



**NOTICE OF  
ANNUAL MEETING OF SHAREHOLDERS  
AND  
MANAGEMENT PROXY CIRCULAR**

**TO BE HELD AT**

**Toronto Board of Trade  
3<sup>rd</sup> Floor, First Canadian Place  
77 Adelaide Street West  
Toronto, Ontario, Canada**

**Wednesday, May 3, 2017  
4:15 p.m. (Toronto time)**

# ACCORD FINANCIAL CORP.

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

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**NOTICE** is hereby given that the Annual Meeting (the "Meeting") of Shareholders of **ACCORD FINANCIAL CORP.** (the "Company") will be held at:

**Toronto Board of Trade  
3<sup>rd</sup> Floor, First Canadian Place  
77 Adelaide Street West  
Toronto, Ontario, Canada**

on **Wednesday, May 3, 2017**  
at **4:15 p.m. (Toronto time)**

The following business will be conducted at the Meeting:

1. to receive the Audited Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2016, together with the auditors' report thereon;
2. to elect directors of the Company;
3. to appoint KPMG LLP, Chartered Accountants, as auditors of the Company and to authorize the Company's directors, through their Audit Committee, to fix the remuneration to be paid to the auditors; and
4. to transact such other business as may properly come before the Meeting or any adjournment thereof.

As a shareholder, you are entitled to attend the Meeting and to cast one vote for each common share that you own. If you are a registered shareholder and are unable to attend the Meeting, you will still be able to vote on the items of business set out in 2, 3 & 4 above by completing the form of proxy included with the accompanying management proxy circular (the "Circular"). This Circular explains how the voting process works.

If you are not able to be present at the Meeting, please exercise your right to vote by signing and returning the enclosed form of proxy to Computershare Investor Services Inc., 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1 so as to arrive not later than 4:00 p.m. (Toronto time) on the second business day preceding the date of the Meeting (namely, May 1, 2017) or any adjournment thereof.

The Circular provides additional information relating to the matters to be dealt with at the Meeting and forms part of this notice.

Dated at Toronto, Ontario, the 21<sup>st</sup> day of March 2017

**BY ORDER OF THE BOARD OF DIRECTORS**



Jim Bates  
Secretary

# ACCORD FINANCIAL CORP.

## INVITATION TO SHAREHOLDERS

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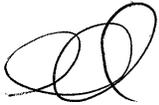
Dear Shareholder:

On behalf of Accord Financial's Board of Directors, I am pleased to invite you to attend the Company's Annual Meeting of Shareholders to be held at Toronto Board of Trade, 3<sup>rd</sup> Floor, First Canadian Place, 77 Adelaide Street West, Toronto, Ontario, Canada, on Wednesday, May 3, 2017 at 4:15 p.m. The Annual Meeting gives you the opportunity to learn more about your Company, receive its financial results, and hear about our plans for the future. You will also meet the Company's directors and senior management.

The items of business to be considered at this meeting are described in the Notice of Annual Meeting of Shareholders and accompanying Management Proxy Circular. Even if you cannot attend the Annual Meeting, it is important that your shares be represented and voted, by using the enclosed proxy or voting instruction form. We encourage you to familiarize yourself with the information in the Management Proxy Circular, and decide how you want to vote your shares. We look forward to your participation.

The Board and management thank you for your continued support and look forward to seeing you on May 3, 2017.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Henderson', with a stylized, cursive flourish.

Tom Henderson  
President and CEO  
Accord Financial Corp.

# ACCORD FINANCIAL CORP.

## MANAGEMENT PROXY CIRCULAR

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# ACCORD FINANCIAL CORP.

## MANAGEMENT PROXY CIRCULAR

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### SOLICITATION OF PROXIES

The information contained in this Management Proxy Circular (the "Circular") is furnished in connection with the solicitation of proxies to be used at the Annual Meeting of Shareholders of Accord Financial Corp. ("Accord" or the "Company") to be held at Toronto Board of Trade, 3<sup>rd</sup> Floor, First Canadian Place, 77 Adelaide Street West, Toronto, Ontario at 4:15 p.m. on Wednesday, May 3, 2017 (the "Meeting"), and at all adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting. It is expected that the solicitation will be made primarily by mail but proxies may also be solicited personally by directors, officers or employees of the Company. **The solicitation of proxies by this Circular is being made by or on behalf of the management of the Company.** The total cost of the solicitation will be borne by the Company.

### APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy accompanying this Circular are directors and officers of the Company. **A shareholder of the Company has the right to appoint a person other than the persons specified in such form of proxy and who need not be a shareholder of the Company to attend and act for the shareholder and on the shareholder's behalf at the Meeting. Such right may be exercised by striking out the names of the persons specified in the form of proxy, inserting the name of the person to be appointed in the blank space provided in the form of proxy, signing the form of proxy and returning it in the reply envelope in the manner set forth in the accompanying Notice of Meeting.**

A shareholder who has given a proxy has the right to revoke it as to any matter on which a vote has not already been cast pursuant to the authority conferred by that proxy and may do so: (i) by depositing an instrument in writing executed by the shareholder or by the shareholder's attorney who is authorized by a document that is signed in writing or by electronic signature that complies with the requirements of the Business Corporations Act (Ontario) (the "OBCA"); or (ii) by transmitting, by telephonic or electronic means, a revocation that is signed by electronic signature that complies with the requirements of the OBCA, in either case to be received (a) at the registered office of the Company, Suite 602, 40 Eglinton Avenue East, Toronto, Ontario, M4P 3A2 (or by fax at (416) 961-9443) or at the offices of Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario M4P 3A2, up to and including 4:00 p.m. (Toronto time) on the second business day immediately preceding the day of the Meeting, or any adjournment or postponement thereof, at which the proxy is to be used or (b) by the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof. A shareholder who has given a proxy may also revoke it in any other manner permitted by law.

### VOTING OF SHARES REPRESENTED BY MANAGEMENT PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed by proxy on any ballot that may be called for in accordance with the instructions thereon. **In the absence of such specifications, such shares will be voted in favor of each of the matters referred to herein.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to or variations of matters identified in the Notice of Meeting and with respect to other matters, if any, which may properly come before the Meeting. At the date of this Circular, the management of the Company knows of no such amendments, variations, or other matters to come before the Meeting. However, if any other matters which are not known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxy.

### VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

As at the date hereof, the Company had 8,307,713 issued and outstanding common shares ("shares"), each carrying one vote. Each holder of a share of record at the close of business on March 21, 2017, the record date established for notice of the Meeting, will, unless otherwise specified herein, be entitled to one vote for each share held by such holder on all matters proposed to come before the Meeting, except to the extent that such holder has transferred any such shares after the record date and the transferee of such shares establishes ownership thereof and makes a written

demand, not later than 10 days before the Meeting, to be included in the list of shareholders entitled to vote at the Meeting, in which case the transferee will be entitled to vote such shares at the Meeting.

At the date hereof, to the knowledge of the management of the Company, the only persons beneficially owning, directly or indirectly, or exercising control or direction over, more than 10% of the issued and outstanding shares of the Company are as follows:

<b>Shareholder</b>	<b>Number of Common Shares</b>	<b>% of Issued and Outstanding Common Shares</b>
Hitzig Bros., Hargreaves & Co. Inc. (“Hitzig Bros.”)	2,000,000	24.07%
Oakwest Corporation Limited (“Oakwest”)	1,925,651	23.18%
3502236 Canada Inc.	1,047,840	12.61%

Management understands that Mr. Ken Hitzig, Executive Chairman of the Board of Directors (“Chairman”) of the Company, is a director, officer and shareholder of Hitzig Bros. Management further understands that Mr. David Beutel, a director of the Company, is also a director, officer and shareholder of Oakwest. Management also understands that 3502236 Canada Inc. is a family holding company of Mr. William W. Tom, deceased, a former officer of the Company.

## **BUSINESS OF THE MEETING**

### **FINANCIAL STATEMENTS**

The Audited Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2016 and the auditors’ report thereon are included in the Company’s 2016 Annual Report, which was mailed to shareholders with this Circular.

### **ELECTION OF DIRECTORS**

Management will propose at the Meeting that the seven nominees named on pages 3 and 4 be elected directors. The current Board comprises of a majority of independent directors. All directors so elected will hold office until the next annual meeting of shareholders of the Company or until their successors are elected or appointed. The persons named in the enclosed form of proxy intend to cast the votes to which the shares represented by such proxy are entitled for the election of the nominees whose names are set forth below, unless the shareholder who has given such proxy has directed that the shares be withheld from voting in the election of one or more particular directors. Management of the Company does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason at or prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. The Board approved each of the directors to be nominated for election.

The Board has adopted a policy regarding majority voting in the election of directors. This states that if the number of proxy votes withheld for a particular director nominee is more than the votes in favour of such director, the director nominee will be required to immediately submit his resignation to the Company’s Board for consideration by it. For further details regarding this policy see Majority Voting Policy (“MVP”) on page 18 below.

### **Nominees for Election to the Board of Directors**

Each year directors are re-elected to the Board. The seven nominee director profiles below summarize each nominated director’s skills and experience. They have been selected based on their collective ability to contribute to the broad range of issues the Board considers when overseeing the Company’s business and affairs. 5 of the 7 nominated directors are independent which ensures that the Board is able to operate independently of management and make decisions in the best interest of the Company and its shareholders.

The following table sets forth certain information with respect to the persons nominated by management for election to the Company’s Board.



Independent director.

**David Beutel, Toronto, Ontario, Canada**

**Principal Occupation:** Vice President and Secretary, Oakwest Corporation Limited (investment company)

Mr. Beutel holds a B.A. from University of Pennsylvania and a MBA from Schulich School of Business at York University. Mr. Beutel is a Vice President and Secretary of Oakwest, a private investment management and holding company. Prior to this, Mr. Beutel was the co-founder and managing partner of Belweather Capital Partners Inc., a merchant banking and private investment company in Toronto. He is Chairman of Diamond Estates Wines and Spirits Inc. as well as being a director of several private companies. Mr. Beutel has been a director of Accord since May 7, 2014 and is a member of the Company's Audit and Credit Committees.

Common Shares Held (#) / Value (\$) <sup>(5)</sup>	Share Appreciation Rights Held (#)	Stock Options Vested/Held (#)
1,925,651 <sup>(2)</sup> / \$17,311,602	Nil	10,000/40,000



Mr. Henderson is President and CEO of Accord and, hence, a non-independent director.

**Tom Henderson, Greenville, South Carolina, U.S.A.**

**Principal Occupation:** President and CEO of the Company

Mr. Henderson has been associated with the asset-based lending business for over 45 years. He was first with Heller International in a variety of management roles where he concentrated on managing factoring and asset-based lending units in the U.S., Asia and Australia. Mr. Henderson joined Accord Financial, Inc., the Company's U.S. subsidiary, in a sales capacity in 1998 and was promoted to its President and CEO in 2001, a position he still holds. Mr. Henderson was appointed President and CEO of the Company on May 6, 2009 and has been a director of Accord since July 28, 2009.

Common Shares Held (#) / Value (\$) <sup>(5)</sup>	Share Appreciation Rights Held (#)	Stock Options Vested/Held (#)	LTIP Awards <sup>(4)</sup>
89,200 / \$801,908	Nil	Nil	\$62,500



Mr. Hitzig is an officer of Accord and, hence, a non-independent director.

**Ken Hitzig, Toronto, Ontario, Canada**

**Principal Occupation:** Executive Chairman of the Board of the Company

Mr. Hitzig founded Accord 39 years ago and has seen his initial vision grow into a highly successful North American asset-based lending and finance company. Mr. Hitzig has a B.Comm. from McGill University and over 50 years experience in the asset-based lending and finance industries. Mr. Hitzig has been a director of Accord since March 6, 1992 and is a member of the Company's Compensation Committee.

Common Shares Held (#) / Value (\$) <sup>(5)</sup>	Share Appreciation Rights Held (#)	Stock Options Vested/Held (#)
2,000,000 <sup>(3)</sup> / \$17,980,000	37,500	Nil



Independent director.

**Gary Prager, Atlanta, Georgia, U.S.A.**

**Principal Occupation:** Managing Partner, Cygnus Advisers (business and financial consulting)

Mr. Prager has over 35 years experience in corporate finance. He worked for 18 years with CIT as an Executive Vice President in its Corporate Finance Group. He was also a Managing Director of GB Credit Partners, the investment management affiliate of Gordon Brothers Group. Mr. Prager holds a MBA from the University of North Carolina. He has also completed Advanced Executive Programs in Corporate Finance and Marketing at University of Virginia and Northwestern University, respectively. Mr. Prager has been a director of the Company since May 6, 2015 and is a member of its Credit Committee.

Common Shares Held (#) / Value (\$) <sup>(5)</sup>	Share Appreciation Rights Held (#)	Stock Options Vested/Held (#)
5,000 / \$44,950	Nil	10,000/40,000



Independent director.

**Robert Sandler, White Plains, New York, U.S.A.**

**Principal Occupation:** President, Robert S. Sandler LLC (business and financial consulting)

Mr. Robert Sandler has been a business and financial consultant since 2002. From 1978 to 2001, Mr. Sandler served as Executive Vice President of HSBC Business Credit (USA). Mr. Sandler is a past chairman of the Commercial Finance Association, an industry trade group in North America. Mr. Sandler holds a B.S. from Wharton School at University of Pennsylvania and attended the Graduate School of Business at Columbia University. Mr. Sandler has been a director of Accord since October 26, 2010 and is a member of the Company's Credit and Compensation Committees.

Common Shares Held (#) / Value (\$) <sup>(5)</sup>	Share Appreciation Rights Held (#)	Stock Options Vested/Held (#)
5,000 / \$44,950	15,000	10,000/40,000



Independent director.

**John Swidler, Hampstead, Quebec, Canada**

**Principal Occupation:** Senior Advisor, Richter LLP (Chartered Professional Accountants)

Mr. Swidler specializes in corporate finance and is a senior advisor at Richter LLP, a national firm of chartered professional accountants. He was previously the managing partner at RSM Richter LLP (now Richter LLP) and prior to that Chairman of its Executive Committee. Mr. Swidler is a Director and Chair of the Audit Committee at Dollarama Inc., and the Lead Director and member of the Audit Committee at Reitmans (Canada) Limited. Mr. Swidler is a FCPA, CA and has a B.Comm. and Bachelor of Civil Law from McGill University. Mr Swidler was appointed to Accord's Board on October 1, 2013 and is a member of the Company's Audit Committee.

Common Shares Held (#) / Value (\$) <sup>(5)</sup>	Share Appreciation Rights Held (#)	Stock Options Vested/Held (#)
5,000 / \$44,950	Nil	10,000/40,000



Independent director.

**Stephen Warden, Oakville, Ontario, Canada**

**Principal Occupation:** Partner, MNP LLP (Chartered Professional Accountants)

Mr. Warden is a Partner at MNP LLP, a national firm of chartered professional accountants. He was previously a partner at parker simone LLP and prior to that a partner at KPMG LLP in Toronto. He specializes in auditing investment dealers, banking, and finance companies. While at KPMG, he was an auditor of Accord from 1980 to 2006. He is a Director and Audit Committee Chair of the Private Capital Markets Association of Canada. Mr. Warden is a CPA, CA and Certified Management Consultant with a B.Comm. from University of Toronto. Mr Warden joined Accord's Board on July 27, 2010 and is the Chair of its Audit Committee and a member of its Compensation Committee.

Common Shares Held (#) / Value (\$) <sup>(5)</sup>	Share Appreciation Rights Held (#)	Stock Options Vested/Held (#)
9,000 / \$80,910	15,000	10,000/40,000

1. The number of shares beneficially owned or over which a director or nominee director exercises control or direction, not being within the knowledge of the Company, has been furnished by the respective nominees individually as at March 21, 2017.
2. Oakwest is the beneficial owner of these shares.
3. Hitzig Bros. is the beneficial owner of these shares.
4. See details of the Company's LTIP on pages 10 and 14 below. Mr. Henderson's LTIP awards were granted in 2015 and 2016.
5. The value of shares held is the number of shares held multiplied by the closing price of the Company's shares on the TSX on December 31, 2016 of \$8.99.

**Board of Directors Meetings Held and Attendance of Directors**

A summary of attendances at Board and Committee meetings during the year ended December 31, 2016 is set out below.

Director	Board Meetings Attended	Committee Meetings Attended		Total Meetings Attended	
		Audit Committee	Compensation Committee		
David Beutel	4 of 4	4 of 4		8 of 8	100%
Tom Henderson	4 of 4			4 of 4	100%
Ken Hitzig	4 of 4		2 of 2	6 of 6	100%
Gary Prager	4 of 4			4 of 4	100%
Robert Sandler	4 of 4		2 of 2	6 of 6	100%
John Swidler	4 of 4	4 of 4		8 of 8	100%
Stephen Warden	4 of 4	4 of 4	2 of 2	10 of 10	100%

### Committees of the Board of Directors

The following table summarises the current membership of each committee of the Board:

Audit Committee	Compensation Committee	Credit Committee
David Beutel	Ken Hitzig	David Beutel
John Swidler	Robert Sandler	Gary Prager
Stephen Warden (Chair)	Stephen Warden	Robert Sandler

The Audit and Credit Committees are comprised of independent directors, while the Compensation Committee is comprised of a majority of independent directors.

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

Except as noted below, to the knowledge of the Company, no director, nominee for 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; or (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.

Mr. David Beutel is a director of Arius3D Corp. (“Arius”). In September 2012, the Ontario and British Columbia Securities Commissions and applicable Canadian securities regulators issued a permanent cease trade order against Arius related to its failure to meet its continuous disclosure obligations. As Arius is insolvent, its assets were seized by its major creditors and it is currently in the process of being wound up. Arius has been delisted and is no longer a public company.

### COMPENSATION OF DIRECTORS

The Board is responsible for reviewing director compensation and satisfying itself that it is competitive and aligns directors’ interest with those of the Company’s shareholders. The Board determines the form and amount of director compensation based on an annual review of director compensation in the marketplace. In addition, reasonable out-of-pocket expenses incurred in performance of their duties are reimbursed. The compensation structure for 2016 is set out below.

#### Directors’ Compensation Structure

Directors’ Fee Component	Fees (\$) <sup>(1)</sup>
Directors’ annual retainer	24,000
Board meeting fee (per meeting)	2,400
Audit Committee Chair annual retainer	7,200
Audit Committee member’s (excluding Chair) annual retainer	4,800
Audit Committee meeting fee (per meeting)	2,400
Compensation Committee member’s annual retainer	4,800
Compensation Committee meeting fee (per meeting)	2,400
Credit Committee member’s annual retainer	7,200

1. Mr. Gary Prager and Mr. Robert Sandler, U.S. based directors, were paid these fees in U.S. dollars.

## Individual Director Compensation

The following table provides a detailed break-down of the total compensation paid to directors for the year ended December 31, 2016.

Director	Directors' Annual Retainer (\$)	Board Meeting Fees (\$)	Audit Committee Annual Retainer (\$)	Compensation Committee Annual Retainer (\$)	Credit Committee Annual Retainer (\$)	Audit and Compensation Committee Meeting Fees (\$)	Total Fees (\$)	Option-based Awards <sup>(4)</sup> (\$)	Share-based Awards <sup>(5)</sup> (\$)	Total Compensation (\$)
David Beutel	24,000	9,600	4,800	-	7,200	9,600	55,200	27,000	-	82,200
Tom Henderson <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	-
Ken Hitzig <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-
Gary Prager <sup>(3)</sup>	31,304	12,521	-	-	9,392	-	53,217	27,000	-	80,217
Robert Sandler <sup>(3)</sup>	31,304	12,521	-	6,261	9,392	6,267	65,745	27,000	-	92,745
John Swidler	24,000	9,600	4,800	-	-	9,600	48,000	27,000	-	75,000
Stephen Warden	24,000	9,600	7,200	4,800	-	14,400	60,000	27,000	-	87,000
Total	134,608	53,842	16,800	11,061	25,984	39,867	282,162	135,000	-	417,162

- Mr. Tom Henderson is an executive officer of the Company and, as such, receives no compensation for acting as a director of the Company.
- Mr. Ken Hitzig is an executive officer of the Company and, as such, receives no compensation for acting as a director of the Company. In the past, Mr. Hitzig received SARs grants in his capacity as a director (Chairman of the Board) of the Company as he did not receive any in his capacity as an executive.
- Mr. Prager received total fees of US\$40,800, while Mr. Sandler received US\$50,400. The total fees shown in the above table are the Canadian dollar equivalents of the U.S. dollar fees paid.
- Option-based awards relate to stock-option grants awarded to directors under the Company's Non-Executive Director Stock Option Plan ("NEDSOP"). See below for awards granted in 2016 and page 16 for a description of the NEDSOP. The value of the options awarded during 2016 was the fair value on the date of grant calculated using the Black-Scholes option pricing model with the following assumptions:

Grant date	July 27, 2016
Exercise price	\$9.28
Risk free interest rate	0.65%
Expected dividend yield	3.88%
Expected share price volatility	23.78%
Expected life of option	5.0 years
Fair value of option	\$1.35

- Director's share-based awards relate to the Company's SARs. The Company's SARs plan is described on page 16 below. SARs are valued at fair value on the date of grant using the Black-Scholes option pricing model. No SARs have been granted since 2011.

### Directors' Option-based Awards in Last Fiscal Year and Outstanding at December 31, 2016

The following table sets forth the aggregate option-based awards to the Company's directors in 2016 and outstanding at December 31, 2016.

Director	Option-Based Awards				
	Number of Securities Underlying Unexercised Options		Option Exercise Price (\$)	Option Expiration Date <sup>(1)</sup> (\$)	Value of Unexercised in-the-money Options <sup>(2)</sup> (\$)
	Vested (#)	Unvested (#)			
David Beutel	-	20,000	9.28	July 26, 2021	Nil
	10,000	10,000	9.56	October 27, 2020	Nil
Gary Prager	-	20,000	9.28	July 26, 2021	Nil
	10,000	10,000	9.56	October 27, 2020	Nil
Robert Sandler	-	20,000	9.28	July 26, 2021	Nil
	10,000	10,000	9.56	October 27, 2020	Nil
John Swidler	-	20,000	9.28	July 26, 2021	Nil
	10,000	10,000	9.56	October 27, 2020	Nil
Stephen Warden	-	20,000	9.28	July 26, 2021	Nil
	10,000	10,000	9.56	October 27, 2020	Nil

- The options expiring on July 26, 2021 were granted on July 27, 2016, while the options expiring on October 27, 2020 were granted on October 28, 2015. Fifty percent of the options granted vest after one year and the remaining fifty percent after two years.
- The value of the outstanding options at December 31, 2016 is calculated based on the difference between the price of the Company's shares on the TSX on December 31, 2016, namely \$8.99, and the exercise prices of the options. As the price of the Company's shares on December 31, 2016 was less than the option exercise prices, there were no "in-the-money" outstanding options at that date.

## Directors' Share-based Awards in Last Fiscal Year and Outstanding at December 31, 2016

No share-based awards (namely, SARs grants) were made to the Company's directors during the year ended December 31, 2016.

The following table sets forth the aggregate share-based awards outstanding (SARs outstanding) for the Company's directors at December 31, 2016 and their value at that date. All outstanding SARs were vested at December 31, 2016.

Director	Share-based Awards	
	Aggregate Number of Outstanding SARs (#)	Aggregate Market or Payout Value of Outstanding SARs <sup>(1)</sup> (\$)
Ken Hitzig	37,500	91,275
Robert Sandler	15,000	16,050
Stephen Warden	15,000	16,050

- The SARs payout value at December 31, 2016 was \$9.02. The exercise prices of the outstanding directors SARs awards were \$6.03 for the 2009 SARs grant, \$5.50 for the 2010 SARs grant and \$7.95 for the 2011 SARs grant. No SARs have been granted to the directors since 2011.
- Mr. Tom Henderson, President and CEO of the Company, does not receive a SARs grant in his capacity as a director of the Company. He does receive one as its President and CEO.

## Directors' Share-based and Option-based Awards Vested in Last Fiscal Year

No share-based awards (namely, SARs grants) vested during the year ended December 31, 2016.

The following table sets forth the aggregate option-based awards vested in the year ended December 31, 2016.

Director	Number of Options Vested in the year <sup>(1)</sup> (#)	Value of Options Vested in the year <sup>(2)</sup> (\$)
David Beutel	10,000	-
Gary Prager	10,000	-
Robert Sandler	10,000	-
John Swidler	10,000	-
Stephen Warden	10,000	-

- Fifty percent of the options granted on October 28, 2015 were vested a year after the grant date. These options were granted at an exercise price of \$9.56.
- The value of the options vested in 2016 is calculated based on the difference between the price of the Company's shares on the TSX on the date of vesting (October 27, 2016), namely \$9.00, and the exercise price of the options. As the price of the Company's shares on October 27, 2016 was less than the options exercise price, the options vesting had no value on the vesting date.

## Directors' Value Vested or Earned on Incentive Plan Awards in Last Fiscal Year

Director	Option-based Awards - Value Vested in the Year <sup>(1)</sup> (\$)	Share-based Awards - Value Vested in the Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned in the Year (\$)
David Beutel	Nil	Nil	Nil
Gary Prager	Nil	Nil	Nil
Robert Sandler	Nil	Nil	Nil
John Swidler	Nil	Nil	Nil
Stephen Warden	Nil	Nil	Nil

- The value of the options vested in 2016 is calculated based on the difference between the share price of the Company's shares on the TSX on the vesting date, October 27, 2016, namely \$9.00, and the exercise prices of the options. As the share price of the Company's shares on October 27, 2016 was less than the option exercise prices, there were no "in-the-money" vested or outstanding options at that date.

## Directors' Share-based and Option-based Awards Exercised in Last Fiscal Year

No option or share-based awards were exercised by the Company's directors during 2016.

### APPOINTMENT OF AUDITORS

The Audit Committee recommends that shareholders appoint KPMG LLP ("KPMG"), Chartered Professional Accountants, as independent auditors of the Company until the next annual meeting of shareholders. KPMG was first appointed auditors of the Company on March 6, 1992. Unless the shareholder has specified in the enclosed form of proxy that the shares represented by such proxy are to be withheld from voting in the appointment of KPMG as auditors, the persons named in the enclosed form of proxy intend to vote in favor of the appointment of KPMG as auditors of the Company to hold office until the next annual meeting of shareholders, and to authorize the directors to fix the remuneration of the auditors.

### Fees for Services Provided by KPMG LLP

Aggregate fees billed for professional services rendered by KPMG LLP for the fiscal years ended December 31, 2016 and 2015 were as follows:

	<b>2016</b>	<b>2015</b>
	<u>\$'000</u>	<u>\$'000</u>
Audit fees	233	228
Audit-related fees	-	-
Tax fees	-	-
All other fees	-	-
Total fees	<u>233</u>	<u>228</u>

Audit fees were paid for professional services rendered for the audit of Accord and its subsidiaries annual financial statements or services provided in connection with statutory and regulatory filings or engagements. Tax fees were paid for tax planning, advice and compliance.

The Audit Committee is required to pre-approve all audit and non-audit services prior to the services being provided in order to ensure that the provision of such services does not impair KPMG's independence. The Audit Committee has approved all of the services provided to the Company and its subsidiaries described in the table above.

### COMPOSITION OF THE COMPENSATION COMMITTEE

Currently the Compensation Committee is composed of a majority of independent directors as noted on page 5. The Compensation Committee has, as part of its mandate, primary responsibility for making recommendations for approval by the Board with respect to the appointment and remuneration of executive officers of the Company. The Compensation Committee also evaluates the performance of the Company's senior executive officers and reviews the design and competitiveness of the Company's compensation plans. The Compensation Committee met twice during the fiscal year ended December 31, 2016.

### COMPENSATION DISCUSSION AND ANALYSIS

The following report is provided by the Compensation Committee. The Compensation Committee administers the Company's executive compensation policies and is responsible for making recommendations to the Board concerning the compensation of Mr. Tom Henderson, President and CEO ("CEO"), Mr. Ken Hitzig, Executive Chairman of the Board, and other key executive officers of the Company. Executive compensation is designed to encourage, compensate and reward employees on the basis of individual and corporate performance, both in the short- and long-term. The objectives of the Company's executive compensation strategy are to:

1. attract and retain talented and effective individuals to assume responsibility for those functions that are critical to the Company's success;
2. encourage and recognize high levels of performance by linking incentive compensation to the Company's profitability;
3. link long-term compensation to the achievement of the Company's strategic objectives of growth and the enhancement of shareholder value; and
4. encourage retention of key executives for leadership succession.

Given the size of the Company, compensation for each of the key executive officers is determined in a relatively simple and straightforward manner and no formal benchmarking is considered necessary. Executive compensation consists of four components:

1. base salary;
2. annual incentive or bonus plan;
3. long-term incentive plan awards; and
4. benefits and other perquisites.

### ***Base Salaries***

The level of base salary for the CEO is reviewed annually by the Compensation Committee and its recommendation is approved by the Company's Board. The CEO's base salary is based on an assessment of a variety of factors, including an awareness of compensation paid to senior executives in comparable positions, the CEO's performance in relation to achieving organizational goals, establishing and implementing the Company's strategic plans, the Company's relative financial performance, competitive issues and the Company's ability to pay.

Annual base salary levels for other key executive officers of the Company, including the Executive Chairman, are reviewed annually by the Compensation Committee based on individual performance, industry compensation levels, the degree of impact the position has on the overall financial performance of the Company, the number of employees under direct and indirect supervision, competitive issues and the ability of the Company to pay. The recommendations of the Compensation Committee with regard to key executive officers are then presented to the Board for approval prior to implementation.

Salaries paid to the Company's CEO, Chief Financial Officer ("CFO") and the three other most highly compensated executive officers of the Company (collectively, the "Named Executive Officers") are set out in the Summary Compensation Table ("SCT") on page 11 of this Circular in the salary column.

### ***Annual incentive or bonus plans***

The Presidents of the Company's four operating subsidiaries (Accord Financial Ltd. ("AFL"), Accord Financial Inc. ("AFIC"), Accord Financial, Inc. ("AFIU") and Varion Capital Corp. ("Varion")) each have their own annual incentive or bonus plan, the payout under which is based upon the financial performance of each President's company against a target or threshold amount of earnings, as well as certain discretionary goals. The CEO's annual incentive is directly linked to the annual incentive of these four subsidiary Presidents. Simply put, the CEO's annual incentive or bonus from the Company is calculated taking the total annual incentive of the four subsidiary Presidents expressed as a percentage of their total salaries, and then multiplying this weighted average bonus percentage by the CEO's annual salary. This amount is then divided in two as Mr. Tom Henderson is also the President of Accord Financial, Inc. ("AFIU") from whom he also receives an annual incentive in respect of the performance of AFIU. The calculation of his AFIU annual incentive is set out in the next paragraph.

In 2016 the President of AFIC received an annual incentive equal to 7.5% of the excess of AFIC's adjusted pre-tax earnings (calculated as net earnings before income tax, head office charges, interest expense and other inter-company items) over a threshold amount of pre-tax earnings. Mr. Henderson, in his capacity as President of AFIU, has a similar plan to AFIC's President although he received no annual incentive in 2016 as AFIU's adjusted pre-tax earnings did not exceed the threshold amount. AFL had two Presidents in 2016. Mr. Simon Hitzig was President from January 1, 2016 to September 30, 2016, while Mr. Jim Bates was President from October 1, 2016 to December 31, 2016. Together Messrs. Hitzig and Bates received a total annual incentive of \$45,000, which was awarded based on discretionary performance. Effective February 1, 2016, Varion appointed a new President, Mr. James Jang. The President of Varion received an annual incentive calculated in similar manner to the AFIC and AFIU plans. In 2016, the President of Varion received an annual incentive equal to 10.0% of Varion's adjusted pre-tax earnings over a threshold amount. The maximum percentage payable to the Presidents of AFIC, AFL and Varion in a particular year is 10%, while it is currently 5% for AFIU's President, as Mr. Henderson also currently receives an incentive in his capacity as CEO of the Company. To reach the maximum percentage, the President's must also fully achieve a number of discretionary operating goals. For AFIC, AFIU and Varion, the Company's asset-based lending subsidiaries, the threshold amount is based upon a targeted return on those companies average funds employed, while for AFL, the Company's credit protection and receivables management subsidiary, the annual incentive is largely based on adjusted pre-tax earnings. The CEO and subsidiary Presidents' annual incentive plans were approved by the Company's Compensation Committee.

The CFO's annual incentive is calculated in a similar manner to the CEO's except that the weighted average annual bonus percentage is linked to the performance of the above noted four operating subsidiaries (AFL, AFIC, AFIU and

Varion) and the total annual incentives or bonuses paid to both the Presidents and all other eligible employees (all eligible employees share in a profit sharing pool as discussed in the next paragraph) of the four subsidiaries. The total annual incentives or bonuses to be paid by those subsidiaries is expressed as a percentage of the total eligible salaries of the four subsidiaries' employees (including the Presidents). This weighted average bonus percentage is then adjusted, if considered appropriate, based on performance of the CFO and then multiplied by his annual salary to determine his annual bonus for a particular fiscal year.

All eligible employees share in the earnings of their company pursuant to established profit sharing plans whereby a percentage of adjusted pre-tax net earnings is distributed to eligible employees each year as an annual bonus. The Compensation Committee oversees the operation of the Company's Employee Profit Sharing Plans (the "Plans"). The Company and each of its operating subsidiaries have their own plan. All full time operating subsidiary employees, except their Presidents, who each have their own plans as described above, are eligible to participate in their employer's plan after one full year of employment. During 2016, the Company's operating subsidiaries, with the exception of AFL, accrued a certain pre-determined percentage of their annual pre-tax earnings, before head office charges, and less an imputed interest charge on the operating subsidiary's shareholder's equity, as their total employee profit sharing pool. This pool was distributed among all of the subsidiary's eligible employees based on a points system, which takes into account the employee's position, salary level, performance and other factors, such as absenteeism. Typically, executives and senior management of the subsidiaries will receive additional performance-related points based on similar considerations to those upon which base salaries are set and, accordingly, will share to a greater extent in their employer's profit sharing pool. There is no profit sharing accrual by a subsidiary in a particular year if its pre-tax earnings before head office charges are less than the imputed interest charge on that subsidiary's shareholder's equity, as was the case in 2016 for AFL. However, AFL did pay a small discretionary bonus totaling \$17,250 to its employees.

The profit sharing distribution to the Company's own employee(s) other than its Chairman, CEO, and CFO, is calculated each year based on the aggregate total of the employee profit sharing pools of the above noted four operating subsidiaries (AFL, AFIC, AFIU, Varion) expressed as a percentage of the total eligible salaries of those employees entitled to share in those subsidiaries' employee profit sharing pools. This weighted average profit sharing percentage is then adjusted, if considered appropriate, based on the seniority and performance of the Company's employee(s) entitled to receive a profit share and then multiplied by each employee's eligible salary to determine an employee's profit share for a particular fiscal year. The Company's CEO and CFO's annual incentive plans are set out above, while its Chairman, Mr. Ken Hitzig, no longer receives an annual incentive.

The annual incentives or bonuses paid to the Company's Named Executive Officers for the last three years are set out in the Annual Incentive Plan or Bonus column of the SCT on page 11 of this Circular. It is anticipated bonus amounts payable to the Named Executive Officers will typically not exceed 50% of their total compensation.

#### ***Long-Term Incentive Plan ("LTIP")***

During 2015, the Company's Board approved the introduction of the LTIP as a means of providing a long-term incentive to attract, motivate and retain key managerial employees by providing them with the opportunity to benefit from the Company's growth and long-term financial operating performance thereby giving them an interest in preserving and maximizing shareholder value in the long-term and aligning the interests of shareholders and key management personnel. The LTIP has replaced the SARs plan as a means of providing a long-term incentive to key managerial employees of the Company. The CEO of the Company is responsible for recommending to the Compensation Committee those executives eligible to participate in the LTIP and his recommendations are subject to the approval of the Company's Compensation Committee, which then presents these recommendations to the Board for approval or modification. The annual LTIP award will vest in full at the end of a three-year period and will be payable in a combination of the Company's shares to be issued from treasury and/or in cash (largely to enable the employee to pay income tax on payment of the award), to be determined at the time of payment by the Compensation Committee. The Company expects that between seven and nine executives will be named in each annual LTIP award. The 2016 LTIP award was to eight executives in the amount of \$314,980. Please see pages 13 to 15 below for a detailed description of the LTIP.

#### ***Share Appreciation Rights (superceded by the LTIP)***

The Company has a SARs plan whereby the Board may grant SARs to key managerial employees of the Company. The SARs plan replaced the Key Employee Stock Option Plan ("KESOP") in acting as a long-term incentive to attract and retain key managerial employees, although it has now itself been replaced by the LTIP. The Compensation Committee had the sole discretion to determine the key employees to whom it recommended that grants be made and to determine the number of SARs forming part of such grant. The Compensation Committee presents these recommendations to the Board for approval or modification. An employee can exercise their SARs after holding

them for a minimum of two years. It was expected that SARs grants would not form a substantial component of an employee's total compensation. No SARs have been granted by the Company to key managerial employees since 2011. The SARs plan is discussed in more detail on page 15 of this Circular.

***Stock Options (superceded by the SARs plan)***

Stock options granted under the KESOP are designed to give each optionee an interest in preserving and maximizing shareholder value in the longer term by linking compensation to the Company's share price. The Compensation Committee has the sole discretion to determine the key employees to whom it recommends that grants be made and to determine the number of the options forming part of such grant. The Compensation Committee presents these recommendations to the Board for modification or approval. The Company has issued no options to employees under the KESOP since 2004. The KESOP was replaced by the SARs plan and, subsequently, the LTIP in providing a long term incentive to key management employees. The KESOP is discussed in more detail on page 17 of this Circular.

***Benefits and Perquisites***

Benefits and perquisites are valued in assessing the competitiveness of overall compensation. Benefits include group health, dental and disability insurance, and perquisites are primarily business related and include items such as automobiles and automobile allowances.

The foregoing report has been furnished by the Compensation Committee.

**EXECUTIVE COMPENSATION**

The following table sets forth, for the years indicated, all compensation paid to the Named Executive Officers being the Company's CEO, CFO and its three other most highly compensated executive officers.

**Summary Compensation Table**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Share-based (SARs) Awards (\$)</b>	<b>Option-based Awards (\$)</b>	<b>Annual Incentive Plan or Bonus<sup>(1)</sup> (\$)</b>	<b>Long Term Incentive Plan<sup>(2)</sup> (\$)</b>	<b>Pension Value (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total Compensation (\$)</b>
Tom Henderson <sup>(3)</sup>	2016	303,000	-	-	27,142	23,574	-	-	353,716
President and CEO, Accord Financial Corp.	2015	297,000	-	-	145,257	24,437	-	-	466,694
	2014	368,100	-	-	140,519	-	-	-	508,619
Stuart Adair	2016	254,160	-	-	51,995	45,000	-	-	351,155
Chief Financial Officer, Accord Financial Corp.	2015	249,150	-	-	82,962	45,000	-	-	377,112
	2014	228,355	-	-	70,523	-	-	-	298,878
Fred Moss	2016	333,840	-	-	96,930	40,000	-	-	470,770
President, Accord Financial Inc.	2015	327,240	-	-	156,465	40,000	-	-	523,705
	2014	321,000	-	-	182,628	-	-	-	503,628
Simon Hitzig <sup>(4)</sup>	2016	270,900	-	-	30,000	40,000	-	-	340,900
Senior Vice President, Accord Financial Corp.	2015	265,560	-	-	62,000	40,000	-	-	367,560
	2014	260,310	-	-	24,000	-	-	-	284,310
Jason Rosenfeld	2016	261,690	-	-	46,378	45,000	-	-	353,068
Executive Vice President, Accord Financial Inc.	2015	257,165	-	-	61,524	45,000	-	-	363,689
	2014	227,900	-	-	53,567	-	-	-	281,467

1. This amount represents the annual incentive or bonus earned in respect of such fiscal year, which amount was paid the subsequent February.
2. The Company introduced the LTIP in 2015. The LTIP awards are payable in a combination of cash and/or shares of the Company at the end of a three-year vesting period at the discretion of the Company's Compensation Committee. See page 13 below.
3. Mr. Henderson's compensation is expressed in U.S. dollars.
4. Mr. Simon Hitzig assumed the role of Senior Vice President, Corporate Development of the Company effective October 1, 2016, prior to which he was President of AFL.
5. The Company had no formal employment contracts with any of the Named Executive Officers at December 31, 2016, except as noted on page 13 under "Termination and Change of Control Benefits".

### **Share-based Awards to Named Executive Officers in Last Fiscal Year and Outstanding at December 31, 2016**

There were no share-based awards (namely, SARs grants) to the Company's Named Executive Officers during the year ended December 31, 2016 and none outstanding at anytime in 2016. The Company has not issued SARs to key managerial employees since 2011.

### **Option-based Awards to Named Executive Officers in Last Fiscal Year and Outstanding at December 31, 2016**

There were no option-based awards (namely, stock option grants under the KESOP) to the Company's Named Executive Officers during the year ended December 31, 2016 and none outstanding at anytime in 2016. The Company has not issued stock options to key managerial employees since 2004.

### **Share-based and Option-based Awards to Named Executive Officers Exercised in Last Fiscal Year**

The following table sets forth all share-based awards (SARs) exercised by each of the Named Executive Officers during the fiscal year ended December 31, 2016.

Named Executive Officer	Share-based Awards	
	Aggregate Number of SARs Exercised in 2016 (#)	Aggregate Payout Value of SARs Exercised in 2016 (\$)
Tom Henderson	-	-
Stuart Adair	-	-
Fred Moss	10,000	15,000
Simon Hitzig	5,000	8,200
Jason Rosenfeld	-	-

No option-based awards were exercised by the Named Executive Officers during 2016.

### **Share-based and Option-based Awards to Named Executive Officers Outstanding at December 31, 2016**

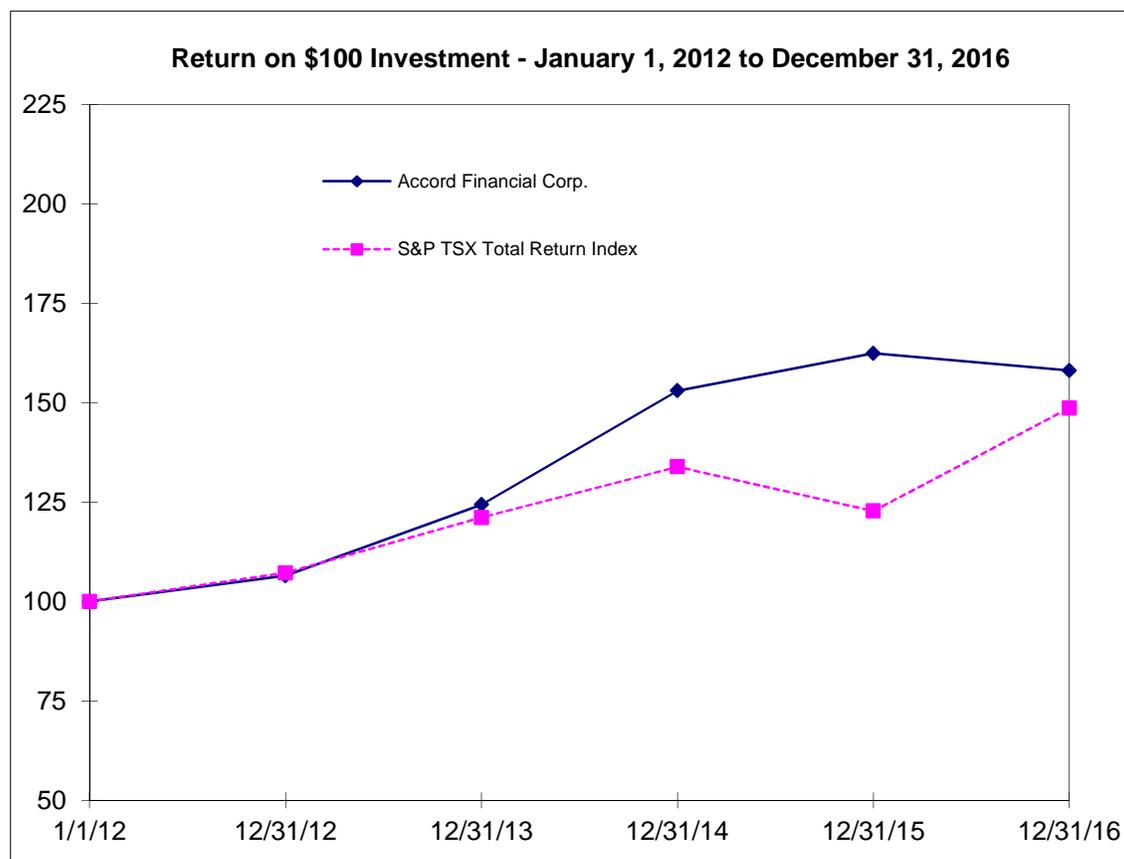
There were no share-based or option-based awards to the Named Executive Officers outstanding at December 31, 2016.

### **Share-based and Option-based Awards Vested in 2016**

No share-based awards (namely, SARs grants) vested to the Named Executive Officers during 2016. There were no option-based awards to the Named Executive Officers outstanding at any time in 2016.

## Performance graph

The following graph compares the total cumulative return on a \$100 investment in common shares of the Company on January 1, 2012 assuming reinvestment of all dividends with the cumulative total shareholder return on the S&P/TSX Total Return Index on the same date.



	01/01/12	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
S&P TSX Total Return Index	\$100.00	\$107.19	\$121.11	\$133.90	\$122.76	\$148.64
Accord Financial Corp.	\$100.00	\$106.48	\$124.35	\$153.02	\$162.43	\$158.11

During 2016, a \$100 investment in Accord's shares, taking into account share price changes and dividends paid declined by 3%, while Accord's net earnings and adjusted net earnings decreased by 25% and 17%, respectively compared to 2015. The total 2016 annual incentive or bonus payable to the Named Executive Officers declined by 52% compared to 2015. For details of the Company's annual incentive or bonus plans please refer to the Compensation Discussion and Analysis on page 8 above.

### Termination and Change of Control Benefits

No executive officer has a formal employment contract with the Company or its subsidiaries at the date of this report. However, the Company has entered into a Termination of Employment Agreement ("TEA") with Mr. Fred Moss, President of AFIC and a Named Executive Officer. Pursuant to the terms of the TEA, in the event that Mr. Moss's employment is terminated for any reason other than cause, the Company will pay him a lump sum equal to two months of his then-current compensation for each completed year of service, up to a maximum of 24 months. As Mr. Moss has been employed by AFIC for over twelve years, he will be paid the maximum 24 months upon termination without cause. Monthly compensation for this purpose is defined as Mr. Moss's then-current monthly salary together with the total of his previous three fiscal year's annual profit sharing bonuses divided by thirty-six. At March 21, 2017, the potential termination payment would amount to \$965,082, comprising 24 month's salary and profit sharing bonus of \$674,400 and \$290,682, respectively. Mr. Moss will also be entitled to the Company's group health and dental benefits and disability coverage (if any) for a period of 24 months from the date of termination.

As noted above, the Company and its subsidiaries have no formal contracts with its executive officers, including the Named Executive Officers, except for the TEA with Mr. Moss. Accordingly, apart from monies that would be owing

to Mr. Moss, no payments to executive officers under any contracts are required in the event of any termination, resignation, retirement or change in control of the Company, although substantial severance and termination payments would be required by law as the Named Executive Officers are largely long-term employees of the Company and its subsidiaries. Any unvested LTIP, SARs or stock option awards would immediately vest as a result of a change in control of the Company.

### **Indebtedness of Directors and Executive Officers**

No person who is, or was at any time during the most recently completed financial year, a director, executive officer or senior officer of the Company, was indebted to the Company or a subsidiary of the Company at any time during the period January 1, 2016 to March 21, 2017.

### **SUMMARY OF LONG-TERM INCENTIVE PLAN**

The Company's Board approved the introduction of the LTIP as a means of providing a long-term incentive to attract, motivate and retain key managerial employees (also known as the senior executive group) by providing them with the opportunity to benefit from the Company's growth and long-term financial operating performance thereby giving them an interest in preserving and maximizing shareholder value in the long-term and aligning the interests of shareholders and management. The LTIP has replaced the SARs plan as a means of providing a long-term incentive to key managerial employees of the Company. Concurrent with the LTIP, the Company has introduced an executive share ownership guideline, which is set out below.

The LTIP is a comprehensive plan designed to:

1. promote a competitive compensation opportunity for the senior executive group that is in addition to the existing base salary and annual short-term bonus plan;
2. align executive and shareholder interests by providing them with the opportunity to benefit from the Company's growth thereby giving them an interest in preserving and maximizing shareholder value in the long-term and promoting a renewed sense of equity ownership by the senior executive group;
3. recognize and link rewards to financial operating performance over the longer three-year horizon; and
4. retain executive talent.

The CEO of the Company is responsible for recommending to the Compensation Committee those executives eligible to participate in the LTIP and his recommendations are subject to the approval of the Compensation Committee, which will also provide oversight of the plan. The Company expects that between seven and nine executives will be named in each annual LTIP award, at the discretion and recommendation of the CEO.

The LTIP award, which will vest in full at the end of a three-year period, will be payable in a combination of equity, in the form of the Company's shares to be issued from treasury, and/or cash (largely to enable the employee to pay income tax on payment of the award) to be determined at the time of payment at the discretion of the Compensation Committee. The shares to be issued from treasury, if any, will be priced based on the ten-day volume weighted average share price of the Company's shares on the Toronto Stock Exchange ("TSX") immediately prior to the end of the vesting period (namely, December 31 of a particular year).

The maximum number of shares that can be issued pursuant to the LTIP will be 400,000, which represents 4.8% of the issued and outstanding shares of the Company as at the date hereof. The Company's shareholders ratified the issuance of up to 400,000 shares under the terms of the LTIP at its May 4, 2016 Annual Meeting of Shareholders. No shares have been issued to date under the LTIP and it is expected that the first shares to be issued thereunder will be in early 2018 (in respect of the 2015 award that vests on December 31, 2017).

The total number of shares which can be: (i) issued to insiders of the Company within any one-year period; and (ii) issuable to insiders of the Company at any time under the LTIP, or when combined with all of the Company's other share-based compensation arrangements, cannot exceed 10% of the Company's total issued and outstanding shares, respectively.

The number of shares to be issued in respect of a particular year's outstanding LTIP award cannot be determined until the end of that award's vesting period (e.g. December 31, 2017 in respect of the 2015 LTIP award) as the purchase price of the shares to be issued thereunder, based on the Company's ten-day weighted average share price immediately before the end of the vesting period, and the ROE payout multiplier, as discussed below, will not be known until the end of the vesting period. However, it is expected that the maximum number of shares to be issued annually under a particular year's LTIP award will not exceed 50,000 shares (0.6% of the issued and outstanding shares at the date hereof) even if the ROE payout multiplier is the maximum 130% and the entire award is settled in shares at the time of payout. For example, the maximum payout under the 2016 award will be \$409,474 (\$314,980 x

130%). If the purchase price of the shares to be issued, based upon the ten-day weighted average share price immediately before the end of the vesting period, is \$9 then a maximum of 45,497 (\$409,474/\$9) shares can be issued, although it is noted settlement will likely be in a combination of shares and/or cash.

The annual LTIP award will be determined by the CEO and approved by the Compensation Committee. The LTIP award for a particular year will be capped at the lesser of:

- (a) 5% of the Company's adjusted net earnings, as defined below, for the prior fiscal year; and
- (b) 50% of the prior fiscal year's short-term bonus pool for the executives participating in that year's LTIP award.

The Compensation Committee believes that dilution of up to 5% of annual adjusted net earnings is an appropriate award for the funding of long-term incentive plans.

The annual LTIP award will be adjusted based on a ROE payout multiplier determined by the Company's adjusted return on equity over the three-year period that an annual award vests. The estimated final payout will be measured and accrued in the accounts over the award's vesting period. The annual LTIP award will be paid out each year shortly after the end of the vesting period. Thus, the 2015 award, for example, would vest over the fiscal years ended December 31, 2015, 2016 and 2017 and would be paid out in early 2018 upon finalization of the three-year average adjusted ROE and related payout multipliers, as discussed below, and the ten-day weighted average share price immediately before December 31, 2017.

The ultimate payout starts with the annual LTIP award and at the end of the vesting period, a ROE payout multiplier will be applied based upon the average three-year adjusted return on equity ("Adjusted ROE") achieved over the vesting period. The Adjusted ROE will be calculated based upon the Company's consolidated financial operating performance over a particular vesting period. Adjusted ROE in a particular year being adjusted net earnings divided by average shareholders' equity in the year, where adjusted net earnings comprises net earnings before stock-based compensation expense, amortization of intangibles and direct transaction costs related to business acquisitions, all net of tax, as well as withholding tax paid on inter-company dividends from subsidiaries (or other adjustments as approved from time to time by the Compensation Committee).

The LTIP payout multiplier will range between 0% and 130% and the annual LTIP award will be multiplied by this percentage to determine the final payout for a particular award year. The payout multiplier to be applied to the annual LTIP award will be based on Adjusted ROE is as follows:

- |   |                                  |
|---|----------------------------------|
| • average Adjusted ROE over vesting period less than 10%    | - no LTIP award payout;          |
| • average Adjusted ROE over vesting period between 10 & 11% | - 70% of LTIP award payout;      |
| • average Adjusted ROE over vesting period between 11 & 12% | - 80% of LTIP award payout;      |
| • average Adjusted ROE over vesting period between 12 & 13% | - 90% of LTIP award payout;      |
| • average Adjusted ROE over vesting period between 13 & 14% | - 100% of LTIP award payout;     |
| • average Adjusted ROE over vesting period between 14 & 15% | - 110% of LTIP award payout;     |
| • average Adjusted ROE over vesting period between 15 & 16% | - 120% of LTIP award payout; and |
| • average Adjusted ROE over vesting period over 16%         | - 130% of LTIP award payout.     |

The target average annual Adjusted ROE of 13% over the vesting period results in a 100% payout of the LTIP award (and each individual executive's LTIP award allocation). An Adjusted ROE of less than 10% annually over the vesting period would result in no payout for that vesting period and the award will expire worthless. An average Adjusted ROE in excess of 16% over the vesting period will result in a maximum 130% payout of the annual LTIP award.

If a named senior executive ceases to be employed by reason of retirement, death or any other reason, other than for cause, then the executive will be considered as having participated in any yearly award for a full year if they leave after June 30 of a particular fiscal year. Their participation in any yearly plan shall be the number of years served as a fraction of three, the vesting period for each LTIP award. The number of shares to be issued will only be determined at the end of the awards vesting period in which the executive is participating.

The benefits and rights to any participant in accordance with the terms and conditions of the LTIP are not transferable and all benefits and rights shall only accrue to the participants, or in the event of death, their estate.

If there is a takeover, consolidation, merger or statutory amalgamation or arrangement of the Company with or into another company, a separation of the business of AFC into two or more entities or a transfer of all or substantially all of the assets of the Company to another entity or change in control, the executives will be entitled to receive the

award as if they had exercised the unvested award immediately prior to such an event, unless the Board otherwise determines the basis upon which such unvested award is exercisable.

The Board of Directors, through its Compensation Committee, reserves the right to amend, modify or terminate the LTIP at any time without shareholders' approval if and when it is advisable to do so in the absolute discretion of the Board. Examples of such amendments include changes to the vesting period, term, ROE payout multiplier, method of determining the purchase price of the shares issuable under the LTIP, as well as housekeeping changes. However, if any amendments to the LTIP would (i) materially increase the benefits under the LTIP or (ii) materially increase the shares which may be issued under the LTIP, then these amendments shall be effective only upon approval of the Company's shareholders. Any material amendments to any provisions of the LTIP shall be subject to the necessary approvals of the TSX or other regulatory body having jurisdiction over the shares of the Company.

***Executive Share Ownership Guidelines***

As part of the introduction of the LTIP, the Compensation Committee believes that there should be share ownership guidelines for the senior executive group who participate in the LTIP. The following table sets out share ownership guidelines, which are designed to align the interests of senior executives with those of the Company's shareholders, and the transition period to meet the guidelines.

<b>Title</b>	<b>Share Ownership Guideline</b>	<b>Time to Meet</b>
President & Chief Executive Officer	1.0 x base salary	3 years
Subsidiary Presidents	1.0 x base salary	3 years
Executive Vice Presidents	0.5 x base salary	5 years
Senior Vice Presidents	0.5 x base salary	5 years
Vice Presidents	0.5 x base salary	5 years

**SUMMARY OF SHARE APPRECIATION RIGHTS PLAN**

The Company has a SARs plan whereby SARs are granted to directors and key managerial employees of the Company. The SARs plan is intended to provide a long-term incentive to attract, motivate and retain directors and key management employees by providing them with the opportunity to benefit from the Company's growth thereby giving them an interest in preserving and maximizing shareholder value in the long term.

The maximum number of SARs which may be issued in any fiscal year under the plan is 2.5% of the total number of issued and outstanding shares of the Company. The SARs will have a strike or exercise price at the time of grant equal to the ten-day volume weighted average trading price of the Company's shares on the TSX immediately preceding the date of grant, or other ten-day period that the Board may determine. An employee will have the right to sell part or all of their SARs after holding them for a minimum of 24 months. In the event of a change of control all non-vested SARs would immediately vest. Each employee's SARs not sold to the Company will be automatically sold on the last business day on or preceding the fifth anniversary following such grant. Directors have no minimum holding period (i.e. they vest immediately). The payout price directors and employees receive upon exercise of their SARs is based upon the ten-day volume weighted average share price that the Company's shares traded on the TSX immediately preceding the date of exercise and the holder thereof will receive a cash amount per right equal to the difference between the payout price and strike or exercise price, less any applicable income taxes thereon.

No SARs have been granted by the Company since 2011. No employee SARs are outstanding at December 31, 2016, while all remaining 67,500 directors SARs outstanding (see page 7) have to be sold to the Company on or before October 27, 2017, at which time they will automatically be sold to it. In 2015, the Company's Board introduced the LTIP to replace the SARs plan as a means of providing a long-term incentive to key management employees of the Company, while it reverted back to the NEDSOP as means of providing a long-term incentive to non-executive directors. Accordingly, it is expected that there will be no further SARs grants by the Company.

## SUMMARY OF STOCK OPTION PLANS

Stock Option Plans Approved by Shareholders	Number of Common Shares to be Issued upon Exercise of Outstanding Options (Column A)	Weighted Average Exercise Price of Outstanding Options (\$)	Number of Common Shares Remaining Available for Future Issuance under Stock Option Plans (excluding securities reflected in Column A)
Key Employee Stock Option Plan	-	-	62,000
Non-Executive Directors Stock Option Plan	200,000	9.42	174,000
Total	200,000	9.42	236,000

The Company has two stock option plans, namely, the KESOP and NEDSOP, which were approved by the Company's shareholders on May 29, 1995 and May 19, 1999, respectively. The number of shares currently reserved for issuance under the KESOP may not exceed 1,000,000 (representing 12.0% of the issued and outstanding shares as of the date hereof), while the number of shares currently reserved for issuance under the NEDSOP may not exceed 500,000 (representing 6.0% of the issued and outstanding shares as of the date hereof). At March 21, 2017, no options were outstanding pursuant to KESOP, while 200,000 options were outstanding pursuant to NEDSOP, of which 50,000 were vested. At March 21, 2017, an aggregate of 938,000 options had been exercised under the KESOP, while 126,000 options had been exercised under the NEDSOP. Accordingly, the Company may grant an additional 62,000 options under the KESOP (representing 0.7% of the issued and outstanding shares as of the date hereof), while it may grant an additional 174,000 options under the NEDSOP (representing 2.1% of the issued and outstanding shares as of the date hereof).

The purpose of the KESOP is to attract, retain and motivate key managerial employees of the Company and its subsidiaries by providing them with a long term incentive, through share options, to acquire a proprietary interest in the Company and benefit from its growth thereby giving them an interest in preserving and maximizing shareholder value in the long term. Similarly, the NEDSOP provides non-executive directors with an opportunity to acquire a proprietary interest in the Company and to benefit from its growth.

Options may be granted under the plans by the Board, pursuant to the recommendations of the Compensation Committee, to non-executive directors, executives, officers and key employees of the Company. Options granted under the plans are not transferable and are granted for terms of approximately six years under the KESOP and five years under the NEDSOP. KESOP grants vest over a three-year period, while NEDSOP grants vest over a two-year period. In the event of a change of control all non-vested options would immediately vest. The total number of shares reserved for issuance to any one person pursuant to the KESOP and NEDSOP shall not exceed 2.5% and 5.0%, respectively, of the issued and outstanding shares from time to time. The exercise price of options granted under the plans may not be lower than the fair market value of the shares at the time of grant. The fair market value of the shares is based upon the prior trading day's closing price of the shares on the TSX. In the event that any optionee ceases to be an employee or director of the Company for any reason, the optionee will be entitled to only exercise his or her vested options within a period of 60 days following his or her ceasing to be an employee or director, or prior to the expiry date thereof, whichever is earlier. In the event of the death of an employee or director, his or her estate may exercise such vested options for a period of up to six months succeeding the optionee's death, or prior to the expiry date thereof, whichever is earlier.

The Board may at any time amend or terminate the plans, but where there is a material amendment, such amendment will be subject to regulatory and shareholder approval. The Company has issued no options to employees under the KESOP since May 2004. As noted on page 6 above, on July 27, 2016, 20,000 options were granted to each of the Company's five non-executive directors under the NEDSOP. As noted on page 7, each of these directors held 40,000 options at December 31, 2016, of which 10,000 options were vested.

### SHARES ISSUABLE UNDER SHARE-BASED INCENTIVE COMPENSATION PLANS

The Company has three share-based compensation arrangements pursuant to which shares may be issued from treasury as follows:

- (a) the LTIP pursuant to which a maximum of 400,000 shares are issuable, representing 4.8% of the issued and outstanding shares of the Company as of the date hereof;
- (b) the NEDSOP pursuant to which 374,000 shares are issuable, representing 4.5% of the issued and outstanding shares of the Company as of the date hereof; and

- (c) the KESOP pursuant to which 62,000 shares are issuable, representing 0.8% of the issued and outstanding shares of the Company as of the date hereof.

Accordingly, an aggregate of 836,000 shares are currently issuable under all share-based compensation arrangements of the Company, representing 10.1% of the issued and outstanding shares of the Company as of the date hereof.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Board and management of the Company are committed to strong corporate governance and believe it is a vital component for the effective and efficient operation and future success of the Company. Good corporate governance demonstrates the Board's ability to independently direct and evaluate the performance of the Company's management, as well as that of the Board members themselves. This is achieved through a well-qualified Board, a strong relationship between the Board and senior management, and strong governance practices and procedures.

The Company has considered the guidance provided by Canadian Security Administrators ("CSA") National Policy 58-201, Corporate Governance Guidelines ("NP 58-201"), in developing its corporate governance practices. NP 58-201 is intended to assist companies in improving their corporate governance practices and contains guidelines on issues such as the constitution and independence of corporate boards and their functions. The Company's corporate governance practices generally comply with NP 58-201's fundamental principles. The Company also follows the provisions of CSA's National Instrument 58-101, Disclosure of Corporate Governance Practices, with respect to the disclosure of its corporate governance practices.

CSA has also enacted rules regarding the composition of audit committees (National Instrument 52-110 – Audit Committees) and the certification of an issuer's disclosure controls and procedures and internal control over financial reporting (National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings). In addition, the Company has adopted a Majority Voting Policy pursuant to Section 461.3 of the Toronto Stock Exchange's Company Manual. The Company is in compliance with the requirements of these instruments.

The Company's corporate governance practices are outlined below.

### **Mandate and Responsibilities of the Board**

Each year the shareholders of Accord elect the members of the Board, who in turn are responsible for overseeing all aspects of the Company's business, including appointing management and ensuring that the business is managed properly, taking into account the interests of the shareholders and other stakeholders, such as employees, clients, suppliers and the community at large. The Board's duties are formally set out in its Charter, a copy of which is attached as Appendix 'A'. In addition to the Board's statutory obligations, the Board is specifically responsible for:

- a) satisfying itself as to the integrity of the Company's CEO and other executive officers and that they create a culture of integrity within the Company;
- b) adoption of a strategic planning process – the Board oversees strategic planning initiatives, provides direction to management and monitors its success in achieving those initiatives;
- c) identification of the principal risks of the Company's business and ensuring that there are systems in place to effectively monitor and manage these risks. In this respect, the Credit Committee of the Board, which comprises three independent members thereof, reviews and approves all credit requests above \$2.5 million, including loans to clients and assumption of credit risk, and in doing so it works closely with the Company's management;
- d) appointing and monitoring senior management and planning for succession – the Board evaluates senior management on a regular basis, sets objectives and goals and establishes compensation to attract, retain and motivate skilled and entrepreneurial management;
- e) a communications policy to communicate with shareholders and other stakeholders involved with the Company – the Company has procedures in place to disseminate information, respond to inquiries, and issue press releases covering significant business activities;
- f) the integrity of the Company's internal control and management information systems – the Audit Committee of the Board oversees the integrity of the Company's internal control and management information systems and reports to the Board;
- g) reviewing the Company's quarterly and annual financial reports, including financial statements, MD&A and related press releases, and overseeing its compliance with applicable audit, accounting and reporting requirements through the functions of its Audit Committee; and
- h) ensuring strong governance is in place by establishing structures and procedures to allow the Board to function independently of management, establishing Board committees to assist it in carrying out its responsibilities and undertaking regular evaluation as to the effectiveness and independence of the Board.

In addition to those matters, which must by law be approved by the Board, management seeks Board approval for any transaction that is outside of the ordinary course of business or could be considered to be material to the business of the Company. The Board expects its directors to adhere to the highest standards of business and personal ethics and to conduct itself with the utmost degree of honesty and integrity in fulfilling its duties and responsibilities and complying with all applicable laws and regulations. In the very rare cases where any director or executive officer has a conflict of interest or a material interest in any transaction or arrangement being considered, he will abstain from voting on that transaction or arrangement.

The frequency of the meetings of the Board, as well as the nature of agenda items, change depending upon the state of the Company's affairs and in light of opportunities or risks which the Company faces. The Board meets at least quarterly to review the business operations and financial performance of the Company, including regular meetings both with, and without, management to discuss specific aspects of the Company's operations. Each director is expected to attend all Board meetings and comprehensively review meeting materials provided in advance of each meeting. During 2016 there were four meetings of the Board. Details of director attendances at those meetings are set out on page 5 above. There was an "in camera" session towards the end of each of the four Board meetings in which independent directors met without the Company's two executive directors.

### **Majority Voting Policy in Director Elections**

The Board has adopted a MVP that allows, in an uncontested election of directors, shareholders to vote in favor of, or to withhold from voting, separately for each director nominee. Pursuant to this policy, if the number of votes withheld for a particular director nominee is more than the votes in favour of such a person, the director nominee will be required to immediately submit his resignation to the Board for consideration by it. The Board will be expected to accept the resignation unless it determines that there are exceptional circumstances that justify delaying acceptance or rejecting the resignation. In reaching its decision, the Board may consider all factors it deems relevant. Within 90 days following the Company's annual meeting, the Board will make its decision with respect to the resignation and disclose it by means of a press release. If the resignation is declined, the press release will include the reason(s) for reaching that decision. A director who tenders their resignation pursuant to this MVP will not be permitted to participate in any meeting of the Board at which the resignation is considered. The Board may adopt procedures as it deems fit for the administration of its MVP.

### **Director Term Limits**

The Company's Board has not established any term limits for Board renewal. It feels the benefits achieved through continuity and having experienced and skilled directors who have developed in-depth knowledge of the Company, its strategy and business operations, and the specific specialized industry in which it operates currently outweighs the need for renewal and fresh perspectives. However, the Company's Board considers the performance and contribution of individual directors on an ongoing basis and the Board's capabilities have been upgraded in recent years. Of the current seven directors, six have been appointed or elected since July 28, 2009. The current Board comprises a majority of independent directors. All directors stand for re-election annually at the Company's Annual Meeting.

### **Composition of the Board**

The Board currently comprises seven persons and is chaired by Mr. Ken Hitzig. Of the current Board, five directors (Messrs. David Beutel, Gary Prager, Robert Sandler, John Swidler and Stephen Warden) are considered to be independent, since their respective relationships with the Company are independent of management and free from any interest or business which could reasonably be perceived to materially interfere with or compromise each director's ability to act independently in the best interests of the Company, other than interests arising from shareholdings. Mr. Tom Henderson, CEO, and Mr. Ken Hitzig, Executive Chairman, are officers of the Company and are, by definition, non-independent directors. Directors are elected for a term expiring at the conclusion of the Company's next annual shareholders' meeting or until their successors are duly appointed pursuant to the Business Corporations Act. All directors are eligible to stand for re-election annually at the Company's Annual Meeting. The biographies of the directors standing for election at the May 3, 2017 Annual Meeting are set out above. Board members may also act as directors of other public companies. These directorships, if any, are set out in each Board member's biography.

Presently, the Chairman of the Board, Mr. Ken Hitzig, is an executive of the Company and one of its two non-independent directors. Mr. Hitzig founded the Company in 1978 and has been its Chairman since inception. Mr. Hitzig's family is the largest shareholder of the Company, holding approximately 30% of its issued and outstanding shares at the date hereof. The Company believes that the separation of the CEO and Chairman positions contributes to allowing the Board to function independently of management. Further, as discussed below, the

Company's Audit and Credit Committees comprise solely of independent directors, while its Compensation Committee comprises a majority of independent directors.

The Board has considered its size and believes that between six and eight members is the ideal size of Board for a company of Accord's size to facilitate effective decision making and direct and immediate communication between the directors and management. The size of the Company's Board permits individual directors to involve themselves directly in specific matters where their personal inclination or experience will best assist the Board and management in dealing with specific issues, such as credit review and approval.

The Board has neither a corporate governance committee nor a nominating committee preferring instead to perform these functions directly at the Board level. The Board and its committees have had, and continue to have, varied responsibilities. They include nominating new directors, assessing the effectiveness of the Board, its committees and members individually and as a whole, approving requests of directors to engage outside advisors at the expense of the Company and reviewing the adequacy and form of compensation of directors. The Board's next evaluation is expected to be in 2017. This will review the effectiveness of the Board and its committees, the contribution of individual directors, as well as overall governance matters.

Considering the size of the Company, the Board itself is responsible for identifying and considering prospective candidates to be appointed or elected by the shareholders to the Board. Nominees must have the required qualifications, expertise, skills and experience in order to add value to the Board and must exhibit the highest degree of integrity, professionalism, values and independent judgement. The Board solicits the names of candidates possessing these qualities from discussions with members of the Board, senior management and other outside sources, such as shareholders and the Company's lawyers and accountants. Shareholders are encouraged to participate in the process of recommending candidates for the Board. A list of candidates is then drawn up and considered by the Board who will interview them to determine their suitability. The Board then decides which candidate(s) will be appointed directly or nominated for election by the shareholders. Directors' compensation is set after giving due consideration to the directors' workload and responsibilities and reviewing compensation paid to directors of similar-sized public companies. Compensation paid to each of the Company's directors in 2016 is set out on page 6 above.

Given that there have only been seven new directors of the Company in the past ten years, most of whom were familiar with the Company and its business at the time of appointment, no formal orientation and education program for new directors is currently considered necessary. However, as individual circumstances dictate, each new director receives a detailed orientation to the Company, which covers the nature and operations of the Company's business and his responsibilities as a director. Directors receive the Company's consolidated financial statements and those of its operating subsidiaries each month, as well as being involved in the more significant credit and risk management decisions. As a small company, directors work closely with the Company's management and tend to have an in-depth knowledge of its operations. The Company's principal risks are set out in its 2016 Management Discussion and Analysis and note 19 to its audited consolidated financial statements, which form part of its 2016 Annual Report; this was mailed to shareholders with this Circular. Directors are also expected to continually educate themselves to maintain and update the skills and knowledge necessary for them to meet their legal duties and obligations as directors. They do this principally through attendance at seminars and the review of publications and materials relevant to a director's role as provided by the Company's management, external auditors, lawyers, other directorships and outside sources.

### **Committees of the Board**

The Board discharges its responsibilities directly and through three committees: an Audit Committee, a Compensation Committee and a Credit Committee. The Board's Audit and Credit Committees are comprised of three independent directors, which help ensure objectivity in matters where management's influence could be prevalent, while the Compensation Committee is comprised of a majority of independent directors.

The Audit Committee is currently composed of Mr. Stephen Warden, Chairman, Mr. David Beutel and Mr. John Swidler. Each member of the Audit Committee is financially literate, that is, they are able to read and understand fundamental financial reports and statements. The Charter of the Audit Committee, available on the Company's website and attached as Appendix A to its Annual Information Form ("AIF") filed under the Company's profile on SEDAR, sets out the committee's responsibilities which include reviewing quarterly and annual financial reports, principally financial statements, MD&A and related press releases, before they are approved by the Board; making recommendations to the Board regarding the appointment of independent auditors and assuring their independence; meeting with the Company's management at least quarterly; reviewing annual audit findings with the auditors and management; and reviewing the risks faced by the Company, the business environment, the emergence of new

opportunities, and the steps management has taken to mitigate exposure to significant risks. During 2016 there were four meetings of the Audit Committee, member attendances at which are set out on page 5 above.

The Audit Committee has adopted a corporate Code of Ethics and a "Whistleblower Policy" whereby any director, officer or employee of the Company or its subsidiaries who is aware of any acts by a director, officer or employee which are in contravention of the standards of business and personal ethics required of them by the Company, or in violation of applicable laws and regulations, is required to bring such matters to the attention of management or directly to the Chairman of the Audit Committee. The Chairman of the Audit Committee advises in each Audit Committee meeting if any matters have been reported to him under the Whistleblower Policy since the previous meeting. All reported matters are investigated and appropriate action taken if warranted. The Company's Code of Ethics and Whistleblower Policy are available on its website. All new directors and employees acknowledge they have read the Code of Ethics and confirm that they will comply with its terms.

The Compensation Committee is currently composed of Messrs. Ken Hitzig, Robert Sandler and Stephen Warden. The Compensation Committee's mandate includes evaluating the performance of the Company's executives and making recommendations for approval by the Board with respect to their remuneration. The Compensation Committee reviews compensation paid to management of similar-sized companies to ensure that remuneration is consistent with industry standards. The Compensation Committee also considers and makes recommendations with respect to such matters as short- and long-term incentive plans, employee benefit plans and the structure and granting of LTIP awards, stock options or SARs. The Company's 2016 Compensation Discussion and Analysis report to shareholders is set out on page 8 above. During 2016 there were two meetings of the Compensation Committee, member attendances at which are set out on page 5 above.

The Board's Credit Committee is currently composed of Messrs. David Beutel, Gary Prager and Robert Sandler. The purpose of the Credit Committee is to manage the Company's credit risk in respect of larger exposures to clients and customers. The Credit Committee reviews and approves all client and customer credit in excess of \$2.5 million, including loans to clients and assumption of credit risk.

### **Expectations of Management**

The Board expects management to adhere to the highest standards of business and personal ethics and to conduct itself with the utmost degree of honesty and integrity in fulfilling its duties and responsibilities and complying with all applicable laws and regulations. The Board expects management to operate the Company in accordance with approved annual business and strategic plans, to do everything possible to enhance shareholder value and to manage the Company in a prudent manner. Management is expected to provide regular financial and operating reports to the Board and to make the Board aware of all important issues and major business developments, particularly those that had not been previously anticipated. Management is expected to seek opportunities for business acquisitions and expansion, and to make appropriate recommendations to the Board.

The Company's CEO, Mr. Tom Henderson, was appointed to that position on May 6, 2009. Neither Mr. Hitzig nor Mr. Henderson have formal written position descriptions. As noted above, Mr. Hitzig founded the Company in 1978 and his family is a significant shareholder therein. He has over fifty years experience in the asset-based lending and factoring business and has been the Company's Chairman since its inception. As such, he is intimately aware of the requirements of the Chairman's position and no formal written position description is considered necessary. Mr. Henderson, prior to his appointment as CEO, met with members of the Board, who outlined their requirements, goals and expectations of him. Mr. Henderson has been in the asset-based lending and specialty finance industry for over 40 years and has been President and CEO of Accord's U.S. subsidiary, Accord Financial, Inc., since 2001. Given the small size of the Company and the regular ongoing interaction between the Board, its Executive Chairman and Mr. Henderson since 2001, Mr. Henderson is fully aware of the requirements of his position as CEO and no formal written position description is considered necessary.

### **Gender Diversity and the Representation of Women on the Board and in Executive Officer Positions**

The Company does not currently have a formal policy regarding the representation of women on its Board and, as such, has no targets therefor. The Company currently has no (0%) female directors. The Board believes that the key to effective leadership is to choose directors that, having regard to a wide variety of factors, are the best qualified for the position at such time, namely, those that possess the range of necessary independence, skills, specific industry experience, integrity, commitment, qualifications, as well as the ability to devote the time required and a willingness to serve. The Company believes that these considerations are the most important in assessing the value an individual can bring to and contribute to the Board, although it is noted that if a search for new candidates were to be conducted, the Company would consider gender diversity in its selection criteria as it seeks to identify potential directors who are best qualified to act as a director of Accord irrespective of gender.

The Company does not have a policy regarding the representation of women in executive officer positions and, as such, has no targets therefor. In reviewing executive officer diversity, the Company believes that prospective executive officer appointments should be based upon the individual candidate being the best qualified for the position at such time. The Company does not believe that quotas or strict rules necessarily result in the identification or selection of the best qualified candidates for executive officer positions, although it recognizes there are benefits to gender diversity. Accordingly, the Company will be mindful of the benefit of gender diversity in the selection of new executive officers. The Company currently employs 17 persons in the position of Vice President or above. Of these, three (17.6%) are female.

#### **AUDIT COMMITTEE OF THE BOARD**

The overall purpose of the Audit Committee is to support the Board in its stewardship function with respect to the integrity of the Company's internal control systems and financial reporting. It also ensures the independence of the Company's external auditors, sets their fees, and oversees and considers the results of their work in assessing the integrity of the Company's financial reporting in order to provide shareholders and the general public with timely, appropriate and reliable information.

Information relating to the Company's Audit Committee is set out on pages 11 to 12, as well as Appendix A (Audit Committee Charter) of its 2016 AIF, which pages are incorporated herein by reference. The 2016 AIF is filed under the Company's profile on SEDAR (see additional information below).

#### **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The Company has purchased a Directors and Officers Liability Insurance Policy, which expires on October 31, 2017, for the benefit of its directors and officers and those of its subsidiaries. The limit of such insurance is \$5,000,000. Deductibles range up to \$100,000 per claim. The 2016 - 2017 annual premium was \$20,520.

#### **OTHER BUSINESS**

Management of the Company knows of no matters to come before the Meeting other than the matters referred to in the Notice of Annual Meeting of Shareholders accompanying this Circular. However, if any other matters, which are not known to management, should properly come before the Meeting, it is the intention of the persons designated in the form of proxy accompanying this Circular to vote upon such matters in accordance with their best judgment.

#### **ADDITIONAL INFORMATION**

Additional information pertaining to the Company is available under its profile on SEDAR at [www.sedar.com](http://www.sedar.com), as well as on its website [www.accordfinancial.com](http://www.accordfinancial.com).

Additional financial information is provided in the Company's Audited Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2016, which are set out in the Company's 2016 Annual Report, as well as filed individually on SEDAR. Copies of the Annual Report, the Annual Information Form and this Management Proxy Circular may be downloaded from SEDAR or obtained upon request from Mr. Jim Bates, the Secretary of the Company, at:

Accord Financial Corp.  
40 Eglinton Avenue East  
Suite 602  
Toronto, Ontario  
Canada M4P 3A2

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

**DIRECTORS' APPROVAL**

Unless otherwise stated, all information contained herein is given as of the date hereof. The contents of this Circular have been approved and the delivery of it to each shareholder of the Company entitled thereto and to the appropriate regulatory agencies has been authorized by the Board of the Company.

Dated at Toronto, Ontario, the 21<sup>st</sup> day of March 2017

**BY ORDER OF THE BOARD OF DIRECTORS**

A handwritten signature in black ink, appearing to read 'J. Bates', with a long horizontal flourish extending to the right.

Jim Bates  
Secretary

**ACCORD FINANCIAL CORP.****CHARTER OF THE BOARD OF DIRECTORS****MANDATE**

The business and affairs of Accord shall be managed and controlled by, or under the direction of, its Board, who will promote the best interests of Accord's shareholders through an increase in corporate profits and the creation and enhancement of shareholder value.

The Board shall have two fundamental roles: decision-making and oversight. The decision-making function shall be exercised, with management, to the formulation of fundamental policies and strategic goals and through the approval of certain significant actions; oversight concerns the review of management decisions, adequacy of systems and controls and policy implementation.

The Board shall establish formal delegations of authority, defining the limits of management's power and authority and delegating to them certain powers to manage the business of Accord and shall conform to statutory limitations specifying responsibilities of the Board that cannot be delegated to management. Any responsibilities not delegated to management remain with the Board and its committees.

**DUTIES**

The Board is responsible for the following matters:

**Strategic planning**

- Supervise the formulation of Accord's strategic direction, plans and priorities
- Monitor the implementation and effectiveness of approved strategic and operating plans
- Review and approve corporate financial goals and operating plans and actions, including capital allocations, expenditures and transactions which exceed threshold amounts set by the Board
- Approve major business decisions, including acquisitions and divestitures

**Identification and management of risks**

- Ensure processes are in place to identify the principal risks of Accord's business
- Review systems implemented by management to manage those risks
- Review processes that ensure respect for, and compliance with, applicable regulatory, corporate, securities and other legal requirements
- Review and approve applications for credit, loans and investments above threshold amounts through the Board's Credit Committee

**Succession planning and management evaluation**

- Supervise Accord's succession planning processes, including the selection, appointment, development, evaluation and compensation of the Chairman of the Board, President and senior management team

**Oversight of communications and public disclosure**

- Assess the effectiveness of Accord's communications policy
- Oversee establishment of processes for accurate, timely and full public disclosure
- Review due diligence processes and controls in connection with certification of Accord's financial statements

**Internal controls, financial reporting and dividends**

- Review the effectiveness of Accord's internal controls and management information systems
- Review and approve Accord's financial statements and oversee their compliance with applicable audit, accounting and reporting requirements
- Declare dividends

## **Governance**

- Establish appropriate structures and procedures that allow the Board to function independently of management
- Establish Board committees and define their mandates to assist the Board in carrying out its roles and responsibilities
- Undertake regular evaluation of the Board, its committees and members, and review its composition with a view to the effectiveness and independence of the Board and its members

## **BOARD COMPOSITION AND APPOINTMENT**

The Board shall comprise between six and eight directors. The number of directors can be changed from time to time by way of a special resolution of shareholders or by way of a majority vote of the Board pursuant to authority granted to the Board by Accord's shareholders. A majority of the Board shall be unrelated and independent, as defined by instrument from time to time. The Board's committees shall comprise a majority of independent directors.

Each member of the Board shall serve for a term of approximately one year, namely, until the next annual meeting of shareholders following their appointment. There is no limit on the number of terms that a director may serve and no mandatory retirement age.

Each member of the Board shall be a person of integrity, with significant accomplishments and recognized business stature, and who will bring a variety of perspectives to the Board. In determining the composition of the Board, consideration shall also be given to the overall mix of skill, experience, independence, stature and diversity of background likely to make the Board, as a body, effective in overseeing and monitoring the performance of Accord and contributing to its success. The Board shall review its membership, both individually and as a body, on a regular basis to assure that it meets these criteria. The Board shall regularly assess and review the appropriate qualifications required of any new members, based upon its current composition, as well as any other skills, experience or characteristics needed or desired.

Directors selected must be able to commit the requisite time for preparation and attendance at regularly scheduled board meetings and assigned committee(s), and be able to devote time and attention to other matters deemed necessary for good corporate governance. Each member of the Board is expected to become familiar with Accord's business, including the economic and competitive environment in which it operates. Accordingly, each member of the Board should develop a basic understanding of: (a) the principal operational, financial and other plans, strategies and objectives of Accord; (b) the results of operations and financial condition of Accord for recent periods; and (c) the relative standing of Accord in the competitive marketplace.

## **ELECTION OF DIRECTORS OF THE BOARD**

Each Board member will be elected to full term by a plurality of votes cast at the annual shareholders' meeting. The Board has adopted a Majority Voting Policy governing director elections.

In the case of a vacancy on the Board, it is responsible for recommending individuals to be elected as directors, or to be nominated for election by the shareholders as directors. The Board shall obtain direct input from board members and the President, as well as third parties. New members will have an informal orientation that includes background information about Accord, meetings with senior management and visits to selected facilities.

## **COMMITTEES**

The Board shall discharge its responsibilities directly and through the Audit Committee, Compensation Committee and Credit Committee.

Audit Committee responsibilities are set out in its charter.

The Compensation Committee's mandate includes evaluating the performance of Accord's executives and recommendations for their compensation for approval by the Board. It also considers and makes recommendations with respect to short- and long-term incentive plans and employee benefit plans.

## **BOARD MEETINGS AND PROCEDURES**

The Board will meet at least once each quarter. Meeting length will be determined by agenda, to be established by any director and/or the President. Directors are expected to attend all board meetings, as well as all meetings of committees on which they serve. At all board meetings, one half of the total number of directors shall constitute a quorum for the transaction of business. The Board encourages senior management to bring managers into meetings, when they can provide additional insight into the matters being discussed because of their personal involvement in, or knowledge of, these matters.

The meeting Chair will designate someone to record the minutes of each meeting. Generally, the company secretary will be designated to perform that function and, in his or her absence, one of Accord's officers will be designated. All minutes shall be filed and maintained with Accord's records.

The Board may take any action taken at a meeting by unanimous written consent.

## **DIRECTOR COMPENSATION**

The Compensation Committee is responsible for recommending compensation for directors, and requires approval by a majority vote of the Board.

## **AMENDMENTS TO CHARTER**

This Charter may be amended or repealed by the Board at any time.