

Neil Stein

BY KATHRYN LEGER, THE GAZETTE JULY 19, 2010 4:02 PM



Neil Stein, of Stein & Stein, frequently acts on behalf of fraud victims.

Photograph by: Amanda Stein, Handout

MONTREAL - Lawyer Neil Stein, of Montreal law firm Stein & Stein Inc., has been acting on behalf of victims of the Earl Jones fraud scandal for the past year. He was the lawyer who obtained court permission to have Jones declared bankrupt and to seize assets on behalf of at least 160 victims who entrusted him with up to \$70 million. Jones was convicted and sentenced to 11 years in jail in February. On July 14, Stein obtained authorization from Quebec Superior Court to proceed with a \$40-million class-act suit (covering part of the period of the fraud) against the Royal Bank of Canada, the financial institution where Jones conducted most of the business tied to his Ponzi scheme.

How do you proceed when you get a case like the Earl Jones investment fraud and how did you get involved in this type of work?

The first line of action when somebody comes to us, when we see there's been a Ponzi scheme, is to put (through a court petition) the entity or the individual, or both, into bankruptcy immediately. Normally, we coordinate our work with the AMF (the Autorité des marchés financiers, the Quebec agency that regulates financial investment activity) and the Sûreté du Québec (the provincial police force) or the Montreal police crime section and we try and take a lead to really push on both the civil and the criminal side. I've been doing insolvency- and fraud-related matters for 30 years now. You get referrals.

What is the biggest challenge in these fraud cases?

There are three really. Number one is to understand how the fraud worked, which sometimes is very simple, and other times, is very complicated. Then, it is to recover as much as possible where there is money hidden or against other parties who may receive funds. And the third part, which is just as important, is the criminal aspect -- to get the case prepared as quickly and as thoroughly as possible for the police force so that the police or the AMF, depending the situation, can move to prosecution. Unfortunately, in many instances, they (police and regulators) are so overwhelmed, or the case is so complicated, that without major assistance, call it forensic assistance, they don't act as quickly as should be the case.

What have you learned doing this work and the mindset of fraudsters?

What you learn is that confidence is a very delicate matter and that you have to be very, very careful as to who you rely on and who you can trust vis-à-vis confidence. As for the mindset of the fraudsters, it is very simple. My analysis is very similar to the difference between a person who can drink two glasses of wine and an alcoholic. After two glasses of wine, or whatever your limit may be, normally there is a sort switch that goes off in your mind and says 'I can't drink any more or I am going to be totally drunk.' In an alcoholic's mind, that switch doesn't go off, they just keep drinking and with fraudsters, the psychology is they have no morals whatsoever and that switch of guilt or morality just never goes off. And they just keep going until they get caught. And then even when they get caught, they don't see that they have really done anything wrong. If you take Earl Jones, he had no remorse when I examined him. At the end of the examination he said to me: 'I did more for these people (the victims) than their kids did.'

How did you get into law?

I come from a long family tradition of lawyers. When I grew up, you didn't get too much of a choice. You had to work and you had to do something and it was a natural path for me. My father was a lawyer, my uncle was a lawyer, my cousins were lawyers, and they were all part of the firm, (Stein & Stein, founded by Albert Louis Stein and Samuel Stein in 1934.) They had an excellent reputation and my uncle (Albert Louis) and father (Samuel) had pleaded in what is probably to this date the leading constitutional case in terms of civil rights and the rule of law (The 1959 Supreme Court of Canada case *Roncarelli v. Duplessis*). It was just a natural progression. There was never anything else that entered into my mind. My father used to come home and would always talk about his work, he was always excited about his work, and it made a good impression.

What is one of your most memorable moments as a lawyer?

I've had a lot of them. The most memorable moments as a lawyer is when you are able to succeed and bring -- I was going to say justice, but it is often not justice -- you are able to have a client feel that he is satisfied and that you have helped him. Just recently we did a restructuring and the clients said they

were delighted with not being overcharged and our professionalism. When you get an appreciative word, it is (worth) more than getting paid.

What would be your advice be to someone considering a career in law?

I would tell them it is one of the most wonderful professions around, especially the litigation side, where you can do good and where there is always room for creative and bright people.

The legal profession has changed dramatically from when I started practicing law. Today you have a lot of major law firms and people tend to get pigeon-holed in particular areas. I was fortunate when I was younger to get the opportunity to work in many areas at the same time in a small law firm and as a result of that, be more entrepreneurial. Very often smaller firms have difficulty recruiting a lot of the top lawyers – younger lawyers – because they immediately gravitate to large firms. If I have a criticism of the legal profession today, it's that people have become so specialized that it is almost like they want to go and work in a very specialized area only and it takes away a lot from the entrepreneurial, the ability to do different things at different times and not get bored with your practice as a result. The best part about being a lawyer is bringing in the clients, meeting the clients, working with the clients. It is not just having somebody say, 'here, handle this file.' There is a social part of it that is very interesting which a lot of the younger kids miss because of being pigeon-holed into a particular type of practice group.

Who has been the most influential person in your life?

My father because he was a role model and he had a very good ability to know what was right and wrong and to live a lifestyle where money was not the important issue. Contentment was the important issue in his life -- being able to achieve contentment, which is far more important than all the money in the world.

What kind of work might you have chosen if you had not become a lawyer?

I would have been either an architect or a real estate developer. There are two sides to my practice. In difficult times, it tends to be insolvency-related, and in good times it tends to be real-estate related. I have always enjoyed buying and selling real estate, particularly re-doing older buildings and bringing them back to the original architectural state that they were in. I just love that. We have just finished redoing our office building. There is something about building something and seeing the work done. You can take a certain pride in it.

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