Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE

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

APPLICATION RECORD
(Returnable May 14, 2020)

May 14, 2020

GOODMANS LLP
Barristers & Solicitors
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Lawyers for the Applicants

TO: **THE SERVICE LIST**

INDEX

INDEX

1

Court File No. ____________________

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NOTICE OF APPLICATION

TO THE RESPONDENT

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant. The claim made by the Applicant appears on the following page.

THIS APPLICATION will come on for a hearing on a date and at a time to be set at the courthouse at 330 University Avenue, 8th Floor, Toronto, Ontario M5G 1R7.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE

APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date May , 2020 Issued by ______________________________

Local Registrar

Address of court office: Superior Court of Justice
330 University Avenue, 9th Floor
Toronto ON M5G 1R7

TO: **THE SERVICE LIST**

APPLICATION

1. The Applicant, Pace Securities Corp. (“**PSC**”) make an application for an Order, among other things:

(a) abridging the time for service and filing and validating the manner of service of this notice of application and the application record, and dispensing with service thereof on any interested party other than those served with these proceedings;

(b) winding-up of PSC and its direct and indirect subsidiaries pursuant to the *Business Corporations Act* (Ontario) or the *Canada Business corporations Act (Canada)*, as applicable.

(c) approving and affirming the appointment of appointing Ernst & Young Inc. (“**EY**”) as liquidator of PSC and its direct and indirect subsidiaries;

(d) staying all proceedings and remedies taken or which might be taken in respect of PSC, its subsidiaries or any of their property, except upon leave of this Court being granted, or as otherwise provided;

(e) granting a priority charge over the assets, properties and undertakings of PSC and its direct and indirect subsidiaries (collectively, the “**Property**”) to secure the fees and disbursements of the Liquidator and its counsel (the “**Administration Charge**”);

(f) granting such further and other relief as counsel may request and this Court may permit.

2. The grounds for the application are:

(a) PACE Savings & Credit Union Limited (the "**Credit Union**") is under the administration of the Financial Services Regulatory Authority pursuant to an Administration Order issued September 28, 2018;

(b) As a result of the Administration Order, the Administrator now controls the governance and operations of the Credit Union;

(c) On January 27, 2020, the Administrator convened a meeting of the Credit Union's members at which the members approved the election or appointment of a slate of new directors for the Credit Union (the "**New Directors**") as one step in the longer process to release the Credit Union from administration.

(d) On February 19 and April 28, 2020, the Administrator issued second and third Administrative Orders**.** Subject to those further Orders of the Administrator, the powers of the New Directors remain circumscribed and limited as set out in the Administrative Orders.

(e) The Credit Union holds 100% of the issued and outstanding common shares of PSC, and PSC has no other shareholders; PSC holds 100% of the of the issued and outstanding common shares of PIB and PGPL, and neither PIB nor PGPL have other shareholders; and PGPL holds 100% of the of the issued and outstanding common shares of PFL, which has issued Series A Preference Shares to various investors, many of whom are members of the Credit Union;

(f) The Administrator and the New Directors have determined that PSC and its direct and indirect subsidiaries are not a core part of the Credit Union's business and have been working to determine how PSC and its direct and indirect subsidiaries are to be dealt with as part of the on-going efforts to regularize the Credit Union's operations to return it to member-controlled governance.

(g) Recent turmoil in the global capital markets caused by the COVID-19 pandemic has had a negative impact on PSC and its viability.

(h) On May 14, 2020, the Credit Union executed a resolution, as sole shareholder, to effect the winding up of PSC and its direct and indirect subsidiaries pursuant to the *Business Corporations Act* (Ontario) or the *Canada Business Corporations Act*, as applicable.

(i) Pursuant to the special resolutions, EY was appointed is to be appointed as liquidator of each of PSC, which is to be continued pursuant to a Court-supervised winding up proceeding;

(j) The resolution authorizes PSC to make an application to this Court under the *Business Corporations Act* (Ontario) for the Court-supervision of its winding-up

(k) The Administrator of the Credit Union and the New Directors consider it advisable to have the winding-up of PSC and its direct and indirect subsidiaries brought under the supervision of this Court to:

> (i) facilitate EYs ability to develop and implement a plan for the liquidation, including a claims process, if necessary;

(ii) provide for an ability to efficiently enforce the terms of any liquidation plan and corresponding ancillary relief provided in the *Business Corporations Act* (Ontario) or *Canada Business Corporations Act* in connection with the liquidation as against any third parties;

(iii) afford EY, in its capacity as liquidator, the opportunity to seek the advice and directions of the Court should that become necessary under the circumstances; and

(iv) afford EY, in its capacity as liquidator, certain protection in carrying out the liquidation;

(l) The proposed Order seeks an Administrative Charge over the Property of PSC and its direct and indirect subsidiaries and deems the termination of all employees of PSC and its direct and indirect subsidiaries as of the date of the Order.

(m) It is in the interests of the shareholders, creditors, and other stakeholders of PSC and its direct and indirect subsidiaries that the winding-up of PSC and its direct and indirect subsidiaries continue under a voluntary wind-up under the supervision of this Court at this time;

(n) Sections 193, 207, 208, 209 and 210 of the *Business Corporations Act*, , R.S.O. 1990, c. B.16;

(o) Section 211, 214 and 215 of the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44;

(p) Rules 3.02, 14.05, and 16 of the Rules of Civil Procedure, *R.R.O.* 1990, Reg. 194;

(q) the equitable jurisdiction of this Court; and

(r) such further and other grounds as counsel may advice and this Court may permit.

3. The following documentary evidence will be used at the hearing of the application:

(a) the Affidavit of Mitch Vininsky affirmed May 14, 2020;

(b) the Consent of EY to be filed; and

(c) such further and other evidence as counsel may advice and this Honourable Court may permit.

May 14, 2020

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Court File No.:____________________

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

NOTICE OF APPLICATION

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2

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AFFIDAVIT OF MITCH VININSKY
(affirmed May 14, 2020)

TABLE OF CONTENTS

Court File No. ____________________

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AFFIDAVIT OF MITCH VININSKY
(sworn May 14, 2020)

I, Mitch Vininsky, of the City of Toronto, in the Province of Ontario, AFFIRM:

I. OVERVIEW

1. I am a Vice President and Managing Director of KSV Advisory Inc. ("**KSV**"), a professional services firm that provides financial advisory services including restructuring, valuation and transaction support. KSV acts as agent to the Financial Services Regulatory Authority ("**FSRA**"), one of the regulators of credit unions in Ontario, in its capacity as the Administrator of PACE Savings & Credit Union Limited ("**PACE**" or the "**Credit**

Union"). A copy of my bio page from KSV's website is attached to my Affidavit as **Exhibit "A".**

2. FSRA is the regulator of credit unions in Ontario pursuant to the *Credit Unions and Caisses Populaires Act, 1994* (the "**Act**"). FSRA administers deposit insurance to members of Ontario's credit unions and can, where required, act as the supervisor, administrator and liquidator of credit unions (as those terms are defined by the Act).

3. Effective June 8, 2019, FSRA amalgamated with Deposit Insurance Corporation of Ontario, the former entity that carried out the prudential regulation of credit unions in Ontario under the Act and which undertook the investigations and commenced the proceedings referred to herein. For ease of reference, the regulator shall be referred to as FSRA regardless of whether the event described herein took place before or after June 8, 2019.

4. As noted above, on September 28, 2018, FSRA issued an Administration Order in respect of the Credit Union, a copy of which is attached to my Affidavit as **Exhibit "B".** As a result of the Administration Order, FSRA, in its capacity as Administrator (the "**Administrator**") now controls the governance and operations of the Credit Union.

5. I have been the principal lead for KSV in its mandate to work with and assist FSRA in its investigation of PACE as a special auditor prior to the Administration Order and, since the issuance of the Administration Order, as agent of the Administrator. In this capacity I oversaw the operations of PACE until the appointment of an Interim CEO of PACE in January 2019. I have continued to assist FSRA with all aspects of its ongoing review of

the Credit Union's business and affairs, and have assisted FSRA in the Administration more generally.

6. As part of my mandate as agent for the Administrator, from August 2019 to November 2019, I also served as a director of Pace Securities Corp. ("**PSC**" or the "**Company**"), a wholly-owned subsidiary of the Credit Union, and an entity that is the subject of the within application. In addition, starting on April 6, 2020, I acted as the Administrator's monitor of PSC's operations.

7. Based on the foregoing, I have knowledge of the Company and the matters to which I depose in this affidavit based on my personal knowledge or based on my review of relevant reports and documents of the Credit Union and PSC that have been prepared by my team or provided to me by others, in which case I believe such information to be true in all material respects. Where I do not possess knowledge of the information described herein, I have stated the source of my information and, in all such cases, believe it to be true.

8. Unless otherwise indicated, monetary references in this affidavit are references to Canadian dollars.

9. This affidavit is sworn in support of an application for an Winding-Up Order in respect of (a) PSC, Pace Financial Limited ("**PFL**") and Pace Insurance Brokers Limited ("**PIB**") pursuant to the *Business Corporations Act* (Ontario) (the "**OBCA**"); and (b) Pace General Partner Limited ("**PGPL**", together with PSC, PFL and PIB, the "**PSC Entities**") pursuant to the *Business Corporations Act* (Canada) (the "**CBCA**").

II. THE CREDIT UNION AND THE PSC ENTITIES

A. The Credit Union

10. PACE is a credit union incorporated under the Act. PACE has 17 branches throughout southern Ontario and has over $1 billion in assets under management. PACE undertook substantial growth starting around 2014, including by acquiring a number of other credit unions throughout south western Ontario.

11. Since the Administration Order was issued, PACE has continued to operate in the ordinary course of business under the control of the Administrator. As the Administrator has stated since the issuance of the Administration Order, its objective is to ultimately release the Credit Union from administration and return it to member-controlled governance.

12. On January 27, 2020, the Administrator convened a meeting of the Credit Union's members at which the members approved the election or appointment of a slate of new directors for the Credit Union (the "**New Directors**") as one step in the longer process to release the Credit Union from administration.

13. On February 19, 2020, the Administrator issued a second Administrative Order, a copy of which is attached to my Affidavit as **Exhibit "C".** On April 28, 2020, the Administrator issued a third Administrative Order, a copy of which is attached to my Affidavit as **Exhibit "D".** Subject to the further Orders of the Administrator, the powers of the New Directors remain circumscribed and limited as set out in the Administrative Orders.

14. The Administrator and the New Directors determined that PSC was not core to the Credit Union's business and had been working to determine how PSC is to be dealt with as part

of the on-going efforts to regularize the Credit Union's operations to return it to member-controlled governance.

B. PSC

15. PSC is a corporation incorporated under the OBCA. Its registered and head office is located at 50 Burnhamthorpe Road West, Suite 600, Mississauga, Ontario L5B 3C2 (the "**Head Office**"). A copy of PSC's corporate profile report is attached to my Affidavit as **Exhibit "E".**

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

17. PSC does not hold its customers' cash and securities itself. Rather, it is licensed by IIROC as a "Class IV" broker-dealer, and as such contracts its back-office functions to a "carrying broker". Laurentian Bank Securities Limited ("**LBS**") is PSC's carrying broker and the custodian of its securities and its clients' cash and securities.

18. The current officers and directors of PSC are as follows:

(a) Joe Thomson ("**Thomson**") **–** Thomson is the CEO of PSC and also the "ultimate designated person", or "UDP", pursuant to IIROC's regulations. Thomson is also a director of PSC;

(b) Gerry McRae ("**McRae**") **–** McRae is the Chief Compliance Officer of PSC, and a director of PSC; and

(c) Andre Sian ("**Sian**") **–** Sian is the Chief Financial Officer of PSC.

19. Although PSC is a wholly owned subsidiary of the Credit Union, its operations are entirely separate from the Credit Union. Since September 2018, it has had its own directors and officers, none of whom were officers or directors of the Credit Union. Prior to the issuance of the Administration Order, the former president and former CEO of the Credit Union (Larry Smith and Philip Smith, respectively) were also directors of PSC. I have been advised by Thomson that despite their role as directors of PSC, they did not take an active role in the governance, oversight or management of PSC.

20. After the Administration Order was issued, the Administrator undertook a review of PSC's operations. To carry out that review, in August 2019, the Administrator appointed two directors to PSC's board of directors, being me and one of FSRA's employees, Paul Dempsey, who had prior experience as a securities lawyer and in-house counsel at the OSC. Dempsey and I formed a special committee of PSC's board for the purposes of carrying out the review. After that review was completed, both Dempsey and I resigned as directors of PSC in November 2019.

21. Each of the other PSC Entities is a direct or indirect subsidiary of the Credit Union. A corporate organizational chart showing the relationship between the Credit Union, the PSC Entities and others is attached to my Affidavit as **Exhibit "F".** As set out in that organizational chart:

(a) the Credit Union holds 100% of the issued and outstanding common shares of PSC, and PSC has no other shareholders;

(b) PSC holds 100% of the issued and outstanding common shares of PGPL, and PGPL has no other shareholders;

(c) PGPL holds 100% of the of the issued and outstanding common shares of PFL, which has issued Series A Preference Shares to various investors, many of whom are members of the Credit Union;

(d) PSC holds 100% of the of the issued and outstanding common shares of PIB, and PIB has no other shareholders; and

(e) PSC holds 100% of the issued and outstanding common shares of another inactive entity known as Pace International LLC (“**PIL**”), and PIL has no other shareholders.

C. PGPL

22. PGPL is a corporation incorporated under the CBCA. Its registered and head office is located at the Head Office. A copy of PGPL’s corporate profile report is attached to my Affidavit as **Exhibit “G”.**

23. PGPL is a holding company that owns 100% of the common shares of PFL. PGPL also acts as the general partner for Pace Capital Partners LP (“**PCP**”) (discussed further in Section “**G**” below).

24. Thomson is the sole officer and director of PGPL as listed on the corporate profile report.

D. PFL

25. PFL is a corporation incorporated under the OBCA. Its registered and head office is located at the Head Office. A copy of PFL's corporate profile report is attached to my Affidavit as **Exhibit "H".**

26. The current officers and directors of PFL are:

(a) Thomson – Chief Executive Officer, President, Secretary and Director;

(b) Sian – Chief Financial Officer (the corporate profile refers to the former CFO, Claude Ayache);

(c) Ernie Eves – Director; and

(d) Grant Walsh – Director.

27. PFL was created by Thomson 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 preferred shares. PFL used those proceeds to purchase high-yield bonds on "margin" through its accounts at PSC. The interest and any trading profits earned on the bonds net of management costs from PSC and other expenses was to be used to fund regular dividend payments to the preferred shareholders.

28. Margin is a form of loan whereby the broker loans money to its client to allow the client to purchase more securities than could otherwise be purchased with the amount of money the client has available in the account. The loan in the account is collateralized by the securities purchased and cash, and comes with a periodic interest rate. Because LBS is PSC's

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

29. The dividends owing to PFL's investors are cumulative, meaning that any dividends declared and not paid are accumulated and paid to investors at a later date.

30. Almost all of PFL's investors are retail investors, and many of its investors are members of the Credit Union.

31. PSC provides brokerage, investment and business management services to PFL.

E. PIB

32. PIB is a corporation incorporated under the OBCA. Its registered office is 8111 Jane Street, Suite #1 in Vaughan, Ontario, which is also the head office of the Credit Union. A copy of PIB's corporate profile report is attached to my Affidavit as **Exhibit "I".**

33. PIB sold insurance products and holds the insurance brokerage licenses for PSC employees. PIB has limited business activities. In fiscal 2019, it generated commission income and incurred expenses of $76,000 and $142,000, respectively.

34. Thomson is the sole officer and director of PIB as listed on the corporate profile report**.**

F. PIL

35. PIL is a corporation incorporated under the laws of Delaware. PIL does not have any business operations. It was set up to become a broker-dealer member of Financial Industry Regulatory Authority in the US. The Company's US expansion was ultimately not pursued. I believe Thomson is the sole officer and director of PIL.

G. PCP

36. 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 remains a limited number of investors and securities owned by PCP. As at May 11, 2020, the market value of securities owned by PCP was approximately $191,000 with a margin of $104,000 and a resultant net equity of $87,000.

37. PSC provides brokerage, investment and business management services to PCP.

III. PSC'S BUSINESS

A. Overview of PSC's Business

38. PSC provides stock brokerage, corporate finance and investment management services to its clients. PSC also trades its own inventory of securities.

39. PSC manages approximately 3,200 accounts. The accounts are both registered and non-registered. As of March 31, 2020, the market value of the retail accounts managed by PSC and held at LBS was approximately $153 million.

40. PSC earns revenue from the commissions charged to its brokerage customers and fees earned from its other services.

B. PFL and FHH

41. The most significant fees and revenue PSC earns are the management fees from the services that it provides to PFL and First Hamilton Holdings Inc. ("**FHH**"), a company whose majority shareholder is Thomson.

42. Both PFL and FHH are companies that provide fixed-income investments by way of the issuance of preference shares to accredited investor customers resident in Ontario, many of whom are members of the Credit Union. Like PFL, FHH sold preference 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 fund other business ventures.

43. PSC has been contracted by FHH and PFL to provide certain management services to those companies. The management fees earned by PSC from PFL and FHH are a significant portion of PSC's revenue. As a result, the financial viability of PSC has been dependent upon the financial viability of PFL and FHH. For the reasons explained below, the businesses of PFL and FHH suffered significant setbacks as a result of various factors, including the precipitous decline in the bond markets, which resulted in both PFL and FHH having to respond to margin calls by LBS. While PFL and FHH were able to reach certain arrangements with LBS in April 2020, both PFL and FHH were required to liquidate significant portions of their portfolios in order to respond to changing margin requirements and an agreement with LBS to close out the margin account. As a result, both PFL and FHH realized significant losses, which losses not only impacted their investors, but also the fees that PSC earned from their business.

C. Employees of the PSC Entities

44. Other than Thomson and McRae, PSC has approximately 14 employees, eight of whom are investment advisors. To my knowledge, none of PFL, PGPL, PIB, or PIL have any employees. PSC's monthly payroll is approximately $100,000.

D. Real Property Lease Obligations

45. PSC leases the Head Office premises in Mississauga. While the PSC Entities operate from those premises, only PSC is responsible for the lease. PSC's Head Office lease obligation is approximately $33,000 per month, including base rent, taxes and operating costs. PSC's lease obligations are current.

E. Cash Management System

46. The PSC Entities' cash management system, including the collection, transfer and disbursements of funds, is administered from the Head Office (the "**Cash Management System**").

47. The PSC Entities maintain five bank accounts, all of which are located in Ontario and held at the Credit Union. These accounts include:

(a) one account maintained to hold PSC's Canadian dollar cash balance;

(b) one account maintained to hold PSC's US dollar cash balance;

(c) one account maintained to hold PFL's Canadian dollar cash balance; and

(d) two accounts maintained to hold PIB's Canadian dollar cash balances.

48. PGPL and PIL do not hold bank accounts. Any expenses are paid by PSC and charged to their intercompany loan accounts.

49. As at the close of business on May 11, 2020, the estimated consolidated cash balance for all of the PSC Entities bank accounts was approximately $300,000.

IV. CAPITAL STRUCTURE

50. In addition to the common shares of PSC that were issued to the Credit Union, PSC is financed through the following capital structure.

A. Sub-Debt Capital

51. Prior to the Administration proceedings, the Credit Union had capitalized PSC through a $4.7 million subordinated loan (known in the securities industry as "sub-debt") that was approved by IIROC. The sub-debt provided by the Credit Union can only be repaid to the Credit Union with the consent of IIROC.

B. Margin Accounts with LBS

52. PSC operates its own margin account with LBS in which it carries out proprietary trading. PSC's margin account had a cash balance of approximately $337,000 as of May 11, 2020, meaning that it had repaid its margin loan and presently has surplus cash with LBS. Due to an unremedied margin call by LBS regarding the account of one of PSC's customers, LBS has prevented PSC from accessing its cash.

53. PFL and PCP also have accounts with LBS. PFL's margin account had a cash balance of approximately $116,000 and PCP had a loan balance of approximately $104,000, as of the same date.

C. Other Indebtedness

54. PSC has a capital lease obligation of approximately $299,000 which I understand relates to furniture it acquired for its office premises.

D. Trade Creditors

55. Based on my discussions with Sian, I understand that trade creditors are owed approximately $250,000, before any employee or contract termination costs and prior to any indemnity claims by LBS pursuant to its carry broker agreement with PSC.

V. FINANCIAL POSITION OF THE PSC ENTITIES

A. Financial Statements

56. Attached as **Exhibit "J"** is a copy of PSC's most recent internal unaudited income statement and balance sheet for the three months ending March 31, 2020.

57. Attached as **Exhibit "K"** is a copy of PFL's most recent internal unaudited income statement and balance sheet for the three months ending March 31, 2020.

58. Attached as **Exhibit "L"** is a copy of PGPL's most recent internal unaudited income statement and balance sheet for the three months ending March 31, 2020.

59. Attached as **Exhibit "M"** is a copy of PIB's most recent internal unaudited income statement and balance sheet for the three months ending March 31, 2020.

60. Attached as **Exhibit "N"** is a copy of PIL's most recent unaudited income statement and balance sheet for the three months ending March 31, 2020.

61. Attached as **Exhibit "O"** is a copy of PSC's most recent audited financial statements for the fiscal year ending December 31, 2019.

62. As at March 31, 2020, the most recent interim period, the PSC Entities had (all amounts approximate):

(a) consolidated assets with a book value of $25.8 million;

(b) total consolidated liabilities of $32.4 million; and

(c) total consolidated deficit of $6.6 million.

63. The asset and liability amounts referenced in paragraph 62 above have reduced significantly as the portfolios have been liquidated to reduce the margin loan due to LBS. This is described further below.

VI. MATTERS LEADING UP TO THE WINDING-UP FILING

A. LBS Changing Margin Requirements

64. I understand from my review of materials filed in Court in Court File No. CV-20-00638882-00CL in connection with an application brought by FHH and PFL against LBS (the "**LBS Application**") that, beginning in or about late 2018, LBS was looking to amend its exposure to PSC, and in particular to PFL and FHH, given that LBS's exposure to the margin loans to PFL and FHH were the largest in its portfolio, and were significantly larger than its next largest margin customer. At its height, PFL and FHH together had between $80 million to $90 million in margin loans with LBS.

65. LBS's move to reduce its exposure to PFL and FHH accelerated in late 2019. The changes LBS made included lowering the maximum margin exposure to a particular security as well as lowering the maximum aggregate margin loans to any one client.

66. In addition to these changes, the margin limits imposed by LBS were declining as a result of the turmoil in the global capital markets caused by the Covid-19 pandemic. This had

the result of requiring PFL and FHH to liquidate their portfolios to meet the new margin requirements.

67. These changes at PFL and FHH had a negative impact on PSC's own revenues. First, the reduction in the assets in their respective portfolios meant lower fees payable to PSC. Secondly, the changes had a negative impact on PFL's and FHH's cash flows, which led to a reduction in the payment of fees to PSC.

B. Early Warning Letter from IIROC

68. On April 2, 2020, IIROC issued an Early Warning Level 2 letter to PSC, a copy of which is attached as **Exhibit "P".** I understand that in that letter IIROC perceived greater risk in PSC's operations.

C. PSC's RAC Is Decreasing

69. The principal prudential metric that IIROC uses to monitor the broker-dealers under its jurisdiction is the "risk adjusted capital" or "RAC". A broker-dealer's RAC must be greater than zero, otherwise IIROC issues a notice to the broker-dealer to correct the deficiency in the RAC within 24-hours, failing which IIROC may suspend the broker-dealer's license.

70. RAC is a defined measure of a broker-dealer's capital that has been adjusted for regulatory purposes. The calculation of RAC has been developed to protect the public and other securities industry participants from capital deficiencies that may cause the failure of a broker-dealer.

71. RAC is the measure of the financial risk of a broker-dealer. A RAC deficiency represents a level of risk that the industry and regulators are not prepared to accept. I understand that it is a bright-line test. The bigger the RAC deficiency in relation to the size of the broker-dealer, the bigger the risk that a dealer member may not meet its customer obligations and become insolvent.

72. The calculation of RAC may be summarized as follows: (i) the capital listed on the financial statement (being the difference between assets and liabilities plus subordinated debt); less (ii) non-allowable assets, minimum capital requirements, and margin requirements as prescribed by IIROC Rules.

73. RAC is affected by a number of factors. I understand that the following main factors have impacted PSC's RAC:

(a) the market value of securities owned – as the value of the securities that it holds decreases, the value of its capital listed on its financial statements decreases by a corresponding amount; and

(b) operating profits or losses – operating losses erode retained earnings, thereby reducing its capital by a corresponding amount.

74. As of May 11, 2020, PSC's RAC was $158,000. Based on the current market volatility, it is possible that only one or two more adverse market movements caused by either the COVID-19 pandemic, the shock in oil prices or other events could cause PSC's RAC to fall below zero. PSC's ongoing operating losses of approximately $100,000 per month will also contribute to the ongoing decline of the RAC.

D. Shareholders' Resolution

75. As a result of the foregoing, the Credit Union, as the sole shareholder of PSC, passed a shareholder resolution authorizing and seeking the court-supervised wind-up of PSC and its direct and indirect subsidiaries. A copy of the resolution of the Credit Union, as sole-shareholder of PSC, is attached as **Exhibit "Q"** (the "**Winding-Up Resolution**").

76. The PSC Entities are seeking to implement an orderly wind-up under a court-supervised winding up pursuant to the OBCA (in the case of PSC, PFL, PIB,) and CBCA (in the case of PGPL).

77. In particular, as noted in the Winding-up Resolution, the Credit Union seeks to have Ernst & Young Inc. ("**EY**") act as the liquidator of each of the PSC Entities. EY consented to act as the liquidator of the PSC Entities in the within proceedings, subject to Court approval. I understand a copy of the consent will be included in the Application Record or provided to the Court. EY has experience in the wind-up of dealer-brokers, and has acted as a licensed insolvency trustee for dealer-brokers in the past and is well suited to act as licensed insolvency trustee of these entities if required at a later date. EY has consented to act as licensed insolvency trustee if required at a later date.

78. I understand a copy of a proposed Winding-Up Order will be included in the Application Record. The proposed Winding-Up Order contemplates, among other things:

(a) a Court-ordered charge over the Property (as defined in the Winding-Up Order) would be granted in favour of EY, in its capacity as Liquidator, counsel to EY, and counsel to the PSC Entities to secure the payment of their professional fees and disbursements, whether incurred prior to, on or after the date of the Winding-Up Order (the "**Administration Charge**"). All of the beneficiaries of the Administration Charge have contributed, and will continue to contribute, to the orderly winding-up of the PSC Entities;

(b) a stay of proceedings or enforcement process in any court of tribunal against or in respective of the PSC Entities or their affiliates, or the court-appointed liquidator, affecting any of the PSC Entities current and future assets, undertakings and properties of every nature and kind whatsoever, except with the written consent of the liquidator, or with leave of the Court; and

(c) terminating the employment of all of the employees of the PSC Entities as of the date of the Winding-Up Order, which is necessary given uncertainty about the ability of the PSC Entities to access the cash required to meet their payroll obligations.

79. Having the winding-up brought under the supervision of this Court will:

(a) facilitate the liquidator's ability to develop and implement a plan for the liquidation, including a claims process if necessary;

(b) provide for an ability to efficiently enforce the terms of a liquidation plan and any corresponding ancillary relief provided in the OBCA (in the case of PSC, PFL, PIB) or CBCA (in the case of PGPL) in connection with the liquidation as against any third parties;

(c) afford EY, in its capacity as liquidator, to seek the advice and directions of the Court should that become necessary under the circumstances; and

(d) afford EY, in its capacity as liquidator, certain protection in carrying out the liquidation. These tools are particularly necessary in the present circumstances where the management and directors of the PSC Entities are independent from the Credit Union as, direct or indirect, shareholder.

80. Additionally, and in particular, I expect that EY, in its capacity as liquidator, will take steps to dissolve PCP, which may require the advice and direction of the Court.

81. The Administrator and the New Directors are of the view that an orderly court-supervised wind-down under the OBCA and CBCA at this time is in the best interests of all stakeholders of the Credit Union and the PSC Entities as opposed to a bankruptcy or other liquidation process. The business and operations of PSC, PFL, and PIB are separate and distinct from that of the Credit Union, however, given the co-branding of those entities, there is a risk that any notion that a "PACE" entity has filed for bankruptcy could cause unwarranted and undue concern among the Credit Union's members, and cause an unwarranted withdrawal of Credit Union deposits out of misplaced concern about the financial well-being of the Credit Union. In connection with the court-ordered wind-up,

the Administrator has devised and will carry out a comprehensive communications plan to explain to the Credit Union members the fact of the wind-up of the PSC Entities, the fact that the wind-up is being undertaken under the supervision of this Court and an independent liquidator, the fact that the wind-up of these entities will not have an impact on the Credit Union's business (other than a potential write off of the sub-debt), and that there may be eventual bankruptcies of these entities. The ability to carry out such a communications plan is particularly important given the coverage the Credit Union's administration proceedings have received in the press to date. For these reasons, the Administrator is of the view that a court-supervised winding-up of the PSC Entities on the terms proposed is appropriate and provides the greatest level of protection to all stakeholders.

VII. RELIEF SOUGHT

82. I believe the granting of the requested relief is in the best interest of the Credit Union, the PSC Entities, and their stakeholders. The PSC Entities have initiated these proceedings to implement an orderly process to wind-up the business and operations of the PSC Entities for the benefit of all stakeholders.

83. For these reasons, the Administrator respectfully requests that this Honourable Court grant a wind-up order substantially in the form as the draft contained in the Application Record.

AFFIRMED before me virtually at the City of Toronto, in the Province of Ontario, on May 14, 2020	
A Commissioner for taking affidavits Michael Wilson	**MITCH VININSKY**

A

This is Exhibit “A” referred to in the Affidavit of Mitch Vininsky, affirmed before me this 14th day of May, 2020.

A Commissioner for Taking Affidavits, etc.

Mitch Vininsky

Managing Director

mvininsky@ksvadvisory.com
416.932.6013

Mitch Vininsky, MBA, CIRP is a Managing Director and Vice-President of KSV. Mitch has practiced in the restructuring and turnaround field since 1998.

Mitch has assessed distressed businesses in a wide variety of industries, including technology, electronics, manufacturing, mining, retail, printing, automotive, agriculture and oil and gas. His work involves consulting for lenders, trade creditors, debtors and purchasers in formal proceedings and informal mandates. Mitch has been involved in several high profile mandates, including Primus, Coventree, iMarketing, Ornge, Allied Systems, MuscleTech, Cooper Standard, Linens 'n Things, Grocery Gateway, Dylex Limited and T. Eaton Co. He has extensive experience with cross-border matters.

Mitch has written articles on restructuring topics for CA Magazine, American Bankruptcy Institute, Commercial Insolvency Reporter and the Law Society of Upper Canada. He has also been a speaker at numerous insolvency conferences.

Mitch is a Licensed Insolvency Trustee and a Chartered Insolvency and Restructuring Professional. He is a Director of AHS and a former Director of the Ontario Association of Insolvency and Restructuring Professionals.

Mitch received his BA, honors, and his MBA from the Richard Ivey School of Business at The University of Western Ontario.

B

This is Exhibit "B" referred to in the Affidavit of Mitch Vininsky, affirmed before me this 14th day of May, 2020.

A Commissioner for Taking Affidavits, etc.

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Ontario

Deposit Insurance Corporation of Ontario

Société ontarienne d'assurance-dépôts

IN THE MATTER OF THE
CREDIT UNIONS AND CAISSES POPULAIRES ACT, 1994,
S.O. 1994, c. 11, AS AMENDED (the "ACT")

AND IN THE MATTER OF
PACE SAVINGS & CREDIT UNION LIMITED

AND IN THE MATTER OF AN
ORDER OF DEPOSIT INSURANCE CORPORATION OF ONTARIO
PURSUANT TO SECTION 294(1) OF THE ACT

ADMINISTRATION ORDER

(September 28, 2018)

WHEREAS section 294(1)(1) of the *Credit Unions and Caisses Populaires Act, 1994*, S.O. 1994, c.11, as amended (the "**Act**") provides that Deposit Insurance Corporation of Ontario ("**DICO**") may order a credit union subject to administration by DICO if, on reasonable grounds, it believes that a credit union is conducting its affairs in a way that might be expected to harm the interests of members or depositors or that tends to increase the risk of claims by depositors against the DICO but that a supervision order under section 279(1) of the Act, in the circumstances, would not be appropriate;

AND WHEREAS DICO believes, on reasonable grounds, that PACE Savings & Credit Union Limited (the "**Credit Union**") is conducting its affairs in a way that might be expected to harm the interests of members or depositors or that tends to increase the risk of claims by depositors against DICO;

AND WHEREAS DICO believes that a supervision order under section 279(1) of the Act would, in the circumstances, not be appropriate;

AND WHEREAS DICO may, pursuant to section 240.1(7) of the Act, order a credit union subject to administration by DICO without giving notice or allowing the credit union to make submissions if DICO is of the opinion that the interests of the members, depositors or shareholders of any credit union may be prejudiced or adversely affected by a delay in making the order;

AND WHEREAS DICO is of the opinion that any delay in making an order under section 279(1) of the Act in respect of the Credit Union may, in the circumstances, prejudice or adversely affect the interests of the Credit Union's members, depositors or shareholders;

AND WHEREAS section 240.1(8) of the Act provides that where DICO makes an order pursuant to section 240.1(7) of the Act the person subject to such order or any person affected by the order may request an opportunity to make written submissions to DICO by giving notice of such request to DICO within fifteen (15) days after the person subject to the order receives the order;

DEPOSIT INSURANCE CORPORATION OF ONTARIO HEREBY ORDERS THAT:

1. PACE Savings and Credit Union Limited is hereby placed under administration by DICO pursuant to section 294(1) of the Act effective at 12:01 a.m. on Friday, September 28, 2018, until such time as DICO orders otherwise.

2. All powers and authority of the board of directors of the Credit Union (the "**Board**") are hereby suspended except as expressly provided herein.

3. Notwithstanding paragraph 2 above, the Board may, on behalf of the Credit Union:

   (a) formally request to make submissions to DICO regarding the issuance of this Order pursuant to section 240.1(8)(1) of the Act ("**Submissions**"), and in the event Submissions are made, DICO will issue a further Order pursuant to section 240.1(8)(3) of the Act following its consideration of the Submissions advising whether it will confirm, vary or revoke this Order;

   (b) appeal this Order pursuant to section 294(3);

   (c) with respect to the making of any decisions or taking any actions in connection with the filing of submissions or appealing an Order as permitted by paragraphs 3(a) and (b) above, the Board shall continue to operate according to its current policies and procedures for the conduct of meetings, establishing quorum, establishing committees and passing resolutions (which resolutions, for greater certainty, may only be with respect to the filing of Submissions and the appeal); and

(d) nothing in paragraphs 3(a), (b) or (c) above permits the Board to approve, by resolution or otherwise, the expenditure of any funds by the Credit Union; in the event the Board wishes to request funding from the Credit Union for the payment of the professional fees and disbursements directly associated with the filing of Submissions or the bringing of an appeal as authorized by paragraphs 3(a) and (b) above, the Board may make a request for such funding in writing to DICO, which written request must contain a copy of the resolution of the Board authorizing such request.

4. The Board shall have until 5:00 p.m. Monday, October 15, 2018, to provide DICO with written notice pursuant to section 240.1(8)(1) that it requests an opportunity to file Submissions with DICO. In the event that the Board requests to file Submissions, the Submissions must be delivered to DICO by no later than 5:00 p.m. on Monday, October 22, 2018, or such other time as DICO may agree to in writing.

5. Pursuant to section 240.1(8)(2) of the Act, notwithstanding the filing of any Submissions or the commencement of any appeals, this Order shall remain in full force and effect unless DICO issues an Order otherwise.

DATED at Toronto, this 28th day of September, 2018.

DEPOSIT INSURANCE CORPORATION OF ONTARIO

Guy Hubert
President and Chief Executive Officer
Deposit Insurance Corporation of Ontario

C

This is Exhibit "C" referred to in the Affidavit of Mitch Vininsky, affirmed before me this 14th day of May, 2020.

____

A Commissioner for Taking Affidavits, etc.

Financial Services Regulatory Authority of Ontario

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Ontario

IN THE MATTER OF THE
CREDIT UNIONS AND CAISSES POPULAIRES ACT, 1994,
S.O. 1994, c. 11, AS AMENDED (the "*ACT*")

AND IN THE MATTER OF
PACE SAVINGS & CREDIT UNION LIMITED

AND IN THE MATTER OF
AN
ORDER OF DEPOSIT INSURANCE CORPORATION OF ONTARIO PURSUANT TO SECTION 294(1) OF THE *ACT*

ADMINISTRATION ORDER
NO. 2
(Feburary 19th , 2020)

WHEREAS the Deposit Insurance Corporation of Ontario ("**DICO**" or the "**Administrator**") issued an Administration Order on September 28, 2018, pursuant to section 294(1) of the *Credit Unions and Caisses Populaires Act, 1994*, S.O. 1994, c.11, as amended (the "***Act***"), ordering that PACE Savings & Credit Union Limited (the "**Credit Union**") be subject to the administration of the Administrator (the "**Administration Order**");

AND WHEREAS the Administration Order suspended powers of the then directors of the Credit Union (the "**Directors**") except for specific limited purposes, which purposes were exhausted and spent as of December 2018;

AND WHEREAS DICO amalgamated with Financial Services Regulatory Authority of Ontario ("**FSRA**"), which amalgamation was effective as of June 8th, 2019;

AND WHEREAS the Administrator commenced legal proceedings against certain of the Directors and others as a result of the events giving rise to the Administration Order;

AND WHEREAS FSRA has commenced an initial process by which the Credit Union may be released from Administration pursuant to section 295(4) of the *Act*;

AND WHEREAS FSRA has determined that, as part of the process for releasing the Credit Union from Administration, enhanced governance and oversight is required at the Credit Union;

AND WHEREAS the Administrator has the power under Section 295 of the *Act* to appoint new directors of the Credit Union but instead adopted an approach of identifying the skill sets required for enhanced governance and oversight of the Credit Union to inform the search for new directors of the Credit Union who could then be considered for election by the Credit Union's members to a newly formed Board of Directors of the Credit Union (the "**Board**");

AND WHEREAS the Administrator carried out a process for the search and recruitment of a slate of candidates to be appointed as new directors of the Credit Union, which process included the engagement of a professional services recruitment advisor, and as a result of that process, the Administrator identified a slate of candidates (together, the "**Proposed Directors**"), including a proposed Board Chair, that it submitted to the Credit Union members to elect as directors as part of the process to begin releasing the Credit Union from Administration;

AND WHEREAS the Administrator convened a special members' meeting on January 27, 2020, at which time a majority of the members present and voting at the meeting voted in favour of the appointment of the Proposed Directors submitted by the Administrator, along with certain by-law amendments to the Credit Union's by-laws;

AND WHEREAS the Administrator wishes to provide for a period of transition (the "**Transition Period**") to allow the Proposed Directors ample time to be able to properly orient themselves with the Credit Union's business and affairs and ensuring that appropriate governance and management structures are in place before devolving full authority under the *Act* to the Proposed Directors by releasing the Credit Union from Administration; and

AND WHEREAS during the Transition Period, the Administrator wishes to provide the Proposed Directors with the authority under the *Act* to act as the Credit Union's Board of Directors for the purposes specified herein, to, *inter alia,* conduct a search for a new senior management team, including (but not limited to) a chief executive officer, a chief financial officer, a chief risk officer and internal auditor, formulating a coordinated and workable plan to have the Credit Union released from Administration and placed into Supervision, and submitting it to the Administrator for review and approval;

NOW THEREFORE, THE ADMINISTRATOR HEREBY ORDERS THAT:

1. Subject to paragraphs 4 and 5 herein, the following individuals (the "**New Directors**") are hereby appointed as the directors of the Credit Union for a period expiring upon the election of directors at the Credit Union's 2023 Annual General Meeting, and are hereby authorized to exercise the powers of the directors and the Board as provided herein, which powers may be altered by the Administrator from time to time:

    (a) George Cooke, who shall be hereby appointed as the Chair of the Board;

    (b) Karen Hacker;

    (c) Cliff Jenkins;

    (d) Ross Lamont;

(e) Marissa Lauder;

(f) Allison Mendes;

(g) Mary Ann Mooney;

(h) Shelly Rae; and

(i) Philippe Sarfati.

2. Provided that he or she meets the necessary qualification requirements under the Credit Union's by-laws and the *Act*, each of the New Directors may stand for re-election at the Credit Union's 2023 Annual General Meeting.

3. The New Directors shall conduct meetings of the Board, and committees of the Board in accordance with the Credit Union's by-laws and policies, as may be amended from time to time, and to that end, the Administrator hereby appoints the law firm of Blake Cassels & Graydon LLP, or any officer or employee of the Administrator, as determined by the Board, to act as corporate secretary, subject to paragraph 4(a) of this Order.

4. During the Transition Period, subject to any further order of the Administrator, the Board may exercise the following powers and make the following decisions subject to the approval of the Administrator where expressly required herein:

(a) Elect, from among the New Directors, a vice-chair, and appoint a corporate secretary to replace the corporate secretary appointed by the Administrator under paragraph 3 of this Order if they so desire;

(b) Establish committees of the Board and assign members from the New Directors to those committees, including, but not limited to, an audit committee;

(c) In the case of the Chair of the Board, set the target number of directors to a number other than nine (9) directors, or in the case of the Board, appoint any other qualified individual under the Credit Union's by-laws and the *Act*, as a director of the Credit Union to fill a vacancy in the Board until the next annual general meeting of the Credit Union;

(d) Direct the Credit Union to provide the Board with information and documentation for the purposes of (i) orientating the New Directors with the business and affairs of the Credit Union and the credit union sector generally; and (ii) carrying out their powers as set out herein as they considered necessary or desirable;

(e) Approve any training for the Board, or any of the individual New Directors, as they consider necessary or desirable;

(f) Formally request advice and assistance from the Administrator as they consider necessary or desirable;

(g) Consider and/or decide any other matter the Administrator may request, in writing, that the Board consider and/or decide;

(h) Carry out a recruitment process and appoint a new management team, consisting of a chief executive officer (CEO), chief financial officer (CFO) and chief risk officer (CRO) and any other senior officers for the Credit Union (collectively the "**Management Team**"), as they considered advisable or desirable, provided, however, the appointment of the CEO, CRO and the CFO must be approved in writing by the Administrator prior to being appointed by the Board;

(i) Carry out a recruitment process and appoint a new internal auditor as they considered advisable or desirable, provided, however, the appointment of the internal auditor must be approved in writing by the Administrator prior to being appointed by the Board;

(j) Review the Credit Union's existing policies and procedures, insurance program and strategic plan, and make recommendations to the Administrator with respect to any changes or additions to those policies, procedures or plan, including but not limited to, the placement of insurance coverage for the Credit Union or for the New Directors;

(k) Work collaboratively the Management Team to formulate a coordinated and workable plan to have the Credit Union released from Administration and placed into Supervision and submit that plan for review and approval by the Administrator; and

(l) Consider and advise on any other matter the Administrator requests, in writing, that the Board consider and provide advice.

5. For greater certainty, notwithstanding the appointment of the New Directors, the Administrator continues to exercise all powers of the directors and management of the Credit Union not expressly set out in paragraph 4 herein.

6. This Administration Order No. 2 shall remain in full force and effect until the Administrator orders otherwise.

DATED at Toronto, this 19th day of February, 2020.

FINANCIAL SERVICES AUTHORITY OF ONTARIO

Mark White
Chief Executive Officer
Financial Services Authority of Ontario

D

This is Exhibit "D" referred to in the Affidavit of Mitch Vininsky, affirmed before me this 14th day of May, 2020.

____
A Commissioner for Taking Affidavits, etc.

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Ontario

IN THE MATTER OF THE
CREDIT UNIONS AND CA/SSES POPULAIRES ACT, 1994,
S.O. 1994, c. 11, AS AMENDED (the "*ACT*")

AND IN THE MATTER OF
PACE SAVINGS & CREDIT UNION LIMITED

AND IN THE MATTER OF
AN
ORDER OF THE CHIEF EXECUTIVE OFFICER ("CEO")
FINANCIAL SERVICES REGULATORY AUTHORITY
OF ONTARIOTO SECTION 294(1) OF THE *ACT*

ADMINISTRATION ORDER
NO. 3
(April 28, 2020)

WHEREAS the Deposit Insurance Corporation of Ontario ("**DICO**" or the "**Administrator**")) issued an Administration Order on September 28, 2018, pursuant to section 294(1) of the *Credit Unions and Caisses Populaires Act, 1994*, S.O. 1994, c.11, as amended (the "***Act***"), ordering that PACE Savings & Credit Union Limited (the "**Credit Union**") be subject to the administration of the Administrator (the "**First Administration Order**");

AND WHEREAS the First Administration Order suspended the powers of the then directors of the Credit Union (the "**Former Directors**") except for specific limited purposes, which purposes were exhausted and spent as of December 2018;

AND WHEREAS the DICO amalgamated with Financial Services Regulatory Authority of Ontario ("**FSRA**"), which amalgamation was effective as of June 8, 2019;

AND WHEREAS following the issuance of the First Administration Order, the Administrator commenced legal proceedings under Court File No. CV-19-00616388-00CL in the Ontario Superior Court of Justice (Commercial List) against certain of the Former Directors and others, including the former CEO and former President of the Credit Union, as a result of the events giving rise to the Administration Order (the "**Administrator's Action**"), and certain other legal proceedings that have been commenced or will be commenced by the Administrator in relation to the events giving rise to the Administration Order and responding to claims, counterclaims and cross-claims that have been or may be filed in response to actions taken during the Administration proceedings (collectively, the "**Litigation**");

AND WHEREAS in or about January 2020, FSRA had commenced an initial process by which the Credit Union could be released from Administration pursuant to section 295(4) of the *Act*;

AND WHEREAS FSRA had determined that, as part of the process for releasing the Credit Union from Administration, enhanced governance and oversight was required at the Credit Union;

AND WHEREAS the Administrator has the power under Section 295 of the *Act* to appoint new directors of the Credit Union but adopted an approach of identifying the skill sets required for enhanced governance and oversight of the Credit Union to assist with the search for new directors for the Credit Union who could then be considered for election by the Credit Union's members;

AND WHEREAS the Administrator carried out a process for the search and recruitment of a slate of candidates to be appointed as directors of the Credit Union, which process included the engagement of a professional services recruitment advisor, and as a result of that process, the Administrator identified a slate of candidates (together, the "**New Directors**"), including a proposed Chair of the Board, that it submitted to the Credit Union members to elect as directors as part of the process to begin releasing the Credit Union from Administration;

AND WHEREAS the Administrator held a special members' meeting on January 27, 2020, at which time a majority of the members present and voting at the meeting, voted in favour of the appointment of the New Directors as proposed by the Administrator, along with certain by-law amendments to the Credit Union's by-laws;

AND WHEREAS the Administrator wished to provide for a period of transition (the "**Transition Period**") to allow the New Directors ample time to be able to properly orient themselves with the Credit Union's business and affairs before devolving additional authority under the *Act* to the New Directors;

AND WHEREAS the Administrator issued a second Administration order dated February 19, 2020 (the "**Second Administration Order**"), which, *inter alia,* granted the New Directors the authority to conduct meetings of the Board, and committees of the Board, in accordance with the Credit Union's by-laws and policies and to exercise certain powers and make certain decisions subject to the approval of the Administrator where expressly required;

AND WHEREAS pursuant to the Second Administration Order, and during the Transition Period, the Administrator provided the New Directors with the authority under the *Act* to commence a search for and hire a new chief executive officer ("**CEO**"), chief financial officer ("**CFO**"), chief risk officer ("**CRO**"), and internal auditor ("**IA**");

AND WHEREAS in accordance with the Second Administration Order, and during the Transition Period, the New Directors have now hired a new CEO, CFO and CRO (collectively, "**New Management**") with the approval of the Administrator, and the Administrator is now prepared to allow the Credit Union, through the New Directors and New Management, to exercise additional powers under the *Act* while the Credit Union continues to remain under Administration; and

AND WHEREAS with the hiring of the New Management, and the New Directors having had the benefit of the Transition Period to properly orient themselves with the Credit Union's business and affairs, the Administrator is now prepared to allow the Credit Union, through the New Directors and New Management, to exercise additional powers under the *Act* before the Administration is transitioned to supervision, including the power to carry on, manage and conduct operations of the Credit Union, to preserve, maintain, realize, dispose of and add to the property of the Credit Union, to receive the income and revenue of the Credit Union, to exercise the powers of the Credit Union and of the directors, officers and committees, subject to the Administrator retaining full power and authority to continue to manage the Administrator's Action and the Litigation;

NOW THEREFORE, THE ADMINISTRATOR HEREBY ORDERS THAT:

1. Subject to paragraph 2. herein, and subject to the provisions of the *Act,* the Administrator hereby grants the New Directors the power to manage or supervise the management of the business and affairs of the Credit Union, and further grants the New Directors and New Management the power to:

   (a) carry on the management and conduct operations of the Credit Union;

   (b) preserve, maintain, realize, dispose of and add to the property of the Credit Union;

   (c) receive the income and revenue of the Credit Union;

   (d) exercise the powers of the Credit Union and of the directors, officers and committees; and

   (e) require the Credit Union to enter into an amalgamation agreement, dispose of its assets and liabilities or be wound-up.

2. Notwithstanding paragraph 1 herein, the Administrator shall retain the full power and authority to manage the Administrator's Action and the Litigation unless and until the Credit Union is fully released from Administration by the Administrator. In addition, the Administrator shall continue to retain the power to:

   (a) Order the Credit Union to correct any practices that the CEO feels contributed to the problem or situation that caused the Credit Union to be placed under Administration;

   (b) Order the Credit Union and the New Directors, committee members, officers and employees to not exercise any powers of the Credit Union or of its directors, committee members, officers and employees;

   (c) Establish guidelines for the operations of the Credit Union;

   (d) Order the Credit Union not to declare or pay a dividend or to restrict the amount of a dividend to be paid to a rate or amount set by the CEO;

(e) Attend any meetings of the Credit Unions board or any of the board's committee meetings;

(f) Propose by-laws for the Credit Union and amendments to its articles of incorporation; and

(g) Approve in writing any by-law, policy or resolution relating to the business, affairs or management of the Credit Union passed or made by the board during the time the Credit Union is subject to this Administration Order.

3. This Administration Order No. 3 shall remain in full force and effect until the Administrator orders otherwise which can include, but is not limited to, ordering that the Credit Union be placed under supervision pursuant to Section 279(1) of the *Act*.

DATED at Toronto, this 28th day of April, 2020.

FINANCIAL SERVICES AUTHORITY OF ONTARIO

Mark White
President and Chief Executive Officer
Financial Services Authority of Ontario

E

This is Exhibit “E” referred to in the Affidavit of Mitch Vininsky, affirmed before me this 14th day of May, 2020.

A Commissioner for Taking Affidavits, etc.

Request ID: 024391332	Province of Ontario	Date Report Produced:	2020/03/31
Transaction ID: 75097961	Ministry of Government Services	Time Report Produced:	13:08:25
Category ID: UN/E		Page:	1

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
2334920	PACE SECURITIES CORP.	2012/07/11
		Jurisdiction
		ONTARIO
Corporation Type	**Corporation Status**	**Former Jurisdiction**
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE

Registered Office Address

50 BURNHAMTHORPE ROAD WEST

Suite # 600
MISSISSAUGA
ONTARIO
CANADA L5L 3M4

Mailing Address

50 BURNHAMTHORPE ROAD WEST

Suite # 600
MISSISSAUGA
ONTARIO
CANADA L5L 3M4

Date Amalgamated	Amalgamation Ind.
NOT APPLICABLE	NOT APPLICABLE
New Amal. Number	**Notice Date**
NOT APPLICABLE	NOT APPLICABLE
	Letter Date
	NOT APPLICABLE
Revival Date	**Continuation Date**
NOT APPLICABLE	NOT APPLICABLE
Transferred Out Date	**Cancel/Inactive Date**
NOT APPLICABLE	NOT APPLICABLE
EP Licence Eff.Date	**EP Licence Term.Date**
NOT APPLICABLE	NOT APPLICABLE

Number of Directors Minimum	Number of Directors Maximum	Date Commenced in Ontario	Date Ceased in Ontario
00001	00010	NOT APPLICABLE	NOT APPLICABLE

Activity Classification

NOT AVAILABLE

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2334920	PACE SECURITIES CORP.

Corporate Name History	Effective Date
PACE SECURITIES CORP.	2012/07/11

Current Business Name(s) Exist: YES

Expired Business Name(s) Exist: NO

Administrator:
Name (Individual / Corporation)

GERALD

MCRAE

Address

50 BURNHAMTHORPE ROAD WEST

Suite # 600
MISSISSAUGA
ONTARIO
CANADA L5L 3M4

Date Began	First Director	
2014/04/29	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
DIRECTOR		Y

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2334920	PACE SECURITIES CORP.

Administrator:
Name (Individual / Corporation)

ANDRE

SIAN

Address

63 SOPER CREEK DRIVE

BOWMANVILLE
ONTARIO
CANADA L1C 4K7

Date Began	First Director	
2019/07/02	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	CHIEF FINANCIAL OFFICER	

Administrator:
Name (Individual / Corporation)

JOSEPH

THOMSON

Address

50 BURNHAMTHORPE ROAD WEST

Suite # 600
MISSISSAUGA
ONTARIO
CANADA L5L 3M4

Date Began	First Director	
2012/07/11	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
DIRECTOR		Y

CORPORATION PROFILE REPORT

Ontario Corp Number	**Corporation Name**
2334920	PACE SECURITIES CORP.

Administrator:
Name (Individual / Corporation)

JOSEPH

THOMSON

Address

50 BURNHAMTHORPE ROAD WEST

Suite # 600
MISSISSAUGA
ONTARIO
CANADA L5L 3M4

Date Began	**First Director**	
2012/07/11	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	PRESIDENT	Y

Administrator:
Name (Individual / Corporation)

JOSEPH

THOMSON

Address

50 BURNHAMTHORPE ROAD WEST

Suite # 600
MISSISSAUGA
ONTARIO
CANADA L5L 3M4

Date Began	**First Director**	
2012/07/11	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	SECRETARY	Y

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2334920	PACE SECURITIES CORP.

Administrator:
Name (Individual / Corporation)

JOSEPH

THOMSON

Address

50 BURNHAMTHORPE ROAD WEST

Suite # 600
MISSISSAUGA
ONTARIO
CANADA L5L 3M4

Date Began	First Director	
2013/06/27	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	CHIEF EXECUTIVE OFFICER	

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2334920	PACE SECURITIES CORP.

Last Document Recorded

Act/Code	Description	Form	Date
CIA	ANNUAL RETURN 2018	1C	2020/03/01 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

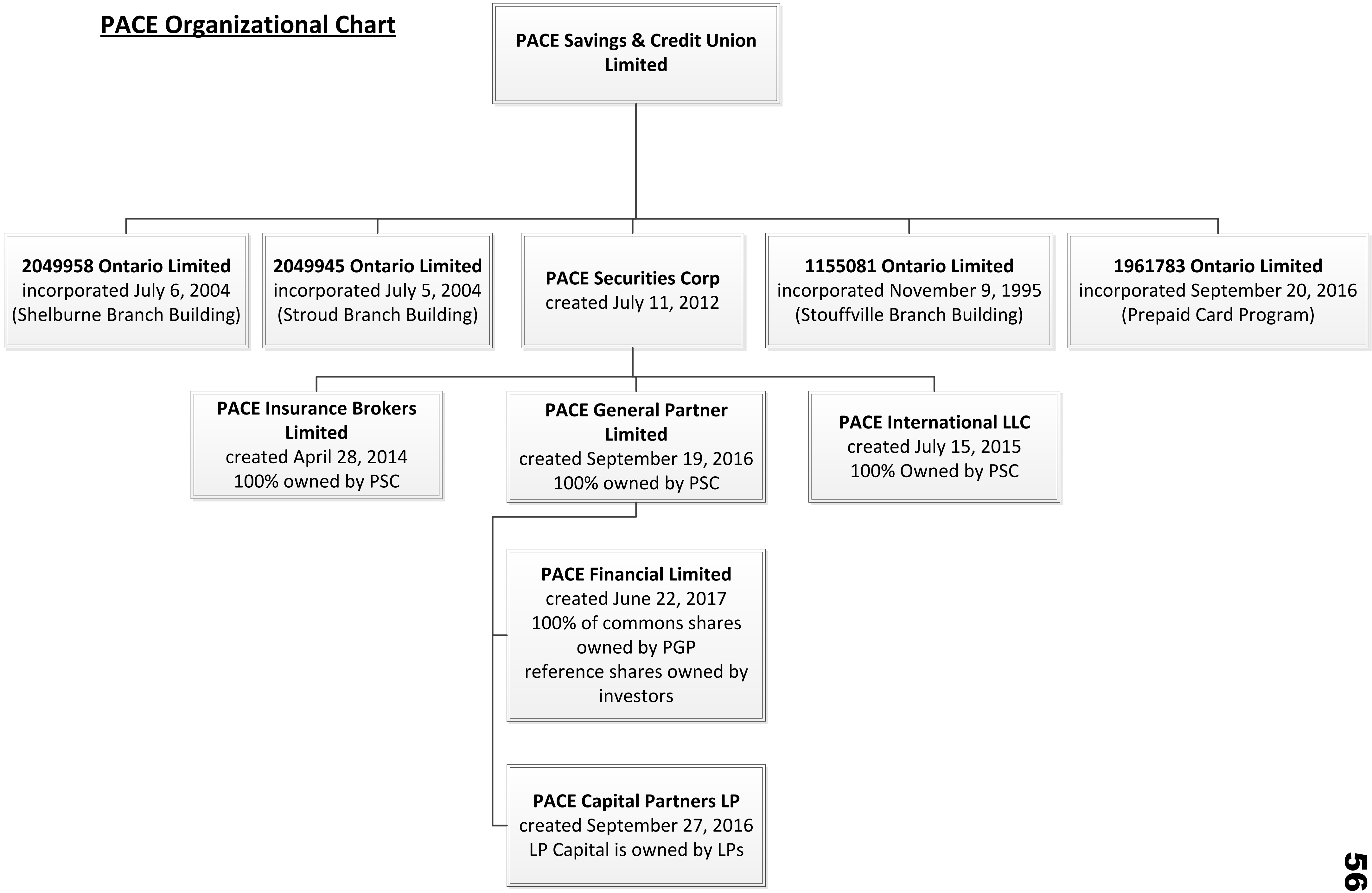
ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

F

This is Exhibit "F" referred to in the Affidavit of Mitch Vininsky, affirmed before me this 14th day of May, 2020.

A Commissioner for Taking Affidavits, etc.

PACE Organizational Chart



G

This is Exhibit "G" referred to in the Affidavit of Mitch Vininsky, affirmed before me this 14th day of May, 2020.

A Commissioner for Taking Affidavits, etc.

Government of Canada / Gouvernement du Canada

Federal Corporation Information - 991119-7

Buy copies of corporate documents

Note

This information is available to the public in accordance with legislation (see Public disclosure of corporate information).

Corporation Number
991119-7

Business Number (BN)
750770927RC0001

Corporate Name
PACE General Partner Limited

Status
Active

Governing Legislation
Canada Business Corporations Act - 2016-09-19

Registered Office Address

50 Burnhamthorpe Road West
Suite 405
Mississauga ON L5B 3C2
Canada

Note

Active CBCA corporations are required to update this information within 15 days of any change. A corporation key is required. If you are not authorized to update this information, you can either contact the corporation or contact Corporations Canada. We will inform the corporation of its reporting obligations.

Directors

Minimum 1
Maximum 10

Joseph Thomson
1312 Roylen Road
Oakville ON L6H 1V4
Canada

Note

Active CBCA corporations are required to update director information (names, addresses, etc.) within 15 days of any change. A corporation key is required. If you are not authorized to update this information, you can either contact the corporation or contact Corporations Canada. We will inform the corporation of its reporting obligations.

Annual Filings

Anniversary Date (MM-DD)
09-19

Date of Last Annual Meeting
2019-12-19

Annual Filing Period (MM-DD)
09-19 to 11-18

Type of Corporation
Non-distributing corporation with 50 or fewer shareholders

Status of Annual Filings
2020 - Not due
2019 - Filed
2018 - Filed

Corporate History

Corporate Name History

2016-09-19 to Present	PACE General Partner Limited

Certificates and Filings

Certificate of Incorporation
2016-09-19

Buy copies of corporate documents

Start New Search

Return to Search Results

Date Modified:
2020-02-14

H

This is Exhibit "H" referred to in the Affidavit of Mitch Vininsky, affirmed before me this 14th day of May, 2020.

A Commissioner for Taking Affidavits, etc.

CORPORATION PROFILE REPORT

Ontario Corp Number
2584133

Corporation Name
PACE FINANCIAL LIMITED

Incorporation Date
2017/06/22

Jurisdiction
ONTARIO

Corporation Type
ONTARIO BUSINESS CORP.

Corporation Status
ACTIVE

Former Jurisdiction
NOT APPLICABLE

Registered Office Address

50 BURNHAMTHORPE ROAD WEST

Suite # 405
MISSISSAUGA
ONTARIO
CANADA L5B 3C2

Mailing Address

NOT AVAILABLE

Date Amalgamated
NOT APPLICABLE

Amalgamation Ind.
NOT APPLICABLE

New Amal. Number
NOT APPLICABLE

Notice Date
NOT APPLICABLE

Letter Date
NOT APPLICABLE

Revival Date
NOT APPLICABLE

Continuation Date
NOT APPLICABLE

Transferred Out Date
NOT APPLICABLE

Cancel/Inactive Date
NOT APPLICABLE

EP Licence Eff.Date
NOT APPLICABLE

EP Licence Term.Date
NOT APPLICABLE

Number of Directors Minimum	Number of Directors Maximum	Date Commenced in Ontario	Date Ceased in Ontario
00001	00009	NOT APPLICABLE	NOT APPLICABLE

Activity Classification

NOT AVAILABLE

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2584133	PACE FINANCIAL LIMITED

Corporate Name History	Effective Date
PACE FINANCIAL LIMITED	2017/06/22

Current Business Name(s) Exist: NO

Expired Business Name(s) Exist: NO

Administrator:
Name (Individual / Corporation)

CLAUDE

AYACHE

Address

466A ELLERSLIE AVENUE

TORONTO
ONTARIO
CANADA M2R 1C4

Date Began	First Director	
2018/02/02	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	CHIEF FINANCIAL OFFICER	

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2584133	PACE FINANCIAL LIMITED

Administrator:
Name (Individual / Corporation)

ERNEST
LARRY
EVES

Address

18805 CENTREVILLE CREEK ROAD

CALEDON
ONTARIO
CANADA L7K 2M2

Date Began	First Director	
2018/12/20	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
DIRECTOR		Y

Administrator:
Name (Individual / Corporation)

ERNEST

EVES

Address

18805 CENTREVILLE CREEK RD

CALEDON
ONTARIO
CANADA L7K 2M2

Date Began	First Director	
2018/12/20	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
DIRECTOR		Y

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2584133	PACE FINANCIAL LIMITED

Administrator:
Name (Individual / Corporation)

JOSEPH

THOMSON

Address

50 BURNHAMTHORPE ROAD WEST

Suite # 405
MISSISSAUGA
ONTARIO
CANADA L5B 3C2

Date Began	First Director	
2017/06/22	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	CHIEF EXECUTIVE OFFICER	

Administrator:
Name (Individual / Corporation)

JOSEPH

THOMSON

Address

50 BURNHAMTHORPE ROAD WEST

Suite # 405
MISSISSAUGA
ONTARIO
CANADA L5B 3C2

Date Began	First Director	
2017/06/22	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
DIRECTOR		Y

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2584133	PACE FINANCIAL LIMITED

Administrator:
Name (Individual / Corporation)

JOSEPH

THOMSON

Address

50 BURNHAMTHORPE ROAD WEST

Suite # 405
MISSISSAUGA
ONTARIO
CANADA L5B 3C2

Date Began	First Director	
2017/06/22	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	PRESIDENT	Y

Administrator:
Name (Individual / Corporation)

JOSEPH

THOMSON

Address

50 BURNHAMTHORPE ROAD WEST

Suite # 405
MISSISSAUGA
ONTARIO
CANADA L5B 3C2

Date Began	First Director	
2017/06/22	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	SECRETARY	Y

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2584133	PACE FINANCIAL LIMITED

Administrator: Name (Individual / Corporation)	Address
GRANT WALSH	178 CRICHTON STREET OTTAWA ONTARIO CANADA K1M 1W2

Date Began	First Director	
2018/02/28	NOT APPLICABLE	

Designation	Officer Type	Resident Canadian
DIRECTOR		Y

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2584133	PACE FINANCIAL LIMITED

Last Document Recorded

Act/Code	Description	Form	Date
CIA	ANNUAL RETURN 2019	1C	2019/12/08 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

I

This is Exhibit “I” referred to in the Affidavit of Mitch Vininsky, affirmed before me this 14th day of May, 2020.

____

A Commissioner for Taking Affidavits, etc.

Request ID: 024521795 Transaction ID: 75404315 Category ID: UN/E	Province of Ontario Ministry of Government Services	Date Report Produced: 2020/05/12 Time Report Produced: 10:24:27 Page: 1

CORPORATION PROFILE REPORT

Ontario Corp Number
2416476

Corporation Name
PACE INSURANCE BROKERS LTD.

Incorporation Date
2014/04/28

Jurisdiction
ONTARIO

Corporation Type
ONTARIO BUSINESS CORP.

Corporation Status
ACTIVE

Former Jurisdiction
NOT APPLICABLE

Registered Office Address

JOSEPH THOMSON
8111 JANE STREET

Suite # SUITE 1
VAUGHAN
ONTARIO
CANADA L4K 4L7

Date Amalgamated
NOT APPLICABLE

Amalgamation Ind.
NOT APPLICABLE

New Amal. Number
NOT APPLICABLE

Notice Date
NOT APPLICABLE

Letter Date
NOT APPLICABLE

Mailing Address
NOT AVAILABLE

Revival Date
NOT APPLICABLE

Continuation Date
NOT APPLICABLE

Transferred Out Date
NOT APPLICABLE

Cancel/Inactive Date
NOT APPLICABLE

EP Licence Eff.Date
NOT APPLICABLE

EP Licence Term.Date
NOT APPLICABLE

Number of Directors Minimum	Number of Directors Maximum	Date Commenced in Ontario	Date Ceased in Ontario
00001	00010	NOT APPLICABLE	NOT APPLICABLE

Activity Classification
NOT AVAILABLE

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2416476	PACE INSURANCE BROKERS LTD.

Corporate Name History	Effective Date
PACE INSURANCE BROKERS LTD.	2014/04/28

Current Business Name(s) Exist: NO

Expired Business Name(s) Exist: NO

Administrator:
Name (Individual / Corporation)

JOSEPH

THOMSON

Address

8111 JANE STREET

Suite # UNIT 1
VAUGHAN
ONTARIO
CANADA L4K 4L7

Date Began	First Director	
2014/04/28	YES	
Designation	**Officer Type**	**Resident Canadian**
DIRECTOR		Y

CORPORATION PROFILE REPORT

Ontario Corp Number	**Corporation Name**
2416476	PACE INSURANCE BROKERS LTD.

Last Document Recorded

Act/Code	**Description**	**Form**	**Date**
CIA	ANNUAL RETURN 2018	1C	2020/03/01 (ELECTRONIC FILING)

J

This is Exhibit "J" referred to in the Affidavit of Mitch Vininsky, affirmed before me this 14th day of May, 2020.

A Commissioner for Taking Affidavits, etc.

PACE Securities Corp.
Balance Sheet
As of March 31, 2020

13/04/20
Accrual Basis

	Mar 31, 20
ASSETS	
Current Assets	
Chequing/Savings	
10000 · Bank-PACE Credit Union	68,885.91
10010 · PCU - USD	15.48
10011 · FX diff-USD	6.48
Total Chequing/Savings	68,907.87
Accounts Receivable	
11000 · Accounts Receivable	33,298.03
Total Accounts Receivable	33,298.03
Other Current Assets	
10500 · Inventory	2,808,060.61
16000 · Prepaid Expenses	70,021.83
16010 · Rent Deposit	217,827.30
Total Other Current Assets	3,095,909.74
Total Current Assets	3,198,115.64
Fixed Assets	
15000 · Furniture and Equipment	47,782.24
15001 · Accum Dep - Furniture & Equip	(43,399.24)
15002 · Leasehold Improvements	20,895.39
15003 · Accum Dep - Leasehold Imp	(20,895.39)
15004 · Computer Hardwares	66,105.59
15005 · Amortization-Computer hardware	(54,919.05)
15006 · Website	9,424.20
15007 · Amorization-Website	(7,928.20)
15008 · Leasehold Imp - Burnhamthorpe	198,646.87
15009 · Amortization-Leasehold-Burnhamp	(32,419.62)
15010 · Furniture-Lease-Burnhamthorpe	439,171.00
15011 · Amortization-Furniture-Lease	(139,092.00)
15012 · Funiture-Non Lease-Burnhamthope	78,369.64
15013 · Amortizion-Funiture-NonL-Bhamth	(40,137.64)
15014 · Office lease-Right of use	1,737,132.23
15015 · Depreciation-right of use	(361,323.54)
Total Fixed Assets	1,897,412.48
Other Assets	
Investments	3.00
13002 · Due from carrying broker-LBS	(1,130,012.80)

	Mar 31, 20
13020 · PACE insurance brokers Ltd	62,121.70
13021 · PACE Securities USA Inc.	32,459.15
13022 · PACE General Partnership Limite	347,971.56
13023 · PACE Capital Partners LP	4,720.61
13024 · PACE Financial Ltd	9,486.35
14000 · Accrued revenue	600.00
Total Other Assets	(672,650.43)
TOTAL ASSETS	**4,422,877.69**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Total Accounts Payable	(130,458.54)
Total Other Current Liabilities	286,516.28
Total Current Liabilities	156,057.74
Long Term Liabilities	
20501 · Loan	4,700,000.00
20502 · Lease Liability-Funiture	299,046.02
20503 · Lease Liability-Office lease	1,614,773.64
Total Long Term Liabilities	6,613,819.66
Total Liabilities	6,769,877.40
Equity	
31000 · Share capital	100.00
32000 · Owners Equity	(1,293,204.78)
Net Income	(1,053,894.93)
Total Equity	(2,346,999.71)
TOTAL LIABILITIES & EQUITY	**4,422,877.69**

PACE Securities Corp.
Profit & Loss
January through March 2020

13/04/20
Accrual Basis

	TOTAL
Ordinary Income/Expense	
Income	
Total CSR by rep	0.00
Total 40002 · CR-Listed Canadian securities	7,300.00
Total 40004 · CR-Other securities	11,625.66
Total 40005 · Mutual funds	73,880.01
40008 · CR-Listed Canadian options	22.00
40009 · CR-Other listed options	0.00
Total 40021 · PR-Listed Canadian O & S	(757,684.79)
Total 40024 · PR-Money market	824.93
Total 42001 · Fees	421,267.86
42300 · Insurance revenue	26,727.68
Total Income	(216,036.65)
Gross Profit	(216,036.65)
Expense	
Total 50010 · Comm & fees paid to 3rd parties	67,944.38
Total 50080 · Commission payout	152,878.19
Total 50090 · Employee related expenses	246,880.49
50159 · Payroll Service Fees	265.18
50165 · Recruitment fees	2,622.00
50200 · Audit	18,955.64
50201 · Financial & regulatory reportin	25,255.50
50202 · Tax fees	390.00
Total 50203 · Consulting fees	16,272.00
50204 · Legal Expenses	22,135.00
Total 50220 · Referral fees	1,140.00
50301 · NRD fees	5,363.00
50302 · Fees-IIROC	9,863.60
50303 · Fees-IIROC-Levy	614.41
50305 · Fees-CIPF fees	1,250.00
50306 · Fees-OBSI	400.02
50308 · Fees- AIMA	510.00
50309 · Fees -IIAC	540.00
50320 · Bank Charges	562.77
50321 · Interest LBS	26,010.36
50322 · Interest Expense	(8.80)

	TOTAL
Total 50350 · Printing Expenses	1,144.46
50351 · Office Supplies	594.93
Total 50352 · Postage	1,044.89
50353 · Cable-TV	494.80
Total 50354 · Internet	7,513.04
50356 · Rent	55,709.37
50358 · Shred-it	357.58
50361 · Insurance-FIB	4,287.00
50362 · Insurance-General	1,083.24
Total 50370 · Telephone	2,813.96
50371 · Telephone-Cell	212.44
50372 · IT-MS office365	2,073.00
50373 · IT-Web Design	372.90
50402 · Bloomberg	34,698.47
Total 50403 · TMX	2,332.32
50404 · NYSE	2,287.80
50405 · Option Price	490.95
50408 · CAASA	145.29
50409 · Refinitiv	14,299.23
50501 · Market data-Activ Financial	76.95
50601 · IT-Position Watch	847.50
50604 · NDEX systems	5,085.00
50801 · Lease Interest	28,097.06
51000 · Travel	8,669.16
51001 · Parking	3,400.12
51002 · Entertainment	475.58
51004 · Advertising and promotion	(616.25)
51006 · Computer Software	166.11
59900 · HST-Input tax credit	(36,236.89)
59902 · Professional Development	3,278.43
70000 · Amortization-Fixed assets	79,098.18
Total Expense	824,140.36
Net Ordinary Income	(1,040,177.01)
Other Income/Expense	
Total Other Expense	13,717.92
Net Other Income	(13,717.92)
Net Income	**(1,053,894.93)**

K

This is Exhibit "K" referred to in the Affidavit of Mitch Vininsky, affirmed before me this 14th day of May, 2020.

____
A Commissioner for Taking Affidavits, etc.

PACE Financial Limited
Balance Sheet
As of March 31, 2020

11:16 AM
04/14/2020
Accrual Basis

	Mar 31, 20
ASSETS	
Current Assets	
Chequing/Savings	
Cash	1.00
PCU bank acct	199,203.94
Total Chequing/Savings	199,204.94
Other Current Assets	
Interest receivable	
CAD interest	210,367.76
USD interest	219,023.87
USD Interest FX	91,705.29
Total Interest receivable	521,096.92
Prepaids	1,530.00
Total Other Current Assets	522,626.92
Total Current Assets	721,831.86
Other Assets	
Intercompany balances	
First Hamilton Holdings	-67,144.58
PACE General Partner Limited	-50,000.00
PACE Securities Corp.	-9,486.35
Total Intercompany balances	-126,630.93
Investments held	
Debt Securities	
CAD	
Cost CAD	
Nominal value-CAD	9,385,000.00
Premium (Discount)-CAD	-1,155,788.76
Total Cost CAD	8,229,211.24
Disc/Premium amortized	213,424.14
Total CAD	8,442,635.38
USD	
Cost-USD	
Nominal value-USD	8,156,480.00
Premium (Discount)-USD	-446,956.80
Total Cost-USD	7,709,523.20

	Mar 31, 20
Discount/Premium amortized-USD	57,444.47
USD FX	
Disc/Prem-amort-USD FX	24,052.00
Nominal value-USD-FX	3,415,118.18
Premium (Discount)-USD FX	-187,140.81
Total USD FX	3,252,029.37
Total USD	11,018,997.04
Total Debt Securities	19,461,632.42
Total Investments held	19,461,632.42
Total Other Assets	19,335,001.49
TOTAL ASSETS	20,056,833.35
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Accruals	
Preferred shares dividends	284,110.00
Accruals - Other	282,354.01
Total Accruals	566,464.01
Income tax provision	176,689.50
Interactive Brokers	-81.87
Tax-non resident withholding	-808.03
Taxation-deferred tax	7,000.00
Trading accounts	
2E-A0NL-5 CAD	-81.71
2EBH9-L3-CAD	-2,383,603.20
2EBH9-M1-USD	7,131,403.56
2EBH9-M1-USD-FX diff	2,985,918.67
Total Trading accounts	7,733,637.32
Total Other Current Liabilities	8,482,900.93
Total Current Liabilities	8,482,900.93
Long Term Liabilities	
Share capital	
Common shares	1.00

	Mar 31, 20
Preferred shares	
Issue costs	
Amortization-Issue costs	270,216.18
Legal fees	-109,321.77
PSC fees	-488,618.40
Total Issue costs	-327,723.99
Issued	16,355,180.00
Treasury shares	-937,000.00
Total Preferred shares	15,090,456.01
Total Share capital	15,090,457.01
Total Long Term Liabilities	15,090,457.01
Total Liabilities	23,573,357.94
Equity	
Dividends Paid	-200,000.00
Prior year adj	-457,132.01
Retained Earnings	-1,535,134.16
Net Income	-1,324,258.42
Total Equity	-3,516,524.59
TOTAL LIABILITIES & EQUITY	**20,056,833.35**

PACE Financial Limited
Profit & Loss
June 2019 through March 2020

1:58 PM
04/13/2020
Accrual Basis

	Jun '19 - Mar 20
Ordinary Income/Expense	
Income	
Investment income	
Gain (Loss)	
2EBH9-L3-CAD	-422,779.36
2EBH9-M1-USD	-510,123.08
Total Gain (Loss)	-932,902.44
Interest received	
Interest accrued-Bonds	3,004,846.02
Interest received - Other	332.83
Total Interest received	3,005,178.85
Total Investment income	2,072,276.41
Total Income	2,072,276.41
Gross Profit	2,072,276.41
Expense	
Audit fees	20,090.00
Bank Service Charges	543.71
Directors fees	56,379.63
EHT	-289.18
FX exchange (gain) loss	
Month end reva-LBS	214,872.92
Month end revaluation	-9,191.90
Re Debt securities	-260,133.13
Total FX exchange (gain) loss	-54,452.11
Insurance Expense	
D&O	7,650.00
Total Insurance Expense	7,650.00
Interest Expense	
LBS	604,217.53
Preferred shares	
Amortized issue costs	90,000.00
Cumulative pref dividends	922,108.39
Total Preferred shares	1,012,108.39
Total Interest Expense	1,616,325.92

	Jun '19 - Mar 20
Legal fees	363,019.38
Management fees	
PSC	791,000.00
Total Management fees	791,000.00
Penalties and fine	10,030.00
Postage and Delivery	45.25
Professional fees	116,699.72
Tax preparation fees	19,492.51
Z-Income tax expense	450,000.00
Total Expense	3,396,534.83
Net Ordinary Income	-1,324,258.42
Net Income	**-1,324,258.42**

L

This is Exhibit "L" referred to in the Affidavit of Mitch Vininsky, affirmed before me this 14th day of May, 2020.

A Commissioner for Taking Affidavits, etc.

PACE General Partner Limited
Balance Sheet
As of March 31, 2020

3:49 PM
04/22/2020
Accrual Basis

	Mar 31, 20
ASSETS	
Other Assets	
Investment in PFL	100.00
PACE Financial Limited	50,000.00
PIB interco	-100.00
13026 · PACE Securities Corp	-347,971.56
Total Other Assets	-297,971.56
TOTAL ASSETS	**-297,971.56**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
20010 · Accruals	2,995.00
Total Other Current Liabilities	2,995.00
Total Current Liabilities	2,995.00
Total Liabilities	2,995.00
Equity	
30100 · Capital Stock	1.00
30200 · Dividends Paid	-200,000.00
32000 · Retained Earnings	-84,323.13
Net Income	-16,644.43
Total Equity	-300,966.56
TOTAL LIABILITIES & EQUITY	**-297,971.56**

PACE General Partner Limited
Profit & Loss
January through March 2020

3:52 PM
04/22/2020
Accrual Basis

	Jan - Mar 20
Ordinary Income/Expense	
Expense	
50204 · Legal Expenses	649.75
50500 · Commonwealth Fund Services	11,587.68
50902 · Fundserv	3,390.00
66700 · Professional Fees	1,017.00
Total Expense	16,644.43
Net Ordinary Income	-16,644.43
Net Income	**-16,644.43**

M

This is Exhibit "M" referred to in the Affidavit of Mitch Vininsky, affirmed before me this 14th day of May, 2020.

A Commissioner for Taking Affidavits, etc.

PACE Insurance Brokers Ltd.
Balance Sheet
As of March 31, 2020

12:16 PM
April 23, 2020
Accrual Basis

	Mar 31, 20
ASSETS	
Current Assets	
Chequing/Savings	
Cash	-1.00
PCU-CAD1=78995	911.26
PCU-CAD2-106797	560.57
Total Chequing/Savings	1,470.83
Other Current Assets	
Prepaids	6,106.50
Total Other Current Assets	6,106.50
Total Current Assets	7,577.33
TOTAL ASSETS	**7,577.33**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Accruals	22,871.07
CRA-payroll	24,000.00
PACE GP Ltd	-100.00
PSC-interco	62,121.70
PSCU-Interco	286,153.41
Total Other Current Liabilities	395,046.18
Total Current Liabilities	395,046.18
Total Liabilities	395,046.18
Equity	
Capital Stock	1.00
Retained Earnings	-427,235.95
Net Income	39,766.10
Total Equity	-387,468.85
TOTAL LIABILITIES & EQUITY	**7,577.33**

PACE Insurance Brokers Ltd.
Profit & Loss
January through March 2020

4:02 PM
April 22, 2020
Accrual Basis

	Jan - Mar 20
Ordinary Income/Expense	
Income	
Commission Income	
Bluecross	206.34
Canadalife	2,461.81
Canadian Benef	74,085.27
DSF	515.43
Empire Life	26.82
Manulife	918.17
MSP CC Agile Ben	442.12
Total Commission Income	78,655.96
Total Income	78,655.96
Expense	
Commission expense	33,227.68
General expenses	115.00
Insurance Expense	
Error & omission	1,102.50
Total Insurance Expense	1,102.50
Professional Fees	4,068.00
Tax preparation fees	376.68
Total Expense	38,889.86
Net Ordinary Income	39,766.10
Net Income	**39,766.10**

N

This is Exhibit "N" referred to in the Affidavit of Mitch Vininsky, affirmed before me this 14th day of May, 2020.

A Commissioner for Taking Affidavits, etc.

PACE International LLC
Balance Sheet
As of March 31, 2020

3:56 PM
04/22/2020
Accrual Basis

	Mar 31, 20
ASSETS	
Other Assets	
13026 · PACE Securities Corp	-32,459.15
Total Other Assets	-32,459.15
TOTAL ASSETS	**-32,459.15**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
20010 · Accruals	150.00
Total Other Current Liabilities	150.00
Total Current Liabilities	150.00
Total Liabilities	150.00
Equity	
30100 · Capital Stock	1.00
32000 · Retained Earnings	-32,440.65
Net Income	-169.50
Total Equity	-32,609.15
TOTAL LIABILITIES & EQUITY	**-32,459.15**

PACE International LLC
Profit & Loss
January through March 2020

3:55 PM
04/22/2020
Accrual Basis

	Jan - Mar 20
Ordinary Income/Expense	
Expense	
66700 · Professional Fees	169.50
Total Expense	169.50
Net Ordinary Income	-169.50
Net Income	**-169.50**

O

This is Exhibit "O" referred to in the Affidavit of Mitch Vininsky, affirmed before me this 14th day of May, 2020.

A Commissioner for Taking Affidavits, etc.

PACE SECURITIES CORP.

NON-CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

HILBORN LLP

INDEPENDENT AUDITOR'S REPORT

To The Shareholder Of Pace Securities Corp.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying non-consolidated financial statements of PACE Securities Corp. (the "Company") for the year ended December 31, 2019, which comprise the non-consolidated statement of financial position as at December 31, 2019, and the non-consolidated statements of income (loss) and comprehensive income (loss), changes in shareholder's equity and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of PACE Securities Corp. as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

HILBORN LLP

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Hilborn LLP

Toronto, Ontario
February 20, 2020

Chartered Professional Accountants
Licensed Public Accountants

PACE SECURITIES CORP.

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	2019	2018
ASSETS		
Current assets		
Cash *(note 11c)*	$ 75,516	$ 49,145
Securities owned *(note 2)*	5,638,462	10,089,664
Due from carrying broker *(note 3)*	213,421	283,716
Advance to employees *(note 11a)*	163,722	354,316
Due from related companies *(notes 11b and 11c)*	597,975	639,656
Amounts receivable	33,298	689,365
Prepaid expenses and rent deposits *(note 12a)*	263,949	255,321
	6,986,343	12,361,183
Non-current assets		
Rent deposits *(note 12a)*	-	175,000
Investments in subsidiaries *(note 4)*	3	3
Property, furniture and equipment *(note 5)*	236,975	285,926
Right-of-use assets *(note 6)*	1,739,536	1,994,129
	1,976,514	2,455,058
	8,962,857	14,816,241
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	341,728	437,040
Due to carrying broker *(note 3)*	3,256,199	7,792,410
Finance lease obligations - current *(notes 7a and 7b)*	206,229	170,874
	3,804,156	8,400,324
Non-current liabilities		
Finance lease obligation - long-term *(notes 7a and 7b)*	1,751,804	1,958,033
Subordinated loan *(notes 8 and 11c)*	4,700,000	4,700,000
	6,451,804	6,658,033
SHAREHOLDER'S EQUITY		
Share capital *(note 9)*	100	100
Deficit	(1,293,203)	(242,216)
	(1,293,103)	(242,116)
	$ 8,962,857	$ 14,816,241

The accompanying notes are an integral part of these non-consolidated financial statements

Approved on behalf of the Board:

, Director　　　　　　　　, Director

PACE SECURITIES CORP.

NON-CONSOLIDATED STATEMENT OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

YEAR ENDED DECEMBER 31, 2019

		2019	2018
Revenues			
Commissions		**$ 334,115**	$ 482,467
Corporate finance *(notes 11b and 11c)*		**1,544,322**	1,475,011
Principal trading		**109,064**	450,052
Interest		**-**	40,056
Dividends *(note 11c)*		**-**	200,000
Fees and other *(notes 11b and 11c)*		**1,764,225**	2,265,599
		3,751,726	4,913,185
Expenses			
Commissions *(notes 11b and 11c)*		**1,576,412**	1,674,042
Salaries, bonuses and benefits *(note 11b)*		**1,167,831**	1,157,171
Ticket, trading and clearing fees		**495,881**	515,386
Administration		**217,825**	253,137
Professional fees		**505,571**	476,125
Occupancy costs		**202,380**	123,132
Business development		**40,946**	62,187
Depreciation *(notes 5 and 6)*		**312,777**	211,501
Interest *(notes 7a and 7b)*		**283,090**	300,705
		4,802,713	4,773,386
Income (loss) before income taxes		**(1,050,987)**	139,799
Income tax expense *(note 10)*	- current	**-**	-
	- deferred	**-**	-
		-	-
Income (loss) and total comprehensive income (loss) for the year		**$ (1,050,987)**	$ 139,799

The accompanying notes are an integral part of these non-consolidated financial statements

PACE SECURITIES CORP.

NON-CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

YEAR ENDED DECEMBER 31, 2019

	Share Capital	Deficit	Total
Balance, January 1, 2018	$ 200	$ (382,015)	$ (381,815)
Income and total comprehensive income for the year	-	139,799	139,799
Balance, December 31, 2018	200	(242,216)	(242,016)
Income (loss) and total comprehensive income (loss) for the year	-	**(1,050,987)**	**(1,050,987)**
Balance, December 31, 2019	**$ 200**	**$ (1,293,203)**	**$ (1,293,003)**

The accompanying notes are an integral part of these non-consolidated financial statements

PACE SECURITIES CORP.

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	2019	2018
Cash flows from operating activities:		
Income (loss) and total comprehensive income (loss) for the year	**$ (1,050,987)**	$ 139,799
Items not involving cash:		
Depreciation	**312,777**	211,501
Items not related to operating activities		
Dividend income	**-**	(200,000)
Interest on finance leases	**105,323**	91,029
	(632,887)	242,329
Change in non-cash operating items:		
Due from carrying broker	**70,294**	109,608
Advance to employees	**190,594**	266,550
Due from related companies	**41,681**	(177,532)
Amounts receivable	**656,067**	(656,067)
Securities owned and sold short	**4,451,202**	2,424,539
Prepaid expenses	**166,372**	(283,008)
Accounts payable and accrued liabilities	**(95,312)**	153,631
Due to carrying broker	**(4,536,211)**	(1,535,043)
Due to related companies	**-**	(192,784)
	311,800	352,223
Cash flows from investing activities		
Purchase of property and equipment	**(9,233)**	(303,287)
Dividends received from a subsidiary	**-**	200,000
	(9,233)	(103,287)
Cash flows from financing activities		
Interest paid on finance leases	**(105,323)**	(91,029)
Repayment of finance lease obligations	**(170,873)**	(47,396)
	(276,196)	(138,425)
Change in cash during the year	**26,371**	110,511
Cash (bank overdraft) - beginning of year	**49,145**	(61,366)
Cash - at end of year	**$ 75,516**	$ 49,145

The accompanying notes are an integral part of these non-consolidated financial statements

PACE SECURITIES CORP.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

CORPORATE INFORMATION

PACE Securities Corp (the "Company") was incorporated under the laws of the Province of Ontario, Canada on July 11, 2012. The Company is a wholly-owned subsidiary of PACE Savings & Credit Union Limited (the "Parent"). The Company has three wholly-owned subsidiaries being PACE Insurance Brokers Ltd. ("PIB"), PACE General Partners Limited ("PGP") which owns PACE Financial Ltd ("PFL"), and PACE International LLC which is incorporated in the USA. The head office of the Company and its subsidiaries is located at 600 - 50 Burnhamthorpe Road West, Mississauga, Ontario, Canada.

The Company provides stock brokerage, corporate finance and investment management services to its clients. The Company also trades its own inventory of securities.

The Company is a Type 2 introducing broker dealer that is regulated by the Investment Industry Regulatory Organization of Canada ("IIROC"). The Company utilizes the services of a carrying broker. The carrying broker, Laurentian Bank Securities Inc. (“LBS”), performs trading, clearing and record keeping activities for the Company's clients, pursuant to the terms of an Introducer/Carrier Broker Agreement. As a Type 2 introducing broker, the Company does not carry client accounts, or receive, deliver or hold cash or securities in connection with its clients.

These non-consolidated financial statements were approved by the Board of Directors on February 20, 2020.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared on a non-consolidated basis. The parent of the Company prepares annual consolidated financial statements for fiscal year ended December 31, which is accessible on its website at www.pacecu.ca.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. These standards are in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to publicly accountable enterprises and include the following significant accounting policies:

Basis of Measurement

These non-consolidated financial statements have been prepared on the historical cost basis, except for selected financial instruments, which have been measured at fair value as set out in the relevant accounting policies.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are converted at the exchange rate at the year end date. Transactions in foreign currencies are recorded at the exchange rates prevailing at the dates of the respective transactions.

Realized and unrealized foreign exchange gains and losses are presented in the non-consolidated statement of income and comprehensive income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Commission revenue includes revenue earned from trading securities and mutual funds through the carrying broker and is recorded on a trade date basis.

Corporate finance revenue includes fees from private placement securities offerings and advisory services. Corporate finance revenue is recognized when the offering is completed and the income is reasonably determinable. Advisory fees are recorded when the services are rendered.

Principal revenue includes realized gains and losses on securities sold, which are recognized when the transactions occur, and unrealized gains and losses on securities owned and sold short, which are recognized when the changes in fair value occur and recorded at the end of the reporting period.

Interest revenue is recorded as earned. Dividends are recognized when declared.

Fees revenue from fee-based accounts is recorded when the services are rendered and charged based on the assets under management in accordance with the service agreement.

Other revenue, being management fees and foreign exchange spread, are recorded when the related services are performed and as earned.

Financial Instruments

The Company initially measures its financial assets and liabilities at fair value. Upon initial recognition attributable transaction costs are recognized in the non-consolidated statement of income and comprehensive income as incurred.

The Company subsequently measures all its financial assets and liabilities at amortized cost, except for securities owned and sold short and investments in subsidiaries. Securities owned and sold short are measured at fair value through profit or loss. Changes in fair value are recognized in principal revenue in the non-consolidated statement of income and comprehensive income. Investments in subsidiaries are measured at cost.

The subordinated loan from the Company's parent is measured at amortized cost, approximated to the face value of the loan received. It is considered to be regulatory capital. Repayment is subject to the approval of IIROC and the loan is subordinated to the claims of all other creditors. Although this loan is considered regulatory capital, it is presented as a liability in accordance with International Financial Reporting Standards.

Financial assets and liabilities measured at amortized cost include cash, due from/to carrying broker, due from/to related companies, advance to employees, amounts receivable, bank overdrafts, accounts payable and accrued liabilities and finance lease obligations.

The Company measures the expected credit loss ("ECL") on all financial assets using the simplified approach to measuring ECL, which uses a lifetime expected loss allowance.

PACE SECURITIES CORP.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets and liabilities are offset and the net amount presented in the non-consolidated statement of Financial Position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Securities Owned and Sold Short

Securities owned and sold short are recorded at fair value as at the close of business at the year end date. Fair value is based on quoted market prices for exchange-traded securities.

The valuation of securities is affected by, among other factors, the liquidity of the security, the size of the bid and ask spread and the relative breadth of market and current yield price adjustments.

For securities, where fair values are not readily accessible, management estimates fair value using valuation models, with adjustments for volatility and marketability of the underlying shares. For warrants held on hand, management uses the Black-Scholes model as the basis for valuations.

Realized and unrealized changes in fair value are recognized in principal trading revenue in the period in which the changes occur.

Brokers and Dealers Trading Balances

Balances with brokers and dealers arising from securities transactions are recorded on a trade date basis.

Investments in subsidiaries

Investments in subsidiaries are recorded at cost.

Property, Furniture and Equipment

Property, furniture and equipment are measured at cost less accumulated depreciation and accumulated impairment in value, if any. Depreciation is calculated based on estimated useful life using the following annual rates and methods:

Computer hardware	-	3 years straight line
Furniture and equipment	-	3 years straight line
Website	-	3 years straight line
Leasehold improvements	-	10 years straight line

Impairments are recorded when the recoverable amounts of assets are less than their carrying amounts. The carrying values are assessed for impairment at the each reporting date to identify whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases are classified as either operating or finance lease, based on the substance of the transaction at the inception of the lease.

Leases in short-term, or leases for which the underlying asset is of low value, are classified as operating lease. Payments under an operating lease are recognized in the statement of income and comprehensive income on a straight-line basis over the term of the lease.

Leases with lease term over one year and the underlying asset is not of low value are classified as finance lease. Assets meeting finance lease criteria are recognized as right-of-use assets and recorded at cost, which comprises of the present value of the lease payments, lease payments made at or before the lease commencement date less any lease incentives received, direct cost incurred by the lease and an estimate of costs to be incurred by the leasee in dismantling and removing the underlying assets.

Right-of-use assets are depreciated based on the estimated useful life of the asset if the lease transfers the ownership of the underlying assets to the leasee at the end of the lease term or has a purchase option to be exercised by the leasee. Otherwise, the right-of-use assets are depreciated over the term of the lease or the useful life of the assets, whichever is less.

Current and Deferred Income Taxes

Current income tax asset or liability for the current and prior years is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the year end date.

Deferred income tax asset or liability is recognized on temporary differences between the tax basis of an asset or liability and its carrying amount on the statement of financial position. Deferred income tax asset or liability is measured using the income tax rates and laws that have been enacted or substantively enacted at the year end date, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. A deferred income tax asset is recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Use of Estimates and Judgments

The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Areas subject to assumptions and estimation uncertainties include valuation of securities owned and sold short, deferred tax assets, deferred tax liabilities and provisions for client losses.

PACE SECURITIES CORP.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

2. SECURITIES OWNED

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Details of securities owned recorded at fair value are as follows:

December 31, 2019	***Units***	***Level 1***	***Level 2***	***Level 3***	***Total***
Bonds denominated in Canadian dollars	**3,151,000**	**$ -**	**$ 2,375,167**	**$ -**	**$ 2,375,167**
Bonds denominated in United States dollars	**3,572,000**	**-**	**2,877,097**	**-**	**2,877,097**
Accrued interest on bonds denominated in Canadian dollars	**-**	**-**	**34,199**	**-**	**34,199**
Accrued interest on bonds denominated in United States dollars	**-**	**-**	**91,289**	**-**	**91,289**
Canadian money market mutual funds	**26,000**	**260,188**	**-**	**-**	**260,188**
Stocks		**522**	**-**	**-**	**522**
Long positions		**260,710**	**5,377,752**	**-**	**5,638,462**

December 31, 2018	*Units*	*Level 1*	*Level 2*	*Level 3*	*Total*
Bonds denominated in Canadian dollars	3,253,000	$ -	$ 3,148,699	$ -	$ 3,148,699
Bonds denominated in United States dollars	7,138,000	-	6,464,029	-	6,464,029
Accrued interest on bonds denominated in Canadian dollars	-	-	51,451	-	51,451
Accrued interest on bonds denominated in United States dollars	-	-	152,612	-	152,612
Canadian money market mutual funds	26,000	256,245	-	-	256,245
Stocks	-	16,628	-	-	16,628
		272,873	9,816,791	-	10,089,664

Of the money market mutual fund, $250,000 ($250,000 - 2018) is held by the carrying broker to secure the Company's indemnity. As at December 31, 2019, $1,391 ($991 - 2018) was used for margin offset by the carrying broker.

PACE SECURITIES CORP.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

3. BROKERS AND DEALERS TRADING BALANCES

Balances with brokers and dealers arising from securities transactions are recorded on a trade date basis.

4. INVESTMENTS IN SUBSIDIARIES

The Company owns 100% of the common shares of PACE Insurance Brokers Ltd., PACE General Partners Limited and PACE International LLC. The cost of the investments is $1 for each.

5. PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment consist of the following:

	Computer Hardware	*Furniture and Equipment*	*Leasehold Improvements*	*Website*	*Total*
Cost					
Balance - January 1, 2018	$ 43,212	$ 39,977	$ 20,896	$ 4,520	$ 108,605
Additions	21,076	86,175	191,132	4,904	303,287
Balance - December 31, 2018	64,288	126,152	212,028	9,424	411,892
Cost - January 1, 2019	**64,288**	**126,152**	**212,028**	**9,424**	**411,892**
Additions	**1,718**	**-**	**7,515**	**-**	**9,233**
Balance - December 31, 2019	**66,006**	**126,152**	**219,543**	**9,424**	**421,125**

	Computer Hardware	*Furniture and Equipment*	*Leasehold Improvements*	*Website*	*Total*
Accumulated Depreciation					
Balance - January 1, 2018	$ 38,936	$ 32,387	$ 20,896	$ 4,520	$ 96,739
Depreciation	5,949	14,760	7,250	1,368	29,327
Balance - December 31, 2018	44,885	47,147	28,146	5,888	126,066
Balance - January 1, 2019	**44,885**	**47,147**	**28,146**	**5,888**	**126,066**
Depreciation	**8,084**	**29,112**	**19,356**	**1,632**	**58,184**
Balance - December 31, 2019	**52,969**	**76,259**	**47,502**	**7,520**	**184,250**
Carrying Amounts					
As at December 31, 2018	19,403	79,005	183,882	3,536	285,826
As at December 31, 2019	**13,037**	**49,893**	**172,041**	**1,904**	**236,875**

Depreciation expenses of $58,184 ($29,327 - 2018) are included in "Depreciation" in the non-consolidated statement of income and comprehensive income.

Proceeds from disposals are netted against the related assets and the accumulated depreciation and included in "Operating expenses" in the non-consolidated statement of income and comprehensive income. There were no disposals during the current or prior year and no impairment losses have occurred.

6. RIGHT-OF-USE ASSETS

The Company acquired right-of-use assets through finance leases of office premise and furniture. Office premise is amortized over the term of the lease commencing February 2018 to June 2028. Furniture is amortized over 5 years, representing the useful life of the assets. Details of right-of-use assets are as follows:

(a) Right-Of-Use - Office Premise

	2019	*2018*
Cost		
Balance - at beginning of year	**1,737,132**	$ -
Additions during year	**-**	1,737,132
Balance - at end of year	**1,737,132**	1,737,132
Accumulated amortization		
Balance - at beginning of year	**152,867**	-
Amortization for the year	**166,765**	152,867
Balance - at end of year	**319,632**	152,867
Carrying amount	**1,417,500**	1,584,265

The amortization expense is $166,765 ($152,867 - 2018) and included in "Depreciation" in the non-consolidated statement of income and comprehensive income.

(b) Right-Of-Use - Furniture

	2019	*2018*
Cost		
Balance - at beginning of year	**439,171**	-
Additions during year	**-**	439,171
Balance - at end of year	**439,171**	439,171
Accumulated amortization		
Balance - at beginning of year	**29,307**	-
Amortization for the year	**87,828**	29,307
Balance - at end of year	**117,135**	29,307
Carrying amount	**322,036**	409,864

The amortization expense is $87,828 ($29,307 - 2018) and included in "Depreciation" in the non-consolidated statement of income and comprehensive income.

7. FINANCE LEASE OBLIGATIONS

(a) Right-Of-Use - Office Premise

The Company has signed a premise lease agreement with a term of 10 years expiring June 30, 2028. The following is a schedule of future minimum lease payments, together with the balance of the obligation under finance lease.

	2019	*2018*
2019	**-**	$ 175,000
2020	**200,393**	200,393
2021	**225,785**	225,785
2022	**225,785**	225,785
2023	**238,687**	238,687
2024	**251,589**	-
thereafter	**880,561**	1,132,151
	2,022,800	2,197,801
Less: interest expense included in minimum lease payments at an implicit rate of 5.0%	**(384,476)**	(468,155)
	1,638,324	1,729,646
Current portion of finance lease obligations	**(121,758)**	(91,321)
Long term portion	**1,516,566**	$ 1,638,325

During the year, the Company incurred interest expense of $83,679 ($80,013 - 2018) on the finance lease of office premise.

(b) Right-of-Use - Furniture

The company has signed a furniture lease agreement with a term of 5 years expiring June 30, 2023 and a purchase option of $10 at the end of the term. The following is a schedule of future minimum lease payments, together with the balance of the obligation under finance lease.

	2019	*2018*
2019	**-**	101,100
2020	**101,100**	101,100
2021	**101,100**	101,100
2022	**101,100**	101,100
2023	**50,550**	50,550
	353,850	454,950
Less: interest expense included in minimum lease payments at an implicit rate of 6.1%	**(34,141)**	(55,785)
	319,709	399,165
Current portion of finance lease obligations	**(84,471)**	(79,553)
Long term portion	**235,238**	319,612

During the year, the Company incurred interest expense of $21,644 ($11,016 - 2018) on the finance lease of furniture.

PACE SECURITIES CORP.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

8. SUBORDINATED LOAN

The Company has acquired a subordinated loan from its parent, PACE Savings & Credit Union. The loan is unsecured and due on demand.

The loan is subordinated to the claims of the general creditors of the Company, has been issued pursuant to the Uniform Subordinated Loan Agreement in the form required by IIROC and repayment is subject to the prior approval of IIROC. The loan forms part of the Company's capital.

The loan bears interest at 1% per annum. The holder of the subordinated loan waived the interest for the current and the prior year in an annual amount of $47,000.

9. SHARE CAPITAL

Authorized and issued share capital is as follows:

	2019	*2018*
Authorized:		
Unlimited number of common shares		
Issued and outstanding:		
100 common shares (100 - 2018)	**$ 100**	$ 100

Any alteration in the capital structure is subject to approval by IIROC.

PACE SECURITIES CORP.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

10. INCOME TAX

A reconciliation of income tax expense (recovery) and the accounting income (loss) multiplied by the Company's statutory tax rate is as follows:

	2019	*2018*
Accounting income (loss) before tax	**$ (1,050,987)**	$ 139,799
Income tax provision (provision) at the Company's income tax rate of 26.5% (26.5% - 2018)	**(278,000)**	37,000
Dividends not subject to taxes	**-**	(53,000)
Non-deductible expenses	**10,000**	3,000
Future tax asset not recognized	**268,000**	22,000
Prior year losses applied	**-**	(9,000)
Income tax expense (recovery) reported in the non-consolidated statement of income and comprehensive income	**-**	-

The Company has non-capital losses for income tax purposes totaling $1,334,000, which will expire as follows:

Fiscal year	2034	71,000
	2035	300,000
	2039	963,000
		$ 1,334,000

The future income tax benefit that might arise from the utilization of these losses has not been recorded in the non-consolidated financial statements.

11. RELATED PARTY TRANSACTIONS

(a) Due from Directors

The Company has advanced funds to directors. These advances are unsecured, non-interest bearing and due on demand. The balance comprises:

	2019	*2018*
Included in Statement of Financial Position		
Directors' advances included in advance to employees	**$ -**	$ 95,000

11. RELATED PARTY TRANSACTIONS (continued)

(b) Key Management Compensation and Director Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including any director of the Company.

The Company compensates key management personnel with salaries and benefits, bonuses and commissions, which are included in operating expenses and variable compensation in the non-consolidated statement of income and comprehensive income.

Details of the transactions incurred during the year are as follows:

	Transaction Value	
	2019	2018
Salaries and benefits	**$ 301,000**	$ 117,000
Commissions	**95,000**	158,000
Bonuses	**2,500**	200,000
	$ 398,500	$ 475,000

In a normal course of business, the Company provides brokerage services to related parties. During the year, the Company earned commissions, management fees and advisory fees from First Hamilton Holdings Inc. (FHH), a company controlled by a director of the Company, and recorded commissions of $1,544,000 ($1,342,000 - 2018) in Corporate finance revenue and management fees of $130,000 (2018 - $60,000) and advisory fees of $13,000 (2018 - $NIL) in Fees and other revenue. As at December 31, 2019, amounts receivable from the company of $10,000 ($215,000 - 2018) were included in due from related companies.

(c) Other Related Party Transactions

The Company is related to its parent company, PACE Savings & Credit Union Limited ("PCU"), related to PACE Insurance Brokers Ltd. ("PIB"), PACE General Partners Limited ("PGP") and PACE International LLC by direct control and related to PACE Financial Ltd ("PFL") by indirect control. In addition, the Company is the manager of, and exercises significant influence over PACE Capital Partners LP ("PCP"), for which PCG acts as a general partner.

In the normal course of business, the Company enters into transactions with these related parties.

The Company holds a bank account with PCU. The Company has obtained capital by way of a subordinated loan and the terms and conditions are described in note 8.

The Company provides brokerage and investment services to PFL and PCP and charges commissions and fees.

In addition, the Company provides daily business management services to PIB, PFL and PCP and charges administrative fees.

The Company also pays referral fees to PCU for the referral of clients and investors.

Advances to subsidiaries and affiliates related to the foregoing transactions, are unsecured, non-interest bearing and due on demand.

11. RELATED PARTY TRANSACTIONS (continued)

(c) Other Related Party Transactions (continued)

Details of the related party transactions occurring during the year and the related balances outstanding at the year end are as follows:

Details of the related party transactions and balances are as follows:

		2019		*2018*
Included in Non-Consolidated Statement of Financial Position				
Assets				
Cash	**$**	**76,000**	$	49,000
Due from related companies		**588,000**		425,000
		664,000		474,000
Liabilities				
Subordinated loan		**4,700,000**		4,700,000
		4,700,000		4,700,000
Included in Non-Consolidated Statement of Income and Comprehensive Income				
Revenue				
Commissions from private placement included in corporate finance		**-**		133,000
Fees and other		**940,000**		1,660,000
Dividends from PGP		**-**		200,000
		940,000		1,993,000
Expenses				
Referral fees included in commissions		**18,000**		159,000
	$	**18,000**	$	159,000

In addition to the matters outlined above, in the ordinary course of business the Company provides brokerage services and maintains brokerage accounts for its directors, subject to normal margin requirements.

12. FINANCIAL INSTRUMENTS AND RISK EXPOSURE

Financial assets and liabilities include the following:

	2019	2018
Assets		
Cash	**$ 75,516**	$ 49,145
Securities owned	**5,638,462**	10,089,664
Due from carrying broker	**213,421**	283,716
Due from related companies	**597,975**	639,656
Advance to employees	**163,722**	354,316
Amounts receivable and deposits	**251,125**	1,082,192
	$ 6,940,221	$12,498,689
Liabilities		
Accounts payable and accrued expenses	**$ 341,728**	$ 437,040
Due to carrying broker	**3,256,199**	7,792,410
Finance lease obligations	**1,958,033**	2,128,907
Subordinated loan	**4,700,000**	4,700,000
	$ 10,255,960	$15,058,357

The Company is exposed to the following risks on its financial instruments:

(a) Credit risk

Credit risk is the risk of financial loss to the Company, if a counterparty fails to meet its obligations to the Company. All the financial assets potentially subject the Company to credit risk.

Credit risk from respect to investing activities is minimized by establishing appropriate investment policies. Credit risk from positions held in bonds and related interest receivable is mitigated by diversifying the portfolio by investing in issuers across different industries and countries. All transactions are settled or paid for upon delivery using approved brokers. The credit risk related to the associated receivables is considered to be limited, as delivery of securities sold is only made once the the Company has received payment. Payment is made on a purchase once the securities have been received. Credit risk from money market mutual funds is limited as the Company only deals with reputable Canadian banks.

Credit risk with respect to receivable from carrying broker is not significant as the Company's carrying broker is owned by Laurentian Bank of Canada.

Credit risk with respect to due from related companies is minimal as the Company has access to the financial information of the related companies and collections are assured.

Credit risk with respect to advances to employees is not significant as repayment of the advances is governed by the employment contracts. Where collection of the advances becomes questionable, management assesses the collectability and determines if an allowance is required. There is no allowance for expected credit loss at the end of the year.

12. FINANCIAL INSTRUMENTS AND RISK EXPOSURE (continued)

(a) Credit risk (continued)

Credit risk from rent deposits is not significant. As at the end of prior year, $350,000 deposits were made to the landlord refundable in two years. $175,000 was refunded during the year and the balance will be refunded by the end of June 2020 as per the lease agreement.

At the reporting date, the amount of $6,940,221 was the maximum exposure the Company had in respect to credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Financial instruments that potentially subject the Company to liquidity risk consist of accounts payable and accrued expenses, due to carrying broker, subordinated loan and finance lease obligations. The Company is not exposed to significant liquidity risk as it has adequate liquid assets to meet the current liabilities when they come due. The subordinated loan is provided by its parent company and is capital in nature.

(c) Currency risk

Currency risk is the risk that changes in foreign exchange rates will cause fluctuations to the fair values and cash flows of the Company's financial instrument holdings.

At December 31, 2019 the Company had financial instruments denominated in United States dollars totaling $2,291,000 USD assets ($4,868,000 USD - 2018) and $2,205,000 USD liabilities ($4,855,000 USD - 2018). The majority of the Company's assets denominated in US dollars are investments in bonds, which are financed by the margin accounts in US dollars. The net exposure to currency risk is not significant.

As at December 31, 2019, had the Canadian dollar strengthened or weakened by 5% in relation to all currencies, with all other variables held constant, the total assets would have decreased or increased by $6,000 ($1,000 - 2018). In practice, the actual results may differ materially.

(d) Interest rate risk

Interest rate risk is the risk that changes in market interest rates will cause fluctuations to the fair values and cash flows of the Company's investments in interest bearing financial instruments. The Company is exposed to the interest rate risk with respect to its investments in bonds and indirectly exposed to the interest rate risk with respect to its investments in money market mutual funds.

As at December 31, 2019, had prevailing interest rates increased or decreased by 1%, with all other variables held constant, the interest income, which is included in principal revenue, would have increased or decreased by $53,000 ($96,000 - 2018). In practice, the actual results may differ materially.

12. FINANCIAL INSTRUMENTS AND RISK EXPOSURE (continued)

(e) Other price risk

Other price risk is the risk that changes in market prices of securities owned and sold short will cause fluctuations to the fair values and cash flows of the Company's financial instrument holdings. The exposure to other price risk arises from securities owned and sold short. Management continually monitors its investments in securities. Details of securities owned and sold short are disclosed in note 2.

As at December 31, 2019, for securities owned and sold short, had the prices on the respective stock exchanges increased or decreased by 5%, with all other variables held constant, the total assets would have increased or decreased by $276,000 ($494,000 - 2018). In practice, the actual results may differ materially.

13. CAPITAL MANAGEMENT

The Company's capital is its share capital and subordinated loan. The Company's objectives in managing its capital are to ensure it meets or exceeds its regulatory requirements and to build long term shareholder value. The Company's planning process recognizes the projected capital requirements resulting from current and planned business activities and at least weekly, but more frequently if required, management monitors the Company's capital position. IIROC requires the Company to maintain a positive amount of Risk Adjusted Capital at all times. The Company is in compliance with its regulatory capital requirements at December 31, 2019.

14. CONTINGENCIES

(a) From time to time, in connection with the Company's operations, the Company receives complaints from its clients or is party to legal and regulatory proceedings. A provision is recorded when a loss is likely and the amount is determinable. There are no provisions in 2019 or 2018.

(b) In the normal course of operations, the Company provides indemnifications, which are often standard contractual terms, to counterparties in transactions such as service agreements, leases and purchases of goods. Under these agreements, the Company agrees to indemnify the counterpart against loss or liability arising from the acts or omissions of the Company in relation to the agreement. The nature of the indemnifications in these agreements prevents the Company from making a reasonable estimate of the maximum potential amount that the Company could be required to pay such counterparties.

(c) The Company has indemnified its carrying broker for unpaid debts of the carried clients. Under the terms of the agreement with its carrying broker, the Company has pledged $250,000 of securities owned to secure the payment and performance of its obligations. The agreement with the carrying broker can be cancelled by either party on 60 days notice, with the approval of IIROC.

15. DISCRETIONARY EARLY WARNING

The Company has been designated Discretionary Early Warning Level One since October 3, 2018 due to the fact that the Company's parent company has been placed under the control and management of Deposit Insurance Corporation per the Administration Order issued on September 28, 2018.

16. COMPARATIVE FIGURES

Certain comparative numbers in the non-consolidated statements of financial position and cash flows are reclassified in conformity with the presentation of adopted during the year.

17. NEW FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS NOT APPLIED

Following is a listing of amendments, revisions and new International Financial Reporting Standards (IFRS) issued but not effective until annual periods beginning after January 1, 2019:

- The Conceptual Framework for Financial Reporting *(Revised in 2018; Amendments to References to the Conceptual Framework in IFRS Standards)*
- IFRS 3 Business Combinations (*Annual Improvements to IFRS Standards 2015–2017 Cycle*)
- IAS 1 Presentation of Financial Statements *(Definition of Material (Amendments to IAS 1)*)
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors *(Definition of Material (Amendments to IAS 8)*
- IAS 28 Investments in Associates and Joint Ventures (*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28); incorporates *Effective Date of Amendments to IFRS 10 and IAS 28*)

The impact on the non-consolidated financial statements of adopting these standards is not significant.

HILBORN

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401 Bay Street · Suite 3100 · P.O. Box 49 · Toronto · ON · CA · M5H 2Y4 · P416-364-1359 · F416-364-9503 · hilbornca.com

P

This is Exhibit "P" referred to in the Affidavit of Mitch Vininsky, affirmed before me this 14th day of May, 2020.

A Commissioner for Taking Affidavits, etc.

IIROC OCRCVM
Investment Industry Regulatory Organization of Canada
Organisme canadien de réglementation du commerce des valeurs mobilières

ENCRYPTED E-MAIL

April 2, 2020

Mr. Joe Thomson
President, Chief Executive Officer
& Chief Financial Officer
PACE Securities Corp.
50 Burnhamthorpe Road West
Suite 405,
Mississauga, ON L5B 3C2

Dear Mr. Thomson:

Re: Early Warning Level Two Category

We determined from your filing of the March 31, 2020 interim RAC on SIRFF that PACE Securities Corp. ('PSC') triggered Early Warning Level Two Category as defined in IIROC Rule 30. This is a result of mark to market losses in the bond inventory in March.

Early Warning Restrictions

The following restrictions noted in our letter of October 3, 2018 regarding IIROC Rule 30.3(iv), continue to apply unless you obtain the prior written consent of IIROC staff:

1. Reducing capital in any manner including redemption, repurchase or cancellation of any of its shares;

2. Reducing any indebtedness which has been subordinated with the approval of IIROC;

3. Directly or indirectly making any payments by way of loan, advance, bonus, dividend, repayment of capital or other distribution of assets to any director, officer, partner, shareholder, related company or affiliate; or

4. Increasing non-allowable assets, unless a prior binding commitment to do so exists, or entering into any new commitments, which would have the effect of materially increasing the non-allowable assets of your firm.

Early Warning Reporting Requirements

Under IIROC Rule 30.5, the following financial reporting requirements are imposed on PSC until instructed otherwise by IIROC Staff:

1. Daily capital position reports filed on SIRFF using the “Interim RAC” function.

2. Starting with March 2020, MFR’s filed on SIRFF no later than 10 business days after month-end.

3. Any other reports or information that may be requested by IIROC at any time to further monitor the financial condition or operations of your firm while designated in Early Warning Level 2.

Firm Action Required

Under IIROC Rule 30.5, we require the following by April 6, 2020:

1. A written acknowledgement signed by both the registered Ultimate Designated Person (UDP) and Chief Financial Officer (CFO) of PSC of the Early Warning designation and compliance with the restrictions and reporting requirements.

2. A business plan with timelines on how your firm will rectify the Early Warning designation.

IIROC reserves the right under Rule 30.5(i) to recover reasonable costs and expenses incurred in connection with the administration of Rule 30. For additional information, refer to MR Notice 0156 dated August 13, 2002.

Please provide a copy of this notification letter and acknowledgment to your external auditor.

If you have any questions, please contact Dennis Dirksen 416-943-6973.

Sincerely,

L Hamel

Louise Hamel
Vice-President, Business Conduct Compliance

c. Andre Sian, Chief Financial Officer, PACE Securities Corp.
Joseph Campos, Vice-President, Industry Risk, Canadian Investor Protection Fund
Irene Winel, Senior Vice-President, Member Regulation & Strategy, IIROC
Dominique Martin, Director, Exchanges & SROs, AMF
Joseph Della Manna, Manager, Market Regulation, OSC

Q

This is Exhibit "Q" referred to in the Affidavit of Mitch Vininsky, affirmed before me this 14th day of May, 2020.

A Commissioner for Taking Affidavits, etc.

SPECIAL RESOLUTION OF THE SOLE SHAREHOLDER OF PACE SECURITIES CORPORATION (the "Corporation")

RECITALS:

A. PACE Savings & Credit Union Limited (the "Credit Union") is the sole shareholder of all of the issued and outstanding shares of the Corporation.

B. The Credit Union is presently under the administration of the Financial Services Authority of Ontario (the "Administrator") pursuant to an Administration Order issued under the *Credit Unions and Caisses Populaires Act, 1994*.

C. The Credit Union desires certain steps be taken to effect the orderly wind-up of the Corporation and certain of its direct and indirect subsidiaries in accordance with the *Business Corporations Act* (Ontario) or other applicable statute.

NOW THEREFORE BE IT RESOLVED THAT:

1. The Corporation is hereby authorized to make an application to the Ontario Superior Court of Justice in accordance with section 207 of the *Business Corporations Act* (Ontario) for an order winding-up the Corporation as a court-supervised wind-up.

2. Ernst & Young Inc. be proposed as the court-appointed liquidator, and that the Corporation is hereby authorized to enter into any such agreements as may be necessary or desirable to engage Ernst & Young Inc. as proposed liquidator, including the Corporation providing an indemnity to Ernst & Young Inc.

3. The Corporation, is hereby authorized and directed to sign any and all such other resolutions as may be necessary to authorized or commence the voluntary or court-appointed liquidation or dissolution (or such other statutory wind-up process that may apply) of the Corporation's direct or indirect subsidiaries as may be necessary to bring the Corporation's business to final close.

4. The Corporation is hereby authorized to approve the assignment of the Corporation and any of its direct or indirect subsidiaries into bankruptcy, whether by the court-appointed liquidation or otherwise.

5. The CEO of the Credit Union, Barbara Dirks, is hereby authorized, on behalf of and in the name of the Corporation, to take all necessary steps and proceedings, and to execute and deliver and file any and all declarations, agreements, documents, resolutions of subsidiaries, and other instruments and to do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to the provisions of this resolution.

[The remainder of the page is intentionally left blank. Signature page follows.]

The undersigned, being sole shareholder of the Corporation sign the foregoing resolutions in accordance of with the provisions of the *Business Corporations Act* (Ontario).

DATED the 14th day of May, 2020.

Barbara Dirks
Chief Executive Officer, Pace Savings & Credit Union Limited

Court File No.:____________________

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

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

AFFIDAVIT OF MITCH VININSKY
(Sworn May 14, 2020)

GOODMANS LLP
Barristers & Solicitors
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Lawyers for the Applicants

7055454

IN THE MATTER OF THE BUSINESS CORPORATIONS ACT, R.S.O. 1990, C. B.16, AS AMENDED AND IN THE MATTER OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C., 1985 C. C-44, AS AMENDED
AND IN THE MATTER OF A WINDING UP OF PACE SECURITIES CORP., PACE FINANCIAL LIMITED, PACE INSURANCE BROKERS LIMITED AND PACE GENERAL PARTNER LIMITED

Court File No:

Applicants

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

APPLICATION RECORD

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