

Our Mafia and Hells Angels have grown in a nice, co-operative Canadian way. Now, big-time crime is run so much like a business that the boundary between legit and crooked is beginning to blur

By Bruce Livesey
Photographs by KC Armstrong

REORGANIZED



John Xanthoudakis's introduction to the intimate connection between conventional business and criminal business came in the form of brass knuckles. Late on a Friday afternoon in November, 2005, the investment banker arrived at a law office in Place Ville Marie in downtown Montreal. Xanthoudakis was the former CEO of a \$1-billion hedge-fund firm, Norshield Financial Group. It was a dire time for Xanthoudakis: Norshield had collapsed a few months earlier, with more than \$400 million of investors' money lost. Even his own palatial house in Laval had been seized.

Xanthoudakis had come to the law firm for a meeting with some investors, who turned out to be three lieutenants of Montreal's notorious Rizzuto crime family. The three men got down to business quickly, demanding Xanthoudakis make good on the \$5 million the Rizzutos had apparently lost in Norshield's meltdown.

"We represent a group of people who aren't very happy," the largest of the men told Xanthoudakis. "As a matter of fact, they are very unhappy and their unhappiness makes me very, very unhappy."

To drive home the point, "one guy sneaked behind John and whacked him," relates Montreal businessman William Urseth, a friend of Xanthoudakis's. "There was blood all over the room." The brass knuckles snagged Xanthoudakis just above his right eye, leaving a gash.

There was nothing complicated in the assault—the Rizzutos simply wanted their money back. The incident is unusual only in that it has become public. Countless points of contact exist between the legitimate business world and organized crime. "If you look closely, you will see there are distinctions

in the underworld that reflect crudely the distinctions in the upper world," says Diego Gambetta, an Oxford University sociologist and expert on the Mafia. "[The Mafia] wouldn't have lasted 150 years if they had been just a gang of extortionists. They served the interests of various portions of the business world."

The pattern is reflected in the case of the Rizzutos. Led by Nicolò Rizzuto and his son Vito—with Vito acting as CEO and front man, and his father and a close-knit group of top lieutenants functioning as senior management—this crime family began infiltrating the business community decades ago. "These are guys who think globally and make full use of global financial markets," says Lee Lamothé, a Toronto journalist who co-authored a book on the Rizzutos, *The Sixth Family*. "They use lawyers and sharp accountants, and weaknesses in stock market regulation, and are able to get the money they need to do deals."

Today, the Rizzuto leadership is mostly behind bars. Sixty-two-year-old Vito is languishing in a prison in Colorado for participating in the 1981 gangland slaying of three fellow mobsters, while his 84-year-old father and 90 of their street bosses and soldiers were swept up two years ago in an RCMP-led crackdown called *Projet Colisée*. Facing roughly 1,000 charges for drug importing, extortion, gangsterism and bookmaking, the Rizzuto gang are slated to go to trial this fall.

The trial, if it proceeds, will inevitably underline how organized crime can simply be commerce of a different hue, involving the same sorts of challenges with personnel and competition that legitimate businesses face. Carlo Morselli, a criminologist at the Université de Montréal, believes that successful gangsters require exceptional business skills.

They work on a tightrope of alternately competing against, and working with, their rivals, while agreeing to deals that can't be enforced by law. Not to mention risking everything at the hands of the police. "The only difference between them and real businessmen is there's no room for error," says Pierre Boucher, a lieutenant with the Sûreté du Québec who has investigated organized crime for many years. Actually, there's one other difference. "You can kill your competition."

More important than the resemblance between the two spheres is the way the border between the two is blurring. While dollar sums are impossible to compile, police sources and other evidence suggest organized crime is growing in Canada, and increasingly bleeding into the legitimate economy. The old stereotypes of greasy goombahs and bikers is being supplanted by profit-minded professionals with top legal help. And Canada, with its porous borders, proximity to the U.S. market, and light sentences for criminal activity, is considered by police to be a haven for organized crime.

Internationally, annual revenues generated by organized crime exceed \$800 billion (U.S.)—up dramatically from \$595 billion (U.S.) in 2001—according to estimates by Friedrich Schneider, an economist at the Johannes Kepler University of Linz in Austria. Estimates of the portion of the GDP controlled by organized crime reach as high as 13.1% in Italy and, startlingly, 11% in the U.S. As for Canada, the International Monetary Fund suggests that money laundering alone accounts for between 2% to 5% of GDP—or somewhere between \$30 billion and \$77 billion. Nationwide narcotics sales may be as high as \$40 billion a year—as much as our domestic mining production—or even higher. In B.C., as much as 5% of GDP is estimated to stem from marijuana production.

So why is organized crime prospering? "It's because of income distribution" and the potential for easy money, says Schneider, who observes that the growing chasm between rich and poor is driving the world's indigent toward crime out of necessity. In countries like Colombia, Mexico, Russia, Brazil and Italy, criminal syndicates and drug cartels control swaths of both the real economy and the state, creating, in extreme cases like Colombia, anarchic narco-nations.

Another factor may be the celebration of bikers and mobsters in North American popular culture. Canada, however, is different from the U.S. Our criminals are often less inclined to violence, and more toward co-operation with their rivals.

Money made in the criminal milieu travels various paths. But the general pattern in narcotics—the bedrock criminal commodity—begins with importers, who supply networks of distributors. The money earned by the importers and retailers then flows to bankers and lawyers who launder the loot in the mainstream economy.

the importer

The Rizzuto organization extends across Canada, into the U.S. and as far afield as Latin America, Italy and the banking havens of Switzerland and Liechtenstein. "These guys are so

sophisticated it's unfuckingbelievable!" exclaims Salvatore (Big Sal) Miciotta, a former capo and hitman with the Colombos, one of New York's five Mafia families. "Because you're talking about big, big, gigantic money here....They have the gross income of small countries. They are able to sway bond markets, that's how big they are."

While Miciotta may be exaggerating their wealth and ability to influence markets, it's undeniable the Rizzutos created an awe-inducing cash machine. Police say their bookmaking operations in Montreal, Toronto and Ottawa alone did from \$500 million to \$1 billion in business in one 11-month period in 2005. And that, of course, is only a sideline to the narcotics business. The family is so affluent that Italian authorities claim that in 2005 the Rizzutos were assembling a consortium for the purpose of laundering money via a \$7-billion bridge that was to join Sicily to mainland Italy (the money would likely have been laundered through construction companies).

"Vito was involved in everything," says André Cédilot, a veteran journalist at *La Presse* in Montreal who has followed the Rizzutos' fortunes for years. "He's a coordinator, a referee....He received a commission for everything."

Before his incarceration, Vito Rizzuto's days were spent doing what other businessmen do—taking meetings. He tended to get up late at his Tudor-style mansion located on "Mafia row," a secluded street on the north side of the Island of Montreal. It was grand accommodation for someone who was registered for a time as an employee of a funeral home, and later on as a vice-president of a construction

company that had sales of all of \$34,032 in 2003. Vito's father, Nicolò, who lived two doors down, was officially a pensioner living off \$26,574 worth of old-age security and investment income, although he had a condominium in Milan, \$5.2 million in Swiss bank accounts, an estimated \$1.8 million in blue-chip stocks, and a 1987 Jaguar XJ12 and a 2001 Mercedes E430 in his driveway.

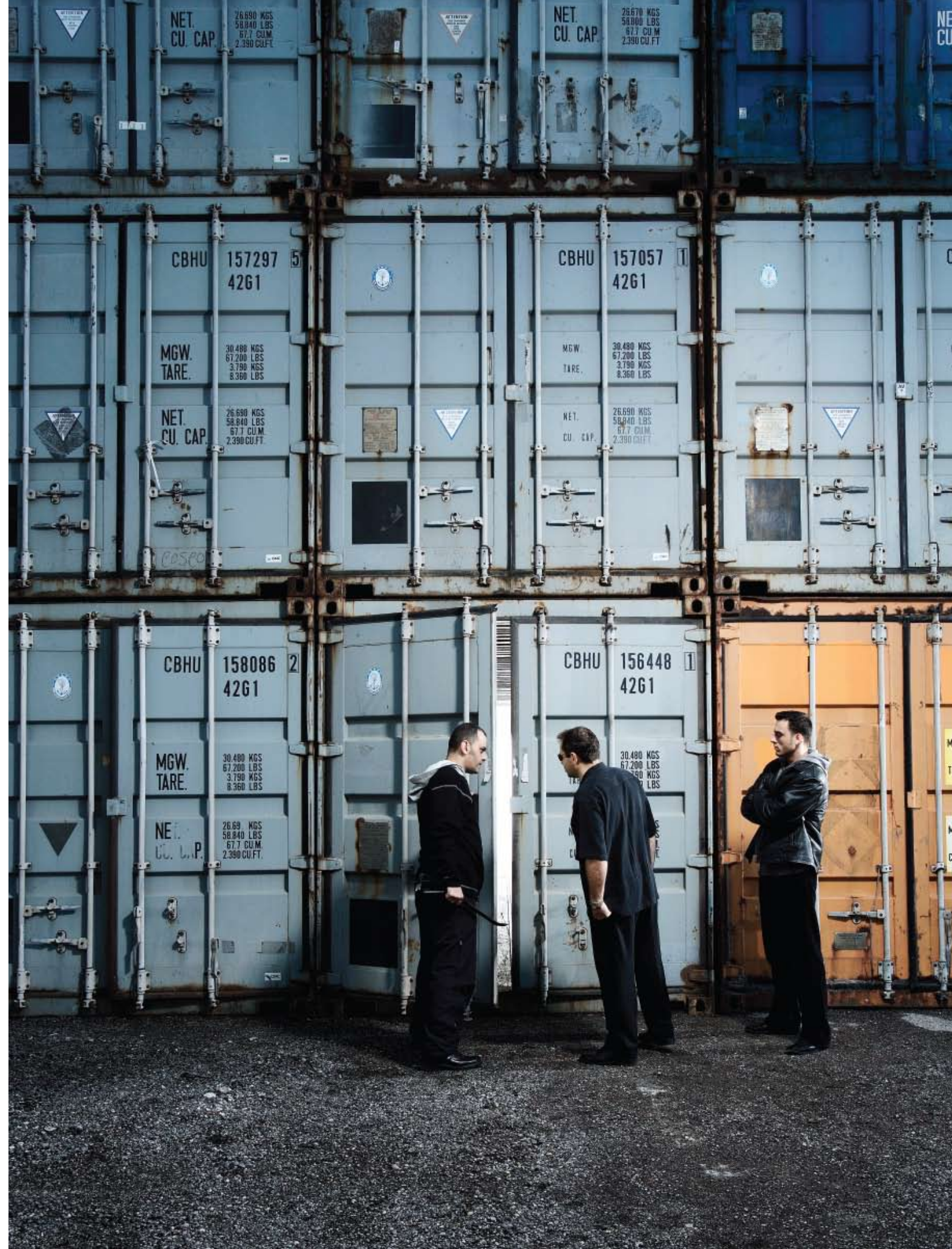
Upon leaving home, Vito would always be on the move (he maintained a Lincoln, a Mercedes-Benz, a Jaguar and more than one Corvette). Often he headed to one of the better golf courses in the area to meet colleagues. Otherwise, he visited cafés, restaurants, nightclubs and bars. A favourite spot was the quiet corner of a raucous nightclub. Vito spoke to people individually, mouths pressed close to ears, his bodyguard Lorenzo Giordano keeping watch on who was coming and going.

These meetings had many purposes, but importing drugs was the key one. A typical deal might involve ordering a shipment of cocaine into Canada through Rizzuto's Colombian contacts. "He was the only one who had those type of connections," says Normand Brisebois, a former debt collector and the bodyguard of one of Vito's mistresses. Rizzuto might meet with members of the West End Gang—which controlled the passage of drugs through Montreal's port—or the Hells Angels, to see if they were interested in investing in his shipment. "They would make a joint venture," says Cédilot.

A document filed in court describes how the business allegedly worked. Once an order was made, the drugs would be sent from Colombia to a country like Haiti or Jamaica.



The family of Vito Rizzuto is so wealthy that Italian authorities claim the clan aimed to launder money building a \$7-billion bridge from Sicily to mainland Italy



PHOTOGRAPH (LEFT) ITALIAN POLICE/AP

From there, the Rizzutos would arrange importation via the Pierre Elliott Trudeau International Airport in Montreal. At each point in the process, the legitimate economy had to be twisted to the drug trade's purposes. The Rizzutos' contacts in Jamaica would hide the drugs in containers or baggage with secret compartments, or in the ceilings of planes. Or couriers would bring it in for \$500 per kilo. Having corrupted airline employees, baggage handlers, customs officials and staff of transport companies working at the Montreal airport, the Rizzutos knew drugs would arrive and be delivered safely.

Like mainstream business, crime is globalized. Central to their success as importers were the Rizzutos' international connections. They worked with both the Sicilian and Calabrian Mafias, the Caruana-Cuntrera crime syndicate (which branched out from Sicily to Canada and South America), Colombian drug cartels and the five Mafia families of New York, in particular the Bonannos and Gambinos. These relationships were exposed last October when Italian authorities announced they'd uncovered a money-laundering and drug-smuggling scheme involving a Rome-based company called Made in Italy Inc. Ostensibly a company that was promoting Italian wares internationally, Made in Italy was headquartered across the Rome street from where the Italian cabinet meets; the head of the company had political ambitions. The Italian police claim Made in Italy is a front for laundering \$600 million in drug profits through Swiss bank accounts. Vito Rizzuto was caught on wiretaps from his U.S. prison cell talking to the head of Made in Italy, which was shipping cocaine from Venezuela to Canada and then on to Italy. In total, 19 people, including bankers, stockbrokers and other

businesspeople who helped with laundering cash, were arrested. Two bank workers in the Veneto area in northern Italy were allegedly responsible for depositing huge quantities of drug money into two Swiss bank accounts.

As the case of Norshield showed, the Rizzutos' contacts in the business world were widespread.

▶ In the '80s, Vito controlled Penway Explorers Ltd., a junior resource company listed on the Alberta Stock Exchange that was used in a pump-and-dump scam. Vito was forced to pay a hefty tax bill on his profits of \$1.4 million from Penway.

▶ When Vito was arrested for impaired driving in 2002, he was behind the wheel of a Jeep Grand Cherokee that belonged to the director of the Quebec division of OMG Media Inc. OMG was an Ontario garbage recycling company that, after extensive lobbying, landed a contract with Toronto city council to place advertising-laden recycling bins on city streets.

▶ Police have tied Rizzuto associates to Financement Malts Inc., a Laval-based loan and mortgage company that police say was the centre of a money laundering web. Police allege that Rizzuto associate Francesco del Balso funnelled money through nine Montreal-area companies, including sports bars, car leasing companies and two supermarkets. A lawyer who represented Malts also sits on the municipality of Laval's executive committee.

Vito Rizzuto's style of business was a striking contrast to flamboyant American mobsters like John Gotti. Rizzuto

stayed at the top of Canada's criminal underworld by keeping a low profile, working only with trusted people close to the family, and spreading the wealth around. In the end, he was brought down not by the cleverness of Canadian law enforcement but by the treachery of his American brethren. A leader in the Bonanno family told the FBI that Rizzuto was one of the shooters in the murder of three Bonanno capos in 1981. Vito is now serving a 10-year sentence in an American prison. Still, in spite of Projet Colisée and other setbacks, the clan's enterprises continue to prosper. Says former Colombo hitman Miciotta: "Right now they are in transition mode, to hand it over to a successor, maybe a distant relative—people they feel they can trust."

For importers like the Rizzutos to be successful, they need competent distributors. And no one runs a better network than the Hells Angels, whose Canadian arm has perfected the art of criminal franchising.

the franchisor

Walter Stadnick was a David among the hirsute Goliaths who make up the Hells Angels. Just 5 feet 4 inches tall, "Nurget" rose through the ranks to become the genius behind the Hells Angels' spectacular growth in Canada.

When Stadnick joined the Hells Angels in 1982, the motorcycle gang had just two chapters in Quebec and fewer than 30 full-patch members. By the time Stadnick was arrested in 2001 for murder and drug trafficking, the organization had metastasized into 36 chapters across Canada and nearly 500 full-patch members. "Stadnick's legacy is a coast-to-coast empire of crime," says Julian Sher, co-author of two books on the gang.

The Hells Angels, who boast chapters in 29 countries and 2,500 members globally, have long embraced a franchising model. The leadership meets regularly to discuss how the chain can be expanded.

In Canada, Stadnick was responsible for turning the Hells Angels from a bunch of violent party boys into one of the richest, most powerful and wildest organized crime groups in North America. The decentralized network of chapters was designed not only to market narcotics but to withstand police efforts to drive them out of business. The long-time head of the organization in Quebec was Maurice (Mom) Boucher. "Mom Boucher was the thug, the Al Capone who was going to barrel his way to the top by shooting people and prison guards," says Sher. "But Stadnick was the one who also had the business plan. Stadnick was the CEO."

Founded in San Bernardino, California, in 1948 as an outlet for war vets seeking thrills, the Hells Angels were originally all about having a good time and occasionally breaking bones for mobsters. But by the '60s, the Hells Angels had discovered the lucrative business of selling drugs to hippies.

The first Hells Angels chapter in Canada was established in Montreal in 1977. In those days, the bikers seemed more interested in killing each other than in building a criminal enterprise. "It was disorganized crime—they made money



Diminutive for a Hells Angel, Walter Stadnick towered above his peers as an entrepreneur, turning a bunch of hard partiers into the owners of a criminal empire



PHOTOGRAPH (LEFT) WINNIPEG FREE PRESS/CP

for themselves in an often clumsy way,” says Jerry Langton, author of a 2006 biography of Stadnick, *Fallen Angel*.

Growing up in Hamilton, Stadnick was a cunning and ambitious youth who became a small-time drug dealer in high school before forming his own short-lived motorcycle gang. Rejected by the local Satan’s Choice chapter, he rode to Montreal and showed up at one of the city’s two Hells Angels clubs in 1982. Although he did not speak the language of the franco-phone clubs, he was immediately accepted as a prospect.

Three years later, the Hells Angels’ Sorel club president decided to wipe out five members of the Laval chapter who were snorting more cocaine than they were selling. This massacre marked a turning point for the Hells Angels in this country. “The Hells Angels had divided,” says Langton. “There were the guys who wanted to have a good time, make a few bucks if possible, get drunk and kick up shit, and there were the new ones who wanted to make money. These were the guys with short hair who didn’t have big bellies and some of them didn’t even have motorcycles.”

Stadnick and Boucher exemplified this new breed of business-oriented Hells Angel. “[Stadnick] is part of that key cocaine industry that turns the Hells Angels from basically gofer boys of the Mafia into powerbrokers who are sitting down with the Mafia and negotiating the price of cocaine,” explains Sher.

In fact, a Hells Angels chapter is a perfect entrepreneurial franchise for criminality. Each autonomous chapter is led by a president who presides over an executive and a collection of usually about 20 full-patch members. No chapter answers to any other—which means that if the police raid one club, the others keep on functioning. A full-patch member is akin to a “made man” in the Mafia—there are many who aspire but only a few who are chosen. They are basically self-employed businessmen, their value to the chapter rooted in their ability to earn money, says the Sûreté du Québec’s Pierre Boucher. While full-patch members are entrepreneurs, they “are working toward a main goal collectively,” explains Boucher. All full-patch members give a small portion of their profits to the chapter.

A full-patch member runs his own little empire. “Each Hells Angels member can represent 100 people below him,” says Boucher. They have access to puppet clubs—less powerful bikers who do the bidding of the Hells Angels, selling and distributing drugs, running strip bars and prostitution rings, and acting as enforcers. Managing all this keeps the Angels busy. “They start their day with meetings and end their day with meetings and go from one meeting to another,” says Boucher.

The Hells Angels have long claimed they are a mere motorcycle club. They market their logo on everything from T-shirts and leather jackets to knickknacks. Their members also own real estate, play the stock market and run legitimate companies. In B.C., for example, leading members of the Hells Angels have owned motorcycle stores, apartment buildings, supermarkets, cafés, construction and waste disposal companies,

and cellphone and clothing stores. Then there are the businesses that are legal but seamy. Starnet Communications, a B.C. company run by the Hells Angels during the ’90s, became a multimillion-dollar porn and online gambling operation. It got start-up funds via a \$2.2-million private placement, and at one point was valued at \$900 million on paper. Not surprisingly, members of the gang’s provincial leadership live in mansions in some of Vancouver’s swankier neighbourhoods. Here and elsewhere, the Angels are as intimate with the mainstream Canadian economy as former biker chick Julie Couillard was with the federal cabinet.

When Stadnick became national president in 1988, his plan was to establish chapters across Canada. The Hells Angels had a burgeoning presence in Quebec, Halifax and B.C., but were completely cut out of Ontario and the Prairies, which were controlled by rival biker gangs. Ontario, with its rich drug market, was especially critical for the Angels.

Two approaches were available to Stadnick. He could kill his competitors, or woo them. While the Hells Angels in the U.S. and other parts of the world often wipe out rival gangs—a tendency that was shared by Mom Boucher in Quebec—Stadnick chose a Canadian approach: diplomacy. In Ontario, Stadnick’s first effort was to persuade the dominant Outlaws and Satan’s Choice gangs to join the Angels. He tried to do the same in Winnipeg, an important distribution hub for drugs. “An informant told me that if he could boil down Walter’s philosophy to one sentence, it would be: ‘He would rather buy his rival a drink than kick his head in.’” says Langton.

Rebuffed, Stadnick got innovative: In Manitoba, he formed the Redliners club in 1995 to compete with the entrenched Los Brovos and Spartans clubs. Two years later, he was victorious; Stadnick merged the

Redliners with Los Brovos and the Spartans to form a Hells Angels chapter. By then, he’d already conquered Alberta, where the Angels had been warmly welcomed.

Ontario proved more difficult. Finally, Stadnick had an epiphany. He knew that full-patch members of the Outlaws and Satan’s Choice did not relish the prospect of being reduced to junior status if they joined the Hells Angels. They didn’t see the point of getting inside. Stadnick’s solution was simple: All full-patch members of those clubs would automatically become full-patch members of the Hells Angels. Thus, 179 members of the Outlaws, Para-Dice Riders, Satan’s Choice, Lobos, Last Chance and Rock Machine were “patched over” in just one day in December of 2000, giving Stadnick his lock on Ontario. The power and prestige of the Hells Angels brand was part of the appeal to the lower-profile clubs. “If you can’t beat them, buy them,” says Sher. “That’s exactly what he did....It was a brilliant strategy.”

Stadnick also helped create a narcotics pipeline to feed his growing network of franchises. As the Hells Angels became established in Quebec, they occupied the mid-level drug distribution tier just below the Mafia. Led by Mom Boucher, they

The life of a Hells Angel: “They start their day with meetings and end their day with meetings and go from one meeting to another” —Pierre Boucher of the Sûreté du Québec

aggressively sought more turf in the cocaine market, leading to a war with the rival Rock Machine biker gang that took more than 160 lives.

The Hells Angels created a new corporate structure to profit from and manage their exploding drug business. In 1994, they founded the Nomads, a superchapter that was not bound by territory. "In Quebec, the Nomads were just the toughest and meanest and most powerful," says Sher. An elite circle of five Nomads, called La Table, set prices and managed the drug trade. "Stadnick and his partners were able to build a pyramid structure that put the Nomads on top of all the other clubs," says Sher, "which you don't see anywhere else. And La Table was a powerful clique, which is why they amassed such huge fortunes."

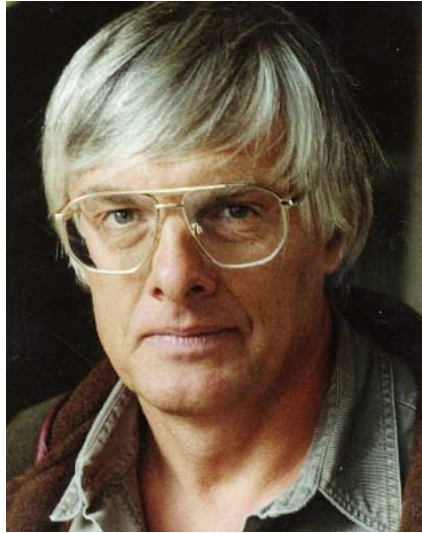
The Nomads ordered cocaine and hashish shipments and then demanded that all Hells Angels clubs in Quebec buy product only from them. In 2000, La Table had so much clout that it arranged a meeting with Vito Rizzuto at a Montreal restaurant to set the price of a kilo of cocaine at \$50,000 and divide up the city's market.

Police got an inkling of just how much money the Nomads were making when, in 2000, they discovered the gang had set up their own bank in a series of apartments in Montreal. Here, cash from drug deals was delivered, counted and stored. Records from the bank show that between March 30, 1999, and December 19, 2000, the Nomads sold \$111.5 million worth of cocaine and hashish. Stadnick and one of his Hells Angels buddies had an account code-named "Gertrude," through which the two men bought 267 kilos of cocaine and 173 kilos of hashish from the Nomads, worth \$11.1 million, during an 11-month period. Police estimate the duo's profits were between \$2 million and \$3 million.

But Stadnick's days at the top were coming to an end. Just as his plan for a national chain was realized, he was arrested in March, 2001, as part of Operation Printemps, which took down the Quebec leadership of the Hells Angels. He was charged with drug trafficking and conspiring to commit more than a dozen murders, eventually receiving a 20-year sentence, less double time served.

His network remains very much intact. "Part of Walter's genius is he went to parts of Canada where the Mafia didn't exist," observes Langton. "There is no Mafia in Thunder Bay—but there are bikers. Same as Saskatoon and North Battleford. And you know what? People there want drugs, too."

As criminal organizations like the Hells Angels have grown more skilled at making mountains of money, they increasingly need the services of bankers, accountants and lawyers to help launder their ill-gotten gains. Given the sums involved, they never lack for willing recruits.



As money laundering became a more daunting business, criminals turned to the services of corrupt lawyers like Martin Chambers, who was stung by police in Florida

with ties to Eastern European banks. He once had coffee with Vito Rizzuto in a restaurant in Montreal's Little Italy to talk business. "They wanted me to handle the money laundering for the Hells Angels," recalls Broeker. "The Hells were using [the Rizzutos] to launder their cash. The volume was huge. I had an airtight plan located out of Bulgaria. ...These guys were freaking over it. The Rizzutos offered me all of the money laundering for the Hells."

The deal never happened, but Broeker gained insight into the white-collar end of organized crime. "When we say 'Mafia,' you think of so many images—least of them is a bank manager with a plastic penholder and round glasses and a short haircut," he says. "But he is as lethal as any enforcer or hitman as far as what he can accomplish for the gangs."

Broeker says the Rizzutos laundered money through an extensive network that one of the family's enforcers told him even included one of the Big Three auto companies in Detroit, thanks to a corrupt contact. "They would send cash along with a false invoice to this contact in Detroit who would put the money through one of the company's divisions," explains Broeker. "In turn, the contact would issue a cheque to the Rizzutos, claiming the payment was for something like car parts when, in fact, it was for this dirty money needing laundering."

Criminals can take a variety of routes into the financial system. The white-collar professionals they employ include lawyers, accountants, stockbrokers, insurance agents, real estate agents and staff at financial institutions and car dealerships. "Within the criminal milieu, money laundering has taken on a life of its own and has become an integral component in the operations of criminal organizations," York University criminologist Margaret Beare has written. "A distinct criminal career has opened up to provide laundering services."

Police forces say Canada is a haven for money laundering, thanks in part to a crazy-quilt regulatory system and a banking industry whose priorities are elsewhere. Take the case of the 'Ndrangheta, the powerful Mafia from Calabria that has annual revenues estimated at \$68 billion. Italian magistrates, like Alberto Cisterna of the Anti-Mafia Directorate, say the 'Ndrangheta launders drug profits through Canadian banks and companies (as well as through restaurants, franchises and travel agencies), and even pays for its cocaine shipments from Colombia via its Canadian division. Yet few Canadians have ever heard of the 'Ndrangheta.

Not long ago, money laundering simply involved corrupting a few bank branch officers. In the '80s, the police found that the Rizzuto and Caruana-Cuntrera families laundered at least \$35 million (U.S.) through Montreal's City and District Savings Bank (now Laurentian Bank of Canada) and two other financial institutions in exactly this fashion. But this method is no longer as viable, given laws governing the deposit of large amounts of paper money in banks.

The launderers have become more inventive, as was demonstrated by Bermuda Short, a joint FBI-RCMP sting operation. One of the targets was Martin Chambers, an Oxford-educated lawyer. In 1967, Chambers set up his legal practice in Vancouver. "He was very bright and unusual and almost



PHOTOGRAPH (LEFT) THE VANCOUVER SUN/CP

the lawyers

Cal Broeker is a gregarious American, a bear of a man with a profane patter that served him well when he infiltrated the criminal netherworld as an undercover operative for the RCMP and the U.S. Secret Service. In 1997, Broeker began getting close to the Rizzutos, claiming to be a money launderer

anti-establishment,” says one of his peers in the Vancouver bar. Chambers also had a toxic streak in his personality that was eventually accentuated by a cocaine habit.

Canadian lawyers like Chambers have long been favourites of mobsters, especially for money laundering, mainly because they can move cash through trust accounts with little scrutiny by the banks. “If I were a criminal,” observes one former RCMP officer, “I would want to become a lawyer.” A 2004 study by criminologist Stephen Schneider of York University found that of 149 major money-laundering and proceeds-of-crimes cases the RCMP solved in a five-year period in the '90s, lawyers played a role in half of them, albeit often unwittingly.

That lawyers in Canada can set up opaque trust accounts for clients is unusual by global standards. Regulations introduced by the federal government to close this loophole in 2000 were met with lawsuits from the legal profession, which was concerned that the changes would undermine the bedrock principle of solicitor-client privilege. The courts ruled in the lawyers' favour.

Chambers had a history of trouble: In 1981, for instance, he was charged for his role in a conspiracy to import a kilo of cocaine from Miami to Vancouver. He was convicted, but fought the case all the way to the Supreme Court of Canada. He won, but was forced to quit practising law (he was never disbarred per se).

Chambers also tried to help a motorcycle gang named Satan's Angels incorporate their chapters and set up their holding companies. In 1993, he assumed a behind-the-scenes role in a publicly traded company, Marlat Resources Ltd., one of whose principals was allegedly linked to the Russian Mafia. Chambers also became involved in a cigarette smuggling scheme, and borrowed money from Eron Mortgage Corp., a Vancouver mortgage-brokering firm that raised \$200 million from B.C. investors in the mid-'90s before going bust amid charges of fraud.

One of Chambers's acquaintances was a Vancouver stock promoter, Jack Purdy. By the late '90s, Purdy had piqued the curiosity of both the RCMP and FBI, who believed he was in cahoots with mobsters. Accordingly, in 1999, the Bermuda Short team assigned veteran RCMP undercover officer Bill Majcher to represent a fictitious Colombian cartel that had bags of cash to launder—up to \$2 million a day. The sting was set up in Florida.

Soon enough, Majcher came to the attention of Purdy and his colleague, Kevan Garner, who together ran Garner Purdy Venture Capital, a Vancouver stock promoter. In early 2002, Garner flew to Fort Lauderdale and met with Majcher. Majcher made it clear he had drug profits to wash. Garner returned to Vancouver, then flew back to Florida, where he picked up a “damned big” bag stuffed with \$500,000 (U.S.). He laundered some of the money by buying a shell company.

By laundering on the stock market, criminals can increase their profits many times over. “We used to say dumb ones make

millions, the semi-smart ones make tens of millions, and the really crafty make hundreds of millions,” says Ross Gaffney, a former FBI agent who oversaw Bermuda Short. Using shell companies, criminals can employ pump-and-dump schemes to multiply their wealth. “It's not unheard of to have a stock starting in the pennies and [the promoters] ending up making 40 or 100 times their investment,” says Gaffney.

According to testimony given in court, Garner soon returned to Florida, this time with Chambers in tow. In the spring of 2002, Chambers, Garner and Majcher met aboard a boat in Fort Lauderdale's harbour to talk business. Majcher produced a bag containing \$500,000 (U.S.), remarking to Chambers that he needed a total of \$26 million (U.S.) laundered per year. Chambers quickly agreed to help. Majcher says he next set up a corporation, which was used to open an account at Key West Swiss Investment Bank, based in the


Bahamas. The money was then laundered through a casino and a chain of restaurants connected to the bank, as well as through a company of Chambers's called Myster Holdings, which in turn had an account with the Royal Bank of Canada. “It's called layering—to hide the origins of the money,” says Majcher.

Another lawyer ensnared by Bermuda Short was Simon Rosenfeld, a sole practitioner with an office in a handsome brownstone in downtown Toronto. In 2001, Rosenfeld had been convicted and fined \$2.8 million (U.S.) by U.S. regulators for operating a pump-and-dump scheme at a company called Synpro Environmental Services Inc. He declared bankruptcy in the wake of that penalty.

In March of 2002, Rosenfeld flew down to Miami to meet with Majcher. According to court testimony, Rosenfeld insisted that any transactions be carried out in Toronto, as he feared the conse-

quences of getting caught in the States. He told Majcher that he'd laundered more than \$150 million over the years. “Rosenfeld also explained that in the early '90s, he was a banker in Sicily, and told me about a relationship with the Hells Angels and Vito Rizzuto,” says Majcher.

In June of 2002, Majcher went to Rosenfeld's Toronto office with a bag containing \$250,000. He handed Rosenfeld a piece of paper with the number of an account in a bank in Miami. Using a legitimate foreign exchange company in Montreal called Denarius Financial Group, Rosenfeld made three wire transfers to shift the money from Canada to the Miami bank.

In August, 2002, the FBI and RCMP made their move, arresting Purdy, Garner, Chambers, Rosenfeld and more than 50 other alleged launderers, many of whom worked at dodgy brokerages. Of the 58 men arrested, a third were Canadians. In 2003, Chambers received a 15-year sentence. Garner served 15 months in jail and went on to invent a money-laundering board game. A broken man, he apparently took his own life in September of this year. Purdy was acquitted. In 2005, Rosenfeld was given three years in prison and fined \$43,230. Five days later, he was released on bail of \$1.95 million. 

Criminals love the stock markets: “We used to say the dumb ones make millions, the semi-smart ones make tens of millions, and the really crafty make hundreds of millions”
—Ross Gaffney of the FBI