

INTRODUCTION



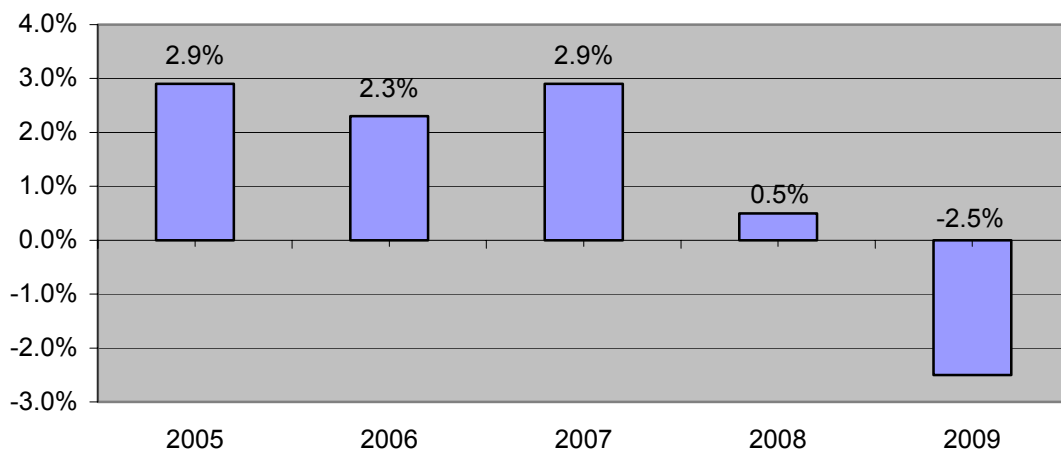
Mark Perna, President
Accord Financial Ltd.

The Canadian Factoring Industry in 2009 recorded a modest 3% increase in volume over 2008, on top of a 12% increase the previous year. The non-recourse factors volume surged by nearly 25% to CA\$2.335 billion while the recourse factors volume declined by 11% to CA\$2.532 billion. Total volume for all factors in 2009 was CA\$4.867 billion compared with CA\$4.730 billion in 2008. There were approximately 57 factors operating in 2009 versus 61 the previous year.

INDUSTRY ENVIRONMENT

Following a dramatic slowdown in the fourth quarter of 2008, the Canadian economy fell into recession in 2009. While the economy contracted for three consecutive quarters, in the third quarter of 2009 GDP turned positive once again, signalling the recession's end. However, the GDP for all of 2009 contracted by 2.5%, compared to a modest gain in 2008 of 0.5%.

CANADA GROWTH IN REAL GDP 2005 - 2009



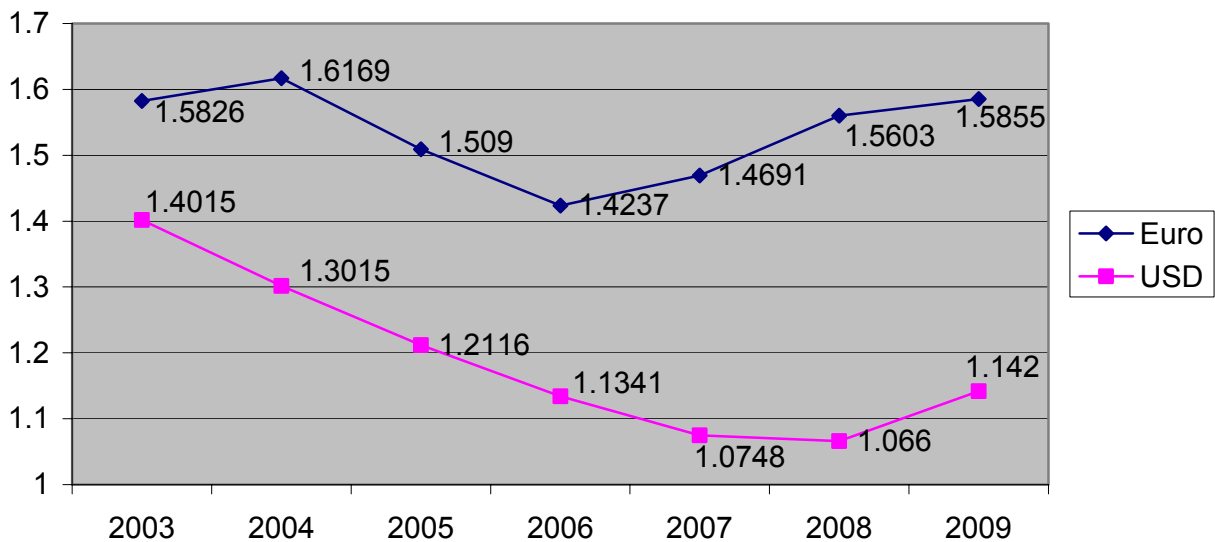
The Bank of Canada, the country's central bank, responded to the weakened economy by enabling a reduction in the prime rate from 3.0% at the start of the year to 2.25% from March onward to the end of the year.

Commodity and energy prices rebounded sharply from their lows at the beginning of the year. As Canada has an abundance of oil, gas and other natural resources, this contributed significantly to halting the economic slide in the third quarter. A substantial federal government economic stimulus package concentrating primarily on infrastructure projects also helped to reverse the economic decline.

Canada was relatively unaffected by the housing price decline debacle that took hold in the U.S. over the last two years. Spurred by historically low mortgage interest rates, a surge in house purchases by first-time buyers in the second quarter of 2009 kicked off a trend of increasing housing starts and prices to the end of the year.

One area of Canada's economy that was negatively impacted by the recession was the merchandise trade balance-of-payments. Over the past several years Canada's trade surplus peaked at CA\$65.8 billion in 2004 and declined steadily to CA\$46.9 billion in 2008. In 2009, the balance actually swung sharply to a deficit. This decline was no doubt exacerbated by the strengthening Canadian dollar over the last seven years. At year-end 2002 the exchange rate was 1.5776 Canadian dollars to one U.S. dollar, while at the end of 2009 the exchange rate had fallen to 1.0510 Canadian dollars. The exchange rate for the Euro is another story, as the last few years has shown a gradual weakening of the Canadian dollar. The average exchange rate for 2009 was 1.5855 Canadian dollars to one Euro.

**Yearly Average Exchange Rates for Euro & USD VS CAD
2003- 2009**



It is important to note that the U.S.A. is by far and away Canada's largest trading partner. Autos, auto parts and energy are key sectors. About 75% of Canada's exports are to the U.S. while 63% of imports are from the U.S.

The recession had another unpleasant side effect in that the unemployment rate spiked from a 30 year low of 5.9% just two years ago to 8.5% in 2009. The unemployment rate is not projected to ease significantly in the short run. Conversely, inflationary pressures are not a serious concern. The Consumer Price Index (CPI) rose by a modest 1.3% in 2009, and stood at 114.8 at year-end (2002 = 100).

The Canadian banks stood tall in the face of the global economic slowdown and clocked in with respectable earnings for 2009. The banking systems' conservative structure and low leverage ratio contributed to its stability. It is noteworthy that there was no government funded bail out of any Canadian bank as a result of the recession.

The mainstay of the banks' business continued to be investment banking and consumer lending. The small and medium sized business sector continues to be under-served and the finance companies and recourse factors concentrate in this area. The larger loans, those from CA\$10 million to CA\$1 billion are handled by the large asset based lenders such as Wells

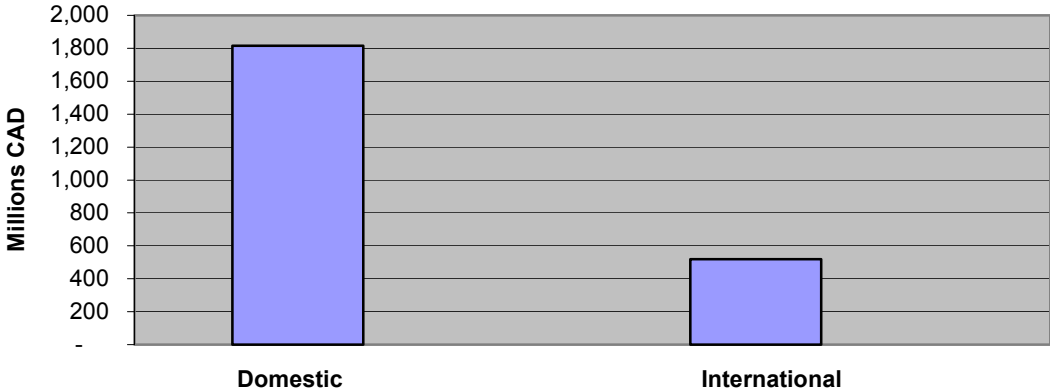
Fargo, Royal Bank of Canada, Bank of Montreal, GE Capital, JP Morgan Chase and TD Bank. The market below CA\$10 million is served by the small finance companies and the recourse factors.

MARKET PERFORMANCE AND SUPPLY

The number of participants in non-recourse factoring decreased from five in 2007 to three in 2009. IDB Commercial Credit, which had just set up shop with a Montreal office in 2007, decided to exit the market mid-way through 2008. Also, Brome Financial Corp Inc, whose non-recourse business had been slowly declining over many years, no longer had any meaningful non-recourse volume in 2008. However, they continue to operate as a player in the recourse sector.

Total non-recourse volume in 2009 hit CA\$2.335 billion, up by almost 25% compared to the previous year's CA\$1.872 billion. All non-recourse factors had volume increases in 2009. National Bank of Canada remained in top spot with a 51% non-recourse market share, while Accord Financial Ltd. (formerly Accord Business Credit Inc.) held 39% and Coface Credit Management 10%. Just over 22% of non-recourse factoring volume is international, that is, either export or import factoring.

COMPARISON OF DOMESTIC VS INTERNATIONAL
(non-recourse volume 2009)



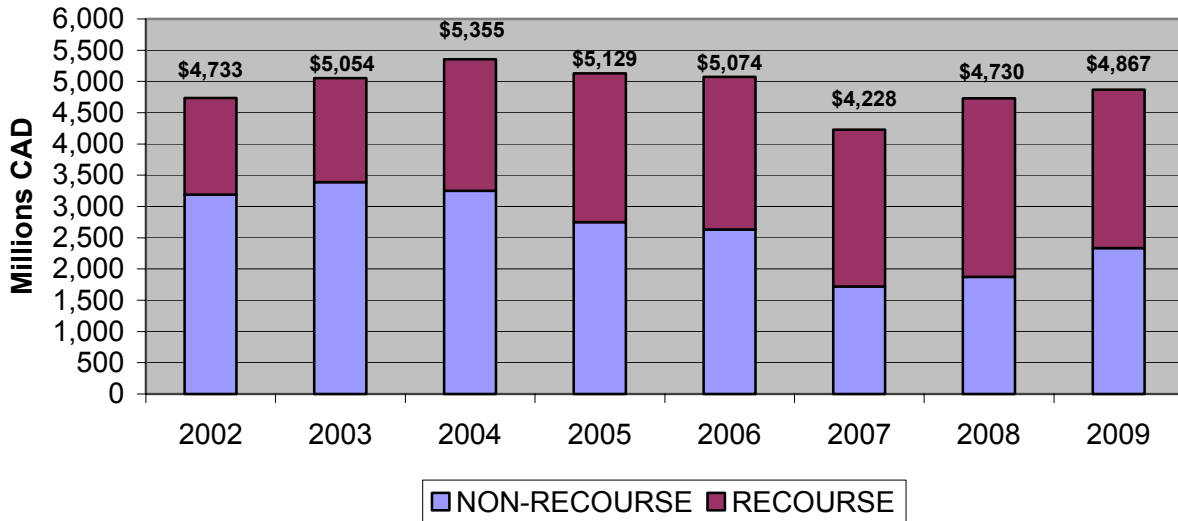
The competitive situation between the three non-recourse factors is somewhat fragmented. National Bank, being the sixth largest bank in

Canada, tends to offer its services to its own clientele. Accord Financial Ltd. is primarily engaged in service factoring without lending and therefore deals with clients that are funded by a variety of Canadian banks. Accord's clients that require non-bank funding are steered towards their sister company, Accord Financial Inc. (formerly Montcap Financial Corp.) on the recourse side. Coface Credit Management Canada Company is engaged exclusively with funding its clients' accounts receivable and other assets as a non-bank financier. Strictly speaking, there are no "head on" competitors in the Canadian non-recourse group.

After more than a decade of steady growth, recourse factors recorded an 11% decline in business in 2009 to CA\$2.532 billion from CA\$2.858 billion the previous year. This volume decline can be mostly attributed to the negative economic climate that prevailed for most of the year. New business activity was down considerably, especially at the beginning of the year, while business failures throughout the year among the recourse client base contributed to the shrinkage in the number of clients overall. The number of recourse participants declined from 58 in 2008 to 54 in 2009. Accord Financial Inc. was the recourse volume leader with CA\$511 million, followed by TCE Capital, Maple Trade Finance, and Morrison Financial Services Ltd.

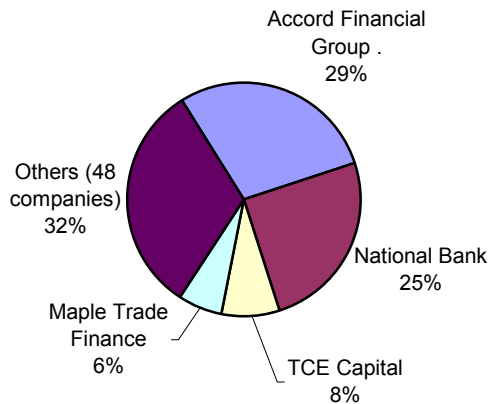
Over the last seven years, total factoring volume, non-recourse and recourse has only had a slight increase of 2.8% to a total volume of CA\$4.867 billion in 2009. During the period from 2002 to 2009, total factoring volume peaked in 2004 at CA\$5.355 billion and touched its low point of CA\$4.228 billion in 2007. It should be pointed out that the closure of the Canadian offices of GMAC Commercial Credit Corp in early 2007 greatly impacted growth at the latter stage of the 2002 to 2009 period, as GMAC's volume in 2006 was about CA\$1.0 billion.

**CANADIAN FACTORING VOLUME
('000's \$) 2002 - 2009**



Overall, non-recourse volume has declined 27%, while recourse volume has grown by nearly 64%. Since Accord Financial Ltd. and Accord Financial Inc. are both owned by the same parent company, their combined volume of CA\$1.421 billion allowed them to remain the market leader in 2009 with a 29% market share. National Bank of Canada was second at 25% and TCE Capital in third spot at 8%.

**MARKET SHARE BY INDUSTRY PLAYERS
VOLUME 2009: CA\$4.867 Billion**



The non-recourse factors generally serve clients whose annual volume may range from CA\$1 million to CA\$75 million. The average client is somewhere around CA\$5 million. Non-recourse appeals to companies selling into the retail trade, as the factors have an in-depth knowledge of this area. Factoring commission rates vary from 0.50% for large volume clients to 2.00% for small clients. Interest rates on advances range from bank prime plus 1% to prime plus 3%.

The recourse factors service clients with roughly the same volume range as the non-recourse factors. Their clients may be manufacturers or importers, with sales to industrial, commercial, governmental or retail customers. Commission and interest rates vary widely, although it is safe to say the large clients pay less than the small ones.

There is no industry trade association in Canada. However, the Commercial Finance Association in the United States established a Canadian chapter several years ago, based in Toronto. The Canada chapter, as it is known, meets several times a year, and most finance and factoring companies are members. Additionally, the U.S. based International Factoring Association established a Canadian chapter in 2009. Its members are mostly recourse factors and they meet on a monthly basis in Toronto.

FUTURE TRENDS

The Bank of Canada predicts that GDP growth will be a positive 2.9% in 2010, rebounding from a negative 2.5% in 2009. However they also note that the persistent strength of the Canadian dollar and the low absolute level of U.S. demand for Canadian exports will continue to act as a significant drag on economic activity in Canada. Growth in domestic demand is expected to take up the slack.

While recourse factors faced a slowdown in new business activity for most of 2009, the final quarter of the year saw a marked improvement. This increase in new business demand should continue throughout 2010 as the banks have tightened their credit parameters for small and mid-sized commercial business.

The non-recourse factors have faced stiff competition from credit insurers over the last decade. However, in 2009 the credit insurers as a group turned significantly more conservative in their credit granting and have raised their premiums as well. As the credit insurers were stung badly with credit losses in 2008 and 2009, they will most likely maintain their conservative stance in 2010. This should give the non-recourse factors a greater opportunity to compete head on with credit insurers, especially in traditional niche sectors. That having been said, Coface Credit Management Canada Company opened as a factor in Canada in 2007 and has established itself as a lender in the non-recourse category. Since all their clients borrow from them, they will continue to compete against the recourse group as well.

Given that the economy has come out of a recession in 2009 and is forecast to grow throughout 2010, the prospects for meaningful factoring volume growth in 2010 are positive.