

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

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

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

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

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

Applicants

SETTLEMENT APPROVAL ORDER

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

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

Sufficiency of Service and Definitions

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

Approval of the Settlement

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

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

Settlement Implementation

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

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

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

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

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

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

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

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

Releases and Bar Orders

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

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

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



Koehnen J.

SCHEDULE "A"**DEFINED TERMS**

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

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

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

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

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

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

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

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

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

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

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

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

SCHEDULE "B"

EXECUTION COPY

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

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

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

SETTLEMENT TERM SHEET¹

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

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

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

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

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

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

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

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

Dated as of June 24, 2021.



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



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




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

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

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

PSC Investment Advisor Ariel Simms, by
his lawyer Barry Papazian

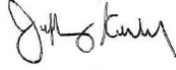


PSC Investment Advisors Patrick Carson,
Gyulmet Ramazanov, Thomas D. Moxam, Pat
Cilla, Thomas Ogilwy, Margaret Pakula, by their
lawyer, Natalie Leon

Barry B. Papazian

PSC Investment Advisor Ariel Simms, by
his lawyer Barry Papazian

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

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


Ernst & Young Inc., in its capacity as Court-Appointed Liquidator of the estate and effects of Pace Securities Corp., Pace Financial Limited, Pace Insurance Brokers Limited and Pace General Partner Limited, and not in its personal or corporate capacities

Per:

Jeffrey D. Kerbel
Senior Vice-President

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

Per:


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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

SETTLEMENT APPROVAL ORDER

Paliare Roland Rosenberg Rothstein LLP

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

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

Lily Harmer (LSO# 31880T)

Tel: 416.646.4326
lily.harmer@paliareroland.com

Jesse Wright (LSO# 80382Q)

Tel: 416.646.6314
jesse.wright@paliareroland.com

Representative Counsel