Media Release from The ABCP Retail Owners Committee
Monday, December 21, 2009, 9:00 A.M.

The investment industry's regulatory bodies (including the Investment Industry Regulatory Organization of Canada or IIROC and the Ontario Securities Commission or OSC) have issued press announcements that banks and financial institutions that marketed ABCP have contravened security regulations. Settlements of about $150 M are being considered for approval today, December 21, 2009. <u>Such a penalty is a loss of approximately 0.4 cents on the dollar of $35 billion of non-bank ABCP sold. No persons are being held personally responsible. No-one will have their 'right to practice' withdrawn or be subject to criminal prosecution.</u>

The Canadian market for non-bank asset backed commercial paper (ABCP) collapsed on August 13, 2007. Thirty-five billion dollars of this misrepresented savings product was sold to Canadian retail owners, corporations and all levels of government. The ABCP failure has presently removed about $20 billion from the Canadian economy. This short term savings product was marketed with a R1 High credit rating (the same as a T-Bill) and a bank liquidity guarantee. Both marketed attributes proved to be worthless.

Most retail owners of ABCP were able to use the Company Creditors Arrangement Act or CCAA court process to negotiate a settlement where our losses were reimbursed in exchange for agreeing to support a restructuring. However, approximately three dozen retail owners who had savings of over $1M were not repaid. A father of a disabled child who had no money to pay his bills committed suicide and all retail ABCP owners had their lives severely disrupted. Corporate and government owners have had to exchange their worthless paper for long term notes, which may allow them to recoup some of their losses in 2017. The best available estimate is that this paper might eventually be worth 60 cents on the dollar. Equally unjust, the Court supervised restructuring prohibits any of the injured parties (including those that voted against the restructuring) from suing the responsible parties.

There have been wide spread allegations of misrepresentation or fraud in the manufacture, credit rating and distribution of ABCP. My wife and I, along with others, have filed complaints with the IIROC. However the regulatory bodies such as the OSC and IIROC did nothing to assist the retail ABCP owners during the turbulent times when we were attempting to regain our savings. Our representative's appeals for assistance from the RCMP's Integrated Market Enforcement Team or IMET were referred to the self regulatory bodies. 'Small folks' like ourselves were simply left to 'duke it out' with some of the largest financial organizations in the country. <u>Most of the retail owners were very fortunate to regain their savings. However there was no opportunity to obtain compensation for 18 months of work or the personal turmoil, hardship or expenses that this fraudulent savings product caused.</u> More importantly, the non-retail ABCP owners have lost their savings and the responsible parties have not been held personably accountable. <u>Our experience with ABCP provides direct evidence of how the Canadian system of dealing with white collar fraud does not work to protect Canadian citizens. There will be little to deter similar fraudulent schemes in the future unless perpetrators are</u>

held personally responsible and face mandatory minimum jail time as stipulated in the federal governments' proposed amendments to the Criminal Code in Bill C-52.

We are encouraged that the IIROC has finally taken enforcement actions against Canaccord, Credential and Scotia Capital. Similarly, the Ontario Securities Commission (OSC) has finally taken enforcement action against the CIBC and HSBC Bank. We understand there is pending enforcement action between L'Autorité des Marchés Financiers with National Bank Financial. We are also pleased that allegations of securities violations have been laid against Deutsche Bank Securities and Coventree, that will be heard in January 2010.

However the persons at the banks and investment dealers who made the decisions to dump ABCP into the retail market between July 25 and August 10, 2007, after they knew its value was impaired, should now be investigated for possible breaches of the Federal Criminal Code. The causes of action defined in the OSC statement of allegations against Scotia Capital and by the IIROC against Deutsche Bank Securities are matters that are also defined to be of a criminal nature under S. 380 (2) of the Federal Criminal Code.

> S. 380 (2) Every one who, by deceit, falsehood or other fraudulent means, whether or not it is a false pretence within the meaning of this Act, with intent to defraud, affects the public market price of stocks, shares, merchandise or anything that is offered for sale to the public is guilty of an indictable offence and liable to imprisonment for a term not exceeding fourteen years.

The IIROC allegations against Scotia Capital are that:

> "Between July 25 and August 10, 2007, the Respondent failed to adequately respond to emerging issues in the Coventree asset-backed commercial paper (ABCP) market insofar as it continued to sell Coventree ABCP without engaging Compliance and other appropriate processes for the assessment of such emerging issues."

The IIROC allegations against Deutsche Bank Securities are:

> "During the period between July 25 and August 13, 2007, the Respondent failed to observe high standards of ethics and conduct in the transaction of their business, and/or engaged in business conduct or practice which is unbecoming or detrimental to the public interest contrary to IDA By-law 29.1 in that it failed to act fairly, honestly and/or in good faith to its clients by not disclosing the information relating to US subprime and the liquidity risk in third-party asset-backed commercial paper (ABCP) to all of its clients who had invested or were interested in investing in third-party ABCP, while continuing to sell third-party ABCP to its clients."

A letter from Mr. Dean Buzza, Director of the RCMP Integrated Market Enforcement Team, addressed to Mr. and Mrs. Urquhart, dated December 11, 2008 appears to explain why the RCMP IMET has not been involved in any ABCP criminal investigation so far.

> "..there is no guarantee that it [complaint from an ABCP victim] will be undertaken as a full blown investigation by the Unit. In the case of the IMET investigation, the Unit Commander is obliged, by the conditions imposed by the federal government, to present all potential investigations to the Unit's Joint Consultative Group ("JCG"), which is comprised of managers from various agencies involved in the enforcement and prosecution of criminal, "quasi-criminal," and/or regulatory matters."

This implies that IMET requires approval from members of the "JCG" (which includes the IIROC and the OSC) before proceeding with a criminal investigation. Justice cannot be guaranteed unless criminal investigations are entirely independent from any influence by the self regulating agencies that represent the interests of the financial industry.

It is also surprising that the OSC has not taken any enforcement action against DBRS. This firm gave ABCP its' highest credit rating despite a 2002 report from Standard and Poor's which concluded that Canadian non-bank ABCP failed the minimum credit rating criteria set out in Ontario securities regulations due to the inclusion of a 'General Market Disruption' clause in the bank guarantee. This meant that the bank liquidity guarantees would be unenforceable. This assessment was verified by events in August 2007.

Finally, we find it extraordinary that the Ernst & Young ABCP CCAA Court Monitor is requesting that the United States Bankruptcy Court, Southern District of New York approve a U.S. Recognition Order of Canada's Non Bank ABCP CCAA Restructuring Plan. If approved, this would prevent owners of Canadian Non Bank ABCP from filing a lawsuit in U.S. courts against the international and U.S. banks who were the asset providers to the Canadian Non Bank ABCP trusts. The request is being heard two days before Christmas on December 23, 2009 at 10:00 a.m. (EST) before the Honourable Martin Glenn in Courtroom 501 of the Bankruptcy Court, One Bowling Green, New York, NY 10004.

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Background Information on ABCP:

On Monday, December 21, 2009, the Investment Industry Regulatory Organization of Canada (IIROC) approved settlements with Canaccord, Credential, and Scotia Capital, who were Canadian distributors of toxic Non Bank ABCP.

The reason for the Scotia Capital settlement is: "Between July 25 and August 10, 2007, the Respondent failed to adequately respond to emerging issues in the Coventree asset-backed commercial paper (ABCP) market insofar as it continued to sell Coventree ABCP without engaging Compliance and other appropriate processes for the assessment of such emerging issues, contrary to Investment Dealers Association By-law 29.1 (ii) (now IIROC Dealer Member Rule 29.1(ii))."

The reason for the Canaccord and Credential settlements is described by IIROC to be: "In or about 2006 and 2007, the Respondent did not take steps to adequately ensure its sales staff understood the complexities of the third-party asset-backed commercial paper (ABCP) product it offered for sale to retail clients and the consequent risks (including systemic risks and counterparty risks) related to the product and, in not taking these adequate steps, did not ensure that the purchase of third-party ABCP was appropriately understood by its clients, contrary to Investment Dealers Association Regulation 1300.1(a) (now IIROC Dealer Member Rule 1300.1(a)).

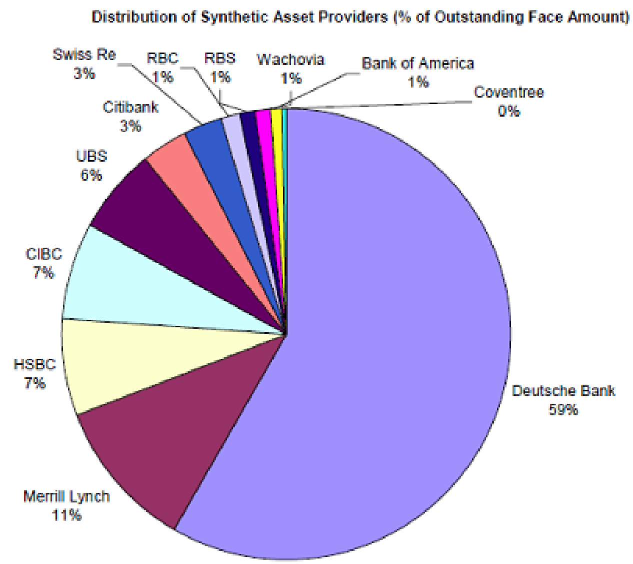
Deutsche Bank Securities has refused to settle with IIROC and the IIROC Notice of Hearing on January 6, 2010 and Statement of Allegations pertaining to Deutsche Bank covers allegations that: 1. During the period between July 25 and August 13, 2007, the Respondent failed to observe high standards of ethics and conduct in the transaction of their business, and/or engaged in business conduct or practice which is unbecoming or detrimental to the public interest contrary to IDA By-law 29.1 in that it failed to act fairly, honestly and/or in good faith to its clients by not disclosing the information relating to US subprime and the liquidity risk in third-party asset-backed commercial paper (ABCP) to all of its clients who had invested or were interested in investing in third-party ABCP, while continuing to sell third-party ABCP to its clients. 2. Between March and August 2007, the Respondent failed to ensure proper regulatory compliance oversight of third-party ABCP, contrary to IDA Policy 5."

The Ontario Securities Commission has also on Monday, December 21, 2009 approved settlements with HSBC Bank Canada and CIBC, who were also distributors of the toxic Non Bank ABCP. The reasons for settlement by these two investment banks given by the OSC are: "Between July 25 and August 3, 2007, Canadian Imperial Bank of Commerce and CIBC World Markets Inc. engaged in conduct contrary to the public interest by failing to adequately respond to emerging issues in the third-party asset-backed commercial paper (“ABCP”) market insofar as they continued to sell third-party ABCP without engaging compliance and other appropriate processes for the assessment of such emerging issues."

There are four primary allegations against Coventree and related allegations against its President, Geoffrey Cornish (“Cornish”) and its former Chief Executive Officer (“CEO”), Dean Tai (“Tai”), which will be heard by the OSC on January 14, 2010:
"(a) Coventree failed to make full, true and plain disclosure in its prospectus by failing to disclose the fact that DBRS had adopted more restrictive credit rating criteria for ABCP in November 2006;
(b) Coventree failed to meet its continuous disclosure obligations by failing to disclose that DBRS’s decision in January 2007 to change its credit rating methodology resulted in a material change to Coventree’s business or operations;
(c) Coventree made misleading statements in April 2007 by telling the market
that the total US subprime exposure in its sponsored conduits was 7.4 percent, but failing to provide investors with a breakdown of that exposure by conduit and ABCP note series. The exposure was higher than 15 percent in three conduits, and higher than 40 percent in one note series; (d) Coventree failed to

meet its continuous disclosure obligations by failing to disclose liquidity and liquidity-related events and the risk of a market disruption in the days leading up to the market disruption on August 13, 2007."

Table 1
Distribution of Non Bank ABCP Synthetic Assets By Asset Provider (% Face Amount)



Non Bank ABCP Synthetic Assets = Credit Default Swaps
Collateral Assets Face Amount - $22 Billion
Reference Credit Portfolios Face Amount - $221Billion

Source: JP Morgan Report on Restructuring March 14, 2008

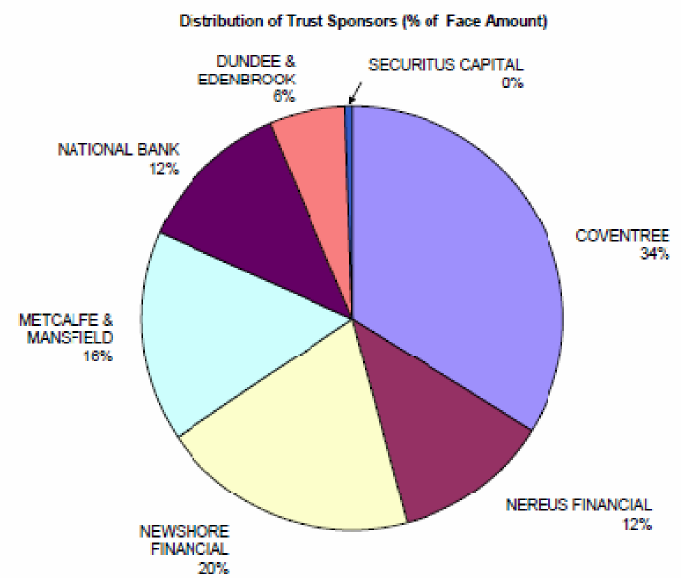
Table 2

Distribution of Non Bank ABCP by Type of Owner ($ Millions)

Retail Owners Exposed Through Retail Distributors		
National Bank	$2,000	
Desjardins	$1,200	
Canaccord	$138	
Credential	$39	
Other Cdn Securities Dealers	$320	
Estimated Over $1 Million Unsettled	$400	
Retail Owners Exposed Through Retail Distributors	$4,097	13%
Government Owners	$18,066	56%
Corporation Owners	$9,938	31%
Original Exposure to Canada's Non Bank ABCP	$32,100	100%

Source: Diane A. Urquhart, IIROC ABCP Compliance Review, Investment Bank Public Disclosures.

Table 3
Distribution of Non Bank ABCP By Financial Agent Sponsor



Non Bank ABCP Total - $35 Billion
Non Bank ABCP Under CCAA Restructuring Plan - $32 Billion

Source: JP Morgan Report on Restructuring March 14, 2008

Coventree owns 100% of Nereus Financial, making Coventree's total share of the Non Bank ABCP market 46%

Table 4
Distribution of Initial Distribution Agents of Non Bank ABCP

	Initial Distribution Non Bank ABCP	
	$ Millions	%
BMO Nesbitt Burns	$1,300	4%
BNP Parabas	$900	3%
CIBC World Markets	$6,300	20%
Desjardins Securities	$800	2%
Deutsche Bank Securities	$2,500	8%
HSBC Securities	$5,400	17%
Laurentian Bank Securities	$3,300	10%
National Bank Financial	$8,000	25%
RBC Dominion	$300	1%
Scotia Capital	$1,700	5%
Societe Generale Securities	$1,700	5%
Total	$32,100	100%