

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
R.S.O. 1990, C. B.16, AS AMENDED**

**AND IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
R.S.C., 1985, C. C-44, AS AMENDED**

**AND IN THE MATTER OF A WINDING UP OF
FIRST HAMILTON HOLDINGS INC., FIRST HAMILTON FINANCIAL SERVICES
INC., FIRST HAMILTON CAPITAL INC., FIRST HAMILTON GENERAL PARTNER 2
INC. and FIRST HAMILTON MORTGAGE BROKERS INC.**

Applicants

**MOTION RECORD OF THE INVESTOR CLAIMANTS
(Motion for Approval of the Allocation and Distribution of Settlement Funds)
(Returnable October 18, 2021)**

September 27, 2021

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Court File No. CV-20-00641372-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
R.S.O. 1990, C. B.16, AS AMENDED

AND IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
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AND IN THE MATTER OF A WINDING UP OF
FIRST HAMILTON HOLDINGS INC., FIRST HAMILTON FINANCIAL SERVICES
INC., FIRST HAMILTON CAPITAL INC., FIRST HAMILTON GENERAL PARTNER 2
INC. and FIRST HAMILTON MORTGAGE BROKERS INC.

Applicants

NOTICE OF MOTION

(Motion for Approval of the Allocation and Distribution of Settlement Funds)

Paliare Roland Rosenberg Rothstein LLP, in its capacity as representative counsel for the Investor Claimants (as defined in the order made in these proceedings dated August 6, 2020 appointing representative counsel) ("**Representative Counsel**") will make a motion to a judge of the Commercial List on October 18, 2021 at 10:00 a.m., or as soon after that time as the motion can be heard.

PROPOSED METHOD OF HEARING: the motion is to be heard by videoconference.

THE MOTION IS FOR:

1. An order substantially in the form appended hereto as Schedule "A" (the "**Allocation Order**"), among other things:

- (a) approving Representative Counsel's activities as described in the Third Report of Representative Counsel, dated September 24, 2021 (the "**Third Report**");
- (b) approving payment of Representative Counsel's fees, disbursements and taxes as set forth in the affidavit of Kenneth T. Rosenberg or in such other amount(s) as this court may direct (the "**Professional Costs**");
- (c) approving the payment of the Professional Costs out of the settlement fund (the "**Settlement Fund**") generated by the settlement contemplated by the term sheet dated June 24, 2021 and approved by this Court by order dated July 30, 2021 (the "**Settlement**"), between Representative Counsel on behalf of the Investor Claimants, PACE Savings & Credit Union Limited (the "**Credit Union**"), certain individuals and organizations insured by AIG Insurance Company of Canada and certain individual investment advisors represented by their insurers, AXIS Reinsurance Company (Canadian Branch) and Liberty Mutual (together, the "**Settling Parties**");
- (d) directing the transfer of the balance of the Settlement Fund, after payment of the Professional Costs, to Industrial Alliance, Insurance and Financial Services Inc. (the "**Distribution Agent**") for payment to the Investor Claimants *pro rata* with the amount invested by them as set forth in a schedule to be filed with this court (the "**Investment Schedule**"), in accordance with the distribution process contemplated at Appendix "B" to the Allocation Order (the "**Distribution Process**"); and,

(e) discharging and releasing Representative Counsel from its appointment upon filing of a certificate confirming the payment of the Professional Costs and the transfer of the Settlement Fund to the Distribution Agent, without prejudice to the ability of Representative Counsel to return to this court for advice and direction as necessary.

2. Such further and other relief as this Court considers just.

THE GROUNDS FOR THE MOTION ARE:

3. The Investors Claimants are holders of the following securities having a face value of approximately \$48 million (together the “**Preference Shares**”):

- (a) PACE Financial Limited (“**PFL**”) Series A 5% cumulative redeemable retractable non-voting term preference shares;
- (b) First Hamilton Holdings Limited (“**FHH**”) Series A 7% cumulative non-voting preference shares; and/or
- (c) FHH Series B 5% cumulative redeemable retractable non-voting preference shares;
- (d) and, in one instance, Pace Capital Partners Series A Limited Partnership Units (the “**PCP Units**”).

4. In May 2020, liquidation proceedings were commenced in respect of each of PACE Securities Corp. (“**PSC**”), PFL and FHH.

5. By order dated August 6, 2020, as amended March 2, 2021 (the “**Representative Counsel Order**”), this Court appointed Representative Counsel to represent the Investor Claimants in respect of various claims pertaining to their interest in the Preference Shares (the “**Investor Claims**”).

6. The Representative Counsel Order provides that Representative Counsel shall represent the interests of the Investor Claimants without any obligation to consult with or seek instructions from individual Investor Claimants, provided however, that Representative Counsel, acting in consultation with the Court Appointed Liquidators¹ was required to establish a committee of Investors (the “**Representative Committee**”) At the Credit Union’s request, the Representative Counsel Order, also provided that the Credit Union would have until at least October 15, 2020 (the “**Exclusivity Period**”), to make a settlement proposal to the Investor Claimants.

7. The Credit Union did not make a settlement offer during the Exclusivity Period.

8. By order dated March 2, 2021, this Court appointed Mr. Joel Wiesenfeld as mediator to attempt to facilitate the resolution of the Investor Claims (the “**Mediation**”).

9. Mr. Wiesenfeld declared the Mediation to have formally commenced on April 21, 2021. He began convening plenary sessions starting on June 14, 2021, using virtual conferencing software.

¹ “**Court Appointed Liquidators**” means (a) Ernst & Young Inc., in its capacity as Court-Appointed Liquidator of the estate and effects of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited, and (b) MNP Ltd., in its capacity as Court-Appointed Liquidator of the estate and effects of First Hamilton Holdings Inc. First Hamilton Financial Services Inc., First Hamilton General Partner 2 Inc., First Hamilton Capital Inc. and First Hamilton Mortgage Brokers Inc

10. On June 24, 2021, Representative Counsel, the Settling Parties and the Court Appointed Liquidators executed a term sheet settling the Investor Claims as between them.

11. Under the Settlement, the Settling Parties agreed to pay an all-inclusive, non-reversionary amount of \$40,000,000 to the Investor Claimants in exchange for a full and final release of the Investor Claims against the Settling Parties (including any related claims over for contribution or indemnity).

12. By order of Justice Koehnen dated July 30, 2021, this Court approved the Settlement.

Notice to Investor Claimants

13. On or about September 1, 2021, Representative Counsel sent, by regular mail a package (the “**Investor Package**”) to each known Investor Claimant containing a personal investment statement (the “**Personal Investment Statement**”). On or about September 3, 2021, Representative Counsel sent the Investor Package by email to those Investor Claimants for whom email was available. The Personal Investment Statement described the amount invested by the Investor Claimant in the Preference Shares based on records obtained by Representative Counsel from Ernst & Young Inc. in its capacity as the Court-Appointed Liquidator of the estate and effects of, among other entities, Pace Securities Corp.

14. Investor Claimants were asked to confirm (and, where necessary, correct) the amount listed on the Personal Investment Statement by September 21, 2021.

Professional Costs

15. The Representative Counsel Order provides that the Professional Costs shall be paid out of the funds recovered for the Investor Claimants (if any) pursuant to or by virtue of their appointment, either: (a) in accordance with terms to be agreed with members of the Representative Committee and approved by the Court; or, (b) in the absence of an agreement, as directed by further order of the Court, having regard to the resources invested, risk assumed and results achieved by Representative Counsel, together with such other considerations as the Court determined relevant.

16. When first consulted by certain Investor Claimants, Paliare Roland Rosenberg Rothstein LLP and those Investor Claimants entered into a standard contingency fee agreement with those Investor Claimants providing for payment of professional fees equal to 30% of the gross recovery (the "**Contingent Fee Agreement**"). However, given the prospect of an early settlement of the Investor Claimants' claims, Representative Counsel concluded that it would not be productive or fair to request that the Representative Committee adopt the Contingent Fee Agreement at that time, and elected to leave the quantification of its fee to the discretion of this court as contemplated by the Representative Counsel Order.

17. Having regard to the factors contemplated by the Representative Counsel Order, Representative Counsel is seeking Professional Costs in the amount of \$6,000,000, inclusive of fees, disbursements and taxes, for the period ending with the transfer of the Settlement Fund to the Distribution Agent, as contemplated by the Draft Order.

18. The proposed Professional Costs represent fair and reasonable compensation for Representative Counsel in light of, among other things, the risk assumed by Representative Counsel in prosecuting the action, the complexity of the claim, and the results achieved for Investor Claimants.

Allocation and Distribution

19. The proposed allocation represents an allocation of the Settlement Fund that is:

- (a) fair and reasonable;
- (b) in accordance with established practice and precedent; and,
- (c) consistent with the approach taken to the advancement of claims by Representative Counsel—namely, that the Preference Shares were not an appropriate investment for any Investor Claimant and that their claims should be treated without discrimination between them.

20. The proposed Distribution Process is fair and reasonable and is likely to facilitate a timely distribution to Investor Claimants while:

- (a) minimizing the cost of distribution;
- (b) minimizing the risk of an unanticipated taxation event on the part of Investor Claimants;
- (c) mitigating the risk of fraud arising from identity theft;

- (d) providing vulnerable Investor Claimants with access to knowledgeable, trustworthy, conservative investment advice and services, if needed, while preserving Investor Claimants' complete autonomy with respect to the transfer of the funds;

21. Based on the Settlement, the proposed Professional Costs, and the proposed allocation and distribution of the Settlement Funds, Representative Counsel anticipates that each Investor Claimant will receive in excess of 70 cents on the dollar of the amount invested by them.

Statutes and Rules

- (a) Rules 3.02, 16.08, 37 and 39 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194;
- (b) Section 209 of the *OBCA*; and
- (c) Such further and other grounds as counsel may advise and this Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- (a) The Third Report of Representative Counsel, dated September 24, 2021;
- (b) Affidavit of Kenneth T. Rosenberg, to be sworn;
- (c) Such further and other evidence as counsel may advise and this Court may admit.

September 27, 2021

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Representative Counsel

SCHEDULE "A"

Court File No. CV-20-00641372-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE	)	MONDAY, THE
)	
JUSTICE _____	)	18 th DAY OF OCTOBER, 2021

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
R.S.O. 1990, C. B.16, AS AMENDED**

**AND IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
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**AND IN THE MATTER OF A WINDING UP OF
FIRST HAMILTON HOLDINGS INC., FIRST HAMILTON FINANCIAL
SERVICES
INC., FIRST HAMILTON CAPITAL INC., FIRST HAMILTON GENERAL
PARTNER 2 INC. and FIRST HAMILTON MORTGAGE BROKERS INC.**

Applicants

ORDER

(ALLOCATION AND DISTRIBUTION OF SETTLEMENT FUNDS)

THIS MOTION made by Paliare Roland Rosenberg Rothstein LLP in its capacity as representative counsel ("**Representative Counsel**") for the Investor Claimants (as defined in the order made in these proceedings dated August 6, 2020 appointing representative counsel, as amended and clarified from time to time (the "**Appointment Order**")), for an order approving the allocation and distribution of the proceeds of the settlement of the claims of the Investor Claimants' in respect of their acquisition of

preference shares of PACE Financial Limited (“**PFL**”) and First Hamilton Holdings Inc. (“**FHH**”), and, in the case of 7903197 Canada Inc., in respect of its purchase of Pace Capital Partners Series A Limited Partnership Units (collectively, the “**Preference Shares**”), was heard this day via Zoom conference at Toronto, Ontario.

ON READING the motion record of Representative Counsel, and on hearing the submissions of Representative Counsel and certain Investor Claimants, no one else appearing,

1. **THIS COURT ORDERS** that the time for service of the notice of motion and the motion record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS AND DECLARES** that the activities of Representative Counsel as described in and contemplated by the Third Report of Representative Counsel dated September 24, 2021 (the “**Third Report**”), and the Third Report itself, are hereby approved, and without limiting the generality of the foregoing, that Representative Counsel was and is entitled to rely on the records of PACE Securities Corporation (“**PSC**”), PFL, FHH, and PACE Capital Partners Limited Partnership, as provided to Representative Counsel, including for the purpose of the allocation and distribution of funds as set forth herein, subject to any disagreement by an Investor Claimant brought to the attention of Representative Counsel prior to the date of this order, and provided that such reliance by Representative Counsel does not constitute gross negligence or wilful misconduct.

3. **THIS COURT ORDERS AND DIRECTS** that Representative Counsel's fees, disbursements and taxes in respect of its appointment are approved in the aggregate amount of \$6,000,000 (collectively, the "**Professional Costs**"), and that the Professional Costs shall be paid out of the settlement fund (the "**Settlement Fund**") generated by the settlement contemplated by the term sheet dated June 24, 2021 and approved by this Court by order dated July 30, 2021 (the "**Settlement**"), between Representative Counsel on behalf of the Investor Claimants, PACE Savings & Credit Union Limited (the "**Credit Union**"), certain individuals and organizations insured by AIG Insurance Company of Canada and certain individual investment advisors represented by their insurers, AXIS Reinsurance Company (Canadian Branch) and Liberty Mutual (together, the "**Settling Parties**").

4. **THIS COURT ORDERS AND DIRECTS** Representative Counsel to transfer the balance of the Settlement Fund remaining after payment of the Professional Costs as set out above (the "**Net Settlement Fund**") to Industrial Alliance, Insurance and Financial Services Inc. (the "**Distribution Agent**"), which shall distribute the Net Settlement Fund to Investor Claimants as set forth herein (the "**Distribution**"), and in connection with the Distribution, this Court declares as follows:

- (a) the Preference Shares were held by the Investor Claimants in accounts (the "Investment Accounts") at the Laurentian Bank Securities Limited ("**LBS**");
- (b) the Investment Accounts included both registered accounts (such as RRSP, RRIF, TFSA) (the "**Registered Investment Accounts**") and non-

registered accounts, and the Investor Claimants holding registered accounts were annuitants of those Registered Investment Accounts (the “Annuitants”);

- (c) for the purpose of the Registered Investment Accounts, the Preference Shares were “qualified investments” within the meaning of Subsection 146(1) of the *Income Tax Act*,
- (d) pursuant to the Settlement and in accordance with this order, the Annuitants are receiving their share of the Net Settlement Fund as compensation for financial losses incurred by them in respect of the Preference Shares directly in another registered account issued by the Distribution Agent.

5. **THIS COURT ORDERS AND DIRECTS** as follows in respect in respect of the Distribution:

- (a) Representative Counsel shall send a letter to each Investor Claimant notifying them of the Distribution, substantially in the form appended hereto as Appendix “A”, by regular mail to their last known address, and, where an email address is available, by email;
- (b) the Distribution Agent shall open one or more accounts in respect of each Investor Claimant corresponding to the Investor Claimant’s account(s) at LBS, including with respect to the tax registration status of the account, and shall deposit into each account, a share of the Net Settlement Funds

that is proportionate to the amount paid by the Investor Claimant for the Preference Shares held by the Investor Claimant in the corresponding LBS account as set forth in the schedule attached hereto as Appendix “B” (the “**Investment Schedule**”), relative to the total amount paid by all Investor Claimants for all Preference Shares showing on the Investment Schedule;

- (c) for the purpose of accessing their share of the Net Settlement Funds, an Investor Claimant shall arrange to meet with an agent of the Distribution Agent and shall complete such account opening documentation as the Distribution Agent may reasonably require, and, without limiting the generality of the foregoing, an Investor Claimant who is an Annuitant of a registered account shall sign the appropriate form(s) for the registration of a registered account issued by the Distribution Agent within six months from the date of the deposit of funds into their account by the Distribution Agent, failing which their investment may lose its registered status; and,
- (d) pending the execution of the account documentation by the Investor Claimant as described above and the receipt of further instructions from the Investor Claimant, the funds in the Investor Claimants’ share of the Net Settlement Funds held in the accounts opened by the Distribution Agent shall be invested in the Distribution Agent’s “High Interest Savings Account” investment product.

6. **THIS COURT ORDERS** that, subject to this order and any further orders of this court, the Investor Claimants' relationship with the Distribution Agent shall be governed by such operating and other agreements as may be settled by them in the ordinary course, provided that Investor Claimants shall not be under any obligation to maintain their account(s) with the Distribution Agent and that the Distribution Agent shall not charge Investor Claimants a fee in respect of the Distribution.

7. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, Representative Counsel, the Liquidator of PSC and LBS are authorized and directed to disclose to the Distribution Agent such information in their possession pertaining to the Investor Claimants and their holdings of Preference Shares that the Distribution Agent may reasonably require for the purpose of effecting the Distribution, including, without limitation, account opening and closing forms, and the Distribution Agent shall maintain and protect the privacy of such information, and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by PSC and LBS.

8. **THIS COURT ORDERS** that prior to the one year anniversary of this order, the Distribution Agent shall report to Representative Counsel in respect of the Distribution, and if any part of the Net Settlement Funds remain unclaimed by Investors Claimants at that time (the "**Unclaimed Funds**"), Representative Counsel shall apply to this court, without notice or on such further notice as the court may direct, for directions in respect of the distribution of the Unclaimed Funds.

9. **THIS COURT ORDERS** that Representative Counsel, the Distribution Agent and their respective, partners, officers, directors, employees, advisors, agents and representatives, including without limitation, A. Farber & Partners Inc. and Farber Wealth Management Inc., shall not be liable for any act or omission in respect of the distribution of funds pursuant to the provisions of this Order, other than for gross negligence or wilful misconduct; without limiting the generality of the foregoing, Representative Counsel and the Distribution Agent shall not be liable in respect of any adverse tax implications or rulings, arising from or in respect of the Distribution. No action or other proceeding shall be commenced against Representative Counsel or the Distribution Agent in respect of alleged gross negligence or willful misconduct, except with the prior leave of this Court obtained on at least 21 days' notice to Representative Counsel and the Distribution Agent, and upon further order in respect of security of costs of the Representative Counsel and the Distribution Agent in connection with any such action or proceeding to be given by the plaintiff on a substantial indemnity basis.

10. **THIS COURT ORDERS AND DIRECTS** that upon transfer of the Settlement Funds to the Distribution Agent provided herein, Representative Counsel shall file a completion certificate in the form of Appendix "C" to this order (the "**Completion Certificate**"), and Representative Counsel shall thereupon be discharged of its obligations under the Appointment Order, provided, however, that notwithstanding its discharge:

- (a) Representative Counsel shall remain Representative Counsel for the performance of such incidental duties as may be required to complete the

administration and distribution of the Investor Claims, including, without limitation, dealing with any Unclaimed Funds; and

- (b) Representative Counsel shall continue to have the benefit of the provisions of all of the Orders made in this proceeding, including all approvals, protections and stays of proceeding in favour of Paliare Roland Rosenberg Rothstein LLP in its capacity as Representative Counsel, including the ability to apply to this court for advice and direction, as necessary.

11. **THIS COURT ORDERS AND DECLARES** that upon filing the Completion Certificate, Representative Counsel and its partners, employees, agents, advisors and representatives, including, without limitation, A. Farber & Partners Inc., are thereupon released and discharged from any and all liability that they now have or may hereafter have, by any reason of or in any way arising out of their acts or omissions in respect of their appointment, save and except for any gross negligence or wilful misconduct on their part.

J.

APPENDIX "A"
DRAFT LETTER TO INVESTOR CLAIMANTS
(ATTACHED)

October 19, 2021

VIA MAIL AND EMAIL

TO: The purchasers of preferred shares of PACE Financial Limited and First Hamilton Holdings Inc., and, in one instance, units of Pace Capital Partners LP (the "Investor Claimants")

Dear Sir/Madame:

Re: PACE Securities Corporation ("PSC"); Settlement of Preferred Shares of PACE Financial Limited and First Hamilton Holdings Inc., and, in one instance, units of Pace Capital Partners LP (the "Preferred Shares")

We have previously written to you regarding the court approved a \$40 million settlement of claims by holders of the Preferred Shares (the "**Settlement**"). On October 18, 2021, the Ontario Superior Court of Justice (Commercial List) issued the order enclosed herewith (the "**Allocation and Distribution Order**") approving a scheme for the allocation and distribution of the settlement funds (the "**Allocation and Distribution Scheme**"). Capitalized terms used in this letter and not otherwise defined herein have the meaning given to them in the Allocation and Distribution Order.

Provided that nobody appeals the Allocation and Distribution Order, that order will become final on November 17, 2021.¹ Upon that order becoming final, and subject to the receipt of funds from the settling parties, we will be transferring the settlement funds, net of our costs as approved by the court, to the Distribution Agent, who will then attend to the Distribution.

For the purpose of the Distribution, and in an effort to maintain the tax status of investments held in registered accounts (e.g., RRSPs, TFSAs, LIRAs, etc.), the Distribution Agent will be establishing an account structure consistent with that which previously existed at PACE Securities Corporation and Laurentian Bank Securities. To that end, representatives of the Distribution Agent will need to meet with you to complete necessary account opening documentation, and also to verify the identity of the recipient of the funds. **If you have any questions regarding the Distribution or the contents of this letter, and/or to arrange a meeting with representatives of the Distribution Agent, you should contact Farber Wealth Management Inc. at the following dedicated telephone number and email address.**

Telephone: ◆

Email: ◆

We wish to emphasize that if you held your Preference Shares in a registered account, you should contact the Distribution Agent's representatives to arrange for the execution of the necessary account opening documentation as soon as possible before December 31, 2021, and in any event no later than six (6) months from the date of the Allocation and Distribution Order. Your failure to do so increases the likelihood that you will be deemed to have received the proceeds of the Settlement into income, and you may incur a material and unintended tax liability as a result. For this reason, the Distribution Agent will be prioritizing meetings with registered account holders.

¹ If an appeal is taken from the Allocation and Distribution Order, then the timelines contemplated herein will be significantly delayed and you will be notified accordingly.

Chris G. Paliare
Ilan J. Roland
Ken Rosenberg
Linda R. Rothstein
Richard P. Stephenson
Nick Coleman
Donald K. Eady
Gordon D. Capern
Lily I. Harmer
Andrew Lokan
John Monger
Odette Soriano
Andrew C. Lewis
Megan E. Shortreed
Massimo Starnino
Karen Jones
Robert A. Centa
Nini Jones
Jeffrey Larry
Kristian Borg-Olivier
Emily Lawrence
Tina H. Lie
Jean-Claude Killey
Jodi Martin
Michael Fenrick
Ren Bucholz
Jessica Latimer
Lindsay Scott
Alysha Shore
Denise Cooney
Paul J. Davis
Danielle Giatt
Lauren Pearce
S. Jessica Roher
Daniel Rosenbluth
Glynnis Hawe
Hailey Bruckner
Charlotté Calon
Kate Shao
Kartiga Thavaraj
Catherine Fan
Shawna Leclair
Douglas Montgomery
Chloe Hendrie
Jesse Wright

COUNSEL
Stephen Goudge, Q.C.

HONORARY COUNSEL
Ilan G. Scott, Q.C., O.C.
(1934 -2006)

Pending your meeting with the Distribution Agent's representatives, your funds will be invested in the Distribution Agent's High Interest Savings Account.

The Distribution Agent's representatives will discuss with you and obtain your instructions regarding the treatment of your funds once the account opening documentation has been executed. It is open to you to invest your funds with the Distribution Agent, but we wish to be clear that you are under no obligation to do so. Regardless of whether you invest your funds with the Distribution Agent or not, you will incur no cost in respect of the Distribution Agent. Of course, if you elect to invest your funds with the Distribution Agent, your relationship with the Distribution Agent's, including with respect to compensation for future services provided to you, will be governed by their standard agreements.

About the Distribution Agent and its Representative

(i) iA Financial Group

iA Financial Group is one of the largest insurance and wealth management groups in Canada, with operations in the United States. Founded in 1892, it is one of Canada's largest public companies and is listed on the Toronto Stock Exchange under the ticker symbols IAG (common shares) and IAF (preferred shares). iA covers all aspects of the financial planning journey and subscribes to a holistic customer first process. iA are the industry leaders in the segregated investment arena and are now acquiring the greatest volume of new net business on the insurance platform. iA employs over 7700 employees, \$5.9 billion in market cap, manages more than \$200 billion in client assets and serves over 4 million customers.

(ii) Farber Wealth

Farber Wealth, in collaboration with iA Financial Group <<https://ia.ca/individuals>> (iA), provides wealth management services to individuals and business owners and their employees. Farber Wealth brings an advisory mindset and a proprietary approach to the financial wellness process, with the development of customized personal solutions at its core. This planning-centric approach has been developed from their 27+ years of experience in owning, operating, and building highly successful wealth management businesses in multiple countries. Farber Wealth brings a highly credible and well qualified team including CPA's, CFA's, actuaries and CFP designated professionals to meet those very individual needs of their clients. Farber Wealth is part of the Farber Group, which is an independent business advisory firm established in 1979 that provides practical solutions to complex financial and operating problems.

Farber <<https://farbergroup.com/>> operates across Canada with offices in Toronto, Calgary, Edmonton and Vancouver and is part of a global alliance called BTG Global Advisory.

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

Encl.

Doc 3949612 v1

APPENDIX "B"
INVESTMENT SCHEDULE
(IN PROGRESS)
(TO BE PROVIDED PRIOR TO HEARING)

APPENDIX "C"**DRAFT COMPLETION CERTIFICATE****WHEREAS**

- A. Pursuant to an order made in these proceedings dated August 6, 2020, as amended by further order dated March 2, 2021, and clarified by order of this court dated July 8, 2021, Paliare Roland Rosenberg Rothstein LLP ("**Paliare Roland**") was appointed as representative counsel ("**Representative Counsel**") to certain investors (the "**Investor Claimants**");
- B. Pursuant to an Order of this Court dated October 18, 2021, (the "**Allocation Order**"), Paliare Roland was directed to transfer certain funds (the "**Settlement Funds**") to Industrial Alliance, Insurance and Financial Services Inc. (the "**Distribution Agent**") for further allocation and distribution to the Investor Claimants in accordance with the terms of the Allocation Order.

NOW THEREFORE Representative Counsel hereby certifies that the Settlement Funds have been transferred to the Distribution Agent.

**PALIARE ROLAND ROSENBERG
ROTHSTEIN LLP** solely in its capacity as
Representative Counsel to the Investor
Claimants and not in its personal capacity

Per: _____

IN THE MATTER OF A WINDING UP OF FIRST HAMILTON HOLDINGS INC., FIRST HAMILTON FINANCIAL SERVICES INC., FIRST HAMILTON CAPITAL INC., FIRST HAMILTON GENERAL PARTNER 2 INC. and FIRST HAMILTON MORTGAGE BROKERS INC.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

ORDER

(ALLOCATION AND DISTRIBUTION OF SETTLEMENT FUNDS)

Paliare Roland Rosenberg Rothstein LLP

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Representative Counsel

IN THE MATTER OF A WINDING UP OF FIRST HAMILTON HOLDINGS INC., FIRST HAMILTON FINANCIAL SERVICES INC., FIRST HAMILTON CAPITAL INC., FIRST HAMILTON GENERAL PARTNER 2 INC. and FIRST HAMILTON MORTGAGE BROKERS INC.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

**NOTICE OF MOTION
(Motion for Approval of the Allocation and
Distribution of Settlement Funds)**

(RETURNABLE OCTOBER 18, 2021)

Paliare Roland Rosenberg Rothstein LLP

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jesse.wright@paliareroland.com

Representative Counsel

Court File No. CV-20-00641059-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
R.S.O. 1990, C. B.16, AS AMENDED**

**AND IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
R.S.C., 1985, C. C-44, AS AMENDED**

**AND IN THE MATTER OF A WINDING UP OF
PACE SECURITIES CORP., PACE FINANCIAL LIMITED,
PACE INSURANCE BROKERS LIMITED AND
PACE GENERAL PARTNER LIMITED**

Applicants

Court File No. CV-20-00641372-00CL

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
R.S.O. 1990, C. B.16, AS AMENDED**

**AND IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
R.S.C., 1985, C. C-44, AS AMENDED**

**AND IN THE MATTER OF A WINDING UP OF
FIRST HAMILTON HOLDINGS INC., FIRST HAMILTON FINANCIAL SERVICES
INC., FIRST HAMILTON CAPITAL INC., FIRST HAMILTON GENERAL PARTNER 2
INC. and FIRST HAMILTON MORTGAGE BROKERS INC.**

Applicants

**THIRD REPORT OF THE COURT APPOINTED REPRESENTATIVE COUNSEL TO
THE INVESTOR CLAIMANTS**

(September 24, 2021)

1. By orders made in these proceedings on August 6, 2020, amended March 2, 2021, and clarified July 8, 2021 (collectively, the “**Representation Orders**”), Paliare Roland Rosenberg Rothstein LLP (“**Representative Counsel**”) was appointed to represent the

interests of investors (the “**Investor Claimants**”) who purchased preference shares of Pace Financial Limited (“**PFL**”) or First Hamilton Holdings Inc. (“**FHH**”), and, in one instance, units of Pace Capital Partners LP (“**PCP**”) (such units, together with the preference shares of PFL and FHH, the “**Preference Shares**”). Copies of the Representation Orders are marked as Schedule “A” to this report.

PART I. OVERVIEW AND PURPOSE

2. On March 2, 2021, the court made the claims procedure orders marked as Schedule “B” to this Report (the “**Claim Procedure Orders**”), establishing, among other things, the procedure for an early stage mediation (the “**Mediation**”), conducted by Mr. Joel Wiesenfeld (the “**Mediator**”), of the claims of the Investor Claimants in respect of their purchase of the Preference Shares (the “**Investor Claims**”).

3. On June 24, 2021, Representative Counsel and various parties agreed upon terms resolving substantially all of the Investor Claims as evidenced by the redacted term sheet marked as Schedule “C” to this report (the “**Settlement**”).

4. By Order of Justice Koehnen dated July 30, 2021, the Settlement was approved by this Court (the “**Settlement Approval Order**”). A copy of the Settlement Approval Order is marked as Schedule “D” to this report.

5. The purpose of this Third Report is to:

- (a) report on the status of the Settlement and Representative Counsel’s activities in relation to the Investor Claims from the date of Representative

Counsel's Second Report, July 6, 2021 (the "**Second Report**"), to the date of this Third Report;

- (b) request approval of the fees and disbursements of Representative Counsel and related taxes, as set forth in the affidavit of Kenneth T. Rosenberg or in such other amount(s) as this court may direct (the "**Professional Costs**"), and the payment of the Professional Costs out of the proceeds of the Settlement (the "**Settlement Fund**") as contemplated by the Representation Orders;
- (c) request approval for the allocation and distribution of the balance of the Settlement Fund after payment of the Professional Costs to the Investor Claimants by Industrial Alliance, Insurance and Financial Services Inc. (the "**Distribution Agent**"), *pro rata* with the amount invested by them in the Preference Shares as set forth in a schedule to be filed with this court prior to the hearing (the "**Investment Schedule**"), and in accordance with the distribution process contemplated at Schedule "E" to this report (the "**Distribution Process**");
- (d) request approval of the activities of Representative Counsel and this Third Report; and
- (e) request the discharge of Representative Counsel upon payment of the Settlement Fund to the Distribution Agent.

PART II. BACKGROUND

A. *The Preference Shares and PCP Units*

6. The Settlement is the culmination of the marketing and sale by PACE Savings & Credit Union Limited (the “**Credit Union**”) and/or by its wholly owned subsidiary, PACE Securities Corp. (“**PSC**”), an investment dealer registered under the *Securities Act*, of the Preference Shares as exempt distributions without a prospectus, pursuant to various Offering Memorandums.

7. PFL, FHH and PCP were investment vehicles which held portfolios of high-yield corporate debt.

8. PSC managed both the Investor Claimants’ accounts, as well as the debt portfolios pertaining to PFL, FHH and PCP. PSC did not hold its customers’ cash and securities itself. Rather, it was licensed by IIROC as a “Type 2 Introducing Broker”, and, as such, contracted its back-office functions to a “carrying broker.” Laurentian Bank Securities Limited (“**LBS**”) was PSC’s carrying broker and the custodian of its securities and its clients’ cash and securities.

B. *Events Leading to the Investor Claimants’ Losses*

9. The proceeds of the sale of the Preference Shares were used by PFL and FHH to purchase high-yield bonds on “margin”, through their accounts at PSC. Margin is a form of loan whereby the broker loans money to its client to allow the client to purchase more securities than could otherwise be purchased with the amount of money the client has available in the account. The loan in the account is collateralized by the securities purchased and cash, and comes with a periodic interest rate. Because LBS was PSC’s

carrying broker, any margin loans provided through a PSC account were in fact provided by LBS.

10. The precise series of events with respect to the administration of the margin accounts has been the subject of some disagreement, but it appears to be irrefutable that, in early 2020, after having previously expressed concerns regarding the extent of the margin in the PFL and FHH portfolios, LBS started taking steps to tighten the margin requirements, and eventually liquidated certain positions. Litigation ensued in or about March 2020, and, ultimately, in May 2020, in the context of the economic uncertainty caused by the evolving global Covid-19 pandemic, each of PSC, PFL and FHH commenced these liquidation proceedings (the “**Liquidations**”).

11. On May 14, 2020, Ernst & Young Inc. was appointed as liquidator of PSC, PFL, Pace Insurance Brokers Limited, and Pace General Partner Limited (the general partner of PCP) (the “**PACE Liquidator**”).

12. On May 21, 2020, MNP Ltd., was appointed as liquidator of the estate and effects of FHH, First Hamilton Financial Services Inc., First Hamilton General Partner 2 Inc., First Hamilton Capital Inc., and First Hamilton Mortgage Brokers Inc., (the “**FHH Liquidator**”, and, together with the PACE Liquidator, the “**Liquidators**”).

13. As a result of or in connection with the Liquidations, LBS proceeded to liquidate parts of the PFL and FHH portfolios, in furtherance of the collection of the margin loans owing to it.

14. Through the Liquidations, the PACE Liquidator became aware that the active PSC customer accounts at LBS were comprised of a mixture of registered accounts (e.g. RRSP, RESP, RRIF, etc.) and non-registered accounts (e.g. cash, margin, TFSA, etc.).

15. As set out in its First Report, dated June 16, 2020, attached at Schedule “F”, the PACE Liquidator determined that the Preference Shares needed to be removed from clients’ registered and nonregistered accounts in order to complete the transfer of the accounts to new investment dealers. It understood that there could be potential tax implications when removing the securities from registered accounts.

16. To facilitate the expeditious transfer of PSC’s client accounts to other investment dealers and to avoid potential tax implications, LBS deregistered, as applicable, and transferred all the Preference Shares from customers’ accounts to the PACE Liquidator at zero value (the “**Share Transfer Process**”). The Court approved the Share Transfer Process by order dated June 19, 2020. A copy of this order is attached at Schedule “G”.

17. As a result, the PACE Liquidator currently holds the Preferred Shares.

18. As the debt securities in the PFL and FHH portfolios did not trade over a recognized market and were illiquid, the impact of the Liquidations on the Preference Shares was subject to some uncertainty. In light of the Liquidations and the other events described above, however, Investor Claimants became increasingly concerned regarding the status of their investment in the Preference Shares and their financial security. Indeed, by June 16, 2020, the PACE Liquidator was reporting that it was reasonable to conclude that the net realizable value of the Preference Shares was \$nil.

C. *Appointment of Representative Counsel*

19. In or about June 2020, Representative Counsel was consulted by a number of Investor Claimants, as well as by the FHH Liquidator, in connection with the possible representation of Investor Claimants as a group, to advance the claims of these individuals in connection with their purchase of the Preference Shares.

20. Representative Counsel was advised by the FHH Liquidator that the Investor Claimants tended to be individuals near or past retirement age, who felt that they had not been adequately advised or represented in connection with their investment in the Preference Shares, and who, having regard to their circumstances, questioned the propriety of the investment and, indeed, their solicitation for that investment. Representative Counsel was also advised that there were a number of Investor Claimants of retirement age who were heavily invested in the Preference Shares and who were experiencing financial distress. Representative Counsel's discussions with individual Investor Claimants corroborated the foregoing.

21. It was also apparent to Representative Counsel that the Investor Claimants' claims could present an impediment to the completion of the Liquidations, as well as to the successful restructuring of the Credit Union, which had been placed in administration by its regulator in or about 2018.

22. In the circumstances described above, each of the Liquidators brought motions seeking to appoint Representative Counsel to represent all of the Investor Claimants in these proceedings, and, notwithstanding the potential challenges associated with

advancing investor loss cases on behalf of a group, Paliare Roland agreed to accept the appointment on a contingent basis.

23. Pursuant to the Representation Orders, dated August 6, 2020, Justice Hainey appointed Paliare Roland as Representative Counsel to advance the Investor Claims. The orders required Representative Counsel to give notice of their appointment to the Investor Claimants in a prescribed form, so as to afford individual Investor Claimants the opportunity to opt out of representation. Notice was given and nobody elected to opt out.

24. Consequently, Representative Counsel became the representative of over 700 Investor Claimants holding Preference shares having a book value of approximately \$48 million. These Investor Claimants had a number of common issues and some commonality of experience, but they were also distinguishable from each other on a number of grounds: They were of varying ages, had varying degrees of education and commercial sophistication, were of varying means, and were dependent on their investment in the Preference Shares for their financial security to varying degrees; the majority were either Credit Union members or had come to purchase the Preference Shares due to their interaction with the Credit Union, but some had purchased the Preference Shares completely independently of the Credit Union; some held Preference Shares of PFL, some Preference Shares of FHH, and some both; some had made a single purchase transaction, some had made multiple purchase transactions, some didn't even know that they had purchased Preference Shares; many Investor Claimants believed that they had purchased their Preference Shares from a Credit Union employee and in some instances that was the case, other Investor Claimants understood themselves to be dealing with an employee of PSC; and Investor Claimants were

represented by a number of different investment advisors. Other distinctions can be made.

25. In addition to appointing Representative Counsel, among other things, the Representative Counsel Orders:

- (a) required Representative Counsel to establish a committee of Investors (the "**Representative Committee**") to consult with respect to the Investor Claims but did not obligate Representative Counsel to follow the recommendations of the Representative Committee;
- (b) granted the Credit Union a period of time within which to formulate and present a proposal to settle the Investor Claims for consideration by Representative Counsel and the Liquidators (the "**Exclusivity Period**"); and
- (c) directed that Representative Counsel's fees were to be paid out of the funds recovered for the Investor Claimants as agreed with the Representative Committee or, in the absence of an agreement, as directed by the Court.

D. The Representative Committee

26. In accordance with the Representation Orders, Representative Counsel, acting in consultation with the Liquidators, formed the Representative Committee.

27. Twelve Investor Claimants were selected to participate on the Representative Committee. Most of these Investor Claimants had material amounts invested in the Preference Shares and volunteered to participate on the Committee. A few were sought

out by Representative Counsel, to ensure representation for obvious investor cohorts (for example, non-members of the Credit Union). Following its formation, this committee met with Representative Counsel roughly every one to two weeks, and more often in the run-up to and during the Mediation.

E. The Exclusivity Period and the Claims Resolution Process

28. In the three months following its appointment, Representative Counsel had numerous discussions with representatives of the Credit Union with respect to its efforts to formulate a settlement proposal for consideration by Representative Counsel and the Liquidators. Ultimately, however, the Credit Union was unable to formulate and tender a proposal, the Exclusivity Period expired, and the discussions between the Credit Union and Representative Counsel evolved into the negotiation of a process to resolve the claims through a more traditional, structured mediation process, or through litigation (the “**Investor Claim Resolution Process**”). As these discussions were unfolding, a number of the Credit Union’s officers and directors resigned, and the Credit Union’s regulator FSRA was required to intercede in the administration of the Credit Union.

29. While discussions with the Credit Union were ongoing, Representative Counsel proceeded to gather information regarding the Investor Claimants’ experiences, including through the formulation and administration of a random survey of a statistically representative sample of Investor Claimants, intended to help Representative Counsel assess the commonality of those experiences.

30. Based on information gathered by it, Representative Counsel prepared a draft proof of claim (the “**Proof of Claim**”) detailing various allegations, on behalf of the Investor

Claimants, of wrongful and/or oppressive conduct giving rise to the Investor Claimants' losses by various persons (such persons, the "**Interested Parties**"). The Proof of Claim was delivered to counsel for certain Interested Parties at the end of January 2021, on a confidential basis, in accordance with the direction given by this court in its endorsement dated January 11, 2021. The Proof of Claim was approximately 90 pages long. Representative Counsel then engaged in further discussions with counsel for those Interested Parties regarding the Investor Claim Resolution Process.

31. On March 2, 2021, this Court issued consent orders establishing the Investor Claims Resolution Process. It contemplated two stages: an early structured mediation process conducted by Mr. Joel Wiesenfeld as Mediator; and, in the absence of settlement, an expedited litigation process the details of which would be determined by further order of the court. Pursuant to and in accordance those orders:

- (a) On or about March 22, 2021, Representative Counsel delivered to the Mediator, to the Interested Parties, the Liquidators, and FSRA, a Claims Brief in excess of 125 pages long, stating Representative Counsel's position for the Mediation, and attaching the draft Proof of Claim and supporting documentation.
- (b) On April 21, 2021, the Mediator declared the Mediation to have formally commenced.
- (c) Following the formal start of the Mediation, various Interested Parties delivered Responding Briefs, and documents were produced and made available using a common virtual data-room hosted by the PACE Liquidator

in response to specific requests for documents and information and at the direction of the Mediator.

- (d) On June 14, 2021, the Mediator began convening plenary sessions using virtual conferencing software.

32. Late on June 22, 2021, Representative Counsel and the Settling Parties¹ arrived at a settlement in principle. Over the next two days, the parties documented the Settlement, which was memorialized in the Settlement Term Sheet, executed on June 24, 2021.

33. Throughout the Mediation, Representative Counsel:

- (a) was assisted by the Farber Group, which had been retained as a financial advisor for the purpose of, among other things, modelling damages and potential litigation outcomes; and,
- (b) reported to, consulted with and obtained advice from Representative Committee, who were integral to the articulation of the claim, negotiating strategy, and, ultimately, the Settlement.

F. The Settlement

34. The key components of the Settlement contemplated in the term sheet include:

¹ “**Settling Parties**” means PACE Savings & Credit Union Limited, certain individuals and organizations insured by AIG Insurance Company of Canada and certain individual investment advisors represented by their insurers, AXIS Reinsurance Company (Canadian Branch) and Liberty Mutual.

- (a) monetary compensation totalling \$40 million to be paid to the Investor Claimants;
- (b) releases by the Investor Claimants in respect of the Investor Claims in favour of the Settling Parties; and
- (c) a requirement of confidentiality with respect to the precise contribution made by each of the Settling Parties, subject to communications with legal or financial advisors and/or legal and financial disclosure obligations.

35. Given ongoing concerns about the financial position of the Credit Union, Representative Counsel required assurance from FSRA that if the Credit Union was unable to fund its contribution towards the settlement for any reason, FSRA would ensure payment in full of the Credit Union's contribution. FSRA provided such confirmation to Representative Counsel.

36. Investor Claimants were given notice of the Settlement in accordance with the order of this court dated July 8, 2021, and the Settlement was approved, without opposition, by order of this court dated July 30, 2021 (the "**Settlement Approval Order**"). No appeal has been taken from the Settlement Approval Order.

G. Representative Counsel's Activities Following the Settlement

37. In anticipation of the eventual distribution of the Settlement Fund, Representative Counsel assembled a package of information for each investor (the "**Investor Package**"). Investor Packages contained a personal investment statement (the "**Personal Investment Statement**") describing the amount invested by the Investor Claimant in the

Preference Shares, based on PSC's records, obtained by Representative Counsel from the PACE Liquidator. The template for the Investor Package is attached as Schedule "H" to this Third Report.

38. The Investor Package articulated a list of steps to be followed by an Investor Claimant to confirm (and, if necessary, correct) the Personal Investment Statement. Investor Claimants were asked to either confirm or correct the Personal Investment Statement by September 21, 2021.

39. The Investor Package also contained information regarding the hearing on October 18, 2021 (the "**Allocation Hearing**").

40. On or about September 1, 2021, Representative Counsel mailed an Investor Package to each known Investor Claimant. On or about September 3, 2021, Representative Counsel emailed the Investor Package to Investor Claimants for whom an e-mail was available.

41. Representative Counsel used a dedicated email address and toll free telephone line to facilitate communications with Investor Claimants who had questions about their Personal Investment Statement and/or the Allocation Hearing.

42. To date, over 100 Investor Claimants have contacted Representative Counsel by telephone and email with inquiries about their Personal Investment Statements and/or the Allocation Hearing in response to the Investor Package.

43. As at the date of this Third Report, approximately 538 Investor Claimants (out of a maximum of approximately 713 Investor Claimants) have submitted signed declarations

confirming their holdings as recorded in the Personal Investment Statement. Representative Counsel continues to gather responses to the Investor Package and will provide an update to the Court at the Allocation Hearing or shortly before.

PART III. ALLOCATION AND DISTRIBUTION OF THE SETTLEMENT FUNDS

A. *Guiding Principles*

44. Since our appointment, Representative Counsel has been guided by the following principles with respect to the Investor Claims: (i) each Investor Claimant has a valid claim; and, (ii) timeliness is of critical importance to the Investor Claimants.

45. These principles have informed our approach to the Investor Claims and these proceedings from the outset and have guided our recommendations in this Third Report.

1. Each Investor Claimant has a valid claim

46. The first guiding principle is premised on Representative Counsel's view that the Preference Shares were not an appropriate investment for any of the Investor Claimants.² It is on that basis that Representative Counsel formulated its Proof of Claim and negotiated the Settlement. At no time in the course of our engagement leading up to the Settlement, would we have entertained a proposal to segregate or "bucket" Investor Claimants.

² This view was not merely positional. Soon after our appointment, Representative Counsel consulted a retired very senior investment banker regarding the Preference Shares. His unvarnished view after reviewing the PFL Offering Memorandum and the FHH Offering Memorandum, was that the Preference Shares were not an appropriate investment for any retail investor.

2. Need for Timeliness

47. Since our appointment, Representative Counsel has been aware of the critical importance of a timely recovery for Investor Claimants.

48. As previously reported by Representative Counsel and the Liquidators, many of the Investor Claimants are at or near retirement age. Time is not on their side and they would not benefit from protracted litigation and/or delay.

49. Representative Counsel has not interviewed each and every Investor Claimant, but we have heard from many of them, and their experiences are sobering. We have heard from and have previously reported on Investor Claimants who, as a result of the loss of their investment, felt compelled to sell their home to finance their living expenses; who have had to depend on their children or extended family for financial support; who have had to delay retirement plans or return to work; who have found themselves unable to disclose their financial loss to their spouse, with the result that they have had to shoulder feelings of anxiety, guilt and uncertainty by themselves; and, who have experienced severe depression and suicidal thoughts.

50. In the context of a very large group of claimants with a common claim but disparate circumstances, it is very easy to allow the perfect to become the enemy of the good. We have been mindful to avoid that outcome.

B. Allocation

51. Representative Counsel recommends that, after a deduction of the Professional Costs, the Settlement Fund be distributed to investors on a *pro rata* basis relative to *the amount invested*.³

1. Pro Rata Allocation

52. A *pro rata* distribution is in line with Representative Counsel's guiding principles noted above.

53. Since our appointment, Representative Counsel's approach has been to maximize recoveries for all Investor Claimants and we have insisted that all investors had a valid claim to be compensated. We would not have and did not entertain the division of Investor Claimants leading up to the Settlement, and so we believe that it would be hypocritical for us to suggest that distinctions be drawn between Investor Claimants post-Settlement.

54. Furthermore, in order to fairly and not arbitrarily distinguish between Investor Claimants, one would have to engage in an investigative exercise that would entail considerable delay and expense—at the extreme such an exercise would rival the trial process avoided through the Settlement.

³ Representative Counsel notes that it is advised by the PACE Liquidator that some Investor Claimants received Preference Shares as a gift; for example, in exchange for opening a PSC account. As Investor Claimants did not pay for these "gifted shares", the proposed allocation would not result in a distribution from the Settlement Fund in respect of them. To date, Representative Counsel has heard from one Investor Claimant who has expressed the view that they should receive an allocation from the Settlement Fund for the "gifted shares" because they otherwise would not have opened an account with PSC. In our view, while such reliance might constitute consideration entitling the investor to retain the share, it does not form the basis for a justiciable claim for damages. More importantly, it does not form the basis of a claim for damages in respect of the Preference Shares, which is the specific object of Representative Counsel's appointment. Indeed, the Representation Orders appointed Representative Counsel to represent individuals in respect of the "purchase" of Preference Shares.

55. Based on the Settlement Fund held and the proposed Professional Costs, a *pro rata* allocation of the Settlement Fund will likely result in each Investor Claimant receiving in excess of 70 cents on the dollar based on their original investment. Even if one were to accept that a *pro rata* approach to allocation does not perfectly match entitlements, it is a reasonable, fair and “good” result—especially when one considers that even if one were to make the inquiries necessary to distinguish between Investor Claimants, the quantification of the premium or discount to be applied to particular cohorts would still involve an element of arbitrariness.

56. Importantly, we submit that a *pro rata* distribution in these circumstances is in accordance with established legal precedent. Representative Counsel will address this in a memorandum of law to be filed

57. Finally, subject to what follows with respect to the allocation of professional fees, the members of the Representative Committee unanimously support a *pro rata* allocation of the Settlement Fund.

2. Qualifications to *Pro Rata* Allocation

58. Some members of the Representative Committee have suggested a deviation from the *pro rata* approach for the purpose of reallocating the burden of the Professional Costs associated with the creation of the Settlement Fund. In addition, concern has been expressed regarding the treatment of certain Investor Claimants who are proximate to the Settling Parties. These matters are discussed below.

(a) Reallocation of the Costs of Realization

59. While a number of members of the Representative Committee are supportive of a *pro rata* allocation of Settlement Funds for the reasons articulated herein, some members of the Representative Committee have expressed the view that there should be an adjustment to the allocation of Settlement Funds to effect a distribution of liability for Professional Costs other than on a *pro rata* basis.

60. As of the date of the preparation of this report, two alternative scenarios were proposed:

- (a) A scenario in which all Investor Claimants would pay the same amount toward the Professional Costs, regardless of the benefit that they receive in the process (a “**Fixed Fee Approach**”); and
- (b) A scenario in which all Investor Claimants would pay a certain percentage of the Professional Costs on a fixed fee basis and the balance on a *pro rata* basis (a “**Hybrid Approach**”).

61. The reasons in favour of a Fixed Fee Approach and/or a Hybrid Approach varied.

- (a) Some members of the Representative Committee expressed the view that “equally” means “the same” in absolute dollars, and that by linking liability for costs to recovery, larger Investor Claimants would be subsidizing smaller Investor Claimants.
- (b) Others expressed the view that these alternate approaches were more consistent with the basis upon which the Representation Orders had been

sought, which had been expressed in terms of protecting the interests of vulnerable Investor Claimants who had lost a material portion of their retirement fund and who had suffered material financial and/or personal hardship due to the loss; directionally, these tended to be Investor Claimants who had larger amounts invested in the Preference Shares and who would benefit from a Fixed Fee Approach or the Hybrid Approach.

62. Representative Counsel has a number of concerns with respect to a Fixed Fee Approach or a Hybrid Approach.

63. First, as a matter of law, neither approach is consistent with established precedent and practice, and, therefore, the objective reasonable expectations of the Investor Claimants in connection with our appointment. Where professionals such as lawyers and/or accountants have contributed to the creation of a fund, the professional costs typically constitute a first charge against the fund and are paid “off the top”, prior to the distribution of any funds. It is only the remaining fund that is subject to distribution, not the costs. The result is that the cost burden is borne rateably with claimants’ entitlement to the funds. We are not aware of any cases in which, in the absence of agreement or an assessment of liability or culpability (e.g., where one of the beneficiaries is found to have contributed disproportionately to the incurring of costs), the burden of professional fees payable out of a limited fund have been incurred other than on a rateable basis. In this case, there is no agreement with respect to the allocation of costs, and we cannot say that one cohort of Investor Claimants caused Representative Counsel to incur greater costs than another group.

64. Second, departing from established precedent is more likely to give rise to delays and/or additional costs in distribution, insofar as novel decisions are more likely to give rise to an appeal. As noted above, timeliness of distribution has been a cardinal objective.

65. Third, as a factual matter, each of the Flat Fee Approach and the Hybrid Approach present challenges for their implementation, as demonstrated by the chart marked as Schedule "I" to this report. In particular:

- (a) At any given level of professional fees, the Flat Fee Approach will result in a material number of Investor Claimants not receiving any allocation in respect of their claims;
- (b) Under the Hybrid Approach, there may continue to be Investor Claimants who will not receive any distribution in respect of their claims, depending on the amount of the professional fees and the specific proportion of those fees that are paid on a "flat" vs. "*pro rata*" basis.
- (c) For the purpose of a Hybrid Approach, there are, mathematically, an infinite number of proportionate allocations of the fee between "flat" and "*pro rata*" (i.e., 10%/90%; 20%/80%; 30%/70%; and every division above, below and between). Even if one were to limit the options to "round numbers", it is conceptually challenging to articulate a principled basis for selecting one proportion as opposed to another proportion. Mathematically, there will be a level at which, for a given amount of professional fees, all Investor Claimants will receive some distribution, but even at that level, there will be some Investor Claimants who will receive very little in respect of their claim.

How little is too little? Conversely, how much is enough to rationalize the approach?

66. Fourth, it is speculative to suggest that individuals who invested less money in the Preference Shares have less need for the Settlement Funds. For example, anecdotally, we have heard of one Investor Claimant who is in assisted living who had invested \$10,000 in the Preference Shares. Though this is, comparatively, a smaller investment than that of many of the Investor Claimants, we are advised that this individual is relieved by and very appreciative of the Settlement because his financial resources are very limited, and the receipt of the Settlement Funds will allow him to remain in assisted living for a longer period of time.

67. Finally, while the hardship experienced by Investor Claimants was an important ground articulated by the Liquidators in connection with their motion to appoint Representative Counsel and has been and continues to be material to the procedural relief granted herein, it was not the only basis for the appointment of Representative Counsel and we would be concerned with allowing its importance to trump substantive rights of smaller investors, both as a matter of law and as a matter of equity.

- (a) In addition to the alleviation of hardship, the grounds articulated for the appointment of Representative Counsel included the need for comprehensive representation and the resolution of claims in an efficient, timely and consistent manner. It is not apparent to us how these grounds favour a disproportionate allocation to smaller claimants. To the contrary, they speak to the need for a comprehensive settlement, from which one can

infer an expectation of compensation on the part of all Investor Claimants, not just a sub-set of those who are assumed to be most in need.

- (b) The jurisdiction of this court is usually understood in terms of the determination of rights and obligations. Equitable principles often play a role in the exercise of that jurisdiction, but in the absence of clear statutory direction, the jurisdiction does not extend to the naked redistribution of wealth on the basis of need, much less an inference of need.
- (c) The effect of the Flat Fee and Hybrid Approaches is to effect an unjust enrichment of sorts. They would allow larger Investor Claimants to have taken full advantage of the smaller claims for the purposes of generating the largest fund possible at the litigation stage, while undercutting the interests of the holders of those claims at the allocation stage. In this regard, Representative Counsel considers that if the scope of its appointment had been limited to Investor Claimants who benefit from the Flat Fee or Hybrid Approaches⁴, that would likely have undermined the recovery for those Investor Claimants for a number of reasons:
 - (i) The attraction of settlement is its finality, and so it is doubtful whether the Settling Parties would have settled with a sub-set of Investor Claimants. If a partial settlement had been possible, logic and experience suggest that the Settling Parties would have reduced the

⁴ In rough terms, at a certain level of professional fees, an investment of approximately \$100,000 appears to consistently be the cut-off point between Investor Claimants who benefit from the Flat Fee or Hybrid Approach, and those who do not.

amount of the settlement to reserve for unsettled claims. Conversely, litigation costs would not have been materially less;

- (ii) The smaller claims have tactical value in litigation because of their number and because discovery rights in respect of them are limited, so that they can be litigated quickly;
- (iii) It would be challenging to find skilled counsel to take the case for a subset of Investor Claimants because the reduced claim would not support a business case. Representative Counsel had concerns about taking a \$48 million investor-loss case. We simply would not have taken a \$24 million investor loss case—certainly not with investors having \$24 million of competing claims sitting on the sidelines unrepresented, or actively involved with competing representation.

68. Most fundamentally, however, as indicated above, Representative Counsel considers that the objective expectation at this outset of this process was that it would achieve a recovery for all Investor Claimants, and we do not view that we can recommend an allocation by which some Investor Claimants (indeed, a large number of Investor Claimants) whom we represent would receive proportionately little or nothing from the Settlement Fund. Conversely, under a pro rata approach, each Investor Claimant pays according to the financial benefit that they are taking out of these proceedings.

(b) Investor Claimants Proximate to the Settling Parties

69. Representative Counsel's appointment excludes, among others, (i) any persons "related" to the Applicants in these proceedings and (ii) any "insiders". The terms "related" and "insider" were not defined in the Representation Orders and had to be interpreted contextually.

70. In the course of fulfilling its mandate, Representative Counsel identified a number of individuals who might be characterized as being "related" to an Applicant or an "insider" based upon our review of our list of Investor Claimants, our consultation with the PACE Liquidator and other Investor Claimants, and possibly other sources. These were individuals who, for example: held an office or who were otherwise known to have been employed by one or more of the Applicants or the Credit Union in a position of some significance; shared a last name and/or a mailing address with the foregoing; or, were known to have some familial relationship to the foregoing.

71. In the course of documenting the Settlement, it became necessary to definitively resolve the scope of Representative Counsel's appointment in order to establish the scope of the releases effected through the Settlement. In that regard:

- (a) there was consensus that two Investor Claimants who were themselves Settling Parties were not Investor Claimants represented by Representative Counsel;
- (b) conversely, it was determined that some of the individuals were plainly unrelated (for example, they simply shared a common last name with a Settling Party); and,

- (c) the situation of other individuals, listed in Schedule “D” of the order of this court dated July 8, 2021 (which can be found at Schedule “J” to this report) (the “**Schedule D Investors**”), remained the subject of some uncertainty, and so direction of the court was sought to resolve this issue.

72. Ultimately, by its order dated July 8, 2021, the Court determined that the Representation Order should not be interpreted or applied in a manner that would exclude the Schedule D Investors from the scope of Representative Counsel’s appointment in these proceedings. In its endorsement, the Court reasoned that such an interpretation would be inconsistent with both the restructuring and compensatory objectives of the Representation Orders. A copy of this Court’s order and endorsement dated July 8, 2021, are attached as Schedule “J” to this report

73. Notwithstanding the inclusion of the Schedule D Investors in the scope of representation, some Representative Committee members have expressed concerns regarding the fairness of affording at least some of these Investor Claimants (such as, for example, the former chairman of the Credit Union, persons who appear to be living in the same household as an investment advisor who is a Settling Party, or the spouse of PSC’s former vice-president of sales), the same distribution as other Investor Claimants.

74. As a factual matter, Representative Counsel notes that the impact of a distribution to the Schedule D Investors is likely minimal:

- (a) If the Schedule D Investors were entirely excluded from a distribution, and if no additional costs were incurred, roughly \$275,000 would be available for re-distribution to the other Investor Claimants, and the dividend rate of

other Investor Claimants would increase by 0.6%. In practice, however, there would be a cost associated with making inquiries into the circumstances of the Schedule D Investors, and it is unlikely that, following such inquiries, the Schedule D Investors would be wholly excluded from distributions. As a result, the impact of qualifying the proposed pro rata allocation in respect of Schedule D Investors is likely materially less than indicated above.

- (b) Inquiries into the circumstances of Schedule D investors will inevitably delay the distribution of funds and cause additional costs to be incurred in connection with the making of an interim-distribution and, possibly, litigation in respect of the assessment of the Schedule D Investors' claims.⁵ It is possible that independent counsel would need to become involved to deal with this issue.
- (c) All of the foregoing would substantially erode and may even eclipse the amounts at issue.

75. Furthermore, while the proximity of Schedule D Investors to individuals whom some blame for the circumstances of this case understandably evokes a visceral response, one could be criticized for taking account of the particular circumstances of the Schedule D Investors for the purposes of allocation, without also taking account of other legally relevant distinctions affecting other Investor Claimants that are obvious and known

⁵ At least one Schedule D Investor had retained independent counsel to represent him in connection with the hearing before this court on July 8, 2021.

to Representative Counsel. Simply put, one could be accused of applying a double standard.

76. Representative Counsel intends to write to each of the Schedule D Investors to expressly notify them of the concerns expressed above, and to ask them to consider the merits of their claim and whether they would, as a matter of conscience, voluntarily forego their entitlement to an allocation of the Settlement Fund.

77. We will provide an update to the Court regarding responses that we receive from Schedule D Investors, if any, at the Allocation Hearing or shortly before.

C. *Distribution Process*

78. Representative Counsel recommends that the Settlement Fund be transferred to the Distribution Agent to implement the Distribution Process in reliance on the Investment Schedule.

79. As described in detail at Schedule “E”, the Distribution Process will take place as follows:

- (a) Upon receipt of the Settlement Funds and upon any order made by this Court becoming final, Representative Counsel will deduct the Professional Costs and transfer the balance of the Settlement Funds to the Distribution Agent;
- (b) The Distribution Agent will open one or more accounts in respect of each Investor Claimant mirroring the Investor Claimant’s account(s) at LBS, including with respect to the tax registration status of the account;

- (c) The Distribution Agent will then deposit into each account, a share of the Settlement Funds, proportionate to the amount paid by the Investor Claimant for the Preference Shares relative to the amount paid by all Investor Claimants;
- (d) Investor Claimants will be required to meet with an agent of the Distribution Agent and complete account opening documents as required and prescribed by law. Prior to completion of the account opening documentation, the Distribution Agent will invest the Investor Claimant's portion of the Settlement Fund in its "High Interest Savings Account" investment product so as to earn some return without putting the funds at risk. Once the account opening documentation has been completed, the Investor Claimant will be free to access the Settlement Funds and provide the Distribution Agent direction with respect to the treatment of the funds going forward.

80. In the event that funds deposited into a registered account are not claimed by an Investor Claimant within a period of six months from their deposit, there is an increased risk that those funds will be deemed to have come into the Investor Claimant's income for tax purposes. Accordingly, the Distribution Agent intends to prioritize dealings with registered account holders, and will be deploying resources to contact Investor Claimants with registered accounts before the calendar year end. If the Distribution Agent is unable to reach some of these Investor Claimants within that time, then Representative Counsel may return to court to seek further direction in respect of those funds.

81. In recommending the Distribution Process, Representative Counsel notes that the Distribution Process (i) is premised on the Investment Schedule which is derived from the records of PSC, which we understand to be reliable and which have been verified by Representative Counsel as set forth herein; (ii) controls for the risk of an adverse tax-event for Investor Claimants who held their funds in a registered account; (iii) mitigates the risk of fraud and identity theft; (iv) delivers the Settlement Funds into safe hands; (v) provides an opportunity for a subsequent distribution of any unclaimed funds; and, (vi) reduces costs to Investor Claimants.

1. Reliability of the PACE Liquidator's Records

82. This Distribution Process is informed by the reliability of PSC's records with respect to each Investor Claimant's holdings in the Preference Shares and the PCP Units. There is no question that PSC and Laurentian Bank Securities kept organized records. These records will inform an accurate, efficient Distribution Process.

83. Representative Counsel has independently cross-referenced some of PACE Liquidator's records with Investor Claimants' share subscription agreements and has found that, with very few exceptions, the share subscription agreements corroborate the amounts recorded by the PACE Liquidator. In the very few instances in which a discrepancy was noted, the discrepancy was reconciled.

84. As well, since the Investor Packages were mailed, Investor Claimants have identified very few discrepancies in the Personal Investment Statements sent by Representative Counsel. All of these have been resolved.

85. Inaccuracies in the investment schedule are always possible. However, based on the foregoing, Representative Counsel believes that the records are sufficiently reliable that the benefit of further inquiry does not merit the additional expense and delay that would be required.

2. Tax issues related to registered accounts

86. As outlined in the PACE Liquidator's First Report and described above, early on in these proceedings, the PACE Liquidator determined that it was in the best interests of the PSC estate to transfer PSC's client accounts to other investment dealers expeditiously.

87. In connection with this transfer process, the PACE Liquidator encountered issues with respect to the treatment of Preference Shares. The PACE Liquidator determined that the best course of action was for Laurentian Bank Securities to transfer all Preference Shares in Investor Claimants' accounts to the PACE Liquidator at zero value. As a result, the PACE Liquidator currently holds the Preference Shares on behalf of the Investor Claimants.

88. Based upon its discussions with the PACE Liquidator, Representative Counsel understands that, in these circumstances, Investors may have difficulty establishing the registered status of the Settlement Funds pertaining to Preference Shares that had been held in a registered account. As a result, Representative Counsel is concerned that if the funds were simply paid directly to Investor Claimants there would be a considerable duplication of effort and additional expense incurred by Representative Counsel and/or the PACE Liquidator for the purpose of establishing the provenance of the funds for individual Investor Claimants and their new investment dealer. Even more concerning is

the possibility that Investor Claimants will, through ignorance or inadvertence, mishandle the Settlement Funds and unintentionally trigger a material tax liability.

89. To avoid the duplication and potential tax implications described above, Representative Counsel has arranged for the Distribution Agent to receive the Settlement Fund and to administer its distribution. Based on its discussions with Representative Counsel and the PACE Liquidator, and its review of the court record, the Distribution Agent is satisfied that proceeds of the Settlement attributable to Preference Shares that had been held in a registered account qualify as a registered investment. Accordingly, the Distribution Agent is prepared to open registered accounts in the names of the Investor Claimants and, as appropriate, deposit the Settlement proceeds into those accounts in an effort to preserve their status and avoid an unintended tax liability.

3. Mitigation of risk of fraud and identity theft

90. Through the proposed Distribution Process, the Distribution Agent will be able to verify the identity of Investor Claimants. Representative Counsel believes that is preferable to sending out cheques by mail without the need for verification as it reduces the risk of fraud and theft.

4. Delivery of investment into safe hands

91. In light of their experience with PACE, a number of Investor Claimants have expressed to Representative Counsel their wariness of the investment industry, and uncertainty regarding their source of future investment advice.

92. In these circumstances, Representative Counsel wants to ensure that, at least at first instance, Investor Claimants will have access to a reputable and established

investment dealer that will make appropriate recommendations with regard to the risk profile of these particular investors.

93. The Distribution Agent is one of the largest life and health insurance corporations in Canada and also offers individual wealth management services. Founded in 1892, the Distribution Agent is an important Canadian public company and is listed on the Toronto Stock Exchange. Representative Counsel considers the Distribution Agent well positioned to provide appropriate advice to the Investor Claimants.

5. Reduction of Costs and Freedom of Contract

94. The Distribution Agent has agreed to facilitate the distribution of the Settlement Fund to Investor Claimants at no cost, although if Investor Claimants choose to maintain their investment account with the Distribution Agent, their transactions will be governed by the usual dealer agreements. Importantly, however, there is no obligation on the part of Investor Claimants to maintain an investment account with the Distribution Agent. Once the Distribution Agent has distributed funds to an Investor Claimant, they are free to close their account with the Distribution Agent and to direct the Distribution Agent to transfer their funds as they wish, without any financial penalty.

PART IV. REPRESENTATIVE COUNSEL DISCHARGE

95. If the Court accepts Representative Counsel's recommendation, Representative Counsel will, subject to the lapse or determination of any appeal rights, transfer the Settlement Fund to the Distribution Agent, following the deduction of the Professional Costs.

96. Once this transfer has been completed, Representative Counsel will provide a completion certificate substantially in the form attached as Appendix “C” to the draft Allocation Order to facilitate Representative Counsel’s discharge and release from any and all liabilities in respect of the Investor Claims, subject to the ability to return to court to deal with any residual issues arising from the Distribution.

PART V. RECOMMENDATIONS

97. Representative Counsel recommends the following:

- (a) Approval of the Professional Costs;
- (b) Approval for the transfer of the Settlement Fund to the Distribution Agent following the deduction of the Professional Costs, to be distributed on a *pro rata* basis;
- (c) Approval of Representative Counsel’s activities as described in the Third Report; and
- (d) Approval for the discharge and release of Representative Counsel from its appointment.

Court File No. CV-20-00641059-00CL

Court File No. CV-20-00641372-00CL

IN THE MATTER OF A WINDING UP OF PACE SECURITIES CORP., PACE FINANCIAL LIMITED, PACE INSURANCE BROKERS LIMITED AND PACE GENERAL PARTNER LIMITED

AND IN THE MATTER OF A WINDING UP OF FIRST HAMILTON HOLDINGS INC., FIRST HAMILTON FINANCIAL SERVICES INC., FIRST HAMILTON CAPITAL INC., FIRST HAMILTON GENERAL PARTNER 2 INC. and FIRST HAMILTON MORTGAGE BROKERS INC.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

**THIRD REPORT OF THE COURT APPOINTED
REPRESENTATIVE COUNSEL TO THE INVESTOR
CLAIMANTS**

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Representative Counsel

SCHEDULE "A"

Court File No. CV-20-00641059-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE

)

THURSDAY, THE 6TH

JUSTICE HAINEY

)

DAY OF AUGUST, 2020

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
R.S.O. 1990, C. B.16, AS AMENDED**

**AND IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
R.S.C., 1985, C. C-44, AS AMENDED**

**AND IN THE MATTER OF A WINDING UP OF
PACE SECURITIES CORP., PACE FINANCIAL LIMITED,
PACE INSURANCE BROKERS LIMITED AND
PACE GENERAL PARTNER LIMITED**

Applicants

ORDER

THIS MOTION made by Ernst & Young Inc. in its capacity as court appointed liquidator of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited (the "**PSC Liquidator**", and together with MNP Ltd. in its capacity as court appointed liquidator of First Hamilton Holdings Inc., First Hamilton Financial Services Inc., First Hamilton Capital Inc., First Hamilton General Partner 2 Inc. and First Hamilton Mortgage Brokers Inc. (the "**FHH Liquidator**"), the "**Court Appointed Liquidators**") for an order appointing Paliare Roland Rosenberg Rothstein LLP ("**Paliare Roland**") as representative counsel for the investors described in Schedule "A" hereto (the "**Investor Claimants**") in these proceedings was heard this day via Zoom conference at Toronto, Ontario,

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ON READING the Motion Records of the Court Appointed Liquidators, and on hearing the submissions of counsel for: the Court Appointed Liquidators; Pace Savings & Credit Union Ltd. (the "**Credit Union**"); Financial Services Regulatory Authority of Ontario; Surinder Sawrup, Aman Sawrup, and Saira Ahmad; Laurentian Bank Securities Limited ("**LBS**"); and such other counsel as were present; no one else appearing although duly served, as appears from the Affidavit of Service of Amy Casella sworn July 31, 2020,

1. **THIS COURT ORDERS** that the timing and method of service and filing of this motion is hereby abridged and validated such that the motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that Paliare Roland be and is hereby appointed to represent the Investor Claimants in these proceedings (the "**Representative Counsel**"), in respect of their Investor Claims (as defined in Schedule "A") provided that the scope of that representation may be amended at the request of Representative Counsel, following consultation with the Court Appointed Liquidators, upon further motion to this Court on notice to the Court Appointed Liquidators, the Credit Union and such others as this Court may direct.
3. **THIS COURT ORDERS** that Representative Counsel shall represent the interests of the Investor Claimants without any obligation to consult with or seek instructions from individual Investor Claimants, provided however, that Representative Counsel, acting in consultation with the Court Appointed Liquidators, shall establish a committee of Investors (the "**Representative Committee**") on such terms as may agreed to by the Court Appointed Liquidators or established by further order of this Court.
4. **THIS COURT ORDERS** that, subject to the exclusive right of the Credit Union to present a settlement proposal as set out in paragraph 14 hereof, Representative Counsel be and is hereby permitted, but not directed, to take and to perform, for and on behalf of the Investor Claimants, all steps and all acts necessary or desirable to represent the interests of the Investor Claimants in these proceedings ("**Representative Counsel Mandate**") including, without limitation:

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- a. developing a process, in consultation with the Court Appointed Liquidators, for the investigation, identification, advancement and resolution of valid and provable Investor Claims;
 - b. addressing the Investor Claims, as part of these proceedings or in such related or consequential proceedings as may be approved by this Court, including, without limitation, by negotiation, compromise, arrangement, settlement, or litigation;
 - c. reporting to and responding to inquiries from the members of the Representative Committee and individual Investor Claimants; and
 - d. performing such other actions as approved by this Court.
5. **THIS COURT ORDERS** that the Court Appointed Liquidators shall forthwith provide to the Representative Counsel, subject to mutually satisfactory confidentiality arrangements, or by further order of this Court, without charge, the following information, documents and data in their possession (the “**Information**”) to be used only for the purpose of the Representative Counsel Mandate:
- a. the names, last known addresses and last known telephone numbers and e-mail addresses, and other contact information of the Investor Claimants; and
 - b. upon request of the Representative Counsel, such documents and data as may be reasonably relevant to issues affecting the Investor Claimants, subject to the agreement of the Court Appointed Liquidators or further order of this Court.
6. **THIS COURT ORDERS** that, within 10 days of the making of this order, Representative Counsel shall provide notice of this order to each of the Investor Claimants through a communication in form and content satisfactory to Representative Counsel, the Court Appointed Liquidators and the Credit Union, or as

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may be further directed by this Court (the “**Notice**”), to be delivered in the following manner:

- a. publication on the website maintained by the Court Appointed Liquidators in connection with these proceedings;
- b. publication of the Notice in the Globe and Mail within 10 calendar days of the making of this order;
- c. by regular mail sent to the last known address of each Investor Claimant; and,
- d. where possible by email sent to the last known email address of the Investor Claimant,

and such Notice shall be deemed to be effective on the later of the date of publication or the date the Notice was sent, as applicable.

7. **THIS COURT ORDERS** that an Investor Claimant who prefers not to take the benefit of Representative Counsel may opt out of such representation by completing the Opt-Out Notice in the form of Schedule B to this order (the “**Opt-Out Notice**”) and delivering it to Representative Counsel by email to the address indicated on the Opt-Out Notice such that it is received by no later than 11:59 p.m. (Eastern Daylight Time) on September 16, 2020, and Representative Counsel shall provide a copy of all Opt-Out Notices that it receives to each of the Court Appointed Liquidators.
8. **THIS COURT ORDERS** that an Investor Claimant who delivers an Opt-Out Notice (a “**Self-Represented Investor Claimant**”) shall not have the benefit of Representative Counsel, and Representative Counsel shall have no obligation to report to, respond to inquiries from, or otherwise take any account of the interests of any Self-Represented Investor Claimant. For greater certainty, nothing in this order obliges any party to deal with any Self-Represented Investor Claimant or precludes the compromise of the claims of a Self-Represented Investor Claimant in the ordinary course, by operation of applicable law.

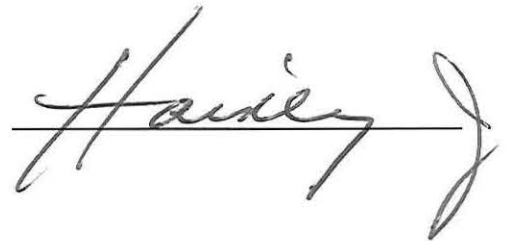
9. **THIS COURT ORDERS** that the fees and expenses of Representative Counsel shall be paid out of the funds recovered for the Investor Claimants (if any) pursuant to or by virtue of this appointment, in accordance with terms to be agreed with the members of the Representative Committee and approved by this Court in the ordinary course, or, in the absence of an agreement, as directed by further order of this Court, having regard to the resources invested, risk assumed and results achieved by Representative Counsel, together with such other considerations as this Court determines to be relevant.
10. **THIS COURT ORDERS** that Representative Counsel and members of the Representative Committee shall not be liable for any act or omission in respect of their appointment or fulfillment of their duties in respect of the provisions of this Order, other than for gross negligence or wilful misconduct. No action or other proceedings shall be commenced against Representative Counsel or members of the Representative Committee in respect of alleged gross negligence or willful misconduct, except with prior leave of this Court on at least 21 days' notice to Representative Counsel and upon further order in respect of security for costs of the Representative Counsel and the members of the Representative Committee in connection with any such action or proceeding, to be given by the plaintiff on a substantial indemnity basis.
11. **THIS COURT ORDERS** that "**Tolled Claims**" shall mean any and all actions, suits, claims, causes of action, demands, or grievances, whether in Canada or elsewhere, whether known or unknown, which an Investor Claimant may bring against any of the Applicants, or any related persons or entities, including the Credit Union, or against LBS, or any of its related entities, in respect of the Preference Shares (as defined in Schedule A), but shall not include proceedings of the kind described in s. 11.1(2) of the *Companies' Creditors Arrangement Act*.
12. **THIS COURT ORDERS** that until Representative Counsel has completed the Representative Counsel Mandate or until this Court otherwise directs (the "**Stay Period**"), no proceeding or enforcement process in respect of Tolled Claims (each, a

“Proceeding”) shall be commenced or continued in any Court or tribunal against or in respect of the Applicants, or any of their related entities, including the Credit Union, or against LBS, or any of its related entities, except with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or their related entities, including the Credit Union, or against LBS, or any of its related entities, are hereby stayed and suspended pending further Order of this Court. .

13. **THIS COURT ORDERS** that to the extent that any statute of limitations or other notice or limitation period (or any other time period of similar effect) whether statutory, equitable, contractual or otherwise, under Canadian law, or any other applicable law, (a **“Limitation Period”**) in connection with a Tolled Claim expires on or after the date of this Order (the **“Effective Date”**) such Limitation Period shall be and is hereby tolled such that it ceases to continue running as of the Effective Date and, for greater certainty, that all time elapsing on or after the Effective Date shall not be counted in determining any such Limitation Period.

14. **THIS COURT ORDERS** that until October 15, 2020 or such later date as may be agreed by Representative Counsel and the Court Appointed Liquidators or ordered by this Court (the **“Exclusivity Period”**), the Credit Union shall have the exclusive authority to seek, design and present a settlement and/or settlement package in respect of direct and indirect Investor Claims (including Claims Over and Third Party Claims) against the Credit Union and/or its officers and directors in respect of the Preference Shares, for consideration by Representative Counsel and the Court Appointed Liquidators.

15. **THIS COURT ORDERS** that Representative Counsel may move before this Court to terminate their appointment, or for advice and directions in respect of their appointment or the fulfillment of their duties in carrying out the provisions of this Order, and notice of such motion shall be given to the Applicants, the Court Appointed Liquidators, and other interested persons, provided that this court retains its jurisdiction to dispense with such notice where appropriate.

A handwritten signature in cursive script, appearing to read "Haidy J.", written over a horizontal line. The signature is fluid and stylized, with a large initial 'H' and a long, sweeping tail.

SCHEDULE "A"

Definition of Investor Claimants

"Investor Claimants" means all individuals (including their respective successors, heirs, assigns, litigation guardians and designated representatives under applicable provincial family law legislation) who assert or may be entitled to assert a claim or cause of action as against one or more of the Applicants and any related persons or organizations (collectively **"Defendants"**) in respect of:

- (i) the purchase PACE Financial Limited's Series A 5% Cumulative Redeemable Retractable Non-voting Term Preference Shares; and,
- (ii) the purchase of equivalent investments in FHH as well as FHH warrants (collectively, with (i) the **"Preference Shares"**).

in Canada, or anywhere else in the world, including without limitation claims for contribution or indemnity, personal injury or tort damage, restitutionary recovery, non-pecuniary damages, pure economic loss, or claims for recovery grounded in Ontario Securities legislation (the **"Investor Claims"**).

The Investor Claimants shall exclude all Defendants, insiders or securities brokers involved in the sale of the Preference Shares.

SCHEDULE "B"**OPT-OUT LETTER****TO: PacerInvestorClaimantOptOut@paliareroland.com****RE: CLAIMS AGAINST PACE SECURITIES CORP., PACE FINANCIAL LIMITED, FIRST HAMILTON HOLDINGS INC., et al.**

My Name is: _____

My telephone number is: _____

My email address is: _____

I am an Investor Claimant as defined in the Representation Order of Mr. Justice Hainey dated July ♦, 2020 (the "Order").

In accordance with paragraph ♦ of the Order, I am hereby notifying you that I prefer not to take the benefit of Representative Counsel, as defined in the Order

I acknowledge that as a result of my having delivered this notice, Representative Counsel shall have no obligation to report to me, to respond to inquiries from me, or otherwise take any account of my interests.

I also acknowledge that nothing in the Order: (a) obliges any party to deal with me or my claims by virtue of my having delivered this notice; or, (b) precludes the compromise of my claims in the ordinary course, by operation of applicable law.

Date:

Signature of Witness_____
Signature of Investor Claimant

Name:

Address:

Telephone Number:

Court File No. CV-20-00641059-00CL

**IN THE MATTER OF A WINDING UP OF PACE SECURITIES CORP., PACE
FINANCIAL LIMITED, PACE INSURANCE BROKERS LIMITED AND
PACE GENERAL PARTNER LIMITED**

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

ORDER

CHAITONS LLP

5000 Yonge Street, 10th Floor
Toronto, ON M2N 7E9

George Benchetrit

LSUC Registration No. 34163H

Tel: (416) 218-1141

Fax: (416) 218-1841

Email: george@chaitons.com

**Lawyers for Ernst & Young Inc., in its capacity as
Liquidator of the estate and effects of Pace
Securities Corp., Pace Financial Limited, Pace
Insurance Brokers Limited and Pace General Partner
Limited**

Court File No. CV-20-00641372-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE MR.	)	THURSDAY, THE 6 TH DAY
)	
JUSTICE HAINEY	)	AUGUST, 2020.

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
R.S.O. 1990, C. B.16, AS AMENDED**

**AND IN THE MATTER OF THE *CANADA BUSINESS
CORPORATIONS ACT*, R.S.C., 1985, C. C-44, AS AMENDED**

**AND IN THE MATTER OF A WINDING UP OF
FIRST HAMILTON HOLDINGS INC., FIRST HAMILTON
FINANCIAL SERVICES INC., FIRST HAMILTON CAPITAL INC.,
FIRST HAMILTON GENERAL PARTNER 2 INC.
and FIRST HAMILTON MORTGAGE BROKERS INC.**

Applicants

ORDER

THIS MOTION made by MNP Ltd., in its capacity as court appointed liquidator of First Hamilton Holdings Inc., First Hamilton Financial Services Inc., First Hamilton Capital Inc., First Hamilton General Partner 2 Inc. and First Hamilton Mortgage Brokers Inc. (and together with Ernst & Young Inc., in its capacity as court-appointed liquidator of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited in Ontario Superior Court of Justice (Commercial List) file No.CV-2000641059-00CL, the “**Court Appointed Liquidators**”), for an order appointing Paliare Roland Rosenberg Rothstein LLP

- 2 -

(“**Paliare Roland**”) as representative counsel for the investors described in Schedule “A” hereto (the “**Investor Claimants**”) in this proceeding was heard this day via videoconference at Toronto, Ontario,

ON READING the Motion Records of the Court Appointed Liquidators, and on hearing the submissions of counsel for the Court Appointed Liquidators, Pace Savings & Credit Union Ltd. (the “**Credit Union**”), Surinder Sawrup, Aman Sawrup, and Saira Ahmad and Laurentian Bank Securities (“**LBS**”), such other counsel as were present; no one else appearing although duly served, as appears from the Affidavit of Service of Anna Miele, sworn August 4, 2020,

1. **THIS COURT ORDERS** that the timing and method of service and filing of this motion is hereby abridged and validated such that the motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that Paliare Roland be and is hereby appointed to represent the Investor Claimants in this proceeding (the “**Representative Counsel**”), in respect of their Investor Claims (as defined in Schedule “A”) provided that the scope of that representation may be amended at the request of Representative Counsel, following consultation with the Court Appointed Liquidators, upon further motion to this Court on notice to the Court Appointed Liquidators, the Credit Union and such others as this Court may direct.
3. **THIS COURT ORDERS** that Representative Counsel shall represent the interests of the Investor Claimants without any obligation to consult with or seek instructions from individual Investor Claimants, provided however, that Representative Counsel, acting in consultation with the Court Appointed Liquidators, shall establish a committee of Investors (the “**Representative**

Committee") on such terms as may be agreed to by the Court Appointed Liquidators or established by further order of this Court.

4. **THIS COURT ORDERS** that, subject to the exclusive right of the Credit Union to present a settlement proposal as set out in paragraph 14 hereof, Representative Counsel be and is hereby permitted, but not directed, to take and to perform, for and on behalf of the Investor Claimants, all steps and all acts necessary or desirable to represent the interests of the Investor Claimants in these proceedings ("**Representative Counsel Mandate**") including, without limitation:

- (a) developing a process, in consultation with the Court Appointed Liquidators, for the investigation, identification, advancement and resolution of valid and provable Investor Claims;
- (b) addressing the Investor Claims, as part of these proceedings or in such related or consequential proceedings as may be approved by this Court, including, without limitation, by negotiation, compromise, arrangement, settlement, or litigation;
- (c) reporting to and responding to inquiries from the members of the Representative Committee and individual Investor Claimants; and
- (d) performing such other actions as approved by this Court.

5. **THIS COURT ORDERS** that the Court Appointed Liquidators shall forthwith provide to the Representative Counsel, subject to mutually satisfactory confidentiality arrangements, or by further order of this Court, without charge, the following information, documents and data in their possession (the "**Information**") to be used only for the purpose of the Representative Counsel Mandate:

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- (a) the names, last known addresses and last known telephone numbers and e-mail addresses, and other contact information of the Investor Claimants; and
- (b) upon request of the Representative Counsel, such documents and data as may be reasonably relevant to issues affecting the Investor Claimants, subject to the agreement of the Court Appointed Liquidators or further order of this Court.

6. **THIS COURT ORDERS** that, within 10 days of the making of this order, Representative Counsel shall provide notice of this order to each of the Investor Claimants through a communication in form and content satisfactory to Representative Counsel, the Court Appointed Liquidators and the Credit Union, or as may be further directed by this Court (the “**Notice**”), to be delivered in the following manner:

- (a) publication on the website maintained by the Court Appointed Liquidators in connection with these proceedings;
- (b) publication of the Notice in the Globe and Mail within 10 calendar days of the making of this order;
- (c) by regular mail sent to the last known address of each Investor Claimant; and
- (d) where possible, by email sent to the last known email address of the Investor Claimant.

and such Notice shall be deemed to be effective on the later of the date of publication or the date the Notice was sent, as applicable.

7. **THIS COURT ORDERS** that an Investor Claimant who prefers not to take the benefit of Representative Counsel may opt out of such representation by completing the Opt- Out Notice in the form of Schedule B to this order (the “**Opt-Out Notice**”) and delivering it to Representative Counsel by email to the address indicated on the Opt- Out Notice such that it is received by no later than 11:59 p.m. (Eastern Daylight Time) on September 16, 2020, and Representative Counsel shall provide a copy of all Opt- Out Notices that it receives to each of the Court Appointed Liquidators.

8. **THIS COURT ORDERS** that an Investor Claimant who delivers an Opt-Out Notice (a “**Self-Represented Investor Claimant**”) shall not have the benefit of Representative Counsel, and Representative Counsel shall have no obligation to report to, respond to inquiries from, or otherwise take any account of the interests of any Self- Represented Investor Claimant For greater certainty, nothing in this order obliges any party to deal with any Self-Represented Investor Claimant or precludes the compromise of the claims of a Self-Represented Investor Claimant in the ordinary course, by operation of applicable law.

9. **THIS COURT ORDERS** that the fees and expenses of Representative Counsel shall be paid out of the funds recovered for the Investor Claimants (if any) pursuant to or by virtue of this appointment, in accordance with terms to be agreed with the members of the Representative Committee and approved by this Court in the ordinary course, or, in the absence of an agreement, as directed by further order of this Court, having regard to the resources invested, risk assumed and results achieved by Representative Counsel, together with such other considerations as this Court determines to be relevant.

10. **THIS COURT ORDERS** that Representative Counsel and members of the Representative Committee shall not be liable for any act or omission in respect of their appointment or fulfillment

- 6 -

of their duties in respect of the provisions of this Order, other than for gross negligence or wilful misconduct. No action or other proceedings shall be commenced against Representative Counsel or members of the Representative Committee in respect of alleged gross negligence or willful misconduct, except with prior leave of this Court on at least 21 days' notice to Representative Counsel and upon further order in respect of security for costs of the Representative Counsel and the members of the Representative Committee in connection with any such action or proceeding, to be given by the plaintiff on a substantial indemnity basis.

11. **THIS COURT ORDERS** that "**Tolled Claims**" shall mean any and all actions, suits, claims, causes of action, demands, or grievances, whether in Canada or elsewhere, whether known or unknown, which an Investor Claimant may bring against any of the Applicants, or any related persons or entities, including the Credit Union, or against LBS, or any of its related entities, in respect of the Preference Shares (as defined in Schedule A), but shall not include proceedings of the kind described in s. 11.1(2) of the *Companies' Creditors Arrangement Act*.

12. **THIS COURT ORDERS** that until Representative Counsel has completed the Representative Counsel Mandate or until this Court otherwise directs (the "**Stay Period**"), no proceeding or enforcement process in respect of Tolled Claims (each, a "**Proceeding**") shall be commenced or continued in any Court or tribunal against or in respect of the Applicants, or any of their related entities, including the Credit Union, or against or in respect of LBS, or any of its related entities, except with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or their related entities, including the Credit Union, or against or in respect of LBS, or any of its related entities, are hereby stayed and suspended pending further Order of this Court.

13. **THIS COURT ORDERS** that to the extent that any statute of limitations or other notice or limitation period (or any other time period of similar effect) whether statutory, equitable, contractual or otherwise, under Canadian law, or any other applicable law, (a “**Limitation Period**”) in connection with a Tolled Claim expires on or after the date of this Order (the “**Effective Date**”) such Limitation Period shall be and is hereby tolled such that it ceases to continue running as of the Effective Date and, for greater certainty, that all time elapsing on or after the Effective Date shall not be counted in determining any such Limitation Period.

14. **THIS COURT ORDERS** that until October 15, 2020 or such later date as may be agreed by Representative Counsel and the Court Appointed Liquidators or ordered by this Court (the “**Exclusivity Period**”), the Credit Union shall have the exclusive authority to seek, design and present a settlement and/or settlement package in respect of direct and indirect Investor Claims (including Claims Over and Third Party Claims) against the Credit Union and/or its officers and directors in respect of the Preference Shares, for consideration by Representative Counsel and the Court Appointed Liquidators.

15. **THIS COURT ORDERS** that Representative Counsel may move before this Court to terminate their appointment, or for advice and directions in respect of their appointment or the fulfillment of their duties in carrying out the provisions of this Order, and notice of such motion shall be given to the Applicants, the Court Appointed Liquidators, and other interested persons, provided that this court retains its jurisdiction to dispense with such notice where appropriate.



A handwritten signature in black ink, appearing to read "Harvey J.", is written over a horizontal line. The signature is cursive and extends to the right of the line.

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SCHEDULE "A"

DEFINITION OF INVESTOR CLAIMANTS

"Investor Claimants" means all individuals (including their respective successors, heirs, assigns, litigation guardians and designated representatives under applicable provincial family law legislation) who assert or may be entitled to assert a claim or cause of action as against one or more of the Applicants and any related persons or organizations (collectively **"Defendants"**) in respect of:

- (i) the purchase PACE Financial Limited's Series A 5% Cumulative Redeemable Retractable Non-voting Term Preference Shares; and
- (ii) the purchase of equivalent investments in FHH as well as FHH warrants (collectively, with (i) the **"Preference Shares"**)

in Canada, or anywhere else in the world, including without limitation claims for contribution or indemnity, personal injury or tort damage, restitutionary recovery, non-pecuniary damages, pure economic loss, or claims for recovery grounded in Ontario Securities legislation (the **"Investor Claims"**).

The Investor Claimants shall exclude all Defendants, insiders or securities brokers involved in the sale of the Preference Shares.

SCHEDULE "B"
OPT-OUT LETTER

TO: PaceInvestorClaimantOptOut@paliareroland.com

**RE: CLAIMS AGAINST PACE SECURITIES CORP.,
PACE FINANCIAL LIMITED, FIRST HAMILTON HOLDINGS INC., et al.**

My Name is: _____

My Telephone Number is: _____

My email address is: _____

I am an Investor Claimant as defined in the Representation Order of Mr. Justice Hainey dated August 6, 2020 (the "**Order**").

In accordance with paragraph _____ of the Order, I am hereby notifying you that I prefer not to take the benefit of Representative Counsel as defined in the Order.

I acknowledge that as a result of my having delivered this notice, Representative Counsel shall have no obligation to report to me, to respond to inquiries from me, or otherwise take any account of my interests.

I also acknowledge that nothing in the Order: (a) obliges any party to deal with me or my claims by virtue of my having delivered this notice; or, (b) precludes the compromise of my claims in the ordinary course, by operation of applicable law.

Date: _____

Signature of Witness

Name:

Address:

Telephone Number:

Signature of Investor Claimant

**IN THE MATTER OF A WINDING UP OF FIRST HAMILTON HOLDINGS INC.,
FIRST HAMILTON FINANCIAL SERVICES INC., FIRST HAMILTON CAPITAL
INC., FIRST HAMILTON GENERAL PARTNER 2 INC. and FIRST HAMILTON
MORTGAGE BROKERS INC.**

Court File No. CV-20-00641372-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT TORONTO

ORDER

(Appointment of Representative Counsel)

BLANEY McMURTRY LLP
2 Queen Street East
Suite 1500
Toronto, ON M5C 3G5

Mervyn D. Abramowitz (LSO #28325R)
Tel: (416) 597-4887
mabramowitz@blaney.com

Lawyers for the Applicants, MNP Ltd., in its capacity as
Court-Appointed Liquidator of
First Hamilton Holdings Inc.,
First Hamilton Financial Services.,
First Hamilton Capital Inc.,
First Hamilton General Partner 2 Inc., and
First Hamilton Mortgage Brokers Inc.

SCHEDULE "B"

and on hearing the submissions of counsel for the moving party, the Credit Union, and the Court Appointed Liquidators, and certain potential defendants to the Preferred Shareholder Claims, no one else appearing,

1. **THIS COURT ORDERS** that the timing and method of service and filing of this motion is hereby abridged and validated such that the motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that in this order the capitalized terms below shall have the indicated meanings, and that capitalized terms not otherwise defined in this order shall have the meaning given to them in the Representative Counsel Order:
 - a. **“Claims Adjudication Process”** means the expedited process to be determined by this Court following the Claims Adjudication Start Date after receiving any evidence and hearing submissions from the Representative Counsel, the Court Appointed Liquidators and Interested Parties and receiving any recommendation from the Mediator, which process will feature documentary and oral discoveries, as appropriate, and fixed trial dates, and which is intended to result in the adjudication of any outstanding Preferred Shareholder Claims and Related Claims by no later than 9 months after the Claims Adjudication Start Date, subject to paragraphs 4, 7(g) , any order made pursuant to paragraph 11 below and the further order of this Court.
 - b. **“Claims Adjudication Start Date”** means the date that is the earlier of (i) the date so designated by the Mediator, and (ii) the date that is 6 months from the Mediation Start Date or such later date as Representative Counsel, the Interested Parties and the Court Appointed Liquidators may jointly agree.
 - c. **“Claims Brief”** means a briefing book prepared by Representative Counsel containing unissued pleadings on behalf of the Investor Claimants, describing, so far as possible having regard to the information available to

them at the time of its preparation, the Preferred Shareholder Claims, including, without limitation, the amount of the claims, the individuals against whom the claims are asserted, a concise statement of the material facts alleged in support of the claims and the cause of action advanced, and any relevant point or conclusion of law, and Representative Counsel may, in its discretion, include in the Claims Brief such evidence as it determines may be helpful to the resolution of the Preferred Shareholder Claims;

- d. **“Court Appointed Liquidators”** means the PSC Liquidator together with the FHH Liquidator or either of them, as the context requires;
- e. **“Document”** means anything within the scope of Rule 30.01 of the Ontario *Rules of Civil Procedure*;
- f. **“FHH Liquidator”** means MNP Ltd. in its capacity as court appointed liquidator of First Hamilton Holdings Inc., First Hamilton Financial Services Inc., First Hamilton Capital Inc., First Hamilton General Partner 2 Inc. and First Hamilton Mortgage Brokers Inc.;
- g. **“FSRA”** means the Financial Services Regulatory Authority of Ontario;
- h. **“Interested Party”** means every person against whom a Preferred Shareholder Claim is asserted in the Claims Brief or who is named in a Responding Brief for the purposes of a Related Claim, and such other persons whom the Mediator may, in his discretion, identify, provided, for the avoidance of doubt, that the Investor Claimants, Representative Counsel, the Court Appointed Liquidators, and FSRA are not an Interested Party for the purposes of this order without further leave of this Court.
- i. **“Mediation Process”** means the process established by the Mediator for the purpose of facilitating the resolution of the Preferred Shareholder Claims;

- j. **“Mediation Start Date”** means the date that is designated by the Mediator, no less than 30 days and no more than 60 days following the date of the delivery of the Claims Brief to the Mediator by Representative Counsel pursuant to this order;
 - k. **“Mediator”** means Mr. Joel Wiesenfeld;
 - l. **“PSC Liquidator”** means Ernst & Young Inc. in its capacity as court appointed liquidator of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited;
 - m. **“Related Claim”** means any claim identified in a Responding Brief;
 - n. **“Representative Counsel Order”** means the order made in these proceedings dated August 6, 2020, appointing representative counsel for the Investor Claimants; and,
 - o. **“Responding Brief”** means a briefing book prepared by an Interested Party describing, so far as possible having regard to the information available to them at the time of its preparation, the Interested Party’s defences, counter-claims, cross-claims and third party claims, including, without limitation, the amount of any claims, the Interested Parties against whom the claims are asserted, a concise statement of the material facts alleged in support of the defences and claims, and any relevant point or conclusion of law, and an Interested Party may, in its discretion, include in the Responding Brief such evidence as it determines may be helpful to the resolution of the Preferred Shareholder Claims or Related Claims identified in any Responding Brief.
3. **THIS COURT ORDERS** that the Mediator is hereby appointed to attempt to facilitate the resolution of the Preferred Shareholder Claims and any Related Claims.

4. **THIS COURT ORDERS** that the Mediator's primary objective is to achieve, if possible, a comprehensive settlement of all Preferred Shareholder Claims and Related Claims, but that where the Mediator is satisfied that attainment of that objective is not possible, the Mediator may seek to facilitate partial settlements, and shall seek to obtain agreement with respect to the Claims Adjudication Process, and the participants in the Mediation Process shall work together and with the Mediator, in good faith, to attain these objectives.
5. **THIS COURT ORDERS** that Representative Counsel shall in due course prepare the Claims Brief and, no later than 20 days after the making of this Order, shall deliver a copy of this order and the Claims Brief to the Mediator, the Court Appointed Liquidators, FSRA, and to every Interested Party, with a covering letter specifically directing their attention to the mandatory obligations created by paragraphs 15 and 16 of this order, as follows: where they have filed a Notice of Appearance or are otherwise on the Service List in these proceedings, by email to the recipient's counsel of record or to the recipient if they are self-represented; where they have not filed a Notice of Appearance and are not on the Service List in these proceedings, , to the last known email address that is recorded in records of the Court Appointed Liquidators, provided that the Liquidators do not have reason to believe that the email address is no longer active; where they have not filed a Notice of Appearance and are not on the Service List in these proceedings, and where there is no known active email address, by regular mail to the last known municipal mailing address of the recipient that is recorded in records of the Court Appointed Liquidators; or, as this Court may otherwise direct.
6. **THIS COURT ORDERS** that following the Mediator's review of the Claims Brief, the Mediator shall consult with each of Representative Counsel, the Court Appointed Liquidators, and every other Interested Party, and shall thereafter establish and implement the Mediation Process, provided that the Mediation Process shall not commence before the Mediation Start Date.

7. **THIS COURT ORDERS** that, for the purpose of determining and implementing the Mediation Process, the Mediator is hereby empowered to do all such things as the Mediator believes would be helpful to the resolution of the Preferred Shareholder Claims and Related Claims, including, without limitation:
- a. requiring Interested Parties to participate in the Mediation;
 - b. requiring the delivery of Responding Briefs;
 - c. requiring the production of any insurance policies that may respond to the claims at issue and the amount and status of coverage under the policy;
 - d. facilitating agreement of the participants in the Mediation Process on a document production protocol, including a timely and efficient process to resolve any disputed assertions of privilege in respect of any Documents, and, if necessary, compelling the production of Documents from participants in the Mediation Process, including the Investor Claimants, provided that the production of Documents at the direction of the Mediator is without prejudice to the producing party's right to seek a ruling of the court in any civil proceeding as to the relevance and/or privileged nature of any such Documents produced and any attendant or other relief associated with any such ruling;
 - e. meeting with Representative Counsel, the Court Appointed Liquidators, the Interested Parties, and FSRA, either privately or in groups;
 - f. imposing obligations as to the confidentiality of information exchanged in respect of the Mediation Process in addition to those obligations set out in this order; and,
 - g. making recommendations to this Court in respect of the Claims Adjudication Process, but such recommendations shall not be binding on this Court.
8. **THIS COURT ORDERS** that the Mediator may apply to this Court on notice to the Representative Counsel, any Interested Parties, the Court Appointed

Liquidators, and FSRA for advice and direction as he determines is necessary from time to time.

9. **THIS COURT ORDERS** that the Mediator's costs shall be paid by the Interested Parties in the proportions to be agreed by them in consultation with the Mediator, and, in the absence of agreement, the Mediator shall apportion the costs as he thinks fair and reasonable having regard to the issues raised in such consultation, provided that the Mediator's total costs apportioned in this way shall not exceed \$100,000. If the Mediator's total costs are estimated to exceed \$100,000, the parties to the mediation may agree to an arrangement to pay such costs or terminate the Mediation Process.
10. **THIS COURT ORDERS** that the Mediator shall not be liable to any party or participant for any act or omission in connection with the Mediation Process and shall have the immunity of a Judge of a Superior Court in Canada.
11. **THIS COURT ORDERS** that following the Claims Adjudication Start Date, the Court Appointed Liquidators or Representative Counsel, as appropriate, shall bring a motion to this Court, on no less than 7 days notice, for an order establishing the Claims Adjudication Process in respect of all Preferred Shareholder Claims and any Related Claims that remain unresolved at that time.
12. **THIS COURT ORDERS** that, notwithstanding anything else in this order, FSRA shall be entitled, but not required, to participate in the Mediation Process, either in whole or in part, for the purpose of observing and facilitating the Mediation Process; for greater certainty, FSRA shall not be an Interested Party within the meaning of this order without leave of this Court.
13. **THIS COURT ORDERS AND DECLARES** that, subject to any direction of the Mediator or further order of this Court, the Court Appointed Liquidators have a facilitative role to play in respect of preparation of the Claims Brief, the preparation of the Responding Briefs, the Mediation Process, and the Claims

Adjudication Process, including, without limitation, through the production of non-privileged Documents and other relevant information to Representative Counsel and to the Interested Parties in accordance with the terms of the Document production protocol established pursuant to paragraph 7(d), above, and, accordingly, the Court Appointed Liquidators, acting in consultation with the Mediator and subject to such terms as to costs or otherwise as the Court Appointed Liquidators may in their discretion require, are hereby authorized to:

- a. establish one or more electronic data rooms to facilitate the transmission of relevant information to Representative Counsel and Interested Parties;
- b. populate the electronic data rooms with such non-privileged Documents and information as determined to be relevant pursuant to the terms of the Document production protocol established in paragraph 7(d) above;
- c. gather non-privileged information, and produce reports to be shared with Representative Counsel and/or the Interested Parties as the Mediator requests and directs; and,
- d. render such other assistance to the Mediator as he may require,

provided, for greater certainty, that nothing in this paragraph shall detract from any powers or protections granted to the Court Appointed Liquidators by any prior orders of this Court.

14. **THIS COURT ORDERS AND DECLARES** that the exclusion of the Court Appointed Liquidators from the definition of “Interested Party” and their role pursuant to paragraph 13, above, shall not prejudice a party’s right to bring a Related Claim against Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited, Pace General Partner Limited, First Hamilton Holdings Inc., First Hamilton Financial Services Inc., First Hamilton Capital Inc., First Hamilton General Partner 2 Inc. and First Hamilton Mortgage Brokers Inc., or any of their directors or officers.

15. **THIS COURT ORDERS AND DECLARES** that the Claims Brief, Responding Briefs and all other briefs, reports and communications exchanged in the course of the Mediation Process shall have the same privileges as pleadings in a Superior Court in Canada for the purpose of any defence to a potential future claim for libel or defamation arising therefrom.
16. **THIS COURT ORDERS AND DECLARES** that the Claims Brief, Responding Briefs, all other briefs, reports and communications exchanged as part of the Mediation Process, and the Mediator's notes and records shall be deemed to be without prejudice settlement discussions, and shall not be disclosed to or discussed with this Court or any third parties not participating in the Mediation Process, and shall not be used for any purpose other than the Mediation Process.
17. **THIS COURT ORDERS AND DECLARES** that any and all information or documents, including, but not limited to, briefs, Documents and submissions, which come into FSRA's possession by way of the Mediation Process (the "Mediation Information") shall not be disclosed by FSRA to any other regulatory agency, authority or body, wherever located, whether pursuant to an information sharing protocol, memorandum of understanding, or otherwise, provided that nothing herein prejudices the right of an individual to provide information available to it outside of the Mediation Process to FSRA or any right that FSRA may have to compel the production of information outside of the Mediation Process.
18. **THIS COURT ORDERS AND DECLARES**, for greater certainty, that, notwithstanding the pendency of the Mediation Process but subject to compliance with paragraph 16 of this order, participants in the mediation remain at liberty to seek relief from this court in respect of any matter relevant to these proceedings.
19. **THIS COURT ORDERS AND DECLARES** that an Interested Party that was not provided with notice of the motion giving rise to this order may move to vary or

set aside this Order as it applies to that Interested Party on not less than 7 days notice to Representative Counsel, the Interested Parties, and the Court Appointed Liquidators, provided that notice of their motion to vary or set aside shall be given no later than 10 days after delivery to them of the Claims Brief, Responding Brief or other notice that they are an Interested Party.

DAJ

**IN THE MATTER OF A WINDING UP OF PACE SECURITIES CORP., PACE
FINANCIAL LIMITED, PACE INSURANCE BROKERS LIMITED AND
PACE GENERAL PARTNER LIMITED**

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

**ORDER
(Procedure for the Resolution of Investor Claims)**

Paliare Roland Rosenberg Rothstein LLP

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Toronto ON M5V 3H1
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Representative Counsel

Court File No. CV-20-00641372-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE
 JUSTICE KOEHNEN

)
)
)

TUESDAY, THE
 2nd DAY OF MARCH, 2021



IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
R.S.O. 1990, C. B.16, AS AMENDED

AND IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
R.S.C., 1985, C. C-44, AS AMENDED

AND IN THE MATTER OF A WINDING UP OF
FIRST HAMILTON HOLDINGS INC., FIRST HAMILTON FINANCIAL SERVICES
INC., FIRST HAMILTON CAPITAL INC., FIRST HAMILTON GENERAL PARTNER 2
INC. and FIRST HAMILTON MORTGAGE BROKERS INC.

Applicants

ORDER

(Procedure for the Resolution of Investor Claims)

THIS MOTION made by Paliare Roland Rosenberg Rothstein LLP in its capacity as representative counsel for the Investor Claimants (“**Representative Counsel**”) for an order establishing a process for the resolution of claims of Investor Claimants in respect of their acquisition of the preferred shares of PACE Financial Limited and First Hamilton Holdings Inc. (together, with the claims of 7903197 Canada Inc. in respect of its purchase of Pace Capital Partners Series A Limited Partnership Units, the “**Preferred Shareholder Claims**”), was heard this day via Zoom conference at Toronto, Ontario.

ON READING the motion record of the moving party, the Court Appointed Liquidator’s Third Report, the consent of Pace Savings & Credit Union Ltd. by its Administrator, Financial Services Regulatory Authority of Ontario (the “**Credit Union**”), and on hearing the submissions of counsel for the moving party, the Credit Union, and

the Court Appointed Liquidators, and certain potential defendants to the Preferred Shareholder Claims, no one else appearing,

1. **THIS COURT ORDERS** that the timing and method of service and filing of this motion is hereby abridged and validated such that the motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that in this order the capitalized terms below shall have the indicated meanings, and that capitalized terms not otherwise defined in this order shall have the meaning given to them in the Representative Counsel Order:
 - a. **"Claims Adjudication Process"** means the expedited process to be determined by this Court following the Claims Adjudication Start Date after receiving any evidence and hearing submissions from the Representative Counsel, the Court Appointed Liquidators and Interested Parties and receiving any recommendation from the Mediator, which process will feature documentary and oral discoveries, as appropriate, and fixed trial dates, and which is intended to result in the adjudication of any outstanding Preferred Shareholder Claims and Related Claims by no later than 9 months after the Claims Adjudication Start Date, subject to paragraphs 4, 7(g) , any order made pursuant to paragraph 11 below and the further order of this Court.
 - b. **"Claims Adjudication Start Date"** means the date that is the earlier of (i) the date so designated by the Mediator, and (ii) the date that is 6 months from the Mediation Start Date or such later date as Representative Counsel, the Interested Parties and the Court Appointed Liquidators may jointly agree.
 - c. **"Claims Brief"** means a briefing book prepared by Representative Counsel containing unissued pleadings on behalf of the Investor Claimants, describing, so far as possible having regard to the information available to them at the time of its preparation, the Preferred Shareholder Claims,

including, without limitation, the amount of the claims, the individuals against whom the claims are asserted, a concise statement of the material facts alleged in support of the claims and the cause of action advanced, and any relevant point or conclusion of law, and Representative Counsel may, in its discretion, include in the Claims Brief such evidence as it determines may be helpful to the resolution of the Preferred Shareholder Claims;

- d. “**Court Appointed Liquidators**” means the PSC Liquidator together with the FHH Liquidator or either of them, as the context requires;
- e. “**Document**” means anything within the scope of Rule 30.01 of the Ontario *Rules of Civil Procedure*;
- f. “**FHH Liquidator**” means MNP Ltd. in its capacity as court appointed liquidator of First Hamilton Holdings Inc., First Hamilton Financial Services Inc., First Hamilton Capital Inc., First Hamilton General Partner 2 Inc. and First Hamilton Mortgage Brokers Inc.;
- g. “**FSRA**” means the Financial Services Regulatory Authority of Ontario;
- h. “**Interested Party**” means every person against whom a Preferred Shareholder Claim is asserted in the Claims Brief or who is named in a Responding Brief for the purposes of a Related Claim, and such other persons whom the Mediator may, in his discretion, identify, provided, for the avoidance of doubt, that the Investor Claimants, Representative Counsel, the Court Appointed Liquidators, and FSRA are not an Interested Party for the purposes of this order without further leave of this Court.
- i. “**Mediation Process**” means the process established by the Mediator for the purpose of facilitating the resolution of the Preferred Shareholder Claims;

- j. **“Mediation Start Date”** means the date that is designated by the Mediator, no less than 30 days and no more than 60 days following the date of the delivery of the Claims Brief to the Mediator by Representative Counsel pursuant to this order;
 - k. **“Mediator”** means Mr. Joel Wiesenfeld;
 - l. **“PSC Liquidator”** means Ernst & Young Inc. in its capacity as court appointed liquidator of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited;
 - m. **“Related Claim”** means any claim identified in a Responding Brief;
 - n. **“Representative Counsel Order”** means the order made in these proceedings dated August 6, 2020, appointing representative counsel for the Investor Claimants; and,
 - o. **“Responding Brief”** means a briefing book prepared by an Interested Party describing, so far as possible having regard to the information available to them at the time of its preparation, the Interested Party’s defences, counter-claims, cross-claims and third party claims, including, without limitation, the amount of any claims, the Interested Parties against whom the claims are asserted, a concise statement of the material facts alleged in support of the defences and claims, and any relevant point or conclusion of law, and an Interested Party may, in its discretion, include in the Responding Brief such evidence as it determines may be helpful to the resolution of the Preferred Shareholder Claims or Related Claims identified in any Responding Brief.
3. **THIS COURT ORDERS** that the Mediator is hereby appointed to attempt to facilitate the resolution of the Preferred Shareholder Claims and any Related Claims.

4. **THIS COURT ORDERS** that the Mediator's primary objective is to achieve, if possible, a comprehensive settlement of all Preferred Shareholder Claims and Related Claims, but that where the Mediator is satisfied that attainment of that objective is not possible, the Mediator may seek to facilitate partial settlements, and shall seek to obtain agreement with respect to the Claims Adjudication Process, and the participants in the Mediation Process shall work together and with the Mediator, in good faith, to attain these objectives.
5. **THIS COURT ORDERS** that Representative Counsel shall in due course prepare the Claims Brief and, no later than 20 days after the making of this Order, shall deliver a copy of this order and the Claims Brief to the Mediator, the Court Appointed Liquidators, FSRA, and to every Interested Party, with a covering letter specifically directing their attention to the mandatory obligations created by paragraphs 15 and 16 of this order, as follows: where they have filed a Notice of Appearance or are otherwise on the Service List in these proceedings, by email to the recipient's counsel of record or to the recipient if they are self-represented; where they have not filed a Notice of Appearance and are not on the Service List in these proceedings, , to the last known email address that is recorded in records of the Court Appointed Liquidators, provided that the Liquidators do not have reason to believe that the email address is no longer active; where they have not filed a Notice of Appearance and are not on the Service List in these proceedings, and where there is no known active email address, by regular mail to the last known municipal mailing address of the recipient that is recorded in records of the Court Appointed Liquidators; or, as this Court may otherwise direct.
6. **THIS COURT ORDERS** that following the Mediator's review of the Claims Brief, the Mediator shall consult with each of Representative Counsel, the Court Appointed Liquidators, and every other Interested Party, and shall thereafter establish and implement the Mediation Process, provided that the Mediation Process shall not commence before the Mediation Start Date.

7. **THIS COURT ORDERS** that, for the purpose of determining and implementing the Mediation Process, the Mediator is hereby empowered to do all such things as the Mediator believes would be helpful to the resolution of the Preferred Shareholder Claims and Related Claims, including, without limitation:
- a. requiring Interested Parties to participate in the Mediation;
 - b. requiring the delivery of Responding Briefs;
 - c. requiring the production of any insurance policies that may respond to the claims at issue and the amount and status of coverage under the policy;
 - d. facilitating agreement of the participants in the Mediation Process on a document production protocol, including a timely and efficient process to resolve any disputed assertions of privilege in respect of any Documents, and, if necessary, compelling the production of Documents from participants in the Mediation Process, including the Investor Claimants, provided that the production of Documents at the direction of the Mediator is without prejudice to the producing party's right to seek a ruling of the court in any civil proceeding as to the relevance and/or privileged nature of any such Documents produced and any attendant or other relief associated with any such ruling;
 - e. meeting with Representative Counsel, the Court Appointed Liquidators, the Interested Parties, and FSRA, either privately or in groups;
 - f. imposing obligations as to the confidentiality of information exchanged in respect of the Mediation Process in addition to those obligations set out in this order; and,
 - g. making recommendations to this Court in respect of the Claims Adjudication Process, but such recommendations shall not be binding on this Court.
8. **THIS COURT ORDERS** that the Mediator may apply to this Court on notice to the Representative Counsel, any Interested Parties, the Court Appointed

Liquidators, and FSRA for advice and direction as he determines is necessary from time to time.

9. **THIS COURT ORDERS** that the Mediator's costs shall be paid by the Interested Parties in the proportions to be agreed by them in consultation with the Mediator, and, in the absence of agreement, the Mediator shall apportion the costs as he thinks fair and reasonable having regard to the issues raised in such consultation, provided that the Mediator's total costs apportioned in this way shall not exceed \$100,000. If the Mediator's total costs are estimated to exceed \$100,000, the parties to the mediation may agree to an arrangement to pay such costs or terminate the Mediation Process.
10. **THIS COURT ORDERS** that the Mediator shall not be liable to any party or participant for any act or omission in connection with the Mediation Process and shall have the immunity of a Judge of a Superior Court in Canada.
11. **THIS COURT ORDERS** that following the Claims Adjudication Start Date, the Court Appointed Liquidators or Representative Counsel, as appropriate, shall bring a motion to this Court, on no less than 7 days notice, for an order establishing the Claims Adjudication Process in respect of all Preferred Shareholder Claims and any Related Claims that remain unresolved at that time.
12. **THIS COURT ORDERS** that, notwithstanding anything else in this order, FSRA shall be entitled, but not required, to participate in the Mediation Process, either in whole or in part, for the purpose of observing and facilitating the Mediation Process; for greater certainty, FSRA shall not be an Interested Party within the meaning of this order without leave of this Court.
13. **THIS COURT ORDERS AND DECLARES** that, subject to any direction of the Mediator or further order of this Court, the Court Appointed Liquidators have a facilitative role to play in respect of preparation of the Claims Brief, the preparation of the Responding Briefs, the Mediation Process, and the Claims

Adjudication Process, including, without limitation, through the production of non-privileged Documents and other relevant information to Representative Counsel and to the Interested Parties in accordance with the terms of the Document production protocol established pursuant to paragraph 7(d), above, and, accordingly, the Court Appointed Liquidators, acting in consultation with the Mediator and subject to such terms as to costs or otherwise as the Court Appointed Liquidators may in their discretion require, are hereby authorized to:

- a. establish one or more electronic data rooms to facilitate the transmission of relevant information to Representative Counsel and Interested Parties;
- b. populate the electronic data rooms with such non-privileged Documents and information as determined to be relevant pursuant to the terms of the Document production protocol established in paragraph 7(d) above;
- c. gather non-privileged information, and produce reports to be shared with Representative Counsel and/or the Interested Parties as the Mediator requests and directs; and,
- d. render such other assistance to the Mediator as he may require,

provided, for greater certainty, that nothing in this paragraph shall detract from any powers or protections granted to the Court Appointed Liquidators by any prior orders of this Court.

14. **THIS COURT ORDERS AND DECLARES** that the exclusion of the Court Appointed Liquidators from the definition of “Interested Party” and their role pursuant to paragraph 13, above, shall not prejudice a party’s right to bring a Related Claim against Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited, Pace General Partner Limited, First Hamilton Holdings Inc., First Hamilton Financial Services Inc., First Hamilton Capital Inc., First Hamilton General Partner 2 Inc. and First Hamilton Mortgage Brokers Inc., or any of their directors or officers.

15. **THIS COURT ORDERS AND DECLARES** that the Claims Brief, Responding Briefs and all other briefs, reports and communications exchanged in the course of the Mediation Process shall have the same privileges as pleadings in a Superior Court in Canada for the purpose of any defence to a potential future claim for libel or defamation arising therefrom.
16. **THIS COURT ORDERS AND DECLARES** that the Claims Brief, Responding Briefs, all other briefs, reports and communications exchanged as part of the Mediation Process, and the Mediator's notes and records shall be deemed to be without prejudice settlement discussions, and shall not be disclosed to or discussed with this Court or any third parties not participating in the Mediation Process, and shall not be used for any purpose other than the Mediation Process.
17. **THIS COURT ORDERS AND DECLARES** that any and all information or documents, including, but not limited to, briefs, Documents and submissions, which come into FSRA's possession by way of the Mediation Process (the "Mediation Information") shall not be disclosed by FSRA to any other regulatory agency, authority or body, wherever located, whether pursuant to an information sharing protocol, memorandum of understanding, or otherwise, provided that nothing herein prejudices the right of an individual to provide information available to it outside of the Mediation Process to FSRA or any right that FSRA may have to compel the production of information outside of the Mediation Process.
18. **THIS COURT ORDERS AND DECLARES**, for greater certainty, that, notwithstanding the pendency of the Mediation Process but subject to compliance with paragraph 16 of this order, participants in the mediation remain at liberty to seek relief from this court in respect of any matter relevant to these proceedings.
19. **THIS COURT ORDERS AND DECLARES** that an Interested Party that was not provided with notice of the motion giving rise to this order may move to vary or

set aside this Order as it applies to that Interested Party on not less than 7 days notice to Representative Counsel, the Interested Parties, and the Court Appointed Liquidators, provided that notice of their motion to vary or set aside shall be given no later than 10 days after delivery to them of the Claims Brief, Responding Brief or other notice that they are an Interested Party.

DAJ

IN THE MATTER OF A WINDING UP OF
FIRST HAMILTON HOLDINGS INC., FIRST HAMILTON FINANCIAL SERVICES
INC., FIRST HAMILTON CAPITAL INC., FIRST HAMILTON GENERAL PARTNER 2 INC. and FIRST HAMILTON MORTGAGE BROKERS INC.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

**ORDER
(Procedure for the Resolution of Investor Claims)**

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Representative Counsel for the Investor Claimants

SCHEDULE "C"

Court File No. CV-20-00641372-00CL

Court File No. CV-20-00641059-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *BUSINESS CORPORATIONS*
ACT, R.S.O. 1990, C. B.16, AS AMENDED**

**AND IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS*
ACT, R.S.C., 1985, C. C-44, AS AMENDED**

**AND IN THE MATTER OF A WINDING UP OF FIRST HAMILTON HOLDINGS INC., FIRST
HAMILTON FINANCIAL SERVICES INC., FIRST HAMILTON CAPITAL INC., FIRST
HAMILTON GENERAL PARTNER 2 INC. and FIRST HAMILTON MORTGAGE BROKERS**

**AND IN THE MATTER OF A WINDING UP OF A PACE SECURITIES CORP., PACE
FINANCIAL LIMITED, PACE INSURANCE BROKERS LIMITED AND PACE GENERAL
PARTNER LIMITED**

SETTLEMENT TERM SHEET¹

1. In consideration of the full and final settlement of their claims in respect of the purchase, sale and distribution of preferred shares of Pace Financial Limited (“PFL”) and First Hamilton Holdings Inc. (“FHH”) and the claim of 7903197 Canada Inc. in respect of the purchase, sale and distribution of units of Pace Capital Partners LP (“PCP”), and subject to the terms and conditions set forth herein, a global payment, inclusive of costs, taxes and disbursements, in the amount of \$40,000,000, shall be made to the Investor Claimants² as follows (the “Settlement”):
 - a. By PACE Savings & Credit Union Limited (“PACE Credit Union”), \$ _____ ;
 - b. By AIG Insurance Company of Canada, on behalf of the Individual Insureds and Insured Organizations (“AIG”), \$ _____ ; and,
 - c. By the PSC Investment Advisors’ insurers as defined below, \$ _____ (together with PACE Credit Union, AIG, Individual Insureds, Insured Organizations and PSC Investment Advisors, the “Settling Parties”).

2. The Settlement is subject to an order of the court in respect of these proceedings approving and implementing the Settlement, including an order barring and enjoining the claims of all persons in respect of the purchase, sale, distribution and payments made in respect of preferred shares of PFL and FHH, and the claim of 7903197 Canada Inc. in respect of the purchase, sale, distribution

¹ Unless otherwise defined herein, capitalized terms have the meaning identified in the Claims Brief and the Coverage Letters provided by AIG and produced pursuant to this mediation.

² For the avoidance of doubt, “Investor Claimants” has the meaning attributed to it by the court orders made in these proceedings dated August 6, 2020, as amended March 2, 2021, appointing representative counsel, and the Investor Claimants shall act through their court-appointed representative, Paliare Roland Rosenberg Rothstein LLP (“Representative Counsel”).

and payments made in respect of units of PCP. The settlement approval motion shall be brought forward by the Investor Claimants, using their best efforts. The Settling Parties shall be at liberty to adduce supportive evidence if they so choose, on reasonable notice to other Settling Parties with opportunity to object or seek confidentiality terms. The Settling Parties shall consent to a settlement approval order in form satisfactory to counsel for all parties and the Liquidators, including in respect of all available litigation bar orders and releases, including in respect of the conduct of Representative Counsel and their agents and advisors, including the members of their advisory committee.

3. Within 60 days of settlement approval, the Settling Parties shall pay the amounts set out in paragraph one above to Paliare Roland Rosenberg Rothstein LLP, in trust, for future allocation and distribution to the Investor Claimants in accordance with a subsequent order of the court in these proceedings, obtained on motion brought by Representative Counsel. The Settling Parties acknowledge that they will not oppose the allocation and distribution motion.
4. Upon receipt of payment of the amounts set out in paragraph one, the Investor Claimants will deliver, a full, unconditional and binding release of the Settling Parties and a corresponding bar order, in respect of claims arising from the purchase, sale and distribution of preferred shares of PFL and FHH, or units of PCP, by all Investor Claimants, all in a form satisfactory to the Settling Parties, Ernst & Young Inc., MNP Ltd., and the Investor Claimants, acting reasonably.
5. Upon receipt of the release referred to in paragraph four above, full and final releases in a form satisfactory to all Settling Parties shall be exchanged by all Settling Parties (which includes the Individual Insureds and Insured Organizations) which releases shall include protection from any future claims against each or any of them for contribution and indemnity or otherwise from any other parties, including PCP investors. PACE Credit Union will release Larry Smith solely from any liability arising from an allegation that he is an officer or director of PACE Securities Corp. and will strike any allegation that Larry Smith was a director or officer of PACE Securities Corp. in the action bearing Court File No. CV-19-00633165-00CL (the "Credit Union Action"). For greater clarity, PACE Credit Union does not release Larry Smith from any allegations that remain in the Credit Union Action, and entry into this settlement by Larry Smith as an Individual Insured will be without prejudice to any defence that he might raise in the Credit Union Action.
6. PACE Credit Union agrees that, in the Credit Union Action, with respect to its contribution to the Settlement and fees and expenses to respond to the Investor Claimants' claims, it will claim only the damages, costs, taxes, disbursements and interest that are attributable to the combined several share of liability of Larry Smith, Phillip Smith, Frank Klees, Brent Bailey, Deborah Baker, Ian Goodfellow, Al Jones, Wendy Mitchell, George Pohle, Peter Rebellati, Jim Tindall, Pauline Wainwright, Neil Williamson, Ken Topping and Stan Dimakos (the "Existing Defendants"), such that PACE Credit Union's recovery with respect to the matters settled in this mediation shall be limited to the damages, costs, taxes, disbursements and interest attributable to the combined several liability proven against the Existing Defendants at trial according to their combined proportionate degree of fault. For greater certainty, PACE Credit Union does not claim against the Existing Defendants any damages, costs, taxes, disbursements and interest that may be severally attributable to the Settling Defendants with respect to matters settled in this mediation, and agrees to indemnify the Settling Defendants for any damages, costs, taxes, disbursements and interest that they may incur in responding to the Credit Union Action.
7. Consents and releases in a form satisfactory to AIG, the Individual Insureds, and the Settling Investment Advisors including the PSC Settling Investment Advisors' insurers (Axis and Liberty

Mutual) shall be exchanged, and with the consent of the Liquidators on behalf of Insured Organizations.

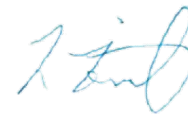
8. Investor Claimants, Representative Counsel and Settling Parties having knowledge of the identity of the contributors to the Settlement will not disclose that information in any public communications, including any news releases, or any communications directly to any third parties including PACE Credit Union customers who are not Investor Claimants, without explicit written authorization from the parties to be disclosed, subject to communications with legal or financial advisors and/or legal and financial disclosure obligations. In the event of a breach of this obligation by an individual Investor Claimant or Settling Party this Settlement shall remain in full force and effect, and any right of recourse by the affected Settling Parties will be limited to a claim for a remedy against the breaching Investor Claimant party.
9. For the avoidance of doubt, pending the bringing of the motion to approve and implement the Settlement, the duty of confidentiality applicable to the mediation before Mr. Joel Wiensfeld shall continue to apply to the Settlement, but the Settling Parties agree that Representative Counsel and/or the Liquidators may, to the extent necessary, disclose the fact of the settlement in correspondence with the court for the purpose of scheduling the aforementioned motion.
10. The PSC Liquidator shall consent (and so shall any other Settling Party and the Investor Claimants if such consent is required) to the release of all funds held at Laurentian Bank in the accounts of J. Thomson and G. McRae, those accounts being:
 - a. Joe Thomson –
 - b. Gerald McRae –
11. The Investor Claimants and the Settling Parties other than PACE Credit Union and Andre Sian release all claims to the remaining assets of First Hamilton Holdings Inc., First Hamilton Financial Services Inc., First Hamilton Capital Inc., First Hamilton General Partner 2 Inc., First Hamilton Mortgage Brokers, Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited.
12. The Investor Claimants shall provide their written support for the resolution of any and all regulatory matters associated with the purchase, sale, and distribution of preferred shares of PFL and FHH or the operations of those companies to counsel for any of the Settling Parties who request such support, provided that the support shall be in form and content satisfactory to Representative Counsel, acting reasonably.
13. The costs of the court-ordered mediation conducted by Joel Wiesenfeld with respect to this matter shall be split equally between PCU and AIG.
14. Together with the settlement approval motion or thereafter, counsel for the Investor Claimants shall bring a motion to approve counsel fees and disbursements. The Settling Parties will not oppose the motion by counsel for the Investor Claimants for approval of counsel fees and disbursements.
15. The final settlement approval is to be heard and achieved by July 31, 2021, or such later date as Representative Counsel and the Settling Parties may agree, subject to the availability of the Court to hear the motion by that date.

16. The Investor Claimants and the Settling Parties shall do all things and provide such assurances and consents as reasonably necessary to give effect to the settlement contemplated herein in a timely way.
17. The parties intend that this Settlement Term Sheet is a binding settlement of this action, subject to Court approval. If any disputes arise in preparing the Settlement Agreement, such disputes will be mediated by Joel Wiesenfeld.
18. The Settlement is subject to the law of Ontario and the laws of Canada applicable therein.
19. The Settlement becomes effective at 5 pm Eastern on June 24, 2021 and may be withdrawn, by email sent to Joel Wiesenfeld prior to that time.
20. This Settlement Term Sheet may be signed electronically and in counterparts.

Dated as of June 24, 2021.



Investor Claimants, by Paliare Roland Rosenberg Rothstein LLP pursuant to the orders herein dated August 6, 2020, as amended by orders dated March 2, 2021.



AIG Canada, in its capacity as insurer for PACE Securities Corporation, PACE Financial Limited, First Hamilton Holdings Inc., Joseph Thomson, Gerald McRae, Andre Sian, Ernest Eves, Timothy Huxley, Michael Leskovec, Grant Walsh and Larry Smith




PACE Savings & Credit Union Limited, by its Administrator Financial Services Regulatory Authority of Ontario

Digitally signed by Soloman Lam
 Date: 2021.06.24 17:33:11 -04'00'

AIG Canada, in its capacity as insurer for PACE Securities Corporation, PACE Financial Limited, First Hamilton Holdings Inc., Joseph Thomson, Gerald McRae, Andre Sian, Ernest Eves, Timothy Huxley, Michael Leskovec, Grant Walsh and Larry Smith

PSC Investment Advisor Ariel Simms, by
his lawyer Barry Papazian

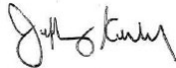


PSC Investment Advisors Patrick Carson,
Gyulmet Ramazanov, Thomas D. Moxam, Pat
Cilla, Thomas Ogilwy, Margaret Pakula, by their
lawyer, Natalie Leon

Barry B. Papazian

PSC Investment Advisor Ariel Simms, by
his lawyer Barry Papazian

PSC Investment Advisors Patrick Carson,
Gyulmet Ramazanov, Thomas D. Moxam, Pat
Cilla, Thomas Ogilwy, Margaret Pakula, by their
lawyer, Natalie Leon

<p>Ernst & Young Inc., in its capacity as Court-Appointed Liquidator of the estate and effects of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited, and not in its personal or corporate capacities</p> <p>Per:</p>  <p>Jeffrey D. Kerbel Senior Vice-President</p>	<p>MNP, in its capacity as Court-Appointed Liquidator of the estate and effects of First Hamilton Holdings Inc. First Hamilton Financial Services Inc., First Hamilton General Partner 2 Inc., First Hamilton Capital Inc. and First Hamilton Mortgage Brokers Inc., and not in its personal or corporate capacities</p> <p>Per:</p> <p>Jerry Henechowicz, CPA, CA, CIRP, LIT Senior Vice President</p>
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Ernst & Young Inc., in its capacity as Court-Appointed Liquidator of the estate and effects of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited, and not in its personal or corporate capacities

Per:

Jeffrey D. Kerbel
Senior Vice-President

MNP, in its capacity as Court-Appointed Liquidator of the estate and effects of First Hamilton Holdings Inc. First Hamilton Financial Services Inc., First Hamilton General Partner 2 Inc., First Hamilton Capital Inc. and First Hamilton Mortgage Brokers Inc., and not in its personal or corporate capacities

Per:


Jerry Henechowicz, CPA, CA, CIRP, LIT
Senior Vice President

SCHEDULE “D”

Court File No. CV-20-00641059-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE	)	FRIDAY, THE
)	
JUSTICE KOEHNEN	)	30 th DAY OF JULY, 2021

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
R.S.O. 1990, C. B.16, AS AMENDED**

**AND IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
R.S.C., 1985, C. C-44, AS AMENDED**

**AND IN THE MATTER OF A WINDING UP OF
PACE SECURITIES CORP., PACE FINANCIAL LIMITED,
PACE INSURANCE BROKERS LIMITED AND
PACE GENERAL PARTNER LIMITED**

Applicants

SETTLEMENT APPROVAL ORDER

THIS MOTION made by Paliare Roland Rosenberg Rothstein LLP in its capacity as representative counsel for the Investor Claimants (as defined in the order made in these proceedings dated August 6, 2020 appointing representative counsel ("**Representative Counsel**")), for an order approving the settlement of certain of the Investor Claimants' claims in respect of their acquisition of preferred shares of PACE Financial Limited ("**PFL**") and First Hamilton Holdings Inc. ("**FHH**") (together, with the claims of 7903197 Canada Inc. in respect of its purchase of Pace Capital Partners Series A Limited Partnership Units ("**PCP Units**"), the "**Investor Claims**"), was heard this day via Zoom conference at Toronto, Ontario.

ON READING the motion record and supplementary motion record of Representative Counsel, the Liquidator's Report, and on hearing the submissions of Representative Counsel, counsel for PACE Savings and Credit Union (the "**Credit Union**"), the Liquidators and certain Settling Parties, no one else appearing although duly served and given notice as required by the order of Justice Conway dated July 8, 2021 respecting the form of notice for the settlement approval hearing:

Sufficiency of Service and Definitions

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that the capitalized terms not otherwise defined in this order shall have the meanings given to them in Schedule "A".
3. **THIS COURT FINDS** that all applicable parties have adhered to, and acted in accordance with the order of this Court dated July 8, 2021, in respect of the notice of this Motion (the "**Notice Order**") and that the procedures provided for in the Notice Order have provided good and sufficient notice of the hearing of this Motion, and that all persons shall be and are hereby barred from objecting to the settlement contemplated by the term sheet dated June 24, 2021 (the "**Settlement**") marked as Schedule "B" to this order.

Approval of the Settlement

4. **THIS COURT ORDERS** that the Settlement be and hereby is approved and will be implemented in accordance with its terms and this order and any further orders of this Court.

5. **THIS COURT ORDERS AND DECLARES** that, without in any way affecting the finality of this order, this Court reserves exclusive and continuing jurisdiction over the Investor Claimants, Representative Counsel and the Settling Parties for the purpose of implementing the Settlement and enforcing and administering the Settlement and this order.

Settlement Implementation

6. **THIS COURT ORDERS AND DIRECTS** the Settling Parties to pay, in the proportions contemplated by the Settlement, the total amount of \$40 million (the “**Settlement Amount**”) to Representative Counsel, in trust, no later than 60 calendar days from: (a) the day on which the period for appealing this order expires without an appeal having been brought; or (b) in the event of an appeal, the day of the final disposition of any such appeal.

7. **THIS COURT ORDERS AND DECLARES** that on payment of the Settlement Amount in full (the “**Settlement Implementation Date**”), the Settlement and all associated steps, releases, discharges, cancellations, transactions and arrangements effected thereby are approved and shall be deemed to be implemented, binding and effective in accordance with the terms of the Settlement Agreement, and shall enure to

the benefit of and be binding upon the Investor Claimants, the Settling Parties and all other persons and parties named or referred to in, affected by, or subject to the Settlement Agreement, including, without limitation, their respective heirs, administrators, executors, legal representatives, successors and assigns.

8. **THIS COURT ORDERS** that each of Representative Counsel, the Settling Parties and the Liquidator are authorized and directed to have taken and to take all steps and actions, and to have done and to do all things, necessary or appropriate to the genesis and implementation of the Settlement, on and in accordance with its terms, and to enter into, execute, deliver, complete, implement and consummate all of the steps, transactions, distributions, deliveries, allocations, instruments and agreements contemplated pursuant to the Settlement, and any such steps and actions, whether already taken or to be taken, are hereby authorized, ratified and approved, and neither Representative Counsel nor the Liquidator shall incur any liability as a result of acting in accordance with the terms of the Settlement.

9. **THIS COURT ORDERS** that Representative Counsel, the Settling Parties and the Liquidators and any other person required to make any payments, distributions, deliveries allocations, steps or other actions pursuant to the Settlement are hereby directed to complete such actions in accordance with the terms of the Settlement, and such actions are hereby approved.

10. **THIS COURT ORDERS** that each Investor Claimant is hereby deemed to have consented to all of the provisions of the Settlement, in its entirety, and as of the Settlement Implementation Date each Investor Claimant is hereby deemed to have executed and

delivered to the Settling Parties all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Settlement.

11. **THIS COURTS ORDERS** that, notwithstanding any bankruptcy, receivership or other insolvency proceeding now or hereafter issued pursuant to the *BIA*, the *CCAA* or otherwise in respect of any of the Settling Parties, including, without limitation, PFL or FHH, the Settlement Agreement shall be binding on any trustee in bankruptcy or receiver that may be appointed and shall not be void or voidable, nor shall the Settlement, the payments and distributions contemplated pursuant thereto, or any prior payments to Investor Claimants in respect of the Preferred Shares or PCP Units (the “**Prior Payments**”) constitute nor be deemed to constitute a fraudulent preference, a fraudulent assignment, a fraudulent conveyance, a transfer at undervalue, or other reviewable transaction or otherwise subject to review under the *BIA*, *CCAA* or any other applicable federal or provincial legislation, nor shall the Settlement Agreement or Prior Payments constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

12. **THIS COURT ORDERS** that it may issue such further and ancillary orders, from time to time, as are necessary to implement and enforce the provisions of the Settlement and this order.

Releases and Bar Orders

13. **THIS COURT ORDERS** that on the Settlement Implementation Date all claims by the Investor Claimants against the Settling Parties arising from the purchase, sale, distribution and payments made in respect of the Preferred Shares and/or PCP Units shall

be fully finally, irrevocably and forever compromised, released, discharged, cancelled and barred (the “**Released Claims**”) pursuant to and in accordance with the Settlement.

14. **THIS COURT ORDERS** that on the Settlement Implementation Date, the ability of any Investor Claimant to proceed against the Settling Parties in respect of any Released Claims shall be forever discharged, barred and restrained, and all proceedings with respect to, in connection with, or relating to any such matter shall be permanently stayed, pursuant to and in accordance with the Settlement.

15. **THIS COURT ORDERS** that on the Settlement Implementation Date the Investor Claimants’ recovery from any person who is not one of the Settling Parties (the “**Non-Settling Defendant(s)**”) and with which the Settling Parties are judicially determined to be jointly and severally liable to the Investor Claimants for damages, shall be reduced (in aggregate) by the amount of funds ultimately received by the Investor Claimants in respect of a Released Claim pursuant to the Settlement Agreement, as determined by the Court, and the Investor Claimants shall thereafter be permitted to claim and recover from the Non-Settling Defendants only that proportion of damages attributable to the liability of the Non-Settling Defendants, as determined by the Court.



Koehnen J.

SCHEDULE "A"**DEFINED TERMS**

"Applicants" means First Hamilton Holdings Inc., First Hamilton Financial Services Inc., First Hamilton Capital Inc., First Hamilton General Partner 2 Inc., First Hamilton Mortgage Brokers Inc., PACE Securities Corp., PACE Financial Limited, PACE Insurance Brokers Limited and PACE General Partner Limited;

"Defendants" means the Applicants and any related persons or organizations;

"Individual Insureds" means Joseph Thomson, Gerald McRae, Andre Sian, Ernest Eves, Timothy Huxley, Michael Leskovec, Grant Walsh and Larry Smith;

"Insured Organizations" means PACE Securities Corporation, First Hamilton Holdings Inc. and PACE Financial Limited;

"Investment Advisors" means Ariel Simms; and, Patrick Carson, Gyulmet Ramazanov, Thomas D. Moxam, Pat Cilla, Thomas Ogilwy, and Margaret Pakula;

"Investor Claim" means a claim or cause of action as against one or more of the Defendants in respect of the purchase of Preference Shares in Canada, or anywhere else in the world, including, without limitation, claims for contribution or indemnity, personal injury or tort damage, restitutionary recovery, nonpecuniary damages, pure economic loss, or claims for recovery grounded in Ontario Securities legislation, and, the claims of 7003197 Canada Inc. in respect of its purchase of Pace Capital Partners Series A Limited Partnership Units;

"Investor Claimants" means all individuals and entities (including their respective successors, heirs, assigns, litigation guardians and designated representatives under applicable provincial family law legislation) who assert or may be entitled to assert an Investor Claim, excluding all Defendants, insiders or securities brokers involved in the sale of the Preference Shares.

"Liquidators" means (a) Ernst & Young Inc., in its capacity as Court-Appointed Liquidator of the estate and effects of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited, and (b) MNP Ltd., in its capacity as Court-Appointed Liquidator of the estate and effects of First Hamilton Holdings Inc. First Hamilton Financial Services Inc., First Hamilton General Partner 2 Inc., First Hamilton Capital Inc. and First Hamilton Mortgage Brokers Inc.;

"Preference Shares" means PACE Financial Limited Series A 5% cumulative non-voting term preference shares, First Hamilton Holdings Limited Series A 7% cumulative non-voting preference shares and First Hamilton Holdings Limited Series B 5% cumulative redeemable retractable non-voting preference shares, including warrants in respect of the foregoing.

“Representative Counsel” means Paliare Roland Rosenberg Rothstein LLP in its capacity as counsel for the Investor Claimants;

“Settling Parties” means PACE Savings & Credit Union Limited; the Insured Organizations; the Insured Individuals; AIG Insurance Company of Canada in its capacity as insurer for the Insured Organizations and the Insured Individuals; the Investment Advisors; and, AXIS Reinsurance Company (Canadian Branch) and Liberty Mutual in their capacity as insurers for the Investments Advisors;

“Settlement” means the agreement of compromise evidenced by the Term Sheet dated June 24, 2021, between Representative Counsel, the Settling Parties and the Liquidators to resolve all or substantially all of the Investor Claims.

Court File No. CV-20-00641372-00CL

Court File No. CV-20-00641059-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *BUSINESS CORPORATIONS*
ACT, R.S.O. 1990, C. B.16, AS AMENDED**

**AND IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS*
ACT, R.S.C., 1985, C. C-44, AS AMENDED**

**AND IN THE MATTER OF A WINDING UP OF FIRST HAMILTON HOLDINGS INC., FIRST
HAMILTON FINANCIAL SERVICES INC., FIRST HAMILTON CAPITAL INC., FIRST
HAMILTON GENERAL PARTNER 2 INC. and FIRST HAMILTON MORTGAGE BROKERS**

**AND IN THE MATTER OF A WINDING UP OF A PACE SECURITIES CORP., PACE
FINANCIAL LIMITED, PACE INSURANCE BROKERS LIMITED AND PACE GENERAL
PARTNER LIMITED**

SETTLEMENT TERM SHEET¹

1. In consideration of the full and final settlement of their claims in respect of the purchase, sale and distribution of preferred shares of Pace Financial Limited (“PFL”) and First Hamilton Holdings Inc. (“FHH”) and the claim of 7903197 Canada Inc. in respect of the purchase, sale and distribution of units of Pace Capital Partners LP (“PCP”), and subject to the terms and conditions set forth herein, a global payment, inclusive of costs, taxes and disbursements, in the amount of \$40,000,000, shall be made to the Investor Claimants² as follows (the “Settlement”):
 - a. By PACE Savings & Credit Union Limited (“PACE Credit Union”), \$ _____ ;
 - b. By AIG Insurance Company of Canada, on behalf of the Individual Insureds and Insured Organizations (“AIG”), \$ _____ ; and,
 - c. By the PSC Investment Advisors’ insurers as defined below, \$ _____ (together with PACE Credit Union, AIG, Individual Insureds, Insured Organizations and PSC Investment Advisors, the “Settling Parties”).

2. The Settlement is subject to an order of the court in respect of these proceedings approving and implementing the Settlement, including an order barring and enjoining the claims of all persons in respect of the purchase, sale, distribution and payments made in respect of preferred shares of PFL and FHH, and the claim of 7903197 Canada Inc. in respect of the purchase, sale, distribution

¹ Unless otherwise defined herein, capitalized terms have the meaning identified in the Claims Brief and the Coverage Letters provided by AIG and produced pursuant to this mediation.

² For the avoidance of doubt, “Investor Claimants” has the meaning attributed to it by the court orders made in these proceedings dated August 6, 2020, as amended March 2, 2021, appointing representative counsel, and the Investor Claimants shall act through their court-appointed representative, Paliare Roland Rosenberg Rothstein LLP (“Representative Counsel”).

and payments made in respect of units of PCP. The settlement approval motion shall be brought forward by the Investor Claimants, using their best efforts. The Settling Parties shall be at liberty to adduce supportive evidence if they so choose, on reasonable notice to other Settling Parties with opportunity to object or seek confidentiality terms. The Settling Parties shall consent to a settlement approval order in form satisfactory to counsel for all parties and the Liquidators, including in respect of all available litigation bar orders and releases, including in respect of the conduct of Representative Counsel and their agents and advisors, including the members of their advisory committee.

3. Within 60 days of settlement approval, the Settling Parties shall pay the amounts set out in paragraph one above to Paliare Roland Rosenberg Rothstein LLP, in trust, for future allocation and distribution to the Investor Claimants in accordance with a subsequent order of the court in these proceedings, obtained on motion brought by Representative Counsel. The Settling Parties acknowledge that they will not oppose the allocation and distribution motion.
4. Upon receipt of payment of the amounts set out in paragraph one, the Investor Claimants will deliver, a full, unconditional and binding release of the Settling Parties and a corresponding bar order, in respect of claims arising from the purchase, sale and distribution of preferred shares of PFL and FHH, or units of PCP, by all Investor Claimants, all in a form satisfactory to the Settling Parties, Ernst & Young Inc., MNP Ltd., and the Investor Claimants, acting reasonably.
5. Upon receipt of the release referred to in paragraph four above, full and final releases in a form satisfactory to all Settling Parties shall be exchanged by all Settling Parties (which includes the Individual Insureds and Insured Organizations) which releases shall include protection from any future claims against each or any of them for contribution and indemnity or otherwise from any other parties, including PCP investors. PACE Credit Union will release Larry Smith solely from any liability arising from an allegation that he is an officer or director of PACE Securities Corp. and will strike any allegation that Larry Smith was a director or officer of PACE Securities Corp. in the action bearing Court File No. CV-19-00633165-00CL (the "Credit Union Action"). For greater clarity, PACE Credit Union does not release Larry Smith from any allegations that remain in the Credit Union Action, and entry into this settlement by Larry Smith as an Individual Insured will be without prejudice to any defence that he might raise in the Credit Union Action.
6. PACE Credit Union agrees that, in the Credit Union Action, with respect to its contribution to the Settlement and fees and expenses to respond to the Investor Claimants' claims, it will claim only the damages, costs, taxes, disbursements and interest that are attributable to the combined several share of liability of Larry Smith, Phillip Smith, Frank Klees, Brent Bailey, Deborah Baker, Ian Goodfellow, Al Jones, Wendy Mitchell, George Pohle, Peter Rebellati, Jim Tindall, Pauline Wainwright, Neil Williamson, Ken Topping and Stan Dimakos (the "Existing Defendants"), such that PACE Credit Union's recovery with respect to the matters settled in this mediation shall be limited to the damages, costs, taxes, disbursements and interest attributable to the combined several liability proven against the Existing Defendants at trial according to their combined proportionate degree of fault. For greater certainty, PACE Credit Union does not claim against the Existing Defendants any damages, costs, taxes, disbursements and interest that may be severally attributable to the Settling Defendants with respect to matters settled in this mediation, and agrees to indemnify the Settling Defendants for any damages, costs, taxes, disbursements and interest that they may incur in responding to the Credit Union Action.
7. Consents and releases in a form satisfactory to AIG, the Individual Insureds, and the Settling Investment Advisors including the PSC Settling Investment Advisors' insurers (Axis and Liberty

Mutual) shall be exchanged, and with the consent of the Liquidators on behalf of Insured Organizations.


8. Investor Claimants, Representative Counsel and Settling Parties having knowledge of the identity of the contributors to the Settlement will not disclose that information in any public communications, including any news releases, or any communications directly to any third parties including PACE Credit Union customers who are not Investor Claimants, without explicit written authorization from the parties to be disclosed, subject to communications with legal or financial advisors and/or legal and financial disclosure obligations. In the event of a breach of this obligation by an individual Investor Claimant or Settling Party this Settlement shall remain in full force and effect, and any right of recourse by the affected Settling Parties will be limited to a claim for a remedy against the breaching Investor Claimant party.
9. For the avoidance of doubt, pending the bringing of the motion to approve and implement the Settlement, the duty of confidentiality applicable to the mediation before Mr. Joel Wiensfeld shall continue to apply to the Settlement, but the Settling Parties agree that Representative Counsel and/or the Liquidators may, to the extent necessary, disclose the fact of the settlement in correspondence with the court for the purpose of scheduling the aforementioned motion.
10. The PSC Liquidator shall consent (and so shall any other Settling Party and the Investor Claimants if such consent is required) to the release of all funds held at Laurentian Bank in the accounts of J. Thomson and G. McRae, those accounts being:
 - a. Joe Thomson –
 - b. Gerald McRae –
11. The Investor Claimants and the Settling Parties other than PACE Credit Union and Andre Sian release all claims to the remaining assets of First Hamilton Holdings Inc., First Hamilton Financial Services Inc., First Hamilton Capital Inc., First Hamilton General Partner 2 Inc., First Hamilton Mortgage Brokers, Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited.
12. The Investor Claimants shall provide their written support for the resolution of any and all regulatory matters associated with the purchase, sale, and distribution of preferred shares of PFL and FHH or the operations of those companies to counsel for any of the Settling Parties who request such support, provided that the support shall be in form and content satisfactory to Representative Counsel, acting reasonably.
13. The costs of the court-ordered mediation conducted by Joel Wiesenfeld with respect to this matter shall be split equally between PCU and AIG.
14. Together with the settlement approval motion or thereafter, counsel for the Investor Claimants shall bring a motion to approve counsel fees and disbursements. The Settling Parties will not oppose the motion by counsel for the Investor Claimants for approval of counsel fees and disbursements.
15. The final settlement approval is to be heard and achieved by July 31, 2021, or such later date as Representative Counsel and the Settling Parties may agree, subject to the availability of the Court to hear the motion by that date.

16. The Investor Claimants and the Settling Parties shall do all things and provide such assurances and consents as reasonably necessary to give effect to the settlement contemplated herein in a timely way.
17. The parties intend that this Settlement Term Sheet is a binding settlement of this action, subject to Court approval. If any disputes arise in preparing the Settlement Agreement, such disputes will be mediated by Joel Wiesenfeld.
18. The Settlement is subject to the law of Ontario and the laws of Canada applicable therein.
19. The Settlement becomes effective at 5 pm Eastern on June 24, 2021 and may be withdrawn, by email sent to Joel Wiesenfeld prior to that time.
20. This Settlement Term Sheet may be signed electronically and in counterparts.

Dated as of June 24, 2021.



Investor Claimants, by Paliare Roland Rosenberg Rothstein LLP pursuant to the orders herein dated August 6, 2020, as amended by orders dated March 2, 2021.



AIG Canada, in its capacity as insurer for PACE Securities Corporation, PACE Financial Limited, First Hamilton Holdings Inc., Joseph Thomson, Gerald McRae, Andre Sian, Ernest Eves, Timothy Huxley, Michael Leskovec, Grant Walsh and Larry Smith




PACE Savings & Credit Union Limited, by its Administrator Financial Services Regulatory Authority of Ontario

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Date: 2021.06.24 17:33:11 -04'00'

AIG Canada, in its capacity as insurer for PACE Securities Corporation, PACE Financial Limited, First Hamilton Holdings Inc., Joseph Thomson, Gerald McRae, Andre Sian, Ernest Eves, Timothy Huxley, Michael Leskovec, Grant Walsh and Larry Smith

PSC Investment Advisor Ariel Simms, by
his lawyer Barry Papazian

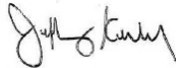


PSC Investment Advisors Patrick Carson,
Gyulmet Ramazanov, Thomas D. Moxam, Pat
Cilla, Thomas Ogilwy, Margaret Pakula, by their
lawyer, Natalie Leon

Barry B. Papazian

PSC Investment Advisor Ariel Simms, by
his lawyer Barry Papazian

PSC Investment Advisors Patrick Carson,
Gyulmet Ramazanov, Thomas D. Moxam, Pat
Cilla, Thomas Ogilwy, Margaret Pakula, by their
lawyer, Natalie Leon

<p>Ernst & Young Inc., in its capacity as Court-Appointed Liquidator of the estate and effects of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited, and not in its personal or corporate capacities</p> <p>Per:</p>  <p>Jeffrey D. Kerbel Senior Vice-President</p>	<p>MNP, in its capacity as Court-Appointed Liquidator of the estate and effects of First Hamilton Holdings Inc. First Hamilton Financial Services Inc., First Hamilton General Partner 2 Inc., First Hamilton Capital Inc. and First Hamilton Mortgage Brokers Inc., and not in its personal or corporate capacities</p> <p>Per:</p> <p>Jerry Henechowicz, CPA, CA, CIRP, LIT Senior Vice President</p>
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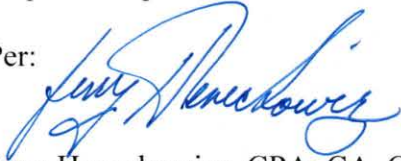
Ernst & Young Inc., in its capacity as Court-Appointed Liquidator of the estate and effects of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited, and not in its personal or corporate capacities

Per:

Jeffrey D. Kerbel
Senior Vice-President

MNP, in its capacity as Court-Appointed Liquidator of the estate and effects of First Hamilton Holdings Inc. First Hamilton Financial Services Inc., First Hamilton General Partner 2 Inc., First Hamilton Capital Inc. and First Hamilton Mortgage Brokers Inc., and not in its personal or corporate capacities

Per:


Jerry Henechowicz, CPA, CA, CIRP, LIT
Senior Vice President

IN THE MATTER OF A WINDING UP OF PACE SECURITIES CORP., PACE FINANCIAL LIMITED, PACE INSURANCE BROKERS LIMITED AND PACE GENERAL PARTNER LIMITED

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

SETTLEMENT APPROVAL ORDER

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Representative Counsel

Court File No. CV-20-00641372-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE	)	FRIDAY, THE
)	
JUSTICE KOEHNEN	)	30 TH DAY OF JULY, 2021

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
R.S.O. 1990, C. B.16, AS AMENDED**

**AND IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
R.S.C., 1985, C. C-44, AS AMENDED**

**AND IN THE MATTER OF A WINDING UP OF
FIRST HAMILTON HOLDINGS INC., FIRST HAMILTON FINANCIAL SERVICES
INC., FIRST HAMILTON CAPITAL INC., FIRST HAMILTON GENERAL PARTNER 2
INC. and FIRST HAMILTON MORTGAGE BROKERS INC.**

Applicants

SETTLEMENT APPROVAL ORDER

THIS MOTION made by Paliare Roland Rosenberg Rothstein LLP in its capacity as representative counsel for the Investor Claimants (as defined in the order made in these proceedings dated August 6, 2020 appointing representative counsel) ("**Representative Counsel**"), for an order approving the settlement of certain of the Investor Claimants' claims in respect of their acquisition of preferred shares of PACE Financial Limited ("**PFL**") and First Hamilton Holdings Inc. ("**FHH**") (together, with the claims of 7903197 Canada Inc. in respect of its purchase of Pace Capital Partners Series A Limited Partnership Units ("**PCP Units**"), the "**Investor Claims**"), was heard this day via Zoom conference at Toronto, Ontario.

ON READING the motion record and supplementary motion record of Representative Counsel, the Liquidator's Report, and on hearing the submissions of Representative Counsel, counsel for PACE Savings and Credit Union (the "**Credit Union**"), the Liquidators and certain Settling Parties, no one else appearing although duly served and given notice as required by the order of Justice Conway dated July 8, 2021 respecting the form of notice for the settlement approval hearing:

Sufficiency of Service and Definitions

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that the capitalized terms not otherwise defined in this order shall have the meanings given to them in Schedule "A".
3. **THIS COURT FINDS** that all applicable parties have adhered to, and acted in accordance with the order of this Court dated July 8, 2021, in respect of the notice of this Motion (the "**Notice Order**") and that the procedures provided for in the Notice Order have provided good and sufficient notice of the hearing of this Motion, and that all persons shall be and are hereby barred from objecting to the settlement contemplated by the term sheet dated June 24, 2021 (the "**Settlement**") marked as Schedule "B" to this order.

Approval of the Settlement

4. **THIS COURT ORDERS** that the Settlement be and hereby is approved and will be implemented in accordance with its terms and this order and any further orders of this Court.

5. **THIS COURT ORDERS AND DECLARES** that, without in any way affecting the finality of this order, this Court reserves exclusive and continuing jurisdiction over the Investor Claimants, Representative Counsel and the Settling Parties for the purpose of implementing the Settlement and enforcing and administering the Settlement and this order.

Settlement Implementation

6. **THIS COURT ORDERS AND DIRECTS** the Settling Parties to pay, in the proportions contemplated by the Settlement, the total amount of \$40 million (the “**Settlement Amount**”) to Representative Counsel, in trust, no later than 60 calendar days from: (a) the day on which the period for appealing this order expires without an appeal having been brought; or (b) in the event of an appeal, the day of the final disposition of any such appeal.

7. **THIS COURT ORDERS AND DECLARES** that on payment of the Settlement Amount in full (the “**Settlement Implementation Date**”), the Settlement and all associated steps, releases, discharges, cancellations, transactions and arrangements effected thereby are approved and shall be deemed to be implemented, binding and effective in accordance with the terms of the Settlement Agreement, and shall enure to the benefit of and be binding upon the Investor Claimants, the Settling Parties and all other persons and parties named or referred to in, affected by, or subject to the Settlement

Agreement, including, without limitation, their respective heirs, administrators, executors, legal representatives, successors and assigns.

8. **THIS COURT ORDERS** that each of Representative Counsel, the Settling Parties and the Liquidator are authorized and directed to have taken and to take all steps and actions, and to have done and to do all things, necessary or appropriate to the genesis and implementation of the Settlement, on and in accordance with its terms, and to enter into, execute, deliver, complete, implement and consummate all of the steps, transactions, distributions, deliveries, allocations, instruments and agreements contemplated pursuant to the Settlement, and any such steps and actions, whether already taken or to be taken, are hereby authorized, ratified and approved, and neither Representative Counsel nor the Liquidator shall incur any liability as a result of acting in accordance with the terms of the Settlement.

9. **THIS COURT ORDERS** that Representative Counsel, the Settling Parties and the Liquidators and any other person required to make any payments, distributions, deliveries allocations, steps or other actions pursuant to the Settlement are hereby directed to complete such actions in accordance with the terms of the Settlement, and such actions are hereby approved.

10. **THIS COURT ORDERS** that each Investor Claimant is hereby deemed to have consented to all of the provisions of the Settlement, in its entirety, and as of the Settlement Implementation Date each Investor Claimant is hereby deemed to have executed and delivered to the Settling Parties all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Settlement.

11. **THIS COURTS ORDERS** that, notwithstanding any bankruptcy, receivership or other insolvency proceeding now or hereafter issued pursuant to the *BIA*, the *CCAA* or otherwise in respect of any of the Settling Parties, including, without limitation, PFL or FHH, the Settlement Agreement shall be binding on any trustee in bankruptcy or receiver that may be appointed and shall not be void or voidable, nor shall the Settlement, the payments and distributions contemplated pursuant thereto, or any prior payments to Investor Claimants in respect of the Preferred Shares or PCP Units (the “**Prior Payments**”) constitute nor be deemed to constitute a fraudulent preference, a fraudulent assignment, a fraudulent conveyance, a transfer at undervalue, or other reviewable transaction or otherwise subject to review under the *BIA*, *CCAA* or any other applicable federal or provincial legislation, nor shall the Settlement Agreement or Prior Payments constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

12. **THIS COURT ORDERS** that it may issue such further and ancillary orders, from time to time, as are necessary to implement and enforce the provisions of the Settlement and this order.

Releases and Bar Orders

13. **THIS COURT ORDERS** that on the Settlement Implementation Date all claims by the Investor Claimants against the Settling Parties arising from the purchase, sale, distribution and payments made in respect of the Preferred Shares and/or PCP Units shall be fully finally, irrevocably and forever compromised, released, discharged, cancelled and barred (the “**Released Claims**”) pursuant to and in accordance with the Settlement.

14. **THIS COURT ORDERS** that on the Settlement Implementation Date, the ability of any Investor Claimant to proceed against the Settling Parties in respect of any Released Claims shall be forever discharged, barred and restrained, and all proceedings with respect to, in connection with, or relating to any such matter shall be permanently stayed, pursuant to and in accordance with the Settlement.

15. **THIS COURT ORDERS** that on the Settlement Implementation Date the Investor Claimants' recovery from any person who is not one of the Settling Parties (the "**Non-Settling Defendant(s)**") and with which the Settling Parties are judicially determined to be jointly and severally liable to the Investor Claimants for damages, shall be reduced (in aggregate) by the amount of funds ultimately received by the Investor Claimants in respect of a Released Claim pursuant to the Settlement Agreement, as determined by the Court, and the Investor Claimants shall thereafter be permitted to claim and recover from the Non-Settling Defendants only that proportion of damages attributable to the liability of the Non-Settling Defendants, as determined by the Court.



Koehnen J.

SCHEDULE “A”**DEFINED TERMS**

“**Applicants**” means First Hamilton Holdings Inc., First Hamilton Financial Services Inc., First Hamilton Capital Inc., First Hamilton General Partner 2 Inc., First Hamilton Mortgage Brokers Inc., PACE Securities Corp., PACE Financial Limited, PACE Insurance Brokers Limited and PACE General Partner Limited;

“**Defendants**” means the Applicants and any related persons or organizations;

“**Individual Insureds**” means Joseph Thomson, Gerald McRae, Andre Sian, Ernest Eves, Timothy Huxley, Michael Leskovec, Grant Walsh and Larry Smith;

“**Insured Organizations**” means PACE Securities Corporation, First Hamilton Holdings Inc. and PACE Financial Limited;

“**Investment Advisors**” means Ariel Simms; and, Patrick Carson, Gyulmet Ramazanov, Thomas D. Moxam, Pat Cilla, Thomas Ogilwy, and Margaret Pakula;

“**Investor Claim**” means a claim or cause of action as against one or more of the Defendants in respect of the purchase of Preference Shares in Canada, or anywhere else in the world, including, without limitation, claims for contribution or indemnity, personal injury or tort damage, restitutionary recovery, nonpecuniary damages, pure economic loss, or claims for recovery grounded in Ontario Securities legislation, and, the claims of 7003197 Canada Inc. in respect of its purchase of Pace Capital Partners Series A Limited Partnership Units;

“**Investor Claimants**” means all individuals and entities (including their respective successors, heirs, assigns, litigation guardians and designated representatives under applicable provincial family law legislation) who assert or may be entitled to assert an Investor Claim, excluding all Defendants, insiders or securities brokers involved in the sale of the Preference Shares.

“**Liquidators**” means (a) Ernst & Young Inc., in its capacity as Court-Appointed Liquidator of the estate and effects of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited, and (b) MNP Ltd., in its capacity as Court-Appointed Liquidator of the estate and effects of First Hamilton Holdings Inc. First Hamilton Financial Services Inc., First Hamilton General Partner 2 Inc., First Hamilton Capital Inc. and First Hamilton Mortgage Brokers Inc.;

“**Preference Shares**” means PACE Financial Limited Series A 5% cumulative non-voting term preference shares, First Hamilton Holdings Limited Series A 7% cumulative non-voting preference shares and First Hamilton Holdings Limited Series B 5% cumulative redeemable retractable non-voting preference shares, including warrants in respect of the foregoing.

“Representative Counsel” means Paliare Roland Rosenberg Rothstein LLP in its capacity as counsel for the Investor Claimants;

“Settling Parties” means PACE Savings & Credit Union Limited; the Insured Organizations; the Insured Individuals; AIG Insurance Company of Canada in its capacity as insurer for the Insured Organizations and the Insured Individuals; the Investment Advisors; and, AXIS Reinsurance Company (Canadian Branch) and Liberty Mutual in their capacity as insurers for the Investments Advisors;

“Settlement” means the agreement of compromise evidenced by the Term Sheet dated June 24, 2021, between Representative Counsel, the Settling Parties and the Liquidators to resolve all or substantially all of the Investor Claims.

Court File No. CV-20-00641372-00CL

Court File No. CV-20-00641059-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *BUSINESS CORPORATIONS*
ACT, R.S.O. 1990, C. B.16, AS AMENDED**

**AND IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS*
ACT, R.S.C., 1985, C. C-44, AS AMENDED**

**AND IN THE MATTER OF A WINDING UP OF FIRST HAMILTON HOLDINGS INC., FIRST
HAMILTON FINANCIAL SERVICES INC., FIRST HAMILTON CAPITAL INC., FIRST
HAMILTON GENERAL PARTNER 2 INC. and FIRST HAMILTON MORTGAGE BROKERS**

**AND IN THE MATTER OF A WINDING UP OF A PACE SECURITIES CORP., PACE
FINANCIAL LIMITED, PACE INSURANCE BROKERS LIMITED AND PACE GENERAL
PARTNER LIMITED**

SETTLEMENT TERM SHEET¹

1. In consideration of the full and final settlement of their claims in respect of the purchase, sale and distribution of preferred shares of Pace Financial Limited (“PFL”) and First Hamilton Holdings Inc. (“FHH”) and the claim of 7903197 Canada Inc. in respect of the purchase, sale and distribution of units of Pace Capital Partners LP (“PCP”), and subject to the terms and conditions set forth herein, a global payment, inclusive of costs, taxes and disbursements, in the amount of \$40,000,000, shall be made to the Investor Claimants² as follows (the “Settlement”):
 - a. By PACE Savings & Credit Union Limited (“PACE Credit Union”), \$ _____ ;
 - b. By AIG Insurance Company of Canada, on behalf of the Individual Insureds and Insured Organizations (“AIG”), \$ _____ ; and,
 - c. By the PSC Investment Advisors’ insurers as defined below, \$ _____ (together with PACE Credit Union, AIG, Individual Insureds, Insured Organizations and PSC Investment Advisors, the “Settling Parties”).

2. The Settlement is subject to an order of the court in respect of these proceedings approving and implementing the Settlement, including an order barring and enjoining the claims of all persons in respect of the purchase, sale, distribution and payments made in respect of preferred shares of PFL and FHH, and the claim of 7903197 Canada Inc. in respect of the purchase, sale, distribution

¹ Unless otherwise defined herein, capitalized terms have the meaning identified in the Claims Brief and the Coverage Letters provided by AIG and produced pursuant to this mediation.

² For the avoidance of doubt, “Investor Claimants” has the meaning attributed to it by the court orders made in these proceedings dated August 6, 2020, as amended March 2, 2021, appointing representative counsel, and the Investor Claimants shall act through their court-appointed representative, Paliare Roland Rosenberg Rothstein LLP (“Representative Counsel”).

and payments made in respect of units of PCP. The settlement approval motion shall be brought forward by the Investor Claimants, using their best efforts. The Settling Parties shall be at liberty to adduce supportive evidence if they so choose, on reasonable notice to other Settling Parties with opportunity to object or seek confidentiality terms. The Settling Parties shall consent to a settlement approval order in form satisfactory to counsel for all parties and the Liquidators, including in respect of all available litigation bar orders and releases, including in respect of the conduct of Representative Counsel and their agents and advisors, including the members of their advisory committee.

3. Within 60 days of settlement approval, the Settling Parties shall pay the amounts set out in paragraph one above to Paliare Roland Rosenberg Rothstein LLP, in trust, for future allocation and distribution to the Investor Claimants in accordance with a subsequent order of the court in these proceedings, obtained on motion brought by Representative Counsel. The Settling Parties acknowledge that they will not oppose the allocation and distribution motion.
4. Upon receipt of payment of the amounts set out in paragraph one, the Investor Claimants will deliver, a full, unconditional and binding release of the Settling Parties and a corresponding bar order, in respect of claims arising from the purchase, sale and distribution of preferred shares of PFL and FHH, or units of PCP, by all Investor Claimants, all in a form satisfactory to the Settling Parties, Ernst & Young Inc., MNP Ltd., and the Investor Claimants, acting reasonably.
5. Upon receipt of the release referred to in paragraph four above, full and final releases in a form satisfactory to all Settling Parties shall be exchanged by all Settling Parties (which includes the Individual Insureds and Insured Organizations) which releases shall include protection from any future claims against each or any of them for contribution and indemnity or otherwise from any other parties, including PCP investors. PACE Credit Union will release Larry Smith solely from any liability arising from an allegation that he is an officer or director of PACE Securities Corp. and will strike any allegation that Larry Smith was a director or officer of PACE Securities Corp. in the action bearing Court File No. CV-19-00633165-00CL (the "Credit Union Action"). For greater clarity, PACE Credit Union does not release Larry Smith from any allegations that remain in the Credit Union Action, and entry into this settlement by Larry Smith as an Individual Insured will be without prejudice to any defence that he might raise in the Credit Union Action.
6. PACE Credit Union agrees that, in the Credit Union Action, with respect to its contribution to the Settlement and fees and expenses to respond to the Investor Claimants' claims, it will claim only the damages, costs, taxes, disbursements and interest that are attributable to the combined several share of liability of Larry Smith, Phillip Smith, Frank Klees, Brent Bailey, Deborah Baker, Ian Goodfellow, Al Jones, Wendy Mitchell, George Pohle, Peter Rebellati, Jim Tindall, Pauline Wainwright, Neil Williamson, Ken Topping and Stan Dimakos (the "Existing Defendants"), such that PACE Credit Union's recovery with respect to the matters settled in this mediation shall be limited to the damages, costs, taxes, disbursements and interest attributable to the combined several liability proven against the Existing Defendants at trial according to their combined proportionate degree of fault. For greater certainty, PACE Credit Union does not claim against the Existing Defendants any damages, costs, taxes, disbursements and interest that may be severally attributable to the Settling Defendants with respect to matters settled in this mediation, and agrees to indemnify the Settling Defendants for any damages, costs, taxes, disbursements and interest that they may incur in responding to the Credit Union Action.
7. Consents and releases in a form satisfactory to AIG, the Individual Insureds, and the Settling Investment Advisors including the PSC Settling Investment Advisors' insurers (Axis and Liberty

Mutual) shall be exchanged, and with the consent of the Liquidators on behalf of Insured Organizations.


8. Investor Claimants, Representative Counsel and Settling Parties having knowledge of the identity of the contributors to the Settlement will not disclose that information in any public communications, including any news releases, or any communications directly to any third parties including PACE Credit Union customers who are not Investor Claimants, without explicit written authorization from the parties to be disclosed, subject to communications with legal or financial advisors and/or legal and financial disclosure obligations. In the event of a breach of this obligation by an individual Investor Claimant or Settling Party this Settlement shall remain in full force and effect, and any right of recourse by the affected Settling Parties will be limited to a claim for a remedy against the breaching Investor Claimant party.
9. For the avoidance of doubt, pending the bringing of the motion to approve and implement the Settlement, the duty of confidentiality applicable to the mediation before Mr. Joel Wiensfeld shall continue to apply to the Settlement, but the Settling Parties agree that Representative Counsel and/or the Liquidators may, to the extent necessary, disclose the fact of the settlement in correspondence with the court for the purpose of scheduling the aforementioned motion.
10. The PSC Liquidator shall consent (and so shall any other Settling Party and the Investor Claimants if such consent is required) to the release of all funds held at Laurentian Bank in the accounts of J. Thomson and G. McRae, those accounts being:
 - a. Joe Thomson –
 - b. Gerald McRae –
11. The Investor Claimants and the Settling Parties other than PACE Credit Union and Andre Sian release all claims to the remaining assets of First Hamilton Holdings Inc., First Hamilton Financial Services Inc., First Hamilton Capital Inc., First Hamilton General Partner 2 Inc., First Hamilton Mortgage Brokers, Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited.
12. The Investor Claimants shall provide their written support for the resolution of any and all regulatory matters associated with the purchase, sale, and distribution of preferred shares of PFL and FHH or the operations of those companies to counsel for any of the Settling Parties who request such support, provided that the support shall be in form and content satisfactory to Representative Counsel, acting reasonably.
13. The costs of the court-ordered mediation conducted by Joel Wiesenfeld with respect to this matter shall be split equally between PCU and AIG.
14. Together with the settlement approval motion or thereafter, counsel for the Investor Claimants shall bring a motion to approve counsel fees and disbursements. The Settling Parties will not oppose the motion by counsel for the Investor Claimants for approval of counsel fees and disbursements.
15. The final settlement approval is to be heard and achieved by July 31, 2021, or such later date as Representative Counsel and the Settling Parties may agree, subject to the availability of the Court to hear the motion by that date.

16. The Investor Claimants and the Settling Parties shall do all things and provide such assurances and consents as reasonably necessary to give effect to the settlement contemplated herein in a timely way.
17. The parties intend that this Settlement Term Sheet is a binding settlement of this action, subject to Court approval. If any disputes arise in preparing the Settlement Agreement, such disputes will be mediated by Joel Wiesenfeld.
18. The Settlement is subject to the law of Ontario and the laws of Canada applicable therein.
19. The Settlement becomes effective at 5 pm Eastern on June 24, 2021 and may be withdrawn, by email sent to Joel Wiesenfeld prior to that time.
20. This Settlement Term Sheet may be signed electronically and in counterparts.

Dated as of June 24, 2021.



Investor Claimants, by Paliare Roland Rosenberg Rothstein LLP pursuant to the orders herein dated August 6, 2020, as amended by orders dated March 2, 2021.



AIG Canada, in its capacity as insurer for PACE Securities Corporation, PACE Financial Limited, First Hamilton Holdings Inc., Joseph Thomson, Gerald McRae, Andre Sian, Ernest Eves, Timothy Huxley, Michael Leskovec, Grant Walsh and Larry Smith




PACE Savings & Credit Union Limited, by its Administrator Financial Services Regulatory Authority of Ontario

Digitally signed by Soloman Lam
Date: 2021.06.24 17:33:11 -04'00'

AIG Canada, in its capacity as insurer for PACE Securities Corporation, PACE Financial Limited, First Hamilton Holdings Inc., Joseph Thomson, Gerald McRae, Andre Sian, Ernest Eves, Timothy Huxley, Michael Leskovec, Grant Walsh and Larry Smith

PSC Investment Advisor Ariel Simms, by
his lawyer Barry Papazian

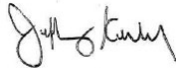


PSC Investment Advisors Patrick Carson,
Gyulmet Ramazanov, Thomas D. Moxam, Pat
Cilla, Thomas Ogilwy, Margaret Pakula, by their
lawyer, Natalie Leon

Barry B. Papazian

PSC Investment Advisor Ariel Simms, by
his lawyer Barry Papazian

PSC Investment Advisors Patrick Carson,
Gyulmet Ramazanov, Thomas D. Moxam, Pat
Cilla, Thomas Ogilwy, Margaret Pakula, by their
lawyer, Natalie Leon

<p>Ernst & Young Inc., in its capacity as Court-Appointed Liquidator of the estate and effects of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited, and not in its personal or corporate capacities</p> <p>Per:</p>  <p>Jeffrey D. Kerbel Senior Vice-President</p>	<p>MNP, in its capacity as Court-Appointed Liquidator of the estate and effects of First Hamilton Holdings Inc. First Hamilton Financial Services Inc., First Hamilton General Partner 2 Inc., First Hamilton Capital Inc. and First Hamilton Mortgage Brokers Inc., and not in its personal or corporate capacities</p> <p>Per:</p> <p>Jerry Henechowicz, CPA, CA, CIRP, LIT Senior Vice President</p>
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Ernst & Young Inc., in its capacity as Court-Appointed Liquidator of the estate and effects of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited, and not in its personal or corporate capacities

Per:

Jeffrey D. Kerbel
Senior Vice-President

MNP, in its capacity as Court-Appointed Liquidator of the estate and effects of First Hamilton Holdings Inc. First Hamilton Financial Services Inc., First Hamilton General Partner 2 Inc., First Hamilton Capital Inc. and First Hamilton Mortgage Brokers Inc., and not in its personal or corporate capacities

Per:


Jerry Henechowicz, CPA, CA, CIRP, LIT
Senior Vice President

Court File No. CV-20-00641372-00CL

IN THE MATTER OF A WINDING UP OF FIRST HAMILTON HOLDINGS INC., FIRST HAMILTON FINANCIAL SERVICES INC., FIRST HAMILTON CAPITAL INC., FIRST HAMILTON GENERAL PARTNER 2 INC. and FIRST HAMILTON MORTGAGE BROKERS INC.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

SETTLEMENT APPROVAL ORDER

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Jesse Wright (LSO# 80382Q)

Tel: 416.646.6314
jesse.wright@paliareroland.com

Representative Counsel

SCHEDULE "E"

To : FILE
From :
Date : September 24, 2021
Subject : iA process for handling Settlement Funds to be distributed to over 700 Investor Claimants
Summary

Paliare Roland Rosenberg Rothstein LLP (“**Representative Counsel**”) was appointed to represent the interests of more than 700 investors (the “**Investor Claimants**”) who purchased preference shares of Pace Financial Limited (“**PFL**”) or First Hamilton Holdings Inc. (“**FHH**”), and, in one instance, units of Pace Capital Partners LP (“**PCP**”) (such units, together with the preference shares of PFL and FHH, the “**Preference Shares**”).

Ernst & Young Inc. was appointed as liquidator of PSC, PFL, Pace Insurance Brokers Limited, and Pace General Partner Limited (the general partner of PCP) (the “**PACE Liquidator**”). Laurentian Bank Securities Limited (“**LBS**”) was PSC’s carrying broker and the custodian of its securities and its clients’ cash and securities.

Upon appointment of the liquidator, the accounts of the Investor Claimants listed at Laurentian Bank were closed. It is currently estimated that, of the accounts closed, approximately 240 were registered accounts holding qualified investments within the meaning of the Income Tax Act.

Further to the a settlement that was approved the Court on July 30, 2021 (the “**Settlement**”), Representative Counsel is recommending that Investor Claimants receive their proportionate share of a fund totaling \$40 million (the “**Settlement Fund**”) less Professional Costs, which are estimated at \$6 million. Thus, a net amount of approximately \$34 million (the “**Net Settlement Fund**”) is expected to be available for distribution to Investor Claimants, subject to final Court approval.

We understand that Representative Counsel will request Court approval for the allocation and distribution of the Net Settlement Fund to the Investor Claimants by **Industrial Alliance, Insurance and Financial Services Inc.** (the “**iA**” or the “**Distribution Agent**”). iA will work in conjunction with **Farber Wealth Management Inc.** to facilitate the opening of accounts and possible investment of those funds for the Investor Claimants in accordance with the following process.

Step 1: Transmission of required information

- The names and contact information of Investor Claimants will be transmitted to iA by Representative Counsel, E&Y and/or Laurentian Bank.
- The following essential information is required by iA so that it may properly fulfil its role and obligations as Distribution Agent:
 - Type of registration
 - Contract Holder Information (Last name, first name, SIN, date of birth, full address, telephone, email, gender, language of communication)

iA Financial Group, its employees, agents and registered representatives do not provide specific legal, accounting or tax advice, and the provision of the above information and any oral or written communication regarding the same should not, nor is it intended to be construed as such.

- Joint Contract holder information in a non-registered contract, if applicable (Last name, first name, SIN, date of birth, complete address, telephone number, e-mail address, gender, language of communication)
- RRSP Spouse Information, if applicable (Last name, first name, SIN, date of birth)
- Information on an administrator or agent representing the claimant to be identified (Last name, First name, SIN, date of birth, complete address, telephone, e-mail, gender, language of communication).

Step 2: Court Order re. Receipt and Allocation of Funds by iA

As outlined in the proposed Allocation and Distribution Order (“**Distribution Order**”):

- Upon receipt of the Settlement Fund, Representative Counsel will deduct Professional Costs and transfer the Net Settlement Funds of approximately \$34 million to iA as Distribution Agent.
- iA shall open one or more accounts in respect of each Investor Claimant corresponding to the Investor Claimant’s account(s) at LBS, including with respect to the tax registration status of each account.
- iA shall deposit into each account, a share of the Net Settlement Funds that is set forth in a schedule to be attached to the Distribution Order.
- Initially, the amounts will be held on behalf of each Investor Claimant in a high interest savings account, free of any charge, awaiting one-on-one meetings with the Farber Wealth Management Inc. as financial advisor;
- Client consent requirement for the opening of the new accounts are postponed until meeting with a Farber Wealth advisor is;
- iA will be authorized by the Distribution Order to obtain all personal information in respect of Investor Claimants that is required to open the account;
- The registered status of the accounts opened at iA shall mirror the registered status of the accounts when held at LBS. To this end, an Investor Claimant who is an Annuitant of a registered account shall sign the appropriate forms for the registration of a registered account issued by the Distribution Agent within six months from the date of the deposit of funds into their account.
- The Investor Claimants’ relationship with the Distribution Agent shall be governed by such operating and other agreements as may be settled by them in the ordinary course, provided that Investor Claimants shall not be under any obligation to maintain their account(s) with the Distribution Agent and that the Distribution Agent shall not charge Investor Claimants a fee in respect of the Distribution.

Step 3: Meeting with Clients by a financial advisor at Farber Wealth

- Financial advisors at Farber Wealth will meet with each Investor Claimant to attend to all of the formalities of opening the accounts, to establish an investor profile; and offer the Clients the possible options, free of charge, namely:
 - Preserve the high interest account at iA;
 - Transfer the funds to another financial services distributor;
 - Transfer the funds to any investment option available offered by iA, after an assessment of the Client’s situation and risk profile

iA Financial Group, its employees, agents and registered representatives do not provide specific legal, accounting or tax advice, and the provision of the above information and any oral or written communication regarding the same should not, nor is it intended to be construed as such.

- iA offers a broad range of investment alternatives including Segregated Funds Clients, which will provide Clients with the benefit of preservation of capital, probate benefits, creditor protection, and nomination of beneficiary using the segregated fund wrapper at iA.
- Clients are under no obligation to retain their account at iA. After meeting with a Farber Wealth representative, they are free to redeem their investment and close their account with iA at no cost.

Benefits of maintaining funds at iA

- iA is one of the largest life and health insurance corporations in Canada and also offers individual wealth management services.
- Founded in 1892 and is an important Canadian public company and is listed on the Toronto Stock Exchange.
- Reputable and trusted institution
- Offers a broad range of investment alternatives, including segregated funds which may be particularly well suited for demographics
- No fees or obligation to Investor Claimants

Farber Wealth – Approach explained

- Trusted financial advisor with hundreds of years of collective experience
- Strategic partnership with iA gives clients access to robust investment and financial service offering
- An experienced team of wealth management professionals—which includes CPAs, CFA's, actuaries, and CFPs—will help Clients design and achieve their long-term personal financial goals
- Customized solutions based on understanding of Client's needs and life circumstances
- Farber wealth differentiates the service offering by being fully transparent in the approach and believes that each client will make decisions based on a comprehensive consultative basis with the full knowledge of the consequences thereof
- Farber Wealth prides itself on the ability to obtain a deep level of understanding of each unique situation and provide solutions that fit those very specific needs.

SCHEDULE "F"

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
R.S.O. 1990, C. B.16, AS AMENDED

AND IN IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
R.S.C., 1985, C. C-44, AS AMENDED

AND IN THE MATTER OF A WINDING UP OF
PACE SECURITIES CORP., PACE FINANCIAL LIMITED,
PACE INSURANCE BROKERS LIMITED AND
PACE GENERAL PARTNER LIMITED

Applicants

FIRST REPORT OF THE LIQUIDATOR

June 16, 2020

INTRODUCTION

1. This first report (the “**First Report**”) is filed by Ernst & Young Inc. (“**EYI**” or the “**Liquidator**”) in its capacity as Liquidator of the estate and effects of the Applicants, Pace Securities Corp. (“**PSC**”), Pace Financial Limited (“**PFL**”), Pace Insurance Brokers Limited (“**PIB**”) and Pace General Partner Limited (“**PGPL**”) (collectively the “**Companies**”) for the purposes of winding up their business and affairs and distributing their property pursuant to the Order of the Honourable Mr. Justice Hainey dated May 14, 2020 (the “**Appointment Order**”). A copy of the Appointment Order is attached hereto as **Appendix “A”**.
2. The purpose of this First Report is to provide the Court with information regarding the Liquidator’s motion for an order substantially in the form attached as Schedule “A” to the

Liquidator's Notice of Motion, approving and authorizing the Share Transfer Process (as defined below).

TERMS OF REFERENCE

3. In preparing this First Report and making the comments herein, the Liquidator has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Companies' books and records, discussions with the management of the Companies and information from other third-party sources (collectively, the "**Information**"). Future oriented financial information relied upon in this First Report is based on assumptions regarding future events; actual results achieved may vary from this information and these variations may be material.
4. The Liquidator has not audited, reviewed or otherwise verified the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Professional Accountants Handbook and, accordingly, the Liquidator expresses no opinion or other form of assurance in respect of the Information.
5. The Liquidator will make a copy of this First Report, and related documents, available on the Liquidator's website at www.ey.com/ca/pacesecurities.
6. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian Dollars.
7. Capitalized terms not defined in the First Report have the meaning ascribed to them in the Appointment Order.

OVERVIEW

8. PSC and PFL are each corporations incorporated under the *Business Corporations Act* (Ontario). Their registered and head office is located at 50 Burnhamthorpe Road West, Suite 600, Mississauga, Ontario L5B 3C2. Joe Thomson was the CEO and was a director of PSC and PFL.

9. PSC is an investment dealer regulated by The Investment Industry Regulatory Organization of Canada (“**IIROC**”) and an investment fund manager regulated by the Ontario Securities Commission (“**OSC**”).
10. PSC does not hold its customers’ cash and securities itself. Rather, pursuant to the IIROC rules, PSC was an introducing broker that was a party to an Introducing Type 2 Arrangement and, as such, PSC’s client accounts were held with its carrying broker, Laurentian Bank Securities Limited (“**LBS**”).
11. PFL carried on business as an investment vehicle for accredited investors to earn fixed dividends from an investment in a basket of high-yield bonds. PFL raised capital by selling preference shares. PFL used those proceeds to purchase high-yield bonds on “margin” through its accounts at PSC. The interest and any trading profits earned on the bonds net of management costs from PSC and other expenses was to be used to fund regular dividend payments to the preference shareholders.
12. Margin is a form of loan whereby the broker loans money to its client to allow the client to purchase more securities than could otherwise be purchased with the amount of money the client has available in the account. The interest-bearing loan in the account is collateralized by the securities and cash in the account. Because LBS is PSC’s carrying broker, any margin loans provided through a PSC account were in fact provided by LBS.
13. Almost all of PFL’s investors are retail investors, and many of its investors are customers of PSC. PSC provided brokerage, investment and business management services to PFL.
14. Like PFL, First Hamilton Holdings Inc. (“**FHH**”)¹ sold preference shares, accompanied by warrants for one series of shares, to investors and used the proceeds from those shares to invest in a basket of high-yield bonds, the interest and gains on which were intended to be used to pay management fees to PSC and dividends to holders of the preference shares, as well as to fund other business ventures. As at the date of the Appointment Order, FHH was indebted to LBS in the approximate amount of \$2.8 million on account of margin provided by LBS to FHH.

¹ Joe Thomson was the CEO and is a director of FHH.

15. PGPL is a corporation incorporated under the *Canada Business Corporations Act* and is a holding company that owns 100% of the common shares of PFL. PGPL also acts as the general partner for Pace Capital Partners L.P. (“PCP”).
16. PCP is a limited partnership. PCP raised money through accredited investors and invested the proceeds in high-yield bonds on margin through LBS. The majority of investors that subscribed for units of PCP have since redeemed their units. There are five remaining investors in and limited securities (mostly illiquid) owned by PCP. PCP is indebted to LBS in the approximate amount of \$107,000 on account of margin provided by LBS to PCP. PSC provided brokerage, investment and business management services to PCP.
17. On May 14, 2020, EYI was appointed as Liquidator of the estate and effects of the Companies. Pursuant to the Appointment Order, all of the Companies’ employees were terminated.
18. As a result of the foregoing, IIROC convened an expedited hearing and, on May 21, 2020, a Hearing Panel of IIROC issued an order, among other things, suspending PSC’s membership in IIROC and ordering that PSC immediately cease dealing with the public.
19. Also, on May 21, 2020, MNP Ltd. (“MNP”) was appointed, pursuant to an order of this Court as liquidator of the estate and effects of, among other entities, FHH.
20. On June 5, 2020 the OSC suspended PSC’s investment fund manager registration.

CUSTOMER ACCOUNTS AND INVESTMENTS

21. PSC managed approximately 2,000 active registered and non-registered accounts for about 1,200 clients. As of May 21, 2020, the market value of the retail accounts managed by PSC and held at LBS was approximately \$117 million.
22. Nearly half of active PSC customer accounts held at LBS (registered and non-registered) contain as investments, among other things, private company preference shares of either PFL, FHH or both, as well as FHH warrants. A history of the preference shares issued by PFL and FHH is summarized below:

- a) PFL issued approximately 1.63 million preference shares between July 2017 and February 2018 at a price of \$10 per share. In May 2018, all outstanding shares were split which resulted in a total of approximately 3.3 million outstanding shares at a total investment value of approximately \$16.3 million; and
- b) FHH issued approximately 3.3 million preference shares between April 2018 and June 2019 also at a price of \$10 per share, for a total investment value of approximately \$32.5 million.
23. Approximately 77% of all PFL preference shares issued and nearly 100% of all FHH preference shares issued are held by LBS. These shares are held by LBS in certificate form in the name of “LBS in trust for [customer name]”. The remaining preference shares are held by customers themselves as physical certificates.
24. The active PSC customer accounts at LBS are comprised of a mixture of registered accounts (e.g. RRSP, RESP, RRIF, etc.) and non-registered accounts (e.g. cash, margin, TFSA, etc.). The varying composition of investments held by customers between their registered and non-registered accounts is summarized in the chart below:

	# of Non-Registered Accounts	# of Registered Accounts
Accounts containing no securities (i.e. only cash)	150	68
Accounts containing only PFL and/or FHH preference shares or warrants	333	116
Accounts containing PFL and/or FHH preference shares or warrants, as well as other securities	168	307
Accounts containing other securities, but no PFL or FHH preference shares or warrants	359	506
TOTAL	1,010	997

25. The Liquidator is working cooperatively with LBS and IIROC to complete the transfer of these active PSC customer accounts to new investment dealers (the “**Receiving Brokers**”) as soon as possible.
26. The Receiving Brokers have informed the Liquidator that they will not accept the PFL or FHH preference shares as part of the account transfer process.
27. It is the Liquidator’s understanding, based on discussions with LBS and a review of the PFL and FHH account statements at PSC, that PFL’s and FHH’s investments consist almost entirely of debt instruments (bonds), where there is currently no ability to immediately realize on these bonds. Furthermore, based on the Liquidator’s review of the PFL and FHH offering memoranda, extracts of which are attached hereto as **Appendix “B”**², the Liquidator notes the following:
 - a) PFL and FHH are private corporations not listed on any stock exchange. Accordingly, there is no known market on which the preference shares or warrants can be sold and therefore no apparent liquidity for the preference shares and warrants;
 - b) PFL and FHH are the only parties that can redeem or buy back the preference shares and warrants;
 - c) PFL and FHH do not have sufficient funds to redeem or buy back the preference shares and warrants;
 - d) it is highly unlikely that a PFL or FHH shareholder may find an arm’s length buyer for their preference shares given both PFL and FHH are in liquidation; and
 - e) the preference shares are not insured against loss by either the Canada Deposit Insurance Corporation or the Canadian Investor Protection Fund.
28. The Liquidator has reviewed the debt instruments (bonds), being the primary assets held by PFL and FHH.

² Appendix “B” contains extracts of the offering memorandum for PFL. The FHH offering memorandum is substantially similar.

29. In the case of FHH, on May 18, 2020, LBS took possession of the bonds in FHH's account held as collateral against monies owed by FHH to LBS on margin. At the present time, it is unclear whether sufficient funds will be realized on the eventual sale of the bonds to repay LBS in full and generate a net surplus for distribution to the preferred shareholders of FHH, after the costs of liquidation. Based on the current circumstances, including the points noted in paragraph 27 above, it is reasonable to conclude at the present time that the net realizable value of FHH's preferred shares is \$nil.
30. PFL on the other hand does not have a margin loan. It holds bonds that either are restricted for sale in the U.S. to qualified institutional buyers or trade infrequently and at low volumes. Most of these bonds are high yield and high-risk speculative investments. As a result, while there may be a realization possible over time, these bonds would be difficult to immediately realize upon. Based on the foregoing, it is reasonable to conclude that the realizable value of PFL's preference shares in an arm's length transaction would presently approach \$nil given the uncertainty as regards to the realization value of the bonds PFL holds and as described in paragraph 27 above, the difficulty a shareholder of PFL would face in finding an interested buyer.

ACCOUNT TRANSFER PROCESS

31. Following the commencement of this proceeding, the Liquidator, in consultation with LBS and IIROC, determined that it was in the best interests of the PSC estate to transfer PSC's client accounts to other investment dealers expeditiously so that PSC's clients can regain control over their accounts. It is the Liquidator's understanding that the majority of the former PSC investment advisors have joined Aligned Capital Partners Inc. ("**Aligned**"), with one advisor going to CIBC Wood Gundy and another to Manulife.
32. In facilitating the account transfer process, the Liquidator was advised by Aligned that it is not prepared to accept the PFL or FHH preference shares or warrants because, among other things, they do not trade electronically, they do not have CUSIP numbers, there are concerns as to their valuation, and PFL and FHH are both in liquidation proceedings and are being wound up.

33. The Liquidator has been working with LBS to make the necessary logistical arrangements for the transfer of client accounts as soon as practicable. However, the preference shares and warrants of PFL and FHH need to be removed from clients' registered and non-registered accounts in order to complete the transfers. Removing the PFL and FHH preference shares and warrants from the clients' non-registered accounts is straightforward. Removing these securities from registered accounts may have potential tax implications for PSC's clients.
34. Aside from removing the PFL and FHH preference shares from registered accounts, there are few (if any) practical options that would permit the account transfer process to proceed on a timely basis.
35. One of those options would be for a plan trustee to hold these shares in a shell RRSP for an indefinite period of time. LBS has indicated that it is not prepared to do so. The Liquidator has spoken with a representative of Computershare to determine if transferring the shares within an RRSP from LBS to Computershare would be possible. Although such a migration of accounts may be possible, the costs of holding RRSPs at Computershare could cost in the range of \$150,000 to \$200,000 per year, plus termination fees. There is no funding available to pay these fees.
36. Based on the foregoing, the Liquidator is proposing to take the following steps with respect to the PFL and FHH preference shares and warrants in PSC customer accounts (the "**Share Transfer Process**") in order to facilitate the expeditious transfer of PSC's client accounts to other investment dealers:
 - a) LBS will deregister, as applicable, and transfer all PFL and FHH preference shares and warrants from customers' accounts to EYI at zero value;
 - b) EYI will hold the PFL and FHH preference shares and warrants on behalf of PSC customers until such time as the affairs of PFL and FHH are wound up or as otherwise directed by a customer in writing;
 - c) once the wind-ups of PFL and FHH are complete, PSC customers will be notified by EYI or MNP, as the case may be, as to the redemption value, if any, of their

PFL and FHH preference shares and warrants so that they can deal with any tax or other reporting; and

- d) upon issuance of an order of this Court approving the Share Transfer Process, the Liquidator will send a notice to all PSC customers who hold PFL and / or FHH preference shares and warrants advising them that the steps described above will be taken. The form of the proposed notice is attached hereto as **Appendix “C”**.
37. As explained above, any preference shares or warrants of PFL and/or FHH in PSC customer accounts are registered in LBS’s name in trust for the customers. Any of these securities requested by customers to be transferred to themselves from EYI as described in paragraph 36(b) above will be sent to them in their current form. If customers would like to have the securities registered in their own names, they will have to make their own arrangements in that regard at their own expense.
38. As stated above, the goal is to transfer customer accounts to new investment dealers as quickly as possible so that customers can regain control of their accounts. Removal of the PFL and FHH preference shares and warrants from the accounts held at LBS is a necessary step to complete the transfer of customer accounts. The Liquidator is of the view that the Share Transfer Process is the most reasonable and appropriate manner to complete the transfer of the accounts on an expeditious basis, and it is being submitted to this Court for approval with the consent of LBS and IIROC.
39. The Liquidator is working cooperatively with LBS and IIROC to effect the transfer of customer accounts to Receiving Brokers as quickly as possible. The Liquidator understands that LBS’s fees for transferring these accounts will be charged to the client accounts. The Liquidator also understands that Aligned and possibly the other Receiving Brokers may cover the fees on behalf of customers.
40. The Liquidator cannot estimate or predict the potential tax consequences (if any) for PSC customers arising from the Share Transfer Process. The Liquidator is of the view that, since there are currently no funds available to redeem the PFL preference shares, and the Liquidator understands that MNP, in its capacity as liquidator of FHH, also does not have

any funds available to redeem the FHH preference shares and warrants, there is presently no realizable value for these shares.

RECOMMENDATION

41. For the reasons enumerated above, the Liquidator requests an order approving the Share Transfer Process as outlined in this First Report.

All of which is respectfully submitted this 16th day of June, 2020.

ERNST & YOUNG INC.,

Solely in its capacity as Liquidator of
Pace Securities Corp., Pace Financial Limited,
Pace Insurance Brokers Limited, and Pace General Partner Limited
and not in its personal or corporate capacity

Per:



Jeffrey D. Kerbel
Senior Vice-President

Appendix "A"
Appointment Order

Court File No. • CV-20-641059-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE MR.	)	WEDNESDAY, THE 14 th DAY
)	
JUSTICE HAINEY	)	OF MAY, 2020

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
R.S.O. 1990, C. B.16, AS AMENDED

AND IN IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
R.S.C., 1985, C. C-44, AS AMENDED

AND IN THE MATTER OF A WINDING UP OF
PACE SECURITIES CORP., PACE FINANCIAL LIMITED,
PACE INSURANCE BROKERS LIMITED AND
PACE GENERAL PARTNER LIMITED



WINDING-UP ORDER

THIS APPLICATION, made by Pace Securities Corp. (“PSC”), Pace Financial Limited (“PFL”), Pace Insurance Brokers Limited (“PIB”), Pace General Partner Limited (“PGPL”, together with PSC, PFL and PIB, the “Companies”), pursuant to section 207 of the *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended (the “OBCA”) and section 214 of the *Canada Business Corporations Act*, RSC 1985, c. C-44 (the “CBCA”), for an Order, among other things, winding up each of the Companies, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Mitch Vininsky affirmed on May 14, 2020, and on hearing the submissions of counsel for the Companies,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS** that that each of the Companies shall be wound up pursuant to section 207 of the OBCA and section 214 of the CBCA with effect as of the date of this Order.

NO PROCEEDINGS AGAINST THE COMPANIES OR THEIR PROPERTY

3. **THIS COURT ORDERS** that from the date of this Order until further order of this Court (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Companies, any of its subsidiaries or affiliates, or the Liquidator, or affecting any of the Companies' current or future assets, undertakings or properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof, and for greater certainty, including all funds on deposit with Laurentian Bank Securities and all customer accounts (collectively, the "**Property**"), except with the written consent of the Liquidator, or with leave of this Court, and any and all Proceedings currently under way against or in respect of or affecting the Property are hereby stayed and suspended pending further order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

4. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Companies or the Liquidator, or affecting the Property, including rights of set-off, are hereby stayed and suspended except with the written consent of the Liquidator, or leave of this Court, provided that nothing in this Order shall: (i) empower the Liquidator to carry on any business which the Companies are not lawfully entitled to carry on; (ii) exempt the Liquidator from compliance with statutory or regulatory provisions relating to health, safety or the environment;

- (iii) prevent the filing of any registration to preserve or re-perfect an existing security interest; or
- (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

5. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, lease, sub-lease, licence or permit in favour of or held by the Companies, except with the written consent of the Liquidator, or leave of this Court.

CONTINUATION OF SERVICES

6. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Companies or statutory or regulatory mandates for the supply of goods and/or services, including, without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, employee benefits, transportation services, utility, leasing or other services to the Companies, are hereby restrained until further order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Liquidator, and that the Liquidator shall be entitled to the continued use of the Companies' current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Liquidator in accordance with normal payment practices of the Companies or such other practices as may be agreed upon by the supplier or service provider and the Liquidator, or as may be ordered by this Court.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

7. **THIS COURT ORDERS** that during the Stay Period, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Companies with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Companies whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers of the Companies, except with the written consent of the Liquidator or leave of this Court.

THE LIQUIDATOR

8. **THIS COURT ORDERS** that Ernst & Young Inc. is hereby appointed pursuant to section 210 of the OBCA and section 217(b) of the CBCA as liquidator (in such capacity, the "**Liquidator**") of the estate and effects of the Companies for the purpose of winding up their business and affairs and distributing their Property, and the Companies' officers, directors, employees, consultants, agents, experts, accountants, counsel and such other persons currently retained or employed by it shall co-operate fully with the Liquidator in the exercise of its powers and discharge of its obligations and provide the Liquidator with the assistance that is necessary to enable the Liquidator to adequately carry out the its functions.

9. **THIS COURT ORDERS** that the Liquidator is expressly empowered and authorized, but not obligated, to do any of the following:

- (a) take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) deposit all money belonging to the Companies in any bank of Canada listed in Schedule I or II to the *Bank Act (Canada)* or in any trust corporation or loan corporation that is registered under the *Loan and Trust Corporations Act* or in any other depository approved by the Court, which deposits shall not be made in the name of the Liquidator individually, but shall be separate deposit accounts in the Liquidator's name as Liquidator of the Companies;
- (c) carry on the business of the Companies so far as may be required as beneficial for the winding up of the Companies;
- (d) sell any of the Property by public auction or private sale or, where applicable, through a stock exchange, and receive payment of the purchase price either in cash or otherwise;
- (e) enter into one or more agreements for the transfer of the Companies' client accounts to other investment dealers on such terms as the Liquidator may in its discretion deem appropriate;

- (f) take such steps with respect to accounts of deferred customers (as that term is defined in the *Bankruptcy and Insolvency Act* (the "BIA")) as the Liquidator may in its discretion deem appropriate;
- (g) engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Liquidator's powers and duties, including engaging the services of a broker to effect the sale of securities held by the Companies;
- (h) do all acts and execute, in the name and on behalf of the Companies, all documents, and for that purpose use the seal of the Companies, if any;
- (i) draw, accept, make and endorse any bill of exchange or promissory note in the name and on behalf of the Companies;
- (j) make such compromise or other arrangement as the Liquidator thinks expedient with any creditor or person claiming to be a creditor or having or alleging that he, she or it has a Claim whereby the Companies may be rendered liable;
- (k) compromise all debts and liabilities capable of resulting in debts, and all claims, whether present or future, certain or contingent, liquidated or unliquidated, subsisting or supposed to subsist between the Companies and any contributory, alleged contributory or other debtor or person who may be liable to the Companies and all questions in any way relating to or affecting the Property, or the winding up of the Companies, upon the receipt of such sums payable at such times and generally upon such terms as are agreed, and the Liquidator may take any security for the discharge of such debts or liabilities and give a complete discharge in respect thereof;
- (l) disclaim any leases entered into by the Companies;
- (m) cause to be filed with the appropriate governmental authority all tax returns required to be filed by the Companies, their subsidiaries and, if necessary, any

- 6 -

- trusts or special purpose entities for which the Companies continue to have responsibility;
- (n) remit all taxes required to be remitted by the Companies in accordance with all applicable statutes;
 - (o) obtain any all applicable clearance certificates from governmental authorities;
 - (p) cause to be filed with the appropriate governmental authority all financial statements and reports required to be filed by the Companies;
 - (q) establish and implement a claims process in respect of any or all of the Companies;
 - (r) in respect of each of the Companies, pay or otherwise satisfy all claims from the Property thereof if there are sufficient funds to do so, and after satisfying all such claims, distribute the remaining Property or proceeds thereof (if any) rateably among the registered shareholders thereof according to their rights and interests;
 - (s) bring or defend any action, suit or prosecution, or other legal proceedings, civil or criminal, in the name and on behalf of the Companies;
 - (t) at any time after the affairs of any of the Companies have been fully wound up, make an application to the Court for an order dissolving any or all of the Companies;
 - (u) wind up or dissolve all wholly-owned subsidiaries of the Companies; and
 - (v) do and execute all such other things as are necessary for winding up the business and affairs of the Companies and distributing the Property.

10. **THIS COURT ORDERS** that the Liquidator shall provide any creditor or shareholder of the Companies with information provided by the Companies in response to reasonable requests for information made in writing by such creditor or shareholder addressed to the Liquidator or its legal counsel. The Liquidator shall not have any responsibility or liability with respect to the

information disseminated by it pursuant to this paragraph. In the case of information that the Liquidator has been advised by the Companies is confidential or otherwise material, non-public information, the Liquidator shall not provide such information to creditors or shareholders unless otherwise directed by this Court, or on such terms as the Liquidator may agree.

11. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Liquidator under the OBCA and the CBCA, the Liquidator shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Liquidator by the OBCA or any applicable legislation.

12. **THIS COURT ORDERS** that the Liquidator and counsel to the Liquidator shall be paid their reasonable fees and disbursements incurred both before and after the making of this Order, in each case at their standard rates and charges, that the Liquidator and counsel to the Liquidator shall be entitled to and are hereby granted a charge (the "**Administration Charge**") on the Property, as security for such fees and disbursements, and that the Administration Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any Person.

13. **THIS COURT ORDERS** that the Liquidator and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Liquidator and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

14. **THIS COURT ORDERS** that prior to the passing of their accounts, the Liquidator shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

15. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge shall not be required, and that the Administration Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or

perfected subsequent to the Administration Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

16. **THIS COURT ORDERS** that the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Administration Charge shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA or otherwise; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Companies, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Administration Charge shall not create or be deemed to constitute a breach by the Companies of any Agreement to which it is a party;
- (b) none of the chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Administration Charge; and
- (c) the payments made by the Companies pursuant to this Order and the granting of the Administration Charge do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable, reviewable, void or voidable transactions under any applicable law.

FUNDING OF THE LIQUIDATION

17. **THIS COURT ORDERS** that the Liquidator be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$250,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may

arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Liquidator by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Liquidator's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Administration Charge.

18. **THIS COURT ORDERS** that neither the Liquidator's Borrowings Charge nor any other security granted by the Liquidator in connection with its borrowings under this Order shall be enforced without leave of this Court.

19. **THIS COURT ORDERS** that the Liquidator is at liberty and authorized to issue certificates substantially in the form annexed as **Schedule "A"** hereto (the "**Liquidator's Certificates**") for any amount borrowed by it pursuant to this Order.

20. **THIS COURT ORDERS** that the monies from time to time borrowed by the Liquidator pursuant to this Order or any further order of this Court and any and all Liquidator's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Liquidator's Certificates.

EMPLOYEES

21. **THIS COURT ORDERS** that all employees of the Companies shall be deemed terminated as of the date of this Order. The Liquidator shall not be liable for any employee-related liabilities other than such amounts as the Liquidator may specifically agree in writing to pay.

PIPEDA

22. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Liquidator shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to

whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Liquidator, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Liquidator, or ensure that all other personal information is destroyed.

SERVICE AND NOTICE

23. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: www.ey.com/ca/pacesecurities.

24. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Liquidator is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to interested parties at their respective addresses as last shown on the records of the Companies and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

25. **THIS COURT ORDERS** that Liquidator may from time to time apply to this Court for advice and directions in the discharge of its powers and duties under this Order.
26. **THIS COURT ORDERS** that nothing in this Order shall prevent the Liquidator from acting as a trustee in bankruptcy of the Companies.
27. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Liquidator and its respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Liquidator, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Liquidator in any foreign proceeding, or to assist the Liquidator and its respective agents in carrying out the terms of this Order.
28. **THIS COURT ORDERS** that the Liquidator be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Liquidator is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.
29. **THIS COURT ORDERS** that any interested party (including the Liquidator) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

30. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Daylight Time on the date of this Order.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

MAY 15 2020

A handwritten signature in black ink, appearing to read "Hailey J.", written over a horizontal line.

PER / PAR: 

SCHEDULE "A"

LIQUIDATOR'S CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that Ernst & Young Inc., the liquidator (the "**Liquidator**") of the assets, undertakings and properties of by Pace Securities Corp., Pace Financial Limited and Pace General Partner Limited (collectively, the "**Companies**"), including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 13th day of May, 2020 (the "**Order**") made in an action having Court file number __-CL-_____, has received as such Liquidator from the holder of this certificate (the "**Lender**") the principal sum of \$_____, being part of the total principal sum of \$_____ which the Liquidator is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Liquidator pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order, and the right of the Liquidator to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the

Liquidator to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Liquidator to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Liquidator does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20__.

**ERNST & YOUNG INC., solely in its
capacity as Liquidator of the Property, and
not in its personal capacity**

Per: _____
Name:
Title:

IN THE MATTER OF A WINDING UP OF
PACE SECURITIES CORP., PACE FINANCIAL LIMITED, AND
PACE GENERAL PARTNER LIMITED.

Court File No. CV-20-641059-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

WINDING-UP ORDER

GOODMANS LLP
Barristers & Solicitors
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

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jwadden@goodmans.ca

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Lawyers for the Applicants

7059651

Doc#4780501v5

Appendix “B”

Sample Excerpt Offering Memorandum

PACE FINANCIAL LIMITED

Series A 5% Cumulative Redeemable Retractable Non-voting Term Preference Shares

Confidential

OFFERING MEMORANDUM

June 27, 2017

This Offering Memorandum is for the confidential use of only those persons to whom it is transmitted and delivered in connection with this Offering for the purpose of evaluating the securities offered under this Offering Memorandum, which includes all amendments thereof. By their acceptance of this Offering Memorandum, recipients agree that they will not transmit, reproduce or make this Offering Memorandum and any information contained herein available to anyone, other than their professional advisors. No person – whether from the issuer or any other party - has been authorized to give any information or to make any representation not contained in this Offering Memorandum. Any such information or representation which is given or received but not included in this Offering Memorandum must not be relied upon.

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. Purchasers should read the entire Offering Memorandum for full details about the Offering. This is a risky investment. See ITEM 8 - Risk Factors.

Pace Financial Limited is a wholly owned indirect subsidiary and, accordingly, a “related issuer” (within the meaning of National Instrument 33-105) of Pace Securities Corp., a registrant with the Ontario Securities Commission. See Section 2.1 – Corporate Structure – of this Offering Memorandum.

Confidential Offering Memorandum

Date:	June 27, 2017 (revised July 20, 2017)
Issuer’s Name:	Pace Financial Limited (the “ Issuer ”)
Head Office Address:	8111 Jane Street, Unit 1, Vaughan, Ontario, Canada, L4K 4L7
Phone:	905-532-9633
Email:	jthomson@pacesecurities.com
Fax:	905-738-8283
Currently listed or quoted?	These securities do not trade on any exchange or market.
Reporting Issuer?	No.
SEDAR filer?	No.

SUMMARY

Securities Offered	Series A 5% Cumulative Redeemable Retractable Non-voting Term Preference Shares See ITEM 5.1 for details regarding the Preference Shares.
Price Per Security	\$10.00 per Preference Share
Maximum Offering	\$10,000,000 (1,000,000 Preference Shares) or such other amount as the Issuer may determine
Minimum Aggregate Offering	There is no minimum. You may be the only purchaser. Funds available under the Offering may not be sufficient to accomplish our proposed objectives.
Minimum Aggregate Subscription Amount Per Investor	There is no minimum subscription amount that an investor must invest.
Subscription Payment Terms	Payment of the subscription price in full by certified cheque, bank draft, wire transfer of immediately available funds or other form of payment acceptable to the Issuer to be made with the delivery of a duly executed and completed Subscription Agreement. See ITEM 5.2 - Subscription Procedure.
Dividend Rate	Dividends are calculated quarterly on Preference Shares outstanding on the last day of March, June, September and December of each year, the first such dividend is payable on July 20, 2018 and thereafter dividends are payable quarterly on the 20 th day of the month following each quarter-end, as follows: (i) base dividends calculated at a rate of five percent (5%) per annum, and (ii) discretionary bonus dividends of up to two percent (2%) per annum determined by the Issuer's board of directors in its discretion based on the profitability of the Issuer.
Term and Fixed Redemption Date	The Term will be up to approximately five and one-half years, depending on the subscription date, with a fixed redemption date of December 31, 2022 (subject to the Issuer's right to extend the date of redemption for a period or periods aggregating up to 6 months but not past June 30, 2023).
Early Redemption and Retraction Provisions	Early Redemption: At any time after July 1, 2019, the Issuer has the right to redeem the Preference Shares in whole or in part at any time and from time to time on 30 days' notice. Retraction on Death: In the event that a holder of Preference Shares dies, that person's estate has the right, on not less than 90 days' notice, to require the Issuer to redeem the estate's Preference Shares
Proposed Closing Date(s)	Closings will take place periodically, at the Issuer's discretion (each a " Closing Date "). The initial Closing Date is scheduled to be on or about July 31, 2017. The Issuer contemplates multiple closings thereafter.
Income Tax Consequences	There are important tax consequences to acquiring, holding and disposing of these securities. See ITEM 6 - Income Tax Consequences.
Purchaser's Rights	You have two (2) Business Days to cancel your agreement to purchase these Preference Shares. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See ITEM 11 – Purchaser's Rights.
Resale Restrictions	The Preference Shares are not listed on any stock exchange and there is no intention to list the Preference Shares on any stock exchange. You will be restricted from selling your Preference Shares for an indefinite period. You will not be able to sell your Preference Shares except in very limited circumstances. The Preference Shares may, commencing one year after their date of issuance (but not before), be sold "over-the-counter" in private transactions and then only to those purchasers who qualify to be able to purchase such Preference Shares in accordance with certain prospectus exemptions available under applicable securities laws. The Preference Shares are non-transferable without consent for one year after issuance. For any re-sale you must use the Issuer's indirect parent corporation, Pace Securities Corp., a registered investment dealer, as your agent and Pace Securities Corp. will, at your request and without any commission or fee payable for its services, assist in trying to locate such a qualified purchaser. However, there is no assurance that a purchaser will be located. You may never be able to resell your Preference Shares. See ITEM 10 - Resale Restrictions.

THE OFFERING

ITEM 1 - USE OF AVAILABLE FUNDS

1.1 Available Funds

The following table discloses the available funds of this Offering:

		Assuming Minimum Offering	Assuming Maximum Offering ⁽¹⁾
A.	Amount to be raised pursuant to this Offering	\$0	\$10,000,000
B.	Selling commissions and fees ⁽²⁾	\$0	\$300,000
C.	Estimated Offering costs ⁽³⁾	\$75,000	\$100,000
D.	Available funds: $D = A - (B + C)$	(\$75,000)	\$9,600,000
E.	Additional sources of funding required	\$0	\$0
F.	Working capital deficiency ⁽⁴⁾	\$0	\$0
G.	Total: $G = (D + E) - F$	(\$75,000)	\$9,600,000

Notes:

- (1) The Issuer may at any time and from time to time increase the Maximum Offering Amount or may create other series of preference shares and issue such shares with such attributes (as to dividend rates, term until maturity and other attributes) as the board of directors of the Issuer may from time to time determine.
- (2) Assuming an aggregate of 3% of the gross proceeds of this Offering will be paid as selling commissions and finder's fees. **See ITEM 7 - Compensation Paid to Sellers and Finders.**
- (3) Legal, accounting, auditing and other expenses of the Offering.
- (4) As at the date of this Offering Memorandum.

1.2 Use of Available Funds

The following table provides a detailed breakdown of how the Issuer will use the available funds of this Offering in the twelve (12) months ensuing from the date of this Offering Memorandum:

Description of Intended Use of Available Funds Listed In Order of Priority	Assuming Minimum Offering	Assuming Maximum Offering
The available funds of this Offering shall be used by the Issuer to acquire Eligible Debt Instruments that meet the Issuer's criteria to accumulate a Portfolio of such Debt Instruments. See ITEM 2.2 – Business of the Issuer.	\$0	\$9,600,000
Total	\$0	\$9,600,000

1.3 Reallocation

The Issuer intends to use the available funds of this Offering as stated herein. The board of directors of the Issuer will reallocate the available funds of this Offering only for sound business reasons.

1.4 Future Cash Calls

An investor in these securities will not be required to make any additional funds available to the Issuer in addition to his, her or its subscription amount.

ITEM 2 - BUSINESS OF THE ISSUER

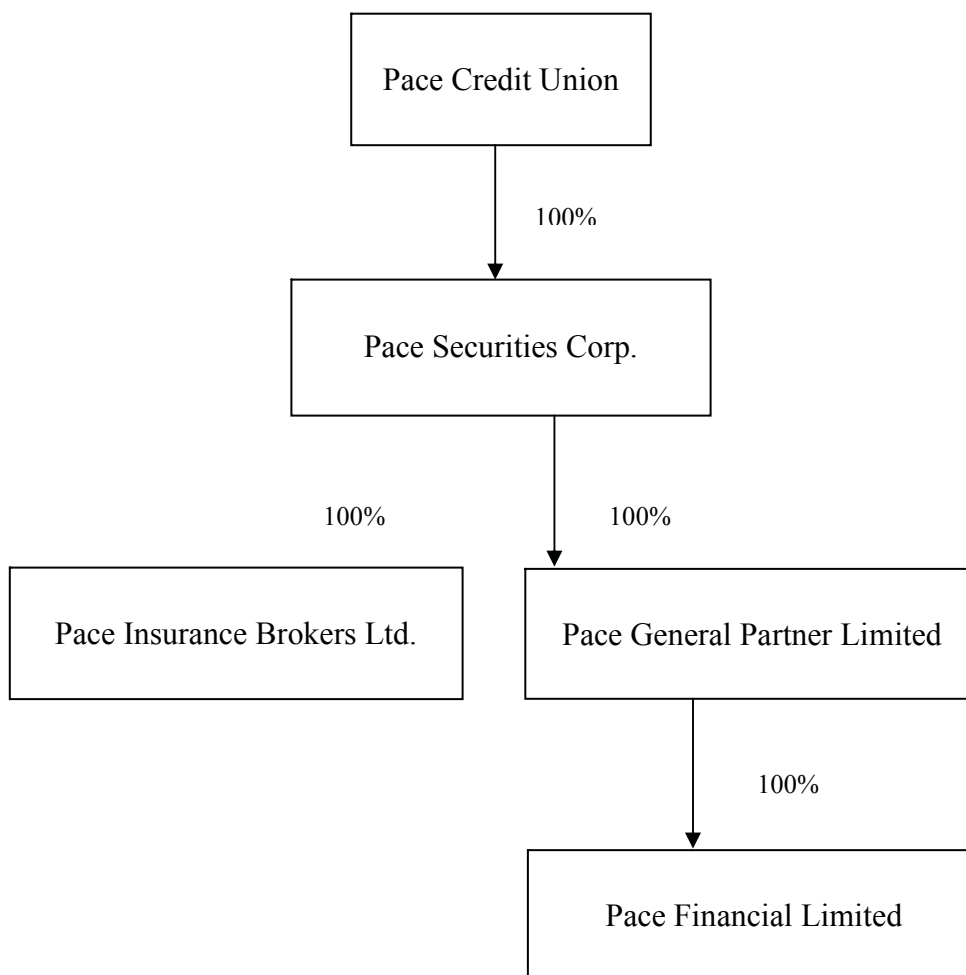
2.1 Corporate Structure

The Issuer is a corporation that was incorporated under the laws of the Province of Ontario (under the OBCA) on June 22, 2017. The Issuer's head office and registered office is located at Unit 1, 8111 Jane Street, Vaughan, Ontario, Canada, L4K 4L7.

The authorized capital of the Issuer consists of (i) an unlimited number of Common Shares and (ii) an unlimited number of preference shares issuable in series (of which an unlimited number of Series A preference shares have been created), of which 100 Common Shares (with an aggregate paid-up capital of \$1.00) and no Preference Shares are issued and outstanding as at the date of this Offering Memorandum.

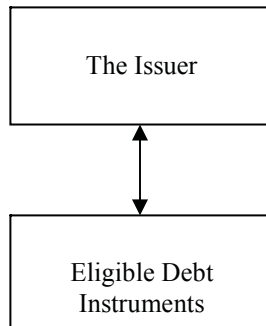
The Issuer is a wholly-owned direct subsidiary of Pace General Partner Limited, which is a wholly-owned direct subsidiary of Pace Securities Corp. Each is a wholly-owned direct or indirect subsidiary of Pace Credit Union. The Issuer is a "related issuer" (within the meaning of National Instrument 33-105) of Pace Securities Corp., a registrant with the Ontario Securities Commission in the category of "investment dealer". See also Section 2.3 – Related Party Matters. The proceeds of this Offering will be used for the Issuer's business as described in this Offering Memorandum and will not be used for the benefit of Pace Securities Corp. except in respect of asset management fees (see Note 3 to the Table in Section 3.1 – Compensation and Securities Held) and selling commissions (see Item 7 – Compensation Paid to Sellers and Finders).

2.1.1. Diagram of Material Corporate Structure



2.2 Business of the Issuer

2.2.1. Transaction Structure Diagram



2.2.2. Pace Financial Limited (the “Issuer”)

The Issuer is a newly incorporated private corporation, formed on June 22, 2017 pursuant to the OBCA.

The Issuer’s business plan is to invest in the acquisition of Debt Instruments. Currently, its criteria for Eligible Debt Instruments, as established through discussions with the Manager, are the following: (i) Eligible Debt Instruments must be issued in Canadian or United States currency, (ii) at least 50% of the Issuer’s Portfolio should be rated with a “B” rating or better, (iii) once the Portfolio exceeds \$10,000,000, no one Debtor should represent more than 10% of the Portfolio, and (iv) once the Portfolio exceeds \$10,000,000, no industry sector should represent more than 30% of the Portfolio. The Issuer expects that all Debt Instruments will be held to their respective maturity dates although, for sound business reasons, certain selected Debt Instruments may be sold before their respective maturity dates.

The Issuer will offer Preference Shares for sale to Subscribers looking for fixed income securities. The proceeds from the sale of the Preference Shares will be used by the Issuer to fund the acquisition of Eligible Debt Instruments that meet its criteria. The Issuer will retain Pace Securities Corp., a registered investment dealer in Ontario, as Manager to provide the services of investment fund manager through a managed account for the Issuer’s Portfolio held by the Manager. Once a potential Eligible Debt Instrument is identified, the Debtor’s industry, assets, liabilities, cash flow and other financial attributes will be analyzed, then the interest rate, principal, discounted price, security, current effective yield, expected yield to maturity and other financial terms and attributes of the Debt Instrument will be analyzed to determine if such Debt Instrument meets the criteria for an Eligible Debt Instrument. If it meets the criteria for Eligible Debt Instruments, a subjective assessment will be made of the appropriate amount of the Eligible Debt Instrument to be acquired. As well, the documentation related thereto and the Debtor’s creditworthiness will also be subjected to a prompt and thorough review. A thorough analysis will be conducted of each Debtor by means of information gathered from ratings agencies, research reports written by third parties, credit assessment tools offered by Bloomberg LP and the Manager’s and Issuer’s own data. Depending on the industry, the Manager has access to several databases, which assists the assessment of credit risk. The Issuer intends to have a diversified Portfolio to address the spread of risk. Levels of concentration will be carefully monitored and, by the time that the proceeds of the maximum amount of this Offering are fully deployed, to reach no more than ten percent (10%) concentration per Debtor.

Upon review and approval of the Debt Instruments as Eligible Debt Instruments and determination of a decision to acquire a particular Eligible Debt Instrument, the Manager will acquire the Eligible Debt Instrument on behalf of the Issuer. After each Eligible Debt Instrument has been processed and financed, the Manager and the Issuer will each continue to monitor the financial performance of the Debtor to determine whether to continue to hold such Debt Instrument to its maturity or to sell such Debt Instrument prior to maturity..

The management of the Eligible Debt Instruments including all purchases and collections will be performed by the Manager on behalf of the Issuer or may be contracted to a third-party.

2.3 Related Party Matters

The Issuer is owned by one shareholder, Pace General Partner Limited, which is a wholly-owned subsidiary of Pace Securities Corp., which is a wholly-owned subsidiary of Pace Credit Union. Refer to the corporate structure set out in the diagram in ITEM 2.1.1 above.

Notes:

- (1) Subscribers advance subscription proceeds to the Issuer pursuant to this Offering and the Issuer issues Preference Shares to those Subscribers.
- (2) Proceeds from the subscription of Preference Shares are used to purchase Eligible Debt Instruments and to pay for the costs of this Offering. The Issuer intends to pay general corporate overhead and operating expenses only out of the income provided by investments of Eligible Debt Instruments in the Portfolio and does not intend to pay for any such general corporate overhead and operating expenses out of the proceeds of the Offering.

2.6 Development of the Business

The Issuer was established to carry on business as an investment corporation, principally through using the services of its indirect parent corporation, PACE Securities Corp., in the capacity as investment fund manager to invest funds raised by the Issuer from private investors, including through this Offering.

The Issuer intends to use the available funds from this Offering for the acquisition of Eligible Debt Instruments. As Debt Instruments mature, the Portfolio will be refreshed on a regular basis through the replacement and acquisition of new Eligible Debt Instruments.

As the Issuer's business develops and the proceeds from this Offering are deployed to acquire Eligible Debt Instruments, the Issuer may issue additional Series A Preference Shares or may from time to time create and offer for sale other series of preference shares with dividend rates and other attributes that reflect market conditions at the applicable times. Alternatively, the Issuer may issue other forms of equity or debt securities, depending on market conditions. There is no assurance that the Issuer will be successful in completing any substantial amount of this Offering or any other financings.

2.7 Long-Term Objectives

The Issuer's long-term goal is initially to raise up to \$10,000,000 ("**Maximum Offering Amount**"), the available funds of which will be used to acquire Eligible Debt Instruments. The amount of Eligible Debt Instruments acquired is contingent upon the amount of proceeds raised pursuant to this Offering. **See ITEM 2.2 – Business of the Issuer.**

Once the capital from the Offering is deployed, the Issuer intends to assess its capital needs and, if appropriate, to raise additional funds for the development of its businesses through the offering of additional series of preference shares having attributes that are reflective of market conditions at the applicable time or other forms of equity or debt securities, depending on market conditions. The Issuer also reserves the right to launch other offerings of other series of preference shares and other forms of equity or debt securities, depending on market conditions.

The anticipated costs to be incurred by the Issuer with respect to completion of its long-term objectives are comparable to those of its short-term objectives and are as set out in **ITEM 2.8 – Short-Term Objectives**. The Issuer intends to pay general corporate overhead and operating expenses only out of the income generated by investments in Eligible Debt Instruments in the Portfolio or from loans from its direct or indirect parent corporations and does not intend to pay for any such general corporate overhead and operating expenses out of the proceeds of the Offering.

2.8 Short-Term Objectives and How the Issuer Intends to Achieve Them

The Issuer anticipates one or more closings of the Offering within a period covering approximately six (6) months. The initial closing is anticipated to take place on or about July 31, 2017. Upon each closing, the Issuer intends to continue to acquire Eligible Debt Instruments using the available funds of this Offering as such funds are raised. The Issuer plans to distribute Preference Shares only in Ontario.

What We Must Do and How We Will Do It	Target Completion Date or, If Not Known, Number of Months To Complete	Issuer's Cost to Complete
Raise up to \$10,000,000 (or such other amount as the Issuer may determine) and use the funds available from time to time from this Offering to purchase Eligible Debt Instruments	The initial closing is anticipated to take place on or about July 31, 2017 with additional closings completed within approximately 6 months	\$400,000 ⁽¹⁾

Note:

- (1) The cost to complete depends upon the extent to which selling commissions and finders' fees are paid, as well as upon the

number of Preference Shares issued under this Offering. Kindly refer to **ITEM 1.1 – Available Funds**.

2.9 Insufficient Funds

The Issuer does not anticipate having insufficient funds to accomplish its objectives. The available funds raised from this Offering will be committed to the business objectives of the Issuer. The Issuer does not intend to hold any significant cash reserves, other than those amounts necessary to pay for all administration and operating expenses incurred by the Issuer in the conduct of its business. The Issuer does not anticipate requiring additional funds to pursue its objectives. However, the Issuer does intend to develop and expand its business over time and, for such purposes, the Issuer may raise additional funds through the offering of additional series of preference shares having attributes that are reflective of market conditions at the applicable time or other forms of equity or debt securities, depending on market conditions, all with a view to further develop its business objectives. See **ITEM 2.7 – Long-Term Objectives**.

2.10 Material Agreements

The following are the material agreements (“**Material Agreements**”) which the Issuer has entered into or expects to enter into or which can reasonably be regarded as presently being material to the Issuer or a prospective Preference Shareholder pursuant to this Offering.

Copies of the Material Agreements and ancillary documentation related to the Offering may be inspected during normal business hours at the offices of the Issuer, subject to privacy laws and policies and confidentiality.

2.10.1. Subscription Agreement

The Issuer will enter into a Subscription Agreement with each Subscriber for the issuance of Preference Shares. See **ITEM 5.2 – Subscription Documents**.

2.10.2. Notice of Assignment

The Issuer and seller of each Eligible Debt Instrument generally provide a Notice of Assignment to each Debtor advising such Debtor that payment of all interest, principal and other amounts under the applicable Debt Instrument is to be made directly to the Issuer. Notwithstanding that an acknowledgment from the Debtor is requested, no consent is required to implement the assignment.

2.10.3. Dealers and Finders

The Issuer anticipates paying various persons for acting as “finders”, as permitted by and pursuant to applicable securities legislation, and, in respect thereof, to pay finders’ fees equal to 3% of the subscription amounts for referring subscribers of Preference Shares to the Issuer.

The Issuer anticipates entering into various agreements from time to time with qualified agents, such as exempt market dealers, to assist with the Offering of the Preference Shares and, in such circumstances, to pay commissions of up to 3% of the gross proceeds realized on the issuance of Preference Shares.

2.10.4. Management Agreement

The Issuer intends to enter into various agreements with the Manager as investment fund manager as well as investment dealer for the opening and operating of one or more managed accounts for the assessment and acquisition of Eligible Debt Instruments. The Issuer expects to pay fees to the Manager at standard rates common in the industry for those services – namely, asset management fees of 0.25% per month (3.0% per annum) calculated on the value of the Portfolio from time to time plus performance fees equal to 50% of profits earned provided that, in the event that the Issuer has a deficit (i.e. no profits or inadequate profits to provide for base dividends on the Preference Shares) for any particular quarter-yearly period, the asset management fees or performance fees will be reduced to the extent necessary to enable the Issuer to meet its dividend obligations, if possible, or, if not possible, waived for such period and, to those extents, will be payable in such reduced amount or will not be payable, as the case may be.

ITEM 3 - DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

The following table provides specified information about each director, officer and promoter of the Issuer and each person who

ITEM 4. - CAPITAL STRUCTURE

4.1 Share Capital

The authorized capital of the Issuer consists of (i) an unlimited number of Common Shares and (ii) an unlimited of preference shares issuable in series (in respect of which an unlimited number of Series A preference shares have been created), of which 100 Common Shares (and no other shares of any other classes) are issued and outstanding as at the date of this Offering Memorandum.

The following table describes the authorized and the outstanding securities of the Issuer, including any options, warrants and other securities convertible into shares (of which there are none).

Description of Security	Number Authorized to be Issued	Price Per Security	Number Outstanding as at the date of this Offering Memorandum	Number Outstanding Assuming Completion of Minimum Offering	Number Outstanding Assuming Completion of Maximum Offering
Common Shares	Unlimited	\$0.01	100	100	100
Series A Preference Share	Unlimited	\$10.00	0	0	1,000,000

4.2 Long-Term Debt

As of the date of this Offering Memorandum, the Issuer had \$ nil of long-term debt.

4.3 Prior Sales of Preference Shares

No securities of the class being offered under this Offering Memorandum – namely, Series A Preference Shares - have been issued within the last twelve (12) months or at any time prior thereto.

ITEM 5 - SECURITIES OFFERED

5.1 Terms of Securities

Securities: The securities being offered pursuant to this Offering are Series A 5% Cumulative Redeemable Retractable Non-voting Term Preference Shares. The price of each Preference Share is \$10.00. There is no minimum amount that is required to be raised for this Offering. There is no maximum or minimum number of Preference Shares which can be purchased by any Subscriber.

Maturity and Redemption: The Preference Shares will have an approximate term of between five years and five and one-half years and will mature on December 31, 2022 (the “**Fixed Redemption Date**”), on which date the Issuer is obligated to redeem the Preference Shares; provided, however, the Issuer has the right to extend the Fixed Redemption Date from time to time for a period or periods aggregating up to six (6) months (but not past June 30, 2023) for liquidity purposes or for any other proper corporate purpose.

On the 20th day after the Fixed Redemption Date, as such date may be extended by the Issuer for up to 6 months (but not past June 30, 2023), the Issuer is obligated to pay, for each Preference Share issued and outstanding at that time, the redemption price comprised of the original subscription amount (namely, \$10.00 per share) plus all accrued and unpaid dividends up to and including the Fixed Redemption Date as such date may be extended.

Retraction on Death: In the event that a holder of Preference Shares dies, that holder’s estate has the right, on not less than 90 days’ notice, to require the Issuer to redeem the estate’s Preference Shares at a redemption price comprised of the original subscription amount (namely, \$10.00 per share) plus all accrued and unpaid dividends up to and including the most recent dividend payment date.

Early Redemption: After July 1, 2019, the Issuer may at any time or from time to time redeem any or all of the Preference Shares in part (on a *pro rata* basis) or in whole by providing the Preference Shareholders with at least thirty (30) days’ and not more than sixty (60) days’ prior written notice of the Issuer’s intention to do so. On the date so fixed for redemption, the Issuer will pay to the holder of each such Preference Share being redeemed the redemption price comprised of the original subscription amount (namely, \$10.00 per share) plus all accrued and unpaid dividends up to and including the most recent dividend payment date.

Purchase by Tender: The Issuer may also purchase Preference Shares in part or in whole at any time during the term of the Preference Shares by tender (any such invitation to tender must be sent by the Issuer to all Preference Shareholders and the Issuer is obligated to purchase those Preference Shares with the lowest tender prices and, in the event that there is an excess of Preference Shares tendered at the same price, such Preference Shares must be purchased *pro rata* among those shareholders who have tendered at that price). The purchase price for Preference Shares so tendered may not be greater than the amount which would be payable for Preference Shares on redemption.

Purchase by Private Contract: The Issuer may also purchase Preference Shares in part or in whole at any time during the term of the Preference Shares by private contract (negotiated with individual holders of Preference Shares). The purchase price for Preference Shares so being purchased by private contract may not be greater than the amount which would be payable for Preference Shares on redemption.

Dividends: Each Preference Share will entitle the holder thereof to the following dividends from the date such Preference Share is issued by the Issuer. Dividends are calculated quarterly on Preference Shares outstanding on the last day of March, June, September and December of each year; the first such dividends are payable on July 20, 2018 and thereafter such dividends are payable quarterly on the 20th day of the month following each quarter-end, as follows: (i) base dividends calculated at a rate of five percent (5%) per annum, and (ii) discretionary bonus dividends of up to two percent (2%) per annum determined by the Issuer's board of directors in its discretion based on the profitability of the Issuer. These dividend rates established by the Issuer apply only to the Series A Preference Shares; any other series of preference shares created at a later date will carry dividend rates and other terms reflective of market conditions at that time.

Obligations Unsecured: The Issuer's obligations represented by the redemption price of the Preference Shares are unsecured obligations and will rank *pari passu* (i.e. on equal footing; ranking equally) between and among themselves and, on redemption, the payment of the redemption price will be subordinate to all other secured and unsecured debt obligations of the Issuer.

Funding of Redemption: Management of the Issuer will have sole discretion with respect to how the Issuer will fund or finance the redemption of the Preference Shares. Management may decide to use its existing cash on hand if any, sell assets (principally Debt Instruments), or raise additional capital or equity in the Issuer or use a combination of the above methods to accomplish the redemption of the Preference Shares. Debt Instruments will have varying terms to maturity which may be a number of years and may not have liquid markets to facilitate sales of Debt Instruments prior to maturity; accordingly, there is no assurance that any of the above methods of funding the redemption of the Preference Shares will be successful or, if pursued, will raise enough funds to redeem all of the Preference Shares at the time fixed for redemption. Pursuant to certain statutory tests in the OBCA, the Issuer must meet certain tests in order to be able to redeem Preference Shares – including that, after payment of the redemption price, the Issuer will be able to meet its liabilities generally as they come due and the realizable value of its assets are not less than the aggregate of its liabilities plus the amount required to redeem all other shares ranking equal or in priority to the Preference Shares. Accordingly, it is possible that the Issuer may not have the financial ability or the legal capacity to redeem all or any Preference Shares upon maturity.

No Voting Rights: The Preference Shares do not carry any voting rights except in limited circumstances prescribed by the OBCA.

Transfer Restrictions: Without the express consent of the board of directors of the Issuer, the Preference Shares cannot be sold, assigned or transferred within one year of the date on which they are issued.

Limited Recourse: Recourse under the terms of the Preference Shares will be limited to the redemption price of the Preference Shares – namely, the subscription price plus all accrued and unpaid dividends to the date of redemption. The Issuer cannot redeem Preference Shares unless the Issuer can, at the time of redemption meet certain “solvency” tests under the OBCA. Pursuant to certain statutory tests in the OBCA, the Issuer must meet the following test – namely that, after payment of the redemption price, the Issuer will be able to meet its liabilities generally as they come due and the realizable value of its assets are not less than the aggregate of its liabilities plus the amount required to redeem all other shares ranking equal or in priority to the Preference Shares. There is no additional recourse by Preference Shareholders for any deficiency in value of the Preference Shares in the event of non-payment or default by the Issuer of redemption of the Preference Shares – more particularly, the Issuer's parent corporations (Pace Credit Union, Pace Securities Corp. and Pace General Partner Limited) will not be liable or in any way responsible for payment of any amounts to the Preference Shareholders, whether for dividends, redemption amounts or otherwise.

Currency: The Series A Preference Shares are denominated in Canadian currency. Other series of preference shares may be denominated in the currencies of Canada or the United States. In the event that Eligible Debt Instruments denominated in United States dollars are acquired by the Issuer and the Canadian dollar appreciates significantly against the United States dollar after such Debt Instruments are acquired but before they mature and are paid, the Issuer could incur foreign currency exchange losses on those Debt Instruments denominated in United States dollars and those losses could be substantial. The Issuer generally does not hedge its exposure to fluctuations in the exchange rate between the United States dollar and the Canadian dollar.

Specified Amount: For the purposes of subsection 191(4) of the Tax Act the “specified amount” in respect of each Series A Preference Share is \$10.00.

considerations relevant where Preference Shares are acquired within a Plan as a “non-qualified investment” (as defined in the Tax Act) are not discussed in this summary.

The Preference Shares will not be a “prohibited investment” for trusts governed by a TFSA, RRSP or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, (1) does not deal at arm’s length with the Issuer for purposes of the Tax Act, or (ii) has a “significant interest”, as defined in the Tax Act for the purposes of the prohibited investment rules, in the Issuer. In addition, the Preference Shares will not be a “prohibited investment” if the Preference Shares are “excluded property” (as defined in the Tax Act) for trusts governed by a TFSA, RRSP or RRIF. Holders or annuitants should consult their own tax advisors with respect to whether the Preference Shares would be prohibited investments, including with respect to whether the Preference Shares would be “excluded property”.

Not all securities are eligible for investment in a Plan. You should consult your own tax advisors to obtain advice on whether the Preference Shares are “qualified investments” for any particular Plan.

ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS

The Issuer reserves the right, pursuant to applicable securities legislation, to retain agents to help effect sales of the Preference Shares. If the Issuer retains agents, they will be paid certain aggregate fees and commissions on the gross proceeds received by the Issuer on the Preference Shares sold with the assistance of such agents. Commissions of up to 3% of the gross proceeds received by the Issuer on the sale of Preference Shares will be paid by the Issuer to qualified agents, such as exempt market dealers and investment dealers (including Pace Securities Corp.), pursuant to each subscription completed by the Issuer through such agent.

The Issuer also reserves the right to enter into agreements with other persons for acting as “finders”, as permitted by and pursuant to applicable securities legislation, and, in respect thereof, to pay to such finders a fee of up to 3% of the gross proceeds from such referrals for referring potential subscribers of Preference Shares to the Issuer. Pace Credit Union is exempt from the registration requirements under applicable securities legislation and, in the event that any Subscribers of the Preference Shares are referred to the Issuer by employees of Pace Credit Union, the full finder’s fees payable to Pace Credit Union will be paid to such employees of Pace Credit Union; Pace Credit Union will not retain any part of such finder’s fees.

ITEM 8 - RISK FACTORS

The subscription for Preference Shares pursuant to this Offering should only be made after consulting with independent and qualified investment and tax advisors. Investment in the Preference Shares is highly speculative. The Issuer’s business involves a high degree of risk, which a combination of experience, knowledge and careful evaluation may not be able to overcome. Subscribers for Preference Shares must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Issuer. This Offering is suitable for investors who are willing to rely solely upon the management of the Issuer and who can afford a total loss of their investment.

In addition to factors set forth elsewhere in this Offering Memorandum, a Subscriber should carefully consider the following factors, many of which are inherent to the ownership of the Preference Shares. The following is a summary only of some of the risk factors involved in investing in Preference Shares. A Subscriber should review these risks with their investment, legal and tax advisors.

Investment and Issuer Risk

1. **Not Reviewed by Regulator:** A Subscriber under this Offering will not have the benefit of a review of this Offering Memorandum by any securities regulatory authority or regulator and no such authority or regulator has approved this Offering.
2. **No Deposit Insurance:** The Preference Shares offered pursuant to this Offering Memorandum are not insured against loss through the Canadian Deposit Insurance Corporation or any other insurance company or program. The Preference Shareholder’s only recourse for dividends and the redemption amounts is the Issuer.
3. **No Reporting Required:** The Issuer employs Chartered Professional Accountants to audit its financial statements on at least an annual basis and will make financial information available upon request by existing holders of Preference Shares. However, the Issuer is not required to provide quarterly financial statements or any other reporting to its shareholders – and the Issuer does not intend to do so. Accordingly, Preference Shareholders will have limited reporting from the Issuer for monitoring the performance of the business of the Issuer or monitoring their investments in Preference Shares.
4. **Limited Working Capital:** The Issuer is a newly incorporated corporation and has limited capital. Its only source of funds will be from the Offering. Once one or more Closings of this Offering have been completed, the Issuer intends to acquire

Eligible Debt Instruments with its available funds and, accordingly, the Issuer may from time to time have a limited amount of working capital as the available proceeds of this Offering will be used to acquire Eligible Debt Instruments.

5. **Insufficient Funds:** Funds available from the Offering may not be sufficient to accomplish the Issuer's proposed objectives.
6. **Securities:** The Preference Shares offered by the Issuer are not a direct investment in the Eligible Debt Instruments but an investment in shares of the Issuer, the proceeds of which will be used by the Issuer to acquire Eligible Debt Instruments.
7. **Currency:** The Series A Preference Shares are denominated in Canadian currency. Other series of preference shares may be denominated in the currencies of Canada or the United States. In the event that Eligible Debt Instruments denominated in United States dollars are acquired by the Issuer and the Canadian dollar appreciates significantly against the United States dollar after such Eligible Debt Instruments are acquired and before they mature and are paid, the Issuer could incur losses on those Eligible Debt Instruments denominated in United States dollars and those losses could be substantial. The Issuer generally does not expect to hedge its exposure to fluctuations in the exchange rate between the United States dollar and the Canadian dollar.
8. **Shares are Subordinate to Debt:** Preference Shares comprise part of the capital of the Issuer and are not debt obligations. Accordingly, on an insolvency, liquidation or other winding up of operations of the Issuer, the redemption price of the Preference Shares will rank subordinate to all indebtedness, including all secured and unsecured obligations of the Issuer.
9. **Obligations Unsecured:** The Issuer's obligations represented by the redemption price of the Preference Shares are unsecured obligations and will rank *pari passu* (i.e. on equal footing; ranking equally) between and among themselves and will be subordinate to all other secured and unsecured debt obligations of the Issuer.
10. **Redemption Risk:** There can be no assurance that if additional funding is required by the Issuer to redeem any or all of the Preference Shares, in whole or in part, that such financing will be available on terms satisfactory to the Issuer, or at all. If the Issuer does not have sufficient funds on hand to redeem any or all of the Preference Shares on their Fixed Redemption Date and cannot secure financing, it will not be able to redeem any or all of the Preference Shares in a timely way and investors will not recover all that they invested in the Preference Shares in a timely way. Moreover, if the Issuer is unable to recover the principal and interest on its investments in Debt Instruments in a timely way by collection or sale or if the Issuer suffers losses on its investments in Debt Instruments, the Issuer may not be able to redeem any or all of the Preference Shares in a timely way or at all and investors may not recover in a timely way or at all the funds that they invested in the Preference Shares.
11. **Funding of Redemption:** Management of the Issuer will have sole discretion with respect to how the Issuer will fund or finance the redemption of the Preference Shares. Management may decide to use its existing cash on hand, if any, sell assets (principally Debt Instruments), raise additional capital or equity in the Issuer or use a combination of the above methods to accomplish the redemption of the Preference Shares. Debt Instruments will have varying terms to maturity which may be a number of years and may not have liquid markets to facilitate sales of Debt Instruments prior to maturity; accordingly, there is no assurance that any of the above methods of funding the redemption of the Preference Shares will be successful or, if accomplished, will raise enough funds to redeem all of the Preference Shares. Pursuant to certain statutory tests in the OBCA, the Issuer must meet certain tests – including that, after payment of the redemption price, the Issuer will be able to meet its liabilities generally as they come due and the realizable value of its assets are not less than the aggregate of its liabilities plus the amount required to redeem all other shares ranking equal or in priority to the Preference Shares. Accordingly, it is possible that the Issuer may not have the financial ability or legal capacity to redeem all or any Preference Shares upon maturity or at all.
12. **Corporate Reorganizations:** As all of the voting shares of the Issuer are held by one corporation, which is a wholly owned subsidiary within a family of such corporations, any one or more of such corporations within that family of corporations may amalgamate to form one corporation ("Amalco"). On such an amalgamation, Amalco would own all of the assets of the amalgamating corporations and would be subject to all of the debts and liabilities of all of the amalgamating corporations. If one of the amalgamating corporations is Pace Securities Corp., Amalco will not be able to redeem any of the Preference Shares without the approval of the Investment Industry Regulatory Organization of Canada if Amalco's regulatory capital (sometimes referred to as 'risk adjusted capital') would not meet certain tests on completion of such redemption. Moreover, in such circumstances, the redemption amounts payable to redeem the Preference Shares will be subordinated debt, ranking behind Amalco's obligations to its securities customers as well as behind Amalco's obligations to its ordinary secured and unsecured creditors.

13. **Purchase Risk:** The Issuer may purchase some or all of the Preference Shares, in whole or in part, by tender or by private contract with individual Preference Shareholders. While the Issuer is obligated to give notice to all holders of Preference Shares of the series in respect of an invitation to tender, holders of Preference Shares of a series that is not being purchased by tender will not receive notice of such purchases and shall have no knowledge of purchases made by the Issuer. No notice is required to be given in respect of any purchases of Preference Shares being purchased by private contract. Funds used by the Issuer to purchase Preference Shares by private contract will not be available to redeem or purchase Preference Shares in the future. Shareholders will likely have differing opinions concerning factors related to determining whether to sell their Preference Shares to the Issuer, including but not limited to opinions concerning future market interest rates, economic conditions and general market conditions for companies engaged in businesses similar to the business of the Issuer. Shareholders whose opinions concerning these factors more accurately reflect future events may benefit from making superior decisions concerning whether to sell their Preference Shares to the Issuer whether by tender or by private contract.
14. **Obligations Unsecured:** The Issuer's redemption obligations in respect of the Preference Shares are unsecured obligations and will rank *pari passu* (i.e. on equal footing; ranking equally) between and among themselves but will be subordinated to the Issuer's obligations to its secured and unsecured creditors.
15. **Limited Recourse:** Recourse under the terms of the Preference Shares will be limited to the redemption price of the Preference Shares – namely, the subscription price plus all accrued and unpaid dividends to the date of redemption. The Issuer cannot redeem Preference Shares unless the Issuer can, at the time of redemption, meet certain “solvency” tests under the OBCA. Pursuant to certain statutory tests in the OBCA, the Issuer must meet certain tests – including that, after payment of the redemption price, the Issuer will be able to meet its liabilities generally as they come due and the realizable value of its assets are not less than the aggregate of its liabilities plus the amount required to redeem all other shares ranking equal or in priority to the Preference Shares. There is no additional recourse by Preference Shareholders for any deficiency in value of the Preference Shares in the event of non-payment or default by the Issuer of redemption of the Preference Shares.
16. **No Guarantees.** The only assets available for paying dividends and the redemption amounts on the Preference Shares are the assets of the Issuer. No other corporation or entity has provided a guarantee or is otherwise liable or responsible for such payments. More particularly, the Issuer's parent corporations (Pace Credit Union, Pace Securities Corp., Pace General Partner Limited – and its former parent, Pace Insurance Brokers Ltd.) have not guaranteed any such payments and will not be liable or in any way responsible for payment of any amounts to the Preference Shareholders, whether for dividends, redemption amounts or otherwise
17. **Tax Consequences:** The tax consequences associated with an investment in the Preference Shares may be subject to changes in federal and provincial tax laws. There can be no assurance that the tax laws will not be changed in a manner that will fundamentally alter the income tax consequences to holders of Preference Shares regarding holding or disposing of their Preference Shares.
18. **Tax Qualification for Registered Plans:** The qualification of Preference Shares as qualified investments for registered Plans for tax purposes is dependent on the Issuer meeting certain distribution and other requirements prescribed under the Tax Act, such as being able to elect to be a ‘public corporation’ for tax purposes. Although the Issuer intends to meet those criteria and to so elect, there is no assurance that the Issuer will be able to do so and, accordingly, in such circumstances, those Subscribers who are Plans will incur penalties under the Tax Act for having investments which are not qualified investments for such Plans.
19. **Not a Public Company:** The Issuer is a private corporation. The Issuer is not a reporting issuer in any province or territory of Canada and has no intention of becoming a reporting issuer. The Preference Shares are not listed on any stock exchange in Canada and the Issuer has no intention of ever listing the Preference Shares on any stock exchange. Accordingly, there is no liquidity for the Preference Shares and no market on which Preference Shares can be sold.
20. **No Management or Voting Rights:** The directors and officers of the Issuer, and not holders of Preference Shares, will make decisions regarding the management of the Issuer's affairs. Directors are elected by the holder of common shares of the Issuer. Subject to limited rights afforded by the OBCA in particular circumstances, Preference Shareholders will have no right to attend meetings of shareholders or to vote in any manner. A Subscriber must carefully evaluate the personal experience and business performance of each director or officer of the Issuer. In very limited circumstances, such as an insolvency proceeding or certain corporate reorganizations or restructurings, holders of Preference Shares may have a right

to vote on such proceeding, but such vote would be limited in scope and, at that time, a return on the investment in Preference Shares could be compromised or could be non-existent.

21. **Reliance on Key Management Persons:** The success of the Issuer's business strategy depends, to a certain extent, on the efforts and abilities of key members of management of the Issuer and the Manager and their assessment and choice of Eligible Debt Instruments. The Issuer's success also depends on external factors such as, among other things, the general political and economic conditions that may prevail from time to time, which factors are out of the control of the Issuer. A return on investment for a Subscriber of Preference Shares depends upon the revenues received by the Issuer from Debt Instruments and from a recovery of the principal amount of Debt Instruments. There is no assurance that the interest and principal of the Debt Instruments will be paid in a timely way or at all. As a result, there is no guarantee that Preference Shareholders will earn a return on their investment in the Preference Shares or be able to recover the full amount of their investment or any of it in a timely manner or at all.
22. **No Independent Counsel:** No independent counsel was retained by a broker, agent or other intermediary to undertake due diligence investigations or other activities on behalf of the Subscribers with respect to this Offering. There has been no review of the Offering Memorandum by any independent counsel on behalf of the Subscribers, or any other documentation in relation to the Offering.
23. **Limited Operating History:** The Issuer was recently formed to undertake this business. The Issuer has no operating history whatsoever. Past history of the performance of management of the Issuer or the Manager and its business is not indicative of the Issuer's future performance and should not be used to evaluate the Issuer and its business and prospects.
24. **Illiquidity of Investment:** An investment in the Preference Shares of the Issuer is an illiquid investment. **There is currently no market through which the Preference Shares of the Issuer may be sold.** The Issuer is not a "reporting issuer" in any jurisdiction, and a prospectus has not qualified the issuance of the Preference Shares. The Preference Shares are subject to a number of restrictions respecting transferability and resale, including a one-year restriction on re-sale imposed by the articles of the Issuer and other restrictions on re-sale imposed by applicable securities laws. Holders of Preference Shares will not be able to sell their Preference Shares unless they comply with an exemption from the prospectus and registration requirements under securities legislation. Pursuant to the terms of the Subscription Agreement, Subscribers must engage Pace Securities Corp. as the Subscriber's agent for any efforts to sell Preference Shares before their Fixed Redemption Date. **See ITEM 10 - Resale Restrictions.**
25. **Timing Risks:** Holders of Preference Shares are exposed to liquidity risks arising out of the timing of investments to be made by the Issuer in Eligible Debt Instruments. Those Debt Instruments will have terms to maturity that differ from the redemption date of the Preference Shares. If maturity dates of Debt Instruments are later than the redemption date of the Preference Shares, the Issuer may not be able to sell such Debt Instruments to generate sufficient funds to be able to redeem all of the Preference Shares in a timely way. Although the Issuer intends to address these risks by managing the fixed redemption date of Debt Instruments purchased by the Issuer and managing the issuance and redemption of the Preference Shares in such a way as to maintain positive cash-flow. To meet its redemption obligations, the Issuer may need to raise additional funds through the issuance of other series of preference shares or through borrowings or may need to liquidate Debt Instruments if it is unable to raise such capital. Such liquidation may not be available on attractive terms, in a timely way or at all and the Issuer may not be able to raise sufficient capital in a timely way or at all to meet its redemption obligations. In such circumstances, the Issuer may not be able to redeem the Preference Shares when due or at all.
26. **Dividend Rate Risk:** The base dividend rate returns for each series of Preference Shares are fixed for the term of each series of Preference Shares until their respective fixed redemption dates and are not subject to increase in the event of a general rise in domestic interest rates for other investments. The bonus dividend provisions in the share conditions for Preference Shares are discretionary and there is no assurance that in any year any such bonus dividends will be paid in whole or in part or at all.

Operational and Industry Risks

1. **Credit Risks on Eligible Debt Instruments:** There is no assurance that the Issuer will be able recover any amounts of interest or principal on account of any Debt Instrument in priority to other creditors of the Debtor of the applicable Debt Instrument. Despite a business plan developed by the Issuer in conjunction with the Manager to analyze and assess each potential Eligible Debt Instrument and the corresponding Debtor, there is no assurance that the Eligible Debt Instruments acquired by the Issuer will not go into default or that the Debtors will not seek protection from creditors pursuant to the *Bankruptcy and Insolvency Act* (Canada), *Companies' Creditors Arrangement Act* (Canada), Chapter 11 of the *Uniform Commercial Code* (United States) or other applicable insolvency legislation. In such circumstances, collection of ongoing

interest payments and recovery of the principal of the applicable Debt Instrument could be delayed, reduced, compromised or lost in their entirety. In such circumstances, the Issuer may not have sufficient profits to be able to meet all or any dividend obligations or sufficient capital to meet its redemption obligations in a timely way or at all.

2. **Currency Exchange Rate Risk:** A significant amount of Eligible Debt Instruments are expected to be purchased in United States dollars. Principal and interest payments on such Debt Instruments will be paid in United States dollars. In the event that the exchange rate between the Canadian dollar and the United States dollar changes significantly with an increase in value of the Canadian dollar between the date of purchase of Eligible Debt Instruments and the date of payment(s) by the applicable Debtor, the Issuer could experience a significant loss on such Debt Instruments due to the changing foreign currency exchange rates. The Issuer does not hedge its foreign currency exchange risks.
3. **No Commercial Insurance:** Third party insurance policies do not cover defaults of the Debt Instruments, whether caused by the Debtor's inability to pay, by fraud perpetrated by the seller of the Debt Instruments or by a commercial dispute. Accordingly, in the event of a loss experienced by the Issuer on any Debt Instrument, the Issuer will not have any insurer or other third party from which to seek recovery.
4. **Ongoing Deployment of Funds:** Despite a business plan developed by the Issuer in conjunction with the Manager to grow the Issuer's business, there is no assurance that the Issuer will have the capacity to deploy all of the funds from the Offering in a timely manner. Until such funds can be deployed in a manner which generates net after-tax income in excess of the dividend rates payable on the Preference Shares, the Issuer may not have sufficient profits from those funds to be able to meet all or any dividend obligations. Similarly, in the event that the Issuer collects all principal and interest owing on Debt Instruments before the redemption date of the Preference Shares, the Issuer may not be able to re-deploy such funds in a timely manner or in a way that would provide for repayment on or before the fixed redemption date of the Preference Shares. In such circumstances and during such times, the Issuer may not have sufficient profits from those funds to be able to meet all or any dividend obligations or its redemption obligations.
5. **Systemic Risk:** Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Issuer and/or the Debtors interact on a daily basis.

ITEM 9 - REPORTING OBLIGATIONS

9.1 Reporting to Preference Shareholders

Except as specifically provided for herein, the Issuer is not required to send or make available to holders of Preference Shares any documents on an annual or ongoing basis.

The Issuer is not a reporting issuer in any jurisdiction. The Issuer is not required to send holders of Preference Shares any documents on an annual, quarterly, periodic or ongoing basis – save and except that audited year-end financial statements must be filed with securities regulatory authorities (i.e. the Ontario Securities Commission) and made available to holders of Preference Shares. More particularly, the Issuer is not required to disclose material changes which occur in its business and affairs, nor is it required to file with the securities regulatory authorities any interim financial statements or other materials, nor send holders of Preference Shares notices of annual shareholder meetings.

Other than as required by law, the Issuer does not intend to provide holders of Preference Shares with any reports, updates or other materials on ongoing basis.

Financial or other information relating to the Issuer and provided in the future to holders of Preference Shares may not by itself be sufficient for holders of Preference Shares to assess the performance of their investment.

ITEM 10 - RESALE RESTRICTIONS

These Preference Shares are subject to a number of resale restrictions under its articles of incorporation and under applicable securities legislation, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade these securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation. The Issuer's articles prohibit transfers of Preference Shares without the Issuer's consent for a one-year period following the date of issuance of the applicable Preference Shares. Thereafter, holders of Preference Shares will not be able to sell their Preference Shares unless such selling shareholder is able to comply with the requirements for an

exemption from the prospectus and registration requirements under applicable securities legislation.

Unless permitted under securities legislation, you cannot trade these Preference Shares before the date that is 4 months and a day after the date the Issuer becomes a reporting issuer in any province or territory of Canada.

The Issuer is not a reporting issuer in any province or territory of Canada and has no intention of becoming a reporting issuer in any province or territory of Canada.

The Preference Shares are not listed on any stock exchange in Canada and the Issuer has no intention of ever listing the Preference Shares on any such stock exchange.

The Preference Shares may, commencing one year after their date of issuance (but not before), be sold “over-the-counter” in private transactions and then only to those purchasers who qualify to be able to purchase such Preference Shares in accordance with certain prospectus exemptions available under applicable securities laws. The Preference Shares are non-transferable for one year after issuance. Thereafter, for any re-sale holders of Preference Shares must use the Issuer’s indirect parent corporation, Pace Securities Corp., a registered investment dealer, as the agent for any such sales and Pace Securities Corp. will, at the request of any holder of Preference Shares and without any commission or fee payable for its services, assist in trying to locate such a qualified purchaser. However, there is no assurance that a purchaser will be located.

For information about these resale restrictions, a Subscriber or Preference Shareholder should consult a lawyer.

10.1 General Statement

For trades in **Ontario**, the Preference Shares will be subject to resale restrictions. A holder of Preference Shares will not be able to re-sell the Preference Shares unless (i) if the proposed sale is within one year after the date of issuance of such Preference Shares, the holder receives the consent of the board of directors of the Issuer and (ii) at any time, the holder complies with the requirements for an exemption from the prospectus and registration requirements under securities legislation in respect of the proposed sale.

10.2 Indefinite Restricted Period under Securities Laws

For trades in Ontario, unless permitted under securities legislation, a holder of Preference Shares cannot sell, mortgage or otherwise trade any of the Preference Shares – except pursuant to an exemption from the prospectus requirements of applicable securities legislation - before the date that is four (4) months and a day after the date the Issuer becomes a reporting issuer in any province or territory of Canada. The Issuer does not intend to become a reporting issuer in any province or territory of Canada.

10.3 Resales during the Restricted Period

The Articles of Incorporation of the Issuer provide that Preference Shares are non-transferable without the consent of the board of directors of the Issuer for one year after issuance. For any re-sale, Preference Shareholders must use the Issuer’s indirect parent corporation, Pace Securities Corp., a registered investment dealer, as their agent and Pace Securities Corp. will, on request and without any commission or fee payable for its services, assist in trying to locate such a qualified purchaser. Any such sale must be completed in accordance with an exemption from the prospectus requirements of applicable securities laws. Although Pace Securities Corp. will use reasonable efforts to assist in any such requested sale, there is no assurance that a purchaser will be located, that a reasonable price will be obtainable or that a sale will be able to be completed.

ITEM 11– PURCHASER’S RIGHTS

If you purchase Preference Shares, you will have certain rights, some of which are described below. For complete information about your rights, you should consult a lawyer.

11.1 Two-Day Cancellation Right for a Subscriber

You can cancel your agreement to purchase these Preference Shares. To do so, you must send a written notice to the Issuer before midnight on the 2nd Business Day after signing the Subscription Agreement to buy Preference Shares.

11.2 Statutory Rights of Action in the Event of a Misrepresentation

Ontario securities laws provide Subscribers with a remedy to sue to cancel the agreement to buy these Preference Shares or to sue for damages if this Offering Memorandum, or any amendment hereto, contains a misrepresentation.

Appendix “C”

Proposed Notice to PSC Customers

June X, 2020

To the Customers of Pace Securities Corp.

Dear Sir/Madam:

This letter is to update you on the process that was authorized by the Ontario Superior Court of Justice on June 19, 2020 to facilitate the expedient transfer of all PSC customer accounts from Laurentian Bank Securities to other IIROC Dealer Members.

As mentioned in our letter dated May 22, 2020, Ernst & Young Inc. (“EY”) was appointed by Order of the Ontario Superior Court of Justice on May 14, 2020 to lead the wind-up activities of Pace Securities Corp. (“PSC”), Pace Financial Limited, and related entities. All of the customer accounts of PSC are held by Laurentian Bank Securities (“LBS”) as carrying broker for PSC.

Your PSC investment advisors have begun transferring their clients to other IIROC Dealer Members including Aligned Capital Partners Inc., CIBC Wood Gundy and Manulife Financial. They will be contacting you, if they haven’t already, about completing paperwork so that they can initiate the transfer of your account(s) to their new place of employment. If you intend to have your account(s) transferred to your investment advisor’s new place of employment, please complete the paperwork as soon as possible so that your account(s) can be transferred.

Accounts with Shares of Pace Financial Limited or First Hamilton Holdings Inc.

- Many PSC customer accounts contain as investments, among other things, private company preference shares or warrants of either Pace Financial Limited (“PFL”), First Hamilton Holdings Inc. (“FHH”), or both. If you own these investments, they will **NOT** be transferred as part of the transfer process.
- All of your PFL and/or FHH shares or warrants will be transferred out of your registered and non-registered accounts to EY, who will hold them on your behalf. EY is prepared to hold these securities on your behalf until the affairs of PFL and FHH are wound up. All other securities and cash in these accounts will be transferred into new accounts at your new broker dealer once those accounts have been opened.
- Please note that the preference shares and warrants of PFL and FHH in your accounts are registered in LBS’s name in trust for you.
 - If you wish to have these certificates sent to you in their current form, please contact EY (see contact information below).
 - If you would like to have the securities re-registered in your name, you will have to make your own arrangements for that to occur at your own expense.
 - If you have physical certificates of PFL or FHH in your possession, you may continue to hold these certificates.
- Once the wind-ups of PFL and FHH are complete, PSC customers will be notified as to the redemption value of their PFL and FHH preference shares so that they can deal with any tax or other reporting.

Accounts That Do Not Contain PFL and/or FHH Shares or Warrants

- If your accounts **DO NOT** contain PFL or FHH preference shares or warrants, LBS will be transferring your accounts to your new broker dealer once those accounts have been opened.
- If your account is a non-registered account (e.g. cash account, margin account, TFSA account, etc.) that contains only cash, then, unless you complete transfer paperwork with your advisor, LBS will be sending to you the cash balance from your account via cheque or EFT, and your account will be closed.
- All inactive PSC customer accounts (i.e. accounts containing no cash or securities) will be automatically closed.

If you have any questions, please contact EY at the contact information set out below:

Email: pace.securities@ca.ey.com
Telephone: 1-855-943-7141
Fax: 416-943-3300
Website: www.ey.com/ca/pacesecurities

Yours very truly,

ERNST & YOUNG INC.

**Solely in its capacity as Liquidator of Pace Securities Corp.,
Pace Financial Limited, Pace Insurance Brokers Limited and
Pace General Partner Limited, and not in its personal capacity
Per:**

Jeffrey D. Kerbel, CPA, CA, CIRP, LIT
Senior Vice-President

SCHEDULE "G"

Court File No. CV-20-00641059-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.

)

FRIDAY, THE 19TH

JUSTICE HAINEY

)

DAY OF JUNE, 2020

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
R.S.O. 1990, C. B.16, AS AMENDED

AND IN IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
R.S.C., 1985, C. C-44, AS AMENDED

AND IN THE MATTER OF A WINDING UP OF
**PACE SECURITIES CORP., PACE FINANCIAL LIMITED,
PACE INSURANCE BROKERS LIMITED AND
PACE GENERAL PARTNER LIMITED**

Applicants

ORDER

This motion, made by Ernst & Young Inc. (“EYI” or the “**Liquidator**”), in its capacity as Liquidator of the estate and effects of Pace Securities Corp. (“PSC”), Pace Financial Limited (“PFL”), Pace Insurance Brokers Limited (“PIB”) and Pace General Partner Limited (“PGPL”) (collectively the “**Companies**”) pursuant to the Order of the Honourable Mr. Justice Hainey dated May 14, 2020, for an order approving a process for the transfer of certain private company shares in order to facilitate the expeditious transfer of PSC’s client accounts to other investment dealers, was heard this day via videoconference.

ON READING the First Report of the Liquidator dated June 16, 2020, and on hearing submissions by counsel for the Liquidator, for Laurentian Bank Securities Limited (“**LBS**”), for The Investment Industry Regulatory Organization of Canada (“**IIROC**”) and for MNP Ltd., court-appointed liquidator of First Hamilton Holdings Inc., and on consent of LBS and IIROC,

1. THIS COURT ORDERS that the Liquidator and LBS are hereby authorized and directed to proceed with the transfer of the PFL preference shares and the First Hamilton Holdings Inc. preference shares and warrants in PSC customer accounts as described in **Schedule “A”** attached hereto (the “**Share Transfer Process**”).
2. THIS COURT ORDERS that the Liquidator and LBS shall have no liability in connection with the implementation of the Share Transfer Process.

A handwritten signature in blue ink, appearing to read "Haley J.", is written over a solid horizontal line. The signature is cursive and extends slightly above and below the line.

Schedule "A"**Share Transfer Process**

1. Laurentian Bank Securities Limited ("**LBS**") will deregister, as applicable, and transfer all Pace Financial Limited ("**PFL**") and First Hamilton Holdings Inc. ("**FHH**") preference shares and warrants from Pace Securities Corp. ("**PSC**") customers' accounts to Ernst & Young Inc. (the "**Liquidator**") at zero value.
2. The Liquidator will hold the PFL and FHH preference shares and warrants on behalf of PSC customers until such time as the affairs of PFL and FHH are wound up or as otherwise directed by any customer in writing.
3. Once the wind-ups of PFL and FHH are complete, PSC customers will be notified by the Liquidator or MNP Ltd. (as court-appointed liquidator of FHH), as the case may be, as to the redemption value, if any, of their PFL and FHH preference shares and warrants so that they can deal with any tax or other reporting.
4. Upon issuance of an order of this Court approving the Share Transfer Process, the Liquidator will send a notice to all PSC customers who hold PFL and / or FHH preference shares and warrants advising them that the steps described above will be taken.

**IN THE MATTER OF A WINDING UP OF PACE SECURITIES CORP., PACE
FINANCIAL LIMITED, PACE INSURANCE BROKERS LIMITED AND
PACE GENERAL PARTNER LIMITED**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT TORONTO

ORDER

CHAITONS LLP

5000 Yonge Street, 10th Floor
Toronto, ON M2N 7E9

George Benchetrit

Tel: (416) 218-1141

Fax: (416) 222-8402

Email: george@chaitons.com

**Lawyers for Ernst & Young Inc., in its capacity as of
Pace Securities Corp., Pace Financial Limited, Pace
Insurance Brokers Limited and Pace General Partner
Limited**

SCHEDULE "H"

**PALIARE
ROLAND**

BARRISTERS

VIA MAIL AND EMAIL

Dear Sir/Madame:

Re: PACE Securities Corporation (“PSC”); Settlement of Preferred Shares of PACE Financial Limited and First Hamilton Holdings Inc. (the “Preferred Shares”)

On July 31, 2021, the court approved a \$40 million settlement of claims by holders of the Preferred Shares. Our records indicate that you are an investor in the Preferred Shares to which the settlement applies.

We will be re-attending before the court on October 18, 2021 (the “**Hearing Date**”) to obtain directions in respect of the following matters (the “**Allocation Motion**”):

1. the allocation and distribution of the settlement funds to individual investors; and,
2. the approval of our fees and expenses, to be deducted from the settlement funds.

We will propose to the court that, after deduction of approved fees and expenses, we distribute the settlement funds to investors on a proportional (*pro rata*) basis, relative to the amount paid for the outstanding Preferred Shares. For the avoidance of doubt, we note our understanding that some investors received Preferred Shares as a gift (e.g., in exchange for opening a PSC account); pursuant to our recommendation, investors will not receive a distribution in respect of gifted Preferred Shares because they have not suffered a loss in respect of those shares. If the court accepts our recommendation, we expect that each investor will likely recover in excess of 70% of the principal amount invested.

In anticipation of an eventual distribution of funds, we enclose a statement that we have prepared based on information found in PSC’s records (your “**Personal Investment Statement**”). It reflects what we understand to be your holdings of Preferred Shares and the amount that you paid for them. **IT IS VERY IMPORTANT THAT YOU DO THE FOLLOWING FIVE (5) THINGS AS SOON AS POSSIBLE AND BY NO LATER THAN SEPTEMBER 21ST, 2021:**

1. Review your enclosed Personal Investment Statement;
2. Correct any perceived errors and/or fill in any missing information in the space provided in the last column—if there are no errors or missing information you can simply leave the last column blank;
3. Sign your Personal Investment Statement on the bottom right hand side of the page, in front of a witness (this can be anyone over the age of 18);
4. Have the witness to your signature sign and fill in their name and contact information on the bottom left hand side of the page; and,
5. Return the signed Personal Investment Statement to us by email as indicated on the form.

If you have questions regarding your Personal Investment Statement, you can call: 1-888-974-1652

IF YOU DO NOT RETURN THIS FORM IN A TIMELY WAY IT IS POSSIBLE THAT YOUR RECOVERY MAY BE DELAYED OR PREJUDICED, OR THAT YOU WILL NOT RECEIVE ANY DISTRIBUTION OF FUNDS.

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

155 WELLINGTON STREET WEST 35TH FLOOR TORONTO ONTARIO M5V 3H1 T 416.646.4300

Chris G. Paliare
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Emily Lawrence
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Michael Fenrick
Ren Bucholz
Jessica Latimer
Lindsay Scott
Alysha Shore
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S. Jessica Roher
Daniel Rosenbluth
Glynnis Hawe
Hailey Bruckner
Charlotté Calon
Kate Shao
Kartiga Thavaraj
Catherine Fan
Shawna Leclair
Douglas Montgomery
Chloe Hendrie
Jesse Wright

COUNSEL
Stephen Goudge, Q.C.

HONORARY COUNSEL
Ilan G. Scott, Q.C., O.C.
(1934 -2006)

If you would like to receive a copy of the Allocation Motion, please indicate that, as well, by ticking the box on the bottom of the form. We expect that our motion record will be ready in mid-September, and we will send a link to the motion record to the email address that you indicate on the form. Unfortunately, it is not practicable for us to deliver physical copies of the motion materials to all investors. If, after reviewing the motion record, you wish to object to the proposed order and/or if you wish to make argument before the court at the hearing, the court has asked that you let us know that, in writing, by October 4, 2021 (although failure to do so will not preclude any investor from making submissions at the hearing of the Allocation Motion).

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

Encl.

PERSONAL INVESTMENT STATEMENT FOR

TO: info.pacesecuritieslitigation@paliareroland.com
 PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

	INFORMATION PER PACE SECURITIES	CORRECTION (IF ANY) BY INVESTOR
Name of Investor		
Country of Residence		
Mailing Address		
Email Address		
Phone Number		
PFL Shares Currently Held		
\$ Paid for PFL Shares Currently Held		
FHH Shares (Series A and B) Currently Held		
\$ Paid for FHH Shares Currently Held		
PCP Units Currently Held		
\$ Paid for PCP Units Currently Held		

DECLARATION AND ACKNOWLEDGMENT

I, [FIRST NAME] [LAST NAME]], **HEREBY CONFIRM AND DECLARE** that the information indicated above is true and correct, and I make this solemn declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath, and I acknowledge that the delivery and receipt of settlement funds in respect of the preferred shares described above shall be in exchange for those shares.

DATED at _____, this _____ day of _____, 2021.

_____)	_____)
WITNESS)	[FIRST NAME] [LAST NAME])
Name))
Phone No:))
Email:))

Yes, I would like to receive, by email to the address indicated above, a link to a copy of the Allocation Motion scheduled for **October 18, 2021**. After reviewing the motion record, I should let you know, in writing, by October 4th whether I object to the proposed order and if I wish to address the court.

Doc 3907559 v3

SCHEDULE "I"

PACE Securities Corp., et al**Preliminary Distribution Scenarios**

21-Sep-21

(000's CAD except for per share amounts)

Conclusions - *Pro rata* basis (Scenario 1) ensures all shareholders receive same proportional recovery on investment. Scenario 2 high fixed fee allocation result in high number of shareholders receiving no distributions (111 in total). All scenarios other than Scenario 1 (*pro rata*) are non-standard and reflect arbitrary assumptions.

DISTRIBUTIONS ON AN INVESTOR BASIS

	Scenario 1	Scenario 2	Scenario 3A
	<i>Pro rata</i>	<i>Fixed Fee</i>	<i>30% fixed / 70% pro rata</i>
Shareholder Metrics			
All Shareholders, in aggregate - \$ Distribution (net) - in thousands	\$ 34,000.0	\$ 34,000.0	\$ 34,000.0
% of Claim	72.6%	72.6%	72.6%
\$ professional fees and costs - in thousands	\$ 6,000.0	\$ 6,000.0	\$ 6,000.0
% of Claim	12.8%	12.8%	12.8%
\$20,000 Investor (25th percentile) - \$ Distribution (net)	\$ 14,512	\$ 6,597	\$ 12,299
% of Claim	72.6%	33.0%	61.5%
\$ professional fees and costs	\$ 2,561	\$ 10,477	\$ 4,775
% of Claim	12.8%	52.4%	23.9%
\$50,000 Investor (approx. median) - \$ Distribution (net)	\$ 36,281	\$ 32,207	\$ 35,218
% of Claim	72.6%	64.4%	70.4%
\$ professional fees and costs	\$ 6,403	\$ 10,477	\$ 7,465
% of Claim	12.8%	21.0%	14.9%
\$100,000 Investor (75% percentile) - \$ Distribution (net)	\$ 72,562	\$ 74,890	\$ 73,418
% of Claim	72.6%	74.9%	73.4%
\$ professional fees and costs	\$ 12,805	\$ 10,477	\$ 11,949
% of Claim	12.8%	10.5%	11.9%
\$400,000 Investor (approx. 97% percentile) - \$ Distribution (net)	\$ 290,247	\$ 330,991	\$ 302,614
% of Claim	72.6%	82.7%	75.7%
\$ professional fees and costs	\$ 51,220	\$ 10,477	\$ 38,853
% of Claim	12.8%	2.6%	9.7%
Number of Investors receiving \$0 distribution	0	111	13
Total Claims represented	\$ -	\$ 904,450	\$ 23,750

Shareholder Distributions for all Scenarios (in thousands):	% Claims for Dist Purposes	
	\$	
Gross Settlement Proceeds	\$ 40,000.0	85.4%
Professional fees and costs	\$ (6,000.0)	-12.8%
Net Distributions to Shareholders	\$ 34,000.0	72.6%

Scenario Descriptions:

Scenario 1 *Pro rata* allocation of gross distributions and professional fees based on Claims for Distribution Purposes.

Scenario 2 *Pro rata* allocation of gross distributions and professional fees and costs allocated on 100% fixed fee basis per investor based on Claims for Distribution Purposes.

Scenario 3A Gross distributions allocated on *pro rata* basis for Claims for Distribution Purposes and professional fees and costs allocated at 30% fixed fee (up to distribution amount) / 70% *pro rata* basis.

Total Shareholder Claims for Distribution Purposes:

	\$	#
Grand Total	\$ 46,993.7	718
Deduct gifted shares balances	(95.5)	(106)
Deduct balances for relationship	(41.6)	(2)
Total Shareholder Claims for Distribution Purposes	\$ 46,856.6	610

SCHEDULE "J"

Court File No. CV-20-00641059-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE	)	THURSDAY, THE
)	
JUSTICE CONWAY	)	8 th DAY OF JULY, 2021

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
R.S.O. 1990, C. B.16, AS AMENDED**

**AND IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
R.S.C., 1985, C. C-44, AS AMENDED**

**AND IN THE MATTER OF A WINDING UP OF
PACE SECURITIES CORP., PACE FINANCIAL LIMITED,
PACE INSURANCE BROKERS LIMITED AND
PACE GENERAL PARTNER LIMITED**

ORDER RE NOTICE TO INVESTOR CLAIMANTS

THIS MOTION made by Paliare Roland Rosenberg Rothstein LLP in its capacity as representative counsel for the Investor Claimants (as defined in the order made in these proceedings dated August 6, 2020 appointing representative counsel) (“**Representative Counsel**”) for an order (i) approving the form and content of notice (the “**Notice**”) to Investor Claimants of the settlement of their claims in respect of their acquisition of preferred shares of PACE Financial Limited (“**PFL**”) and First Hamilton Holdings Inc. (“**FHH**”) and units of Pace Capital Partners Series A Limited Partnership, as applicable (the “**Investor Claims**”); and (ii) approving the plan for distribution of the Notice, was heard this day via Zoom conference at Toronto, Ontario.

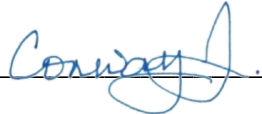
ON READING the motion record of Representative Counsel, and on hearing the submissions of Representative Counsel, and counsel for the PACE Savings and Credit Union Limited (the “**Credit Union**”), the Liquidators and counsel for the Settling Parties, no one else appearing,

1. **THIS COURT ORDERS** that the capitalized terms not otherwise defined in this order shall have the meanings given to them in Schedule “A”.
2. **THIS COURT ORDERS** that time for service and filing of this notice of motion and motion record is validated and abridged and any further service thereof is dispensed with.
3. **THIS COURT ORDERS** that the Notice, substantially in the form attached as Schedule “B”, be and hereby is approved and that Representative Counsel, with the consent of the Liquidators, may make minor non-material amendments to such form as may be necessary or desirable.
4. **THIS COURT ORDERS** that notice of the Settlement and the motion seeking approval of the Settlement shall be provided as follows:
 - (a) Representative Counsel shall, by July 13, 2021, send or cause to be sent a copy of the Notice directly, either electronically or by mail, to all Investor Claimants identified to Representative Counsel to the last email or municipal address known to Representative Counsel, and thereafter to any other person or entity who requests a copy of the Notice, provided that such person or entity has furnished his, her or its contact information to Representative Counsel;

- (b) Representative Counsel shall, forthwith:
- (i) Post the Notice at: <https://www.paliareroland.com/pace-securities-litigation>;
 - (ii) issue and cause to be disseminated a press release incorporating the Notice;
 - (iii) provide hyperlinks to the notice from the Twitter account: @PaliareRoland;
 - (iv) cause a copy of the Notice to be published in *The Globe and Mail*, in English, in one weekday publication;

5. **THIS COURT ORDERS** that any persons objecting to the Settlement shall deliver a notice of objection substantially in the form attached hereto as Schedule “C” (the “**Notice of Objection**”) to Representative Counsel and the Liquidators by no later than 5:00 P.M. (Eastern) on July 23, 2021, by email transmission to the coordinates indicated on the Notice of Objection.

6. **THIS COURT ORDERS** that for the purpose of the order made in these proceedings dated August 6, 2020 appointing Representative Counsel and for the purpose of the Settlement, the individuals listed in Schedule “D” hereto, among others, are Investor Claimants.



Conway J.

SCHEDULE “A”**DEFINED TERMS**

“**Applicants**” means First Hamilton Holdings Inc., First Hamilton Financial Services Inc., First Hamilton Capital Inc., First Hamilton General Partner 2 Inc., First Hamilton Mortgage Brokers Inc., PACE Securities Corp, PACE Financial Limited, PACE Insurance Brokers Limited and PACE General Partner Limited;

“**Defendants**” means the Applicants and any related persons or organizations;

“**Individual Insureds**” means Joseph Thomson, Gerald McRae, Andre Sian, Ernest Eves, Timothy Huxley, Michael Leskovec, Grant Walsh and Larry Smith;

“**Insured Organizations**” means PACE Securities Corporation, First Hamilton Holdings Inc. and PACE Financial Limited;

“**Investment Advisors**” means Ariel Simms; and, Patrick Carson, Gyulmet Ramazanov, Thomas D. Moxam, Pat Cilla, Thomas Ogilwy, and Margaret Pakula;

“**Investor Claim**” means a claim or cause of action as against one or more of the Defendants in respect of the purchase of Preference Shares in Canada, or anywhere else in the world, including, without limitation, claims for contribution or indemnity, personal injury or tort damage, restitutionary recovery, nonpecuniary damages, pure economic loss, or claims for recovery grounded in Ontario Securities legislation, and, the claims of 7003197 Canada Inc. in respect of its purchase of Pace Capital Partners Series A Limited Partnership Units;

“**Investor Claimants**” means all individuals and entities (including their respective successors, heirs, assigns, litigation guardians and designated representatives under applicable provincial family law legislation) who assert or may be entitled to assert an Investor Claim, excluding all Defendants, insiders or securities brokers involved in the sale of the Preference Shares.

“**Liquidators**” means (a) Ernst & Young Inc., in its capacity as Court-Appointed Liquidator of the estate and effects of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited, and (b) MNP Ltd., in its capacity as Court-Appointed Liquidator of the estate and effects of First Hamilton Holdings Inc. First Hamilton Financial Services Inc., First Hamilton General Partner 2 Inc., First Hamilton Capital Inc. and First Hamilton Mortgage Brokers Inc.;

“**Preference Shares**” means PACE Financial Limited Series A 5% cumulative non-voting preference shares, First Hamilton Holdings Limited Series A 7% cumulative non-voting preference shares and First Hamilton Holdings Limited Series B 5% cumulative redeemable retractable non-voting preference shares, including warrants in respect of the foregoing.

“PSC Liquidator” means Ernst & Young Inc., in its capacity as Court-Appointed Liquidator of the estate and effects of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited;

“Representative Counsel” means Paliare Roland Rosenberg Rothstein LLP in its capacity as counsel for the Investor Claimants;

“Settling Parties” means PACE Savings & Credit Union Limited; the Insured Organizations; the Insured Individuals; AIG Insurance Company of Canada in its capacity as insurer for the Insured Organizations and the Insured Individuals; the Investment Advisors; and, AXIS Reinsurance Company (Canadian Branch) and Liberty Mutual in their capacity as insurers for the Investments Advisors;

“Settlement” means the agreement of compromise evidenced by the Term Sheet dated June 24, 2021, between Representative Counsel, the Settling Parties and the Liquidators to resolve all or substantially all of the Investor Claims;

SCHEDULE “B”

NOTICE OF SETTLEMENT OF CLAIMS PERTAINING TO THE PURCHASE OF PREFERRED SHARES OF PACE FINANCIAL LIMITED AND FIRST HAMILTON HOLDINGS INC.

TO: Holders of PACE Financial Limited (“PFL”) Series A 5% cumulative non-voting preference shares, First Hamilton Holdings Limited (“FHH”) Series A 7% cumulative redeemable retractable non-voting preference shares, and/or First Hamilton Holdings Limited Series B 5% cumulative redeemable retractable non-voting preference shares, including warrants in respect of the foregoing (together, the “**Investor Claimants**”).

Background

By order dated August 6, 2020 and amended March 2, 2021, Paliare Roland Rosenberg Rothstein LLP was appointed as representative counsel (“**Representative Counsel**”) for the Investor Claimants in respect of various claims arising from their acquisition of the preferred shares of PFL and FHH and 7003197 Canada Inc. in respect of its purchase of PACE Capital Partners Series A Limited Partnership Units (the “**Investor Claims**”).

The Mediation and the Proposed Settlement

By order dated March 2, 2021, the Court directed a mediation of the Investor Claims.

On June 24, 2021, PACE Savings & Credit Union Limited (the “**Credit Union**”), AIG Insurance Company of Canada (“**AIG**”) on behalf of certain individual insureds, PFL, FHH and PACE Securities Corp., and certain investment advisors (together, the “**Settling Parties**”) reached an agreement to resolve all or substantially all of the Investor Claims forming the subject matter of the mediation (the “**Settlement**”).

The Settlement is subject to court approval, as discussed below.

If approved, and its conditions fulfilled, the Settlement contemplates that the Settling Parties will pay \$40 million to the trust account of Representative Counsel, for future distribution to Investor Claimants, net of Representative Counsel fees and other administrative costs and expenses, all in accordance with a scheme of distribution to be approved by the court at a later date.

In return, the Investor Claims will be dismissed against the Settling Parties, and there will be an order forever barring such claims.

The Settlement is highly recommended by Representative Counsel and a Committee of Investor Claimants.

Hearing to Approve the Settlement

On July 30, 2021, there will be a settlement approval hearing before the Ontario Superior Court of Justice (the “**Settlement Approval Hearing**”). The hearing will be held virtually, by Zoom videoconference.

Additional information in respect of the Settlement is contained in Representative Counsel’s motion record in respect of the Settlement Approval Hearing, which can be found at <https://www.paliareroland.com/pace-securities-litigation>, together with a Notice of Objection.

If you wish to object to the Settlement you must send a Notice of Objection by email to both of the following addresses by no later than 5:00 p.m. (Eastern) on Friday, July 23, 2021:

info.pacesecuritieslitigation@paliareroland.com

pace.securities@ca.ey.com

The Notices of Objection will be filed with the Court. Individual Investor Claimants objecting to the Settlement may but are not required to attend at the Settlement Approval Hearing to make submissions in support of their objections.

Further Information

If you would like additional information or to object to the Settlement Agreement, please contact Representative Counsel at the address below:

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP
Telephone: 1-(888) 974-1652 Email: info.pacesecuritieslitigation@paliareroland.com Website: https://www.paliareroland.com/pace-securities-litigation

**DISTRIBUTION OF THIS NOTICE HAS BEEN AUTHORIZED BY THE ONTARIO
SUPERIOR COURT OF JUSTICE**

SCHEDULE "C"

NOTICE OF OBJECTION

TO: info.pacesecuritieslitigation@paliareroland.com

AND TO: pace.securities@ca.ey.com

RE: PACE CREDIT UNION—SETTLEMENT APPROVAL HEARING

I, _____ (please check all boxes that apply):

(insert name)

- am a current holder of PACE Financial Limited Series A 5% Cumulative Non-voting Preference shares and/or warrants in respect of same;
- am a current holder of First Hamilton Holdings Limited Series A 7% cumulative non-voting preference shares and/or warrants in respect of same;
- am a current holder of First Hamilton Holdings Limited Series B 5% cumulative redeemable retractable non-voting preference shares and/or warrants in respect of same;

I acknowledge that pursuant to the order of the Honourable Justice Conway dated July 8 2021 (the "Order"), persons wishing to object to the Settlement of claims in respect of the shares described above are required to complete and deliver this Notice of Objection to the email addresses indicated above to be received by no later than July 23, 2021 at 5:00 p.m. (Eastern).

I hereby give notice that I object to the Settlement Agreement, for the following reasons:

- I DO NOT intend to appear at the hearing of the motion to approve the Settlement, and I understand that my objection will be filed with the court prior to the hearing of the motion on July 30, 2021.
- I DO intend to appear, in person or by counsel, and to make submissions at the hearing of the motion to approve the Settlement on July 30, 2021.

MY ADDRESS FOR SERVICE IS

Name:

Address:

Tel.:

Fax:

Email:

MY LAWYER'S ADDRESS FOR SERVICE IS (if applicable):

Name:

Address:

Tel.:

Fax:

Email:

Date: _____

SCHEDULE “D”**CONFIRMATION OF INVESTOR CLAIMANT STATUS**

Last Name	First Name	Assumed Relationship	Investment
Barnes	Danica	Chris Barnes (VP Institutional Sales of PSC and voting shareholder of FHH)	100 FHH Shares
Carson	Frederick	Patrick Carson (Investment Advisor)	1000 FHH Shares
Carson	Jason	Patrick Carson (Investment Advisor)	3000 FHH Shares
Carson	Marcia	Patrick Carson (Investment Advisor)	1000 FHH Shares
Cassano	Giovanni	Tina Cassano (director of HR at PCU)	2000 PFL Shares
Cilla	Annalisa	Pasquale (Pat) Cilla (Investment Advisor)	1000 FHH Shares
Cilla	Daniel	Pasquale (Pat) Cilla (Investment Advisor)	1000 FHH Shares
Cilla	Ivana	Pasquale (Pat) Cilla (Investment Advisor)	1210 FHH Shares
Farrant	Steve	Stepfather of Joe Thompson (CEO of PSC, PFL and FHH, among other things)	100 FHH Shares
Goodfellow	Ian	PCU Board Member	6600 PFL Shares
Hamersley	Naomi	Partner of Chris Barnes (VP Institutional Sales of PSC and voting shareholder of FHH)	100 FHH Shares
Hamersley	Noelle	Mother-in-law of Chris Barnes (VP Institutional Sales of PSC and voting shareholder of FHH)	200 FHH Shares
Nims	John	Joana Nims (analyst at PSC, may also be one of the voting shareholders at FHH)	1000 PFL Shares 463 FHH Shares
Simms	Jared	Ariel Simms (Investment Advisor)	10,000 FHH Shares
Topping	Kenneth	PCU Board Member	100 PFL Shares (Likely Gift) 3936 of FHH Shares
Topping	Lynn	Kenneth Topping (PCU Board Member)	8700 FHH Shares
Wagg	Diana	Financial Service Officer at the Credit Union	1400 FHH Shares

Court File No. CV-20-00641059-00CL

IN THE MATTER OF A WINDING UP OF PACE SECURITIES CORP., PACE FINANCIAL LIMITED, PACE INSURANCE BROKERS LIMITED AND PACE GENERAL PARTNER LIMITED

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

ORDER RE NOTICE TO INVESTOR CLAIMANTS

Paliare Roland Rosenberg Rothstein LLP

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Toronto ON M5V 3H1
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Representative Counsel

Court File No. CV-20-00641372-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE
JUSTICE CONWAY

)
)
)

THURSDAY, THE
8th DAY OF JULY, 2021

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
R.S.O. 1990, C. B.16, AS AMENDED**

**AND IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
R.S.C., 1985, C. C-44, AS AMENDED**

**AND IN THE MATTER OF A WINDING UP OF
FIRST HAMILTON HOLDINGS INC., FIRST HAMILTON FINANCIAL SERVICES
INC., FIRST HAMILTON CAPITAL INC., FIRST HAMILTON GENERAL PARTNER 2
INC. and FIRST HAMILTON MORTGAGE BROKERS INC.**

Applicants

ORDER RE NOTICE TO INVESTOR CLAIMANTS

THIS MOTION made by Paliare Roland Rosenberg Rothstein LLP in its capacity as representative counsel for the Investor Claimants (as defined in the order made in these proceedings dated August 6, 2020 appointing representative counsel) ("**Representative Counsel**") for an order (i) approving the form and content of notice (the "**Notice**") to Investor Claimants of the settlement of their claims in respect of their acquisition of preferred shares of PACE Financial Limited ("**PFL**") and First Hamilton Holdings Inc. ("**FHH**") and units of Pace Capital Partners Series A Limited Partnership, as applicable (the "**Investor Claims**"); and (ii) approving the plan for distribution of the Notice, was heard this day via Zoom conference at Toronto, Ontario.

ON READING the motion record of Representative Counsel, and on hearing the submissions of Representative Counsel, and counsel for the PACE Savings and Credit Union Limited (the “**Credit Union**”), the Liquidators and counsel for the Settling Parties, no one else appearing,

1. **THIS COURT ORDERS** that the capitalized terms not otherwise defined in this order shall have the meanings given to them in Schedule “A”.
2. **THIS COURT ORDERS** that time for service and filing of this notice of motion and motion record is validated and abridged and any further service thereof is dispensed with.
3. **THIS COURT ORDERS** that the Notice, substantially in the form attached as Schedule “B”, be and hereby is approved and that Representative Counsel, with the consent of the Liquidators, may make minor non-material amendments to such form as may be necessary or desirable.
4. **THIS COURT ORDERS** that notice of the Settlement and the motion seeking approval of the Settlement shall be provided as follows:
 - (a) Representative Counsel shall, by July 13, 2021, send or cause to be sent a copy of the Notice directly, either electronically or by mail, to all Investor Claimants identified to Representative Counsel to the last email or municipal address known to Representative Counsel, and thereafter to any other person or entity who requests a copy of the Notice, provided that such person or entity has furnished his, her or its contact information to Representative Counsel;

- (b) Representative Counsel shall, forthwith:
- (i) Post the Notice at: <https://www.paliareroland.com/pace-securities-litigation>;
 - (ii) issue and cause to be disseminated a press release incorporating the Notice;
 - (iii) provide hyperlinks to the notice from the Twitter account: @PaliareRoland;
 - (iv) cause a copy of the Notice to be published in *The Globe and Mail*, in English, in one weekday publication;

5. **THIS COURT ORDERS** that any persons objecting to the Settlement shall deliver a notice of objection substantially in the form attached hereto as Schedule “C” (the “**Notice of Objection**”) to Representative Counsel and the Liquidators by no later than 5:00 P.M. (Eastern) on July 23, 2021, by email transmission to the coordinates indicated on the Notice of Objection.

6. **THIS COURT ORDERS** that for the purpose of the order made in these proceedings dated August 6, 2020 appointing Representative Counsel and for the purpose of the Settlement, the individuals listed in Schedule “D” hereto, among others, are Investor Claimants.



Conway J.

SCHEDULE “A”**DEFINED TERMS**

“**Applicants**” means First Hamilton Holdings Inc., First Hamilton Financial Services Inc., First Hamilton Capital Inc., First Hamilton General Partner 2 Inc., First Hamilton Mortgage Brokers Inc., PACE Securities Corp, PACE Financial Limited, PACE Insurance Brokers Limited and PACE General Partner Limited;

“**Defendants**” means the Applicants and any related persons or organizations;

“**Individual Insureds**” means Joseph Thomson, Gerald McRae, Andre Sian, Ernest Eves, Timothy Huxley, Michael Leskovec, Grant Walsh and Larry Smith;

“**Insured Organizations**” means PACE Securities Corporation, First Hamilton Holdings Inc. and PACE Financial Limited;

“**Investment Advisors**” means Ariel Simms; and, Patrick Carson, Gyulmet Ramazanov, Thomas D. Moxam, Pat Cilla, Thomas Ogilwy, and Margaret Pakula;

“**Investor Claim**” means a claim or cause of action as against one or more of the Defendants in respect of the purchase of Preference Shares in Canada, or anywhere else in the world, including, without limitation, claims for contribution or indemnity, personal injury or tort damage, restitutionary recovery, nonpecuniary damages, pure economic loss, or claims for recovery grounded in Ontario Securities legislation, and, the claims of 7003197 Canada Inc. in respect of its purchase of Pace Capital Partners Series A Limited Partnership Units;

“**Investor Claimants**” means all individuals and entities (including their respective successors, heirs, assigns, litigation guardians and designated representatives under applicable provincial family law legislation) who assert or may be entitled to assert an Investor Claim, excluding all Defendants, insiders or securities brokers involved in the sale of the Preference Shares.

“**Liquidators**” means (a) Ernst & Young Inc., in its capacity as Court-Appointed Liquidator of the estate and effects of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited, and (b) MNP Ltd., in its capacity as Court-Appointed Liquidator of the estate and effects of First Hamilton Holdings Inc. First Hamilton Financial Services Inc., First Hamilton General Partner 2 Inc., First Hamilton Capital Inc. and First Hamilton Mortgage Brokers Inc.;

“**Preference Shares**” means PACE Financial Limited Series A 5% cumulative non-voting preference shares, First Hamilton Holdings Limited Series A 7% cumulative non-voting preference shares and First Hamilton Holdings Limited Series B 5% cumulative redeemable retractable non-voting preference shares, including warrants in respect of the foregoing.

“PSC Liquidator” means Ernst & Young Inc., in its capacity as Court-Appointed Liquidator of the estate and effects of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited;

“Representative Counsel” means Paliare Roland Rosenberg Rothstein LLP in its capacity as counsel for the Investor Claimants;

“Settling Parties” means PACE Savings & Credit Union Limited; the Insured Organizations; the Insured Individuals; AIG Insurance Company of Canada in its capacity as insurer for the Insured Organizations and the Insured Individuals; the Investment Advisors; and, AXIS Reinsurance Company (Canadian Branch) and Liberty Mutual in their capacity as insurers for the Investments Advisors;

“Settlement” means the agreement of compromise evidenced by the Term Sheet dated June 24, 2021, between Representative Counsel, the Settling Parties and the Liquidators to resolve all or substantially all of the Investor Claims;

SCHEDULE “B”

NOTICE OF SETTLEMENT OF CLAIMS PERTAINING TO THE PURCHASE OF PREFERRED SHARES OF PACE FINANCIAL LIMITED AND FIRST HAMILTON HOLDINGS INC.

TO: Holders of PACE Financial Limited (“PFL”) Series A 5% cumulative non-voting preference shares, First Hamilton Holdings Limited (“FHH”) Series A 7% cumulative redeemable retractable non-voting preference shares, and/or First Hamilton Holdings Limited Series B 5% cumulative redeemable retractable non-voting preference shares, including warrants in respect of the foregoing (together, the “**Investor Claimants**”).

Background

By order dated August 6, 2020 and amended March 2, 2021, Paliare Roland Rosenberg Rothstein LLP was appointed as representative counsel (“**Representative Counsel**”) for the Investor Claimants in respect of various claims arising from their acquisition of the preferred shares of PFL and FHH and 7003197 Canada Inc. in respect of its purchase of PACE Capital Partners Series A Limited Partnership Units (the “**Investor Claims**”).

The Mediation and the Proposed Settlement

By order dated March 2, 2021, the Court directed a mediation of the Investor Claims.

On June 24, 2021, PACE Savings & Credit Union Limited (the “**Credit Union**”), AIG Insurance Company of Canada (“**AIG**”) on behalf of certain individual insureds, PFL, FHH and PACE Securities Corp., and certain investment advisors (together, the “**Settling Parties**”) reached an agreement to resolve all or substantially all of the Investor Claims forming the subject matter of the mediation (the “**Settlement**”).

The Settlement is subject to court approval, as discussed below.

If approved, and its conditions fulfilled, the Settlement contemplates that the Settling Parties will pay \$40 million to the trust account of Representative Counsel, for future distribution to Investor Claimants, net of Representative Counsel fees and other administrative costs and expenses, all in accordance with a scheme of distribution to be approved by the court at a later date.

In return, the Investor Claims will be dismissed against the Settling Parties, and there will be an order forever barring such claims.

The Settlement is highly recommended by Representative Counsel and a Committee of Investor Claimants.

Hearing to Approve the Settlement

On July 30, 2021, there will be a settlement approval hearing before the Ontario Superior Court of Justice (the “**Settlement Approval Hearing**”). The hearing will be held virtually, by Zoom videoconference.

Additional information in respect of the Settlement is contained in Representative Counsel’s motion record in respect of the Settlement Approval Hearing, which can be found at <https://www.paliareroland.com/pace-securities-litigation>, together with a Notice of Objection.

If you wish to object to the Settlement you must send a Notice of Objection by email to both of the following addresses by no later than 5:00 p.m. (Eastern) on Friday, July 23, 2021:

info.pacesecuritieslitigation@paliareroland.com

pace.securities@ca.ey.com

The Notices of Objection will be filed with the Court. Individual Investor Claimants objecting to the Settlement may but are not required to attend at the Settlement Approval Hearing to make submissions in support of their objections.

Further Information

If you would like additional information or to object to the Settlement Agreement, please contact Representative Counsel at the address below:

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP
Telephone: 1-(888) 974-1652 Email: info.pacesecuritieslitigation@paliareroland.com Website: https://www.paliareroland.com/pace-securities-litigation

**DISTRIBUTION OF THIS NOTICE HAS BEEN AUTHORIZED BY THE ONTARIO
SUPERIOR COURT OF JUSTICE**

SCHEDULE “C”

NOTICE OF OBJECTION

TO: info.pacesecuritieslitigation@paliareroland.com

AND TO: pace.securities@ca.ey.com

RE: PACE CREDIT UNION—SETTLEMENT APPROVAL HEARING

I, _____ (please check all boxes that apply):

(insert name)

- am a current holder of PACE Financial Limited Series A 5% Cumulative Non-voting Preference shares and/or warrants in respect of same;
- am a current holder of First Hamilton Holdings Limited Series A 7% cumulative non-voting preference shares and/or warrants in respect of same;
- am a current holder of First Hamilton Holdings Limited Series B 5% cumulative redeemable retractable non-voting preference shares and/or warrants in respect of same;

I acknowledge that pursuant to the order of the Honourable Justice Conway dated July 8 2021(the “Order”), persons wishing to object to the Settlement of claims in respect of the shares described above are required to complete and deliver this Notice of Objection to the email addresses indicated above to be received by no later than July 23, 2021 at 5:00 p.m. (Eastern).

I hereby give notice that I object to the Settlement Agreement, for the following reasons:

- I DO NOT intend to appear at the hearing of the motion to approve the Settlement, and I understand that my objection will be filed with the court prior to the hearing of the motion on July 30, 2021.
- I DO intend to appear, in person or by counsel, and to make submissions at the hearing of the motion to approve the Settlement on July 30, 2021.

MY ADDRESS FOR SERVICE IS

Name:

Address:

Tel.:

Fax:

Email:

MY LAWYER'S ADDRESS FOR SERVICE IS (if applicable):

Name:

Address:

Tel.:

Fax:

Email:

Date: _____

SCHEDULE “D”**CONFIRMATION OF INVESTOR CLAIMANT STATUS**

Last Name	First Name	Assumed Relationship	Investment
Barnes	Danica	Chris Barnes (VP Institutional Sales of PSC and voting shareholder of FHH)	100 FHH Shares
Carson	Frederick	Patrick Carson (Investment Advisor)	1000 FHH Shares
Carson	Jason	Patrick Carson (Investment Advisor)	3000 FHH Shares
Carson	Marcia	Patrick Carson (Investment Advisor)	1000 FHH Shares
Cassano	Giovanni	Tina Cassano (director of HR at PCU)	2000 PFL Shares
Cilla	Annalisa	Pasquale (Pat) Cilla (Investment Advisor)	1000 FHH Shares
Cilla	Daniel	Pasquale (Pat) Cilla (Investment Advisor)	1000 FHH Shares
Cilla	Ivana	Pasquale (Pat) Cilla (Investment Advisor)	1210 FHH Shares
Farrant	Steve	Stepfather of Joe Thompson (CEO of PSC, PFL and FHH, among other things)	100 FHH Shares
Goodfellow	Ian	PCU Board Member	6600 PFL Shares
Hamersley	Naomi	Partner of Chris Barnes (VP Institutional Sales of PSC and voting shareholder of FHH)	100 FHH Shares
Hamersley	Noelle	Mother-in-law of Chris Barnes (VP Institutional Sales of PSC and voting shareholder of FHH)	200 FHH Shares
Nims	John	Joana Nims (analyst at PSC, may also be one of the voting shareholders at FHH)	1000 PFL Shares 463 FHH Shares
Simms	Jared	Ariel Simms (Investment Advisor)	10,000 FHH Shares
Topping	Kenneth	PCU Board Member	100 PFL Shares (Likely Gift) 3936 of FHH Shares
Topping	Lynn	Kenneth Topping (PCU Board Member)	8700 FHH Shares
Wagg	Diana	Financial Service Officer at the Credit Union	1400 FHH Shares

Court File No. CV-20-00641372-00CL

IN THE MATTER OF A WINDING UP OF FIRST HAMILTON HOLDINGS INC., FIRST HAMILTON FINANCIAL SERVICES INC., FIRST HAMILTON CAPITAL INC., FIRST HAMILTON GENERAL PARTNER 2 INC. and FIRST HAMILTON MORTGAGE BROKERS INC.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

ORDER RE NOTICE TO INVESTOR CLAIMANTS

Paliare Roland Rosenberg Rothstein LLP

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Toronto ON M5V 3H1

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max.starnino@paliareroland.com

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Tel: 416.646.4326

lily.harmer@paliareroland.com

Jesse Wright (LSO# 80382Q)

Tel: 416.646.6314

jesse.wright@paliareroland.com

Representative Counsel

From: Conway, Madam Justice Barbara (SCJ) <Barbara.Conway@scj-csj.ca>
Sent: Thursday, July 8, 2021 10:27 AM
To: Michelle Jackson; Michelle Jackson; Max Starnino; Lily Harmer; Ken Rosenberg; Liam Carson; Jesse Wright; jwmediations@joelwiesefeld.com; Leonard.Loewith@aig.com; awinton@lolg.ca; mmackewn@cmblaw.ca; Natalie Leon; papazian@phmlaw.com; amarkiewicz@cmblaw.ca; Crawford Smith; George Benchetrit; skushneryk@kmcounsel.ca; mabramowitz@blaney.com; emorgan@kmcounsel.ca; ctedesco@cmblaw.ca; acrawley@cmblaw.ca; Alison.Ho2@parthenon.ey.com; Conway, Madam Justice Barbara (SCJ); JUS-G-MAG-CSD-Toronto-SCJ Commercial List
Cc: JUS-G-MAG-CSD-Toronto-SCJ Commercial List
Subject: RE: Winding-Up of PACE Securities et al., and Winding-Up of First Hamilton Holdings et al. - Chambers Appointment
Attachments: 0002 Order re Notice to Investor Claimants PFL 2021-07-07.pdf
Importance: High

Representative counsel brings this motion for approval of a notice to investors re the proposed settlement and **the approval hearing scheduled for July 30, 2021 at 8:30 am. before Koehnen J. for one hour (confirmed).** The motion is unopposed. I am satisfied that the form of notice is satisfactory, as is the manner of distribution set out in the draft order.

Rep counsel further seeks clarification that the individuals listed in Schedule "D" to the draft order are not excluded from the scope of rep counsel's appointment order dated August 6, 2020 and are to be considered Investor Claimants notwithstanding that they may have some connection to certain of the Settling Parties (but not the Applicants). This clarification is not opposed and is indeed supported by counsel for the liquidators. I have no difficulty in making this clarification and providing the certainty required by rep counsel in pursuing the resolution of the investors' claims.

Order to go as signed by me and attached to this email. This order is effective from today's date and is enforceable without the need for entry and filing.



Superior Court of Justice (Toronto)

-----Original Appointment-----

From: michelle.jackson@paliarerland.com <michelle.jackson@paliarerland.com>
Sent: June 29, 2021 10:48 AM
To: michelle.jackson@paliarerland.com; Michelle Jackson; Max Starnino; Lily Harmer; Ken Rosenberg; Liam Carson; Jesse Wright; jwmediations@joelwiesefeld.com; Leonard.Loewith@aig.com; awinton@lolg.ca;

mmackewn@cmlaw.ca; nleon@fcl-law.com; papazian@phmlaw.com; amarkiewicz@cmlaw.ca; csmith@lolg.ca; george@chaitons.com; skushneryk@kmcounsel.ca; mabramowitz@blaney.com; emorgan@kmcounsel.ca; ctedesco@cmlaw.ca; acrawley@cmlaw.ca; Alison.Ho2@parthenon.ey.com; Barbara.Conway@scj-csj.ca; 'toronto.commercialist@jus.gov.on.ca'

Cc: JUS-G-MAG-CSD-Toronto-SCJ Commercial List

Subject: Winding-Up of PACE Securities et al., and Winding-Up of First Hamilton Holdings et al. - Chambers Appointment

When: July 8, 2021 10:00 AM-10:30 AM (UTC-05:00) Eastern Time (US & Canada).

Where: Zoom details below

Paliare Roland is inviting you to a scheduled Zoom meeting.

Topic: Subject: Winding-Up of PACE Securities et al., and First Hamilton Holdings et al. - Chambers Appointment

Time: Jul 8, 2021 10:00 AM Eastern Time (US and Canada)

Join Zoom Meeting

<https://us02web.zoom.us/j/88402106155?pwd=RnB6TVhOTm8xSFA1UE5YVWdlSTB5QT09>

Meeting ID: 884 0210 6155

Passcode: 231018

One tap mobile

+13017158592,,88402106155#,,,,*231018# US (Washington DC)

+13126266799,,88402106155#,,,,*231018# US (Chicago)

Dial by your location

+1 301 715 8592 US (Washington DC)

+1 312 626 6799 US (Chicago)

+1 346 248 7799 US (Houston)

+1 408 638 0968 US (San Jose)

+1 646 876 9923 US (New York)

+1 669 900 6833 US (San Jose)

+1 253 215 8782 US (Tacoma)

Meeting ID: 884 0210 6155

Passcode: 231018

Find your local number: <https://us02web.zoom.us/j/88402106155?pwd=RnB6TVhOTm8xSFA1UE5YVWdlSTB5QT09>

IN THE MATTER OF A WINDING UP OF FIRST HAMILTON HOLDINGS INC., FIRST HAMILTON FINANCIAL SERVICES INC., FIRST HAMILTON CAPITAL INC., FIRST HAMILTON GENERAL PARTNER 2 INC. and FIRST HAMILTON MORTGAGE BROKERS INC.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

MOTION RECORD
**(Motion for Approval of the Allocation and
Distribution of Settlement Funds)**
(Returnable October 18, 2021)

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Lily Harmer (LSO# 31880T)

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Jesse Wright (LSO# 80382Q)

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Representative Counsel