

Why Hasn't Credential Securities Settled With Its Customers Owning ABCP?
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There are 335 retail customers of Credential Securities owning \$48 million of Non Bank ABCP now under the CCAA process, who are part of the Brian Hunter, Ted McFeely and Facebook Retail Customers Group that has retained lawyer Juroviesky & Ricci LLP to represent their interests in the CCAA process (See Table 1). This Retail Customers Group comprises about 1750 individual Non Bank ABCP owners, with estimated face amount owned of \$350 million. Canaccord customers are about 1400, owning \$269 million and the balance are customers of National Bank Securities, who have not been offered cash settlements since their account size is above its cutoff of \$2 million.

This Retail Customers Group has sufficient % of the votes available to be cast to defeat the Purdy Crawford restructuring proposal, while representing only about 1% of the \$32 billion dollar value outstanding in the frozen Non Bank ABCP trusts subject to the CCAA vote. For the Purdy Crawford restructuring proposal to succeed it needs 50.1% of the votes cast by number and 66-2/3% of the votes cast by dollar value outstanding. Juroviesky & Ricci LLP is seeking a settlement for the Retail Customers Group involving getting their savings back in cash, plus accrued interest and legal costs. This retail group should not be forced to suffer damages on the restructured long term notes received in exchange for their expired 30 to 90 day ABCP and have their right to sue the brokerages who sold them this flawed savings product squashed by the institutional owners whose legal rights are not as strong and who can afford to take on the long term notes and work out the problem over time.

Credential Securities customers have told me that they have not received any written communications about the Non Bank ABCP they own being under the Montreal Accord freeze or currently under CCAA bankruptcy protection proceedings. The Credential Securities customers who have come to know about their serious negative pending losses on Non Bank ABCP and the need to vote on the matter are the ones who asked for their cash to be returned or transferred to another location or firm; or, who made enquiries or examinations of their account statements upon hearing the news about Canadian Non Bank ABCP in the media or from their friends and family. No Credential Securities customers have heard anything about Credential Securities planning to make a cash settlement of any sort with them.

There is a serious concern about the fact that 5 of the 17 members on the Pan Canadian Committee are Credit Union Central related as noted in Table 4 below. The Pan Canadian Committee are the applicants in the Non Bank ABCP CCAA proceeding approved On March 17, 2008 by Justice Colin Campbell of the Ontario Superior Court of Justice. The 5 are Credit Union Central of British Columbia, Credit Union Central of Alberta, Credit Union Central of

Saskatchewan, Credit Union Central of Ontario and Credit Union Central of Ontario. In addition, Northwater Capital Management who is a portfolio manager for the CCS Pension Plan covering employees of credit unions across Canada is a member of the Pan Canadian Committee. Desjardins Group, the Quebec based caisse populaire equivalent to the Credit Union Central movement outside of Quebec is on the Pan Canadian Committee too. All 7 members on the Pan Canadian Committee in some way related to the Credit Union Central family of companies have publicly announced their intention to vote yes to the Purdy Crawford restructuring proposal.

Credential Securities is apt to be silent or may actively advise that its customers vote yes too, despite its adverse interest to its customers, who will have significant damages on their life savings placed in Non Bank ABCP and who have sound causes of legal action relating to brokerage negligence and unsuitable advice that they should be pursuing.

**Table 1:
Credential Securities' Customers Ownership of Non Bank ABCP \$ Millions**

Credential Securities Individual Customers (335 customers)	(1)	\$48
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**Table 2:
Credit Union Central Entities Ownership of Non Bank ABCP \$ Millions**

Central Financial Corporation (1989) Ltd. (CFC) (bought from Credential Money Market Fund)	(2)	\$ 4
Meritas Financial Inc. (bought from mutual funds under its portfolio management) (owned by Mennonite Savings and Credit Union)	(3)	2
Credit Union Central British Columbia	(4)	23
Credit Union Central Ontario	(4)	161
Credit Union Central Alberta		Not disclosed
Central Union Central Saskatchewan		Not disclosed
Central Credit Union Manitoba	(5)	0
Credit Union Central Canada		Not disclosed
Vancity Credit Union	(6)	77
Coast Capital Savings Credit Union	(7)	20
CCS Pension Plan	(8)	62
Grand Total		\$349 + Other Not Disclosed

As noted in Table 2, the Credential Securities customers at \$48 million are a small portion of the total exposure that Credit Union Central entities have to Non Bank ABCP. We know about \$349 million owned on the balance sheets of Credit Union Centrals and in the CCS Pension Plan, but three entities have made no public disclosures. In fact, no one knew about the number and dollar exposure of Credential Securities customers owning Non Bank ABCP, until March 24, 2008, when a Credential Securities representative sent an e-mail to Doug Alexander of Bloomberg News, who reported on this that day.

It is unusual that Credential Securities has not offered to make a cash settlement for the return of the savings of its customers placed in Non bank ABCP, since every other customer group within the Credit Union Central family of companies and Desjardins Group in Quebec has done so. Every individual in the broader Retail Customer Group (customers of Canaccord, Credential Securities and National Bank Securities) are surprised to have not gotten the same cash settlements for the face amount of Non Bank ABCP owned and accrued interest that the major banks paid their direct brokerage customers and their proprietary money market funds containing Non Bank ABCP that were bought by their retail mutual fund customers. These cash settlements were paid in the early months post the August 13, 2007 Non Bank ABCP Montreal Accord freeze, while the customers of Canaccord, Credential Securities and National Bank Securities have been waiting for seven months. The stranded Retail Customers Group are suffering considerable financial distress and delayed life plans, such as new homes, education for their children, business purchases, retirements, and simply having a lifestyle in retirement that they had saved capital for all their working lives.

Table 3 provides an organization chart for the Credit Union Central and Desjardins Group family of companies and CCS Pension Plan, which is the family encompassing Credential Securities as a member. This organization chart shows ownership and business relationships, and where Non Bank ABCP is owned in the family group and amongst its customers. It seems that the Credential Securities customers owning Non Bank ABCP directly in brokerage accounts are the only spurned group of customers.

Desjardins Group has bought out \$1,900 million of its retail and institutional customers owning Non Bank ABCP in money market mutual funds or other money management and custodian accounts. Desjardins Group was neither a wholesale or retail distributor of Non Bank ABCP to customers with brokerage accounts.

The Credit Union Central retail customers owning mutual funds containing Non Bank ABCP have not suffered losses since their portfolio managers bought the flawed Non Bank ABCP back for cash placed into the mutual funds.


Table 3 and the Notes to Tables 1 to 3 indicate that Central Financial Corporation (1989) Ltd. owned by the Credit Union Central of B.C. has bought \$2 million of the Non Bank ABCP owned in the Credential Money Market Fund, where it was the portfolio manager.

There was \$2 million of Non Bank ABCP sold to Meritas Financial Inc., a mutual fund company, which is majority owned by the Mennonite Savings and Credit Union that serves a membership base of some 15,900 members through seven branches and 5 sub-locations throughout Southwestern Ontario.

The Mennonite Savings and Credit Union was founded in 1964 to provide a vehicle for financial mutual aid within Ontario's Anabaptist faith community: including members of Mennonite, Amish, and Brethren in Christ churches. Early members' determination to build a financial institution with a mutual aid or "barn-raising" spirit gave rise to MSCU's corporate motto: *Building on a tradition of serving each other.*"



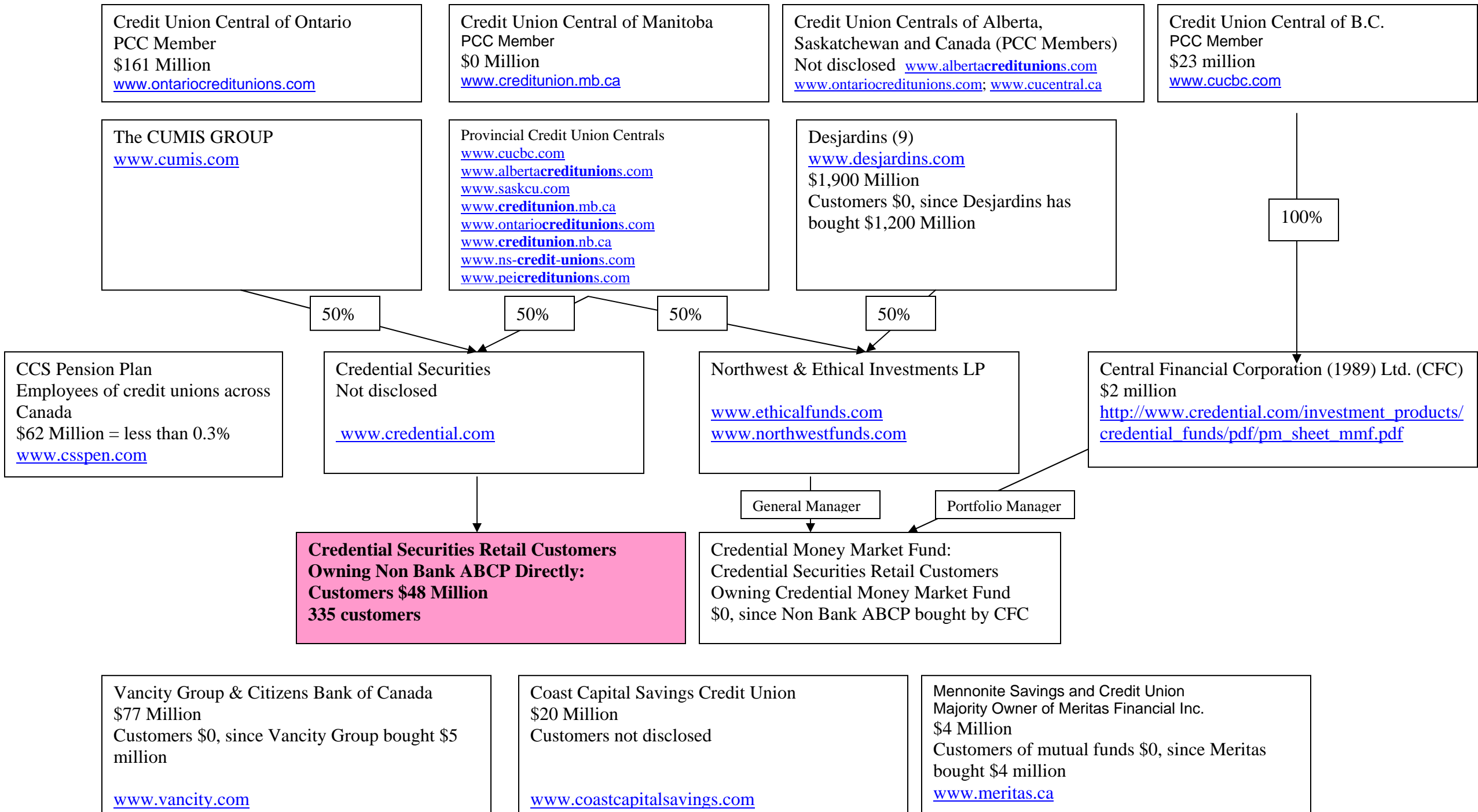
MAS
MEMBER
ASSISTANCE
SERVICES



Invest in MAS term deposits and help other members in times of need.

 Mennonite Savings and Credit Union
A tradition of trust.

Table 3: Organization Chart for Credential Securities, Credit Union Centrals and Desjardins



I have been unable to find financial statements for Credential Securities to determine their capacity to pay a cash settlement of \$48 million, plus accrued interest to its customers. The Credential Securities Customer Account Statement says: "A statement of the financial position of Credential Securities Inc. ("CSI") and a list of Directors and Senior Officers as at our most recently published fiscal year end is available upon request. Our clients in British Columbia are entitled to certain additional information about us, including information about commissions and fees that we charge, and about administrative proceedings that may relate to the firm and our staff."

Table 4:

Ontario Superior Court of Justice Court File No. 08-CL-7440 in the Matter of the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36 as Amended

SCHEDULE "B"

Applicants

ATB Financial
Caisse de Dépôt et Placement du Québec
Canaccord Capital Corporation
Canada Mortgage and Housing Corporation
Canada Post Corporation
Credit Union Central Alberta Limited
Credit Union Central of British Columbia
Credit Union Central of Canada
Credit Union Central of Ontario
Credit Union Central of Saskatchewan
Desjardins Group
Magna International Inc.
National Bank Financial Inc./National Bank Of Canada
NAV Canada
Northwater Capital Management Inc.
Public Sector Pension Investment Board
The Governors of the University of Alberta

Notes to Table 1 , 2 and 3:

(1) "Credential Securities Inc. is a wholly-owned subsidiary of Credential Financial Inc.... Credential Financial Inc. is owned by the eight Provincial Credit Union Centrals [50%] and The CUMIS Group Limited [50%]." ... "Credential Securities Inc. is the Canadian credit union system's preferred full-service investment dealer, with \$2.2 billion in assets under administration as at Jan 31, 2004. Established in 1995, we have Investment Advisors in over 135 participating credit unions in British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario."

[Source: http://www.credential.com/partner_services/full_service_brokerage.aspx]

"Credential Securities Inc., a brokerage for Canadian credit unions, said it sold its customers C\$48 million (\$47.2 million) in asset-backed commercial paper that has stopped trading. Credential sold the debt to about 335 individual investors, the Vancouver-based company said today in an e-mailed statement." [Source - Bloomberg - Credential Clients Hold \$48 Million in Frozen Canadian ABCP 03242008.pdf]

Provincial Credit Union Centrals

www.cucbc.com

www.albertacreditunions.com

www.saskcu.com

www.creditunion.mb.ca

www.ontariocreditunions.com

www.creditunion.nb.ca

www.ns-credit-unions.com

www.peicreditunions.com

Credit Union Central of Canada

www.cucentral.ca

The CUMIS Group

"CUMIS also has a 50 per cent interest in CUIS Brokerage Services Limited and Credential Financial Inc." [Source:

<http://www.cumis.com/cumis/freeFormDetail/0,1617,6190,00.html>]

(2) "the Fund [Credential Money Market Fund, where Central Financial Corporation (1989) Ltd. (CFC) is the portfolio manager] owns ABCP issued by the conduit issuers listed in Schedule A [Rocket Trust] ; as of the date of the Application, the face value of the ABCP held by the Fund [Credential Money Market Fund] was approximately \$4,010,000, "...in order to ensure an appropriate level of confidence of investors in the Fund [Credential Money Market Fund], if CFC determines that a sale of all or any of the ABCP held by the Fund to CFC is in the best interests of the Fund, CFC will acquire all, or such lesser portion as CFC may determine, of the ABCP held by the Fund as of the date of the Application and issued by the issuers listed on Schedule A, at a price per security equal to cost plus accrued interest as of the date the transaction occurs; CFC proposes to acquire the ABCP by payment in cash and the proceeds of the sale will be invested in eligible securities for the Fund; such transactions may occur during the period between the date the Requested Relief is granted and October 31, 2007." [Source: Credential Money Market - MRRS Decision on ABCP.pdf, dated October 31, 2007]

"About Central Financial Corporation (1989) Limited. Central Financial Corporation (1989) Ltd., ("CFC") is a wholly owned subsidiary of Credit Union Central of British Columbia, which provides discretionary portfolio and investment management services to the cooperative movement

[including portfolio manager for the Credential Money Market Fund]. Credit Union Central has managed the liquidity pool of the credit union system in British Columbia, approximately \$3.4 billion as at December 31, 2003, for more than 40 years. [Source: http://www.credential.com/investment_products/credential_funds/pdf/pm_sheet_mmf.pdf]

"We're [Credential Securities] proud to be the partner company of The Ethical Funds Company [general manager of Credential Money Market Fund], the proprietary fund family of the Canadian credit union system. The Ethical Funds Company was founded by the Canadian credit union system and is the first socially responsible mutual fund company in Canada." [Source: http://www.credential.com/investment_products/ethical_funds.aspx]

January 10, 2008 – Northwest Funds ("Northwest") and Ethical Funds ("Ethical") are pleased to announce the successful completion of the transaction to create a strategic partnership between the two companies. Initially announced on September 19, 2007, the partnership has created the new company Northwest & Ethical Investments L.P. ("Northwest & Ethical") under which both the Northwest Funds and Ethical Funds brands will continue to operate. Northwest & Ethical became responsible for managing the assets of both firms as of December 28, 2007. [Source: http://www.credential.com/news/news_01_10_08.aspx]

Northwest & Ethical Investments L.P. is owned 50% by the Provincial Credit Union Centrals and 50% by Desjardins Group. Initially announced on September 19, 2007, the partnership has created the new company Northwest & Ethical Investments L.P. ("Northwest & Ethical") under which both the Northwest Funds and **Ethical Funds** brands will continue to operate. Northwest & Ethical became responsible for managing the assets of both firms as of December 28, 2007. The partnership positions Northwest & Ethical to be one of the fastest growing investment companies in Canada." [Source: <https://www.ethicalfunds.com/en/Investor/OurStory/Pages/Team.aspx>]

(3) "Meritas Financial Inc. yesterday said it plans to protect investors in its mutual funds that hold troubled asset-backed commercial paper. The Cambridge, Ont.-based company intends to buy back all of the non-bank ABCP at 100 per cent of its purchase price plus accrued interest. It will buy just under \$2-million in ABCP that face liquidity problems, and are in its money market and bond funds. Its move follows on the heels of similar action by National Bank of Canada, Groupe Desjardins and Industrial Alliance Insurance and Financial Services Inc. to protect investors in their money market funds.." [Source: Meritas Financial Inc. - Meritas to buy back \$2 m in ABCP, August 23, 2007]

"MSCU [Mennonite Savings and Credit Union] is *unique* because of: ...Majority ownership of Meritas Financial Inc (Meritas Mutual Funds), a company that offers six socially responsible mutual funds through dealers and financial planners across Canada." [Source: <http://www.meritas.ca/invest.shtml> and http://www.mscu.com/about_advantage.html]

"Mennonite Savings and Credit Union (Ontario) Ltd. (MSCU) is a closed-bond credit union that serves a membership base of some 15,900 members through seven branches and 5 sub-locations throughout Southwestern Ontario. MSCU was founded in 1964 to provide a vehicle for financial mutual aid within Ontario's Anabaptist faith community. Including members of Mennonite, Amish, and Brethren in Christ churches. Early members' determination to build a financial institution with a mutual aid or "barn-raising" spirit gave rise to MSCU's corporate motto: *Building on a tradition of serving each other.*" [Source: http://www.mscu.com/about_advantage.html]

(4) Source: Credit Union Central of BC Media Release - Extend merger closing date to July 1, 2008.pdf, dated September 21, 2007.

(5) "CUCM does invest in ABCP's, however, only invests in offerings supported by the major banks. CUCM does not own any third party ABCP's and specifically does not own any of the ABCP's impacted by the current situation." [Source: Credit Union Central of Manitoba - NO ABCP Exposure.pdf, dated September 3, 2007]

(6) "A small number of Vancity members privately held \$5 million in ABCP. Shortly after the August 13 system-wide freeze of trading, Vancity made the decision to guarantee the liquidity and value of those members' ABCP investments." [Source: Vancity Media Release 2007 Yearend 02282008.pdf.]

(7) Coast Capital Savings Credit Union - ABCP Exposure 02282008.pdf

(8) "Established in 1939, the CSS Pension Plan supplies retirement products and services to co-operatives and credit unions across Canada through a member-owned, non-profit pension society. With approximately \$3 billion dollars under administration and more than 38,000 members, the CSS Pension Plan is one of Canada's largest defined contribution pension plans." [Source: <http://www.csspen.com/>]

"...Northwater Capital, the Plan's passive U.S. equities manager. Northwater holds approximately \$62 million in ABCP, at cost, in the Plan's two passive synthetic U.S. equities mandates. As the market for credit derivatives continues to deteriorate, the likelihood of a full recovery by holding the seven-year notes to maturity is decreasing. However, the extent of further losses, if any, may not be known for some time. To date, our manager has reduced the value of the frozen paper by approximately 12.4% to reflect its illiquidity and the uncertainty surrounding the proposed restructuring. In addition, no interest has been accrued since the paper matured in the fall of 2007. [Source: CCS Pension Plan - Asset Backed Commercial Paper Update 03232008.pdf]

"On December 31, 2007, Northwater Capital made a reduction to the unit prices of the two pooled funds in which CSS is invested, to reflect the current fair value of the ABCP held in the pools. The amount of the reduction was 12.4% of the face value of the ABCP, which we estimate at approximately \$7.6 million. This represents 2% of the value of the Northwater pooled funds, but only about 0.3% of the value of the CSS Balanced Fund. [Source: CCS Pension Plan - Asset Backed Commercial Paper Update 12232007.pdf]

(9) "It should be noted that last August, Desjardins announced that it would assume the non-bank-sponsored ABCP held in certain mutual funds in order to protect its members and clients from the prevailing market uncertainty. A few weeks later, it also assumed the non-bank sponsored ABCP acquired in connection with the securities custody and lending activities undertaken by Desjardins Trust on behalf of institutional clients for whom Desjardins had not originally assumed the risk. All of this commercial paper, valued at \$1.2 billion, together with the commercial paper held by Desjardins for its own investment purposes, was subsequently transferred to separate entities created for that purpose. The overall amount of ABCP involved totals \$1.9 billion, on which the write-down of \$160 million before income taxes is applied. [Source: Desjardins Group Q3 Financial Results.pdf, dated November 15, 2007.]