

25 Sheppard Avenue West,  
Suite 100  
Toronto, ON  
M2N 6S6

Telephone: 416 250 7250  
Toll free: 1 800 668 0128

25, avenue Sheppard Ouest  
Bureau 100  
Toronto (Ontario)  
M2N 6S6

Téléphone : 416 250 7250  
Sans frais : 1 800 668 0128

April 21, 2022

Dear PACE Credit Union Member,

You will soon be learning about a transaction that will set a new course for PACE. It will provide you with enhanced stability, eventual access to expanded banking services and a more certain future as part of another credit union. As Administrator, we believe this is an optimal outcome for PACE members.

As you know, PACE was placed into administration by the predecessor of Ontario's Financial Services Regulatory Authority (FSRA) in September 2018 due to mismanagement and misconduct by then-members of senior management, who were terminated, and a lack of effective governance by PACE's Board at that time. As Administrator, FSRA's focus has been on ensuring that PACE serves its members and that its members' deposits continue to be protected.

### **Why was this decision made?**

The decision by FSRA to have PACE enter into this transaction followed a careful assessment of the various options available to PACE in light of the impact of pre-administration mismanagement and the COVID-19 pandemic. As part of this process FSRA determined the specific liabilities and assets to be transitioned to the other credit union and what stays with PACE (which will continue as a legal entity until a wind-up process is completed).

Once the transaction involving PACE's core business closes, you will have membership in the other credit union which will honour your deposits and provide you with the services you enjoy with PACE. You will continue to be served by PACE's employees and branches which was a critical part of this transaction. As a result, we are confident that this is the best option for PACE and its employees and members.

## **What happens to membership, investment and profit shares?**

FSRA has determined that PACE's investment and profit shares (which are held by about 2% of PACE members) will, along with PACE membership shares, remain with PACE and be addressed as part of the wind-up of the PACE legal entity, in accordance with legal requirements.

As FSRA previously communicated in April 2021, investment, profit and membership shares cannot presently be redeemed due to PACE's capital levels being below regulatory requirements. Disclosure provided to members at the time of purchase of the investment and profit shares specified that these shares are not insured, nor are they secured by specific assets, and were subject to risk and potential loss.

If you hold investment and/or profit shares, there are two important points you should understand:

- Due to the current capital position of the credit union, which has been adversely impacted by the previously mentioned activities of prior management and the subsequent losses that have arisen, as well as challenges to its ongoing operations caused by the pandemic, you will not be able to redeem your investment and/or profit shares at this time.
- Investment and profit shares will be dealt with as part of the eventual wind-up process of the PACE legal entity. We can't speculate on the timeline for completion of this process nor the ultimate outcome.

Membership shares also cannot be redeemed at this time, and will be similarly addressed as part of the PACE legal entity wind-up process.

If you require any other information about your investment, profit or membership shares, please contact FSRA as 416-250-7250 or 1-800-668-0128. You can also email us at [contactcentre@fsrao.ca](mailto:contactcentre@fsrao.ca).

## **Who will administer what is remaining of PACE?**

FSRA as Administrator of PACE will continue to vigorously pursue legal claims against the former senior management and certain former directors of PACE, as well as others, to recover damages and losses caused by their mismanagement. FSRA will also determine the process for the eventual wind-up of the PACE legal entity.

FSRA has worked hard to balance various interests to achieve the best outcomes under the circumstances. This could not have been done without the loyalty of PACE members, as well as the dedication and support of PACE leaders and employees over the past few years and their unwavering commitment to the best interests of PACE members. In particular, FSRA would like to thank David Finnie, PACE CEO, and his senior leadership team for their strong management and dedicated service to PACE during a very difficult time.

We appreciate your ongoing loyalty to PACE and believe you will be well served by the new credit union partner.

Please note that in light of the transaction, PACE will not be holding its Annual General Meeting this year.

More details on the transaction will follow in the days and weeks ahead.

Yours truly,

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

Mark White  
CEO  
Financial Services Regulatory Authority

cc. David Finnie, CEO, PACE Credit Union