

# Vancouver Sun; With Files From Canadian Press

Eron victims get day in court: Lawyers on both sides have 120 days to file their arguments with the Supreme Court of Canada as to whether class action should proceed.

Friday, August 18, 2000  
Page: F1 / FRONT  
Section: Business  
Byline: Steve Mertl and Michael McCullough  
Source: Vancouver Sun  
Illustrations: Color Photo: Robert Hobart: Accused of showing negligence.

Color Photo: Mary Francis Cooper: Real estate agent lost \$94,500.

The Supreme Court of Canada is giving investors who lost \$222 million in a massive mortgage scam the chance to argue the B.C. government should cover their losses.

The high court on Thursday granted Eron Mortgage Corp. investor Mary Francis Cooper, a North Vancouver real estate agent who lost \$94,500 in Eron's collapse, leave to appeal a decision by the B.C. Court of Appeal last February that quashed a class-action suit against registrar of mortgage brokers Robert Hobart.

Cooper claimed that Hobart showed negligence by waiting until October 1997, to revoke Eron's licence even though he learned of financial irregularities at the company 13 months earlier. Some 3,350 investors, almost all from B.C., subsequently lost \$222 million in loans placed through the failed mortgage trust.

Lawyers for either side now have 120 days to file their arguments with the Supreme Court of Canada as to why the class action should or should not proceed.

"We'd be lucky to get a hearing next spring," said David Church, the Vancouver lawyer representing Cooper and, by extension, the other Eron investors. A more likely date would come in the fall.

If the Supreme Court rules in favour of Cooper, that would set the stage for a lower-court trial in late 2002 or 2003. If the appeal fails, Church has no plans to pursue other legal avenues on behalf of the investors.

"The only thing they're ruling on is whether the case can be tried," Church said.

Nevertheless the plaintiffs consider Thursday's decision a vital step on the road to getting compensation from the province.

"We're very pleased. If we didn't hear this from the Supreme Court of Canada, the whole thing was dead," said James Tindle, a spokesman for the Eron Lenders' Committee who personally lost more than \$300,000.

Tindle cites Alberta's Principal Trust collapse in 1988 and the Teachers Housing Co-op crash here in B.C.

as precedents where governments ended up compensating investors hurt by regulatory oversight.

Though the group has filed no statement of claim--that will have to wait until the suit itself goes to trial, if ever--damages will total at least \$182 million, Tindle says. That represents the remainder of the \$222 million lost by Eron's lenders, minus the estimated \$40 million that the judicial trustee expects to recover from the sale of Eron's assets.

The case was struck down by the B.C. Court of Appeal in February. In her decision, Justice Mary Newbury wrote that Hobart did not have a duty of care to individual investors, and that the earlier determination by the B.C. Supreme Court to allow the class-action suit was premature.

Although it did not give reasons for granting leave to appeal, the Supreme Court of Canada clearly had reason to doubt those two arguments, Church said.

"They're saying that if I have a case that may succeed, I should be able to try my case," he said.

Church's law firm, Camp Church & Associates, is fighting the case on a contingency basis.

Meanwhile, Eron principals Brian Slobogian and Frank Biller are living in Vancouver, according to Eron investors.

An RCMP investigation continues, although no charges have been laid. The pair were fined \$600,000 and banned from trading securities -- Biller for 10 years and Slobogian for life -- by the B.C. Securities Commission earlier this year. The fines have yet to be paid.

Biller declared bankruptcy and continues to live in the city. Slobogian moved to the U.S. last year but returned to Vancouver this spring following the suicide of his son, Trevor, 21. According to Eron investors, Slobogian and his wife reside in a West End apartment.

Established as a mortgage trust in 1993, Eron invested in 47 projects, mostly real estate developments in Western Canada and the U.S. It promised lenders returns of up to 24 per cent per

year, but had its assets frozen in 1997.

An investigation by the B.C. Securities Commission found the loans had been grossly mishandled. Some properties were mortgaged several times over, and money earmarked for one development was used to pay the interest on another.