

Financial Services Regulatory
Authority of Ontario

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**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 ONTARIO TO 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

A handwritten signature in black ink, appearing to read 'Mark White', with a long horizontal stroke extending to the right.

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