

Accord Financial Corp.
Marketed Offering of Convertible Unsecured Subordinated Debentures

Term Sheet

December 11, 2018

A final short form prospectus containing important information relating to the securities described in this document has been filed with the securities regulatory authorities in each of the provinces of Canada. A copy of the final short form prospectus and any amendment and related prospectus is required to be delivered with this document.

This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the final short form prospectus and any amendment and related prospectus for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.

- Issuer:** Accord Financial Corp. (“Accord” or the “Company”).
- Issue:** 7.00% convertible unsecured subordinated debentures (the “Debentures”).
- Issue Price:** \$1,000 per Debenture.
- Principal Amount:** \$15 million (the “Offering”).
- Over-Allotment Option:** The underwriters shall have the option, exercisable up to 30 days following Closing of the Offering, to acquire up to an additional \$2.25 million aggregate principal amount of the Debentures at the Issue Price and on the same terms and conditions as set forth herein.
- Underlying Shares:** Common shares of the Company listed on the Toronto Stock Exchange (the “TSX”) under the symbol “ACD” (the “Common Shares”).
- Reference Price:** \$10.00 per Common Share.
- Use of Proceeds:** The Company intends to use the net proceeds of the Offering to partially repay outstanding indebtedness under the Company’s existing credit facilities.
- Maturity Date:** The Debentures will mature on December 31, 2023.
- Ranking:** The Debentures will be direct, subordinated, unsecured obligations of the Company and will rank equally with one another and subordinate to all other existing and future senior secured and senior unsecured indebtedness of the Company, including accounts payable to trade creditors, and will rank pari passu with all future subordinated unsecured indebtedness of the Company, except as prescribed by law. The Indenture will not restrict the Company or its subsidiaries from incurring additional indebtedness or from mortgaging, pledging or charging its properties to secure any indebtedness or liabilities.
- Interest:** The Debentures will bear interest at a rate of 7.00% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing on June 30, 2019. The initial interest payment on June 30, 2019 will represent accrued interest from, and including, the date of Closing (as defined below), to but excluding June 30, 2019. Interest for all periods shall be computed on the basis of a 360 day year comprised of twelve 30 day months.
- Interest payable on the Debentures shall be paid in cash; provided that so long as there is not a current Event of Default (as defined in the Indenture), the Company may elect by notice, from time to time, subject to compliance with all applicable securities laws and subject to applicable regulatory approvals, to satisfy all or part of its obligation to pay interest on the Debentures, on the date it is payable by delivering a sufficient number of freely-tradable fully-paid Common Shares to the trustee under the Indenture (the “Trustee”), for sale, in which event the Trustee shall settle the sale of such Common Shares on behalf of the Company and use the proceeds therefrom to pay the holders of the Debentures the applicable interest payment or a combination of the foregoing proceeds and cash.

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Conversion:	Each Debenture will be convertible at the option of the holder at any time prior to the close of business on the earlier of (i) the business day immediately preceding the Maturity Date, (ii) if called for redemption, on the business day immediately preceding the date fixed for redemption, or (iii) if the Company is required to offer to repurchase such Debenture in connection with a Change of Control (as defined below), on the business day immediately preceding the payment date, into 74.0741 freely-tradable fully-paid and non-assessable Common Shares for each \$1,000 principal amount of Debentures, equivalent to an initial conversion price of approximately \$13.50 per Common Share (the " <u>Conversion Price</u> ") (representing an initial conversion premium of approximately 35% to the Reference Price), subject to adjustment in certain circumstances described below and in the Indenture. Holders converting their Debentures will receive, in addition to the applicable number of Common Shares to be received on conversion, accrued and unpaid interest thereon from and including the date of the last interest payment date, up to, but excluding, the date of conversion.
Dividend Adjustment and Anti-Dilution:	The Conversion Price will be subject to standard anti-dilution adjustments upon, among other things, share consolidations or subdivisions, distributions of Common Shares to holders of Common Shares, certain issuances of options, warrants or rights to holders of Common Shares, certain issuer bids and upon payment of any dividends in excess of \$0.40 per share per annum.
Redemption:	The Debentures may not be redeemed by the Company prior to December 31, 2021, except in limited circumstances following a Change of Control. On or after December 31, 2021 and prior to December 31, 2022, the Debentures may be redeemed by the Company, in whole or in part from time to time, on not more than 60 days' and not less than 40 days' prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption, provided that the Current Market Price as of the date on which notice of redemption is provided is at least 125% of the Conversion Price. " <u>Current Market Price</u> " will be defined in the Indenture as, generally, the arithmetic average of the volume weighted average trading price of the Common Shares on the TSX, if the Common Shares are listed on the TSX, for the 20 consecutive trading days ending five trading days before the applicable date. On or after December 31, 2022 and prior to the Maturity Date, the Debentures may be redeemed at any time, on not more than 60 days' and not less than 40 days' prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption. In the event that a holder of Debentures exercises its conversion right following a notice of redemption by the Company, such holder shall be entitled to receive accrued and unpaid interest, in addition to the applicable number of Common Shares to be received on conversion, for the period from and including the latest interest payment date up to, but excluding, the date of conversion.
Payment of Principal Amount and Interest in Shares:	Accord has the option, subject to regulatory approval, to satisfy its obligations to repay the principal amount of the Debentures upon redemption or at maturity, provided there is not a current Event of Default, upon not less than 40 days' and not more than 60 days' prior notice, by issuing and delivering that number of freely-tradable fully-paid Common Shares obtained by dividing the principal amount of the Debentures to be redeemed or repaid at maturity, as applicable, by 95% of the Current Market Price as of the date fixed for redemption or maturity, as the case may be. Any accrued and unpaid interest will be paid in cash.
Restriction on Share Redemption Right:	The Company shall not, directly or indirectly (through a subsidiary or otherwise) undertake or announce any rights offering, issuance of securities, subdivision of the Common Shares, dividend or other distribution on the Common Shares or any other securities, capital reorganization, reclassification or any similar type of transaction in which:

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- (a) the number of securities to be issued;
- (b) the price at which securities are to be issued, converted or exchanged; or
- (c) any property or cash that is to be distributed or allocated,

is in whole or in part based upon, determined in reference to, related to or a function of, directly or indirectly, (i) the exercise or potential exercise of the Payment of Principal Amount in Common Shares, or (ii) the Current Market Price determined in connection with the exercise or potential exercise of the Payment of Principal Amount in Common Shares.

Change of Control: Within 30 business days of the occurrence of (i) any event as a result of or following which any person or group of persons acting jointly or in concert (within the meaning of NI 62-104 *Take-Over Bids and Issuer Bids*) (any such group, a "Group"), directly or indirectly acquires the right to cast more than fifty percent (50%) of the votes that may be ordinarily cast at a general meeting of shareholders of the Company; or (ii) the conveyance, transfer, sale, lease or other disposition, directly or indirectly, of all or substantially all of the assets and properties of the Company and its subsidiaries, taken as a whole, to another arm's length person or company or Group (each, a "Change of Control"), Accord shall be required to make a cash offer to holders of the Debentures to repurchase their Debentures then outstanding at a price equal to 100% of the principal amount of the Debentures plus accrued and unpaid interest thereon to, but not including the purchase date.

Upon a Change of Control resulting from a transaction in respect of which 10% or more of the consideration for the Common Shares consists of (i) cash, (ii) trust units, limited partnership units or other participating equity securities of a trust, limited partnership or similar entity; (iii) equity securities or other property that is not traded or intended to be traded immediately following such transaction on a recognized stock exchange; (iv) other property that is not traded or intended to be traded immediately following such transactions on a recognized stock exchange; or (v) any combination of the consideration described in the foregoing sub clauses (i) through (iv) (a "Cash Transaction"), subject to any regulatory approvals, holders of the Debentures may, prior to completion of the offer to purchase for all Debentures, elect to convert their Debentures and receive, in addition to the number of Common Shares they otherwise would have been entitled to receive on conversion, an additional number of freely-tradable fully-paid Common Shares which will vary depending upon the effective date and the share price. This will be based on a table of shares grid set forth in the Indenture, standard in transactions of this nature.

Purchase for Cancellation: The Company may purchase Debentures for cancellation in the market or by tender or private contract at any time subject to applicable law and any applicable regulatory requirements.

Lock-Up Restrictions: The Company and certain of its directors and officers will be prohibited from, among other things, issuing or selling Common Shares during period ending 90 days after the date of Closing, subject to certain exceptions.

Offering Basis: Marketed underwritten offering by way of short-form prospectus filed in all provinces of Canada; private placement in the United States to "qualified institutional buyers" pursuant to Rule 144A and under appropriate private placement exemptions in other jurisdictions.

Listing: The Company has applied to list on the TSX: (i) the Debentures; and (ii) the Common Shares issuable on the conversion, redemption or maturity of the Debentures. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX.

Eligibility for Investment: Eligible under the usual statutes as well as for RRSPs, RDSPs, RRIFs, RESPs, DPSPs and TFSA's.

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Bookrunners: RBC Capital Markets and CIBC Capital Markets.

Commission: 4.50%.

Closing: On or about December 18, 2018 ("Closing").