) in the US, Sprott Securities (USA) Limited, a member of the NASD. Every province in Canada, state in the US, and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, some of the securities discussed in this report may not be available to every interested investor. This report is not, and under no circumstances, should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to all clients and does not have regard to the particular circumstances or needs of any specific person who may read it. This report is provided for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein.

The information and any statistical data contained herein have been obtained from sources believed to be reliable as of the date of publication, but the accuracy or completeness of the information is not guaranteed, nor in providing it does Sprott Securities Inc. assume any responsibility or liability. All opinions expressed and data provided herein are subject to change without notice. The inventories of Sprott Securities Inc., its affiliated companies and the holdings of their respective directors, officers and companies with which they are associated may have a long or short position or deal as principal in the securities discussed herein. A Sprott Securities Inc. company may have acted as underwriter or initial purchaser or placement agent for a private placement of any of the securities of any company mentioned in this report, may from time to time solicit from or perform financial advisory, or other services for such company. The securities mentioned in this report may not be suitable for all types of investors; their prices, value and/or the income they produce may fluctuate and/or be adversely affected by exchange rates.

No part of any report may be reproduced in any manner without prior written permission of Sprott Securities Inc.