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Jones enjoyed lavish lifestyle at investors' expense, trustee says

By INGRID PERITZ
From Wednesday's Globe and Mail

Creditors hear how disgraced money manager misused \$12-million of their funds

Disgraced money manager Earl Jones used more than \$12-million entrusted to him by his onetime clients to buy himself a life of luxury that ranged from cars and condos to private schooling for his children, a bankruptcy trustee says.

The depth and breadth of Mr. Jones's alleged betrayal of his former clients, many of whom regarded him as a trusted friend, left many of them reeling.

They heard from financial investigators that the misuse of their funds stretched back at least to the mid-1980s, raising the spectre that Mr. Jones's seemingly respectable business was a house of cards from the start.

"These people now recognize that they were deceived over a period of at least 20 years - from almost the beginning," said Neil Stein, a lawyer representing investors.

Many of the dozens of former clients gathered at a suburban hotel to hear a report from the trustee handling Mr. Jones's corporate bankruptcy were stunned by the disclosures.

"It's unbelievable. I would have had more glasses of champagne at his daughter's wedding if I had known we were paying for it," said Francis Gordon, Mr. Jones's sister-in-law.

She and her husband, Bevan Jones, had invested with Earl Jones. Now her husband is devastated, she said. "Not only do we have no money, but he adored his brother, he idolized him.

"It shocks me. We had always admired [Earl Jones] because he was so successful."

RSM Richter Inc., the bankruptcy trustee hunting down investors' vanished millions, said Mr. Jones habitually siphoned personal expenses from an account designed to hold money from estates held in trust.

Among the other allegations in the report:

Mr. Jones paid himself and his wife, Maxine, \$4.6-million. Nearly \$600,000 went to private schooling, mostly for a daughter at a specialized school for learning disabilities in Massachusetts.

Mr. Jones withdrew nearly \$890,000 in cash from ATMs - sometimes up to \$1,000 a day. He spent \$170,000 on cars like his BMW and Audi, and more than \$900,000 to buy condos in Boca Raton and Quebec's Laurentians.

Nearly half a million dollars was transferred to the Bank of Bermuda.

Several years of bank statements are still missing, and accountant Gilles Robillard said he expects that by the time they're located, the misappropriated funds could near \$25-million.

Meanwhile, many of Mr. Jones's elderly clients are struggling to make ends meet.

"The amount of money that Earl Jones spent is off the wall. It's greed, greed, greed," said Bev Hamilton, who dealt with Mr. Jones for a quarter-century and has lost her family's life savings.

Creditors have little hope of recouping their losses. Mr. Robillard said investigators have found only \$15,000 in a corporate bank account.

Earlier this year, as Mr. Jones's financial world began to collapse, he cashed in insurance policies, RRSPs and investments, with the benefits going to his wife.

Mr. Jones was arrested last month, after weeks in hiding, to face eight charges of fraud and theft. He was released on bail and ordered to remain in Quebec, although no one answered the buzzer at his suburban waterfront condo yesterday.

Mr. Jones and his staff did not co-operate in the trustees' investigation, but that is expected to change. Mr. Jones and some of his employees are to be subpoenaed to answer questions under oath before a bankruptcy registrar.

Mr. Robillard has also contacted almost 100 financial institutions around the world, asking them to freeze accounts related to Earl Jones and his business.

Mr. Jones is expected to declare personal bankruptcy this morning.

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