Court File No.CV-2000641059-00CL

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
PACE SECURITIES CORP., PACE FINANCIAL LIMITED,
PACE INSURANCE BROKERS LIMITED AND
PACE GENERAL PARTNER LIMITED

Applicants

FIRST REPORT OF THE LIQUIDATOR

June 16, 2020

INTRODUCTION

1. This first report (the "**First Report**") is filed by Ernst & Young Inc. ("**EYI**" or the "**Liquidator**") in its capacity as Liquidator of the estate and effects of the Applicants, Pace Securities Corp. ("**PSC**"), Pace Financial Limited ("**PFL**"), Pace Insurance Brokers Limited ("**PIB**") and Pace General Partner Limited ("**PGPL**") (collectively the "**Companies**") for the purposes of winding up their business and affairs and distributing their property pursuant to the Order of the Honourable Mr. Justice Hainey dated May 14, 2020 (the "**Appointment Order**"). A copy of the Appointment Order is attached hereto as **Appendix "A"**.

2. The purpose of this First Report is to provide the Court with information regarding the Liquidator's motion for an order substantially in the form attached as Schedule "A" to the

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

TERMS OF REFERENCE

3. In preparing this First Report and making the comments herein, the Liquidator has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Companies' books and records, discussions with the management of the Companies and information from other third-party sources (collectively, the "**Information**"). Future oriented financial information relied upon in this First Report is based on assumptions regarding future events; actual results achieved may vary from this information and these variations may be material.

4. The Liquidator has not audited, reviewed or otherwise verified the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Professional Accountants Handbook and, accordingly, the Liquidator expresses no opinion or other form of assurance in respect of the Information.

5. The Liquidator will make a copy of this First Report, and related documents, available on the Liquidator's website at www.ey.com/ca/pacesecurities.

6. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian Dollars.

7. Capitalized terms not defined in the First Report have the meaning ascribed to them in the Appointment Order.

OVERVIEW

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

9. PSC is an investment dealer regulated by The Investment Industry Regulatory Organization of Canada (“**IIROC**”) and an investment fund manager regulated by the Ontario Securities Commission (“**OSC**”).

10. PSC does not hold its customers’ cash and securities itself. Rather, pursuant to the IIROC rules, PSC was an introducing broker that was a party to an Introducing Type 2 Arrangement and, as such, PSC’s client accounts were held with its carrying broker, Laurentian Bank Securities Limited (“**LBS**”).

11. PFL carried on business as an investment vehicle for accredited investors to earn fixed dividends from an investment in a basket of high-yield bonds. PFL raised capital by selling preference shares. PFL used those proceeds to purchase high-yield bonds on “margin” through its accounts at PSC. The interest and any trading profits earned on the bonds net of management costs from PSC and other expenses was to be used to fund regular dividend payments to the preference shareholders.

12. Margin is a form of loan whereby the broker loans money to its client to allow the client to purchase more securities than could otherwise be purchased with the amount of money the client has available in the account. The interest-bearing loan in the account is collateralized by the securities and cash in the account. Because LBS is PSC’s carrying broker, any margin loans provided through a PSC account were in fact provided by LBS.

13. Almost all of PFL's investors are retail investors, and many of its investors are customers of PSC. PSC provided brokerage, investment and business management services to PFL.

14. Like PFL, First Hamilton Holdings Inc. (“**FHH**”)[1] sold preference shares, accompanied by warrants for one series of shares, to investors and used the proceeds from those shares to invest in a basket of high-yield bonds, the interest and gains on which were intended to be used to pay management fees to PSC and dividends to holders of the preference shares, as well as to fund other business ventures. As at the date of the Appointment Order, FHH was indebted to LBS in the approximate amount of $2.8 million on account of margin provided by LBS to FHH.

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

15. PGPL is a corporation incorporated under the *Canada Business Corporations Act* and is a holding company that owns 100% of the common shares of PFL. PGPL also acts as the general partner for Pace Capital Partners L.P. ("**PCP**").

16. PCP is a limited partnership. PCP raised money through accredited investors and invested the proceeds in high-yield bonds on margin through LBS. The majority of investors that subscribed for units of PCP have since redeemed their units. There are five remaining investors in and limited securities (mostly illiquid) owned by PCP. PCP is indebted to LBS in the approximate amount of $107,000 on account of margin provided by LBS to PCP. PSC provided brokerage, investment and business management services to PCP.

17. On May 14, 2020, EYI was appointed as Liquidator of the estate and effects of the Companies. Pursuant to the Appointment Order, all of the Companies' employees were terminated.

18. As a result of the foregoing, IIROC convened an expedited hearing and, on May 21, 2020, a Hearing Panel of IIROC issued an order, among other things, suspending PSC's membership in IIROC and ordering that PSC immediately cease dealing with the public.

19. Also, on May 21, 2020, MNP Ltd. ("**MNP**") was appointed, pursuant to an order of this Court as liquidator of the estate and effects of, among other entities, FHH.

20. On June 5, 2020 the OSC suspended PSC's investment fund manager registration.

CUSTOMER ACCOUNTS AND INVESTMENTS

21. PSC managed approximately 2,000 active registered and non-registered accounts for about 1,200 clients. As of May 21, 2020, the market value of the retail accounts managed by PSC and held at LBS was approximately $117 million.

22. Nearly half of active PSC customer accounts held at LBS (registered and non-registered) contain as investments, among other things, private company preference shares of either PFL, FHH or both, as well as FHH warrants. A history of the preference shares issued by PFL and FHH is summarized below:

a) PFL issued approximately 1.63 million preference shares between July 2017 and February 2018 at a price of $10 per share. In May 2018, all outstanding shares were split which resulted in a total of approximately 3.3 million outstanding shares at a total investment value of approximately $16.3 million; and

b) FHH issued approximately 3.3 million preference shares between April 2018 and June 2019 also at a price of $10 per share, for a total investment value of approximately $32.5 million.

23. Approximately 77% of all PFL preference shares issued and nearly 100% of all FHH preference shares issued are held by LBS. These shares are held by LBS in certificate form in the name of "LBS in trust for [customer name]". The remaining preference shares are held by customers themselves as physical certificates.

24. The active PSC customer accounts at LBS are comprised of a mixture of registered accounts (e.g. RRSP, RESP, RRIF, etc.) and non-registered accounts (e.g. cash, margin, TFSA, etc.). The varying composition of investments held by customers between their registered and non-registered accounts is summarized in the chart below:

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

25. The Liquidator is working cooperatively with LBS and IIROC to complete the transfer of these active PSC customer accounts to new investment dealers (the "**Receiving Brokers**") as soon as possible.

26. The Receiving Brokers have informed the Liquidator that they will not accept the PFL or FHH preference shares as part of the account transfer process.

27. It is the Liquidator's understanding, based on discussions with LBS and a review of the PFL and FHH account statements at PSC, that PFL's and FHH's investments consist almost entirely of debt instruments (bonds), where there is currently no ability to immediately realize on these bonds. Furthermore, based on the Liquidator's review of the PFL and FHH offering memoranda, extracts of which are attached hereto as **Appendix "B"**[2], the Liquidator notes the following:

    a) PFL and FHH are private corporations not listed on any stock exchange. Accordingly, there is no known market on which the preference shares or warrants can be sold and therefore no apparent liquidity for the preference shares and warrants;

    b) PFL and FHH are the only parties that can redeem or buy back the preference shares and warrants;

    c) PFL and FHH do not have sufficient funds to redeem or buy back the preference shares and warrants;

    d) it is highly unlikely that a PFL or FHH shareholder may find an arm's length buyer for their preference shares given both PFL and FHH are in liquidation; and

    e) the preference shares are not insured against loss by either the Canada Deposit Insurance Corporation or the Canadian Investor Protection Fund.

28. The Liquidator has reviewed the debt instruments (bonds), being the primary assets held by PFL and FHH.

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[2] Appendix "B" contains extracts of the offering memorandum for PFL. The FHH offering memorandum is substantially similar.

29. In the case of FHH, on May 18, 2020, LBS took possession of the bonds in FHH's account held as collateral against monies owed by FHH to LBS on margin. At the present time, it is unclear whether sufficient funds will be realized on the eventual sale of the bonds to repay LBS in full and generate a net surplus for distribution to the preferred shareholders of FHH, after the costs of liquidation. Based on the current circumstances, including the points noted in paragraph 27 above, it is reasonable to conclude at the present time that the net realizable value of FHH's preferred shares is $nil.

30. PFL on the other hand does not have a margin loan. It holds bonds that either are restricted for sale in the U.S. to qualified institutional buyers or trade infrequently and at low volumes. Most of these bonds are high yield and high-risk speculative investments. As a result, while there may be a realization possible over time, these bonds would be difficult to immediately realize upon. Based on the foregoing, it is reasonable to conclude that the realizable value of PFL's preference shares in an arm's length transaction would presently approach $nil given the uncertainty as regards to the realization value of the bonds PFL holds and as described in paragraph 27 above, the difficulty a shareholder of PFL would face in finding an interested buyer.

ACCOUNT TRANSFER PROCESS

31. Following the commencement of this proceeding, the Liquidator, in consultation with LBS and IIROC, determined that it was in the best interests of the PSC estate to transfer PSC's client accounts to other investment dealers expeditiously so that PSC's clients can regain control over their accounts. It is the Liquidator's understanding that the majority of the former PSC investment advisors have joined Aligned Capital Partners Inc. ("**Aligned**"), with one advisor going to CIBC Wood Gundy and another to Manulife.

32. In facilitating the account transfer process, the Liquidator was advised by Aligned that it is not prepared to accept the PFL or FHH preference shares or warrants because, among other things, they do not trade electronically, they do not have CUSIP numbers, there are concerns as to their valuation, and PFL and FHH are both in liquidation proceedings and are being wound up.

33. The Liquidator has been working with LBS to make the necessary logistical arrangements for the transfer of client accounts as soon as practicable. However, the preference shares and warrants of PFL and FHH need to be removed from clients' registered and non-registered accounts in order to complete the transfers. Removing the PFL and FHH preference shares and warrants from the clients' non-registered accounts is straightforward. Removing these securities from registered accounts may have potential tax implications for PSC's clients.

34. Aside from removing the PFL and FHH preference shares from registered accounts, there are few (if any) practical options that would permit the account transfer process to proceed on a timely basis.

35. One of those options would be for a plan trustee to hold these shares in a shell RRSP for an indefinite period of time. LBS has indicated that it is not prepared to do so. The Liquidator has spoken with a representative of Computershare to determine if transferring the shares within an RRSP from LBS to Computershare would be possible. Although such a migration of accounts may be possible, the costs of holding RRSPs at Computershare could cost in the range of $150,000 to $200,000 per year, plus termination fees. There is no funding available to pay these fees.

36. Based on the foregoing, the Liquidator is proposing to take the following steps with respect to the PFL and FHH preference shares and warrants in PSC customer accounts (the "**Share Transfer Process**") in order to facilitate the expeditious transfer of PSC's client accounts to other investment dealers:

a) LBS will deregister, as applicable, and transfer all PFL and FHH preference shares and warrants from customers' accounts to EYI at zero value;

b) EYI will hold the PFL and FHH preference shares and warrants on behalf of PSC customers until such time as the affairs of PFL and FHH are wound up or as otherwise directed by a customer in writing;

c) once the wind-ups of PFL and FHH are complete, PSC customers will be notified by EYI or MNP, as the case may be, as to the redemption value, if any, of their

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

d) upon issuance of an order of this Court approving the Share Transfer Process, the Liquidator will send a notice to all PSC customers who hold PFL and / or FHH preference shares and warrants advising them that the steps described above will be taken. The form of the proposed notice is attached hereto as **Appendix** “**C**”.

37. As explained above, any preference shares or warrants of PFL and/or FHH in PSC customer accounts are registered in LBS’s name in trust for the customers. Any of these securities requested by customers to be transferred to themselves from EYI as described in paragraph 36(b) above will be sent to them in their current form. If customers would like to have the securities registered in their own names, they will have to make their own arrangements in that regard at their own expense.

38. As stated above, the goal is to transfer customer accounts to new investment dealers as quickly as possible so that customers can regain control of their accounts. Removal of the PFL and FHH preference shares and warrants from the accounts held at LBS is a necessary step to complete the transfer of customer accounts. The Liquidator is of the view that the Share Transfer Process is the most reasonable and appropriate manner to complete the transfer of the accounts on an expeditious basis, and it is being submitted to this Court for approval with the consent of LBS and IIROC.

39. The Liquidator is working cooperatively with LBS and IIROC to effect the transfer of customer accounts to Receiving Brokers as quickly as possible. The Liquidator understands that LBS’s fees for transferring these accounts will be charged to the client accounts. The Liquidator also understands that Aligned and possibly the other Receiving Brokers may cover the fees on behalf of customers.

40. The Liquidator cannot estimate or predict the potential tax consequences (if any) for PSC customers arising from the Share Transfer Process. The Liquidator is of the view that, since there are currently no funds available to redeem the PFL preference shares, and the Liquidator understands that MNP, in its capacity as liquidator of FHH, also does not have

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

RECOMMENDATION

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

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

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

Per:

Jeffrey D. Kerbel
Senior Vice-President

Appendix “A”

Appointment Order

Court File No. • CV-20-641059-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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

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

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

SUPERIOR COURT OF JUSTICE COUR SUPÉRIEURE DE JUSTICE JUSTICIA

WINDING-UP ORDER

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

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

SERVICE

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

APPLICATION

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

NO PROCEEDINGS AGAINST THE COMPANIES OR THEIR PROPERTY

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

NO EXERCISE OF RIGHTS OR REMEDIES

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

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

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

THE LIQUIDATOR

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

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

(a) take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

(b) deposit all money belonging to the Companies in any bank of Canada listed in Schedule I or II to the *Bank Act (Canada)* or in any trust corporation or loan corporation that is registered under the *Loan and Trust Corporations Act* or in any other depository approved by the Court, which deposits shall not be made in the name of the Liquidator individually, but shall be separate deposit accounts in the Liquidator's name as Liquidator of the Companies;

(c) carry on the business of the Companies so far as may be required as beneficial for the winding up of the Companies;

(d) sell any of the Property by public auction or private sale or, where applicable, through a stock exchange, and receive payment of the purchase price either in cash or otherwise;

(e) enter into one or more agreements for the transfer of the Companies' client accounts to other investment dealers on such terms as the Liquidator may in its discretion deem appropriate;

(f) take such steps with respect to accounts of deferred customers (as that term is defined in the *Bankruptcy and Insolvency Act* (the "**BIA**")) as the Liquidator may in its discretion deem appropriate;

(g) engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Liquidator's powers and duties, including engaging the services of a broker to effect the sale of securities held by the Companies;

(h) do all acts and execute, in the name and on behalf of the Companies, all documents, and for that purpose use the seal of the Companies, if any;

(i) draw, accept, make and endorse any bill of exchange or promissory note in the name and on behalf of the Companies;

(j) make such compromise or other arrangement as the Liquidator thinks expedient with any creditor or person claiming to be a creditor or having or alleging that he, she or it has a Claim whereby the Companies may be rendered liable;

(k) compromise all debts and liabilities capable of resulting in debts, and all claims, whether present or future, certain or contingent, liquidated or unliquidated, subsisting or supposed to subsist between the Companies and any contributory, alleged contributory or other debtor or person who may be liable to the Companies and all questions in any way relating to or affecting the Property, or the winding up of the Companies, upon the receipt of such sums payable at such times and generally upon such terms as are agreed, and the Liquidator may take any security for the discharge of such debts or liabilities and give a complete discharge in respect thereof;

(l) disclaim any leases entered into by the Companies;

(m) cause to be filed with the appropriate governmental authority all tax returns required to be filed by the Companies, their subsidiaries and, if necessary, any trusts or special purpose entities for which the Companies continue to have responsibility;

(n) remit all taxes required to be remitted by the Companies in accordance with all applicable statutes;

(o) obtain any all applicable clearance certificates from governmental authorities;

(p) cause to be filed with the appropriate governmental authority all financial statements and reports required to be filed by the Companies;

(q) establish and implement a claims process in respect of any or all of the Companies;

(r) in respect of each of the Companies, pay or otherwise satisfy all claims from the Property thereof if there are sufficient funds to do so, and after satisfying all such claims, distribute the remaining Property or proceeds thereof (if any) rateably among the registered shareholders thereof according to their rights and interests;

(s) bring or defend any action, suit or prosecution, or other legal proceedings, civil or criminal, in the name and on behalf of the Companies;

(t) at any time after the affairs of any of the Companies have been fully wound up, make an application to the Court for an order dissolving any or all of the Companies;

(u) wind up or dissolve all wholly-owned subsidiaries of the Companies; and

(v) do and execute all such other things as are necessary for winding up the business and affairs of the Companies and distributing the Property.

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

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

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

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

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

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

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

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

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

(a) the creation of the Administration Charge shall not create or be deemed to constitute a breach by the Companies of any Agreement to which it is a party;

(b) none of the chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Administration Charge; and

(c) the payments made by the Companies pursuant to this Order and the granting of the Administration Charge do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable, reviewable, void or voidable transactions under any applicable law.

FUNDING OF THE LIQUIDATION

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

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

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

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

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

EMPLOYEES

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

PIPEDA

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

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

SERVICE AND NOTICE

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

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

GENERAL

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

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

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

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

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

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

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

MAY 15 2020

PER / PAR:

SCHEDULE "A"

LIQUIDATOR'S CERTIFICATE

CERTIFICATE NO. ______________

AMOUNT $____________________

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

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

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

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

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

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

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

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

DATED the _____ day of ______________, 20__.

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

Per: ________________________________

Name:

Title:

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

WINDING-UP ORDER

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Lawyers for the Applicants

7059651

Doc#4760501v5

Appendix “B”

Sample Excerpt Offering Memorandum

PACE FINANCIAL LIMITED

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

Confidential

OFFERING MEMORANDUM

June 27, 2017

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

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

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

Confidential Offering Memorandum

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

SUMMARY

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

THE OFFERING

ITEM 1 - USE OF AVAILABLE FUNDS

1.1 Available Funds

The following table discloses the available funds of this Offering:

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

Notes:

(1) The Issuer may at any time and from time to time increase the Maximum Offering Amount or may create other series of preference shares and issue such shares with such attributes (as to dividend rates, term until maturity and other attributes) as the board of directors of the Issuer may from time to time determine.

(2) Assuming an aggregate of 3% of the gross proceeds of this Offering will be paid as selling commissions and finder's fees. **See ITEM 7 - Compensation Paid to Sellers and Finders.**

(3) Legal, accounting, auditing and other expenses of the Offering.

(4) As at the date of this Offering Memorandum.

1.2 Use of Available Funds

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

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

1.3 Reallocation

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

1.4 Future Cash Calls

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

ITEM 2 - BUSINESS OF THE ISSUER

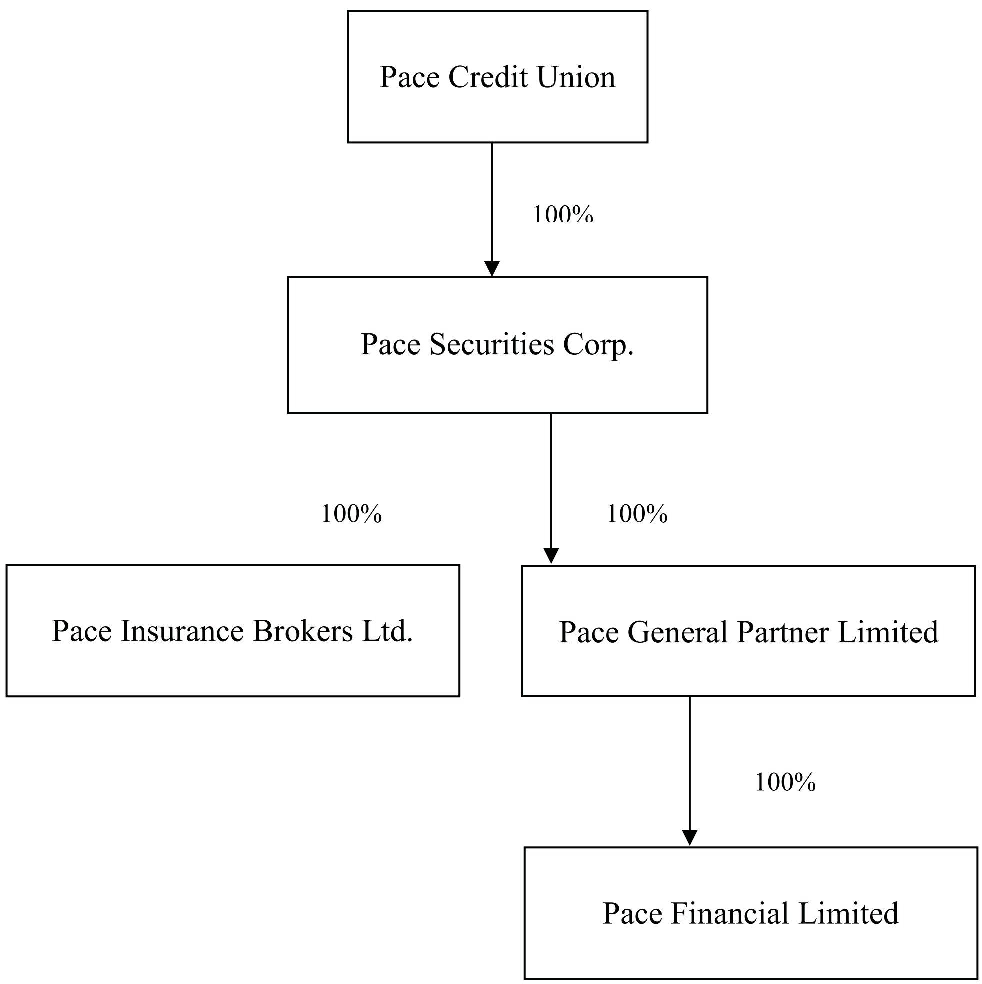
2.1 Corporate Structure

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

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

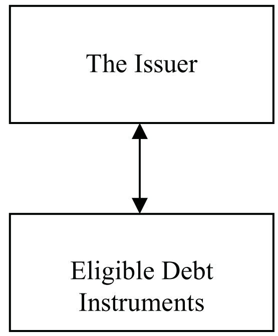
The Issuer is a wholly-owned direct subsidiary of Pace General Partner Limited, which is a wholly-owned direct subsidiary of Pace Securities Corp. Each is a wholly-owned direct or indirect subsidiary of Pace Credit Union. The Issuer is a "related issuer" (within the meaning of National Instrument 33-105)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

2.1.1. Diagram of Material Corporate Structure



2.2 Business of the Issuer

2.2.1. Transaction Structure Diagram



2.2.2. Pace Financial Limited (the "Issuer")

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

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

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

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

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

2.3 Related Party Matters

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

Notes:

(1) Subscribers advance subscription proceeds to the Issuer pursuant to this Offering and the Issuer issues Preference Shares to those Subscribers.

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

2.6 Development of the Business

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

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

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

2.7 Long-Term Objectives

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

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

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

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

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

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

Note:

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

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

2.9 Insufficient Funds

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

2.10 Material Agreements

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

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

2.10.1. Subscription Agreement

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

2.10.2. Notice of Assignment

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

2.10.3. Dealers and Finders

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

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

2.10.4. Management Agreement

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

ITEM 3 - DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

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

ITEM 4. - CAPITAL STRUCTURE

4.1 Share Capital

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

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

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

4.2 Long-Term Debt

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

4.3 Prior Sales of Preferenc Shares

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

ITEM 5 - SECURITIES OFFERED

5.1 Terms of Securities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS

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

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

ITEM 8 - RISK FACTORS

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

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

Investment and Issuer Risk

1. **Not Reviewed by Regulator**: A Subscriber under this Offering will not have the benefit of a review of this Offering Memorandum by any securities regulatory authority or regulator and no such authority or regulator has approved this Offering.

2. **No Deposit Insurance**: The Preference Shares offered pursuant to this Offering Memorandum are not insured against loss through the Canadian Deposit Insurance Corporation or any other insurance company or program. The Preference Shareholder's only recourse for dividends and the redemption amounts is the Issuer.

3. **No Reporting Required**: The Issuer employs Chartered Professional Accountants to audit its financial statements on at least an annual basis and will make financial information available upon request by existing holders of Preference Shares. However, the Issuer is not required to provide quarterly financial statements or any other reporting to its shareholders – and the Issuer does not intend to do so. Accordingly, Preference Shareholders will have limited reporting from the Issuer for monitoring the performance of the business of the Issuer or monitoring their investments in Preference Shares.

4. **Limited Working Capital**: The Issuer is a newly incorporated corporation and has limited capital. Its only source of funds will be from the Offering. Once one or more Closings of this Offering have been completed, the Issuer intends to acquire

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

5. **Insufficient Funds:** Funds available from the Offering may not be sufficient to accomplish the Issuer's proposed objectives.

6. **Securities**: The Preference Shares offered by the Issuer are not a direct investment in the Eligible Debt Instruments but an investment in shares of the Issuer, the proceeds of which will be used by the Issuer to acquire Eligible Debt Instruments.

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

8. **Shares are Subordinate to Debt:** Preference Shares comprise part of the capital of the Issuer and are not debt obligations. Accordingly, on an insolvency, liquidation or other winding up of operations of the Issuer, the redemption price of the Preference Shares will rank subordinate to all indebtedness, including all secured and unsecured obligations of the Issuer.

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

10. **Redemption Risk**: There can be no assurance that if additional funding is required by the Issuer to redeem any or all of the Preference Shares, in whole or in part, that such financing will be available on terms satisfactory to the Issuer, or at all. If the Issuer does not have sufficient funds on hand to redeem any or all of the Preference Shares on their Fixed Redemption Date and cannot secure financing, it will not be able to redeem any or all of the Preference Shares in a timely way and investors will not recover all that they invested in the Preference Shares in a timely way. Moreover, if the Issuer is unable to recover the principal and interest on its investments in Debt Instruments in a timely way by collection or sale or if the Issuer suffers losses on its investments in Debt Instruments, the Issuer may not be able to redeem any or all of the Preference Shares in a timely way or at all and investors may not recover in a timely way or at all the funds that they invested in the Preference Shares.

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

12. **Corporate Reorganizations:** As all of the voting shares of the Issuer are held by one corporation, which is a wholly owned subsidiary within a family of such corporations, any one or more of such corporations within that family of corporations may amalgamate to form one corporation ("Amalco"). On such an amalgamation, Amalco would own all of the assets of the amalgamating corporations and would be subject to all of the debts and liabilities of all of the amalgamating corporations. If one of the amalgamating corporations is Pace Securities Corp., Alamco will not be able to redeem any of the Preference Shares without the approval of the Investment Industry Regulatory Organization of Canada if Amalco's regulatory capital (sometimes referred to as 'risk adjusted capital') would not meet certain tests on completion of such redemption. Moreover, in such circumstances, the redemption amounts payable to redeem the Preference Shares will be subordinated debt, ranking behind Amalco's obligations to its securities customers as well as behind Amalco's obligations to its ordinary secured and unsecured creditors.

13. **Purchase Risk**: The Issuer may purchase some or all of the Preference Shares, in whole or in part, by tender or by private contract with individual Preference Shareholders. While the Issuer is obligated to give notice to all holders of Preference Shares of the series in respect of an invitation to tender, holders of Preference Shares of a series that is not being purchased by tender will not receive notice of such purchases and shall have no knowledge of purchases made by the Issuer. No notice is required to be given in respect of any purchases of Preference Shares being purchased by private contract. Funds used by the Issuer to purchase Preference Shares by private contract will not be available to redeem or purchase Preference Shares in the future. Shareholders will likely have differing opinions concerning factors related to determining whether to sell their Preference Shares to the Issuer, including but not limited to opinions concerning future market interest rates, economic conditions and general market conditions for companies engaged in businesses similar to the business of the Issuer. Shareholders whose opinions concerning these factors more accurately reflect future events may benefit from making superior decisions concerning whether to sell their Preference Shares to the Issuer whether by tender or by private contract.

14. **Obligations Unsecured:** The Issuer's redemption obligations in respect of the Preference Shares are unsecured obligations and will rank *pari passu* (i.e. on equal footing; ranking equally) between and among themselves but will be subordinated to the Issuer's obligations to its secured and unsecured creditors.

15. **Limited Recourse:** Recourse under the terms of the Preference Shares will be limited to the redemption price of the Preference Shares – namely, the subscription price plus all accrued and unpaid dividends to the date of redemption. The Issuer cannot redeem Preference Shares unless the Issuer can, at the time of redemption, meet certain "solvency" tests under the OBCA. Pursuant to certain statutory tests in the OBCA, the Issuer must meet certain tests – including that, after payment of the redemption price, the Issuer will be able to meet its liabilities generally as they come due and the realizable value of its assets are not less than the aggregate of its liabilities plus the amount required to redeem all other shares ranking equal or in priority to the Preference Shares. There is no additional recourse by Preference Shareholders for any deficiency in value of the Preference Shares in the event of non-payment or default by the Issuer of redemption of the Preference Shares.

16. **No Guarantees.** The only assets available for paying dividends and the redemption amounts on the Preference Shares are the assets of the Issuer. No other corporation or entity has provided a guarantee or is otherwise liable or responsible for such payments. More particularly, the Issuer's parent corporations (Pace Credit Union, Pace Securities Corp., Pace General Partner Limited – and its former parent, Pace Insurance Brokers Ltd.) have <u>not</u> guaranteed any such payments and will <u>not</u> be liable or in any way responsible for payment of any amounts to the Preference Shareholders, whether for dividends, redemption amounts or otherwise

17. **Tax Consequences:** The tax consequences associated with an investment in the Preference Shares may be subject to changes in federal and provincial tax laws. There can be no assurance that the tax laws will not be changed in a manner that will fundamentally alter the income tax consequences to holders of Preference Shares regarding holding or disposing of their Preference Shares.

18. **Tax Qualification for Registered Plans:** The qualification of Preference Shares as qualified investments for registered Plans for tax purposes is dependent on the Issuer meeting certain distribution and other requirements prescribed under the Tax Act, such as being able to elect to be a 'public corporation' for tax purposes. Although the Issuer intends to meet those criteria and to so elect, there is no assurance that the Issuer will be able to do so and, accordingly, in such circumstances, those Subscribers who are Plans will incur penalties under the Tax Act for having investments which are not qualified investments for such Plans.

19. **Not a Public Company:** The Issuer is a private corporation. The Issuer is not a reporting issuer in any province or territory of Canada and has no intention of becoming a reporting issuer. The Preference Shares are not listed on any stock exchange in Canada and the Issuer has no intention of ever listing the Preference Shares on any stock exchange. Accordingly, there is no liquidity for the Preference Shares and no market on which Preference Shares can be sold.

20. **No Management or Voting Rights**: The directors and officers of the Issuer, and not holders of Preference Shares, will make decisions regarding the management of the Issuer's affairs. Directors are elected by the holder of common shares of the Issuer. Subject to limited rights afforded by the OBCA in particular circumstances, Preference Shareholders will have no right to attend meetings of shareholders or to vote in any manner. A Subscriber must carefully evaluate the personal experience and business performance of each director or officer of the Issuer. In very limited circumstances, such as an insolvency proceeding or certain corporate reorganizations or restructurings, holders of Preference Shares may have a right

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

21. **Reliance on Key Management Persons**: The success of the Issuer's business strategy depends, to a certain extent, on the efforts and abilities of key members of management of the Issuer and the Manager and their assessment and choice of Eligible Debt Instruments. The Issuer's success also depends on external factors such as, among other things, the general political and economic conditions that may prevail from time to time, which factors are out of the control of the Issuer. A return on investment for a Subscriber of Preference Shares depends upon the revenues received by the Issuer from Debt Instruments and from a recovery of the principal amount of Debt Instruments. There is no assurance that the interest and principal of the Debt Instruments will be paid in a timely way or at all. As a result, there is no guarantee that Preference Shareholders will earn a return on their investment in the Preference Shares or be able to recover the full amount of their investment or any of it in a timely manner or at all.

22. **No Independent Counsel**: No independent counsel was retained by a broker, agent or other intermediary to undertake due diligence investigations or other activities on behalf of the Subscribers with respect to this Offering. There has been no review of the Offering Memorandum by any independent counsel on behalf of the Subscribers, or any other documentation in relation to the Offering.

23. **Limited Operating History**: The Issuer was recently formed to undertake this business. The Issuer has no operating history whatsoever. Past history of the performance of management of the Issuer or the Manager and its business is not indicative of the Issuer's future performance and should not be used to evaluate the Issuer and its business and prospects.

24. **Illiquidity of Investment**: An investment in the Preference Shares of the Issuer is an illiquid investment. **There is currently no market through which the Preference Shares of the Issuer may be sold.** The Issuer is not a "**reporting issuer**" in any jurisdiction, and a prospectus has not qualified the issuance of the Preference Shares. The Preference Shares are subject to a number of restrictions respecting transferability and resale, including a one-year restriction on re-sale imposed by the articles of the Issuer and other restrictions on re-sale imposed by applicable securities laws. Holders of Preference Shares will not be able to sell their Preference Shares unless they comply with an exemption from the prospectus and registration requirements under securities legislation. Pursuant to the terms of the Subscription Agreement, Subscribers must engage Pace Securities Corp. as the Subscriber's agent for any efforts to sell Preference Shares before their Fixed Redemption Date. **See ITEM 10 - Resale Restrictions.**

25. **Timing Risks:** Holders of Preference Shares are exposed to liquidity risks arising out of the timing of investments to be made by the Issuer in Eligible Debt Instruments. Those Debt Instruments will have terms to maturity that differ from the redemption date of the Preference Shares. If maturity dates of Debt Instruments are later than the redemption date of the Preference Shares, the Issuer may not be able to sell such Debt Instruments to generate sufficient funds to be able to redeem all of the Preference Shares in a timely way. Although the Issuer intends to address these risks by managing the fixed redemption date of Debt Instruments purchased by the Issuer and managing the issuance and redemption of the Preference Shares in such a way as to maintain positive cash-flow. To meets its redemption obligations, the Issuer may need to raise additional funds through the issuance of other series of preference shares or through borrowings or may need to liquidate Debt Instruments if it is unable to raise such capital. Such liquidation may not be available on attractive terms, in a timely way or at all and the Issuer may not be able to raise sufficient capital in a timely way or at all to meet its redemption obligations. In such circumstances, the Issuer may not be able to redeem the Preference Shares when due or at all.

26. **Dividend Rate Risk**: The base dividend rate returns for each series of Preference Shares are fixed for the term of each series of Preference Shares until their respective fixed redemption dates and are not subject to increase in the event of a general rise in domestic interest rates for other investments. The bonus dividend provisions in the share conditions for Preference Shares are discretionary and there is no assurance that in any year any such bonus dividends will be paid in whole or in part or at all.

Operational and Industry Risks

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

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

2. **Currency Exchange Rate Risk:** A significant amount of Eligible Debt Instruments are expected to be purchased in United States dollars. Principal and interest payments on such Debt Instruments will be paid in United States dollars. In the event that the exchange rate between the Canadian dollar and the United States dollar changes significantly with an increase in value of the Canadian dollar between the date of purchase of Eligible Debt Instruments and the date of payment(s) by the applicable Debtor, the Issuer could experience a significant loss on such Debt Instruments due to the changing foreign currency exchange rates. The Issuer does not hedge its foreign currency exchange risks.

3. **No Commercial Insurance**: Third party insurance policies do not cover defaults of the Debt Instruments, whether caused by the Debtor's inability to pay, by fraud perpetrated by the seller of the Debt Instruments or by a commercial dispute. Accordingly, in the event of a loss experienced by the Issuer on any Debt Instrument, the Issuer will not have any insurer or other third party from which to seek recovery.

4. **Ongoing Deployment of Funds**: Despite a business plan developed by the Issuer in conjunction with the Manager to grow the Issuer's business, there is no assurance that the Issuer will have the capacity to deploy all of the funds from the Offering in a timely manner. Until such funds can be deployed in a manner which generates net after-tax income in excess of the dividend rates payable on the Preference Shares, the Issuer may not have sufficient profits from those funds to be able to meet all or any dividend obligations. Similarly, in the event that the Issuer collects all principal and interest owing on Debt Instruments before the redemption date of the Preference Shares, the Issuer may not be able to re-deploy such funds in a timely manner or in a way that would provide for repayment on or before the fixed redemption date of the Preference Shares. In such circumstances and during such times, the Issuer may not have sufficient profits from those funds to be able to meet all or any dividend obligations or its redemption obligations.

5. **Systemic Risk:** Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Issuer and/or the Debtors interact on a daily basis.

ITEM 9 - REPORTING OBLIGATIONS

9.1 Reporting to Preference Shareholders

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

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

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

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

ITEM 10 - RESALE RESTRICTIONS

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

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

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

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

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

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

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

10.1 General Statement

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

10.2 Indefinite Restricted Period under Securities Laws

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

10.3 Resales during the Restricted Period

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

ITEM 11– PURCHASER'S RIGHTS

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

11.1 Two-Day Cancellation Right for a Subscriber

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

11.2 Statutory Rights of Action in the Event of a Misrepresentation

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

Appendix "C"

Proposed Notice to PSC Customers

June X, 2020

To the Customers of Pace Securities Corp.

Dear Sir/Madam:

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

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

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

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

- Many PSC customer accounts contain as investments, among other things, private company preference shares or warrants of either Pace Financial Limited ("**PFL**"), First Hamilton Holdings Inc. ("**FHH**"), or both. If you own these investments, they will **NOT** be transferred as part of the transfer process.

- All of your PFL and/or FHH shares or warrants will be transferred out of your registered and non-registered accounts to EY, who will hold them on your behalf. EY is prepared to hold these securities on your behalf until the affairs of PFL and FHH are wound up. All other securities and cash in these accounts will be transferred into new accounts at your new broker dealer once those accounts have been opened.

- Please note that the preference shares and warrants of PFL and FHH in your accounts are registered in LBS's name in trust for you.

    - If you wish to have these certificates sent to you in their current form, please contact EY (see contact information below).
    - If you would like to have the securities re-registered in your name, you will have to make your own arrangements for that to occur at your own expense.
    - If you have physical certificates of PFL or FHH in your possession, you may continue to hold these certificates.

- Once the wind-ups of PFL and FHH are complete, PSC customers will be notified as to the redemption value of their PFL and FHH preference shares so that they can deal with any tax or other reporting.

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

- If your accounts **DO NOT** contain PFL or FHH preference shares or warrants, LBS will be transferring your accounts to your new broker dealer once those accounts have been opened.

- If your account is a non-registered account (e.g. cash account, margin account, TFSA account, etc.) that contains only cash, then, unless you complete transfer paperwork with your advisor, LBS will be sending to you the cash balance from your account via cheque or EFT, and your account will be closed.

- All inactive PSC customer accounts (i.e. accounts containing no cash or securities) will be automatically closed.

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

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

Yours very truly,

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

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