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2020

**ANNUAL GENERAL
MEETING**

Agenda

- Report on meeting quorum
- Previous AGM and SGM minutes of meeting, received as information
- CEO, Financial Services Regulatory Authority of Ontario (FSRA)
- External Auditor (PwC) Audit Opinion
- 2020 Audited Financial Statements
- CEO, PACE Credit Union
- Member question and answer period

Submitting Questions

Phone ...

- Press * 1 on your keypad at any time during the meeting
- The operator will take your name and ask you to remain on the line
- You will remain in the queue until your line is opened. The operator will come back to you, and you will then be prompted to state your name and ask your question



Submitting Questions



Live Stream ...

- Use Q&A box on left hand side of your screen
- Type your question in the open area and click “New Question”
or “Submit”

Deleting Questions



Phone ...

- If your question has been answered and you want out of the queue, press # on your keypad

Online ...

- If your question has been answered you can delete your question

Duplicated questions will not be presented a second time

CALL TO ORDER AND INTRODUCTIONS

MARK WHITE



CHIEF EXECUTIVE OFFICER,
FINANCIAL SERVICES
REGULATORY AUTHORITY
OF ONTARIO (FSRA)



GUY HUBERT
FSRA EXECUTIVE VICE-PRESIDENT,
CREDIT UNION AND PRUDENTIAL



JORDAN SOLWAY
FSRA EXECUTIVE VICE-PRESIDENT,
LEGAL AND ENFORCEMENT

DAVID FINNIE



CHIEF EXECUTIVE OFFICER,
PACE SAVINGS & CREDIT
UNION (PACE)



BEN CHOI
CHIEF FINANCIAL AND RISK OFFICER,
PACE CREDIT UNION



TAMARA JONES, PwC
PARTNER IN ASSURANCE PRACTICE
SPECIALIZING IN FINANCIAL
SERVICES

MEETING REGISTRATION AND QUORUM

PRIOR MINUTES OF MEETING

Special General Meeting – January 27, 2020

Annual General Meeting – April 28, 2020

Received as information

PACE AGM

FSRA

Financial Services Regulatory
Authority of Ontario

Date: 28 April 2021

Speaker: Mark White, Chief Executive Officer



Ontario

Why was PACE placed under Administration?

As the regulator, our mandate is to:

- promote **high standards of business conduct**;
- provide **insurance** against the loss of part or all of deposits with credit unions;
- to promote and otherwise contribute to the **stability of the credit union sector** in Ontario with due regard to the need to allow credit unions to compete effectively while taking reasonable risks; and
- the benefit of persons having deposits with credit unions and in such manner as will minimize the exposure of the Deposit Insurance Reserve Fund to loss.

Why was PACE placed under Administration?



Sept. 2018: To protect PACE's members from failed board governance and misconduct by certain executives, the credit union was placed into **Administration** by our predecessor, the Deposit Insurance Corporation of Ontario. This gave the regulator control of PACE.



June 2019: FSRA launched. We have been responsible for supervising PACE's **financial safety and soundness** (prudential regulation) and its business conduct. In the absence of a board, we provide **oversight** for the executives managing the **day-to-day operations** of PACE.

FSRA

Financial Services Regulatory
Authority of Ontario



Ontario

ARSF

Autorité ontarienne de réglementation
des services financiers

www.fsrao.ca

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Sans frais : 1 800 668 0128

April 12, 2021


Dear Members of PACE Credit Union:

**Re: Update from PACE's regulator
The Financial Services Regulatory Authority of Ontario (FSRA)**

I am writing to you to let you know of regulatory decisions we have made to protect you as a member of PACE Credit Union (PACE), and to ensure that PACE continues to be a member-focused community-based credit union serving your needs.

These decisions have been made with PACE's new CEO and management team to implement a stabilization plan that:

Stabilization Plan

- 
- Provides members with confidence that PACE has financial resources to continue operations without interruption, including a **committed credit facility** from FSRA for **\$500 million** which PACE can use to repay its deposits;
 - **Protects** PACE members by ensuring that all member deposits that can be insured, are fully insured;
 - Hired a new CEO, providing the PACE management team with **increased authority** to lead a successful recovery of PACE and to better meet its members needs;
 - Allows PACE to temporarily operate with a **reduced capital requirement** during the recovery period; and
 - Requires management to implement better **governance, controls and training** to ensure members are treated well when PACE sells them financial products.

Your Savings



In Ontario, the moment you become a credit union member and make a deposit, your insurable deposits are protected by the Deposit Insurance Reserve Fund (DIRF) administered by FSRA.



Deposits in registered accounts (such as your RRSP, RRIF and TFSA) have **unlimited coverage**.



Non-registered insurable deposits held at an Ontario credit union – in Canadian funds, payable in Canada – have a **maximum coverage amount of \$250,000**.



PACE will contact members with uninsured deposits by **May 6, 2021** and **work with them** to re-organize those deposits in order to insure them if possible, or to discuss repayment of such uninsured deposits.



To provide members with confidence that PACE has more than **adequate financial resources** to continue operations without interruption, there is a \$500 million credit facility.

Administration Order

- FSRA appointed **David Finnie** as PACE's Chief Executive Officer in late 2020.
- FSRA has **full confidence** in Mr. Finnie and the current PACE management team.
- I have signed a new **Administration Order** which gives Mr. Finnie and his team more authority over the operations of PACE.
- This will allow PACE to better serve its members.

PACE Securities Corporation (PSC) and Preferred Shares

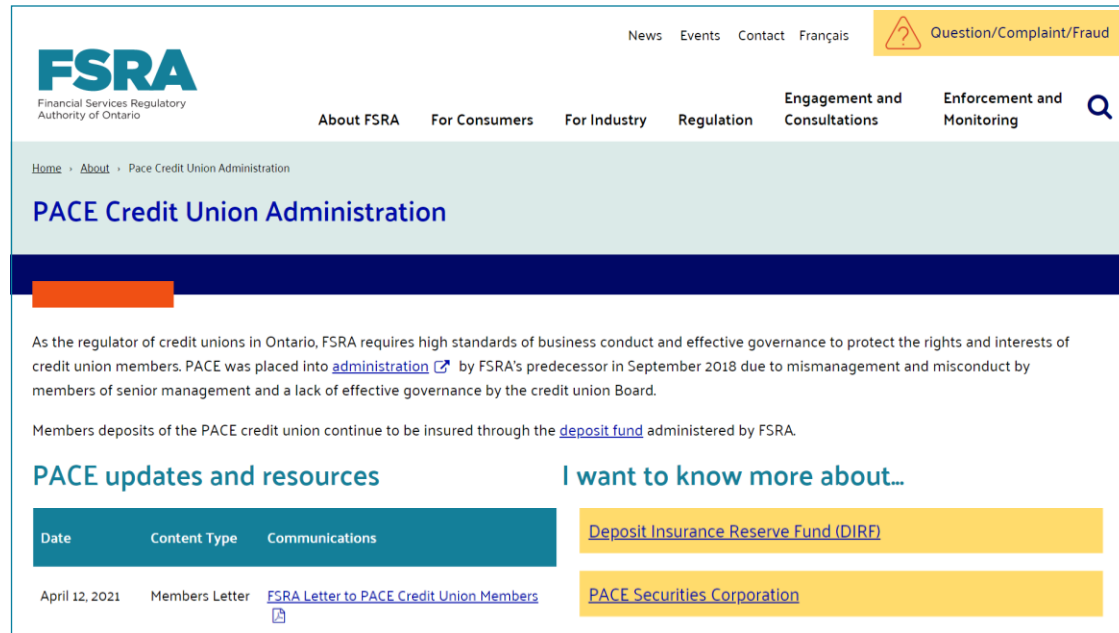
- We have **implemented changes** to make sure that this won't happen again.
- PACE management will be required to take decisive action to reinforce all regulatory requirements, including those related to sales of financial products.
- FSRA and PACE are committed to working in good faith through the mediation process set up by the court to achieve **fair treatment** for all parties.

Capital Variance Decision

- FSRA has decided to vary the CUCPA **capital requirements** for PACE so that it can continue to operate and serve its members.
- We can grant this variance because of:
 - PACE's proposed **business and capital recovery plans**;
 - our **confidence** in PACE management; and
 - the anticipated proceeds from the **recovery litigation** against the former CEO and President of PACE and certain former directors.
- To protect the interests of members, PACE must avoid taking deposits which are not insured and arrange for uninsured deposits to be repaid on a timely basis.

Learn More

Learn more www.fsrao.ca



News Events Contact Français Question/Complaint/Fraud

FSRA
Financial Services Regulatory
Authority of Ontario

About FSRA For Consumers For Industry Regulation Engagement and Consultations Enforcement and Monitoring

Home > About > Pace Credit Union Administration

PACE Credit Union Administration

As the regulator of credit unions in Ontario, FSRA requires high standards of business conduct and effective governance to protect the rights and interests of credit union members. PACE was placed into [administration](#) by FSRA's predecessor in September 2018 due to mismanagement and misconduct by members of senior management and a lack of effective governance by the credit union Board.

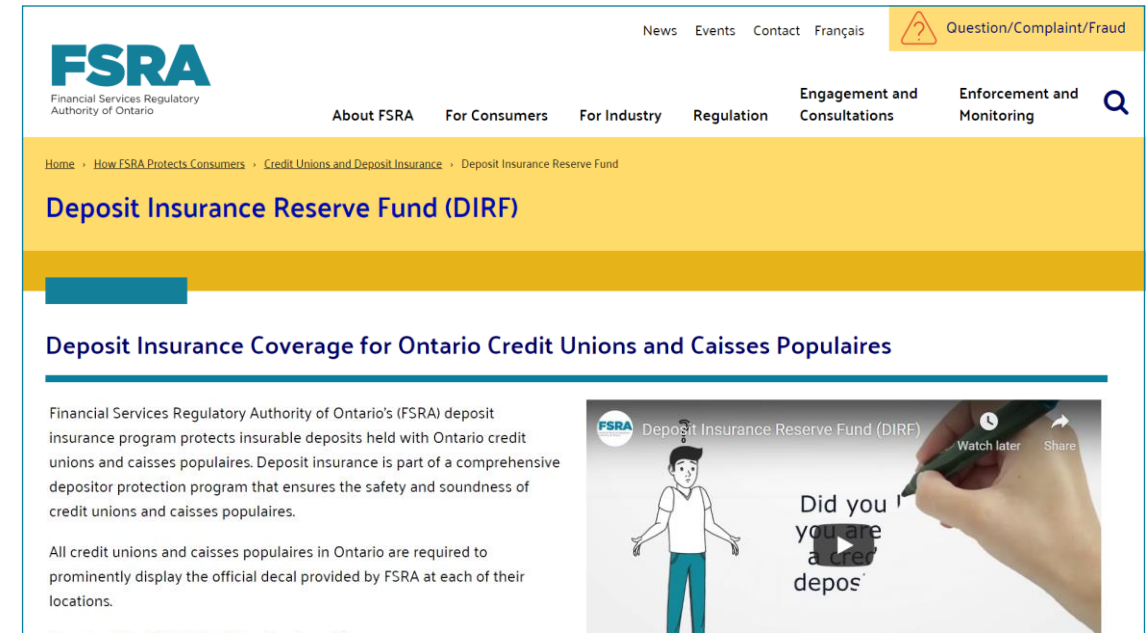
Members deposits of the PACE credit union continue to be insured through the [deposit fund](#) administered by FSRA.

PACE updates and resources

Date	Content Type	Communications
April 12, 2021	Members Letter	FSRA Letter to PACE Credit Union Members

I want to know more about...

- [Deposit Insurance Reserve Fund \(DIRF\)](#)
- [PACE Securities Corporation](#)



News Events Contact Français Question/Complaint/Fraud

FSRA
Financial Services Regulatory
Authority of Ontario

About FSRA For Consumers For Industry Regulation Engagement and Consultations Enforcement and Monitoring


Home > How FSRA Protects Consumers > Credit Unions and Deposit Insurance > Deposit Insurance Reserve Fund

Deposit Insurance Reserve Fund (DIRF)

Deposit Insurance Coverage for Ontario Credit Unions and Caisses Populaires

Financial Services Regulatory Authority of Ontario's (FSRA) deposit insurance program protects insurable deposits held with Ontario credit unions and caisses populaires. Deposit insurance is part of a comprehensive depositor protection program that ensures the safety and soundness of credit unions and caisses populaires.

All credit unions and caisses populaires in Ontario are required to prominently display the official decal provided by FSRA at each of their locations.





www.fsrao.ca

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April 12, 2021

Dear Members of PACE Credit Union:

**Re: Update from PACE's regulator
The Financial Services Regulatory Authority of Ontario (FSRA)**

I am writing to you to let you know of regulatory decisions we have made to protect you as a member of PACE Credit Union (PACE), and to ensure that PACE continues to be a member-focused community-based credit union serving your needs.

These decisions have been made with PACE's new CEO and management team to implement a stabilization plan that:

- Provides members with confidence that PACE has financial resources to continue operations without interruption, including a committed credit facility from FSRA for \$500 million which PACE can use to repay its deposits without disruption or delay;
- Protects PACE members by ensuring that all member deposits that can be insured, are fully insured;
- Hired a new CEO, and provides him and the PACE management team with increased authority to lead a successful recovery of PACE and to better meet its members needs;
- Allows PACE to temporarily operate with a reduced capital requirement during the recovery period; and
- Requires management to implement better governance, controls and training to ensure members are treated well when PACE sells them financial products.

I want to assure you that your insurable deposits are well protected, and PACE continues to operate to serve your needs.

Why was PACE placed in administration?

FSRA is the regulator for all credit unions in Ontario.

As the regulator, our mandate is to promote high standards of business conduct and provide deposit insurance for members through the Deposit Insurance Reserve Fund (DIRF). We also protect depositors and the DIRF from loss and promote the stability of the credit union sector. We want members to have confidence in our credit unions and a strong credit union sector.

FSRA administers a deposit insurance program that uses the DIRF to protect insurable deposits held with Ontario credit unions. Deposit insurance is part of a comprehensive regulatory program that protects the safety and soundness of credit unions. Learn more about deposit insurance from PACE directly, or go to our [website \(https://www.fsrao.ca/dirf\)](https://www.fsrao.ca/dirf).

In September 2018, to protect PACE's members from failed board governance and misconduct by certain executives, the credit union was placed into Administration by our predecessor, the Deposit Insurance Corporation of Ontario. This gave the regulator control of PACE.

Since June 2019, FSRA has been responsible for supervising PACE's financial safety and soundness (prudential regulation) and its business conduct. In the absence of a board, we provide oversight for the executives managing the day-to-day operations of PACE.

New Regulatory Decisions

Today, we want to inform you of the following decisions:

1. Administration Order #4¹

FSRA appointed David Finnie as PACE's Chief Executive Officer in late 2020. FSRA has full confidence in Mr. Finnie and the current PACE management team. I have signed a new Administration Order which gives Mr. Finnie and his team more authority over the operations of PACE. This will allow PACE to better serve its members.

2. PACE Securities Corporation (PSC) and Preferred Shares

FSRA acknowledges that several hundred PACE members have suffered significant losses on their investments in the preferred shares of PACE Financial Limited (PFL) and First Hamilton Holdings Inc. These preferred shares were distributed by PSC, a PACE subsidiary and the owner of PFL.

We have worked with PACE to create a mediation process ordered by the Court to fairly address the claims of preferred share investors.

The law of Ontario governing credit unions (referred to as the Credit Union and Caisses Populaires Act, or CUCPA) permitted PACE to refer its members to PSC, but not to sell securities directly. FSRA has determined that a small number of PACE Credit Union employees directly sold preferred shares to PACE members in breach of the CUCPA.

¹ FSRA website: [Administration Order 4 – March 26, 2021](#) or you can go to www.pacecu.ca

Working with Mr. Finnie and his team, we have identified measures to ensure that this won't happen again. PACE management will be required to take decisive action to reinforce all regulatory requirements, including those related to sales of financial products. This includes implementing better governance, controls and training of PACE employees.

FSRA and PACE are committed to working in good faith through the mediation process set up by the court to achieve fair treatment for all parties.

3. Capital Variance Decision²

PACE management has advised FSRA that, based on PACE's 2020 financial results, PACE's regulatory capital at December 31, 2020 does not meet regulatory (CUCPA) requirements.

FSRA has decided to vary the CUCPA capital requirements for PACE so that it can continue to operate and serve its members. We can grant this variance because of PACE's proposed business and capital recovery plans, our confidence in PACE management and the anticipated proceeds from the recovery litigation against the former CEO and President of PACE and certain former directors³.

To protect the interests of members, PACE will operate under conditions, including proactively contacting uninsured depositors. During this time, PACE must avoid taking deposits which are not insured and arrange for uninsured deposits to be repaid on a timely basis.

PACE will also protect its capital by ceasing dividend payments and restricting investment share redemptions and employee bonuses.

At PACE's April 28th Annual General Meeting (AGM), you will learn more about PACE's 2020 financial statements and business plan. You will have the opportunity to review materials and ask questions of PACE's management.

4. Liquidity Facility

PACE has strong liquid financial resources. However, to provide members with confidence that PACE has more than adequate financial resources to continue operations without interruption, and to pay its deposits without disruption or delay, we have agreed to provide a \$500 million credit facility and are in the process of finalizing its documentation.

As we live in unprecedented and uncertain times, this will protect PACE depositors against unexpected adverse events.

We want PACE members to know they can continue to rely on their credit union without concerns about the safety or availability of their insured deposits.

² FSRA website: [Variance Letter](#) or you can go to www.pacecu.ca

³ Shortly after PACE was placed in administration, FSRA, as Administrator, commenced legal proceedings under Court File No. CV-19-00616388-00CL in the Ontario Superior Court of Justice (Commercial List) against the former CEO and President of PACE and certain former directors.

Looking Forward

I understand that the Administration of PACE and the recovery litigation are taking longer to complete than you may have expected. Unfortunately, COVID-19 and other unexpected developments have impacted PACE's financial strength. This has caused FSRA, despite the hard work of the former PACE Board elected in January 2020, to step-back from the return to member-controlled governance. FSRA remains committed to working through this adversity to protect the interests of PACE and its members.

I also acknowledge the impact on certain PACE members due to the failure of PSC, and the significant loss of value in their preferred share investments. FSRA will continue to work with PACE and its counsel to seek a fair resolution of all claims through the mediation process, and to advocate for PACE's interests against those who caused the harm. Unfortunately, the timeline for resolving these matters is beyond FSRA's or PACE's control, and continuing patience and perseverance will be required as such matters involve significant uncertainty. Because of court orders in the pending legal proceedings, FSRA cannot comment further on these issues.

PACE and its members have faced much adversity since 2018. PACE's employees have also been through a difficult time, and I would like to thank them for their efforts to continue to serve you, the PACE members.

FSRA has full confidence in PACE's CEO and management team - and, with the arrangements discussed above, we believe you, the PACE members, can continue to rely on PACE as your financial partner.

PACE's members have embodied the spirit and the strength of the co-operative movement, and I thank you for that continuing support.

We have appended some Questions and Answers for your information. If you have any additional questions, you can contact the FSRA Contact Centre at 416-250-7250 or 1-800-668-0128. You can also send us an email at contactcentre@fsrao.ca

I look forward to seeing you at PACE's April 28 AGM.

Yours truly,



Mark White
Chief Executive Officer,
Financial Services Regulatory Authority of Ontario

cc. David Finnie, CEO, PACE Credit Union

Questions and Answers for PACE members

1. What does this mean for me?

- PACE remains open for business to continue serving your financial needs.
- Insurable deposits are protected and therefore such money is safe and will continue to be safe.
- PACE is making sure your deposits that can be insured, are insured.
- PACE will contact you by May 6, 2021 if you have uninsured deposits. They will help you find way to re-organize your deposits so that they can become insured and provide for additional coverage, or to discuss repayment of uninsured deposits.
- If you are unsure about your deposits, please call PACE at 1 877 588 7223.

2. Should I continue with PACE?

- Yes, given the measures put in place to protect PACE's members, you can continue to work with PACE as your financial partner with confidence.
- PACE members can continue to rely on the credit union without concerns about the safety or availability of your insured deposits.
- PACE's new CEO and his team have the experience and knowledge to ensure that the credit union continues to operate and to serve your needs.
- Insured deposits continue to be insured, and PACE will contact you by May 6, 2021 to discuss options for uninsured deposits, such as re-organizing your deposits so that they can become insured and provide for additional coverage, or to discuss repayment of such uninsured deposits.
- We have put additional measures in place to protect you. For example, PACE must avoid taking new deposits that are not insured.

3. Is my money safe? Should I move my money?

- Your insured deposits are safe, and will continue to be safe.
- In Ontario, the moment you become a credit union member and make a deposit, your insurable deposits are protected. Deposits in registered accounts (such as your RRSP, RRIF and TFSA) have unlimited coverage. Non-registered insurable deposits held at an Ontario credit union – in Canadian funds, payable in Canada – have a maximum coverage amount of \$250,000. PACE will contact members with uninsured deposits by May 6, 2021 and work with them to re-organize those deposits in order to insure them if possible, or to discuss repayment of such uninsured deposits.
- PACE must avoid taking any deposits which are not insured and to arrange for such deposits to be repaid on a timely basis.
- We want to make sure that you fully understand what is covered by deposit insurance and what is not. Please contact your local PACE Branch or <https://www.fsrao.ca/dirf>

4. Is my retirement money safe?

- All insurable deposits in the following registered accounts have unlimited deposit insurance coverage: Locked-in retirement account (LIRA); Life income fund (LIF); Registered retirement savings plan (RRSP); Registered retirement income fund (RRIF); Registered disability savings plan (RDSP) and Tax-free savings account (TFSA).

5. I thought that all my money/savings was covered by insurance – is that not the case?

- FSRA has a deposit insurance program that protects insurable deposits held with Ontario credit unions.
 - Deposits in registered accounts have unlimited coverage.
 - Non-registered insurable deposits held at an Ontario credit union – in Canadian funds, payable in Canada – have a maximum coverage amount of \$250,000.
 - PACE will contact members with uninsured deposits by May 6, 2021 and work with them to re-organize those deposits in order to insure them if possible, or to discuss repayment of such uninsured deposits.
- Learn more about insured and uninsured deposits: <https://www.fsrao.ca/dirf>

6. Can I see PACE's 2020 financial results?

- Financial statements are part of the AGM package. They will be posted online by April 15th (www.pacecu.ca) or you can request a hard copy from your local branch (1 877 588 7223).
- The financial statements will be presented at the April 28th AGM. You will be able to ask questions of PACE Credit Union management on the financial statements at that time.

7. What is the status of the preferred share investor claims?

- FSRA acknowledges that many PACE members have suffered losses on their investments in the preferred shares of PACE Financial Limited and First Hamilton Holdings Inc. These preferred shares were distributed by PACE Securities Corp. (PSC), a PACE subsidiary.
- FSRA has worked with PACE to create a mediation process to work towards settling all preferred share investor claims. FSRA and PACE are committed to working in good faith through the mediation process set up by the court to achieve fair treatment for all parties.

8. Is there a plan for PACE's return to normal operations and member-controlled governance?

- FSRA has a comprehensive stabilization plan that it is implementing with PACE management to protect and serve PACE members.

The stabilization plan:

- Provides members with confidence that PACE has financial resources to continue operations without interruption, including a committed credit facility from FSRA for \$500 million which PACE can use to repay its deposits without disruption or delay;
- Protects PACE members by ensuring that all member deposits that can be insured, are fully insured;

- Provides PACE's new CEO, and the PACE management team, with increased authority to lead a successful recovery of PACE and to better meet its members needs;
- Allows PACE to temporarily operate with a reduced capital requirement during the recovery period; and
- Requires management to implement better governance, controls and training to ensure members are treated well when PACE sells them financial products.

- PACE's return to member controlled governance is dependent on PACE's management team meeting your needs and returning it to profitability, and on managing through the recovery litigation started in 2018 (against the former president and CEO of PACE and certain former directors), and the claims of investors in the preferred shares.

- As we work through this adversity, FSRA has confidence in PACE's new CEO and management team, and with the regulatory decisions we have made, members can continue to rely on PACE as their financial partner.

9. Why does PACE have low regulatory capital and what does it mean to me?

- Regulatory capital is a buffer against financial loss and other adversity – it protects deposits from loss.
- COVID-19 and other unexpected developments caused losses in PACE's operations, loans and other investments - this reduced PACE's financial strength.
- FSRA's stabilization plan for PACE helps protect depositors from the increased risk due to unusually low capital.
- Anticipated proceeds from the recovery litigation (against the 2018 CEO and President of PACE, and certain directors from 2018) can restore PACE's capital.

2020 FINANCIAL STATEMENTS AUDIT OPINION

TAMARA JONES, PwC

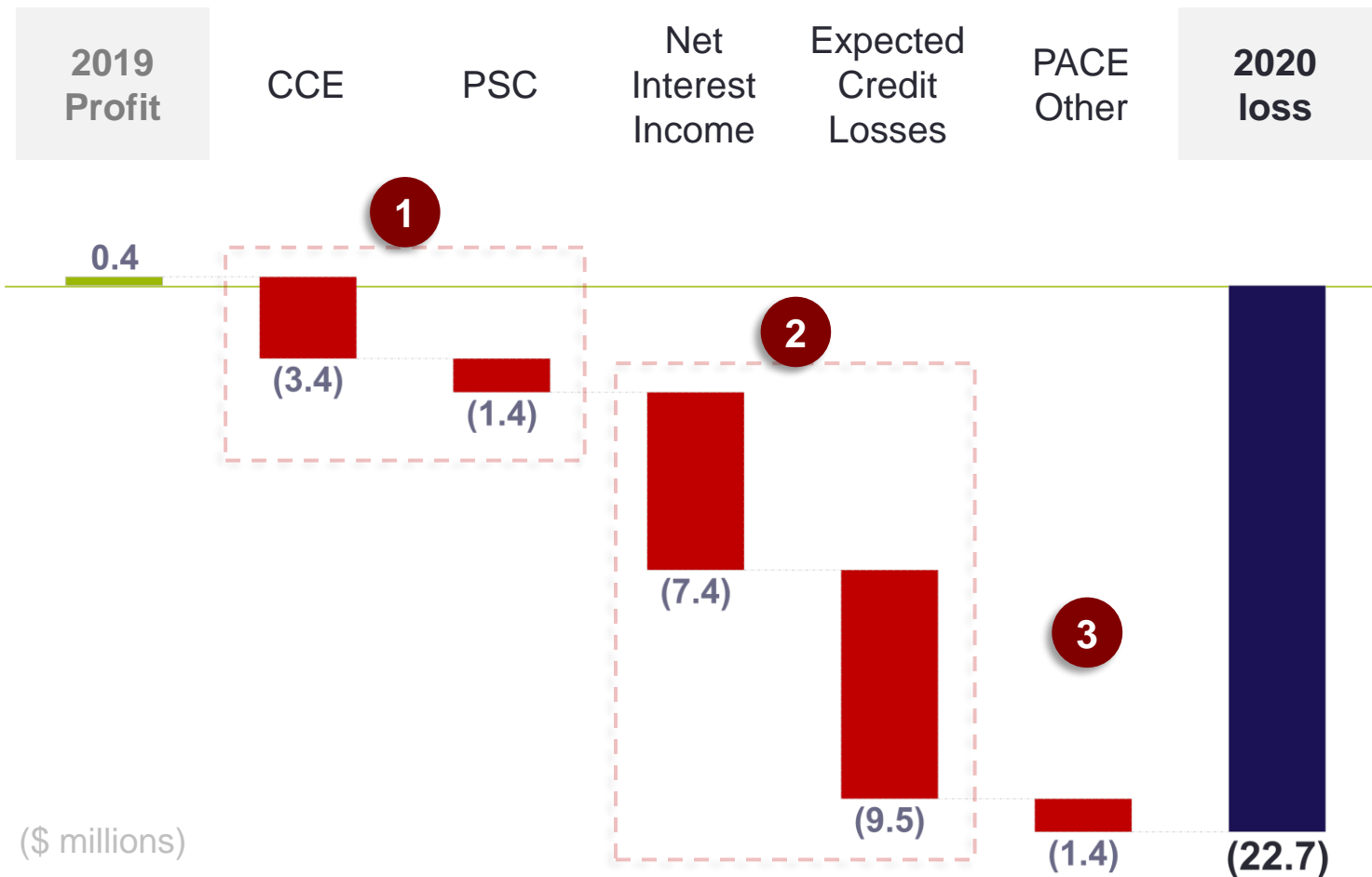
Partner In Assurance Practice Specializing In Financial Services

2020 FINANCIAL STATEMENTS FINANCIAL UPDATE

BEN CHOI

PACE Chief Financial and Risk Officer

Net Income (Loss) 2019 to 2020



1 Business Combinations

- Pandemic impacts on subsidiaries; CCE and PSC

2 Legacy

- Commercial Derisking
- Write-downs on five legacy commercial loans

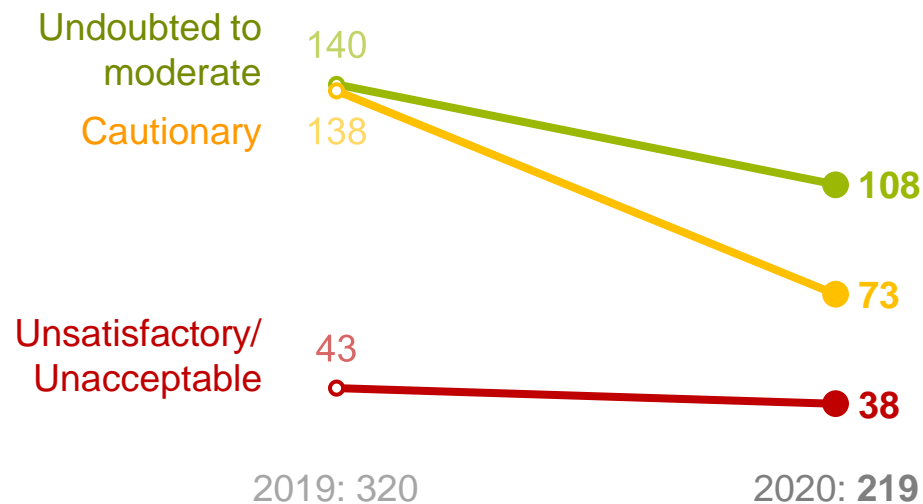
3 PACE Other

- "Business as Usual" Operations

Legacy Issues supplemental

Derisking of the commercial portfolio to address legacy exposures, outside of the current risk appetite.

Commercial portfolio by **credit risk band**
(\$ millions)



... While the allowance for credit loss provisions increased due to **five legacy exposures** within the impaired portfolio.

Commercial **Allowance for Credit Losses**
(\$ millions)

	2019	2020	Δ
Performing (stage 1 and 2 ECL)	(2)	(3)	(1)
Impaired (stage 3 ECL)	(11)	(21)	(9)
	(13)	(23)	(10)

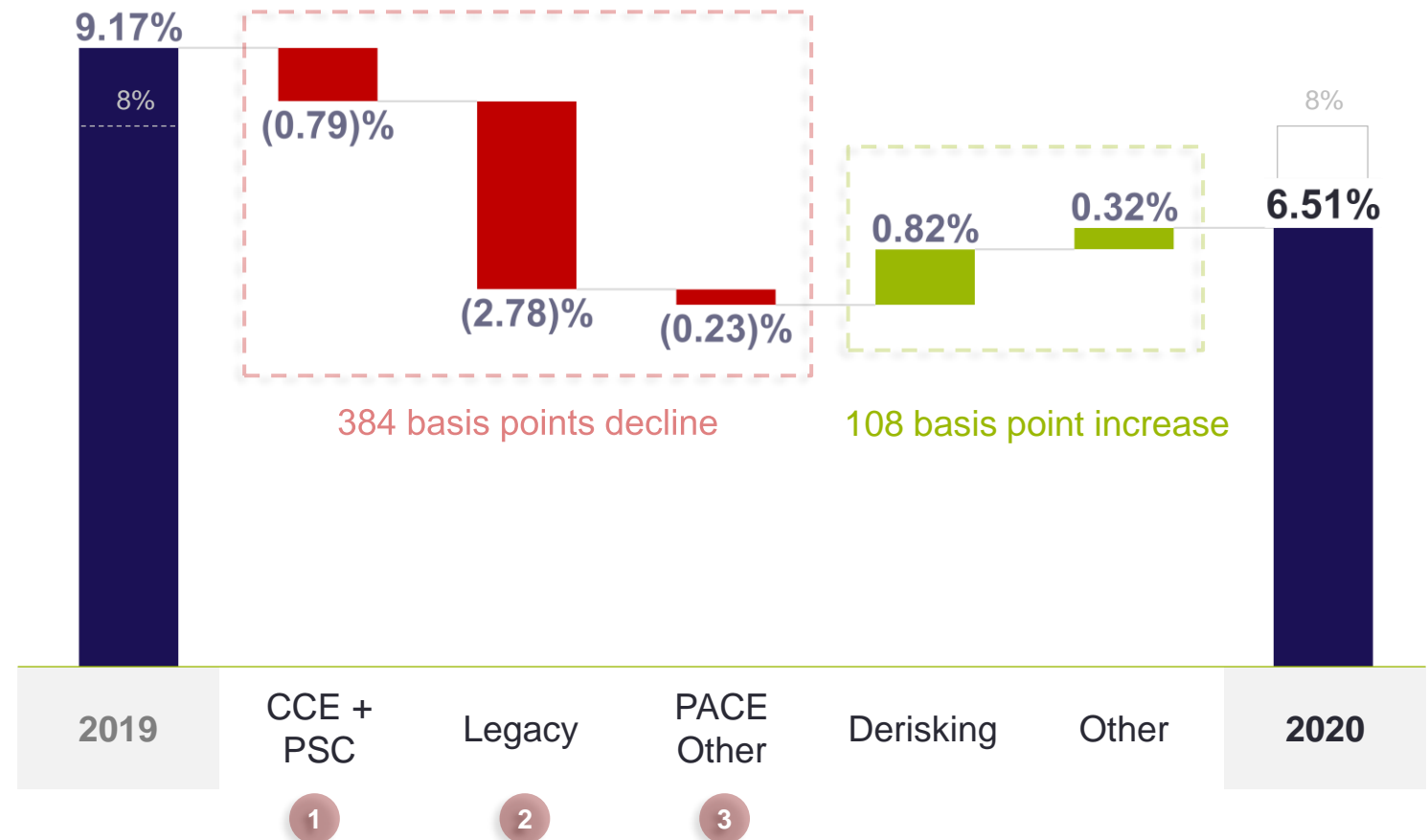
Capital Ratio 2019 to 2020

2020 Net Loss

- Business combinations
- Legacy
- PACE Other

Management actions

- Derisking:** Risk-Weighted Asset (“RWA”) saves
- Other:** Capital and RWA optimization, regulatory adjustments



Liquidity 2019 vs. 2020

	2019	2020
Liquidity Coverage Ratio	2,048%	4,994%
Net Stable Funding Ratio	179%	209%
Net Cumulative Cash Flow (Month #)	10	12

- Significant headroom above regulatory requirements

Beyond 2020 pivot to 2021



CEO'S REPORT ON 2021 ACTIVITIES, PLANS, AND ACHIEVEMENTS

DAVID FINNIE, Chief Executive Officer
PACE Savings & Credit Union
2020 Annual General Meeting

David Finnie – Brief Introduction

I build high performance teams who

Build strong capabilities which

Provide tremendous value

Areas of Focus

Member Engagement

- Provide value to retain and build membership

Employee Engagement

- Build high performance employee teams and retain key staff

Governance and Control

- Ensure governance structure and internal controls are appropriate and effective

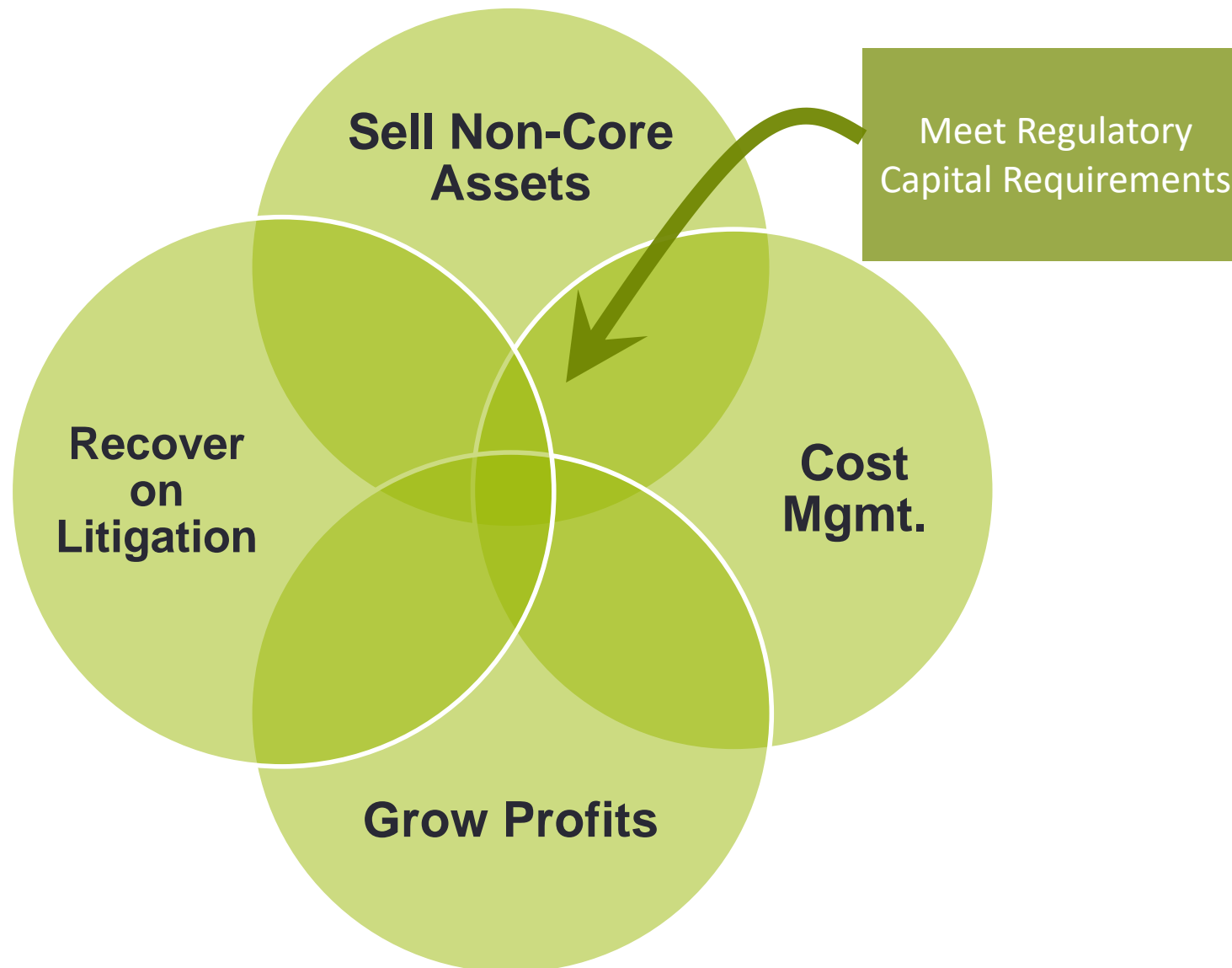
Strategy

- Develop a viable plan for effective recovery

Current Context – Four Factors



Capital Recovery – Actions and Outcomes



From Recovery to Strategy



Submitting Questions

Phone ...

- Press * 1 on your keypad at any time during the meeting
- The operator will take your name and ask you to remain on the line
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Submitting Questions



Live Stream ...

- Use Q&A box on left hand side of your screen
- Type your question in the open area and click “New Question” or “Submit”

Deleting Questions



1	2 ABC	3 DEF
4 GHI	5 JKL	6 MNO
7 PQRS	8 TUV	9 WXYZ
* +	0 +	#

Phone ...

- If your question has been answered and you want out of the queue, press # on your keypad

Live Stream ...

- If your question has been answered you can delete your question

Duplicated questions will not be presented a second time



Questions
Answers



THANK YOU

Thank you for joining us this evening, for your questions, and for your commitment to PACE Credit Union. Stay safe, and on behalf of everyone at PACE and FSRA, we wish you and yours good health.