Court File No.CV-2000641059-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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

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

Applicants

FOURTH REPORT OF THE LIQUIDATOR

JULY 26, 2021

INTRODUCTION

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

2. The purpose of this Fourth Report is to provide the Court with information regarding the motion brought by Paliare Roland Rosenberg Rothstein LLP as representative counsel ("**Representative Counsel**"), returnable July 30, 2021, seeking an order (the "**Settlement

Approval Order") to approve and implement a settlement of the claims of the preferred shareholders of PFL and FHH.

TERMS OF REFERENCE

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

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

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

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

OVERVIEW

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

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

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

10. PFL carried on business as an investment vehicle for accredited investors to earn fixed dividends from an investment in a basket of high-yield bonds. PFL raised capital by selling preference shares. PFL used those proceeds to purchase high-yield bonds on "margin"[1] through its accounts at PSC. The interest and any trading profits earned on the bonds net of management costs from PSC and other expenses were to be used to fund regular dividend payments to the preference shareholders.

11. Almost all of PFL's investors are retail investors, and many of its investors also have accounts with PSC. PSC provided brokerage, investment and business management services to PFL.

12. Like PFL, First Hamilton Holdings Inc. ("**FHH**")[2] sold preference shares, accompanied by warrants for one series of shares, to investors and used the proceeds from those shares to invest in a basket of high-yield bonds, the interest and gains on which were intended to be used to pay management fees to PSC and dividends to holders of the preference shares, as well as to fund other business ventures. As at the date of the Appointment Order, FHH was indebted to LBS in the approximate amount of $2.8 million on account of margin provided by LBS to FHH.

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

14. PCP is a limited partnership. PCP raised money from accredited investors and invested the proceeds in high-yield bonds on margin through LBS. The majority of investors that

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

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

subscribed for units of PCP have since redeemed their units. There are five remaining investors in, and limited securities owned by PCP. PCP is indebted to LBS in the approximate amount of $42,000 on account of margin provided by LBS to PCP. PSC provided brokerage, investment and business management services to PCP.

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

16. On May 21, 2020, a Hearing Panel of IIROC issued an order, among other things, suspending PSC's membership in IIROC and ordering that PSC immediately cease dealing with the public.

17. Also, on May 21, 2020, MNP Ltd. ("**MNP**") was appointed, pursuant to an order of this Court, as liquidator of the estate and effects of, among other entities, FHH (the "**FHH Liquidator**").[3]

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

APPOINTMENT OF REPRESENTATIVE COUNSEL.

19. As initially discussed in the Second Report of the Liquidator dated July 31, 2020 (the "**Second Report**"), EYI had been made aware of claims and/or potential claims by holders of PFL and FHH preference shares and warrants (collectively referred to herein as the "**Investor Claimants**") against various parties including the Companies, FHH, Pace Credit Union, and their respective directors and officers (collectively, the "**Potential Defendants**").

20. On August 6, 2020, Paliare Roland Rosenberg Rothstein LLP ("**Paliare Roland**") was appointed by Order of Justice Hainey (the "**Representative Counsel Order**") as Representative Counsel to, among other things, advance the interests of the Investor Claimants in this proceeding and the liquidation proceeding in respect of FHH.

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[3] This proceeding and the FHH liquidation proceeding are referred to herein collectively as the "**Liquidation Proceedings**". The Liquidator and the FHH Liquidator are referred to herein collectively as the "**Court Appointed Liquidators**".

21. The Representative Counsel Order also granted Pace Credit Union the exclusive authority, until October 15, 2020, to seek, design and present a settlement and/or settlement package in respect of direct and indirect certain claims against Pace Credit Union, to Representative Counsel and the Court Appointed Liquidators (the "**Exclusivity Period**"). By the consent of Representative Counsel and the Court Appointed Liquidators, the Exclusivity Period was extended until October 30, 2020.

PREFERRED SHAREHOLDER CLAIMS PROCESS

22. As of the end of the Exclusivity Period, no settlement offer or package was delivered to Representative Counsel and the Court Appointed Liquidators.

23. On or about November 20, 2020, FSRA announced that as a result of the resignation of several directors and officers of Pace Credit Union, FSRA was resuming oversight of the day-to-day operations of Pace Credit Union pursuant to a previously issued administration order.

24. During and after the Exclusivity Period, communications continued between Representative Counsel, counsel for Pace Credit Union, FSRA, EYI, and the FHH Liquidator with respect to, among other things, a process for the resolution of the Investor Claimants' claims.

25. By Orders of the Court dated March 2, 2021 in each of the Liquidation Proceedings on motions by Representative Counsel (the "**Claim Procedure Orders**"), a process was established for resolving the claims of the Investor Claimants in respect of their purchase of PFL and FHH preference shares and warrants, (together, with the claims of 7903197 Canada Inc. in respect of its purchase of Pace Capital Partners Series A Limited Partnership Units, the "**Preferred Shareholder Claims**").

26. The Claim Procedure Orders provided the framework for a process for resolving the Preferred Shareholder Claims. This process provided for a start date triggered by the delivery of a Claims Brief[4] by Representative Counsel detailing the Investor Claimants' claims (various Interested Parties subsequently delivered Responding Briefs) followed by

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

two distinct phases;

a) a Mediation Process (as described further below); and

b) if necessary, a Claims Adjudication Process[5] to deal with the adjudication of any unsettled claims.

MEDIATION PROCESS

27. Pursuant to the Claim Procedure Orders, Joel Wiesenfeld was appointed as Mediator (the "**Mediator**") to attempt to facilitate the resolution of the Preferred Shareholder Claims and any Related Claims. The Mediator's primary objective was to achieve a comprehensive settlement of all Preferred Shareholder Claims and Related Claims, but where the Mediator was satisfied that attainment of that objective was not possible, the Mediator may seek to facilitate partial settlements, and/or seek to obtain agreement with respect to the Claims Adjudication Process.

28. The Mediator was to consult with each of Representative Counsel, the Court Appointed Liquidators, Pace Credit Union and every other Interested Party, and shall thereafter establish and implement the Mediation Process.

29. The Court Appointed Liquidators were to have a facilitative role to play in respect of preparation of the Claims Brief, the Mediation Process, and Claims Adjudication Process, including, without limitation, through the production of non-privileged documents and other relevant information to Representative Counsel, to Pace Credit Union, and to Interested Parties for those purposes.

30. A Document Production Protocol with respect to documents in the possession of the Court Appointed Liquidators was negotiated and agreed upon among the parties to the Mediation

[5] The Claims Adjudication Process means the expedited and simplified process to be determined by the Court following the Claims Adjudication Start Date after hearing submissions from the Court Appointed Liquidators and Interested Parties and receiving any recommendation from the Mediator, which process would feature fixed trial dates and which was intended to result in the adjudication of any outstanding Preferred Shareholder Claims and Related Claims by no later than 6 months after the Claims Adjudication Start Date.

Process. The Liquidator produced documents to requesting parties throughout the mediation process in accordance with that protocol.

31. The Mediator communicated formally with the parties to the Mediation Process beginning on March 31, 2021 and throughout the Mediation Process. The Liquidator assisted the Mediator as requested with respect to, among other things, communications and production of information and documents.

32. Commencing on May 31, 2021, the Mediator began canvassing individual parties as to their settlement positions through separate meetings.

33. More formal mediation sessions took place during the weeks of June 14 and 21, 2021 with the stated goal of reaching a full or partial resolution by the end of June 2021, such that the matter would proceed thereafter before the Court for settlement approval or approval of the Claims Adjudication Process, as the case may be. If applicable, July 2, 2021 was designated as the 'Start Date' of the Claims Adjudication Process (as per paragraph 2(b) of the Claim Procedure Orders).

PROPOSED SETTLEMENT

34. The Mediation Process resulted in a settlement of the Preferred Shareholder Claims (the "**Settlement**"), subject to Court approval, pursuant to a Settlement Term Sheet dated as of June 24, 2021 (the "**Term Sheet**"), a redacted copy of which is attached as Appendix "**C**" to the Second Report of Representative Counsel filed in connection with the motion seeking approval of the Settlement.

35. The material terms of the Settlement are summarized as follows:

a) Monetary compensation totaling $40 million (the "**Settlement Amount**") is to be paid to the Investor Claimants in exchange for the release of claims against the Settling Parties.

b) The Settling Parties are Pace Credit Union, AIG Insurance Company of Canada, in its capacity as the insurer for PSC, FHH and PFL (the "**Insured Organizations**") and certain of their directors and officers (the "**Individual Insureds**"), the Insured

Organizations, the Individual Insureds, and various investment advisors formerly employed by PSC represented by their insurers AXIS Reinsurance Company (Canadian Branch) and Liberty Mutual (the "**Investment Advisors**"). It is a term of the Settlement that the precise contribution made by each of the Settling Parties will remain confidential, subject to communications with legal or financial advisors and/or legal and financial disclosure obligations.

c) The Settlement Amount will be paid to Representative Counsel, in trust, within 60 days of the final approval of the Settlement by the Court, for further distribution to Investor Claimants in accordance with a scheme of distribution to be approved by the Court on future motion by Representative Counsel.

d) Pace Credit Union has agreed to limit any damages, costs, taxes or disbursements sought in the Credit Union Action (defined in the Term Sheet) to the damages attributable to the several liability of the existing parties in that action that may be proved at trial.

e) AIG, the Individual Insureds, the Court Appointed Liquidators on behalf of the Insured Organizations, the Investment Advisors, and the Investment Advisors' insurers (AXIS Reinsurance Company (Canadian Branch) and Liberty Mutual) have agreed to exchange consents and releases.

f) In recognition of ongoing regulatory matters pertaining to certain Settling Parties, the Investor Claimants have agreed to provide written support for the resolution of any and all regulatory matters associated with the purchase, sale, and distribution of the Preferred Shares, upon receipt of a request for such support.

36. The Liquidator supports approval of the Settlement by the Court for the following principal reasons:

a) The relevant parties appear to have participated in the Mediation Process in good faith.

b) The Settlement was arrived at expeditiously.

c) The magnitude of the payment amount under the Settlement is significant.

d) As reported by Representative Counsel, many of the Investor Claimants are near or at retirement age, such that they need compensation on a timely basis and will not benefit from protracted litigation.

e) The alternative to the Settlement is protracted and expensive litigation of factually and legally complex claims by the Investor Claimants.

f) Approval of the Settlement will allow the Court Appointed Liquidators to proceed with completion of the administration of the winding-up proceedings.

RECOMMENDATIONS

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

All of which is respectfully submitted this 26th day of July, 2021.

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

Jeffrey D. Kerbel
Senior Vice-President

APPENDIX A

Court File No. • CV-20-641059-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

SUPERIOR COURT OF JUSTICE
COUR SUPÉRIEURE DE JUSTICE
JUSTICIA

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

WINDING-UP ORDER

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

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

SERVICE

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

APPLICATION

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

NO PROCEEDINGS AGAINST THE COMPANIES OR THEIR PROPERTY

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

NO EXERCISE OF RIGHTS OR REMEDIES

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

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

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

THE LIQUIDATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FUNDING OF THE LIQUIDATION

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

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

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

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

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

EMPLOYEES

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

PIPEDA

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

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

SERVICE AND NOTICE

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

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

GENERAL

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

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

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

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

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

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

Haines J

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

MAY 1 5 2020

PER / PAR:

Doc#4760501v5

SCHEDULE "A"

LIQUIDATOR'S CERTIFICATE

CERTIFICATE NO. ____________

AMOUNT $__________________

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

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

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

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

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

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

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

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

DATED the _____ day of ______________, 20__.

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

Per: ___________________________________

Name:

Title:

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

WINDING-UP ORDER

GOODMANS LLP
Barristers & Solicitors
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Jason Wadden LSO# 467575M
jwadden@goodmans.ca

Michael Wilson LSO# 64674O
mwilson@goodmans.ca

Tel: 416.979.2211
Fax: 416.979.1234

Lawyers for the Applicants

7059651

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