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Earl Jones scandal Investors included old friends and relatives

BY MEGAN MARTIN, THE GAZETTE · JULY 12, 2009

What happened to all the money?

That's the latest question in the Earl Jones case, dubbed the Madoff of Montreal.

"We have about 30 people who had money with Earl Jones," said Neil Stein of Stein and Stein, the insolvency lawyer representing some of Jones's clients. "We don't yet know the exact amount, but we believe it's at least \$50 million." Jones is alleged to have swindled dozens of people - including his own relatives - out of large sums of money in a Ponzi scheme.

His company in Pointe Claire, Earl Jones Consultant and Administration Corp., handled clients in Canada and the United States.

Authorities have been unable to contact him, although it is believed he is in the U.S., possibly in Maine or Massachusetts.

"On Friday evening, we were granted an interim receivership," Stein said. "So that means we now have all of his records, books and documents, and his accounts have been frozen." According to the Autorité des marchés financiers, which obtained a freeze on Jones's personal and corporate accounts on Thursday, there was very little money left. But Stein said he's hoping a review of the seized documents will help determine what happened to the money.

"His storyline to these people was that he could administer their funds better than an institution and at a cheaper cost. It's very difficult to have this amount of money just dissipate," Stein said. "There has to be money somewhere." Stein, who has been involved with many fraudulent cases, said this one is particularly difficult on an emotional level.

"It's a heartwrenching file, I have to tell you," he said. "To see how these people have been fleeced, even his own relatives, is just disheartening. It seems as though the (alleged) victims here were mostly people who were very close to him and had the utmost confidence in him. A lot of them knew him for years, decades even, and he seems to have just wiped out several families." Among his alleged victims is Brook Hamilton's 75-year-old mother, who lives in Beaconsfield. Hamilton is a plant manager at an aluminum company south of Atlanta. He spoke to the Gazette by phone yesterday.

"He has been handling her financial affairs for well over 20 years," Hamilton said. "For decades, every month a cheque would come from Jones like clockwork." On June 1, he said, the cheques stopped.

"My mom's calls went unanswered," Hamilton said. "We thought maybe it was just a glitch or something at first, but when we started talking to other people, we realized it wasn't just her." Hamilton said Jones told his elderly clients to remortgage their homes.

"It started about three or four years ago - he said it was their best course for a prosperous financial future," said Hamilton. "So this guy has been going back to the well to get more cash.

"I'm sickened for not only my mother but for all the families that are affected. People are going to lose their homes. It's sick that someone like this is roaming around society bilking people." In addition to the interim receivership, a petition in bankruptcy has been filed by Neil on behalf of the alleged victims. It is scheduled to go before the courts on July 29. The goal of the petition is to seize and distribute assets from Jones's company among the creditors.

Although his exact whereabouts are unknown, Stein was told that Jones may be returning to Montreal this week to meet with authorities.

"You can't hide in today's world. He's much better off co-operating in a police investigation than attempting to hide," Stein said.

People who suspect they have been defrauded by Jones are holding a meeting at the Holiday Inn in Pointe Claire at 1:30 p.m. today. Stein will be at the meeting, and there's a possibility that the AMF chief investigator will be there as well. Montreal police officers will be there to collect information and guide people on how to file complaints.

A website has also been set up to facilitate communication among people who believe they are victims: swindledbyearljones.com

Tips for choosing a financial adviser

The following is a guideline for selecting a financial adviser, provided by Robert Kerr, founder and CEO of Kerr Financial, which he started in 1979.

- Your adviser should not be able to write cheques or make withdrawals from your account, nor direct payments without your written approval.
- Accordingly, don't make your adviser a signing officer or trustee, unless disbursements must be authorized by two independent people, or the maximum signing limit for one alone is very low.
- Do have your securities and cash held by an independent custodian, so all transactions are separately reported, and your adviser cannot access the funds. Then you can match the monthly

transactions and holdings reported by the custodian and the adviser. And you can question any items that don't make sense to you.

- Do ensure that the adviser's affairs are audited by a known independent audit firm, and see the audit report once a year. It helps if the adviser has a professional standing, with an association requiring adherence to written standards of practice and a code of ethics, an inspection process to verify the process is being followed, and a continuing education policy. Examine the written standards and process followed by the adviser.

- Work with an adviser who is part of an organization with checks and controls over his or her activities. There should be enough people involved in the process to permit sound internal control.

- Work with an advisory firm that has strong financial backing, both in capital invested, years of history, and professional liability insurance. Such a firm will back up their advisers' activities with reputation and financial clout.

- Don't work with anyone if you have the slightest doubt about their integrity. You may not know as much about the investment markets, but you do know which people you can trust, and who are willing to put your best interests first.

mmartin@ thegazette.canwest.com

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