

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUÉBEC
DIVISION NO.: 01-MONTREAL
COURT NO.: 500-11-037071-095
ESTATE NO.: 41-342155

SUPERIOR COURT
(Commercial Division)

IN THE MATTER OF THE BANKRUPTCY OF:

(Bertram) Earl Jones
c/o Me Jeffrey Boro
Boro, Polnicky, Lighter
500 Places d'Armes, Suite 2350
Montréal, Québec H2Y 2W2

Bankrupt

Trustee's Report to the First Meeting of Creditors

On July 27, 2009, a Petition for Receiving Order ("Petition") as well as a Petition for the Appointment of an Interim Receiver were filed against (Bertram) Earl Jones ("Jones"), in accordance with the *Bankruptcy and Insolvency Act of Canada* ("BIA"). RSM Richter Inc. ("Richter" or "Trustee") was concurrently appointed Interim Receiver with amongst others, the following powers and authority:

- Take possession and control of all assets, books and records and bank accounts and money of Jones;
- Control Jones receipts and disbursements.

Accordingly, Richter proceeded to formally register its appointment on the Dorval and Mt-Tremblant condominiums jointly owned by Jones and his spouse. In addition, Richter proceeded to take physical possession of the 2 vehicles registered in Jones' name. The Trustee insured the assets in question under its blanket policy as the insurance coverage on said assets had lapsed. As in the case of Jones' company, Earl Jones Consultant & Administration Corporation ("EJC"), we signified all financial institutions and other entities that may have had dealings with him.

On August 19, 2009, the Petition was heard before the Court and the bankruptcy of Jones was pronounced. RSM Richter Inc. was named Trustee to the Bankrupt Estate.

The purpose of this report is to inform all interested parties about our preliminary administration and findings.

(français – au recto)

The information contained in this Report has been prepared from the limited records available. In addition, it should be noted that a significant number of records are missing at this time and no assistance or cooperation has been provided by Mr. Earl Jones, notwithstanding the Trustee's written request for Jones to comply with his statutory duties under the BIA. We will subpoena Mr Jones at a later date to examine him in accordance with s. 163 of the BIA.

I. FINANCIAL INFORMATION

We have been unable to locate all personal records of Jones, which would include bank statements to his various accounts in Montreal, Boston, Florida and Bermuda. We have however requested that all institutions close the accounts and provide us with statements of account. At the time of writing this report, we had not yet received the requested information.

At this point, we have identified the following assets:

Provisionnal summary of Jones assets					
	Dorval	Mt-Tremblant	Hyannis	Boca Raton	Total
Real estate	\$Can	\$Can	\$Can	\$Can	
Purchase price					
November 1992 (\$US145 055)				176 700	
July 1997 (\$US162 300)			210 600		
October 1999	370 000				
October 2003		334 640			
	<u>370 000</u>	<u>334 640</u>	<u>210 600</u>	<u>176 700</u>	<u>1 091 940</u>
Municipal evaluation					
2009	<u>665 300</u>	<u>412 200</u>	<u>238 000</u>	<u>320 000</u>	<u>1 635 500</u>
Mortgages					
Wachovia 2009 (equity line of credit)				213 000	
Maple Trust Mortgage 2009	536 000	239 000	-		
	<u>536 000</u>	<u>239 000</u>	<u>-</u>	<u>213 000</u>	<u>988 000</u>
Automobiles (Black book value)					
Audi Allroad Quatro 2005					18 000
BMW 325 xi 2005					18 000
					<u>36 000</u>
Furniture, fixture, etc.					
					<u>Unknown</u>

The properties located in Dorval, Mt-Tremblant and Boca Raton are registered jointly to B. Earl Jones and Maxine Jones. Notwithstanding, based upon our preliminary review, said properties appear to have been paid from funds belonging to Jones' clients. With respect to the Hyannis condominium, it is registered under the name of Maxine Jones (or a Trust under her control). Once again, it appears that the property in question has been paid for from client funds. The Trustee and its counsel have met with Maxine Jones and her counsel and they have agreed to list the jointly held properties for sale, this with a view for the moment of avoiding additional legal proceedings. In addition the Trustee's counsel has advised Earl Jones and his counsel that he was required to pay occupation rental for his occupation of the Dorval property. In as much as no reply was received to same The Trustee's counsel has advised Earl Jones that he must vacate the Dorval property by September 11, 2009.

Following the meeting of creditors, the Trustee will proceed with the inspectors' authorization to mandate real estate agents to immediately sell the various properties. We have not at this stage attempted to assess the current market value of the various properties and we are therefore unable to determine whether any equity exists after the mortgages thereon.

II. SUMMARY OF THE PRELIMINARY ADMINISTRATION OF THE TRUSTEE

A. Creditors claim process

We mailed the Notice to Creditors and the Proof of Claim form to all parties which had been identified in the corporate bankruptcy EJC, plus to those additional creditors identified, such as the mortgage companies. **It should be noted that 151 claims have been filed so far in the bankruptcy of EJC, representing a total of \$74.5 million.** At the time of writing this report, we had not yet received sufficient Proofs of Claim to determine the total debt owing by Jones. We shall, in all likelihood consider all creditors of EJC to also be creditors of Jones, in view of the alleged corporate fraud perpetrated personally by Jones.

It should be noted that the Trustee will not at this time analyse the Proofs of Claims which have been filed as this process will be useless unless funds are recovered pursuant to our investigation.

III. SUMMARY OF THE PRELIMINARY INVESTIGATION BY THE TRUSTEE

A. Cooperation

Since our appointment, we have been in constant contact with the Quebec Provincial Police ("QPP") as well as with the Autorité des Marchés Financiers ("AMF"). We can assure you that all parties are cooperating in the investigative process. We would however point out that the main concern of the Trustee in Bankruptcy is to locate assets for the benefit of the affected creditors.

B. Preliminary findings

Given the lack of cooperation from the former EJC employees and Earl Jones, the absence of important records, as well as the time span over which this situation has taken place, there still remains significant work to be performed in order to complete our investigation. However, as at the date of writing this report, our preliminary observations were as follows:

- Earl Jones appears to have been unlawfully using the funds from his clients for personal use since the mid 80's;
- As previously stated, we have identified funds now amounting to more than \$12.5 million which were illegally used by Jones for personal purposes. **This balance does not however take into account transactions that have taken place from 1999 to 2008, as the bank statements were unavailable.** We are awaiting microfilm copies from the banks. The amount could very likely double once our review is completed. These funds were used, amongst others, for the following purposes:
 - ✓ Purchase of personal properties (Dorval, Laurentian and United States);
 - ✓ Purchase of automobiles;
 - ✓ Investment in various personal projects;
 - ✓ Children's schooling;
 - ✓ Significant payments to his spouse and himself;
 - ✓ Significant cash withdrawals;
 - ✓ Significant payments to credit card companies;
 - ✓ Personal insurance;
 - ✓ Home repairs, maintenance and purchase of furniture;
 - ✓ RRSP contributions;
 - ✓ Undocumented transfers to EJC;

- Mr. Earl Jones appears to have cashed his personal RRSP's, insurance policy and investments in early 2009. Although the documents reviewed appear to indicate that the amounts were paid in favour of Mrs. Jones, she has recently informed us that she did not get the payments in question.

In addition to the above, we have noted numerous transactions that will require further investigative work in order to determine their legitimacy.

C. Reviewable Transactions

The Trustee is yet to perform a review of the payments made to creditors and other stakeholders in the three (3) month period (arms-length parties) and twelve (12) month period with respect to related parties, preceding the bankruptcy. We will report the results of our review to the Inspectors of the Estate once it is completed.

IV. ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

As of the date hereof, based on the information currently available, it is impossible to determine the dividend, if any, that will be available for distribution to the unsecured creditors. The creditors who filed their Proofs of Claims with the Trustee (either in EJC or the present Jones personal bankruptcy) will be advised of the details of the administration of the Estate and the amount of dividend, if any, which could be available for distribution, once our investigation completed.

V. RELATED MATTERS

The Inspectors to the bankruptcy of EJC have authorized the examination of various parties having knowledge of the affairs of EJC. Examinations of various parties are now scheduled to commence on September 16, 2009.

Due to the fact that the affairs and creditors of the present bankruptcy are so intermingled and entwined with the affairs of EJC it is the intention of the Trustee to request that the Inspectors in both bankruptcies and the Court authorize that present bankruptcy be co-managed and administered as one file with that of the bankruptcy of EJC.

Dated at Montréal, Province of Quebec, this 9th day of September, 2009.

Respectfully submitted.

RSM Richter Inc.
Trustee


Gilles Robillard, CA, CIRP
Administrator of the Estate