

TERM SHEET

Non-Brokered Private Placement of Convertible Debenture Units

HAMPTON FINANCIAL CORPORATION

- Issuer:** Hampton Financial Corporation, a corporation existing under the laws of the Province of Ontario (the “**Corporation**”).
- Offering:** Non-brokered offering (the “**Offering**”) of convertible, redeemable debenture units (the “**Units**”). Each Unit shall consist of \$1,000 CAD principal amount of 9% unsecured convertible debentures (“**Debentures**”) and 1,000 subordinate voting share purchase warrants (the “**Warrants**”) of the Corporation.
- Price:** \$1,000 CAD per Unit.
- Offering Size:** Up to \$20,000,000 CAD aggregate principal amount of Units.
- Current Listing:** The subordinate voting shares of the Corporation and the class A preferred shares of the Corporation are listed on the TSX Venture Exchange (the “**TSXV**”) under the symbol ‘HFC’ and ‘HFC.PR.A’, respectively.
- Debentures:** The principal amount owing under the Debentures, and any accrued and unpaid interest thereon, will be payable in cash on the date that is 60 months from the Closing Date (the “**Maturity Date**”).
- The Debentures will bear interest from the Closing Date at 9.0% per annum, payable semi-annually in cash in arrears on the last day of June and December in each year. The first interest payment will be made on [•], 2018 and will consist of interest accrued from and including the Closing Date to [•], 2018.
- The Debentures will be convertible at the option of the holder, at any time prior to the close of business on the last business day immediately preceding the Maturity Date, into that number of subordinate voting shares of the Corporation computed on the basis of the principal amount of the Debentures divided by the conversion price of \$0.60 CAD per subordinate voting share.
- The Debentures will be direct, unsecured obligations of the Corporation, ranking equally with one another and with all other existing and future unsecured indebtedness of the Corporation. The Debentures are non-voting securities of the Corporation and carry no right to participate in earnings of the Corporation and, on liquidation and winding up of the Corporation, in its assets.
- Warrants:** Each Warrant will entitle the holder, upon the exercise thereof, to purchase one subordinate voting share of the Corporation (each, a “**Warrant Share**”) at the price of \$0.60 CAD per Warrant Share for a period of 60 months following the Closing Date.
- Redemption Rights:** After a period of 36 months following the Closing Date, and semi annually thereafter, Debenture holders will be granted a window of 10 business days that will afford them the right, but not the obligation, to notify the Corporation of their right to redeem (the “**Redemption Rights**”) their principle amount of debentures, via written consent, within 30 days following the submission of their request.

- Resale Restrictions:** The Debentures, the Warrants and the subordinate voting shares of the Corporation issuable upon the conversion of the Debentures or exercise of the Warrants will be subject to resale restrictions pursuant to applicable Canadian securities laws and the policies of the TSXV.
- Distribution:** The Units will be sold on a private placement basis to "accredited investors" within the meaning of National Instrument 45-106—*Prospectus Exemptions* and other exempt purchasers in Canada.
- Listing:** The Corporation will apply to list the subordinate voting shares of the Corporation issuable upon the conversion of the Debentures or exercise of the Warrants (the "**Underlying Shares**") on the TSXV. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSXV. There can be no assurance that the Underlying Shares will be accepted for listing on the TSXV.
- Use of Proceeds:** The Corporation intends to use the net proceeds to increase the regulatory capital of its investment subsidiary, Hampton Securities Limited, for the purpose of expanding principal its investing activities.
- Offering Fees/Commissions** The Corporation may pay a fee in connection with the Offering comprised of (a) cash of up to 5% of the aggregate principal amount of the Units sold pursuant to the Offering and/or (b) an aggregate number of broker warrants, with substantially the same terms as the Warrants, of up to 5% of the aggregate number of Warrants issued pursuant to the Offering.
- Closing Date:** Subject to the satisfaction of customary conditions, including receipt of approval of the TSXV as well as finalization and execution of definitive documentation, the Offering is expected to close on or about [•], 2018 (the "**Closing Date**").

This is a non-binding term sheet for illustration purposes. For a summary of all binding terms, please see the Subscription Agreement.

FOR FURTHER INFORMATION PLEASE CONTACT:

HAMPTON FINANCIAL CORPORATION
 Michael B. Ligeti, SVP – Investment Banking
 Telephone: (416) 862-7800
 Fax: (416) 862-8650
 mliget@hamptonsecurities.com