

Clients' money fuelled lifestyle

Trustee's findings: Funds tracked to adviser and his family for personal use could top \$20 million

BY ANNE SUTHERLAND, THE GAZETTE AUGUST 19, 2009



Jean Rollinson talks to Kevin Curran, an elected representative for alleged victims of Earl Jones, at a hotel in Pointe Claire yesterday. A meeting was held there to bring worried investors up to speed on what the leading trustee looking into the Jones case has learned so far.

Photograph by: JOHN MAHONEY, THE GAZETTE, The Gazette

Earl Jones used \$12.3 million from the trust account of his corporation for personal expenses for himself, his wife and his family - and once missing bank statements are analyzed the amount could be more than \$20 million, said the leading trustee looking into the matter.

"So far, as indicated in the documents, we can track \$12.3 million for personal use and that excludes eight years of bank statements. The actual amount (taken) could be doubled," said Gilles Robillard of RSM Richter.

"By the time we finish our analysis, we expect the amount to exceed \$20 million." Victims of the alleged Ponzi scheme Jones operated gathered at the Holiday Inn in Pointe Claire yesterday to see, in black

and white, how the disgraced self-proclaimed financial adviser used his clients' money to fuel his lifestyle. An estimated \$50 million of clients' money was entrusted to Jones in wills, estates and personal accounts.

Jones sent a handwritten note via his lawyer to the trustee at 6 p.m. on Monday saying he would not attend the meeting. The lawyer also chastised organizers for holding the meeting at a hotel where, without proper security, his client's life might be in danger.

RSM Richter analyzed documents from 1987 to 1999 and 2008 to 2009. Bank statements for 2000 to 2007 are missing, and the banks Jones used have been asked to provide their archived copies to the trustee.

RSM Richter found that company money paid for Jones's cars, real estate, repairs and furniture, credit card bills, his children's education and various investments.

Personal disbursements to Jones and his wife, Maxine, during those years made up \$4.6 million of the total and almost half a million was transferred to Bermuda.

For many of his alleged victims, the scale of his alleged theft is galling.

"I am just disgusted - he's greedy, greedy, greedy and it's all our money," Bev Hamilton said.

"That's a hell of a lot of our money," said Bob Earle, who has known Jones and his family for decades.

Yesterday's meeting to get creditors up to speed also served to elect five representatives who will work with RSM Richter on the investigation.

Elected were Jerry Coughlan, Peter Kent, Grant Burton, Kevin Curran and Ginny Nelles, all either alleged victims or relatives of alleged victims.

They will help RSM Richter draw up a list of people who will be subpoenaed - in particular Jones, his wife and his former employees - to find out what they know of the business dealings of Earl Jones Consultant and Administration Corp. and the location of any remaining funds.

"The employees are not being co-operative," Robillard said of attempts to get some answers without subpoenas.

"We want to conduct the examinations of any people involved with all the bank statements in hand," said lawyer Neil Stein, who is representing the alleged victims.

Once all the documents have been obtained, the subpoenas could start going out in the next week, Stein said.

RSM Richter has changed the locks on Jones's Pointe Claire office, completed an inventory of available records and made copies of all computer hard drives.

As part of its investigation, the trustee contacted 93 people or organizations suggested to them by investors - from banks to brokerage firms, lawyers, insurance companies and a travel agent.

Letters were sent to 50 banks in Canada, the United States, Bermuda, Ireland, Britain, Switzerland and the Cayman Islands.

Stein said the trustees are focusing in particular on banks in Ireland, Bermuda and the Bahamas.

"The problem with dealing with banks outside of Canada is jurisdiction and privacy laws," Stein said. "We know of at least one account at the Bank of Bermuda, but we have no idea how significant it is."

This year, Jones cashed in insurance policies, investments and his RRSP, and at the end of June he cashed in another insurance policy valued at \$35,000, Stein said.

"These were funds allegedly paid to his wife, but (Jones) seems to have signed other people's names all over the place," Stein said. "That money has to be deposited somewhere."

RSM Richter did find between \$2 and \$3 million worth of securities registered in clients' names that Jones could not touch, but so far not much cash.

"The only money we have recouped so far was \$15,000 in a corporate account," Robillard said.

After weeks in hiding, Jones surrendered to police at his lawyer's office on July 27 and was arrested. He spent one night in jail and was charged with four counts of fraud and four counts of theft. He was released on bail July 28 after his brother-in-law posted \$30,000 in bail money. His case on those eight charges will be heard Sept. 28.

A spokesperson for Maxine Jones said yesterday that she has no comment on the trustee's report.

"She will be speaking in time but not today," said Jonathan Goldbloom.

Last month, Maxine Jones released a statement saying her family knew nothing of her husband's business practices.

Earl Jones Consultant and Administration Corp. was declared bankrupt on July 29.

At 9 a.m. today, there will be a personal bankruptcy hearing for Earl Jones.

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Money Issued From Earl Jones Consultant and Administration Corp. Trust Account to Earl Jones and His Family for Personal Use

Payments to Earl Jones \$2,985,000

Payments to Maxine Jones \$881,000

Payments to Maxine and Earl jointly \$780,000

Purchase and costs of real estate \$912,000

Purchase of automobiles \$169,000

Repairs, maintenance and furniture \$61,000

Children's schooling and expenses \$593,000

Cash withdrawals \$886,000

Payments of personal credit cards \$530,000

Other personal expenses \$290,000 \$8,087,000

Other payments

Transfers to corporate account (including fees) \$2,426,000

Investments in various projects \$1,063,000

Other \$178,000

Transfers to Bermuda \$497,000 \$4,164,000

Total \$12,251,000

*Figures are from 1987-1999, 2008 and 2009.

Bank statements from 2000-2007 are missing.

Source: RSM richter

'Like A Personal Fiefdom'

Investors who placed their money with Earl Jones had strong words yesterday after learning how much he had debited from the trust account of his clients.

"I'm numb with what went on behind the scenes," said alleged victim Wendy Nelles, whose son and daughter have also lost large amounts of money entrusted to Jones.

"That's his personal life - the money should have come out of his own funds," Nelles said. Interim receiver RSM Richter Inc. found that Jones used the trust account to pay for his children's education, among other personal expenses.

"He used his clients' money for his lifestyle. ... I don't believe there's much out there - I don't have hopes of recouping much," Nelles said.

Joey Davis, son of another alleged victim, said Jones "ran his business more like a personal fiefdom, where he stole money from his clients to fuel his and his family's lifestyle."

Neil Stein, a lawyer representing Jones's former clients, said he was stunned not at the amount of money Jones took from the trust account, but at the man's duplicity.

"It's mind-boggling. You've gotta be a sociopath to look people in the eye and lie for 20 years," Stein said.

Gilles Robillard of RSM Richter agreed.

"I'm not surprised (at the amount Jones spent) once you see the volume of money missing. This is the same as Norbourg," Robillard said, referring to Montreal-based Groupe Norbourg, whose founder and ex-CEO Vincent Lacroix bilked investors out of millions of dollars.

"Jones considered the bank account for his clients his own," Robillard added. "I stopped being surprised a long time ago."

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