

Trustees taking Crown Trust to court for \$6.5 million

Investment trouble?

By ANI FEDERIAN
Herald Staff Writer

The Halton board of education has formally served notice on the Crown Trust Company, demanding payment of two overdue guaranteed investment certificates which total \$6.5 million.

Trustees knew they had \$4 million invested in the company but it wasn't until the conclusion of Thursday night's board meeting that they learned another investment of \$2.5 million due Jan. 7 had not been redeemed as believed.

Crown Trust and its assets were seized by the Ontario government Jan. 7, and its customers are only able to withdraw up to \$60,000 of their investments with the trust company.

Board superintendent of finance Barb Moore told a quietly attentive audience of the confusion leading to the discovery Jan. 25 that the \$2.5 million investment was still with Crown Trust.

She said the board had asked its broker back on Jan. 7 to redeem the \$2.5 million investment and re-invest \$2.2 million of it with the Toronto Harbour Commission.

A slip received from the broker Jan. 14 stated that the \$2.2 million had been placed with the Commission, and forwarded \$16,935 as the interest accrued from the Crown

Trust investment.

However, because of the government takeover, the cheque issued by Crown Trust didn't clear through the bank and was returned to the board's broker.

"The broker said it was the first time they've ever had a cheque bounce and his staff didn't know what to do with the problem," Mrs. Moore explained.

Jan. 18, another slip came from the broker stating that the transaction had been reversed. Mrs. Moore said that the envelope containing the reversal slip was opened by a clerk and not looked at until Jan. 25 when the board was expecting the Commission investment to come due.

"People don't look at them as closely as they should because this kind of thing doesn't normally happen," Mrs. Moore said. "Due to the fact that the accounting department was completing their year-end reports, the slip was not really looked at and put in the mail."

Jan. 25, after many attempts over the past two weeks to reach Woods Gordon, trustees for Crown Trust, contact was finally made, and Woods Gordon confirmed that as of Jan. 7, the board had \$6.5 million on deposit in guaranteed investment certificates at 10.75 per cent interest and that

they had been converted into callable notes at 10.75 per cent, Mrs. Moore reported.

Trustee Bill Priestner asked her whose decision it was to invest money in Crown Trust.

"The decision was ours," Mrs. Moore said. "The broker advises what is available for the time we want to invest and the interest rates." Crown Trust had provincial government approval as a safe investment for boards of education and municipalities.

"By Jan. 7 it was known Crown Trust was under investigation. Why, then, did the broker who looks after our money not quickly get the cheque in his hand and do something with it?" Mr. Priestner demanded. "And why did we only find out yesterday (Wednesday) that we didn't get the money (\$2.5 million)?"

Mrs. Moore replied that she didn't know why nothing was done prior to Jan. 7 by the board's broker.

"We've got to be smarter in what we do with our funds and not sit around waiting while things sit in a tray," Mr. Priestner commented. "We've got to get some better method of handling the problems than we have."

The board still has the interest from the \$2.5 million which the broker sent with the incorrect slip advising them of the \$2.2 million Harbour Commission investment. However, Mrs. Moore said the board has no insurance to cover the loss of its \$6.5 million investment with Crown Trust, if that should happen.

By serving notice, Mrs. Moore said it isn't the intent of the board to bring Crown Trust to bankruptcy.

"It lets them know we're not just sitting waiting for things to happen," Mrs. Moore said.

Trustees adopted the move recommended by the board solicitor and

ore going on record with the ministry of education, informing them of the situation. As well, to protect the board's interests, a firm of solicitors has been hired while the \$4.5 million issue is resolved.

Mrs. Moore said the invested money was part of a total \$7.8 million derived from supplementary taxes, accrued salaries and accounts payable, the reserve for working funds and 1982 surplus. The investments were made because of a favorable cash flow in December, resulting in sufficient funds to encourage short-term investments until the money would be needed in January.

The board invested \$600,000 in 'callable notes' (maturing Jan. 17) with the Harbour Commission back in December, and \$300,000 in callable notes with the broker, maturing Jan. 4.

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