

OFFPRINT

INFORMATION BROCHURE on the Norbourg affair intended for investors

produced by the Autorité des marchés financiers (AMF)

MAY 2006 TO JANUARY 2007



Analysis of compensation claims submitted to the financial services compensation fund

Recall

Under its constituting Act, the AMF helps protect consumers, and it does so in particular through its financial services compensation fund ("*Fonds d'indemnisation des services financiers*").

Established under section 258 of the *Act respecting the distribution of financial products and services* ("Distribution Act"), the fund is financed by members of the distribution industry and is intended exclusively for victims of fraud, fraudulent tactics or embezzlement for which a firm, an independent representative or an independent partnership is responsible in the course of their distribution activities.

The maximum compensation payable through the fund is \$200,000 per claim.

FINDINGS FROM ANALYSIS OF COMPENSATION CLAIMS

As mentioned in May 2006,¹ the misappropriation (or embezzlement) of Norbourg, Evolution and Perfolio funds was committed by a fund manager. The latter is not governed by the Distribution Act, which grants compensation powers to the financial services compensation fund.

On several occasions, the AMF informed defrauded investors of the possibility of submitting a claim to its compensation fund.

The AMF therefore proceeded with an analysis of 1,987 claims. These claims were submitted during the one-year legal eligibility period that ended on August 26, 2006.

Based on its investigation of the Norbourg affair and its overall analysis of compensation claims, the AMF was able to:

- confirm that the losses incurred by investors were indeed the result of embezzlement committed by a fund manager, who is not governed by the Distribution Act, and are therefore not covered by the compensation fund;

1. See information brochure on the Norbourg affair intended for investors, published in May 2006.

- determine however that, in certain instances, the fund manager's scheme extended to distribution activities because it included fraudulent tactics carried out at group savings plan brokerage firms Norbourg Capital Inc. and *Groupe Futur Inc.* through twenty or so representatives; this related to the sale of Norbourg funds only.

The AMF analysis revealed that Vincent Lacroix and the firms Norbourg Capital and *Groupe Futur* set up financial incentives intended to recruit representatives for the sale of Norbourg funds. In this way, some twenty representatives logged significant sales of these funds in consideration of financial incentives that were not justified. These incentives appear to have been part of an extensive scheme launched by Vincent Lacroix to generate Norbourg funds and misappropriate the funds for his own benefit.

APPROXIMATELY 925 INVESTORS COMPENSATED

Approximately 925 investors, or almost half of compensation claims submitted, could therefore receive an indemnity through the compensation fund managed by the AMF, for a maximum amount of \$200,000 as stipulated under the rules of the fund. These investors submitted their claims before August 26, 2006 and had acquired units in Norbourg funds through group savings plan brokerage representatives attached to Norbourg Capital and *Groupe Futur*.

As for the other investors who conducted business with group savings plan brokerage representatives, they are unfortunately not eligible for compensation from the AMF. Their claims will be rejected because of a lack of evidence whereby concrete measures were taken to promote the sale of the funds in dispute. Claims submitted by investors who did not conduct business with a group savings plan brokerage representative will also be rejected because the compensation fund has no jurisdiction over securities dealers with an unrestricted practice.

Other venues are available for the recovery of funds and, in this regard, a number of steps have been taken. They relate to distributing the remaining funds, maximizing the realization of a bankrupt's assets and launching legal proceedings.

COMPENSATION PAYMENTS

In mid-January 2007, the AMF will communicate its position in writing to the 1,987 investors who submitted a claim. Investors with eligible claims will be notified that an analysis of losses eligible for compensation is still under way. Investors whose claims have been rejected will receive a letter explaining the decision in detail. Claimants who have not received such a letter by April 15, 2007 are asked to contact the AMF Information Centre at 1 866 526-0311.

Each investor eligible for compensation will subsequently receive a decision from the AMF detailing in particular a specific assessment of the compensation amount based on the net investment and the \$200,000 maximum, as stipulated in the compensation fund rules.

The AMF will make every effort to ensure that the compensation payments are made as expeditiously as possible.

Furthermore, the AMF will take appropriate measures against any person who may be liable toward investors with eligible claims for the purpose of recovering amounts paid to victims.

A press release was issued by the AMF on January 18, 2007 and posted on its website at www.lautorite.qc.ca. It provides an overview of its analysis of claims submitted by investors who incurred losses in this unfortunate affair.

Summary

- *The AMF analyzed the 1,987 claims submitted during the one-year legal eligibility period that ended on August 26, 2006.*
 - *Approximately 925 investors, or almost half of compensation claims submitted, could receive an indemnity through the compensation fund for a maximum amount of \$200,000.*
 - *In mid-January 2007, the AMF will communicate its position in writing to the 1,987 investors. Claimants who have not received such a letter by April 15, 2007 are asked to contact the AMF Information Centre at 1 866 526-0311.*
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