

AMF negligent in Lacroix affair, court told

'Ignored numerous warning signals'; Class-action suit seeks \$130 million

BY MIKE KING, THE GAZETTE JULY 4, 2009



Lacroix operated Groupe Norbourg.

Photograph by: PIERRE OBENDRAUF, THE GAZETTE, The Gazette

Quebec's financial watchdog failed miserably to protect 9,200 people from being bilked of \$115 million by disgraced businessman Vincent Lacroix, the victims' lawyers reminded the courts this week.

The Quebec City law firm of Létourneau Gagné has asked the Quebec Superior Court to reject the defence presented by the Autorité des marchés financiers against a \$130-million class-action lawsuit brought on by those defrauded to try to recoup their losses.

"Examining the successive interventions of the AMF shows in an eloquent manner the total absence of diligence, its negligence and serious insouciance in regard to protecting the public and investors in particular," states the document filed in Montreal on Thursday.

"Those faults at this point are so unrefined, inexplicable and incomprehensible that the AMF must be deprived of the benefit of immunity it has invoked," the 20-page filing said.

Since the suit was launched in the fall of 2006 in the name of lead plaintiff Wilhelm Pellemans, the lawyers have maintained the AMF couldn't claim to be defending the rights of investors when its own actions were so questionable.

In Thursday's document, the lawyers repeated they have proof that "AMF upper management lamentably failed its most elementary responsibilities by ignoring all the numerous and crucial warning signals revealed to it through forays into the Norbourg affair."

The reference is to former Groupe Norbourg, which was founded and operated by Lacroix. He was convicted in December 2007 of 51 Quebec Securities Act violations for swindling 9,200 investors out of their savings between 2000 and 2005.

He received a 12-year sentence in January 2008 and had it reduced on appeal to 8 1/2 years last July - one month after being hit with a related 200 criminal charges of fraud, conspiracy to defraud, conspiracy to commit forgery, fabricating documents and money laundering.

"Maybe because of the total administrative confusion that reigned within the organization during the years of its implementation and certainly because of the appointment to management positions of personnel often incompetent and under qualified, the AMF didn't make decisions that circumstances dictated would have permitted it to avoid, if not stop, Lacroix's fraud much sooner," the class-action lawyers argued in this week's petition.

They noted the securities regulator ignored troubling information about Lacroix and his business actions that was made available as early as 2001.

The Securities Act charges weren't laid until March 2006.

"The AMF was very early in a position to understand the situation and collect sufficient evidence to act, but instead dragged its feet."

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