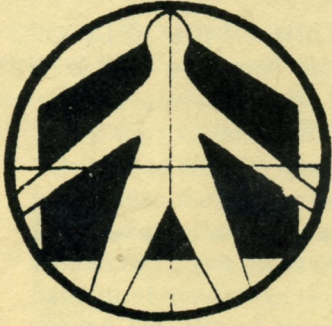


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DOWNTOWN ACTION



Land, Corporate and Community Research

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Crooked Money Helps Push Up Land Prices

"CROOKED MONEY HELPS TO PUSH UP LAND PRICES." So screamed the headline over a feature story which appeared in the *Toronto Star* on October 1, 1975. The story opened as follows:

"Organized crime is into land manipulation today bigger than it ever was before," says Metro Police Inspector Gordon Lennox. "A lot of the land around the major cities of Canada is owned by a handful of syndicates — and it's land which is driving the cost of houses out of reach of the ordinary guy."

OPP investigator Al Robinson explains: "One guy buys, say, \$50,000 worth of land and sells it to a friend for \$75,000. The friend sells it to a third guy for \$100,000, and he in turn sells it to a developer for \$200,000. Then they will cut up the action — and the sucker who finally buys the property at a huge price is you or me. The dealings may seem legitimate on the surface — but it's still straight conspiracy."

"That's organized crime's big forte today — getting into legitimate businesses. Criminals can make more money in real estate in Toronto today than they can on the street."

Real Estate Policy

Big money from real estate is what the business is all about. It is also the reason real estate forces have grown so rich and so powerful, particularly since the early 1960s. The example outlined above can be duplicated dozens of times over — press reports have documented and named developers and real estate agents, politicians and others who have been involved in similar land transfer operations.

The Real Estate Education (training) Manual proudly quotes Andrew Carnegie, robber baron of the U.S. steel industry, who once said, "Ninety per cent of all millionaires became so through owning real estate. More money has been made in real estate than in all industrial investments combined."

The term "real estate" means, according to the dictionary, "land — including whatever is made part of or attached to it."

Land, together with our lakes and rivers, is Canada's most important natural resource. It is fixed in quantity and cannot be transported or manufactured.

Originally, all land was owned and used by the Crown to promote and encourage growth and development. Unfortunately, the years have brought great and significant changes in land use and land ownership.

The exploitation of land for private gain is now an integral part of the economic system under which we live — permitted and encouraged by government at all levels.

Since land is a natural resource something, therefore, must be added to make real estate such an attractive and lucrative business.



Municipal Investment in Land

The services and facilities which we enjoy today, particularly in places such as Metropolitan Toronto, have been installed and maintained over a period of years at great public expense to serve vacant land: service which is essential for development purposes ... which facilitates all kinds of construction which become part of the land.

The essential services and facilities include:

- a) the supply and distribution of potable water; and
- b) sewage systems and sewage treatment plants.

For example, the City of Toronto has pumping and filtration facilities serving a distribution system involving 771 miles of water mains, including over 9,000 fire hydrants.

During 1975 the population of 682,252 people consumed more than 42 billion (42,000,000,000) gallons of water.

This volume of water is disposed of, in the main, by carrying tons of waste materials (industrial and residential) through a network of some 728 miles of sewers to modern treatment plants. After treatment the effluent is returned to Lake Ontario.

It should be obvious that this kind of service to land resulted from the expenditure of hundreds of millions

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Bd. of Ed. investment: lesson in disunity



By Bart Durber

Since 1974 the Treasury Department of the Metropolitan Council has assisted the Metro Toronto School Board in obtaining tenders for the reinvestment of the available funds in the Reserve. In 1974-75 the Chairman of the Board, the Director and the Secretary-Treasurer were authorized to accept the most favourable tender and terms on behalf of the School Board. In the event that the Chairman of the Board is unable to be present, he could delegate his authority to the Director and Secretary-Treasurer.

The bids were requested for 90 days, six months and one year. The tendering process of large sums of money in Metro is such that they must be accepted within 20 to 30 minutes of receipt. This process has been followed since the investment of the Unity money came to light.

The MTSB's involvement with the Unity began in 1975 with the investment of \$17,747.95 for one year in promissory notes at the interest rate of 9.9 per cent.

Again in December of 1976, the MTSB invested \$2 million in interest-bearing notes at 8.4 per cent, which is part of the MTSB's investment portfolio of reserve funds for expenditures to be made for permanent improvement projects.

The investment in the Unity came to light at the February 4, 1977 meeting of the MTSB's finance committee where the report on investments in the reserve fund made on December 30, 1976 was given. It was reported that the funds (\$12 million) were invested as follows:

\$2,000,000.00: Trust Général du Canada

[The Trust Général du Canada of Montreal conducts a diversified trust business in 15 locations in Quebec, Ontario and New Brunswick. Its president Arthur Simard is also chairman of Branchines Ltd., Sorel Steel Ltd., J.P. Porter Ltd. He is vice-president of Sorel Dock and Stevedoring Company . . . lest we forget the St. Lawrence Dredging Case.]

\$1,000,000.00: Central and Eastern Trust Company

\$2,000,000.00: Unity Bank of Canada

\$3,005,000.00: Nova Scotia Saving and Loan Company

[The NSS&L was in the news July 21, 1976 in connection with the movement of mortgages in New Brunswick. The investigations were conducted jointly by the Nova Scotia Attorney General's Department and the RCMP. The RCMP reportedly brought the situation to the attention of the company.]

\$900,000.00: Municipal Saving and Loan Company

[The industrial index indicates that Municipal Bankers Corporation holds 67 per cent of the MSLC stock. MSLC's chief assets are in apartment buildings. It also owns and operates apartment buildings with the total of 504 suites in partnership with Anglo-Keno Developments.]

\$1,577,000.00: Fidelity Mortgage and Trust Company

\$1,000,000.00: Central and Eastern Trust Company

\$ 423,000.00: Tordom Corporation.

It was rumoured at this time that many of the people at Metro were concerned with the Unity investment in light of the current press reports of the bank's financial difficulties. At the MTSB meeting of February 8, 1977, discussion of the reserve fund investments was moved into private session. It was revealed at the MTSB's finance committee meeting on February 15 that the Board had authorized the Director/Secretary-Treasurer to call the \$2 million investment in interest-bearing notes from the Unity Bank. On February 10, the Board had received a cheque for \$2,017,747.95, which included the return of the original investment of \$17,747.95.

At its next meeting, the MTSB has still to approve the reinvestment of the called \$2,017,747.95. It has been recommended that \$2,000,000.00 be invested in the Royal Bank of Canada and \$16,000.00 in the Canadian Imperial Bank of Commerce. In the reinvestment \$1,747.00 was spent on two agents, Burn Fry Limited and the Canadian Imperial Bank of Commerce, who assisted the Treasury Department of Metro Council and the Director/Secretary-Treasurer in the reinvestment of the Unity money.

The Great Depression

Happening

Again?

By Anne Mason-Apps

A generation of liberal economists has led most people to believe that the old 19th century boom-and-bust economic cycle is forever a thing of the past. The application of Lord Keynes' theories led many to believe that a permanent plateau of prosperity was to be with us forever, and that uneven economic and political development as an absolute law of capitalism was no longer either significant or relevant.

However, signs of economic disintegration have been mounting since the beginning of the 1970s. The world monetary system blew up in mid-1971. The 25-year postwar European boom collapsed. The New York stock market entered a period of wild gyrations. Unemployment in many countries rose sharply in 1970-71. Attempts to quash inflation in 1970 found almost all of the industrial countries deflating at the same time. The cycles which had plagued the 19th century and convinced Karl Marx that the days of capitalism were numbered, suddenly seemed to return.

1971 saw slow growth and rising unemployment. Of the seven biggest OECD countries, only Canada grew faster than it had in the 1960s.

By 1972 most countries tried to reflate. However by 1973, even with reflation, it was taking too long for unemployment to start to fall. Even at the height of the mini-boom, unemployment was still high. Costs and prices began to accelerate. On top of the internal inflationary forces which the industrial countries had developed, commodity prices soared after 20 years of minimal increases. The higher price of oil hit a world in which inflation had already become uncontrollable.

After several years of accelerating inflation and serious overheating, the main industrial countries set out to cure inflation by a severe monetary squeeze (and in Canada by wage and price controls). On top of the monetary squeeze, the effect of the oil price rise was to act as a worldwide tax increase. All of this has contributed to a worldwide slump.



Let us now look at a little of the history of the Great Depression. In May 1931, an Austrian bank called Kredit Anstalt collapsed, setting off a string of bank failures around the world, particularly in Germany and America. By 1931 the world was well into the Great Depression. It is important to note that the failure of the banks was the effect, not the cause, of falling production and profits. However it was the failure of the banks, plus the decline of the stock market, that prevented recovery. And once confidence in the world's capital market has been destroyed it became impossible for industry to raise funds and get the economy going again.

Is it happening again? Even before the strain of recycling oil funds, the financial system of the 1970s was weakened. The international-money-galore years of 1972-3 came to an end with an international monetary squeeze of extraordinary severity. The amount of money circulating between the end of 1969 and the end of 1973 increased by 140 per cent. Interest rates, by necessity, were high. With prices rising by at least 10 per cent, any rate lower than that meant the lender was losing money.

When the squeeze came and money became harder to find, fewer people could afford property or shares. As interest rates continued to rise, more people began to put their cash into bank deposits.

Stock Market Slide

Share prices really began to slide in the final months of 1972. By early 1975 share prices on the London market were down to levels comparable to those of the 1950s. If you allow for inflation, such levels have not been seen since the mid-1920s.

The Dow-Jones index in New York lost more than one-third of its value between the beginning of 1973 and the autumn of 1974. The same month the Tokyo exchange hit a twelve-year low. Paris, Johannesburg, Frankfurt and Sydney all fell between 30 and 50 per cent. The Hang Seng index in Hong Kong fell from 1800 in early 1973 to a low of 300 by fall of 1974.

Property Values Hit

Rising interest rates and contracting money supplies also burst some other bubbles. Above all the property market was hit.

Property has been a favourite hedge against inflation. In the UK, where the cost of homes had been relatively cheap, new house prices doubled between 1970 and 1973. In Germany the average price of developed land rose one-third between 1970-72. By the beginning of 1974 property values were showing signs of retreating, particularly in Britain and Germany. This put further strains on an already overburdened financial system.

In addition to being more dependent than other companies on asset values for their profits and balance sheet totals, property companies employ a system of deficit financing that increases their vulnerability to a collapse of property values. By writing up the value of their property each year, they use an interesting bit of magic. They assume that their property is continually increasing in value, then use the written-up value as collateral for still larger loans. The loans are then used for further development.

Once property values start to go down, this particular conjuring trick falls apart (as it is beginning to do here in Canada. Not only can property companies no longer write up land values to finance further development, but they cannot sell the properties they have. This leads to a liquidity crisis, then to bankruptcy. This naturally spreads to the banks, who, after all, have been doing the financing.

The "fringe" banks in Britain first ran into serious trouble when London and County Securities collapsed in December 1973. These banks had to be rescued by some larger banks, which in turn had to be rescued. The Bank of England finally stepped in and prevented what could have become the most serious banking crash in British history.

Foreign Exchange Losses Hit Banks

It took the losses in foreign exchange markets to produce banking collapses among the large European and American banks. Foreign exchange dealers supposedly worked within limits. Usually, they were authorized to hold speculative positions up to a certain amount of each currency. As long as they made money, no one looked too closely. Then during 1974 a growing number of banks began to report "unauthorized foreign exchange losses," meaning, as Christopher Fildies of the *London Evening News* pointed out, "No one authorized them to lose all that money."

The list of banks that lost money speculating reads like a banking Who's Who. Union Bank of Switzerland, one of the Swiss big three, revealed that it had been speculating — and very unsuccessfully at that. One of the West German big four, Westdeutsche Landesbank Gironzentrale, revealed even heavier losses. These

were closely followed by similar revelations from Lloyds of London and the Banque des Bruxelles in Belgium.

These giants were able to absorb losses. In the spring and summer of 1974, the first two major banks were finally broken. In America, the 20th largest bank fell — the Franklin National. In Germany the largest private bank fell — I.D. Herstatt of Cologne.

The collapse of Herstatt did the most damage. A number of banks in New York were caught in the middle of some apparently routine transactions. Due to the time difference, Herstatt collapsed while the New York foreign exchange market was still open. Consequently these transactions could not be completed.

Central bankers responded to the problem by agreeing informally to support banks in a liquidity crisis. But since that time 26 banks are dead in America alone and hundred more are on the "endangered" list.

In Canada there are clear indications that property values are falling. Bovis Corporation (a British multinational) declared a loss recently when they wrote down the book value of their Toronto-owned land by 50 per cent. Apartment buildings are going into bankruptcy and at least one Canadian bank is in difficulty because of real estate loans gone sour.

Class Sleaze

Those of you who have been following the highlights of the Quebec Crime Commission will know that the hearings have just reconvened. This session is investigating the role of established financial institutions in facilitating the work of the underworld. The inquiry will attempt to show how organized crime has infiltrated legitimate businesses employing the same tactics that proved so profitable in illicit activities.

One of the first to testify in Round 1 will be Mitchell Bronfman, of the prominent Montreal family. Poor Mitchell Bronfman's troubles aren't just with loan-sharking Willie Obront in Montreal. Some of them relate to his Toronto-area business ventures. In August 1974 problems surfaced with Bronfman's Milton Group Ltd. and Flemdon Communications Ltd. at the annual meetings of the two companies. Both Milton and Flemdon are public companies that had the bad fortune to be managed by Sydney Rosen's infamous Valutrend Management Services Ltd.

Sydney Rosen became famous when stock fraud charges were laid in October 1974. He and six others were arrested by the RCMP and accused of conspiring



by deceit, falsehood or other fraudulent means to defraud the public through the distribution of Somed Mines Ltd. stock.

The previous March Rosen and four others had been charged with fraud in connection with the distribution of shares of Life Investors International Ltd.

In April 1975 Rosen faced a further accusation from the Quebec Securities Commission. He was accused of bleeding funds (\$7 million) from 55 public companies for which he provided management services and salting the money away for his personal use in a Bahamian bank that he allegedly controls. All 55 of the companies were managed by Valutrend Management Services Ltd. of which Rosen is president. The QSC said the management of the 55 companies by Valutrend, and the deposit of \$7 million with Corporate Bank and Trust, was part of a "system to utilize funds invested by the public for purpose other than the original destination."

The possibility of manipulation of funds first came to light at the annual meetings of Bronfman's Milton Group and Flemdon Communications. Questions were asked by the shareholders but no information was forthcoming. One of the questions related to a July 1973 investment by Valutrend of \$740,000 of Flemdon's money for the purchase of 37 animated colour cartoons. Rosen, who was at Flemdon's annual meeting, refused to disclose the name of the company from which the cartoons had been purchased. However a footnote in Flemdon's 1973 report showed the company to be International Video Cassette Systems Inc. (formerly Bear Creek Mines Ltd.), another company managed by Rosen's Valutrend. The company had acquired 36 animated colour cartoons produced in Spain through a subsidiary and another 150 cartoons from a New York based company. International Video's earnings for 1973 show revenues of ... \$740,000. Of that, \$608,000 was profit.

In 1974 Valutrend deposited another \$450,000 of Flemdon's money with Corporate Bank and Trust.

Financial Post's "Survey of Industrials 1976" notes that on March 27, 1975 an action was commenced by Flemdon Ltd. against Valutrend, Sydney Rosen, Irving Noble, Corporate Bank and Trust (Nassau), Industrial Video Cassette Systems and EPA International to recover \$2,000,000.00 lost through the management of

Flemdon's affairs by Valutrend. The proceedings allege fraud, breach of contract and negligence.

Redemption of this money seems remote if we consider that last May Rosen was convicted by a Supreme Court jury of conspiracy to defraud the public in the distribution of Somed Mine stock. On May 28, 1976 he was sentenced to 18 months in jail. The same week the Crown launched an appeal, calling for a sentence of three to five years. The crown attorney at the time (Clay Powell) argued that the judge erred in not imposing a stiffer sentence that would involve a federal prison term.

In December 1976 Rosen was charged once again. This time the charge was perjury in connection with his testimony in 1975 and 1976 as to his relations with Corporate Bank & Trust of Freeport, Grand Bahamas, as well as uttering a forged document, purporting to be a deed of trust. He is presently free on about half a million dollars bail.

Rosen, a former manager of a Windsor, Ontario restaurant and tavern, was also in the public eye in the 1960s. In 1967 he was found to have participated in the sale of unregistered stock of North American Research and Development Corporation, by a US court. A year later he and 16 others were temporarily prohibited from selling shares of Wee-Gee Uranium Mines Ltd. after the stock rose to \$4.30 from 25¢ in less than four months. In October 1975, charges against him relating to the distribution of shares in Life Investors International Ltd. were dropped for lack of evidence. In 1972 Life Investors had purchased some land in Ontario for \$1.8 million more than the land appeared to be worth just a couple of months earlier. The \$1.8 million apparently went to a middleman which was a shell company fronting for Rosen.

Rosen was also a witness in another case that went to trial in October 1976. Along with Stanley Bader, a former associate in a Bay Street loan-sharking operation, he testified at the trial of alleged underworld figures John Papalia of Hamilton, Paul Violi and Frank Cotroni of Montreal, and Sheldon Swartz of Toronto, when they were charged and subsequently convicted of conspiracy to possess monies obtained illegally.

All in all, things don't appear to be going well with Mitch either.

Fishy Business at

By Kari Dehli

On Tuesday January 25 this year the offices of the Toronto Island Park Marina Ltd. at 159 Bay Street were raided by the RCMP. The Island Marina is one of many companies owned or controlled by James H. Black. On January 27, Black was charged with defrauding one of his companies, Claiborne Industries, of \$1,500,000. [SEE "The Neighbourhood Connection" this issue.]

The Toronto Island Park Marina Ltd. is only one small part of Black's business empire. It's an interesting part because the company rents public land from the Metropolitan Toronto Corporation for its operation. As lessor, Metro in general and Parks Commissioner Tommy Thompson in particular have significant authority over the operation of the Marina — authority *and* responsibility!

James H. Black and Jack MacDonald acquired control over the Toronto Island Park Marina Ltd. from the previous owners (Mumford and Ward) in February-March 1969. To the Board of Directors they brought some prominent hockey players like Bobby Pulford and Bobby Hull. These names do *not* appear on the corporate records, but in a Metro Parks communication dated February 28, 1969.

Black and MacDonald (who was later to become manager of the Marina) came to Metro with promises of improvements, and presented a revised and ambitious master plan for the public marina. This plan included swimming pools, tennis courts, a dining room and clubhouse facilities. In order to raise the \$1 million necessary to implement these plans, Black and MacDonald convinced Metro Council that they needed greater security of tenure than the original lease gave them. That lease gave Metro the right to terminate the lease if the Company failed to live up to the agreement.

The amendment to the lease that resulted from Black's and MacDonald's plea gave the Marina Company first right of refusal of *any* proposal put forward by Metro in the event that the lease was terminated. If the tenant had broken the agreement and the lease was terminated, all they had to do was to promise to behave better in the future!

The \$1 million that was needed was never raised. Over the years the Company has accumulated some \$610,215 in mortgages (none of which has been paid off) but it is unclear if this amount has been invested in the Marina. It is certain, however, that the added "safety clause" made the Marina a much more attractive collateral for mortgages.

Now if Black and MacDonald had lived up to their promises, all would be well and good, and such a safety clause might be a good thing. But the tennis courts, the swimming pools, the dining room and the clubhouse

facilities were never built. To quote Parks Commissioner Thompson's report of February 1973:

The construction under the revised plan was never undertaken and in recent conversations with Mr. MacDonald, it was evident that the Toronto Island Marina Limited have no firm plan to commence construction on this project in the foreseeable future.

Termination — Yes or No?

From 1969 through 1971 it was becoming clear that the operators had considerable difficulty meeting even the original construction schedule. They also had trouble paying the people who did construction work at the Marina — 13 mechanics liens were registered against the company with a total value of \$233,383 *before* the lease with Metro was registered in 1971. Jack MacDonald lost most of his interest in the company in 1971, but was later given the job as manager.

Numerous complaints about the Marina management came from the boaters. A referee was appointed to resolve the problems between the boaters and management (Mr. MacDonald), but the situation did not



improve. In the fall of 1972 Metro Council asked Parks Commissioner Thompson and the Metro Solicitor for a report on the situation. In his report, Thompson stated that the company was lagging in construction; proper hydro facilities had not been installed; and \$10,366 was outstanding in taxes and rental to Metro.

Thompson said:

There have been specific breaches of covenants in the agreement and I have never been completely satisfied with the performance of the Marina.

Thompson felt that sufficient grounds existed to terminate the lease with Black and MacDonald, and that the Parks Department was capable of managing the Marina without the company. However, the Parks Committee, on motion by Mr. Sinclair, voted to continue the agreement with the Marina Company. The

Toronto Is. Marina

Solicitor in his report stated that he had been advised by the Commissioner of Parks that the Marina Company had complied with the construction schedule set out in the lease, and he also recommended that the lease *not* be terminated.

It is possible that the Solicitor and the Parks Committee reached this conclusion after negotiations with the Marina Company, and because the monies owing were being paid off. The Marina Company also promised that their performance would improve in the future: that six specific projects would be completed before the boating season started and that a water taxi would be purchased along with garbage removal and internal transport equipment.

Metro Council was not satisfied, however, and they voted against the recommendation of the two commissioners and the Parks Committee. On March 6, 1973, the lease to operate the public marina on the Island was terminated.

Then it got interesting.

On March 13 there was a private meeting of the Metro Executive Committee, where the Metro Solicitor's opinion was reviewed. At that meeting, the Com-



F Mc Connell

mittee was informed that on February 22 — more than a week before the Metro Council vote on the matter — Thompson had given the Marina Company a certificate to the effect that the company was *not* in default of any of the covenants in the agreement. Such a certificate was inconsistent with his own report to the Parks Committee.

It appears as if Metro Council had not had this information when the vote to terminate the lease was taken. Now Metro could be sued for breach of contract by the Marina Company. To avoid this contingency, Metro entered negotiations with the Marina, offering to renew the lease if the company promised (again) to carry out the long-awaited improvements. The vote was reopened in Council, and the Toronto Island Park Marina Ltd. was given another chance.

Island Marina 1977

Conditions at the Marina continued to draw complaints from the boaters. In October 1976 a group of Marina patrons petitioned Metro chairman Paul Godfrey, listing lack of paving, poor washroom and shower facilities, over-pricing and under maintenance of the water taxi, and careless boathandling (10 to 12 wrecked boats are lying around at the present time). Some of the complaints were identical to those raised in 1973. Most were directed to management but a few, like landscaping and provision of water, are Metro's responsibility.

Godfrey wrote the petitioners defending the management of the Marina and assuring the boaters that the major problems will soon be alleviated. Some of the complaints were rejected because they could also be made of other marinas in the Toronto area.

The boaters are sceptical about the Marina's future. Their past experiences with this management is not reassuring. MacDonald is now out of the picture as manager and a management consultant has been sent in to set the house in order. But the boaters still worry about what will happen to their boats and to what they assumed would be a secure mooring space on the Island. Some of those who complained have been told that they are not wanted at the Marina.

Marina Finances

James H. Black is a director of the Marina. He is also involved in its financing through Prisam Investments, which he controls. Prisam has issued the Marina three mortgages of a total value of \$600,000. Two of them, totalling \$300,000, have been assigned to *Unity Bank*. Since Unity is in considerable difficulty these days, and is attempting to collect on their "bad" loans, it might be timely for Metro to consider what will happen to the Marina if the bank calls on Black and Prisam Investments to pay the \$300,000. The remainder of the Marina's mortgages are owing to J.E. Whiteside, who is also on the board of directors of Prisam and a close business associate of Black.

The Island Marina could easily be a good and thriving business. The demand for mooring space in the Toronto area is mushrooming. It is therefore surprising that the gross revenue of the Marina has been consistently and significantly below what was anticipated at the outset except for 1976, when the revenue was a little higher than projected.

In view of the fraud charges against Black and the RCMP raid on the Marina offices, an audit of the Marina's books is in order to find out if the Company's financial situation is healthy. According to the lease, Metro is supposed to audit the books each year.

Black's Gang

the neighborhood connection

By Abraham Blank

In the December issue of *Downtown Action* we wrote about the land shenanigans of James Humphrey Black. The RCMP became interested in his practice of making a small down payment and raising a multi-million dollar mortgage that was far beyond the value of the land. Recently Black was arrested for defrauding one of his companies, Claiborne Industries Ltd., and two of its subsidiaries of \$1.5 million.

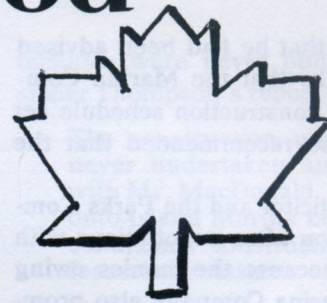
Black and Metro Toronto Deputy Chief of Police Andrew Hamilton were also charged with three counts of conspiracy to indulge in bribery, to obstruct justice and to participate in a corrupt practice. The evidence against Black and Hamilton turned up during the RCMP commercial fraud squad's investigation of Black's investment portfolio.

The financial press made quite a commotion about Black's relationship with Unity Bank in the weeks after Black's arrest. On June 28, 1976 Unity registered a \$1.5 million debenture against Claiborne Industries Ltd. The assets of the company were to be used as security and the bank was "irrevocably appointed to be attorney for the company." Registering this sort of debenture prohibits the company from borrowing from other sources without the consent of the Bank.

The 1975 annual report of Claiborne shows advances of \$1,490,657 as of January 31, 1976, with no fixed terms of repayment, to "shareholders and to companies which are related to directors, officers or shareholders of the company." The report does not specify who got the money or for what.

On January 25, 1977 the mounties raided the head offices of Claiborne Industries, Unity Bank, the Toronto Island Park Marina, and the law office of Irwin Singer, one of Black's lawyers. The timing was dramatic. It was the day before Unity Bank's annual shareholders meeting. At that confused event, Chairman George Mann and President T.L. Avison had to explain last year's losses of \$3.6 million and its newly adjusted provision for loan losses of close to \$7 million. The writer will not risk libel by speculating about to whom the loan losses should be attributed.

We were informed that the RCMP were not expected to lay charges for three months. It seemed that they'd need that long to unravel Black's financial web. However, it didn't require much analysis to figure out that \$1.5 million had gone to Black himself. The first indictments came down two days after the raid.



\$7 million the Magic Number

By checking with various sources it has been concluded that Black is indebted to Unity Bank to the tune of over \$7 million. That explains the rash of \$7 million mortgages registered in March of 1976. They were to cover Black's accumulated borrowings. Mortgages on 13 properties registered prior to the Unity mortgages were reduced, because of duplication, down to a value of \$6.5 million. (This kind of duplication is far from standard practice.)

Black purchased these properties for a total of \$1.9 million. This doesn't leave any value for the bank to recover, since the lands are unimproved except for Black's \$750,000 mansion on his Grovetree Farm.

The ten \$7 million mortgages state:

1. The Mortgagor (Black or his company) owns the land.
2. The Mortgagor is indebted and liable to the bank with respect to certain borrowing.
3. The bank has demanded additional security for indebtedness and for not immediately enforcing payment of the debt.
4. The Mortgagor has guaranteed to the bank payment of debt obligation of various persons and corporations (Schedule A).

Schedule A includes James H. Black, Audrey G. Black, Grovetree Farms Ltd., Meadvale Holdings Ltd., Mereworth Management Ltd., Milgrove Holdings Ltd., Penco Construction Ltd., Prisam Investments Ltd., The Victorian Way Corporation Ltd., and Whitebank Investments Ltd. Black is a director of seven of these corporations, past director of two, and general manager of another. His wife Audrey is director of the remaining one and also a director of six other companies along with her husband.

Black is also a director of Maricana Enterprises Ltd., formerly Columbia Placers Ltd., a penny stock mining company, and a past director of Playmor Corporation, a recreational real estate holding company.

Recently questions have been asked about just how James Humphrey Black got his start. An equally recent investigation into Black's old neighbourhood has brought some interesting people to light.

On a hill overlooking the Humber River are 53 executive-style houses on Grovetree Road and its side streets. Half of these houses have swimming pools. James Black and/or his Ribot Investments Ltd. owned, built on and/or subdivided half these lots since 1961. Black and his wife bought the lot at 24 Grovetree in January 1961 for \$9,000 and three months later applied for a building permit to build an \$18,000 house.

Four other friends of Black bought lots on Grovetree Road that year and built their own castles.

J. John Roulston of 11 Grovetree Road, an executive sales manager for Canadian Distilleries Ltd., is a director of Claiborne Industries, Toronto Island Park Marina and Playmor Corporation. Roulston earned himself a mention in the prestigious *Financial Post* "Directory of Directors" for the first time last year.

Charles H. Milner of 30 Grovetree Road, a real estate developer and consultant, was a director of Milgrove Development, Ridan Investments, Ribot Investments and Claiborne Industries. Milner played a leading role in the proxy fight over Van Ness Industries in April 1973. Black later had the name changed to Claiborne Industries.

Another person involved in the proxy fight was David Lacey, who became president of Van Ness Industries. A consultant and formerly an Etobicoke Controller and vice chairman of the TTC, Lacey is a director of Milgrove Holdings and resigned May 14, 1976 as a director of Claiborne.

At 28 Grovetree, where he moved from 22 Grovetree, is Ernest A. Rowley, president of Elco Construction and former director of Ridan Investments, Toronto Island Park Marina, Claiborne Industries, Playmore Corporation and Columbia Placers. Rowley formed Elco in 1967 in partnership with Ross McMullen of 14 Grovetree Road. Elco built the Toronto Island Park Marina for Black. Because the Marina was slow in paying its bills, Elco became inactive and McMullen sued Rowley and the company for an accounting of Elco financing since the company had no capital left.

Ribot Investments bought five subdivided lots in 1962 for \$42,400 total. After building three houses with

a total building permit value of \$51,000, Ribot sold the houses and/or lots for a total of \$107,000.

A lot at 3 Playdel Court was sold to Robert Jesse Pulford, the first hockey player signed by Alan Eagleson. Pulford was a director of Ridan Investment for 10 years, until 1972, when he left Toronto to coach an American hockey team.

Black had found out how much money he could make out of subdividing, but he had become known as a builder. He needed a friend to buy for him. In May 1962 a salesman friend of his, Joseph Lucien Baril, bought 19.5 acres of land that became the northern end of Grovetree Road. The purchase price was \$39,000, of which \$34,000 was a mortgage back to Maud Akins, whose family had held the land since 1922.

The \$5,000 down payment was supplied by Robert J. Watson, trustee, by way of a \$10,000 mortgage. Black and his wife acted as guarantors for the mortgage. One year later, the mortgages were discharged with a new \$75,000 mortgage from Irwin W. Pasternak and Robert J. Watson, trustees. In this mortgage, Ribot Investments joins Black and his wife as guarantors. Watson and Pasternak are law partners in Blaney, Pasternak, Smela, Eagleson and Watson.

For the subdivision approval to go through, Joseph Baril had to sell 9.863 acres to the Metropolitan Toronto and Region Conservation Authority for \$7,890.40 cash. Subdivision approval was granted in August 1963 for 17 lots and in September the lots were transferred to Ribot Investments. No money changed hands, since Baril acted as trustee for Ribot Investments. Directors of Ribot at the time were Black's wife Audrey, Irving Rosen and Robert J. Watson, who was president until May 1972.

Watson bought the lot at 46 Grovetree from Ribot for \$11,500 cash in 1964 and sold it four years later for \$22,000 cash. Watson was a director of Ridan Investments, Penco Construction, Toronto Island Park Marina, Meadvale Holdings, Prisam Investments, and two of the three companies amalgamated into The Victorian Way Corporation, Black's flagship company.

Watson has held other interconnected directorships in the past — Playmor Corporation and Columbia Placers. Watson and his law firm have lent Black mortgage money in trust on almost every piece of property Black or his companies has bought.

The lot next door to Watson, at 48 Grovetree, was bought by Yvonne Marie Hamilton, wife of deputy police chief Andrew Hamilton. This is the police official charged with accepting a \$1,500 bribe from James Black, his neighbour of long standing, for agreeing to protect Black's nephew from charges of breaking and entering.

Another lot buyer was Jack MacDonald, former manager of the Toronto Island Marina until October 1976. He lived at 45 Grovetree and bought the Island Marina Company with Black in February 1968.

By 1970 MacDonald had lost both his house and his interest in Marina.

Other people involved in the Island Park Marina

Crooked Money cont'd from p. 1

of dollars in public funds, most of it from property taxation at the municipal level. Not only do these facilities have to be maintained at considerable public expense, but capital works projects to expand them are constantly found necessary. In order to distribute the costs over a number of years to ease the annual property tax burden, capital works require large-scale debt financing.

Unfortunately, the massive public funds so expended have been transferred from the public domain to become firmly entrenched as "marketable commodities," the fruits of which are appropriated by real estate and others for private gain — a situation which is directly responsible for the current housing crisis based primarily on unrestricted surcharges for land.

As more and more public funds are invested in services, land values increase accordingly — the benefit of which should be retained by the municipalities which financed the services.

However, in order to acquire land for any purpose, municipalities are compelled to compete in the market place and pay the so-called "market price." A market price, the bulk of which is made up from the long-term investments in land by municipalities on behalf of their tax-paying public.

The following is a quote from an observation made by a select committee of the Ontario legislature when examining the government's proposed market value re-assessment plan:

We cannot ignore the fact that the very substantial increases in the value of land in and around our major urban centres are attributable in large measure to the *servicing and social capital provided at public expense*. It is appropriate, in our opinion, that there should be some way in which the public sector could share in this appreciation.

Company are Elliott Stetbauer, Robert J. Watson, Robert M. Hull, Lloyd G. Dayus and Robert J. Pulford. Metro Parks Commissioner Tommy Thompson reported they were to be added to the board of directors, but Robert J. Watson was.

In 1964 Ribot Investments built five houses on the remaining lots for \$97,000. When Ribot sold its last lot, its total sales revenue on this subdivision was \$343,600.

One of these houses, 37 Grovetree Road, was sold to Stanley Kondrotas and wife for \$35,000. Kondrotas' business relationships with Black have a familiar ring.

In 1972 he bought into a partnership property owned by Black. In 1974 they jointly received an interim \$11 million mortgage from Guaranty Trust Co., in trust, to build an apartment and shopping centre complex called Burlington Square. The money came from Lehndorff Management, a subsidiary of a German company. Another interim \$2 million was received in November 1975. Black and Kondrotas were unable to refinance and in June 1976 Guaranty Trust put the project into receivership.

This appreciation also includes spending for streets, roads and sidewalks, fire and police protection, a transportation system, garbage collection and disposal, and street cleaning, including snow removal.

It is high time that our local politicians recognized this fact and began to follow through with the select committee's opinion. This means that municipalities need to win the power to subtract the costs of municipal investments from the purchase price of land required for public purposes.

Mortgage Fraud Widespread

Editor's note:

The following is taken from an article which was published in the Toronto Daily Star dated 21 July 1976.

Nova Scotia Savings and Loan Co. of Halifax announced it is investigating "alleged acts of fraud in connection with the procurement of mortgages in New Brunswick."

George C. Piercey, president of the company, told the *Star* in an interview that the alleged fraud involves an "organized campaign to obtain mortgage loans higher than the true selling price of a property by use of false affidavits and other means."

The investigation is being carried on jointly by the Nova Scotia attorney general's department and the Royal Canadian Mounted Police. The RCMP brought the situation to the attention of the company, Mr. Piercey said. "We are told this type of thing has been going on all across the country."

J. Edward Whiteside holds a \$300,000 *fourth* mortgage, in trust, on the Island Marina. He is the holder, in trust, of other mortgages for Black's companies to the tune of \$4 million. Whiteside is a director of Whitebanks Investments, Prizam Investments and a former director of Claiborne Industries.

From 1964 to 1969, J. Edward Whiteside was the Associate Director of the Companies Branch of the Ontario Ministry of

Later he was an associate with the law firm of Blaney, Pasternak, Smela, Eagleson & Watson for a year, during which time his name on the letterhead followed Robert J. Watson's, named a partner on a list of 23 lawyers. Whiteside was recently appointed secretary of Claiborne Industries and president of a number of Claiborne's subsidiaries.

Robert Alan Eagleson, a hockey lawyer, was a director of Columbia Placers and a law partner of Robert J. Watson. Is that how the hockey players got mixed up with James Humphrey Black?

Action on Legal Aid

By Nelson Clarke — Parkdale Legal

Jane Doe has no money, but a lot of troubles (mainly because she has no money). A couple of collection agencies are chasing her, welfare is giving her constant hassles, and the Children's Aid Society is starting to wonder if her kids are being properly brought up. All these are legal problems, at least in part, but she certainly can't afford a lawyer. It's doubtful that she could get a legal aid certificate for any of her difficulties. And if she did, the private lawyer taking the certificate would handle only one part of her varied troubles.

But if she's lucky enough to live near a community legal clinic she can find lawyers or community legal workers there to give her expert help in fending off the bill collectors, appealing the Welfare Department's rulings, and working out the difficulties with Children's Aid.

John Doe is a tenant blessed with a landlord who doesn't believe in fixing anything in the apartment. John can sue the landlord under the Landlord and Tenant Act. He might, with a lot of difficulty, get a legal aid certificate. But his landlord is the type who would appeal if he lost in County Court. While the higher courts get ready to look at the case, months go by.

Workers at a community clinic wouldn't conclude — as a private lawyer might — that the only course to take was dragged-out litigation. They might help John and the other tenants in his building get together to send a delegation down to the local city council to get them to use their powers to force the landlord to fix up the place. It would probably be a lot faster than dealing through the courts.

These two examples show how community legal clinics — storefront law offices — may be a superior way of delivering legal services to low income people.

People with low income who need legal assistance apply for legal certificates. They have to prove that need as well as proving that they can't afford a lawyer. They make application through administrative



machinery established by the Legal Aid Committee, an organization set up by the Law Society of Upper Canada — the lawyers' association in this province.

Note that while the money for legal aid comes from the provincial government, administration of the plan has been placed in the hands of the lawyers themselves.

The legal aid certificate, if and when it's obtained, is taken to a lawyer in private practice who is prepared to participate in the plan. S/he then does the legal work required for 75 per cent of a rate established by the provincial government, which, of course, cannot be too far out of line with the fees normally charged by lawyers in private practice.

Broadly speaking, legal aid certificates are available for those kinds of problems which can affect anyone regardless of income. For example, a legal aid certificate can be obtained for divorce. Although some criminal activity is more likely to be engaged in by the poor than the rich, criminal law is an area in which it has long been recognized that an accused person should have a lawyer whether s/he can pay for one or not. So legal aid certificates are available in criminal matters.

But when it comes to legal questions which pose problems for low-income people rather than for the community as a whole, legal aid certificates are difficult to get. Quite often a low-income person needs legal advice of a sort not likely to lead to a law suit. Legal aid certificates are rarely available for such advice.

Community legal clinics address themselves to filling these gaps in the provision of legal services. But they are more than a supplement to the existing legal aid plan. They are equipped to deal with a range of problems affecting an individual poor person, who usually has more than one problem to contend with.

While it can take cases to court, a community legal clinic is not geared only for litigation. It can also provide practical answers to problems which are more

effective than time-consuming court battles.

Compared to the average private law office, community clinics establish a friendlier, less formal atmosphere. They can establish personal relationships with their clients and become familiar with their problems on an on-going basis. Clinics will try to educate their communities — publishing leaflets and pamphlets or holding meetings to inform low-income people of their legal rights.

Because of its experience with the law as it affects low-income people, a community legal clinic is in a unique position to make representations with respect to reform of the law — to overcoming the inequities and injustices which are inevitably built into the law.

A community legal clinic becomes an active force within its community. Much of its work can be done most effectively when it acts on behalf of a group of clients, not just an individual. It can encourage and assist its clients to organize themselves to advance their common interests. To pursue its objectives of law reform it has to work with other groups within the community and across the city and province. Only massive and united pressure can hope to effect changes in the law which are favourable to low-income people. For instance the reform of the Landlord and Tenant Law and rental regulations were painfully wrested from the present government of Ontario and stand in need of constant defense.

A legal clinic can be an important resource to every other group in the community which is battling to improve life for its people — such as groups trying to curb private developers and to win a program of building affordable housing within the public or other non-profit sectors.

Despite their obvious advantages in delivering legal services to low-income communities, there are few community legal clinics operating in Ontario.

Those few which do exist came were started with federal funding in the days when Ottawa was in a relatively more expansive and experimental mood than it is today. Over the past couple of years, the federal government has been phasing out all its involvement in financing legal assistance in matters of civil law. (They continue, under federal-provincial agreement, to fund half the cost of provincial programs giving legal assistance in criminal matters.)

In late 1973 the Ontario government established a task force under the chairmanship of Justice John H. Osler to study all aspects of legal aid.

The Task Force reported in November 1974 and, after sitting on the report for several months, the government released it in March 1975.

The report recommended that the administration of legal aid be taken out of the hands of the Law Society and placed under the control of a public, non-profit corporation to be called Legal Aid Ontario, which would have a board consisting of a chairman, vice-chairman, nine members chosen by the cabinet and nine chosen by the Law Society.

The report looked favourably on community legal

clinics, and recommended that more be established, but under the direct auspices and control of Legal Aid Ontario. There was to be no community control, and any community board which might be set up around a community legal clinic would be only advisory in character.

The government of Ontario has not acted on the Osler report.

In the meantime, existing clinics, with federal funding coming to an end, were faced with the prospect of closing their doors. In this emergency, they began to meet and discuss their common financial problems and the long-term prospects for community legal services in Ontario.

Out of these meetings came a coalition of groups taking the name "Action on Legal Aid" which prepared a basic statement of views on the Delivery of Legal Services in the form of a brief submitted to the Attorney-General. More of this later.

At the same time, individually and collectively, the clinics stepped up their pressure on the provincial government for a resolution of their funding problems.

In January 1976 a regulation was adopted under the Legal Aid Act establishing a clinical funding committee composed of two representatives of Convocation (the executive of the Law Society) and one representative of the Attorney-General. This committee makes recommendations with respect to the funding of community legal clinics.

As a result the existing community legal clinics were provided with funds to carry on through 1976.

In a number of cases, the budgets submitted by the clinics were cut down by the Clinical Funding Committee. In other words, no allowance has been made for expansion of existing clinics.

There appears to be no plan in existence for the establishment of more legal services with the exception of two tenant-oriented agencies in Toronto — the Tenant Hotline and Metro Tenants Legal Services. These exceptions were not the result of any particular planning by the authorities but resulted from increasing pressure from tenants for legal assistance as a result of rent review legislation and amendments to the Landlord and Tenant Act, which now allows non-lawyer agents to appear on a tenant's behalf in County Court. The government which enacted this legislation can hardly stonewall applications for funding to make it meaningful to tenants, especially when such applications are backed by a relatively well-organized and highly articulate movement.

There have been no criteria established for future funding, so community legal services find it impossible to develop long range plans with any confidence. Worse, the clinical funding committee has proved unwilling to finance "law reform activities."

Dissatisfied lawyers and community legal workers see no hope for improvement after Attorney-General Roy McMurtry's statement that the government intends to leave control of legal aid in the hands of the Law Society of Upper Canada.

We need Action

Action on Legal Aid has decided to respond with an extensive campaign to inform the public about the issues, to develop intensive lobbying of the government, the legislature and the Legal Aid Committee, and to encourage the organization of more clinics. On the basis of strongly-felt community needs, the clinics will be in a good position to press the government for expansion of funding.

Focus of the campaign will be a brief prepared by Action on Legal Aid. Copies of the brief are available from Action on Legal Aid, 362 Bathurst Street, Toronto, Ontario M5T 2S6; telephone (416) 362-8858.

Individuals or groups prepared to assist in the development of the public campaign can discuss their possible role with any of the groups listed below.

Campus Legal Assistance Plan of Osgoode Hall
c/o Osgoode Hall Law School,
4700 Keele Street, Room 125,
Downsview, Ontario

667-3143

Canadian Environmental Law Association
1 Spadina Crescent, Suite 303,
Toronto, Ontario

978-7156

Injured Workers' Consultants
Suite 303, 671 Danforth Avenue
Toronto M4J 1L3

461-2411

The Law Union of Ontario
c/o 37 Madison Avenue,
Toronto

964-8126

Metro Tenants Legal Services
165 Spadina Avenue, Suite 26
Toronto

364-1486

Neighbourhood Legal Services
257 Seaton Street
Toronto

928-0110

Parkdale Community Legal Services
1267 Queen Street West
Toronto

531-2311

People and Law Foundation
362 Bathurst Street
Toronto

362-7758

Student Legal Aid Society of U of T Law School
44 St. George Street
Toronto

Law Line

44 St. George St.
Toronto

978-7293

Tenant Hotline

c/o Don Vale Community Centre
80 Winchester Street
Toronto

922-6544

Toronto Community Law Program
105 Davenport

Toronto

967-5183

Thanks to the Toronto Community Information Service