

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF QUÉBEC
DIVISION NO.: 01-MONTREAL
COURT NO.: 500-11-036947-097
ESTATE NO.: 41-341929

**SUPERIOR COURT
(Commercial Division)**

IN THE MATTER OF THE BANKRUPTCY OF:

Earl Jones Consultant & Administration Corporation

a body politic and corporate, duly incorporated
according to law and having its head office and its
principal place of business at:

1 Holiday Avenue
Suite 430, West Tower
Pointe Claire, Quebec H9R 5N3

Bankrupt

Trustee's Report to the First Meeting of Creditors

On July 10, 2009, a Petition for Receiving Order ("Petition") as well as a Petition for the Appointment of an Interim Receiver were filed against Earl Jones Consultant & Administration Corporation ("EJC" or "Company"), 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 EJC;
- Control EJC's receipts and disbursements, without however interfering with the business.

Accordingly, on July 10, 2009, we formally took possession of the business premises of the Company. We noted that there were no ongoing operations of EJC nor were any EJC employees present and we immediately proceeded to the following:

- Change the locks on doors giving access to the premises and storage areas;
- Identify all books and records in our possession;

(français – au recto)

- Signify all financial institutions and other entities that may have had dealings with EJC.

On July 29, 2009, the Petition was heard before the Court and the Bankruptcy of EJC 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.

The information contained in this Report has been prepared from the available records located at EJC's premises. These books and records have not been reviewed or otherwise audited by the Trustee. Consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the exactness or the reliability of the information contained herein. In addition, **it should be noted that a significant number of books and records were missing at the time of our taking of possession and no assistance or cooperation has been provided by Mr. Earl Jones or his personnel. Mr. Jones and certain employees shall be subpoenaed by the Trustee. Additionally, it is likely Mr. Jones shall be declared personally bankrupt on August 19, 2009.**

I. BACKGROUND

Earl Jones began offering administrative services for testamentary successions, estates and trusts as well as arranging financial investments on behalf of individuals and various estates and trusts in the mid 70's. In the mid 90's, Earl Jones incorporated EJC and continued offering similar services through this entity.

II. FINANCIAL INFORMATION

We have been unable to locate the books and records of EJC on the Company's premises, other than some limited bank statements. Based upon our preliminary investigation, we have identified an outside party who appears to have been in charge of the accounting of the Company as well as the preparation of its annual financial statements. We have communicated with this individual requesting that he not dispose of any information which he may have pertaining to this matter.

In the course of our review, we have located bank statements for bank accounts covering the years 1980 to 1999, 2008 and 2009. We are however missing the statements for the years 2000 to 2008. We have therefore requested that the Banks supply us with their archived copies of the statements in question as well as all supporting documents.

At this point, we have not yet identified any assets of substance.

III. SUMMARY OF THE PRELIMINARY ADMINISTRATION OF THE TRUSTEE

A. Books and records

We have completed a detailed inventory of the limited available records located on the premises of the Bankrupt. As previously stated, as a significant portion of the records are missing, we will use alternative methods to attempt to reconstitute the information in question. In addition, a copy of all computer hard drives has been made and secured.

B. Notification to Banks and other parties of interest

Since our appointment and often with the assistance of EJC's clients, as potential financial institutions were identified, we proceeded to write to the institutions in order to determine all dealings with either EJC, Earl Jones personally or clients of EJC and to freeze all EJC or Earl Jones accounts which they may have. In this regard, to date, we have written to the following 93 parties:

- 50 banks located in Canada, the United States, Ireland, Bermuda, Cayman Island, England and Switzerland;
- 12 brokerage firms;
- 7 Asset management firms;
- 13 lawyers and notaries;
- 1 hedge fund firm;
- 6 insurance company;
- Landlord;
- 1 retirement advisor firm;
- 1 travel agent;
- 1 trust.

We have to date received responses from most parties. We will however discuss with the attorney for the Estate, Stein & Stein, and the Inspectors to be named at the present Meeting, which steps to take with certain off-shore banks which are reluctant to supply us with information.

C. Creditors claim process

We have identified, in the various computers of the Company, approximately 250 parties that may have been dealing with EJC at one point in time and accordingly may be creditors. In addition, we have worked with the informal Creditors' Committee to ensure that all parties the Committee had identified were part of our mailing lists. Moreover, notwithstanding the numerous media attention to this bankruptcy, we have placed a "formal" Notice of the bankruptcy in the "local" newspapers as required by the BIA.

At the time of writing this report, we had not yet received sufficient Proofs of Claim to determine the total value of the debt owing by EJC.

It should be noted that the Trustee will not at this time analyse the Proofs of Claim (unless a vote at the meeting of creditors is required). This process will be useless unless funds are recovered pursuant to our investigation.

IV. 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 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. Notwithstanding, 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;
- Apparent personal expenses paid from the "Trust Account", during the period analysed, amounted to approximately \$12.3 million, and included the following¹:

Disbursements apparently not related to the operations of EJC	
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 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 (incl. fees)	2 426 000
Investment in various projects	1 063 000
Other individual	178 000
Transfers to Bermuda	497 000
	4 164 000
Total	12 251 000

- It should be noted that the above does not take into account all years preceding 1987
- Mr. Earl Jones appears to have cashed his personal RRSP's, insurance policy and investments in early 2009. It would appear that the amounts obtained were paid in favour of Mr. Jones' wife.

¹ Includes 1987 to 1999, 2008 et 2009 (we are missing 8 years of bank statements)

In addition to the above, we have noted numerous important 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 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.

V. ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

As of the date hereof, based on the information currently available and the apparent "lack of assets located", it is impossible to determine whether a dividend will be available to the creditors. The creditors who have filed their Proofs of Claims with the Trustee 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.

Respectfully submitted.

Dated at Montréal, Province of Quebec, this 18th day of August, 2009.

RSM Richter Inc.
Trustee



Gilles Robillard, CA, CIRP
Administrator of the Estate