

COURT FILING

Michigan cites email to Encana from U.S. driller in gas collusion case

Chesapeake Energy Corp.'s former chief executive officer invited Encana Corp. to join it in dividing Michigan oil and gas lease bidding opportunities in 2010 "rather than bash each other's brains out," according to an email cited by the state in a court filing. Michigan has charged Oklahoma City-based Chesapeake with conspiring to restrain trade. Friday's filing summar-



LEGAL

Quebec tax suit targets quotas for auditors

WIDE IMPLICATIONS

By NICOLAS VAN PRAET

MONTREAL • A Quebec entrepreneur who says his business went bankrupt at the hands of overzealous tax agents is fighting back in a lawsuit with potentially far-reaching implications.

Jean-Yves Archambault, founder of a now-defunct industrial processes optimization company called Groupe Enico, filed a suit in Quebec Superior Court Friday seeking a declaratory judgment to ban the bonuses and other special remuneration that Revenue Quebec tax officials receive for

"seriously reckless."

The department is appealing the ruling.

According to a description of events related to that initial ruling on the Quebec legal website Droit-inc.com, Mr. Archambault owed \$80,000 to the state but the sum somehow ballooned to \$1.8-million that was ultimately assessed.

During last year's hearings on the initial case, the court heard testimony from Mr. Archambault's auditor who confirmed that Revenue Quebec tax agents are under considerable pressure to recover money from taxpayers.

According to the judge's conclusion of facts contained in his ruling, the evaluations of tax agents depends in part on the quality of their work and in part on the amounts they're able to retrieve. They can make up to \$1,200 extra in salary and earn special bonuses worth 3.5% of their pay if their work contributes to wider departmental revenue generation targets, the court heard.

Seven months after that ruling, Mr. Archambault is using the information that came to light in his case to question the integrity of Quebec's tax collection system. According to his new lawsuit, Revenue Quebec introduced a new code of ethics for its employees in 2012 that requires them to avoid conflicts of interest. He contends the possibility of making more money through bonuses or other incentives conflicts with a tax agent's ability to be fair and impartial.

As the judge said in the initial judgment in October: "The principle is clear. If you pay a civil servant for the amounts he's able to recover, you'll incite him to recover more."

Revenue Quebec denies the existence of quotas or bonuses tied to sums recovered by its auditors.

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nvanpraet@nationalpost.com

Now I have only one goal: To change things

their work recovering money from taxpayers.

"The effect of this could be huge," said Mr. Archambault's lawyer, Caroline Desrosiers. "[It's] very important for all citizens and businesses of Quebec. Giving bonuses to auditors based on amounts they assess creates a structural conflict of interest."

The entrepreneur had what he described as a flourishing business before he was audited in 2006. The firm eventually went broke.

"I had my life stolen from me," he told *La Presse*. "I lost everything — my family, everything I had. Now I have only one goal: To change things."

Mr. Archambault contested the audit's findings and last year won a legal victory and \$4-million in damages and other fees when the court ruled that Revenue Quebec's work was "malicious" and



High profile short-seller Jim Chanos, founder of Kynikos Associates, Canada's largest pharmaceutical company, arguing that its

Short-seller against V

By NICOLAS VAN PRAET
in Montreal

Valeant Pharmaceuticals International Inc. teamed up with respected activist Bill Ackman to buy Allergan Inc. in part to build its own legitimacy with investors after several periods of short-selling in Valeant stock in recent years.

So far, however, the partnership has done little to silence the most vocal voices betting against Canada's largest drug company. Take the attack against the company by renowned short-seller Jim

Chanos on CNBC this week.

Mr. Chanos, who famously shorted Enron Corp. before it went belly up in 2001, was short Valeant before it unveiled its \$50-billion cash-and-stock bid for Allergan, the California-based maker of Botox. Clearly nothing has changed in his thinking today.

"We're short because it's a roll-up and roll-ups have a unique set of problems," Mr. Chanos said from Las Vegas on CNBC's Halftime Report on Thursday, referring to a company built primarily through acquisitions. "Roll-ups are generally accounting-driven, and we certainly think that's the case in Valeant. We think that Valeant is playing some very aggressive accounting

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