

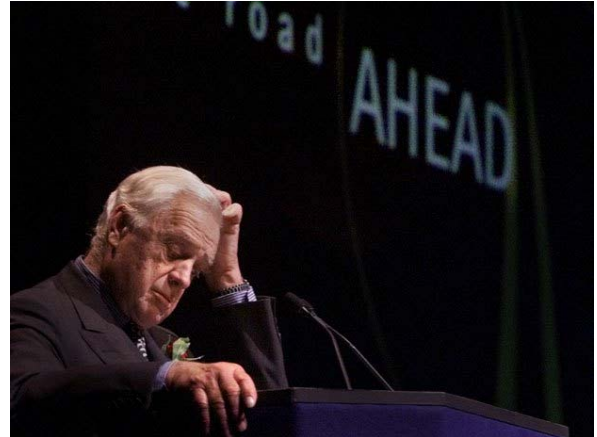
FINANCIAL POST

Castor legal saga may be over after 15 years

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One of the longest legal sagas in Canadian history may finally be over after Quebec's Appeal Court largely upheld a lower court decision that auditors Coopers & Lybrand were negligent in the collapse of real estate finance company Castor Holdings Ltd.

The case has been going on for 15 years, generating a series of superlatives: Longest running auditors liability case in Canada (Started in 1998). Biggest auditors liability case (Featuring an estimated 18,000 exhibits entered in the court record and claims topping \$1-billion). It's also believed to be the longest-running securities case on the books.



The lead plaintiff, former John Labatt Ltd. chief executive Peter Widdrington, has died. The judge initially trying the case suffered heart trouble and had to be replaced.

Meanwhile, the jet-setting financier at the centre of the saga, Wolfgang Stolzenberg, still hasn't faced justice in Canada despite a country-wide arrest warrant issued by the RCMP in August last year. He's believed to be living in Germany.

The case centres on the fallout from the collapse of Montreal-based Castor, a property finance company run by Mr. Stolzenberg that sunk with \$1.6-billion in debts.

Scores of banks, institutions and rich individuals across North America and Europe loaned money to Castor, including Chrysler Canada's pension fund, credit unions in B.C. and Saskatchewan and German banks.

Some 20 investor groups sued Castor's former auditor, then known as Coopers & Lybrand, alleging it was negligent in failing to properly audit the company and grossly misrepresented the state of its finances. Coopers is now part of PricewaterhouseCoopers LP.

Quebec Superior Court judge Marie St-Pierre ruled in favour of Mr. Widdrington and the appeal court upheld that decision in a ruling released late Monday, said Avram Fishman, a Montreal attorney acting for the estate of the late beer executive.

The ruling also is applicable and binding on all other pending cases against Coopers for damages totaling more than \$1-billion, Mr. Fishman said.

The court ruled that individual auditors working for Coopers are also liable, he said. He calculated that each of the Coopers partners sued in this case will be responsible for more than \$4-million each.

“We are hopeful that this Court of Appeal judgment will finally result in substantial recovery in the very near future for the many creditors affected,” Mr. Fishman said, adding he was personally relieved the case is drawing to a close.

Yvan Bolduc, an attorney with Heenan Blaikie LLP in Montreal acting for the defendants, said he was disappointed by the ruling given the attention the appeal judges gave to the case. The defendants still have one final option available – a leave to appeal to the Supreme Court of Canada. The court may or may not decide to hear the matter.

Said Mr. Bolduc: “We all like to win our cases. But there are some monumental questions that remain in this case that should normally receive a final and determining answer by the Supreme Court.”

Al Rosen, a Toronto-based forensic accountant who was a witness in the trial, expects the Supreme Court will not hear the case, meaning Monday’s ruling would be the conclusion. He said the ruling could have an impact on other similar cases in Canada.

“I think it will open the door to legitimate lawsuits that had previously been suppressed,” Mr. Rosen said. “I think the auditors had a free ride for a long time and could have used that time to improve the quality of the auditing... It’s necessary to open it up to give justice to other groups who relied on the financial statements to their disadvantage.”