

Business

Norbourg victims recoup losses; 'Great victory'; Defendants agree to \$55M settlement, lawsuit dropped

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Michel Vezina's beaming face told the story.

The Norbourg nightmare is almost over for the 71-year-old South Shore resident and 9,200 other investors of the failed Montreal investment company, with an ending only the most optimistic could have imagined.

An agreement in principle concluded late Tuesday with institutions targeted by a class-action lawsuit means investors will recoup some of the more than \$100 million

swallowed up in the 2005 collapse of Vincent Lacroix's fraud-ridden empire. Cheques may be in the mail within four months.

Lawyers for the Norbourg victims called the agreement "a great victory" and precedent setting for a case of this magnitude.

"I'm very proud, very happy and ready to turn the page, do other things than live the stress of the last five years," said Vezina, who sat alongside the lawyers at their news conference yesterday, smiling throughout

"I'm ready to forget everything called Norbourg, including Vincent Lacroix. That'll happen when I get my cheque."

Vezina was a labourer who retired two years before Norbourg went under. He had to return to work when he and his wife lost virtually all their \$300,000 nest egg, and committed himself to another renovation job as recently as Monday, because the longrumoured settlement still hadn't been inked.

Under the deal, which requires approval in Quebec Superior Court to proceed, a group of defendants -including the Quebec securities regulator, Autorite des marches financiers (AMF), accounting firms KPMG and Beaulieu Deschambault, accountant Remi Deschambault and trust companies Concentra and Northern Trust Company Canada -agreed to pay a total of \$55 million, with no public breakdown of their respective contributions and no admission of responsibility.

The \$55 million is on top of the \$32 million in compensation the AMF paid from its indemnity fund to 925 Norbourg victims in 2007, and \$26 million from the liquidation of Norbourg assets and tax refunds from Revenue Quebec, raising the total to \$113 million, roughly 100 per cent of the capital lost (though the still-undetermined fees of the class-action legal team from Quebec City, to be deducted from the \$55 million, will reduce the total somewhat).

In return, lawyers for the victims agreed to end all Norbourg-related legal action, including another class-action suit against the Caisse de depot et placement du Quebec, which sold mutual-fund operations to Norbourg in 2003.

Not getting a decisive judicial determination of who was responsible for what is "the cost of reaching an agreement," lawyer Jacques Larochelle said.

In a joint news release, the parties said they reached the settlement in the interest of the victims and to avoid a lengthy and costly trial due to begin Jan. 31. The mediation process was initiated and overseen by Superior Court Judge Francois Rolland.

Norbourg investors won't even have to do any paperwork to get the money. Their names are on file and they'll be reimbursed automatically, Larochelle said. If they've changed addresses, they should notify accounting firm Ernst & Young, which will handle distribution (on the tab of the AMF).

Asked the primary lesson of this particular case, Larochelle quickly answered "never put your trust in Vincent Lacroix." The former Norbourg CEO pleaded guilty to nearly 200 criminal charges in 2009 and was sentenced to 13 years in prison. He reportedly is seeking to be transferred to a halfway house in Ontario.

Dr. Wilhelm Pellemans of Morin Heights, one of the co-plaintiffs in the class action, called the agreement "extremely satisfying" and praised the efforts and compromises of the parties involved as well as the "compassion" of the defendants who agreed to pay.

"There are no past examples of an agreement of this nature," he said.

Pellemans said the victims always felt they had an excellent case, and "we had the (legal) team to get it settled."

For the class-action suit, Larochelle joined forces with Letourneau Gagne, the small Quebec City firm with a history of significant legal victories for investors, including a \$3-million judgment (with \$1.5 million in punitive damages) against CIBC World Markets in 2006 for retirees Haroutioun and Alice Markarian.

Another suit

While justice has been served for Norbourg victims, it's been 19 months since **Earl Jones**'s \$50-million **Ponzi** scheme came to light. More than 150 people lost savings and inheritances and were saddled with huge mortgages when the scheme collapsed.

Jones, who was never registered as a financial adviser, is in jail for theft and fraud, but victims are suing the Royal Bank for what they allege was wilful negligence in allowing Jones to run money in and out of what was supposed to be a segregated account.

The class-action suit is for \$40 million.

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A timeline of the Norbourg affair

2005: Securities regulators shut down the Montreal investment company in August, discover more than \$100 million missing

2006: Norbourg founder and chief executive Vincent Lacroix declared bankrupt, charged with 51 security act violations; class-action lawsuit filed on behalf of 9,200 investors

2007: More than 900 investors receive \$32 million from the Autorite des Marches Financiers (AMF) compensation fund in January.

On Dec. 11, Lacroix is found guilty of all charges in a 67-page judgment that is handed down by Quebec Court Judge Claude Leblond. He offers no defence or closing arguments. Three days later, Lacroix admits defrauding his clients, blaming the financial scandal on his own incompetence, immaturity and boozing.

2008: Lacroix is fined \$255,000 and sentenced to 12 years in prison for the securities infractions (subsequently reduced to five years).

2009: Lacroix pleads guilty to nearly 200 criminal charges and gets a 13-year sentence

2010: The AMF is ordered by court judgment to pay more than \$7 million in compensation to another 138 Norbourg investors whose claims it initially rejected. Judge Bernard Godbout says there were no grounds for denying the group. AMF appeals.

2011: A \$55-million agreement in principle stops a class-action lawsuit by remaining Norbourg victims scheduled to begin in January and last 16 months.

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Colour Photo: PHIL CARPENTER , THE GAZETTE / Investor Michel Vezina (left) thanks lawyer Jacques Larochelle at the close of a news conference in Montreal yesterday. Investors in collapsed mutual-fund company Norbourg will be getting much of their money after a \$55-million agreement.;

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