

**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

MOTION RECORD

December 22, 2020

Paliare Roland Rosenberg Rothstein LLP
155 Wellington Street West
35th Floor
Toronto ON M5V 3H1
Tel: 416.646.4300
Fax: 416.646.4301

Kenneth T. Rosenberg (LSO# 21102H)
Tel: 416.646.4304
ken.rosenberg@paliareroland.com
Massimo (Max) Starnino (LSO# 41048G)
Tel: 416.646.7431
max.starnino@paliareroland.com
Danielle Glatt (LSO# 65517N)
Tel: 416.646.7440
danielle.glatt@paliareroland.com

Representative Counsel

TO: THE SERVICE LIST

Service List

CHAITONS LLP

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

George Benchetrit

Tel: (416) 218-1141

Email: george@chaitons.com

**Lawyers for 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**

ERNST & YOUNG INC.

EY Tower
100 Adelaide Street
West PO Box 1
Toronto, ON M5H 0B3

Jeffrey Kerbel

Email: jeffrey.d.kerbel@ca.ey.com

Alison Ho

Email: alison.ho@ca.ey.com

GOODMANS LLP

333 Bay Street, Suite
3400 Toronto, ON
M5H 2S7

Jason Wadden

Tel: 416.597.5165

Email: jwadden@goodmans.ca

Michael Wilson

Tel: 416.597.4130

Email: mwilson@goodmans.ca

Lawyers for Financial Services Regulatory Authority of Ontario

LENCZNER SLAGHT ROYCE SMITH GRIFFIN LLP

130 Adelaide Street West, Suite
2600 Toronto, ON M5H 3P5

Shara Roy

Tel: 416-865-2942

Email: sroy@litigate.com

Lawyers for Laurentian Bank Securities Limited

BLANEY MCMURTRY LLP

2 Queen Street East, Suite 1500
Toronto, Ontario M5C 3G5

Mervyn Abramowitz

Tel: 416-597-4887

Email: mabramowitz@blaney.com

**Lawyers for MNP Ltd., court-appointed
liquidator of First Hamilton Holdings Inc.**

MNP LTD.

300 - 111 Richmond Street West
Toronto, ON
M5H 2G4

Jerry Henechowicz

Email: jerry.henechowicz@mnp.ca

LAX O'SULLIVAN LISUS GOTTLIEB LLP

Counsel
Suite 2750, 145 King Street West
Toronto, ON M5H 1J8

Crawford G. Smith LSO#42131S

csmith@lolg.ca

Tel: 416.598.8648

Andrew Winton LSO#: 54473

awinton@lolg.ca

Tel: 416.644.5342

Jasmine K. Landau LSO#: 74316K

jlandau@lolg.ca

Tel: 416.956.0110

Fax: 416.598.3730

Lawyers for Pace Savings & Credit Union Ltd.

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

155 Wellington Street
West, 35th Floor
Toronto ON M5V 3H1

Kenneth T. Rosenberg

Tel: 416.646.4304
Email: ken.rosenberg@paliareroland.com

Massimo (Max) Starnino

Tel: 416.646.7431
Email: max.starnino@paliareroland.com

Danielle Glatt

Tel: 416.646.7440
Email: danielle.glatt@paliareroland.com

Proposed Representative Counsel for the Investor Claimants

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

Suite 2000, 121 King Street
West Toronto, Ontario M5H 3T9

Doug Harris

Email: dharris@iirc.ca

INDEX

TAB	DESCRIPTION	PAGE
1.	Notice of Motion	1
	A. Schedule "A": Draft Order	12
2.	First Report of the Court Appointed Representative Counsel to the Investor Claimants, December 17, 2020	23
	A. Representation Orders	35
	B. Notice of Orders and Opt-Out Letter	56
	C. Globe and Mail Notice	60
3.	Affidavit of Sheral Young affirmed November 19, 2020	63
	A. Exhibit A: Representation Orders	69
	B. Exhibit B: January 2014 Press Release	90

TAB 1

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

NOTICE OF MOTION

(Motion for Procedure for the Resolution of Investor Claims)

Paliare Roland Rosenberg Rothstein LLP (“**Paliare Roland**”) in its capacity as Representative Counsel of the Investor Claimants (as defined in the order made in these proceedings dated August 6, 2020 appointing representative counsel (the “**Representation Order**”)), will make a motion before The Honourable Justice Haaney of the Commercial List on a date and time to be set by a judge of the Commercial List, or as soon after that time as the motion can be heard, by judicial teleconference via Zoom at Toronto, Ontario. If you intend to participate in the motion, you should send an email expressing your intention to Danielle Glatt at danielle.glatt@paliareroland.com, and teleconference details will be circulated to you in the ordinary course.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR the following procedural relief:

1. an order, if necessary, validating the method of service, dispensing with further service, and abridging the time for filing of this motion, such that the motion is properly returnable on the date indicated above;
2. an order establishing a process to facilitate the resolution of claims of the Investor Claimants, substantially in the form attached hereto as **Schedule “A”** (the “**Procedure Order**”), including, among other things:
 - (a) appointing a mediator (the “**Mediator**”) and granting corollary relief to facilitate early stage settlement discussions in respect of the Investor Claimants’ claims (the “**Consensual Resolution Process**”);
 - (b) establishing timelines and setting expectations for the determination of any unsettled claims of Investor Claimants (the “**Claims Adjudication Process**”);
 - (c) recognizing the facilitative role to be played by the Court Appointed Liquidators (defined below) in respect of the Consensual Resolution Process and the Claims Adjudication Process, including, without limitation, through the production of relevant non-privileged documents and other relevant information to Representative Counsel and other interested parties for those purposes, and providing support to the Mediator;

(d) recognizing the unique role of the Financial Services Regulatory Authority (“**FSRA**”) and the Ontario Securities Commission, as statutory regulatory authorities; and,

3. such further and other relief as to this Honourable Court may seem just.

THE GROUNDS FOR THE MOTION ARE:

1. Effective May 14, 2020, Pace Securities Corp. (“**PSC**”), and its subsidiaries, including Pace Financial Limited (“**PFL**”), obtained an order from the Ontario Superior Court of Justice directing that they be wound-up pursuant to sections 206 to 218 of the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B.16 (the “**OBCA**”);

2. Ernst & Young Inc. was appointed to lead the wind-up activities of PSC and related entities (the “**PACE Liquidator**”);

3. On May 21, 2020, MNP Ltd. was appointed as Liquidator of First Hamilton Holdings (“**FHH**”) and its subsidiaries pursuant to the OBCA and the *Canada Business Corporations Act*, 1985, R.S.C., c. C-44 (the “**CBCA**”) (the “**FHH Liquidator**”, together with the PACE Liquidator, the “**Court Appointed Liquidators**”);

4. On June 5, 2020, the Ontario Securities Commission (“**OSC**”) suspended PSC’s investment fund manager registration;

PACE Securities and its subsidiaries

5. PSC and PFL are corporations incorporated under the OBCA, with head offices 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;

6. PSC is a wholly-owned subsidiary of Pace Savings & Credit Union (the “**Credit Union**”). It is an investment dealer regulated by the Investment Industry Regulatory Organization of Canada (“**IIROC**”) and an investment fund manager regulated by the OSC;

7. 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;

8. PFL raised capital by selling preferred 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 were used to pay management fees to PSC and dividends to the holders of the preference shares;

9. All or almost all of PFL’s investors were retail investors – and many of its investors were also customers of PSC and members of the Credit Union;

10. PSC provided brokerage, investment, and business management services to PFL;

First Hamilton Holdings Inc. and its subsidiaries

11. Like PFL, FHH 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;

12. FHH's business is closely related to the business and activities of PSC;

13. PSC, PFL and FHH each have the same CEO, Joe Thomson, who was also a director of each entity;

14. FHH carried on business as an investment corporation, principally through the services of PSC, in the capacity as portfolio manager, to invest FHH's funds in corporate bonds and debt instruments and to assist FHH to acquire or develop equity investments;

Customer Accounts and Investments

15. Between July 2017 and February 2018, approximately 1.63 million preference shares of PFL were sold 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;

16. Between April 2018 and June 2019, approximately 3.3 million of FHH's preference shares and warrants were sold at a price of \$10 each, for a total investment value of approximately \$32.5 million;

17. In April 2020, PSC re-valued the market price of the preference shares of both PFL and FHH again. PFL preference shares were valued at \$1.62/share for a total value of approximately \$5.0M for all outstanding shares. Both series of FHH preference shares

were valued to \$1.44/share for a total value of \$5.1M for all outstanding shares. These valuations represented approximately a 68% decrease of total initial investment value for PFL preference shareholders and an 84% decrease of total initial investment value for FHH preference shareholders;

18. At this time, absent a recovery from third party sources, it is unlikely that there will be any significant distributions available from the Liquidation Proceedings for the holders of PFL and FHH preference shares or warrants;

The PFL Investor Claimants and the FHH Investor Claimants

19. The Investor Claimants represented by Representative Counsel comprise in excess of 700 individuals who appear to have invested in excess of \$46 million.

20. Information gathered by the Court Appointed Liquidators thus far suggests that the Investor Claimants:

- (a) tend to be unsophisticated investors;
- (b) tend to be elderly individuals who purchased PFL and/or FHH preference shares with a significant portion of their retirement savings;
- (c) did not qualify to purchase preferred shares in PFL and FHH; and
- (d) were led to understand that they were making a safe investment to earn interest on their retirement savings;

21. The majority of the Investor Claimants are members of the Credit Union;

Paliare Roland is Appointed as Representative Counsel

22. On August 6, 2020, the Honourable Justice Hainey, made the Representation Order appointing Paliare Roland as Representative Counsel to, among other things, advance the interests of the Investor Claimants in the Liquidation Proceedings;

23. In accordance with paragraphs 5 and 6 of the Representation Order, Representative Counsel obtained, from the Court Appointed Liquidators, a list of the Investor Claimants, together with their last known mailing addresses, and, within 10 days of the making of the Representation Order, Representative Counsel provided the required Notice of the Representation Order to the Investor Claimants, including notice of the opt-out period;

24. Representative Counsel have not received any opt-out notices from any Investor Claimants, either by the end of the opt-out period specified in the Representation Order or at any time thereafter

25. In accordance with the Representation Order, Representative Counsel, acting in consultation with the Liquidators, has established a consultative committee of Investor Claimants (the “**Representative Committee**”);

26. Pursuant to paragraph 14 of the Representation Order the Credit Union was provided, until October 15, 2020, with the exclusive authority to seek, design and present, to the Representative Counsel and the Court Appointed Liquidators, a settlement offer and/or settlement package in respect of direct and indirect Investor Claims against the Credit Union (the “**Exclusivity Period**”);

27. The Exclusivity Period was extended with the consent of Representative Counsel and the Court Appointed Liquidators until October 30, 2020;

28. The Exclusivity Period is at an end, the Credit Union did not deliver a settlement offer or package to Representative Counsel and the Court Appointed Liquidators, and the Investor Claims remain outstanding;

29. Pursuant to paragraphs 14 and 4(a) of the Representation Order, Representative Counsel has engaged in a constructive dialogue with both the Credit Union and the Court Appointed Liquidators in respect of a procedure to address the claims of Investor Claimants;

30. Representative Counsel has made a number of document requests pursuant to paragraph 5(b) of the Representation Order and understands from its ongoing dialogue with the Court Appointed Liquidators that they are in possession of information that will be necessary for the resolution of the Investor Claimants' claims, including share purchase documentation for each of the Investor Claimants, agreements between the Companies and the various potential defendants and third parties, and documents collected when the Court Appointed Liquidators imaged the hard drives of the employees of PSC;

31. Representative Counsel understands from its dialogue with the Court Appointed Liquidators that PSC, PFL and FHH have D&O insurance, and Representative Counsel are concerned that Investor Claimants' interests in this insurance, which may provide entity specific coverage as well D&O coverage, not be prejudiced by a combination of delay and competing claims for defence costs;

Proposed Procedure Order

32. The Investor Claimants are a vulnerable group;
33. The advanced age and precarious financial situation of many of the Investor Claimants necessitates a process that prioritizes the efficient and timely resolution of the Investor Claimants' claims under the exclusive jurisdiction of this Court;
34. The Procedure Order will benefit not only the Investor Claimants, but also other stakeholders by reducing the administrative burden associated with a more cumbersome and lengthy approach;
35. The Court Appointed Liquidators support the Procedure Order;
36. Section 217 of the CBCA;
37. Sections 207(2) and 209 of the OBCA;
38. Rules 1.04, 1.05, 2.03, 3.02, 16 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194 as amended and section 106 of the *Courts of Justice Act*, R.S.O 1990, c. C. 43 as amended; and
39. Such further grounds as counsel may advise this Honourable Court may permit.

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

1. the First Report of the PACE Liquidator, dated June 16, 2020;
2. the Second Report of the PACE Liquidator dated July 31, 2020;

3. the First Report of Representative Counsel dated December 17, 2020;
4. the Affidavit of Sheral Young;
5. the Order of Justice Hainey dated August 6, 2020; and
6. such further and other evidence as the lawyers may advise and this Honourable Court may permit.

December 17, 2020

Paliare Roland Rosenberg Rothstein LLP
155 Wellington Street West
35th Floor
Toronto ON M5V 3H1
Tel: 416.646.4300
Fax: 416.646.4301

Kenneth T. Rosenberg (LSO# 21102H)
Tel: 416.646.4304
ken.rosenberg@paliareroland.com
Massimo (Max) Starnino (LSO# 41048G)
Tel: 416.646.7431
max.starnino@paliareroland.com
Danielle Glatt (LSO# 65517N)
Tel: 416.646.7440
danielle.glatt@paliareroland.com

Representative Counsel

SCHEDULE "A"

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

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

THE HONOURABLE) DAY, THE
JUSTICE HAINEY) DAY OF , 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

(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. (the “**Preferred Shareholder Claims**”), was heard this day via Zoom conference at Toronto, Ontario.

ON READING the motion record of the moving party, 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, no one else appearing although duly served, as appears from the Affidavit of Service of ♦ sworn ♦ , 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 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 and simplified process to be determined by this Court following the Claims Adjudication Start Date after hearing submissions from the Court Appointed Liquidators and Interested Parties and receiving any recommendation from the Mediator, which process will feature 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 6 months after the Claims Adjudication Start Date.
 - 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 Credit Union 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;
- h. “**Interested Party**” means the Credit Union, 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, the OSC and FSRA are not an Interested Party for the purposes of this order.
- 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]**;

- I. “**OSC**” means the Ontario Securities Commission;
 - m. “**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;
 - n. “**Related Claim**” means any claim identified in a Responding Brief;
 - o. “**Representative Counsel Order**” means the order made in these proceedings dated August 6, 2020, appointing representative counsel for the Investor Claimants; and,
 - p. “**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 as an officer of this court 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/or seek to obtain agreement with respect to the Claims Adjudication Process.
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 the Claims Brief to the Mediator, the Court Appointed Liquidators, the Credit Union, OSC, FSRA, and to every Interested Party who was served with the Representative Counsel’s motion record, by personal service, by an alternative to personal service, or by email sent to counsel representing the Interested Party in

these proceedings or in another proceeding before this Court, or as this Court may otherwise direct.

6. **THIS COURT ORDERS** that following his or her review of the Claims Brief, the Mediator shall consult with each of Representative Counsel, the Court Appointed Liquidators, the Credit Union 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. compelling the production of Documents;
 - d. meeting with Representative Counsel, the Court Appointed Liquidators, the Credit Union, any other Interested Parties, FSRA, and the OSC, either privately or in groups;
 - e. imposing obligations as to the confidentiality of information exchanged in respect of the Mediation Process;
 - f. referring the issues, including those related to the Preferred Shareholder Claims and any Related Claims, to this Court for adjudication, and in that instance the Mediator may recommend a process for the timely and efficient adjudication of the Preferred Shareholder Claims and any Related Claims but such process shall not be binding on this Court;
 - g. making recommendations to this Court in respect of the Claims Adjudication Process; and,

- h. the Mediator shall be entitled to communicate with this Court in accordance with the following guidelines:
- i. the Court and the Mediator may communicate between one another directly to discuss, on an on-going basis, the conduct of the Mediation Process and the manner in which it will be coordinated with the liquidation proceedings, including but not limited to individual matters referred specifically by this Court to the Mediator for resolution;
 - ii. this Court will not disclose to the Mediator how it will decide any matter which may come before them for determination; and,
 - iii. the Mediator will not disclose to this Court the negotiating positions or confidential information of any of the parties in the Mediation Process.
8. **THIS COURT ORDERS** that the Mediator may apply to this Court on notice to the Representative Parties, the Credit Union, the Court Appointed Liquidators, FSRA, the OSC, and any Interested Parties, 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 Credit Union and the Interested Parties in equal shares, or as they may otherwise agree, up to the total maximum amount of \$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 on the first available date following the Claims Adjudication Start Date, the Court Appointed Liquidators shall bring a motion to

this Court 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 and the OSC 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, neither FSRA nor the OSC shall be an Interested Party within the meaning of this Order.
13. **THIS COURT ORDERS AND DECLARES** that the Court Appointed Liquidators have a facilitative role to play in respect of preparation of the Claims Brief, the Mediation Process, and Claims Adjudication Process, including, without limitation, through the production of non-privileged Documents and other relevant information to Representative Counsel, to the Credit Union, and to Interested Parties for those purposes, and, accordingly, the Court Appointed Liquidators are hereby authorized to do all such things as they believe would be helpful to the resolution of the Preferred Shareholder Claims and Related Claims on such terms as they consider necessary, acting in their sole discretion but subject to any order of the Mediator or this Court, including, without limitation:
- a. establishing one or more electronic data rooms to facilitate the transmission of relevant information to Representative Counsel and Interested Parties;
 - b. populating the electronic data rooms with such Documents and information as the Court Appointed Liquidators believe are relevant to the preparation of the Claims Brief, the Mediation Process, and the Claims Adjudication Process;
 - c. establishing a timely and efficient process to resolve any disputed assertions of privilege in respect of any Documents;

- d. gathering information, undertaking investigations and producing reports to be shared with Representative Counsel and/or Interested Parties as the Court Appointed Liquidators deem to be advisable; and,
 - e. rendering such assistance to the Mediator as he may require.
14. **THIS COURT ORDERS AND DECLARES** that nothing in paragraph 13 above shall 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 and all other briefs and reports 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 an Interested Party that was not served with a draft of this Order before it was made 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 Credit Union, 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.
-

**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

Paliare Roland Rosenberg Rothstein LLP

155 Wellington Street West
35th Floor
Toronto ON M5V 3H1
Tel: 416.646.4300
Fax: 416.646.4301

Kenneth T. Rosenberg (LSO# 21102H)

Tel: 416.646.4304
ken.rosenberg@paliareroland.com

Massimo (Max) Starnino (LSO# 41048G)

Tel: 416.646.7431
max.starnino@paliareroland.com

Danielle Glatt (LSO# 65517N)

Tel: 416.646.7440
danielle.glatt@paliareroland.com

Representative Counsel

**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

NOTICE OF MOTION

Paliare Roland Rosenberg Rothstein LLP

155 Wellington Street West, 35th Floor

Toronto ON M5V 3H1

Tel: 416.646.4300

Fax: 416.646.4301

Kenneth T. Rosenberg (LSO# 21102H)

Tel: 416.646.4304

ken.rosenberg@paliareroland.com

Massimo (Max) Starnino (LSO# 41048G)

Tel: 416.646.7431

max.starnino@paliareroland.com

Danielle Glatt (LSO# 65517N)

Tel: 416.646.7440

danielle.glatt@paliareroland.com

Representative Counsel

TAB 2

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

**FIRST REPORT
OF THE COURT APPOINTED REPRESENTATIVE COUNSEL TO THE
INVESTOR CLAIMANTS
(December 17, 2020)**

1. By orders of this court made in these proceedings on August 6, 2020 marked as **Appendix “A”** to this report (the **“Representation Orders”**), Paliare Roland Rosenberg Rothstein LLP (**“Representative Counsel”**) was appointed to represent the interests of

persons (the “**Investor Claimants**”) who purchased preferred shares (the “**Preferred Shares**”) of Pace Financial Limited (“**PFL**”) or First Hamilton Holdings Inc. (“**FHH**”).

2. Terms not otherwise defined in this report have the meanings given to them in the Representation Orders.

Overview

3. Since its appointment, Representative Counsel has addressed various requirements of the Representation Order, and, importantly, has been in ongoing discussions with the Credit Union and Court Appointed Liquidators for the purpose of addressing Investor Claims. While those claims have not been settled, giving rise to an increasing sense of urgency and frustration among many Investor Claimants, discussions with the Credit Union and Court Appointed Liquidators have been productive. As a result of those discussions, Representative Counsel is now able to present a process to this Court that is intended to resolve all of the Investor Claims. All of these matters are addressed below.

Notice to Investor Claimants and Opt-Outs

4. As required by paragraphs 5 and 6 of the Representation Orders:
- (a) Representative Counsel obtained a list of the Investor Claimants, together with their last known mailing addresses, from the PSC Liquidator; and,
 - (b) within 10 days of the making of the Representation Orders, Representative Counsel provided notice of the Representation Orders to the Investor

Claimants, including notice of the opt-out period, in form and substance satisfactory to the Court Appointed Liquidators.

A copy of the Notice of Orders Appointing PRRR as Representative Counsel, and the Opt-Out Letter is marked as **Appendix “B”** to this Report (the “**Notice**”).

5. In light of logistical issues created by the Covid 19 pandemic, the distribution of the Notice by regular mail was administered, on behalf of Representative Counsel, by the PSC Liquidator. Representative Counsel is advised by the PSC Liquidator that the Notice was sent by regular mail to each of the Investor Claimants’ last known mailing addresses on Friday August 14, 2020.

6. Also on or about Friday August 14, 2020, Representative Counsel:

- (a) posted the Notice to its public website in respect of the litigation relating to PFL and FHH; and
- (b) where known, sent copies of the Notice to the email addresses of the Investor Claimants (these addresses were also provided to Representative Counsel by the PSC Liquidator).

7. On Saturday, August 15, 2020, Representative Counsel published a notice in the Globe and Mail’s legal section in respect of its appointment and the opt-out period (the “**Globe and Mail Notice**”). Proof of the publication of the Globe and Mail Notice is marked as **Appendix “C”** to this report.

8. As of today, Representative Counsel have not received any opt-out notices from any Investor Claimants.

The Investor Claimants

9. The list of Investor Claimants provided to Representative Counsel by the Court Appointed Liquidators reveals the information summarized in Tables 7.1 and 7.2 below, in respect of the population of Investor Claimants, which remains subject to ongoing verification:

TABLE 7.1: Total Claimants, Total Credit Union Members, and Distribution by Type of Share

Investor Claimants	710
Pace Credit Union Members	444*
Investor Claimants holding PFL	338
Investor Claimants holding FHH	507
FHH Series A	429
FHH Series B	40
FHH Series A & B	38
Investor Claimants holding PFL and FHH	135

* Representative Counsel has reason to believe that this number may be materially understated.

TABLE 7.2: Distribution by Amount Invested, and Total Amount Invested

Value of Preferred Shares at Cost	Number of Investor Claimants	Aggregate Investment
\$25,000 or less	320	\$2,893,460
\$25,001 to \$200,000	348	\$25,974,490
\$200,001 to \$750,000	39	\$14,082,680
\$1,000,000 or more	3	\$3,847,570
Total Amount Invested		\$46,798,200

The Representative Committee

10. In accordance with paragraph 3 of the Representation Orders, Representative Counsel, acting in consultation with the Court Appointed Liquidators, has formed a representative committee of Investor Claimants (the “**Representative Committee**”). The Representative Committee consists of 15 Investor Claimants who were selected because they expressed an interest in serving on the Representative Committee and/or with a view to having representation from the various cohorts that exist in the population of Investor Claimants. The committee includes investors in both PFL and FHH. The members range in age from their mid-40s to their 80s. There are some men on the committee and some women. Most are members of the Credit Union, but some are not. Some of the committee members are still actively employed, some are retired, and some have had to delay their retirement due to the loss of their investments. The committee members have a range of educational and occupational backgrounds. Each of the members of the Representative Committee has entered into a Non-Disclosure Agreement with Representative Counsel so that they can effectively participate in these proceedings.

11. Representative Counsel has been meeting with the Representative Committee by conference call roughly every two weeks, to provide reports and obtain perspective regarding Representative Counsel’s conduct, in order to ensure that the claims of Investor Claimants (the “**Investor Claims**”) are being addressed in a diligent and satisfactory manner.

Process for Resolution of Investor Claims

12. Pursuant to paragraph 14 of the Representation Orders, the Credit Union was granted the exclusive authority, until October 15, 2020, to seek, design and present a settlement offer and/or settlement package in respect of direct and indirect Investor Claims against the Credit Union to Representative Counsel and the Court Appointed Liquidators (the “**Exclusivity Period**”). By the consent of Representative Counsel and the Court Appointed Liquidators, the Exclusivity Period was extended until October 30, 2020.

13. The Exclusivity Period is at an end, the Credit Union has not delivered a settlement offer or package to Representative Counsel and the Court Appointed Liquidators, and no agreement has been reached in respect of the compensation of Investor Claimants with the result that the Investor Claims remain outstanding.

14. In the absence of a resolution, Representative Counsel believes that it is important that a process be put in place to address and resolve Investor Claims as quickly as possible. Representative Counsel’s sense of urgency stems from three sources.

15. First and foremost, Representative Counsel is alert to the difficult financial circumstances experienced by many Investor Claimants and their need for some certainty, if not with respect to an outcome then at least with respect to the process that will generate an outcome. This has been communicated to Representative Counsel by the members of the Representative Committee, and also by hundreds of Investor Claimants who have contacted Representative Counsel to inquire about the status of the case.

16. The affidavit of Sheral Young, a member of Representative Committee, describing her experience and her pressing need for a resolution is separately filed with this court.

17. The following three examples are recent communications received from Investor Claimants that are also illustrative of the communications received from Investor Claimants at large:

- (a) RM is a 71 year old retired clerk who worked at Enbridge and earned \$42,000 in his last year of active employment. He and his wife invested all their money—about \$120,000—in the Preferred Shares. He says that they worked hard to save that money, and scrimped their whole lives. He describes the loss as life-changing and terrible for them. They have been looking for financial help. He expressed frustration with the Credit Union and says that they have done nothing but talk. He needs a resolution.
- (b) CK and JK are husband and wife. They retired in March 2020. Together they had invested nearly half a million dollars in the Preferred Shares, representing approximately half of their retirement savings. Their financial plan is dependent on those funds, and they need to know the time frame for resolution so that they can plan accordingly.
- (c) JS and DS are husband and wife. They are both 75 years old and retired. They invested \$175,000 in the Preferred Shares – which represents a substantial portion of their retirement savings. They are both long time members of the Credit Union. They say they would not have invested in PFL if the company had not been owned by the Credit Union. They are very

concerned by the Credit Union's failure to deal with their losses in a timely manner. They are worried that if this process is dragged out, they won't be alive by the time a resolution is reached.

18. Second, Representative Counsel is concerned that Investor Claimants' opportunity for recovery is being eroded as time passes. Based upon its discussions with the Court Appointed Liquidators, Representative Counsel understands that PFL, FHH and PSC have insurance that may provide some coverage for Investor Claims against those companies (the "**Insurance**"). Unfortunately, the Insurance may also provide coverage for defence costs associated with outstanding regulatory proceedings against the former directors and/or officers of those companies.

19. In the circumstances described above, Representative Counsel is concerned that the Investor Claimants' interest in the Insurance may be eroded or completely defeated by competing claims to the insurance funds, so long as the Investor Claims against PFL, FHH and PSC remain unresolved.

20. Finally, a process is needed to provide a framework for documentary production that is reasonably necessary for Representative Counsel to complete its mandate in respect of the Investor Claims. In accordance with paragraph 5(b) of the Representation Orders, Representative Counsel has requested a number of documents from the Court Appointed Liquidators, in order to assist with Representative Counsel's assessment and advancement of the Investor Claims. This includes, among other things, account opening and share purchase documentation for each of the Investor Claimants, copies of the agreements between the companies in liquidation and others that are relevant to the

Investor Claims, financial records to establish the money trail and determine who benefitted from the sale of the Preferred Shares and the extent to which those persons benefitted, and other relevant documents, such as correspondence collected when the Court Appointed Liquidators imaged the hard drives of the employees of PSC.

21. The PSC Liquidator is in the process of providing Representative Counsel with access to the account opening documents, but the process has been hampered by concerns regarding privilege, confidentiality and privacy. It appears to Representative Counsel that these issues can best be addressed as part of a formal process.

22. In the absence of a settlement of the Investor Claims, and as contemplated by paragraphs 4(a) and 14 of the Representation Orders, Representative Counsel has engaged in a constructive dialogue with the Credit Union and the Court Appointed Liquidators, in respect of a procedure to address Investor Claims that has due regard for the urgency of the circumstances of Investor Claims and the need for fair treatment of competing interests.

23. In keeping with its discussions with the Credit Union and the Court Appointed Liquidators, Representative Counsel is recommending the process reflected in the proposed draft order, consisting of the following three stages:

- (a) Stage 1: the delivery of a statement of the Investor Claims together with any readily available supporting documentation, and an opportunity for the delivery of a response and any cross-claims or third-party claims by any individuals alleged to be accountable in respect of the Investor Claims;

- (b) Stage 2: an attempt at early stage settlement discussions involving all parties, facilitated by a mediator who, where necessary and appropriate, may refer discreet issues to this court for adjudication; and,
- (c) Stage 3: if necessary, an expedited adjudication process that is responsive to pressing financial circumstances of Investor Claimants.

Paliare Roland Rosenberg Rothstein LLP

Kenneth T. Rosenberg (LSO# 21102H)

Tel: 416.646.4304

ken.rosenberg@paliareroland.com

Massimo (Max) Starnino (LSO# 41048G)

Tel: 416.646.7431

max.starnino@paliareroland.com

Danielle Glatt (LSO# 65517N)

Tel: 416.646.7440

danielle.glatt@paliareroland.com

**Court Appointed Representative Counsel
for the Investor Claimants**

**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

**FIRST REPORT OF REPRESENTATIVE COUNSEL
(DECEMBER 17, 2020)**

Paliare Roland Rosenberg Rothstein LLP

155 Wellington Street West
35th Floor
Toronto ON M5V 3H1
Tel: 416.646.4300
Fax: 416.646.4301

Kenneth T. Rosenberg (LSO# 21102H)

Tel: 416.646.4304
ken.rosenberg@paliareroland.com

Massimo (Max) Starnino (LSO# 41048G)

Tel: 416.646.7431
max.starnino@paliareroland.com

Danielle Glatt (LSO# 65517N)

Tel: 416.646.7440
danielle.glatt@paliareroland.com

Court Appointed Representative Counsel for the Investor
Claimants

APPENDIX "A"

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

O R D E R

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:

- 4 -

- (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 Tolloed Claim expires on or after the date of this Order (the “**Effective Date**”) such Limitation Period shall be and is hereby tolloed 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.



- 8 -

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.

- 9 -

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.

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,

-2-

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:

- 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

-4-

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.", is 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 11, 2020 (the "Order").

In accordance with paragraph 11 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**

APPENDIX “B”

**NOTICE OF ORDERS APPOINTING
PALIARE ROLAND ROSENBERG ROTHSTEIN LLP
AS REPRESENTATIVE COUNSEL TO INVESTORS
IN THE PREFERENCE SHARES OF PACE FINANCIAL LIMITED AND FIRST
HAMILTON HOLDINGS INC.**

TAKE NOTICE THAT pursuant to orders made by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) on August 6, 2020 (the “**August 6 Orders**”), in respect of PACE SECURITIES CORP., PACE FINANCIAL LIMITED, PACE INSURANCE BROKERS LIMITED and PACE GENERAL PARTNER LIMITED (collectively, the “**PACE Securities Entities**”) and FIRST HAMILTON HOLDINGS INC., FIRST HAMILTON FINANCIAL SERVICES INC., FIRST HAMILTON CAPITAL INC., FIRST HAMILTON GENERAL PARTNERS 2 INC. and FIRST HAMILTON MORTGAGE BROKERS INC. (collectively, the “**FHH Entities**”, and together with the PACE Securities Entities, the “**Companies in Liquidation**”):

1. Paliare Roland Rosenberg Rothstein LLP (“**Representative Counsel**”) has been appointed as representative counsel for the “**Investor Claimants**”, who include:

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 Companies in Liquidation and any related persons or organizations (collectively “**Defendants**”) in respect of:

- a. the purchase of PACE Financial Limited Series A 5% Cumulative Redeemable Retractable Non-voting Term Preference Shares; and
- b. the purchase of equivalent investments in FHH as well as FHH warrants (collectively, with (a) the “**Preference Shares**”),

whether in Canada or anywhere else in the world, including without limitation claims for contribution or in 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**”), but excluding all Defendants, insiders or securities brokers involved in the sale of the Preference Shares.

2. Pursuant to the August 6 Orders, Representative Counsel is empowered 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 the relevant court proceedings including, among other things:
 - a. developing a process for the investigation, identification, advancement and resolution of valid and provable Investor Claims;

- b. addressing the Investor Claims, as part of the liquidation proceedings or in such related or consequential proceedings as may be approved by the Court, including without limitation, by negotiation, compromise, arrangement, settlement, or litigation;
- c. reporting to and responding to inquiries from individual Investor Claimants; and
- d. performing such other actions as approved by the Court.

IF YOU DO NOT WISH TO BE REPRESENTED by the Representative Counsel, you must, before September 16, 2020, provide an Opt-Out Notice (a copy of which can be obtained at <https://www.paliareroland.com/docs/default-source/pace-securities-litigation/opt-out-notice-pdf>) indicating that you wish to opt-out of such representation and send the completed Opt-Out Notice to the following email address (for certainty we note that all opt-out notices should be sent to this address regardless of whether you invested in PACE Financial Limited or First Hamilton Holdings Inc. or both):

PacelInvestorClaimantOptOut@paliareroland.com

AND TAKE NOTICE 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 account of the interests of any Self-Represented Investor Claimant.

For information regarding the activities of Representative Counsel, and/or to contact Representative Counsel, Investor Claimants should visit and register themselves at the Representative Counsel’s website at:

<https://www.paliareroland.com/pace-securities-litigation>

For more information regarding the status of the liquidation of the FHH Entities visit the website of MNP Ltd., Liquidator of the FHH Entities www.mnpdebt.ca/firsthamilton.

For more information regarding the status of the liquidation of the PACE Securities Entities, visit the website of Ernst & Young Inc., Liquidator of the Pace Securities Entities www.ey.com/CA/pacecurities.

OPT-OUT LETTER

TO: PacerInvestorClaimantOptOut@paliarerland.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 7 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:

APPENDIX "C"

NOTICE OF ORDERS APPOINTING

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP AS REPRESENTATIVE COUNSEL TO INVESTORS IN THE PREFERENCE SHARES OF PACE FINANCIAL LIMITED AND FIRST HAMILTON HOLDINGS INC.

TAKE NOTICE THAT by orders of the Ontario Superior Court of Justice (Commercial List) dated August 6, 2020, Paliare Roland Rosenberg Rothstein LLP ("**Representative Counsel**") has been appointed as representative counsel for persons having claims in respect of the purchase of preferred shares of PACE FINANCIAL LIMITED and FIRST HAMILTON HOLDINGS INC. (the "**Investor Claimants**").

Investor Claimants who do not want to be represented by Representative Counsel are required to give notice of their desire to opt-out of representation by **11:59 p.m. on September 16, 2020**.

To access a copy of the complete Notice of Appointment, including additional information regarding the role of Representative Counsel and the procedure to be followed to opt-out of representation, together with links to further information, visit:

<https://www.paliareroland.com/pace-securities-litigation>

**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

**FIRST REPORT OF REPRESENTATIVE COUNSEL
(DECEMBER 17, 2020)**

Paliare Roland Rosenberg Rothstein LLP

155 Wellington Street West
35th Floor
Toronto ON M5V 3H1
Tel: 416.646.4300
Fax: 416.646.4301

Kenneth T. Rosenberg (LSO# 21102H)

Tel: 416.646.4304
ken.rosenberg@paliareroland.com

Massimo (Max) Starnino (LSO# 41048G)

Tel: 416.646.7431
max.starnino@paliareroland.com

Danielle Glatt (LSO# 65517N)

Tel: 416.646.7440
danielle.glatt@paliareroland.com

Court Appointed Representative Counsel for the Investor
Claimants

TAB 3

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

**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

**AFFIDAVIT OF SHERAL YOUNG
(AFFIRMED NOVEMBER 19, 2020)**

1. I, Sheral Young, of the City of Toronto in the Province of Ontario, hereby AFFIRM:
2. I am an 81-year-old retiree who purchased preferred shares of First Hamilton Holdings Inc. (the "**Preferred Shares**"), and I am a member of the committee of investors (the "**Representative Committee**") formed by Paliare Roland Rosenberg Rothstein LLP ("**Representative Counsel**") pursuant to the Representation Orders made in these proceedings on August 6, 2020 attached to this affidavit as **Exhibit "A"**. As such, I have knowledge of the matters referred to in this affidavit. Where the matters are sworn by

-2-

way of information and belief, I state the source of that information and believe it to be true.

3. In May 2020, I learned of the liquidations of PACE Financial Limited (“**PFL**”) and First Hamilton Holdings (“**FHH**”), and, to my complete shock, that I had lost approximately \$579,000 that I had invested in the Preferred Shares, which represented my life savings.

4. I believe I was lied to and misled by the persons who referred me to this investment. At my age and in my financial position, I would never have invested in the Preferred Shares if I’d had any idea how risky they were. In fact, I would not have invested in the Preferred Shares if I had known that there was *any* risk that I could lose my principal investment.

5. Since learning that I have lost my entire retirement savings, I have been feeling very anxious, depressed, and, at times, I have had suicidal thoughts. At other times I am just so very angry that something so awful has happened, and that, so far, nobody has taken any real responsibility for compensating investors who have been financially ruined. This is not right.

6. I truly do not know what I am going to do if I am unable to recover my losses. It is devastating to me that I may have to be a burden on my son, after being a prudent saver and very cautious investor for my entire life.

7. I was initially drawn to PACE Credit Union by a television advertisement for a 3.51% three year guaranteed investment certificate (“**GIC**”). On or around January 8, 2019, I attended at a PACE Credit Union location and purchased a GIC to earn some

-3-

interest on my retirement savings. At the same time, I also opened what I thought was a high interest savings account, but later learned was a money market account.

8. When I learned that I had deposited money into a money market account, I contacted PACE Credit Union to discuss the fees that were being charged to me and the amount of interest that I was receiving. The person on the phone said that they could introduce me to someone who could assist me in finding a higher interest vehicle for my savings. I was transferred to an investment advisor named Tajie Varicat ("**Tajie**"), who recommended that I invest in what I now understand are preferred shares of FHH.

9. Tajie told me that I could invest in bonds of very secure companies that paid 7% interest on a quarterly basis. He told me that the bonds were very secure and that I would be able to remove the funds after a three year time period. I told Tajie my age, that I was retired, and that I did not want to take any risks and that I did not want anything like mutual funds or stocks.

10. I was in Florida the first time that Tajie and I spoke about the preferred shares, so Tajie told me he would get in touch when I was back in the country.

11. When I returned to Canada in May, 2019, Tajie visited me at my home and I invested in the preferred shares. I was led to believe that I was purchasing something like a Canada Savings Bond or a GIC.

12. Prior to the devastating loss of my life savings, I would have described myself as a middle class Canadian, with limited retirement funds. I built my net worth through real-estate investments and mortgages. Approximately 10 years ago, I invested a relatively

-4-

small amount of my savings in mutual funds and subsequently experienced losses. After that bad experience, I had no interest in investments that had any element of risk.

13. As a result of this debacle I now understand that the Preference Shares were very high risk, speculative investments, and that there were legal restrictions on how many shares could be sold to investors of limited means like me, if they could be sold to me at all. None of this was explained to me by the Credit Union employee who referred me to PACE Securities or by my investment advisor, Taije Vericat.

14. It is very distressing to me and difficult to comprehend that my retirement funds have been lost because I had understood that my savings were securely invested. I need my money back.

15. Through my discussions with other investors and as a result of my role on the Representative Committee, I understand that my experience is not unique and that other investors say that they have had similar experiences.

16. I think that the PACE Credit Union should make me and other investors whole because they started this whole mess. One of the other members of the Representative Committee produced a copy of a press release issued jointly by the Credit Union and PACE Securities Corporation ("**PACE Securities**") in connection with the creation of the PACE Securities in January 2014, which is marked as **Exhibit "B"** to this affidavit (the "**January 2014 Press Release**").

17. In the January 2014 Press Release, the Credit Union appears to acknowledge its joint responsibility for the services provided to Credit Union members and non-members alike.

18. After noting that Ernie Eves, the former Premier of Ontario, would serve as the Chairman of PACE Securities, the press release quotes Larry Smith, the head of the Credit Union, as saying:

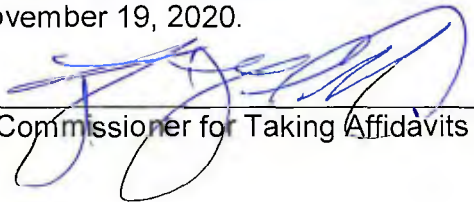
Owning an investment dealer means [the Credit Union] can monitor and control every aspect of the services we deliver to our members and the public. It will also ensure both companies are consistent with our core Credit Union values. Additionally, it will allow the members of [the Credit Union] to share in all of the earnings of {PACE Securities} rather than receiving a portion from a revenue sharing agreement with an outside provider.

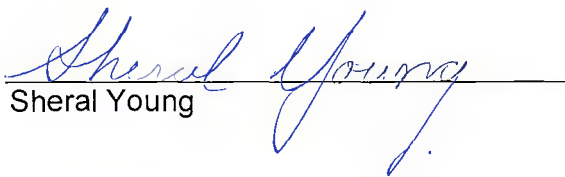
19. I had hoped that the Credit Union's core values would cause it to make investors whole immediately. However that has not happened.

20. I and other investors with whom I have consulted have many questions. What were the directors and officers of these various companies doing while this debacle was unfolding? What kind of supervision were they providing? Where did our money go? How much went to the directors, officers and employees? How much went to the Credit Union? Where else did it go?

21. I and other investors with whom I have spoken would like to see a process put in place to answer our questions and resolve investors' claims as efficiently and as quickly as possible. We don't have years to wait.

Affirmed before me in the City of
Toronto in the Province of Ontario on
November 19, 2020.


A Commissioner for Taking Affidavits


Sheral Young

This is Exhibit "A" referred to in the Affidavit of Sheral Young affirmed November 19, 2020.



Commissioner for Taking Affidavits (or as may be)

DANIELLE GLATT

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

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

THE HONOURABLE)	THURSDAY, THE 6 TH
)	
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,

-2-

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:

-3-

- 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

-4-

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.

-5-

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 wilful 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

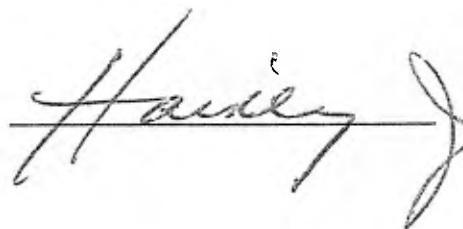
-6-

“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.

-7-

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 "Harry J.", written over a horizontal line.

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: PacelInvestorClaimantOptOut@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**

- 3 -

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:

- 4 -

- (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.

- 5 -

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*.

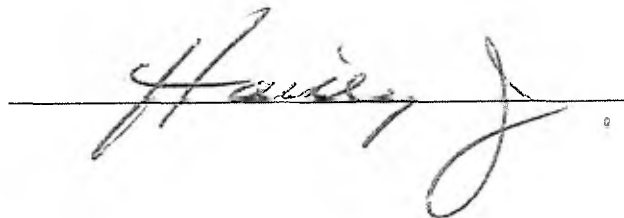
12. **THIS COURT ORDERS** that until Representative Counsel has completed the Representative Counsel Mandate or until this Court otherwise directs (the "**Stay Period**"), no proceeding or enforcement process in respect of Tolled Claims (each, a "**Proceeding**") shall be commenced or continued in any 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.

- 7 -

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 Tolloed 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.



- 8 -

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.

- 9 -

SCHEDULE "B"

OPT-OUT LETTER

TO: PaceInvestorClaimantOptOut@paliarerland.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.

This is Exhibit "B" referred to in the Affidavit of Sheral Young affirmed November 19, 2020.



DANIELLE GLATT

Commissioner for Taking Affidavits (or-as may be)

First Credit Union owned Securities firm commences operations

Pace Securities Corp to be chaired by former Premier Ernie Eves

Vaughan, Ontario (January 20, 2014) – **PACE Savings and Credit Union Ltd. (PSCU)** announced today that its wholly-owned subsidiary, **PACE Securities Corp., (PSC)** has commenced operations.

Approved in October, 2013 as a regulated investment dealer by the Investment Industry Regulatory Organization of Canada (IIROC), PSC became the first securities firm to be owned by an Ontario Credit Union.

Former Ontario Premier Ernie Eves will serve as PSC’s Chairman of the Board pending IIROC approval.

“We’re excited about this new opportunity. Owning an investment dealer means PSCU can monitor and control every aspect of the services we deliver to our members and the public. It will also ensure both companies are consistent with our core Credit Union values. Additionally, it will allow the members of PSCU to share in all of the earnings of PSC rather than receiving a portion from a revenue sharing agreement with an outside provider,” said **PACE Savings and Credit Union** CEO, Larry Smith.

The creation of the new securities firm is to offer the members of PSCU, and the general public, ethical, transparent and diligent investment services, including retail investment advisory services, option market making and institutional brokerage services at a reasonable cost.

“The new PSC will give members easy access to experienced advisors to help them make the most of their investments. We aim to provide the exceptional level of service, fees, and product offerings that people have come to expect from the PACE brand.” said **Pace Securities Corp.**, President and CEO Joseph Thomson.

-30-

About PACE Securities Corp – based in Vaughan Ontario, PSC provides investment products and services to the members of PACE and the general public through service locations throughout the Greater Toronto/ Hamilton area. For more information please contact President and CEO Joseph Thomson 905-532-9633 or jthomson@paccsecuirites.com.

About PACE Credit Union – based in Vaughan Ontario, PCU serves its 40,000 members through 15 GTHA locations. PCU employs 160 local residents has \$718 million in assets and \$51 million in capital. For more information please contact Dan Coldwell, Vice President Business Development 905-738-8900 ext.3004 dcoldwell@paccu.com.

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

**AFFIDAVIT OF SHERAL YOUNG
(AFFIRMED NOVEMBER 18, 2020)**

Paliare Roland Rosenberg Rothstein LLP
155 Wellington Street West
35th Floor
Toronto ON M5V 3H1
Tel: 416.646.4300
Fax: 416.646.4301

Kenneth T. Rosenberg (LSO# 21102H)
Tel: 416.646.4304
ken.rosenberg@paliareroland.com
Massimo (Max) Starnino (LSO# 41048G)
Tel: 416.646.7431
max.starnino@paliareroland.com
Danielle Glatt (LSO# 65517N)
Tel: 416.646.7440
danielle.glatt@paliareroland.com

Lawyers for Saira Ahmad, Aman Sawrup and Surinder
Sawrup

**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

MOTION RECORD

Paliare Roland Rosenberg Rothstein LLP

155 Wellington Street West, 35th Floor

Toronto ON M5V 3H1

Tel: 416.646.4300

Fax: 416.646.4301

Kenneth T. Rosenberg (LSO# 21102H)

Tel: 416.646.4304

ken.rosenberg@paliareroland.com

Massimo (Max) Starnino (LSO# 41048G)

Tel: 416.646.7431

max.starnino@paliareroland.com

Danielle Glatt (LSO# 65517N)

Tel: 416.646.7440

danielle.glatt@paliareroland.com

Representative Counsel