

NATIONAL POST

Wednesday, April 02, 2008

Investors didn't see pain coming

ABCP Roadshow

Carrie Tait And Gordon Jaremko, Financial Post And Canwest News Service

Published: Wednesday, April 02, 2008

Presented by



CALGARY and EDMONTON -Layne Arthur does not have the heart to tell his dad what has happened to the proceeds from the sale of his family farm. He invested the cash --about \$434,000 --into nonbank asset-backed commercial paper (ABCP), and has now joined the ranks of about 1,800 to 2,000 retail investors fretting about what will become of their investments.

"It was a third-generation farm that I sold," Mr. Arthur said outside a meeting room in a downtown Calgary hotel, the fourth stop of the cross-country tour by Bay Street lawyer Purdy Crawford and his "restructuring" committee attempting to salvage value from the failed financial products.

"I haven't had the heart to tell my dad," Mr. Arthur said. "It would break his heart."

The committee held Edmonton and Calgary meetings on the tour that includes distributing telephone directory-sized information books explaining the market for ABCP and the rescue plan.

The tour concludes today in Vancouver.

Mr. Arthur, who also attended the investor meeting in Edmonton in the morning, is not only frustrated by the losses he and others will likely take because of the frozen market, but also because he thinks the major institutional investors -- as well as Mr. Crawford's committee -- are making it difficult for retail investors to unite.

"They are doing their damndest to make sure this thing passes" said Mr. Arthur, part of a group trying to collect the names of individual investors and handing out information outside of the meetings.

Mr. Arthur, a former trucker, said the group has asked Mr. Crawford's committee, Cannacord Capital Inc. and Credential Securities Inc. for a list of retail investors holding ABCP, to no avail.

In Edmonton, Vladimir Salyzyn, 78, told the committee he kicks himself for being out \$900,000 because he has a commerce degree, teaches economics and should have known better where to put his money.

Murray and Cindy Candlish told the Edmonton session there was no hint ABCP spelled trouble. The couple reported their life savings of \$350,000, like Mr. Salyzyn's cash from selling a farm, is locked away from them in ABCP.

The certificates gave off no whiff of risk until the moment they failed because they only paid at best a fraction of a percentage point more interest than conventional savings deposits, agreed Peter Myers.

"I was told it was triple-A rated and guaranteed by the banks," said the 64-year-old engineer, adding the financial crisis that halted

Investors didn't see pain coming

ABCP withdrawals froze his "substantial" retirement nest egg.

Retail investors own an estimated \$127-million in ABCP, or less than four-tenths of 1% of a total \$35-billion in frozen certificates representing money-market assets from real estate mortgages to receivable balances owing on credit cards and auto-lease contracts.

But the personal savings group will have clout in a vote on the restructuring plan on April 25, said committee member Stephen Halperin, a Toronto lawyer.

The court-supervised process requires approval by a double majority representing two-thirds of total ABCP face value and 50% plus one of its owners by head count.

"A noteholder who has \$1,000 invested has the same vote as a noteholder who has \$1-billion invested," and personal investors "vastly outnumber" institutional and corporate owners, Mr. Halperin said.

Copyright © 2007 CanWest Interactive, a division of CanWest MediaWorks Publications, Inc.. All rights reserved.