

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 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

SECOND REPORT OF MNP LTD.
(Motion for Settlement Approval – July 30, 2021)

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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.

TO: SERVICE LIST

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TAB 1

ONTARIO
SUPERIOR COURT OF JUSTICE
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**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, C. B.16, AS
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Applicants

**SECOND REPORT OF MNP LTD. IN ITS CAPACITY AS
COURT-APPOINTED LIQUIDATOR OF THE APPLICANTS**

July 27, 2021

INTRODUCTION

1. This second report (the “**Second Report**”) is filed by MNP Ltd. (“**MNP**” or the “**FHH Liquidator**”) in its capacity as Liquidator of the estate and effects of the Applicants, First Hamilton Holdings Inc. (“**FHH**”), First Hamilton Financial Services Inc. (“**FHFS**”), and First Hamilton General Partner 2 Inc. (“**FHGP2**”), First Hamilton Capital Inc. (“**FHC**”) and First Hamilton Mortgage Brokers Inc. (“**FHMB**” and, together with FHH, FHFS, FHGP2 and FHC, hereinafter collectively referred to as the “**FHH Entities**” or “**Companies**”) pursuant to the Order of the Honourable Mr. Justice Hainey dated May 21, 2020 (the “**Appointment Order**”). A copy of the Appointment Order is attached hereto as **Appendix “A”**.
2. The FHH Liquidator filed its first report dated July 31, 2020 (the “**First Report**”) to provide the Court with information regarding, *inter alia*:
 - a. the Liquidator’s activities since the date of its appointment on May 21, 2020;
 - b. the Companies’ operations and financing;
 - c. the Companies’ assets and realizations therefrom;
 - d. certain investors in the Companies’ preferred shares (the “**Preference Share Investors**”);
 - e. the circumstances leading up to the decision by certain Preference Share Investors to retain Paliare Roland Rothstein and Rosenberg LLP (“**Paliare Roland**”) as legal counsel to pursue any potential claims they may have against the FHH Entities, Pace Securities Corporation (“**PSC**”) and other persons; and
 - f. the Liquidator’s rationale in support of its motion that the Court appoint Paliare Roland as representative counsel (“**Representative Counsel**”) to represent the interests of certain Preference Share Investors (the “**Investor Claimants**”) who purchased preferred shares of FHH or Pace Financial Limited (“**PFL**”) (collectively, the “**Preference Shares**”) or units of Pace Capital Partners LP (“**PCP**”).
3. On August 6, 2020, the Court issued an order(s) (the “**Representative Counsel Appointment Order**”) that, among other things, appointed Paliare Roland as Representative Counsel for the Investor Claimants. A copy of the Representative Counsel Appointment Order is attached hereto as **Appendix “B”**.

4. On March 2, 2021, Representative Counsel obtained the Claim Procedure Orders, attached as **Appendix “C”** establishing, among other things, the procedure for an early-stage mediation (the **“Mediation”**) to be conducted by Mr. Joel Wiesenfeld (the **“Mediator”**) of the Investor Claimants’ claims in respect of their purchase of the Preference Shares and units of FHH, PFL or PCP units (the **“Investor Claims”**).
5. With the assistance of the Mediator, Representative Counsel and various parties finalized agreed upon terms of settlement resolving substantially all of the Investor Claims, subject to court approval (the **“Settlement”**), as evidenced by the redacted Settlement Term Sheet dated July 9, 2021 attached hereto as **Appendix “D”** (the **“Settlement Term Sheet”**).

PURPOSES OF THIS SECOND REPORT

6. The purposes of this Second Report are to:
 - a. review the disposition of the Companies’ primary assets being securities and bonds (as defined below, the **“FHH Securities”**) held by Laurentian Bank and the realizations therefrom;
 - b. review the position of Investor Claimants and other potential creditors of the FHH Entities;
 - c. review the terms of the Settlement Term Sheet and provide the Liquidator’s rationale in support of the Settlement;
 - a. provide support for Representative Counsel’s request for an order(s), among other things:
 - i. approving the Settlement (as such term is later defined), as set out in the draft Settlement Approval Order submitted by Representative Counsel as included in the Representative Counsel’s Notice of Motion dated July 9, 2021; and
 - ii. such other relief as to this Court may seem just.

TERMS OF REFERENCE

7. In preparing this Second Report, and making the comments herein, the Liquidator has been provided with, and has relied upon, information (the **“Information”**) contained in or obtained from:

- a. various documents filed in this proceeding, including the affidavit of Mr. Joseph Thomson (“**Thomson**”), sworn May 19, 2020 (the “**Thomson Affidavit**”), as well as other documents filed in the related liquidation proceedings of PSC;
 - b. the Companies’ books and records and certain available but unaudited, draft and/or internal financial information obtained by the Liquidator;
 - c. discussions with and information provided by the Companies’ former directors and management;
 - d. discussions and communications with the Court appointed liquidator of PSC and certain of its related and affiliated entities, Ernst & Young Inc. (“**EY**”) and its counsel;
 - e. discussions and communications with individual investors who purchased Preference Shares;
 - f. discussions and communications with Representative Counsel as well as counsel to the various Settling Parties (as defined below);
 - g. during the course of the Mediation; and
 - h. other third-party sources or as otherwise available to the Liquidator and its counsel.
8. The FHH Liquidator has not audited, reviewed or otherwise verified the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Professional Accountants Handbook and, accordingly, the Liquidator expresses no opinion or other form of assurance in respect of the Information.
9. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian Dollars.
10. Capitalized terms not defined in the Second Report have the meaning ascribed to them in the Appointment Order.
11. The FHH Liquidator will make a copy of this Second Report, and related documents, available on the FHH Liquidator’s website at www.mnpdebt.ca/firsthamilton.

OVERVIEW

12. FHH carried on business as a business investment corporation, principally by using the services of Pace Securities Corporation (“PSC”), in the capacity as portfolio manager, to invest FHH’s funds in bonds and other debt instruments, and to acquire or develop equity investments.
13. FHH was created as an investment vehicle for qualified investors to earn fixed dividends from FHH investing in a basket of high-yield bonds and other equity securities (the “FHH Securities”). FHH raised capital by selling the Preference Shares. FHH used those proceeds to purchase the FHH Securities and added more high-yield bonds to its portfolio by purchasing on “margin” through its accounts at PSC. The interest and any trading profits earned on the FHH Securities, net of management costs and other expenses, were to be used to fund regular dividend payments to the preference shareholders.
14. Almost all of FHH's investors are retail investors, who are also members of the related entity PACE Credit Union (“PCU”), and they are also customers of PSC. PSC provided brokerage, investment and business management services to the FHH Entities.
15. The dividends owing to FHH’s preference shareholders are cumulative, meaning that any dividends (whether or not declared) which are not paid are accumulated and remain payable to investors at a later date.
16. Despite the fact that PSC provided brokerage and other services to FHH, PSC does not hold its customers’ cash and securities itself. Rather, it is registered with the Investment Industry Regulatory Organization (“IIROC”) as a Type 2 “introducing broker”, and as such, PSC contracts its back-office functions to a “carrying broker”.
17. PSC’s carrying broker is Laurentian Bank Securities (“LBS”). LBS is therefore the custodian of the securities and cash of FHH’s investors.
18. As noted above, FHH purchased the FHH Securities on margin. Margin is a form of loan whereby the broker loans money to its client to allow the client to purchase more securities than could otherwise be purchased with the amount of money the client has available in the account. The loan in the account is collateralized by the securities purchased and cash, and comes with a periodic

interest rate. As LBS is PSC's carrying broker, any margin loans provided through a PSC account are in fact provided by LBS.

19. Thus, LBS loaned funds to FHH to permit it to purchase more securities than FHH would otherwise have been able to purchase.
20. FHH had one active subsidiary, FHFS, which operated as a mortgage broker.
21. On May 14, 2020, EY (sometimes also referred to as, the "**PSC Liquidator**") was appointed as Liquidator of the estate and effects of PSC, PFL, Pace Insurance Brokers Limited ("**PIB**") and Pace General Partner Limited ("**PGPL**") (collectively the "**PSC Companies**") pursuant to the Order of the Honourable Mr. Justice Hainey dated May 14, 2020 (the "**PSC Appointment Order**"). Pursuant to the PSC Appointment Order, all of the PSC Companies' employees were terminated.

ASSET REALIZATIONS

22. As at the date of the Appointment Order, FHH was indebted to LBS in the approximate amount of \$2.8 million on account of margin provided by LBS to FHH. Immediately prior to the date of FHH Liquidator's appointment, LBS took possession of the FHH Securities pursuant to the terms of its margin and security agreements with FHH and PSC.
23. On or about late May 2021, LBS advised the FHH Liquidator that it had liquidated a sufficient portion of the FHH Securities to fully retire FHH's margin debt to LBS and that LBS would release the balance of the FHH Securities in its possession to the FHH Liquidator.
24. The FHH Liquidator subsequently made arrangements with LBS for it to liquidate the remaining FHH Securities in LBS's possession. To-date approximately \$418,000 of FHH Securities proceeds have been remitted to the FHH Liquidator. Any additional realizations from the FHH Securities are not considered to be material.
25. Other the recovery from the FHH Securities set out above, approximately \$30,000 was recovered from the sale of FHH's office furniture and equipment, for total realizations to-date of approximately \$448,000.

CREDITORS

26. Other than the potential claim of the FHH landlord following the disclaimer of the lease to FHH's head office and other potential claims from contract employees, the FHH Liquidator has not been contacted by any other potential creditors, and is not aware of any such creditors at this time.

INVESTOR CLAIMANTS

27. As set out in the First Report, over 500 individuals and entities acquired approximately \$30,000,000 of FHH Preference Shares and options.
28. Based on the realizations set out above, after deducting for the professional fees of the FHH Liquidator and its legal counsel in this proceeding, and absent the Settlement described below, the recovery to creditors and preference shareholders would be nominal.

APPOINTMENT OF REPRESENTATIVE COUNSEL.

29. As set out in the First Report, following the FHH Liquidator's appointment, MNP was contacted by more than 20 individuals who advised that they had purchased Preference Shares. Almost all of the individuals who contacted MNP advised that:
- a. they are elderly retirees, most of whom are in their late sixties and seventies;
 - b. the funds they invested were retirement funds from within their RRSP's and RRIF's, and that in many cases, the income stream and capital withdrawals was a critical component for them to be able to meet and fund their daily living expenses;
 - c. they were advised by PSC investment advisers that the Preference Shares offered them an above average yield of greater than 7%, compared to GIC's or based on FHH investments in low risk, corporate bonds. Further, they were not aware that FHH would be purchasing the securities on margin;
 - d. they did not recall completing any "Know Your Client" documentation nor any other questionnaires in which they set out their low-risk tolerances, based on their advanced ages and financial situations, nor did they recall reviewing any of FHH's prospectuses or investment memorandums that advised of the real risk levels of investing in the Preference

Shares. They further advised that, had they been made aware of the risks associated with the Preference Shares or the underlying securities, they never would have made the investment; and,

- e. they characterized themselves as unsophisticated investors and as long-standing members of the PCU, that they had made the investment principally because they had faith in the advice given to them by the PSC and or PCU representatives.
30. At that time, other than the relatively minor recoveries from the sale of the office furniture and equipment, MNP has not recovered any funds, and did not currently have any funds with which to conduct any further investigations or to commence litigation to try to recover any funds, and in particular, with respect to potential claims against FHH's directors and officers or anyone else (the "**Potential Claims**") who may be liable to FHH for conduct or activities that gives rise to damages.
 31. As a result, in mid-June 2020, MNP contacted Paliare Roland to discuss whether it would be prepared to consider pursuing the Potential Claims on a contingency fee basis.
 32. Following further discussions with Paliare Roland, as well as further discussions with some of the various investors/ retirees who had purchased FHH Preference Shares, it was agreed that, given the large number of investors (the "**Investor Claimants**") and the potential complexity of the Potential Claims, it would be best to seek to have Paliare Roland appointed as Representative Counsel for the Investor Claimants.
 33. On August 6, 2020, Paliare Roland was appointed by Order of Justice Hailey (the "**Representative Counsel Order**") as Representative Counsel to, among other things, advance the interests of the Investor Claimants in this proceeding and the liquidation proceeding in respect of FHH.
 34. The Representative Counsel Order also granted PCU the exclusive authority, until October 15, 2020, to seek, design and present a settlement and/or settlement package in respect of direct and indirect certain claims against PCU, to Representative Counsel and the Court Appointed Liquidators (the "**Exclusivity Period**"). With the consent of Representative Counsel and the Court Appointed Liquidators, the Exclusivity Period was extended until October 30, 2020.

PREFERRED SHAREHOLDER CLAIMS PROCESS

35. At the end of the Exclusivity Period, no settlement offer or package was provided to Representative Counsel and/or the PSC Liquidator or the FHH Liquidator (collectively, the “**Court Appointed Liquidators**”).
36. On or about November 20, 2020, FSRA announced that as a result of the resignation of several directors and officers of PCU, FSRA was resuming oversight of the day-to-day operations of PCU pursuant to a previously issued administration order.
37. During and after the Exclusivity Period, communications continued between Representative Counsel, counsel for PCU, FSRA, EY, and the FHH Liquidator with respect to, among other things, a process for the resolution of the Investor Claimants’ claims.
38. By Orders of the Court dated March 2, 2021 in each of the Liquidation Proceedings on motions by Representative Counsel (the “**Claim Procedure Orders**”), a process was established for resolving the claims of the Investor Claimants in respect of their purchase of PFL and FHH preference shares and warrants, (together, with the claims of 7903197 Canada Inc. in respect of its purchase of Pace Capital Partners Series A Limited Partnership Units, the “**Preferred Shareholder Claims**”).
39. The Claim Procedure Orders provided the framework for a process for resolving the Preferred Shareholder Claims. This process provided for a start date triggered by the delivery of a Claims Brief¹ by Representative Counsel detailing the Investor Claimants’ claims (various Interested Parties subsequently delivered Responding Briefs) followed by two distinct phases:
 - a. a Mediation Process (as described further below); and
 - b. if necessary, a Claims Adjudication Process² to deal with the adjudication of any unsettled claims.

¹ All capitalized terms not defined in this Report are used as defined in the Claim Procedure Orders.

² The Claims Adjudication Process means the expedited and simplified process to be determined by the 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 would feature fixed trial dates and which was 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.

MEDIATION PROCESS

40. As set out above, pursuant to the Claim Procedure Orders, the Mediator, Joel Wiesenfeld was appointed in an effort to facilitate the resolution of the Preferred Shareholder Claims and any Related Claims. The Mediator's primary objective was to achieve a comprehensive settlement of all Preferred Shareholder Claims and Related Claims, but where the Mediator was satisfied that attainment of that objective was not possible, the Mediator may seek to facilitate partial settlements, and/or seek to obtain agreement with respect to the Claims Adjudication Process.
41. The Mediator was to consult with each of Representative Counsel, the Court Appointed Liquidators, PCU and every other Interested Party, and shall thereafter establish and implement the Mediation Process.
42. The Court Appointed Liquidators were to 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 PCU, and to Interested Parties for those purposes.
43. A Document Production Protocol with respect to documents in the possession of the Court Appointed Liquidators was negotiated and agreed upon among the parties to the Mediation Process. The Court Appointed Liquidators produced documents to requesting parties throughout the mediation process in accordance with that protocol.
44. The Mediator communicated formally with the parties to the Mediation Process beginning on March 31, 2021 and throughout the Mediation Process. The Court Appointed Liquidators assisted the Mediator as requested with respect to, among other things, communications and production of information and documents.
45. Commencing on May 31, 2021, the Mediator began canvassing individual parties as to their settlement positions through separate meetings.
46. More formal mediation sessions took place during the weeks of June 14 and 21, 2021 with the stated goal of reaching a full or partial resolution by the end of June 2021, such that the matter would proceed thereafter before the Court for settlement approval or approval of the Claims Adjudication

Process, as the case may be. If applicable, July 2, 2021 was designated as the ‘Start Date’ of the Claims Adjudication Process (as per paragraph 2(b) of the Claim Procedure Orders).

PROPOSED SETTLEMENT

47. The Mediation Process resulted in the Settlement, subject to Court approval, pursuant to a Settlement Term Sheet.
48. The material terms of the Settlement are summarized as follows:
 - a) monetary compensation totaling \$40 million (the “**Settlement Amount**”) is to be paid to the Investor Claimants in exchange for the release of claims against the Settling Parties;
 - b) the Settling Parties are PCU, AIG Insurance Company of Canada, in its capacity as the insurer for PSC, FHH and PFL (the “**Insured Organizations**”) and certain of their directors and officers (the “**Individual Insureds**”), the Insured Organizations, the Individual Insureds, and various investment advisors formerly employed by PSC represented by their insurers AXIS Reinsurance Company (Canadian Branch) and Liberty Mutual (the “**Investment Advisors**”). It is a term of the Settlement that the precise contribution made by each of the Settling Parties will remain confidential, subject to communications with legal or financial advisors and/or legal and financial disclosure obligations;
 - c) the Settlement Amount will be paid to Representative Counsel, in trust, within sixty (60) days of the final approval of the Settlement by the Court, for further distribution to Investor Claimants in accordance with a scheme of distribution to be approved by the Court on future motion by Representative Counsel;
 - d) PCU has agreed to limit any damages, costs, taxes or disbursements sought in the Credit Union Action (defined in the Term Sheet) to the damages attributable to the several liability of the existing parties in that action that may be proved at trial;
 - e) AIG, the Individual Insureds, the Court Appointed Liquidators on behalf of the Insured Organizations, the Investment Advisors, and the Investment Advisors’ insurers (AXIS Reinsurance Company (Canadian Branch) and Liberty Mutual) have agreed to exchange consents and releases; and

- f) In recognition of ongoing regulatory matters pertaining to certain Settling Parties, the Investor Claimants have agreed to provide written support for the resolution of any and all regulatory matters associated with the purchase, sale, and distribution of the Preference Shares, upon receipt of a request for such support.
49. The FHH Liquidator supports approval of the Settlement by the Court for the following principal reasons:
- a) the relevant parties appear to have participated in the Mediation Process in good faith;
 - b) the Settlement was arrived at expeditiously;
 - c) the magnitude of the payment amount under the Settlement estimated by Representative Counsel to exceed 70% is significant as compared to the nominal recoveries from these proceedings absent the Settlement;
 - d) as reported by Representative Counsel and as set out above, many of the Investor Claimants are near or at retirement age, such that they need compensation on a timely basis and will not benefit from protracted litigation;
 - e) the alternative to the Settlement is protracted and expensive litigation of factually and legally complex claims by the Investor Claimants; and,
 - f) approval of the Settlement will allow the Court Appointed Liquidators to proceed with completion of the administration of the winding-up proceedings.

RECOMMENDATIONS

50. For the reasons set out above, the FHH Liquidator recommends the approval of the Settlement, as set out in the draft Settlement Approval Order submitted by Representative Counsel.

All of which is respectfully submitted this 27th day of July, 2021.

MNP LTD. in its capacity as the Court-appointed Liquidator 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

APPENDIX A

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.)	THURSDAY, THE 21 st DAY
)	
JUSTICE HAINEY)	OF MAY, 2020



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

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

AND IN THE MATTER OF A WINDING UP OF
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

WINDING-UP ORDER

THIS APPLICATION, made by First Hamilton Holdings Inc. (“**FHH**”), First Hamilton Financial Services Inc. (“**FHFS**”), First Hamilton Capital Inc. (“**FHC**”), First Hamilton General Partner 2 Inc. (“**FHGP2**”) and First Hamilton Mortgage Brokers Inc. (“**FHMB**” and, collectively with FHH, FHFS, FHC and FHGP2, the “**Companies**”), pursuant to section 207 of the *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended (the “**OBCA**”) and section 214 of the *Canada Business Corporations Act*, RSC 1985, c. C-44 (the “**CBCA**”), for an Order, among other things, winding up each of the Companies, was heard this day by judicial videoconference via ZOOM at Toronto, Ontario due to the COVID-19 crisis:

ON READING the Affidavit of Joseph Thomas sworn on May 19, 2020, and on hearing the submissions of counsel for the Companies,

SERVICE

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

APPLICATION

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

NO PROCEEDINGS AGAINST THE COMPANIES OR THEIR PROPERTY

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

NO EXERCISE OF RIGHTS OR REMEDIES

4. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Companies or the Liquidator, or affecting the Property, including rights of set-off, are

hereby stayed and suspended except with the written consent of the Liquidator, or leave of this Court, provided that nothing in this Order shall: (i) empower the Liquidator to carry on any business which the Companies are not lawfully entitled to carry on; (ii) exempt the Liquidator from compliance with statutory or regulatory provisions relating to health, safety or the environment; (iii) prevent the filing of any registration to preserve or re-perfect an existing security interest; or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

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

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE LIQUIDATOR

6. **THIS COURT ORDERS** that (i) the Companies, (ii) all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on their instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order, including without limitation, Pace Securities Corporation, and Ernst & Young Inc., in its capacity as liquidator of Pace Securities Corporation shall forthwith advise the Liquidator of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Liquidator, and shall deliver all such Property to the Liquidator upon the Liquidator's request.

7. **THIS COURT ORDERS** that all Persons shall forthwith advise the Liquidator of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Companies, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Liquidator or permit the Liquidator to make, retain and take away copies thereof and grant to the Liquidator

unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Liquidator due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

8. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Liquidator for the purpose of allowing the Liquidator to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Liquidator in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Liquidator. Further, for the purposes of this paragraph, all Persons shall provide the Liquidator with all such assistance in gaining immediate access to the information in the Records as the Liquidator may in its discretion require including providing the Liquidator with instructions on the use of any computer or other system and providing the Liquidator with any and all access codes, account names and account numbers that may be required to gain access to the information.

CONTINUATION OF SERVICES

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

each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Liquidator in accordance with normal payment practices of the Companies or such other practices as may be agreed upon by the supplier or service provider and the Liquidator, or as may be ordered by this Court.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

THE LIQUIDATOR

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

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

- (a) take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) deposit all money belonging to the Companies in any bank of Canada listed in Schedule I or II to the *Bank Act* (Canada) or in any trust corporation or loan corporation that is registered under the *Loan and Trust Corporations Act* or in any

other depository approved by the Court, which deposits shall not be made in the name of the Liquidator individually, but shall be separate deposit accounts in the Liquidator's name as Liquidator of the Companies;

- (c) carry on the business of the Companies so far as may be required as beneficial for the winding up of the Companies;
- (d) sell any of the Property by public auction or private sale or, where applicable, through a stock exchange, and receive payment of the purchase price either in cash or otherwise;
- (e) enter into one or more agreements for the transfer of the Companies' client accounts to other investment dealers on such terms as the Liquidator may in its discretion deem appropriate;
- (f) take such steps with respect to accounts of deferred customers (as that term is defined in the *Bankruptcy and Insolvency Act* (Canada) (the "BIA")) as the Liquidator may in its discretion deem appropriate;
- (g) engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Liquidator's powers and duties, including engaging the services of a broker to effect the sale of securities held by the Companies;
- (h) do all acts and execute, in the name and on behalf of the Companies, all documents, and for that purpose use the seal of the Companies, if any;
- (i) draw, accept, make and endorse any bill of exchange or promissory note in the name and on behalf of the Companies;
- (j) make such compromise or other arrangement as the Liquidator thinks expedient with any creditor or person claiming to be a creditor or having or alleging that he, she or it has a Claim whereby the Companies may be rendered liable;

- (k) compromise all debts and liabilities capable of resulting in debts, and all claims, whether present or future, certain or contingent, liquidated or unliquidated, subsisting or supposed to subsist between the Companies and any contributory, alleged contributory or other debtor or person who may be liable to the Companies and all questions in any way relating to or affecting the Property, or the winding up of the Companies, upon the receipt of such sums payable at such times and generally upon such terms as are agreed, and the Liquidator may take any security for the discharge of such debts or liabilities and give a complete discharge in respect thereof;
- (l) disclaim any leases entered into by the Companies;
- (m) cause to be filed with the appropriate governmental authority all tax returns required to be filed by the Companies, their subsidiaries and, if necessary, any trusts or special purpose entities for which the Companies continue to have responsibility;
- (n) remit all taxes required to be remitted by the Companies in accordance with all applicable statutes;
- (o) obtain any all applicable clearance certificates from governmental authorities;
- (p) cause to be filed with the appropriate governmental authority all financial statements and reports required to be filed by the Companies;
- (q) establish and implement a claims process in respect of any or all of the Companies;
- (r) in respect of each of the Companies, pay or otherwise satisfy all claims from the Property thereof if there are sufficient funds to do so, and after satisfying all such claims, distribute the remaining Property or proceeds thereof (if any) rateably among the registered shareholders thereof according to their rights and interests;
- (s) bring or defend any action, suit or prosecution, or other legal proceedings, civil or criminal, in the name and on behalf of the Companies;

- (t) at any time after the affairs of any of the Companies have been fully wound up, make an application to the Court for an order dissolving any or all of the Companies;
- (u) wind up or dissolve all wholly-owned subsidiaries of the Companies;
- (v) assign any of the Companies into bankruptcy; and
- (w) do and execute all such other things as are necessary for winding up the business and affairs of the Companies and distributing the Property.

13. **THIS COURT ORDERS** that the Liquidator shall provide any creditor or shareholder of the Companies with information provided by the Companies in response to reasonable requests for information made in writing by such creditor or shareholder addressed to the Liquidator or its legal counsel. The Liquidator shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Liquidator has been advised by the Companies is confidential or otherwise material, non-public information, the Liquidator shall not provide such information to creditors or shareholders unless otherwise directed by this Court, or on such terms as the Liquidator may agree.

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

15. **THIS COURT ORDERS** that the Liquidator, counsel to the Liquidator, and counsel to the Companies shall be paid their reasonable fees and disbursements incurred both before and after the making of this Order, in each case at their standard rates and charges, and the Liquidator, counsel to the Liquidator and counsel to the Companies shall be entitled to and are hereby granted a charge (the "**Administration Charge**") on the Property, as security for such fees and disbursements, and that the Administration Charge shall form a first charge on the

Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any Person.

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

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

18. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge shall not be required, and that the Administration Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Administration Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

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

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

FUNDING OF THE LIQUIDATION

20. **THIS COURT ORDERS** that the Liquidator be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$250,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Liquidator by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Liquidator's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Administration Charge.

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

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

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

EMPLOYEES

24. The Liquidator shall not be liable for any employee-related liabilities other than such amounts as the Liquidator may specifically agree in writing to pay. Nothing contained in this Order shall prejudice the rights of employees of the Companies to make claims under the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s. 1 in the event that any of the Companies become bankrupt.

PIPEDA

25. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Liquidator shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Liquidator, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Companies, and shall return all other personal information to the Liquidator, or ensure that all other personal information is destroyed.

26. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "Protocol") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service->

protocol) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: www.mnpdebt.ca/firsthamilton.

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

GENERAL

28. **THIS COURT ORDERS** that Liquidator may from time to time apply to this Court for advice and directions in the discharge of its powers and duties under this Order.

29. **THIS COURT ORDERS** that nothing in this Order shall prevent the Liquidator from acting as a trustee in bankruptcy of any of the Companies.

30. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Liquidator and its respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Liquidator, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Liquidator in any foreign proceeding, or to assist the Liquidator and its respective agents in carrying out the terms of this Order.

31. **THIS COURT ORDERS** that the Liquidator be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Liquidator is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

32. **THIS COURT ORDERS** that any interested party (including the Liquidator) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

33. **THIS COURT ORDERS** that the Liquidator may apply for its discharge upon providing one week's notice to the Applicants and to those parties who have filed a Notice of Appearance, and after passing its accounts in accordance with paragraph 16 hereof.

34. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of

~~at 12:00 (insert time) Eastern Daylight Time on the date of this Order.~~

GH MAY 21, 2020. THE ORDER DOES NOT HAVE TO BE ENTERED.

Handwritten signature

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

MAY 22 2020

PER / PAR: *ce*

SCHEDULE "A"

LIQUIDATOR'S CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

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

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

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

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

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

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

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

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

DATED the ____ day of _____, 20__.

**MNP Ltd., solely in its capacity as Liquidator
of the Property, and not in its personal or
corporate capacity**

Per: _____

Name:

Title:

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

Court File No. *CV-20-00064/372-00CL*

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

WINDING-UP ORDER

DICKINSON WRIGHT LLP
Barristers & Solicitors
199 Bay Street
Suite 2200, P. O. Box 447
Commerce Court Postal Station
Toronto, Ontario, M5L 1G4

LISA S. CORNE (27974MD)
Email: lcorne@dickinsonwright.com
Tel: (416) 646-4608
Fax: (416) 865-1398

Lawyers for the Applicants

APPENDIX B

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

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

THE HONOURABLE MR.)	THURSDAY, THE 6 TH DAY
)	
JUSTICE HAINES)	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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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.



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SCHEDULE "A"**DEFINITION OF INVESTOR CLAIMANTS**

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

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

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

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

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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.

APPENDIX C

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

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

THE HONOURABLE
JUSTICE KOEHNEN

)
)
)

TUESDAY, THE
2nd DAY OF MARCH, 2021

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

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

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

Applicants

ORDER

(Procedure for the Resolution of Investor Claims)

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

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

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

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

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

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

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

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

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

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

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

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

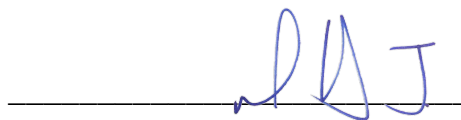
- a. establish one or more electronic data rooms to facilitate the transmission of relevant information to Representative Counsel and Interested Parties;
- b. populate the electronic data rooms with such non-privileged Documents and information as determined to be relevant pursuant to the terms of the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

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

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

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

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

A handwritten signature in blue ink is positioned above a horizontal line. The signature consists of stylized, cursive letters that appear to be 'D A J'.

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

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

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Representative Counsel for the Investor Claimants

APPENDIX D

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”), \$25,000,000;
 - b. By AIG Insurance Company of Canada, on behalf of the Individual Insureds and Insured Organizations (“AIG”), \$14,000,000; and,
 - c. By the PSC Investment Advisors’ insurers as defined below, \$1,000,000 (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 – LBS accounts 2E-PA6E-1 and 2E-PA6R-3
 - b. Gerald McRae – LBS RRSP and LIRA accounts 2E PABR 7 and 2E PABT 0
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.

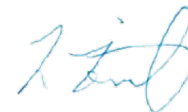
Dated as of June 24, 2021.



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

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

PSC Investment Advisor Ariel Simms, by
his lawyer Barry Papazian

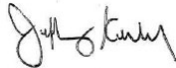


PSC Investment Advisors Patrick Carson,
Gyulmet Ramazanov, Thomas D. Moxam, Pat
Cilla, Thomas Ogilwy, Margaret Pakula, by their
lawyer, Natalie Leon

Barry B. Papazian

PSC Investment Advisor Ariel Simms, by
his lawyer Barry Papazian

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

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

Per:

Jeffrey D. Kerbel
Senior Vice-President

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

Per:


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

**IN THE MATTER OF A WINDING UP OF 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
PROCEEDING COMMENCED AT
TORONTO

SECOND REPORT OF MNP LTD.
(Motion for Settlement Approval – July 30, 2021)

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.