

**Representative Co-Counsel for Ad Hoc Retail Holders – ABCP  
Recommendations for:**

- (1) Canaccord Relief Plan;**  
**(2) Credential Relief Plan; and**  
**(3) Upcoming Restructuring Plan Vote.**

**REPORT NO. 1**  
**(April 21, 2008)**

**A. Recommendations**

Subject to the comments below:

- I. Representative Co-Counsel for the Retail Holders of ABCP recommend that eligible Retail Holders accept the Canaccord Relief Plan and/or the Credential Relief Plan (whichever is applicable). In the case of the Credential Relief Plan, it is assumed that its terms and conditions will be identical to the Canaccord Relief Plan.
- II. Representative Co-Counsel for the Retail Holders of ABCP recommend that eligible Retail Holders for the Canaccord Relief Plan and/or the Credential Relief Plan (whichever is applicable) vote in favour of the Plan of Compromise and Arrangement dated March 19, 2008 proposed by the Applicants (the “Plan”).
- III. Other retail holders of ABCP who are not able to take advantage of either of the Canaccord Relief Plan or the Credential Relief Plan will have different interests to consider in voting for or against the Plan. These interests will depend on each holder’s individual circumstances. Representative Co-Counsel for the Retail Holders of ABCP cannot and do not make a recommendation to these holders in these circumstances.

**B. Background**

This Report is submitted by Representative Co-Counsel for the Retail Holders of ABCP in respect of the motions returnable April 22, 2008. Further to the order of the Honourable Mr. Justice Campbell made April 15, 2008, Representative Co-Counsel shall: “represent the interest of all persons, family trusts or personal holding corporations that purchased ABCP from a retail brokerage and shall

advise those on whose behalf they are hereby appointed in all aspects of these proceedings ...”.

**C. Who Are the Retail Holders of ABCP for the Purposes of this Report?**

The Retail Holders of ABCP can be broken down as follows:

- (a) those who purchased it through Canaccord;
- (b) those who purchased it through it through Credential; and
- (c) others.

There are approximately 1,445 retail holders of ABCP who purchased it through Canaccord; they hold ABCP in the approximate total amount of \$165 million. There are approximately 336 retail holders of ABCP who purchased it through Credential; they hold ABCP in the approximate total amount of \$50 million.

There are approximately 10 other retail holders of ABCP who have approached Representative Co-Counsel. The total amount of ABCP they hold is as yet undetermined but one of them has an outstanding holding of approximately \$20 million.

**D. The Canaccord Relief Plan and Credential Relief Plan**

Both Canaccord (Canaccord Capital Corporation) and Credential (Credential Securities Inc.) have made offers to Retail Holders of ABCP who purchased it through their respective firms (referred to herein as, respectively, the “Canaccord Relief Plan” and the “Credential Relief Plan”). Both the Canaccord Relief Plan and the Credential Relief Plan are limited to those whose holdings of ABCP are \$1 million or less. The expected effect of these offers is that eligible Retail Holders of ABCP will receive the face value of their ABCP plus some interest.

Those retail holders of ABCP who are not eligible to participate in the Canaccord Relief Plan and/or the Credential Relief Plan may be broken down as follows:

- (i) of those who purchased it through Canaccord and hold more than \$1 million, there are approximately 15 retail holders (of whom approximately 8 are understood to be Canaccord employees), holding approximately in total ABCP of \$27 million;

- (ii) of those who purchased it through Credential and hold more than \$1 million, it is believed that there is only 1 retail holder who has an indeterminate amount; and
- (iii) the others known to Representative Co-Counsel in the approximate number of 10 who hold an indeterminate amount.

#### **E. Due Diligence**

Representative Co-Counsel for the Retail Holders of ABCP attended, in accordance with earlier requests and on our first opportunity to do so, before the representatives of Canaccord in Toronto earlier today, and examined documentation related to the Canaccord Relief Plan, selected by Canaccord's representatives for our review.

We did have the opportunity to review the form of letter of credit that secures an unidentified purchaser's (or purchasers') obligations to purchase your ABCP Notes. We were satisfied that the redacted form of letter of credit, which we were advised had been issued, is irrevocable and unconditional. We were not permitted to copy such letter of credit.

We were not permitted to review the proposed purchase agreement between Canaccord and the unidentified purchaser. However, we were provided for our review a specific section of the purchase agreement, listing those conditions that had to be fulfilled for the purchaser to be obligated to complete the purchase transaction. We were satisfied that all such conditions were commercially reasonable in the circumstances and, in the normal course, could and would be satisfied. We were not permitted to copy such section.

Representative Co-Counsel are now satisfied that the Canaccord Relief Plan is valid, bona fide and in accordance with its existing commercial terms. Assuming the Credential Relief Plan is valid, bona fide and in accordance with identical commercial terms, approximately 1,430 customers of Canaccord (who hold approximately \$138 million of ABCP) and approximately 335 customers of Credential (who hold approximately \$48 million of ABCP) will be able to take advantage of the Canaccord Relief Plan and the Credential Relief Plan respectively.

## **F. Plan Approval**

The Canaccord Relief Plan and the Credential Relief Plan are both conditional on the Plan being passed without material change and implemented.

In earlier communications, we commented on the Plan approval process. The requisite voting requirements for Plan approval consists of 51% in number present in person or by proxy of the entire class together with 66 2/3 % of the dollar value present in person or by proxy of each creditor entitled to vote.

Because we believe that the Canaccord Relief Plan and the Credential Relief Plan will return to eligible Retail Holders substantially all of the money they are owed, and because both the Canaccord Relief Plan and the Credential Relief Plan are conditional on the Plan being passed without material change, we recommend that eligible Retail Holders for the Canaccord Relief Plan and/or the Credential Relief Plan (whichever is applicable) vote in favour of the Plan.

Although the intended effect of the Plan, as currently contemplated, is to release any claims the Retail Holders may have against Released Persons (as defined in the Plan), including, for example, claims for economic loss, we believe, based on our existing knowledge and the current state of law, that this is a reasonable compromise in these circumstances.

Other retail holders who are not able to take advantage of either of these offers will have different interests to consider in voting for or against the Plan.

Note also that the outstanding standstill agreement and contractual participation of the Asset Providers (as defined in the Plan) is time limited and will expire on April 30, 2008. Counsel for the Asset Providers (as defined in the Plan) has indicated to the court that the aforementioned standstill agreement will expire on April 30, 2008.

## **G. April 22 Motions**

There are approximately 12 motions being brought by various creditors that will be heard on April 22, 2008 at 10:00 AM. None of these creditors can take advantage of either the Credential or Canaccord Relief Plans. Parts of these motions seek a court order altering the Plan in material ways; for example, they seek to reclassify creditors or to exclude people from the terms of the Release. If the Plan is materially changed, then the Canaccord Relief Plan and the Credential

Relief Plan, at this time, will not be available for you to accept. We feel that this would be a matter of great concern to a vast majority of Retail ABCP Holders and we will advise the court accordingly.

**H. Disclaimer**

This Report is intended for the sole use of Retail Holders of ABCP for whom Representative Co-Counsel act, pursuant to earlier Order of the court. No other person may refer to or rely upon or make use of this Report.

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