



# **PACE Credit Union**

## **Financial Services**

## **Regulatory Services**

### **Virtual TownHall Transcript**

### **Monday, November 25, 2019**

Moderator Erik  
00:00

Hello, everyone and welcome to PACE Credit Union's Virtual TownHall Meeting. We are live tonight with the CEO of PACE Credit Union Rubina Havlin; and the regulator, the Financial Services Regulatory Authority, Mark White, their CEO; and Jordan Solway, Executive Vice President, Legal and Enforcement. In addition, we are joined by hundreds of members listening in. To ask a question live tonight simply press three on your phone's keypad. Once again, press three to ask a question at any time over the course of the TownHall. My name is Erik, and I'll be the moderator of the TownHall this evening. During this live Virtual TownHall, we encourage you to get involved and to ask questions and give your opinion by voting on a few survey questions we have for you. The Financial Services Regulatory Authority and PACE Credit Union chose this format as it is an interactive TownHall with you. Which means we want to hear from you. The FSRA and PACE Credit Union have made it a priority to engage and connect with you and fellow members to update you on the current status of PACE Credit Union and to personally and directly hear your feedback and opinions. Tonight, our intention is to get as many questions as possible. You can ask a question at any time by pressing three on your phone's keypad. At that time, someone will take your name and place you in the question queue.

Moderator Erik  
01:13

Now, again for everyone just joining us, hello and welcome to PACE Credit Union's Virtual TownHall Meeting. We are live tonight with the CEO of PACE Credit Union Rubina Havlin; and the regulator, the Financial Services Regulatory Authority, Mark White, their CEO; and Jordan Solway, Executive Vice President, Legal and Enforcement. In addition, we are joined by hundreds of members listening in. We want to remind everyone tonight that you can ask a question at any time by pressing three on your phone's keypad. Also, we will be asking a series of survey questions this evening, and you'll have a chance to vote live using your phone's keypad on those questions as they come up. Now, at this time I'm going to introduce Rubina Havlin so we can open up the TownHall, and then she'll be asking Mark to speak as well. Rubina and Mark, welcome. I know this evening is a very important TownHall for the FSRA and PACE Credit Union to connect with and speak with the PACEs membership. At the moment, it seems we already have a lot of people joining us on the line. So Rubina, please go ahead.

Rubina Havlin  
02:11

Good evening PACE members. Thank you for participating and continuing to demonstrate your engagement with us. First, let me assure you that the credit union is financially stable. This evening Mark White, CEO of Financial Services Regulatory Authority of Ontario and our administrator will outline the remaining steps for PACE to return to a member-controlled governance model. He is joined by Jordan Solway, Executive Vice President of Legal. I know Mark and he would welcome your questions and concerns openly, so I encourage you to do that. I will now hand it over to Mark White.

Mark White 02:50

Good evening, everyone. This is Mark White. Rubina, thank you very much for the introduction, and thanks to everyone who is joining the

call. This is indeed a very important evening for PACE because I have good news that we are about to give you information on how PACE will return to member-controlled governance. My apologies to any of you who found this meeting being called on short notice. There are no crisis or concerns. PACE continues to be financially stable. Business as usual. It'll serve your banking needs as normal. Your deposits continue to be safe and insured through the deposit reserve fund. The reason for the call is because we wanted to speak with you about how it will go back to member-controlled governance, but we also wanted today's timing because we did anticipate that there may be cracks as there was on Saturday with the article in The Globe and Mail and there may be some further press. As of today, some documents in the litigation process between PACE against the former Smith family members involved with PACE will be unsealed, which means they'll be released to the public, and we thought it was important that we not only be able to address your questions about the return to member-controlled governance, but if you have any comments or questions about The Globe and Mail article or you'd like to learn more about the litigation process of unsealing.

Mark White 04:17

So let me take you back a little bit. So in September 2018, it was not a good day because we had to put PACE into administration. It was due to concerns over governance, over civil fraud, and whether there was internal process breakdowns and unacceptable risk in the portfolio. There was good news though. In June of 2019 when we met with the PACE members - the DICO team met with the PACE members - to basically, at the annual general meeting, talk about the financial statements which were completed, and showed relatively modest breakdowns to the PACE portfolio and showed that PACE continued to be profitable. Has good capital, good solvency, and continued to be a viable operation. We've now built on that success, we're where at a point of administration, which means that FSRA as the regulator has been performing the role of the Board of Directors of PACE since we had those concerns back in September 2018, and we now have this very good news that we have a plan to return PACE to member-controlled governance. We sent everybody a letter last Friday, November 22nd, to basically outline how PACE will return to member-controlled governance. It is a good news story and there will be several steps to follow.

Mark White 05:50

The first step will be that Odgers Berndtson, a very well-known executive search firm, will be conducting a search, it'll go live by December 6th, continued to December 20th, in which members of PACE or other interested people can put their name forward to be a Director of PACE. The next step that we anticipate, there will be some bylaw changes required by the PACE members, and we're targeting a January 27th, 2020 meeting of the PACE membership to deal with those bylaw changes. We'd like to make sure that the size of the PACE board is appropriate and we'd like to make sure that we can have an appropriate mix of skills on the PACE board. That mix

should include knowledge of PACE and the credit union system, but also very importantly, professional expertise related to board governance and other matters that will be important for PACE to be on the road to recovery. Either at that meeting or after that meeting on January 27th, we anticipate that there will be an election, and between the Odgers executive search process with FSRA's support, we will recommend a slate of directors for the PACE board. That slate along with other duly nominated candidates will be able to then be put to the membership for a vote and so you'll be able to elect your own Board of Directors. Provided FSRA is comfortable with that Board of Directors, they'll be able to provide the governance and the expertise to manage PACE back to health. We will then be on the course to remove ourselves as the administrator and return to more of an oversight role. Initially, as supervisor, and then just as the routine regulator of PACE. One of the first duties of the new board will be to appoint a permanent CEO, and Odgers will assist with that process as well.

Mark White 07:53

This is all made possible by the hard work of Rubina and the interim management team, which has been in place, and all of the employees of PACE which have continued to service your needs, to support the administration process, to make sure it's business as usual, but also that we got to the bottom of what is the risk in the business, how can we improve its processes, and how can we be comfortable that it's ready for a return to member-controlled governance, and ultimately to leave administration supervision, and then return to regular processes for PACE Credit Union. We hope that your feedback on today's call will both be about the process that you'd like to be communicated with. So this is one technique we're trying. We are committed to transparency and to openness so that you can have the information you need so that you can make your decision and understand what is going on with PACE. So we'll be looking for your feedback as well. Very importantly to make sure that PACE gets back to member-controlled governance is making sure that the high standards of business conduct of governance that you as members expect and that we as regulators supervise will be in place.

Mark White 09:09

Just to reiterate, PACE continues to be financially strong. If it wasn't financially strong, we wouldn't be looking at returning it to its members' control. We'd like to thank everyone who's made this call possible today. We apologize again for its short notice, but we thought it was important to reach out to you. And the timing of today's call is driven somewhat by other circumstances, but very importantly, it's to tell you the good news about getting back to member-controlled governance. Erik, those are my initial comments, and I'd be pleased to take any questions that may have come in.

Moderator Erik  
09:44

Thank you very much to Mark and to Rubina for opening up the TownHall. We do have some live questions coming up. I quickly just want to let some new people who are still joining us, let them know about the TownHall. For everyone just joining us, hello. Welcome to

- the PACE Credit Union Virtual Town Hall Meeting. We are live tonight with the CEO of PACE Credit Union, Rubina Havlin, and their regulator, the Financial Services Regulatory Authority, Mark White their CEO, and Jordan Solway, Executive Vice President, Legal and Enforcement. We're taking your questions on the TownHall. If you have a live question you would like to ask at any time, press three on your phone's keypad and someone will pick your name and place you in the question queue. We're going to start with our first live question from Bob. Bob has a question about banking. Bob welcome, you're joining us live.
- Bob 10:33 Thank you. Well, I think you answered some of it in terms of it being financially viable. What are the assets in terms of the bank? Do they have sort of total assets of the bank? And also, in terms of the fraudulent behavior, are their criminal charges pending?
- Mark White 10:59 So Bob, the credit union that we're dealing with PACE does have significant assets. In accordance with the last audited financial statements, which I believe are available to members, you'll see that it has more than \$1 billion in assets. So it is quite sizable. With respect to the question on fraud, there is litigation going on, which is better characterized as civil fraud. It is possible that there could be, at some point, criminal fraud that could arise later. But that is, of course, at the discretion of the police and the prosecution authorities.
- Moderator Erik 11:40 Bob, thank you very much for that question. We have another live question coming up. Again, quickly for everyone joining us, press three on your phone's keypad if you would like to ask a live question. We're going to go now to Martin. Martin welcome. You're joining us live.
- Martin 11:55 Thank you. I just wanted to know how many branches come under the PACE umbrella?
- Mark White 12:01 Rubina, maybe you'd be in the best position to answer this.
- Rubina Havlin 12:05 Hi, Martin. We have a total of 14 branches under the PACE umbrella.
- Moderator Erik 12:12 Martin, thank you very much for that question. We go now to another live question. This one is going to be from Jeffrey. Jeffrey, welcome to the TownHall.
- Jeffrey 12:20 Thank you very much. Two questions. One is, I understand this has been under administration since January, so just some feedback for the executives. I think these calls are extremely important. And I think, A, we should have had them a little bit sooner to go through some of the steps that were being taken. And number two, I guess, the question I have for you is, is when we look at the website itself, trying to get an understanding as to the nature, and the scope, and the rationale as to why DICO came in and took over the takeover of the credit union, information is sparse. I understand the sensitivity to it, but as members, one thing I guess I would request of PACE, to

make it easily accessible for members, is the statement of claim and defense should be posted and available to members. It's filed in the courts. It's public information, and should be easily accessible. And number two, I think if you have most people's emails and so forth, to assist in more regular communication, especially with respect to the potential civil fraud that has been committed, it would be helpful for us, I think, to have updates. Because I'm assuming the goal is to recover some of the money or consulting fees charged back to the credit union. And if those fees are top-line profit, they should be returned to members. And I think we should ideally be kept up-to-date on a more regular basis.

Mark White 13:43

Thank you, Jeffrey. Those are very good comments. Just a small correction, it was actually September 2018 that the administration occurred. I accept your point that these calls and communications are useful. DICO, the former regulator, merged with FRSA in June of 2018. Sorry, 2019. My apologies. So we are trying to have a more transparent, open communication. And I take your points about making sure that we have that and that information is out there. I would suggest that you look at the November 22nd letter which we have sent out to all members. I believe it's posted on the PACE website, and it does have a pretty good summary there of why DICO felt it necessary to put PACE into administration. So I would encourage you to look at that. With respect to some of the litigation documents, things have been under seal, which means that its court protected and it was not available for public distribution. So I know that's a bit unusual. I believe the seal is coming off today. So I think that the statement of defense and the statement of claim probably is available going forward. So we can have our lawyers look at whether it's possible to provide a link. I'm not sure whether those things are online. If they are, we can provide a link to that. I see no harm in that whatsoever. These can be quite complicated documents, but for those who wish to spend the time with them, they are going to be available. Can I also comment, though, on your point about the fees? Totally understand the concern about this is a cost to PACE. You're right. The cost of the litigation and the administration do go to the PACE members. We are vigorously pursuing the litigation, as referred to in the letter of November 22nd, and some other claims, but we do believe that those costs are legitimately recoverable through that litigation and those other claims. And we're pursuing that on behalf of PACE.

Moderator Erik  
15:48

Jeffrey, thank you again for those questions. We're going to get to another question, but quickly we just are going to do a survey question. For everyone joining us on the line, you can use your touch-tone phone to indicate your response. We want to know, how do you prefer to be contacted with information on this issue? If it is through the phone, press one. If it is through the mail, press two. If it is through email, press three. If it is some other means, press four. So again, how do you prefer to be contacted with information on this issue? If it is through the phone, press one. If it is through the



mail, press two. If it is through email, press three. And if it is through other means, press four. We now have another live question from Tracy. Tracy, welcome to the TownHall. You're joining us live on the line. Please go ahead.

Tracy 16:35 I'm just wondering what exactly is going to be changing? The way we bank and our fees? Initially, 20 years ago when I joined this bank, it was \$25. Now, I don't know, it's a larger number. Is it changing? What's going on with that?

Mark White 16:59 Tracy, thank you for the question. What's going to change from the regulator's perspective is to basically make sure that those questions will be answered by the Board of Directors that you elect and by the CEO and senior management team that that board wants to have in place. It's not appropriate for the regulator to basically decide those questions of, what type of services? What type of fees? Unfortunately, we are providing that board oversight role right now during administration, but that will be a question for the board appointed by the members and for the management team appointed by that board. What we have tried to do during the administration is make sure that you had continuation of those services. My understanding is that the business operations of PACE have continued on very well. Customers continue to be well served through this process of administration. And again, I'd like to give credit to Rubina, and to the management team, and all the employees at PACE that have continued to serve you. The administration's not about changing your fees or services.

Moderator Erik 18:15 Tracy, thank you again for that question. We have our next live question coming up. Again, for everyone joining us, press three on your phone's keypad if you have a live question you would like to ask. We're now going to go to Rhonda. Rhonda, welcome to the TownHall. You're joining us live. Please go ahead.

Rhonda 18:30 Yes, I want to ask a question about our RFPs and our TFSAs. So the ones that we have in PACE right now, are they insured by the government? And up to what amount are they insured?

Mark White 18:47 Thanks for the question, Rhonda. So registered accounts, like RFPs and TFSAs, they are insured by the deposit insurance reserve fund, which we administer at FRSA. And so essentially you could say and people colloquially do say that, "Is government insured?" Yes. And they are insured up to an unlimited amount for the registered accounts and for \$250,000 for unregistered accounts.

Moderator Erik 19:16 Rhonda, thank you again for that question. We're going now to our next live question from Ross. Ross, welcome. You're joining us live.

Ross 19:24 Good evening. I've been a member for almost 55 years so I'm interested in keeping this business going. Can you tell me how many directors are going to be elected?

Mark White 19:36 That's a good question. At the current time, I believe there are 12 directors. We're going to review that with Odgers, which is quite an

expert in corporate governance as well as consulting with our own people who have quite an expertise in corporate governance. My suspicion is that 12 directors is too much. That we'll probably go down to a smaller number. Perhaps, seven. That would be one of the changes we would bring to the members at the January 27th meeting. So you'll have an opportunity to actually see that after we've completed our work. And the reason why we want to have probably a bit smaller board is because of the significant issues that this board will have to take on. There's the litigation that we talked about, there's other claims related to it, and there's also making sure that the business model is the business that we want, or that PACE members want for themselves going forward, as well as looking at some of the lines of business that they're in and making sure that they have good risk controls around the portfolio. So sometimes it's better to have a bit of a smaller, more expert body to begin with some of those issues. And, of course, over time, then it would be up to the PACE members as to the size of the board that they'd like to have. So to summarize, 12 is too many. We're thinking a smaller board. Perhaps around seven. But we'll come back to the PACE members with a recommendation on that and they can vote on it.

Moderator Erik  
20:59

Ross, thank you for that question. We have our next live caller coming in now. It's going to be Lorraine. Lorraine, welcome to the TownHall. You're joining us live.

Lorraine 21:10

Hi. Well, I've been a member for over 35 years. And first, I guess, I'd like to thank Rubina and those who did the work to get us back to where we are today. I don't think that it's unreasonable for members to expect no less. I have a few questions. My first one's going to be, were our investments ever at risk and are they now? I guess they're not now, but were they ever at risk?

Mark White 21:44

So your deposits are always insured by the deposit insurance reserve fund that I referred to earlier, but that is a fallback. I mentioned that there is a limit on unregistered accounts. And so one of the reasons why it was necessary to put PACE into administration is because we felt that there was undue risk to those deposits as long as the improprieties were continuing and as long as we felt there were breakdowns in controls and governance, we felt it was putting members' deposits at risk. That's why we felt it necessary to take the extraordinary step of putting PACE into administration and essentially setting aside the board. I am pleased to say Lorraine that no, I don't believe your deposits are at risk right now. Otherwise, I wouldn't be recommending that we return to member-controlled governance. So that the members, as they should, have control again of the credit union.

Moderator Erik  
22:46

Lorraine, thank you for that question. We have our next live question coming up now from George. George, welcome to the TownHall. You're joining us live.

George 22:54

Hi. How are you doing tonight? I was out of sound for a moment, giving my question to the people there. But my question is, is there a



salary for the members that will be part of the board? And how do we know that the qualifications of the board are going to be acceptable to the moderating people involved that bought us back to where we are now? How do we make sure that this doesn't happen again? Is it a full-time job for the board members? There's a number of things that some of us would like to know. Do we even qualify as just Joe Blow off the street and do we want Joe Blow off the street being in charge just because he can talk his way into it or not, or she, or whatever?

Mark White 23:54

Thank you. That's an important question. So I'll deal with the second part of it first. So the qualifications of the directors are essential to making sure that there's good governance. Obviously, with the litigation and the claims, they need to de-risk. Make sure there are good processes so that problems don't happen again. It is a more complicated role for the directors than it would be for an organization that everything was running along very well. So that process that I mentioned with Odgers Berndtson, the search firm, and with FSRA's involvement, we will make sure that we're defining the qualifications. Those will be posted on their website on December 6th. And so I invite all the members to take a look at those qualifications. Consider whether you think you have that mix. Important qualifications along with, say, some professional and governance skills are also knowledge of the credit unions and PACE. So please do look at those qualifications and see whether you think you are appropriate. To make sure that they are appropriate though as we return to member-controlled governance, FSRA with Odgers' recommendation, will be recommending a slate of directors. I will have confidence in that slate of directors, that if they are appointed, they will be appropriate to return to member-controlled governance, to select a permanent CEO, and to end the administration.

Mark White 25:26

We will not preclude other director nominees to run for election, but I will have to reserve the right as administrator to say whether I think that those directors would be appropriate and whether we will then release the administration controls we have. So that will be your protection in the short-term, is that not only will the members vote on these directors, but FSRA, as administrator, will make sure that those directors are appropriate. You also asked about salary and qualifications. Going forward, I would expect that one of the processes would be there would be a governance or nominating committee of the directors. So that new directors will also be subject to scrutiny and there will be qualifications. As a regulator, we will help to supervise that. Although, obviously, it should be members electing directors. And to the final part, I believe your question was in respect to salary. Yes, there will be a salary. We're going to assess that with Odgers' as to what is the right amount. It's not a full-time job. These are non-executive directors. But to attract the right people, there will have to be something that is paid. We don't want people doing this just because it's good money. We want people

- doing this because it's important work to serve PACE and its members. So we'll be balancing those interests.
- Moderator Erik 26:50 George, thank you for those questions. We're going to go to another live question. Again, a quick reminder to everyone listening, if you have a live question you would like to ask, please press three on your phone's keypad at any time over the course of the TownHall. We're now going to go to Donna for a live question. Donna, welcome. You're joining us now.
- Donna 27:09 Thank you very much. I have three questions, but they're easy and simple. First of all, will there be minutes of this meeting posted on the website? Is there an opportunity to follow-up if we have other additional questions after tonight? And thirdly, you mentioned about bylaw changes, and you said something about there could be changes to the number of directors, but are there other bylaw changes you're anticipating?
- Mark White 27:37 Great. This call, I believe that we're recording it, and that we're planning to try to post the transcript of the call. So rather than minutes, people can actually hear the call. I don't think we were planning on transcribing it. I've just received a little note saying that actually, we may transcribe it. So you can also read it as well as listen to it. With respect to follow-up, yes, we will be looking to provide follow-up mechanisms. Obviously, you can follow-up through your PACE branch, and they would put you in touch with PACE head office. They should still continue to be your first point of contact for questions about membership, but FSRA is there if we need to help answer those questions. With respect to the bylaws, yes, I mentioned that we're looking at making sure it's an appropriate number of directors and having that flexibility. The other change that we're actively considering is that right now there is a minimum term that someone has to be a member before they're eligible to be a director. And if the best director candidates to serve the interests of PACE would include people who don't have that minimum term of membership, we'll be seeking a change to the bylaw for that as well.
- Moderator Erik 29:02 Donna, thank you very much for those questions. We're going to go to another caller for some more questions. This is going to be Linda. Linda, you're joining us live on the line. Please go ahead.
- Linda 29:14 Hello there. I just wondered whether or not the interim executive committee, including the CEO, will be considered if they choose to be a permanent position?
- Mark White 29:28 Thank you, Linda, for that question. I've complimented Rubina and her team on basically keeping PACE operating well through this time of turmoil. I think they've done a very good job. They are, of course, invited to apply for the positions, or Rubina for that interim CEO position. It will go through the search process. So I can't say it'll be the only candidate. And obviously, we would like that to be the first major decision, or one of the first major decisions, of the new board in choosing their own CEO. So that will be their decision. But of

- course, open to participate in the process.
- Moderator Erik 30:07 Linda, thank you again, or thank you for that question. We have another live question now from Rick. Rick, welcome. You're joining us live.
- Rick 30:15 Good evening. Just a question regarding the candidates for directorships. If the membership is going to be voting on the director positions, will we be provided overviews of their skill sets, their backgrounds, some of their work histories, and attributes that they may bring to the position?
- Mark White 30:38 Absolutely. That's important information. We'll want to make sure that you have that before you have to make a decision.
- Moderator Erik 30:46 Rick, thank you for that question. We're going to go now to Paul for another live question. Paul, welcome to the TownHall.
- Paul 30:53 Hi. Thank you. From reading the November 22nd communication, I guess the problem started when the two senior executives engaged into unusual financial vehicles. Have those been stopped now, or you have to wait until the whole litigation is over to stop this kind of, I guess, out of the ordinary offerings of the credit union?
- Mark White 31:21 Yes. That's a great question, Paul. Definitely, the arrangements with those two senior individuals have all ceased. There are some transactions which they put on the PACE books, which we are in the process of making sure that they're dealt with appropriately, but there isn't anything that should cause concern, we believe. And I wouldn't be recommending a return to member-controlled governance unless I thought that those issues were well in hand. Some of them just may take a little bit longer to completely finally address, but they don't affect the PACE financial stability or viability at this point.
- Moderator Erik 32:05 Paul, thank you very much for that question. We're still having some new people join us, and I want to welcome them to the call this evening. This is the PACE Credit Union Virtual Town Hall Meeting. We're live tonight with the CEO of PACE Credit Union, Rubina Havlin, and the regulator, the Financial Services Regulatory Authority, Mark White, their CEO, and Jordan Solway, Executive Vice President, Legal and Enforcement. In addition, we are joined by hundreds of members listening in. And we just want to remind everyone joining us that if you have a live question you would like to ask on the TownHall this evening simply press three on your phone's keypad at any time over the course of the TownHall and someone will take your name and place you in the question queue and you'll have a chance to ask that question live on the TownHall. So again, the number to press is three if you have a live question you would like to ask on the TownHall. We're going to go now to Mark for a live question. Mark, welcome. You're joining us live.
- Mark 33:03 Hello. I was just wondering, the candidates for the Board of Directors, it says that they do not have to be members. I really

believe that they should be members. Can you answer that for me, please?

Mark White 33:30

Mark, that's an important question. It is important that the board can represent members, that they understand credit unions, and understand PACE, but it's also important that they have other skills. And so what we'll be looking at is making sure that the recommended slate of candidates that we'll put forward will have all the right mix of skills and experiences. If we get from the existing membership people who have those other professional skills, governance capabilities, ability to supervise a business model that will have to be validated, litigation that will have to be pursued, some of those other issues, those are important things, and they also are members, then that's great because then they will meet all the qualification. If we have to prioritize and have some people have a more PACE and credit union knowledge, and others having some of those other professional or governance skills, we may make that decision at the time. And that's why we will look to change the bylaw so that not all directors have to have the minimum term of PACE membership. But I will very importantly note that anyone who wants to be a director will have to become a member of PACE. They just won't have to fulfill the existing minimum membership period.

Moderator Erik  
35:01

Mark, thank you again for that question. We have our next live question now coming up from Roger. Roger, welcome to the TownHall. You're joining us live.

Roger 35:11

Good evening. Yes. I've been a PACE member for many, many years, and I've had my salary and my pension deposited into my account every month. Can I consider that that is registered, and therefore, protected?

Mark White 35:27

So Roger it depends on the nature of your account. But even if it is a regular checking or savings account, that is protected up to \$250,000 by the deposit insurance reserve fund. So yes, your deposits into your regular PACE account, you can consider protected. In addition, your accounts which are registered accounts, like an RRSP, are protected to an unlimited amount. But I would expect that your pension payments are probably deposited into a regular banking account. And so as long as you keep that account at \$250,000 or under, then it is fully protected by the deposit insurance reserve fund. And one of the things that you might want to do if you have any concerns about this, please speak with your representative in your PACE branch. I'm sure they'll be happy to review your accounts with you and make sure that the amounts in there are all insured.

Moderator Erik  
36:30

Roger, thank you again for that question. We're going to go now to our next live question. This one will be from Joe. Joe, welcome. You're joining us live on the line.

Joe 36:40

How's everybody doing? Just wondering if any of the members are going to have anything to worry about or if there's going to be any

changes to regular banking or mortgages that are coming up for renewal or any investments at all?

Mark White 36:58

Thank you, Joe, for the question. There should be no concerns. The core business of PACE is serving its members through regular banking transactions and through continuing your mortgages. This process of administration, Rubina and the rest of the PACE employees have tried to continue as business as normal. And I don't expect that a new Board of Directors, certainly FSRA as the administrator, we don't want to see changes to the core business activity. So you should not be concerned about that.

Moderator Erik  
37:33

Joe, thank you for that question. We're going to go now to our next live question. This one's going to be from Jim. Jim, welcome. You're joining us live.

Jim 37:41

Good evening, everybody. This is in regards to litigation. If litigation doesn't go the way PACE wants it to go, is there another plan that PACE will take or do they have another idea of what they can tell the members in regards to what will happen? Thank you.

Mark White 38:05

So obviously you wouldn't want me to say anything that's going to disadvantage PACE, but these is a variety of litigation strategies and claims processes which have been considered and which are either being actively pursued or will be pursued. So it's not just the litigation against the Smith's which is being unsealed which I referred to earlier. That's not the only route that's available for PACE to recover.

Moderator Erik  
38:41

Jim, thank you for that question. We now are going to go to Irene for a live question. Irene, welcome. You're joining us live on the line.

Irene 38:49

Hi. First, let me thank you for facilitating this open house, and for giving us a chance to be informed, and have the opportunity to voice our questions. Those Board of Directors that were in position prior to PACE being on DICO's administration, will they be given an opportunity to run again or will they be disqualified?

Mark White 39:22

Well, Irene, thank you very much for acknowledging that this is a good opportunity to have a dialogue. The current board has been set aside. Until litigation and claims are completed, I would not expect that they would be appropriate members of the board of PACE.

Moderator Erik  
39:49

Irene, thank you for that question. We're going to go now to another live question. Just again to everyone joining us if you have a live question you would like to ask on the TownHall this evening simply press three on your phone's keypad. We're now going to go to Alex. Alex, welcome. You're joining us live.

Alex 40:06

Yes. Hello. I'm a late entry into this discussion. Could you describe the charges that were brought up against, I guess, the CEO and other Chairperson? And also a question on GICs. GICs are secured to what level? Thank you.

- Mark White 40:32 I wouldn't call it charges, because that implies that it was a police prosecution, but I would say that there are civil claims being alleged against those two individuals you mentioned, and it includes for civil fraud and other improprieties. With respect to the GIC, I believe it depends on what type of account it's being held in. Again, if it's an unregistered account or unregistered GIC, then it would be to \$250,000. If you, however, hold that in, let's say, your RSP account or your TFSA, then it would have the unlimited coverage.
- Moderator Erik 41:20 We have another live question now. It's going to be coming up from Joe. Joe, welcome. You're joining us live. Please go ahead.
- Joe 41:29 Hello. I think my questions have been answered by one of the previous questions, and I think it was answered very, very well. Thank you very much.
- Moderator Erik 41:42 Thank you, Joe. We have another live question now. This one's going to be coming up from Paul and Helen. Paul, welcome. You're joining us live. Please go ahead with your question.
- Paul 41:50 Good evening. Good evening. Thank you. We were with the Etobicoke Teacher's Credit Union prior to PACE for some 40 years or so, and it's beyond a disappointment that this has happened. The staff and the service we received has been unbelievably good, and it's so sad that there's been effectively a betrayal here. We're bound to consider whether or not we should stay with PACE. We'll need real reasons why, apart from the wonderful service we get from the people. But we wonder, in that there has been alleged misappropriation from this financial entity, what impact has that had on the members? Looking at the return on our shares - the nominal shares - it's extremely disappointing. Can you see an adjustment being made? Can you see some gesture being offered as to why the members should stay with PACE? There are many other excellent credit unions. Tell us why we should maintain faith.
- Mark White 43:16 Thanks for the question, Paul. I understand that this is a betrayal of those that have been trusted. And that's why we take this so seriously, and that's one of the main reasons why it had to go into administration. You asked a couple of questions. One is, what about your investment? As the audited financial statements at the last annual general meeting show, PACE continues to be financially strong. So I don't believe you should be concerned about there being any adjustment to that investment. Obviously, portfolios are dynamic and business is dynamic, but those are the statements. Please do take a look at them. I think they'll give you comfort about PACE's continuing financial strength. From a point of view of why stay, well, I think the excellent service you refer to is a very important reason. I think there's other reasons, and that's one of the reasons why I'm pleased to be involved with credit unions, and it is because there's a sense of community that you deal with in credit unions. It is different than being a customer of an organization that you don't own. Here, you have a say. We're going to return it to member-controlled governance. And I hope you'll continue to be a



customer of PACE because it is an institution that has a long history through the Etobicoke Teacher's Credit Union and other organizations that have bonded together with PACE. And I think it's very important that that diversity of financial services which PACE and other credit unions provide, its choice for you and other consumers, is to make sure that you do get that level of service that you've enjoyed and that hopefully, you'll continue to get. And if the credit union system, PACE and other members, don't continue to have people like you participating, then we won't have that type of member-controlled financial institution, and I hope it continues to thrive in the future.

Moderator Erik  
45:16

Paul and Helen, thank you very much for that question. And we have another live question coming up now. It's going to be from Sadia. Sadia, welcome to the TownHall. You're joining us live. Yes. Hi. Sadia, you're joining us live on the line. Please go ahead with your question.

Nadia 45:35

It's Nadia.

Moderator Erik  
45:36

Oh, Nadia. Sorry about that. Please go ahead.

Nadia 45:39

I think, first of all, my comment. First, thanks for facilitating this meeting. My comment, is I'm concerned that this was allowed to go on - it seems, almost unnoticed - for so long. And that really concerns and kind of erodes the trust of the membership. And granted that there's going to be a new Board of Directors, I just don't know what is going to be in place to make sure this kind of thing never happens again.

Mark White 46:10

So, Nadia, that is a very important question about making sure that this won't happen again, and that is why we're going to go through the process of making sure that there's a strong Board of Directors in place. It's why we're looking at it. And we had to make sure that we thought that there were good controls within the organization, the de-risking of the portfolio, all of those things that will be in place when it returns to member-controlled governance. And as a regulator, FSRA will learn from what happened, and we'll also make sure that our processes are improved so that we'll even provide more effective oversight in the future. You do have to be aware though that the alleged fraud by the Smith's, the improprieties, although those allegations haven't been proven in court, they are taken very seriously, and they're very difficult though to detect. And so there's never an assurance that bad things can't happen in any financial institution. But I will say that PACE having gone through this with the board that we'll put in place, it will have heightened scrutiny. And I think it is probably going to be a safer place to have your money than any other organization that hasn't been through this. After you go through this type of episode, you learn by that difficulty, and I think you come out the other end stronger. So Nadia, I hope you'll have confidence to continue to deal with PACE. As to how long this has gone on, from September last year. We are doing

everything we can to bring this to closure quickly. But we had to make sure that the processes and the people were in place so that it could be returned to member-controlled governance without risk.

Moderator Erik  
48:01

Nadia, thank you very much for that question. Now, before we get to our next live question which we have, we're going to do another survey question. So everyone joining us, you can use your touch-tone phone to indicate your response on this question. We want to know, how have you liked this telephone format? If you have liked it and you would like us to continue using them, press one. If you would prefer in-person, press two. And if you did not like this format or you haven't liked this format so far, press three. So again, how have you liked this telephone format so far? If you liked it and would like us to continue using them, press one. If you would prefer in-person, press two. And if you do not like this format, press three. We have our next live question now coming up from Ron. Ron, welcome. You're joining us live. Please go ahead.

Ron 48:48

Thank you very much. I've been a PACE customer for a little over two years and been very happy with the service I've received. I just wondered if you could expand a little bit on your reasons to reduce the board from 12 to 7? And what challenges do you see for the new board with regards to the civil case and when do you expect the civil case to proceed? Thank you.

Mark White 49:18

Thanks for the question, Ron. The idea of going from 12 to 7 is our current thinking. We are going to continue to see what the Odgers' process reveals, and we'll discuss that with Odgers and other people who have corporate governance insight. So I wouldn't say that that is in stone at this point. But the reason for a reduced board is, one, to make sure that it is a group that can have the right chemistry and make difficult decisions going forward. As I said, there're litigation claims to be managed. There's also still some of the things that were built over the past that we're not sure are part of the core business and those decisions are going to be difficult to make. So generally when you're forming a new group, it's one thing when you have 12 people and you're adding 1 or 2 new ones in a year. It's another thing to get 12 people together in a room and have them have to make those difficult decisions. So a smaller group tends to be more effective at that. Whether it should grow beyond that in the future, that's certainly something that will be within the member's control. So your question about the challenges, obviously, this is litigation. It's being vigorously defended. It is not something that we expect will be easy. And I think the earliest would probably be a year from now when it would go to trial. And obviously, litigation can also get extended beyond that. So there are definitely challenges in the case. The Globe and Mail article on Saturday, for example, had some of the statements by, I guess, lawyers for the defense. So you can kind of get a sense from there that they're not necessarily going to go quietly into the night. They're going to claim that what they did was okay. That's not our view or we wouldn't be vigorously pursuing them the way we are on behalf of PACE.

Moderator Erik  
51:17

Ron, thank you very much for that question. We have another live question. Again, a quick reminder to everyone joining us, press three on your phone's keypad to ask a live question of your very own. We're going now to Kathy. Kathy, welcome to the TownHall. Yes. Hi, Kathy. Kathy, are you there? All right. We'll try and get Kathy back in just a moment to continue her question. Again, everyone joining us, if you have a live question that you would like to ask, please press three on your phone's keypad. We now have John for a live question. John, welcome.

John 51:57

Hello there. My name is John, and I've been a member of the Etobicoke Teacher's Credit Union now amalgamated in 2012 to PACE. My wife joined in 1968. And my question is the following. Nepotism bylaws should be very important and should be monitored. Monitored for CEOs, CFOs, and all Board of Directors. I do not want the likes of a father-- not a father. A husband and wife team on a Board of Directors and what do you plan to do in that regard in regards to new bylaws? Thank you.

Mark White 52:36

John, thank you very much for your question. I do agree with you that making sure that board members have independence and that they have good decision-making processes and that nepotism can be an issue. It would be extraordinary, I think, for us to ever consider that those recommended slate of directors would not have the type of independence you're talking about. And I would also look to make sure that the independence of senior members of management is also something that any organization would look at. Not to basically predetermine what the new PACE board will think, but those are important issues.

Moderator Erik  
53:19

John, thank you for that question. We're going to go now to another live question. This one is coming from Devon. Devon, welcome. You're joining us live.

Devon 53:28

Thank you. My question is, if PACE members choose not to approve the proposed bylaw change allowing non-members to be elected to the board, is it FSRAs intention to appoint its proposed board members without election? And if so, how would it be accountable to PACEs membership and earn their trust?

Mark White 53:45

Well, I am not proposing that that would be necessarily our course of action. If the members choose not to approve the bylaw change so that there could be new members on the board, we would-- until we get through the search process, I'm not even certain that we will have to have new members. It is possible that people who are PACE members will have the necessary skills and experience and they will actually be the best people to be your directors. So until then, it's a hypothetical question. We may have the power to appoint directors. That is not my preference. If the bylaw recommended changes are turned down, I'd have to understand why they're turned down and try to be responsive to that at that time.

Moderator Erik  
54:38

Devon, thank you for your question. We're going now to Doug for another question. Doug, welcome to the TownHall.

Doug 54:44

Good evening everyone. Yes, a member for over 40 years of various iterations of PACE. Thank you very much for the call tonight. For me, specifically, I haven't noticed any degradation of services. So I was wondering if you could just share a little bit about how we actually got here. I understand administration began about a year ago. And what were the red flags and triggers for that to begin the removal of the board, etc.? Secondly, what is the total exposure for PACE and are there any others implicated in any wrongdoing? Thank you.

Mark White 55:22

Thank you for the question. Glad to hear that the service continues to be good. The route of getting to administration was a regular 2017 examination by the Deposit Insurance Corporation of Ontario, DICO, our predecessor. And during that, they identified certain anomalies, and we're in the process of drilling down. Later in 2017 while they were still investigating those, they couldn't sort of come to grips with them, if you will, and they couldn't get the answers that were satisfactory, they also then received, what I'll call a whistle-blower, supporting those areas of inquiry. And so the combination of those two things led to the administration in September of 2018. From your question about total exposure, I would refer you again to the auditors' financial statements that were received at the last annual general meeting. Not only did DICO, as it was at the time, along with the receivership insolvency firm that was guiding them through administration look at the potential for losses, there was also the independent audit that was done with a new audit firm. And accruals were made. Provisions for losses. Expenses put through. So from your question about the total exposure, I believe that that exposure was accurately reflected as of the date of those last financial statements and you can take a look at those. Your question about others, we're comfortable that there are no active management within PACE that we're anticipating will have other claims against them. Whether there will be other litigation is something that I don't think is appropriate to comment on right now, but I don't think you have to be concerned about another shoe dropping with other people within PACE coming to light.

Moderator Erik  
57:27

Doug, thank you very much for that question. We have another live question now from Irene. Irene, welcome. You're joining us live. Please go ahead.

Irene 57:35

Well, thank you, but the feller in front of me just asked all my questions. He wanted to know the red flags, when it started, the amount of exposure. But I have one little question left. Was it more than two people or was it a group of people in a department?

Mark White 57:53

The litigation is against two related individuals at the current time. So that's the litigation that's being unsealed that I mentioned before. And as reported in The Globe Mail, they're vigorously defending it. But we believe our claims are meritorious and will succeed. There are also the possibility of claims against others. It's

- not appropriate to comment at this point in time against what those other claims might be.
- Moderator Erik 58:25 Irene, thank you very much for that question. We're going to go now to another live question from Effie. Effie, welcome to the TownHall. You're joining us live.
- Effie 58:34 Thank you. I appreciate this format that we're enjoying this evening. I find this a little bit frustrating about the vagueness with some of your answers. And I understand there's litigation coming up and you have to be cautious about what you say. For example, you referred to the financial statement. So after the fact, where can we go and look that up to see what the exposure is?
- Mark White 59:01 So the financial statements I believe are posted on the PACE website. Rubina, are you able to provide any further guidance as to where on the website they can be found?
- Rubina Havlin 59:12 Yes. Thank you for that question. The 2018 [inaudible] statement and the 2017 are posted in the Media Center on PACE's website.
- Moderator Erik 59:26 Effie, thank you very much for that question. We're have another live question now. It's going to be coming up from Tara. Tara, welcome. You're joining us live.
- Tara 59:35 Hi. Thank you. My question is about checks and balances. I know there's a number of internal and external checks and balances and auditors. How did those fail for so long? We're just now learning about all of this activity that's being going on for so long, and we're not just talking about a few measly couple of dollars. It's a huge amount, and somebody dropped the ball on obligations with the checks and balances. And going forward, what checks and balances will be put in place to ensure this doesn't happen again?
- Mark White 01:00:09 So it's a very good question. The checks and balances should be within the organization through what I as a regulator would call three lines of defense. The business people, the risk managers, credit committee overseeing them, and internal audits with the Board of Directors supervising that whole process and making sure that there are good governance and controls. Obviously, things broke down internally. As well, there are external checks and balances. And as I said earlier, it's a new auditor that provided those recent financial statements. And so we are investigating why those checks and balances failed. And we're taking appropriate action both to fix those internal checks and balances, making sure that the processes are in place, to ensure that there're controls. Getting the member-controlled - sorry, member-elected - board at the top of that governance and oversight chain is a very important piece of the puzzle, but it's not the last one in place. We've been actively working on that with Rubina and the interim management team. So I am confident that the checks and balances, the controls, the governance, the oversight within PACE will be in sight in place when the board is returned or when a member-controlled board is

returned.

Moderator Erik  
01:01:36 Tara, thank you very much for that question. We're going to go to another live question now. Again, for anyone joining us, press three on your phone's keypad if you would like to ask a live question. We're going to go now to Sam. Sam, welcome. You're joining us live.

Sam 01:01:50 Hi everybody. My question was answered previously. I just wanted to know whether, if you have a mortgage with PACE Credit Union that it will be renewed. I was told that there are no issues with mortgages. Just want another confirmation please.

Mark White  
01:02:07 Yes. PACE's core business is dealing with its customers in residential mortgages. There is no reason why they shouldn't be continuing that core business and hoping to grow and expand that business for its members.

Moderator Erik  
01:02:24 Sam, thank you for that question. Our next live question is going to be coming up now from Richard. Richard, welcome. You're joining us live. Please go ahead.

Richard 01:02:33 Good evening everyone. I think my question was pretty much answered. So then in lieu of that, I'd like to find out if there's any kind of minutes of these meetings? Is there some way we're going to be able to review this? And if there are things that weren't answered, or if we have further questions, how will we be able to ask these questions in the future? Will we have to wait for another one of these or how's that going to work?

Mark White  
01:03:10 Well, Richard, thanks for the question. I mean, there will be, I believe, both an audio transcript of the call so you can listen to it again, as well as a transcribed set of minutes. So you can do that. There will also be the ability to ask further questions. We'll be providing that information, I think, through the PACE website. But obviously, you can also go into your branches and talk to people and they'll refer questions to the appropriate individual if it's not something that's within their knowledge. Oh, and I should also mention the November 22nd member's letter. It provided you with some contact information as well. There's an email address and a phone number in that letter.

Moderator Erik  
01:03:55 We have another live question now coming up from Sharon. Sharon, welcome. You're joining us live.

Sharon 01:04:01 Yes. Hello. The previous caller alluded to this, but if there were large funds diverted from the credit union, then our investments should have grown at a better rate. Will there be any reimbursement return to us?

Mark White  
01:04:17 So Sharon, thank you for your question. You referred to investments, and I'll make a distinction between investments that you might hold in a mutual fund. So those were not affected because those are not part of the PACE assets. Sorry. Your investment in PACE, I should say. Deposits, though, are different and



investment shares are different. So to the extent your deposits were fully insured, there's been no impairment to your deposits. I'd have no expectation that there would be. So your deposits are fine. Your mutual fund investments are fine. The thing that might have been impacted are your investments shares. Those continue to be fully valued. I understand all distributions are being honored, etc. So it's a normal course for involvement shares as well. You are correct though that if the value of PACE was deteriorated by fraud or other improprieties that PACE's value would be lower. We are hoping that through the litigation and other claims that full recoveries will be enjoyed. And then, therefore, the value underlying your investment shares will be restored.

Moderator Erik  
01:05:33

Sharon, thank you for that question. We're going to go now to a question from Denise. Denise, welcome. You're joining us live.

Denise 01:05:41

Thank you. I just wondered, as part of the return to having the members' govern or look after things, are there any financial statements that have been prepared and are they currently available before the year-end kind of process? And my second question is, as part of the Board of Directors, will there be an audit committee that can also kind of oversee or regularly inspect or routinely look after things to see that things don't happen again?

Mark White  
01:06:16

Denise, thank you for your questions. My expectation is that an audit committee is a fundamental part of good corporate governance and that there would be an audit committee of the board when it's officially reconstituted. As to the financial statements, I'm not familiar with the normal, shall I say, cadence. I'm not sure if Rubina wants to comment on it. I'm not aware of interim financial statements being published, but if there are, I'll offer Rubina this opportunity to speak up. And I--

Rubina Havlin  
01:06:52

Thank you for that question. We don't the ability to review financial statements prior to consolidation and an external audit, typically. But once they're available, we will make sure that that is properly communicated.

Mark White  
01:07:08

And Denise, if I could also just add, at the January 27th meeting, we will, of course, provide an update on the financial strength of PACE as well so that obviously it continues to be important that things are going well within the organization. I have no doubt that will be the case, but we will certainly speak to that, and you'll have an opportunity to ask questions at that meeting.

Moderator Erik  
01:07:36

Thank you very much for that question. We're going to go now to Nigel. Nigel, welcome to the TownHall. You're joining us live.

Nigel 01:07:43

Oh, thank you. Good evening everyone. PACE is now an amalgamation of several financial entities. Is there any consideration for the new board to have a faction of past representative boards?

Mark White  
01:08:07

That's a great question, Nigel. And I probably referred to it but too generally before. I talked about having credit union and PACE

knowledge. I completely understand what you're saying that PACE has been formed by several different credit unions over time and part of the knowledge base is making sure that the member's major constituencies are well understood and that the board can reflect their desires. So that is something that we've asked Odgers to include, is this idea of PACE and credit union experience. And your point that PACE is actually a sum of different parts and those different member constituencies would have to be understood is an important one. So thank you for that.

Moderator Erik  
01:08:55

We have another live question coming up now. This one is going to be from Mark. Mark, welcome to the TownHall. You're joining us live.

Mark 01:09:03

Yes. Thanks for the opportunity. My question is, what is the relationship between the PACE Credit Union and PACE Securities Corporation now? How does that change with the change in financial administration? And how will that relationship evolve over time to the extent that you can answer that question now?

Mark White  
01:09:23

Great. So PACE Securities Corporation is, I believe, a wholly-owned subsidiary of the credit union. That is the case and continues to be the case. How it will change over time is something that we're considering, and I would very much like to have the new board in place. Although who knows maybe we'll have to act before then. But we are considering whether it's a core part of the PACE business. I believe that PACE Securities actually plays some important administration roles for existing securities which it was a dealer in selling. I have no doubt it will continue to do those duties and continue to form that role. The only question is, is it a core part of PACE's business going forward? And both FSRA and I would expect a new board would look at that.

Moderator Erik  
01:10:23

Mark, thank you for that question. We're going to go directly to another. This one is from Kevin. Kevin, welcome to the TownHall.

Kevin 01:10:31

Thank you. Actually, my question was very similar. Just confirmation that your investigation and resolution included PACE Securities Corporation. And if not, what is being done to ensure the protection of our PACE Securities investment based on this exposed weakness in governance?

Mark White  
01:10:52

So, yeah, Kevin I think I mostly answered that before. PACE Securities Corporation is a wholly-owned subsidiary. I believe it, though, was the dealer for selling securities. It's not actually securities in PACE Securities Corporation that you would have bought, but it continues to provide administrative services in connection with that. I will say that - and this was implicit, but I should make it explicit - part of what we've done and part of what we would expect a new board to do is to make sure that we're reviewing the business activities of PACE Credit Union and making sure that it continues to support its core business activities. And there was a question of whether PACE Securities Corporation is

considered to be a core business activity in the sense of supporting new security sales. But as I said, I have every expectation it would continue to perform its administrative duties going forward under previous sales.

Moderator Erik  
01:11:50

Kevin, thank you very much for that question. We have a question now coming up from Jim. Jim, welcome. You're joining us live.

Jim 01:12:00

Hi. I apologize. I believe my question has been answered, and I'd like to thank you very much for the time.

Moderator Erik  
01:12:12

Jim, thank you very much. We have another live question. This one is going to be coming up from Rita. Rita, welcome to the TownHall.

Rita 01:12:20

Yes. First, I'd like to mention that I'm a 60-plus year member of the credit union. My questions have pretty well been answered by our previous callers. One suggestion. Is it possible that the annual meeting may be on a rotating basis? Could be held elsewhere than head office in the province?

Mark White  
01:12:44

So Rita, first of all, thank you for 60 years of credit union membership with PACE. That's a wonderful record. The question of the location of the meeting is something that we'll make sure, that the new board, when that's put in place, that they get an opportunity to consider where is the best place and can they actually have it on a rotational basis so it gets around to the full geographic distribution.

Moderator Erik  
01:13:11

Rita, thank you for that question. We have another live question now from David. David, welcome to the TownHall. You're joining us live.

David 01:13:19

Yeah. My question concerns term limits for board members and [inaudible]. Just reading the article in The Globe and Mail, we have a CEO who was in the role for 28 years and then it was turned over to his son in 2015 for another 3 years. And it's sounded as if the board members had been on for a very long time. Smith Senior, in particular, alleges he consulted for approval on these transactions seemed to have been in place for a very long time. And when you've got a closed circle of people running the show like that, there's an opportunity for things to happen that should not happen. So I'm wondering if in the bylaw changes that are being proposed, there's going to be anything about term limits or a similar measures to prevent this sort of thing in the future.

Mark White  
01:14:29

David, thank you for that suggestion. That is a very good point that term limits are a very important tool for good corporate governance. We will look at the bylaws in that respect and consider whether a change would be appropriate. So thank you very much for that suggestion. I think most good organizations have those rules, at least informally, but you're right. Considering some of the issues that have happened, maybe they should be more formal in PACE going forward. Thank you.

- Moderator Erik  
01:14:59
- We have our next live question coming up now from Bill. Bill, welcome to the TownHall. You're joining us live.
- Bill 01:15:04
- Thank you. There are several search firms in the city that specialize in governance. What was the process in choosing Odgers? Are they known to you guys personally? And what type of budget have you set aside to recruit seven directors, a CEO, and the consulting services?
- Mark White  
01:15:25
- So thank you very much for the question. Odgers is one of many very good search firms. I've dealt with several search firms in different capacities over many years. I think that they're fine, and many others are fine as well. We actually went through a procurement process, and they were the successful candidate through the procurement process. So that's, essentially, how we arrived at them. They basically won the business. But I do have confidence in them as I would a variety of other search firms as well. I think they could all do a good job, but Odgers is the one that was successful.
- Moderator Erik  
01:16:04
- Bill, thank you for that question. We have our next live question now. It's coming up from Jack. Jack, welcome to the TownHall. You're joining us live on the line.
- Jack 01:16:13
- Yeah. Thank you for allowing us to have an opportunity to ask questions. I understand the credit union is run by the people. Can members nominate members? I just want to know the timeline and when will nominations open and when will that be presented to the membership for a vote? And then after the vote, what is the timeline to get it all in place? Thank you.
- Mark White  
01:16:48
- Thanks for the question. So my recommendation would be that if any member of PACE would like to be considered for the board that they should on December 6th go to the Odgers' website that's referred to in the November 22nd letter and put in their candidacy. That is the best way to be considered. We will have an opportunity to, as I said, balance off the ideas of certain professional and governance skills against PACE and credit union expertise and understanding. So that would be my recommendation to you. In addition, there will be a process to nominate members when we formally call the meeting at which will be considered. In the best-case scenario and this, I'll be honest with you, is quite optimistic, the January 27th meeting there is a chance that we might actually be able to have the directors election at that meeting. That would be what I would love to have happen. Realistically, it may take a bit more time. But we will, in accordance with the bylaws, make sure that there's an opportunity for other member nominated directors to occur. And I've already commented earlier, though on the importance of this board and that FSRA can feel confident on behalf of all of the member depositors and other stakeholders that whatever board is elected that we feel that is going to be a suitable board to take PACE forward in complicated times. We owe that to all

the members.

Moderator Erik  
01:18:28

Jack, thank you very much for that question. We're going to go now to Anne-Marie for another live question. Anne-Marie, welcome. You're joining us live on the line.

Anne-Marie  
01:18:36

Okay. I have a couple of questions. The first one is, my understanding is that DICO put PACE under administration in September of 2018. The first knowledge I had of this was an email that was sent to me on November 22nd, 2019, which is more than a year after the initial administrative action. I'm just wondering, did I miss some communication along the way? Because I'm on the PACE website several times per week and I didn't see anything mentioned about it. And my second question is regarding the true scope of all of this because I think you yourself said that sometimes fraud is very, very difficult to discover. And in light of the fact that this has been going on for many, many years, and there's been a catastrophic breakdown of governance in terms of, not just the CEO, but the Board of Directors, auditors, and even DICO itself, who did not act accordingly when concerns were brought to their attention prior to 2017. So this goes outside of the credit union. And I'm wondering if you can comment on that as well? Thank you.

Mark White  
01:19:52

Great. Anne-Marie, thank you very much for your question. I'll deal with the second one first. We are completely comfortable that all of the fraud has been uncovered at this point. Not only has DICO been involved, we've had an independent receivership expert involved. We've had a new, independent auditor going in. So we are comfortable that it has all be rooted out. You can have confidence in that, even though there were - to use your words - catastrophic governance breakdowns. Your comment about DICO, that they may not have done something correctly, I have no belief that that is true. We have announced, and it was mentioned in the Globe article that we're doing an independent review to make sure that everything was done that could have been done. But that's very important because we want to make sure that we're a new organization at FSRA and that we are continuously improving our processes and learning from anything that might have gone wrong. So please don't mistake our desire to have continuous improvement and don't confuse that I actually have a belief that the DICO did do something wrong. I am going to make sure that that is looked at independently though, so I can make sure that the information I get will allow me to make the best improvements in our processes. Let me go to your first question, then. My apologies that you didn't find out earlier about the administration of September 2018. Obviously, I wasn't part of DICO at the time, so I really can't comment on what happened. But I will say that I know it was fairly widely discussed. It was very extensively discussed at the annual general meeting last June. And so I'm sorry it didn't come to your awareness from that point in time. I will try though to say that at FSRA communication and openness and transparency is very important to us. That's why we tried this. It is an experiment. So we're going to get your

feedback on whether you like this. I think the questions have shown that it's a very good tool for communication, and I'm very pleased to answer your questions. I really can't comment on what happened in the fall of 2018, but going forward though you do have our commitment that we want to have good lines of communication with you. We want to know what's going on. We want the members to feel engaged.

Moderator Erik  
01:22:35

We have our next live question now coming up from Christina. Christina, welcome to the TownHall. You're joining us live.

Christina 01:22:42

Hello. His question answered my question. Now, what I would like to ask is that, since this has occurred for two decades, I'm wondering if any consideration has been put in place with respect to the whistleblower? I think he would make a great addition to the Board of Directors.

Mark White  
01:23:21

Christina, obviously I wasn't involved with DICO when the whistleblower occurred, but we all seem to know it was important. Although they were already looking at those issues. Whoever it is, if you're listening to the call, if you're out there, I hope you get the message that thank you. That is an important thing you did. On the other hand, it's very important that we allow whistle-blowers to be anonymous. We would take no action to try to uncover who they are because we want to basically make sure that people in the future will also know that they could come forward and they don't fear that we would compromise their anonymity. So whoever you are, out there if you're listening, thank you. I think DICO believe they were onto it anyway, but that extra information and the insights they provided were, of course, valuable. So thank you. I will just comment on one thing. You said that this was going on for two decades. I don't believe that-- yes, one of the individuals involved in the litigation was around for more than two decades, but I don't think the improprieties that we're actually alleging that they go back that far.

Moderator Erik  
01:24:39

Christina, thank you for that question. Now, we're going to do another survey question. For everyone joining us you can use your touch-tone phone to indicate your response. We want to know, do you feel that your questions have been answered following today's engagement? If yes, press one. If not, press two. And if you're not sure or undecided, press three. So again, do you feel that your questions have been answered following today's engagement? If yes, press one. If not, press two. And if you're not sure or undecided, press three. Now, Mark, we're just about reaching the end of the TownHall. We had a lot of great questions this evening. With the last couple of minutes, did you have some closing remarks that you would like to share with everyone joining us?

Mark White  
01:25:21

Oh, thank you very much, Erik. Well, I'd like to just thank everyone for participating in this. I understand we literally had thousands of people involved in the call. The questions show that people care about PACE. It's a member-driven organization. As I've alluded to,



there's other things that have to be done. The litigation, obviously, the defendants are going to defend vigorously. We believe in our case. Allegations are unproven. We have other claims, as well, as I mentioned. So we have let that play out. But essentially, this is a good news story. PACE is viable. It's stable. You've heard from all the callers how the service levels, thank you to Rubina, the management team, and all the employees continues to be strong. They are serving a need. And we want to see PACE return to member-controlled governance so it can continue to serve that need. So I hope people are reassured by this call and that everything at PACE is on the right path.

Moderator Erik  
01:26:23

Thank you again to everyone who has joined us on the TownHall this evening. We're sorry that we didn't get to reach everyone's live questions tonight, but we do want to remind everyone that we have your questions and comments and we will be responding through the website. And if you have any questions or any feedback on this evening's Virtual TownHall, you can also share them with us by emailing them to us at [pace.administration@fsrao.ca](mailto:pace.administration@fsrao.ca). Again, please email your questions and feedback to [pace.administration@fsrao.ca](mailto:pace.administration@fsrao.ca). As well, once the TownHall has closed, you'll have a chance to leave a direct voice mail on the TownHall with any questions or comments you still have. Thank you again to everyone for joining us and have a good night.