

Victims burned while RCMP fiddled for years with Alberta Ponzi scheme

BY DAVID BAINES, VANCOUVER SUN SEPTEMBER 18, 2009

It would have been Edna Coulic's 44th birthday today. The Kelowna woman won't be around to celebrate because she committed suicide last October.

Her sister, Gloria Lozinski of Calgary, said Coulic became depressed after she realized she had been duped out of \$300,000 in a massive Ponzi scheme perpetrated by Alberta confidence men Milowe Brost and Gary Sorenson.

Both were charged with fraud by the RCMP Integrated Market Enforcement Team in Calgary earlier this week. Estimates of total losses range from \$100 million to \$400 million. Brost is out on bail, and Sorenson is believed to be hiding in Honduras.

Lozinski figures they should both be charged with murder: "At the end of the day, they pretty much pulled the trigger," she told the Calgary Sun.

This is the brutal reality of white-collar crime. It is not simply a crime against property, it is a very personal and debilitating assault against innocent people.

Parliament is beginning to respond. In 2004, the Criminal Code was amended to increase the maximum sentence for fraud from 10 years to 14 years. Earlier this week, the Conservative government announced it will introduce further amendments that, among other things, would provide minimum mandatory sentences for serious frauds.

It is not likely, however, that any of this would have saved Coulic. The damage had already been done. The key is to detect these schemes at an early stage and prosecute the perpetrators in a timely manner. The problem is not so much what we do with fraudsters when they get to court, it's getting them to court. In this regard, Canada is a complete failure.

I first wrote about Brost in December 2002, when he was pitching his investment schemes at T. Harv Eker's Millionaire School. (Eker is a North Vancouver motivational speaker who has introduced his devotees to many fraudulent investment schemes. He is, in my view, a public menace.)

At the time, Brost and his company, Capital Alternatives Inc., was promoting a gold investment scheme, which was based in the Bahamas and operated out of Central and South America. He told investors the scheme was "backed 100 per cent in gold concentrate and gold bullion", and the expected return was 20 to 60 per cent.

He was also promoting an investment in "stale credit card debt," which he grandly called the

"Consumer Debt Recovery Program". He claimed this sort of debt could be acquired at a deep discount and turned into cash at a large premium -- 18 to 54 per cent per year.

In June 2004, I reported that Brost was stumping around B.C. promoting these schemes.

"A few weeks ago, he made a presentation at University College of the Cariboo in Kamloops," I wrote at the time. "On May 30, there was another meeting at the Radisson Hotel in Burnaby. The pitch appears to be working. I have been told that one man in his 60s has invested \$250,000 of his retirement money."

I asked Sasha Angus, then the B.C. Securities Commission's enforcement director, whether he knew about Brost's activities.

"We are aware of the situation and looking at it," Angus told me.

In September 2004, the Alberta Securities Commission issued a cease-trade order against Brost and his main operating company, the Institute for Financial Learning, forbidding them from selling investments in the depository and three other schemes.

In October 2005, the Alberta commission issued another notice of hearing alleging that Brost and Capital Alternatives had induced investors to invest millions of dollars into another scheme called Strategic Metals Inc.

At that point, the commission referred the file to the RCMP Integrated Market Enforcement Team, which began an investigation.

In February 2007, the hearing panel found Brost had illegally sold \$36.5 million in investments. "Brost not only does not recognize the seriousness of his misconduct, but he is also prepared to shamelessly overlook it," the panel noted. It fined him \$650,000 and permanently banned him from the Alberta market.

The B.C. Securities Commission piggy-backed on this order and also issued a permanent ban, but not until April of this year.

It didn't matter, of course, because Brost ignored every administrative order that was issued against him. The only thing that would stop him was jail. But the RCMP IMET team in Calgary didn't file charges and didn't put Brost behind bars until this week -- four years after the Alberta commission had referred the file to the police.

Why did this take so long? Supt. Eric Mattson, who heads the IMET team, told the Calgary Herald they "could not act until there was enough evidence. "

"During that time, we didn't want to be seen as market-breakers. We don't want to accuse a group of

committing crimes and say, 'Don't do this,' because at the end of the investigation perhaps we don't have sufficient information to lay charges and we'd be open to [civil litigation] as well. We may end up interfering with what could have been legitimate business."

In my view, these comments are outrageous. This was a patently fraudulent scheme when I ran across it in 2002. It was a patently fraudulent scheme when the Alberta commission referred it to the RCMP in 2005. Depending which start date you use, it took seven years or four years for the Mounties to shut this thing down. That is a disgrace. But the real tragedy for Canadians is that this is par for the course.

Two years ago, the Conservative government tried to clean up the mess that is the RCMP IMET program, but the attempt has utterly failed. Prime Minister Stephen Harper's proposed amendments to the criminal code will do nothing to solve the problem of timely prosecution.

What we need is a royal commission of inquiry into white-collar crime in Canada. Nothing short of a complete overhaul can save us from this systemic dysfunction. Let's not allow Edna Coulic to die in vain.

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