NEXUS

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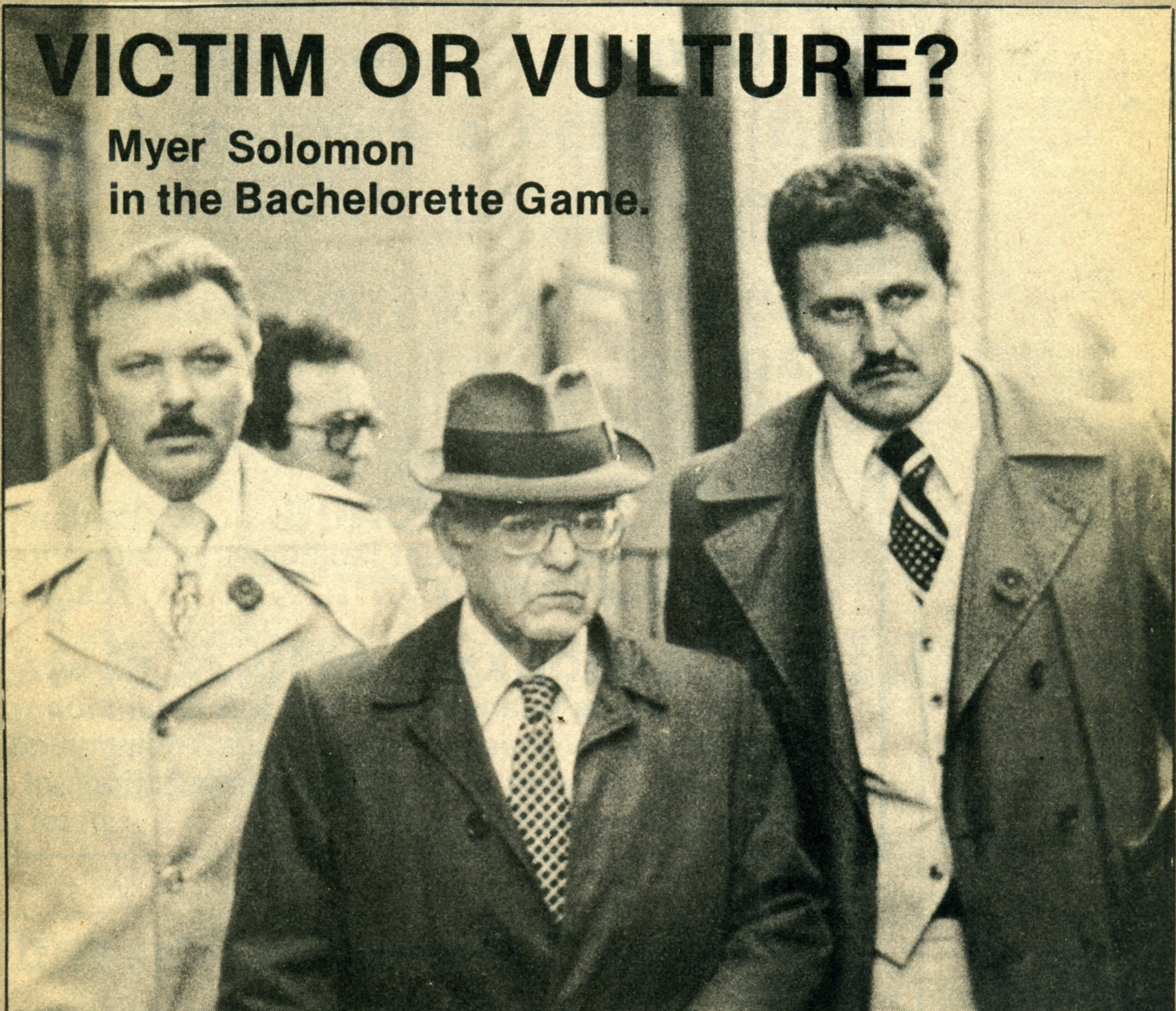
VICTIM OR VULTURE?

Myer Solomon in the Bachelorette Game.



Toronto Star

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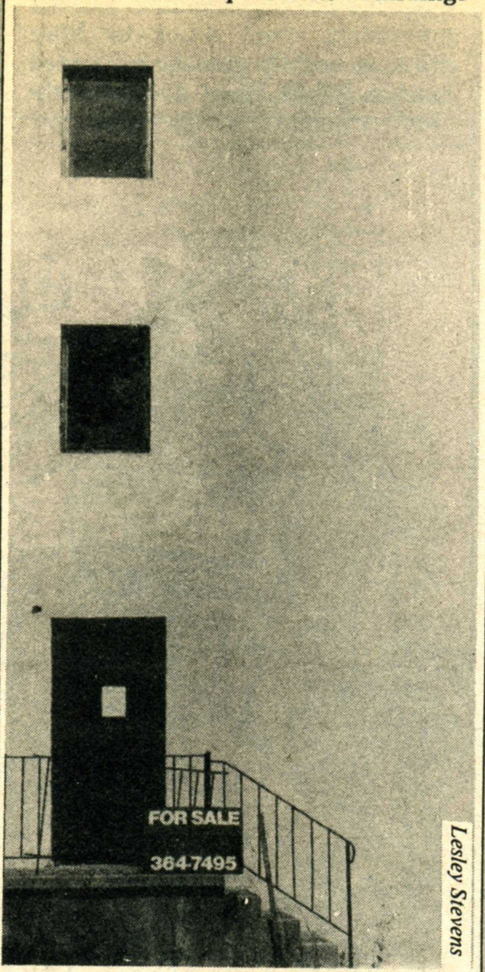
Picture a once stable working class neighbourhood destroyed by unscrupulous builders who buy family homes, demolish them and contruct high density apartments on the remains. The density of the neighbourhood increases, the crime rate goes up, services become inadequate, and the original residents are driven out by the pressure of a growing transient population.

It sounds like south of St. Jamestown, doesn't it? Actually this is a description of South Parkdale where the residents are being assaulted by an insidious form of development — the bachelorette.

Now that major developers, like Meridian and Cadillac, are busy paving the American concretescape with shopping plazas, the bachelorette developers are filling the vacuum in a tight housing market. These small builders are less concerned with the legal niceties and appear to neither know nor care about city bylaws. Financiers, like Myer Solomon and Sterling Trust, appear willing to take a rish by providing mortgage money with few strings attached.

There are profits to be made in the provision of living space for the growing singles population in Toronto, and downtown working class neighbourhoods have become expendable in the process. South

Parkdale has nearly two hundred bachelorette apartment buildings



Lesley Stevens

that were created by the destruction of family housing.

Franklin Harvey, the City planner for the area, says the expensive bachelorettes replace inexpensive single family housing and destroy the neighbourhood by inflating the population density. However, he also believes that the market for bachelorettes has peaked after several years of steady construction.

"I can see a few builders burning their buildings down when they find they cannot fill their vacancies. The bad publicity has slowed construction, and I can forsee the city forcing some of the builders to reconvert their illegal buildings back into houses," says Harvey.

The arrest of Myer Solomon amid continuing publicity about City Hall payoffs has added steam to the demand of South Parkdale residents that the city building department be investigated.

"The people in this neighbourhood," says one local community worker, do not trust city officials when they promise something will be done about bachelorettes. All the residents see is a slum growing up around them."

The articles that follow chronicle events leading up to the arrest of Myer Solomon and associates. They present a tale of death, fraud and neglect of tenants deeply rooted in our system of housing for profits and not for people.

Blockbusting in South Parkdale

by Paul Weinberg

What a depressing place to die!

Residents on a South Parkdale street were horrified to learn one morning that the body of Glen Hicks, 59, had been lying unnoticed for two weeks inside a unit of an abandoned illegally-built bachelorette at 145 Cowan Ave.

Toronto was still experiencing freezing weather during the spring of 1978, when tenants at 145 Cowan Ave. were suddenly faced with the loss of heat after Toronto Hydro shut off the power. While the landlord could not be found and Toronto Hydro was demanding $3,180 in unpaid bills, the tenants simply piled up their belongings and disappeared, rather than endure the discomfort. All but Glen Hicks, that is.

Cold Death

Hicks would not budge from his closet-like bachelorette, until landlord Ken McNeil returned his last rent cheque. Living on a disability pension, Hicks needed the money to pay the first month's rent at another bachelorette apartment on a nearby street.

Hicks was a loner; but in better times he had his radio, a guitar to strum, and a few neighbours to talk to. Lack of hydro eliminated his radio, cooled his apartment and prevented him from preparing the hot meals necessary for his diabetic diet.

Weeks later on May 27, 1978, his body was discovered. A coroner's jury determined he had died from an overdose of insulin but was unable to determine if Hicks died accidentally or took his own life.

The sight of Hicks shivering in his apartment on the day Toronto Hydro shut the power, upset fellow tenant Jesse Jenkins, 16.

"I phoned Toronto Hydro, and said we have an old man here who is a diabetic," Jenkins told the coroner's inquest into Hicks' death.

"He's cold; we're all cold. I told them about Mr. Hicks shaking in the cold, but Hydro said they would not do anything until the bills were paid."

Jenkins, who shared a bachelorette with his girl friend, often spoke to Hicks. He told the inquest he had phoned Toronto Hydro six times, but to no avail.

Next door neighbour Ernie Getz remembers 145 Cowan as a beautiful ivy covered three storey house—before it was demolished illegally in 1975, and rebuilt as a narrow shoddy apartment building filled with bachelorettes. Dubbed "the white shoebox" by Cowan Ave. residents, it is an example of the poor and hasty construction of many bachelorettes.

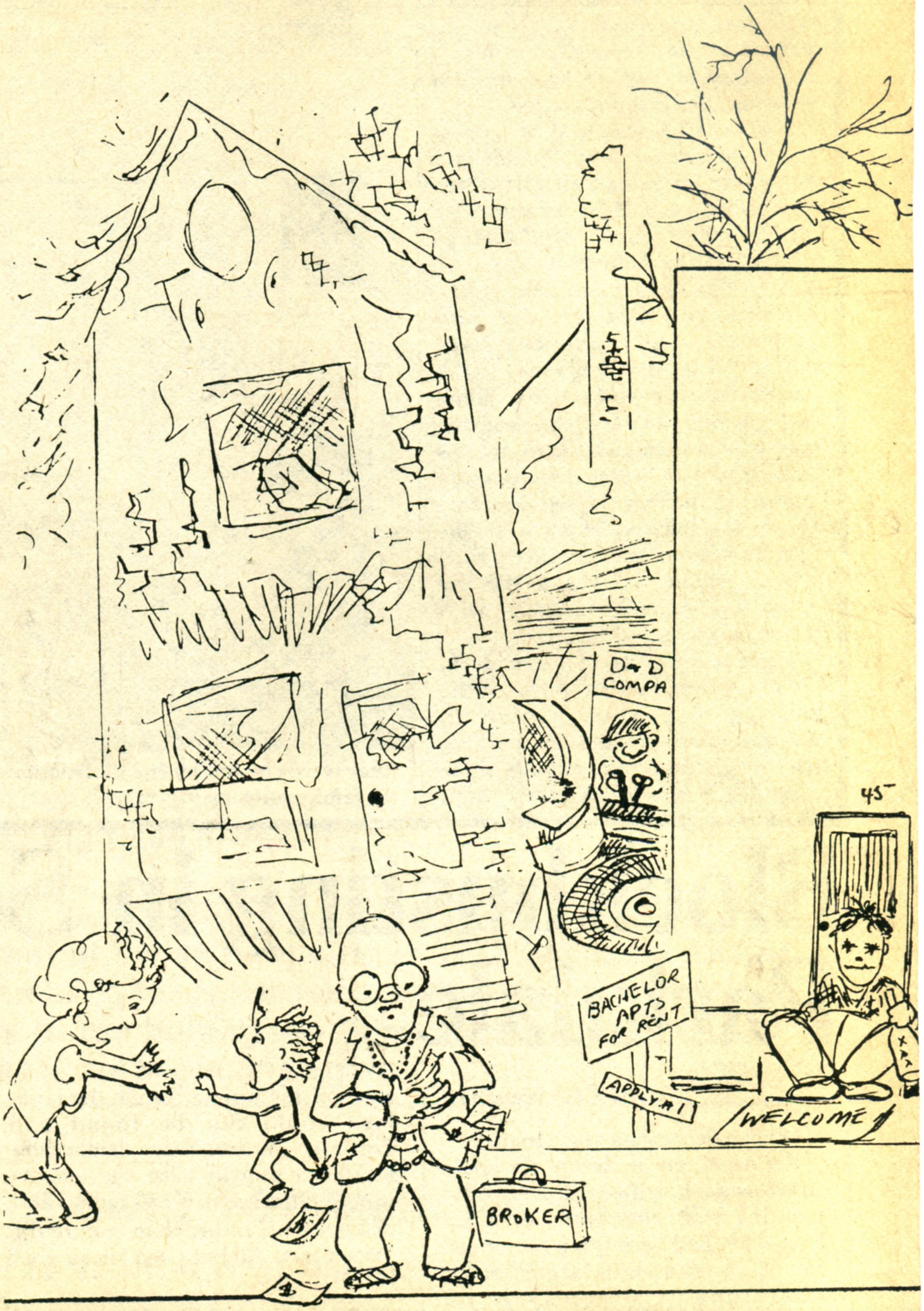
An official representative of the Toronto Hydro told the Hicks inquest that many of the delinquent hydro customers fall into the category of bachelorette landlords who are unable to keep up with their bills or mortgage payments.

Hicks was a victim of his landlord's neglect. Landlord McNeil was caught in a mortgage trap of overfinancing. Hydro bills were the least of McNeil's concerns as he scrambled to hunt down the cast to pay the mounting payments to money lender Myer Solomon, who has financed many illegal bachelorettes in the west end of Toronto.

The Hicks' inquest went beyond the fact of an "insulin overdose", by delving further into the murky circumstances surrounding the construction and renting of bachelorettes. Behind the sad and lonely death of Glen Hicks, is a complex story of deals and betrayals; and a cast of characters that includes tenants, landlords, mortgage lenders, and a trust company.

Ken McNeil, a Scottish immigrant, was a broken man when he finally showed up at the Hick's inquest in the midsummer of 1978. A 39 year old self-admitted alcoholic, McNeil previously spent much of May drinking heavily until he exhausted himself. While Hicks was patiently waiting for his rent, McNeil was losing his building to lawyer Myer Solomon, the holder of the mortgage.

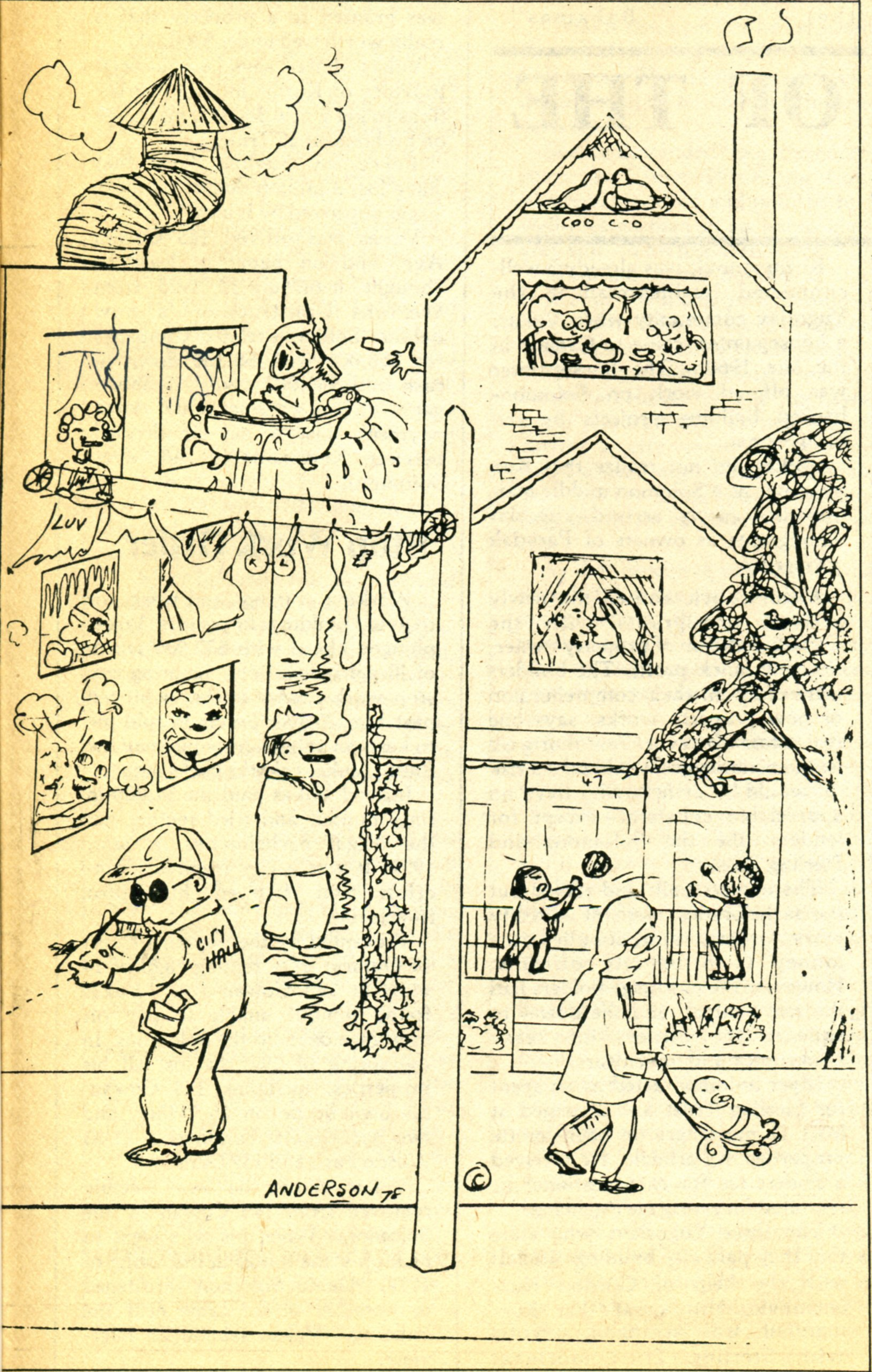
In the summer of 1977 McNeil was just out of a hospital for the



Playing Monopoly in South Parkdale

chronic alcoholic, when he was approached by Myer and son David Solonom to own and manage 145 Cowan Ave. As principal mortgage holders, the Solomons had seized the building from a previous delinquent owner — who could not keep up with the required mortgage payments.

He had met the Solomons while working as a general labourer during the demolition of another Parkdale house slated for bachelorette conversion. At first, McNeil was reluctant to be a new landlord of 145 Cowan, but his resistance vanished as the Solomons assured him he could make it work, and earn income to boot.



"I wanted to give him a chance," replied Solomon when questioned about the sale of 145 Cowan during the Hicks' inquest.

The Solomons sold 145 Cowan Ave. to McNeill for $190,000 with no money down. He would owe the $190,000 through monthly mortgage payments. McNeil's deed of sale for the property was an unregistered handwritten document — which even a Metro fraud squad officer at the Hicks' inquest admitted he found impossible to understand.

Front Man

The sale price for the property is twice what the appraised value of the empty building is presently worth. Acting for solicitor for both sides, Myer Solomon signed the document. McNeil was charged $7,200 in legal fees — which were simply added to the new landlord's debts. Legal fees for such a sale of property would not normally run more than a few hundred dollars.

McNeil's gross monthly rental income $1868 barely covered his costs. The rental income was based on 14 units with two vacancies and a third unit he himself lived.

Starting in the fall of 1977, he owed $1335 a month for his first mortgage payment. Six months later in Feb. 1978, he was scheduled to start paying a second monthly mortgage payment of $216. If McNeil had ever bothered about monthly hydro bills of $300, he would have had $17 left after paying the bill and his two mortgage payments. This did not include the upkeep costs for the building, such as property taxes, insurance and water.

McNeil was in no position to own and run an apartment building, especially an illegally constructed one. He failed to realize the Solomons needed a front man to collect the rents, keep the building tidy, and take the flak from city building officials.

The Solomons' set up an unknown number of such puppet-owners in Parkdale, most were recent immigrants, inexperienced in the complexities of real estate, but all too willing to be enticed by the friendly mortgage lender with suny promises.

McNeil later told the Hicks' inquest he was instructed by Myer Solomon to inform any visiting city building department official that "the owner of the property was in the Bahamas".

REVOLT OF THE PUPPETS

Joe Vukas has the raw look of a slightly overweight middle aged boxer, who has been through some fights and drinking bouts.

He does not mince words when he mentions what he would like to do to Gordon Kuzomanovic, the Yugoslav born businessman who introduced Vukas and other Yugoslav immigrants in the Parkdale area to the world of City Hall payoffs and the mortgage trap laid by Myer Solomon and his sons David and Joe.

Vukas is one of several Parkdale builders of illegal bachelorettes including Alex Koledin and Simo Vidovic who have signed legal affidavits declaring they paid $25,000 in bribes to city building officials. Kuzomanovic arranged the payoffs, and the builders were left alone to rent out their illegal buildings.

Middle Man

With Myer Solomon's money and Kuzomanovic's connections at city hall, Vukas thought he had it made. Today Vukas is a ruined and bitter man, unemployed and living in exile in Etobicoke. All four of his properties have been respossessed by the Solomon clan.

An informal payoff scheme at City Hall is under investigation by Metro police. Vukas says he used the scheme to cut through the red tape when he purchased 157 Dunn in 1972. On Dec. 5 he handed over two white envelopes filled with $1,000 worth of Simpsons gift certificates to two plan examiners in the city buildings deaprtment

Kuzomanovic was already a well-connected businessman in the Yugoslav community when Vukas, a housepainter, came to Canada in the late 1960's. The housepainter was offered work on Solomon-backed building projects by the businessman.

Vukas did not realize that Kuzmanovic as a Solomon middle man, recruited newly arrived Yugoslav immigrants as owners of Parkdale properties.

Kuzomanovic enticed the newly arrived immigrants with the Canadian dream of property ownership for quick profit. The builders were crude in their comprehension of how property works, says one real estate observor. Few mortgage lending companies would take a risk on would-be owners who have no appreciable collateral—except for lenders like the Solomons and Sterling Trust.

The owners built and rented out the bachelorettes, were hit with city work orders, and, supplied the money to bribe city officials. However, the mortgage holders had the real control, and the power to squeeze the owners into easy bankruptcy and foreclosure.

Myer Solomon acted as an agent for Sterling Trust and arranged at least 11 mortgages on bachelorette properties in Parkdale. He received a finders fee for each customer he recruited for mortgage financing.

The three Yugoslavs who state that they paid city building officials with the help of Gordon Kuzomanovic, also swear that Kuzmanovic was arranging payoffs with Sterling Trust mortgage manager Arthur Iviney.

They allege that Iviney was bribed to approve mortgages that were far above the real market value of the properties. On one building for example a $400,000 mortgage was granted to a property that is really worth well under $300,000.

Vukas himself says he paid $600 to Iviney on Kuzomanovic's instructions to get a new $60,000 mortgage on his home at 25 Triller.

Police say Sterling Trust may have lost 3 million dollars on mortgages approved by Iviney.

Vukas was offered 145 Cowan Ave. and on paper at least he "bought" it on July 10, 1975, from Wexford Construction (a now defunct Solomon-related company) for $58,000 with $8,100 down in cash and $49,000 owing in mortgages. (There was no actual down payment, just a pay-off divided between Kuzomanovic and Myer Solomon).

Stop Work Order

Working evenings and weekends to avoid buildings inspectors, Vukas plunged ahead with $50,000 worth of illegal renovations, ignoring city stop work orders as they whipped past him. "Myer Solomon told me to keep on going—he would pay the fines," Vukas told the Hicks inquest.

Instead Vukas paid the $1,000 in fines himself and tried renting out the illegal bachelorettes in Jan., 1977. It was a city inspired injunction that tripped him into foreclosure.

Prevented by the Supreme Court of Ontario from renting eight of 14 units at 145 Cowan Ave., Vukas found himself unable to pay off mortgage debts to the Solomons. In the spring of 1977 he lost all his properties, including 145 Cowan, his own house on 25 Triller, and two bachelorette buildings at 81-83 Wilson Park and 157 Dunn.

Vukas claims he was forcibly removed from 145 Cowan by the Solomons. When his wife went to pick up some things in the spring of 1977, "David Solomon threatened to hurt her if she came near the building," Vukas said in an interview.

At 145 Cowan Ave., Vukas had a first mortgage of $125,000 to Sterling Trust. He also owed $65,000 to David Solomon in the form of a second mortgage—a direct Solomon tie to the property that is constant despite changes in ownership.

Vukas carried on paper $229,000 in unpaid mortgages—not counting the interest which increased the debt even further. A brief examination of his mortgages for his other properties shows a pattern of gross over-financing:

- His own home at 25 Triller cost him $68,500, but he took out $195,050 in mortgages.

- He bought both 25 Triller and 81-83 Wilson Park in the summer of 1976 five months before he tried renting out the units at 145 Cowan Ave. The Wilson Park property cost him $135,800, but he took out $576,000 in mortgages.

- Vukas bought 157 Dunn in 1972 for $40,200 with $200 down in cash. He took out $325,000 in mortgages over a 5 year period.

"Myer Solomon was like a second father to many of us Yugoslavs," says Vukas. This was Myer's style: to come across to the individual, inexperienced in property ownership, as a nice old lawyer who offers advice and encouragement. Myer was also an expensive father—he charged Vukas $500 per visit to his office.

Each time Vukas sought a $5,000 loan from the lawyer, he ended up receiving $4,500 but was marked in Myer Solomon's little black book as owing $5,000. Kuzmanovic as the middle man also received a fee of a few hundred dollars from Vukas for each visit.

For every mortgage Vukas obtained from the Solomons there was a major fee. For a Sterling Trust mortgage of $125,000 on 145 Cowan, Myer Solomon charged him a standard fee of $26,000, plus ten per cent of the amount of the mortgage. Although Vukas received only $89,000, he signed a mortgage document stating he owed $125,000.

"I signed too many documents," Vukas told the Hicks' inquest. In a suit against the Solomons, he asks for $300,000 in damages arising from a nine year relationship with the lawyers.

Out of the Woodwork

"Who is that man?" asked Howard Kerbal, the young lawyer for Myer Solomon, "This is the second time he has stood up to interrupt the proceedings."

Silence descended upon the courtroom, as Crown Prosecutor Cunningham stood up and pointed to a well-dressed man in an immaculate grey suit on his feet at the back.

"That man, your honour, is Sino Sas! And I will ask your honour if he could be asked to leave — until it is his turn to be called to the stand."

The mysterious owner of 410 Keele had shown up and the newspaper reporters were excited. Weeks earlier a city executive meeting heard a deputation about 410 Keele St., another bachelorette building flagrant in its violation of city by-laws.

At that executive meeting, it was revealed that the confidential building plans for that property were missing from the files of the city building department, a department now the target of a police investigation.

A Yugoslav, like Joe Vukas, Sino Sas kept mum during the controversy around 410 Keele. Although he had literally come out of the woodwork to be called to the stand at the coroner's inquest, he refused to elaborate on what he had told the Metro police about his law suit against David Solomon, his former business partner.

"I'm as well known as Trudeau," he said flatly to the jurors, while on the stand, alluding to the press accounts of the building and the mysterious gutting of his other property in South Rosedale by an unknown arsonist.

Once a Solomon protegé, Sas was called to the stand because he had hired Ken McNeil as a janitor at 410 Keele St. after Myer Solomon took possession of 145 Cowan. Sas was also involved in the purchase of stoves and fridges McNeil tried to sell to cover his hydro debts.

Sas put McNeil in touch with the police in March 1978 (before the hydro was shut off) when Myer Solomon threatened to have the drunken landlord thrown out of 145 Cowan. Two bulky policemen hid as best they could in a tiny bachelorette washroom, while Myer Solomon's hired hand Cesar Selman attempted to get Ken McNeil to leave.

Described by Kerbal as a "heavy" for Myer Solomon, Selman, a man of vague South American origin, had arrived to take over and manage the building for the mortgagee. However the sight of the intruders behind the washroom door brought his task to an abrupt end. Selman, an illegal immigrant, was warned by the plain clothesmen not to come near the building again.

Selman appears on title as the new owner of two properties formerly owned by Joe Vukas, 25 Triller, and 81-83 Wilson Park.

Sas has no luck with lawyers — he has had four in the past year and a half, including Myer and David Solomon. The improper incorporation of the numbered company which owns 410 Keele has forced the Companies branch of the provincial Ministry of Consumer and Commercial Relations to investigate Sas. Meanwhile Sas is suing lawyer Jack Gilbert, who handled the incorporation.

At the inquest Sas refused to answer Walter Fox's questions about his dealings with David Solomon. Fox was once Sas's lawyer, and he had listened to the man's tales of being financially manhandled by David Solomon. During the Hicks' inquest, Fox had changed sides and was acting for David Solomon.

Fearing that his confidence with his former lawyer had been violated, Sas refused to co-operate with Fox's cross examination.

Walter Fox sparked some interest because he is better known as an outspoken defender of legalized marijuana and civil liberties than he is as a lawyer for a businessman who has profited from illegal bachelorettes.

Some of the former puppet owners are wasted, disillusioned with their experience in Solomon-financed property ownership in the New World. But Sas forges on, despite his rumoured bankruptcy. "I'm a doer." he described himself. Three years of financial mistakes in Canada have yet to temper his enthusiasm for entrepeneurship.

"I'm becoming more involved with more solid business activities, like gold mines and movies."

Solomon on the Stand

When Myer Solomon was first asked if he was worried about the year-long Metro Police investigation into his business affairs, the elderly mortgage lender and lawyer dismissed it with a patrician air.

"Look, they've gone through my office a number of times and they haven't found anything. My office is probably tapped, but who cares!" he replied in July, 1978.

Complaints to the police about his mortgage lending activities, did not visibly concern Solomon, even as the Hicks inquest neared. "I'm a lot more worried about what the Law Society might do, than I am about the police."

Myer Solomon stood in the small narrow lobby of the coroner's court in downtown Toronto, waiting to be called to the stand at the Hicks' inquest. A small elderly man with thick glasses and wearing a rumpled brown suit, Solomon had to contend with the prying eyes of curious on-lookers.

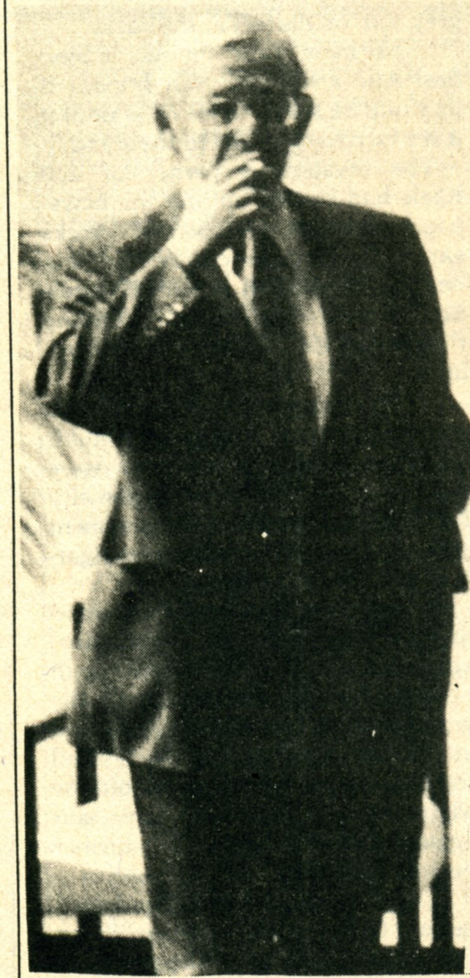
The atmosphere in the lobby had elements of a circus. The on-lookers included four of the Yugoslav puppet-owners who had brought their wives and kids to watch the proceedings and see "justice done".

Solomon visibly cringed at the attention. Together with his son Joe, as the law firm of Solomon and Solomon, Myer had worked quietly for years in the business of lending money. But now the details of his dealings were at the centre of public inquiry.

Nervously, Solomon began to smoke. To avoid the curious gaze of spectators he would go ahead into the court, where he sat alone fingering his worry beads.

To keep the Solomons from taking the stand, lawyers Howard Kerbal and Walter Fox for David Solomon, argued that any attempt by the crown to delve into the financial history of 145 Cowan, would violate the Coroner's Act. Kerbal threatened the Coroner Margaret Milton with civil action if the inquest went beyond its jurisdiction. The inquest should stick with the question of the origin of the insulin overdose in the body of Glen Hicks, said Kerbal.

Coroner Milton denied the request and agreed with crown



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Myer Solomon, smoking up a storm while waiting to be called to the stand.

prosecutor Iain Cunningham that the circumstances behind the illegal bachelorette building on 145 Cowan would be instructive for present and future tenants of such buildings.

On being called to the stand, Myer Solomon had difficulty defending the sale of 145 Cowan to Ken McNeil.

"What on earth made you believe that Mr. McNeil could afford that building?" asked Mr. Cunningham.

"I can't answer," replied Solomon, "I just don't know. At about that time, (August, 1977) I don't think I was thinking straight."

Myer Solomon described himself as a naive man who had been unfairly abused by various owners that he had selflessly helped to finance, including Ken McNeil. "I was feeling very down. I just wanted to be rid of the building."

However, Solomon admitted he failed to inform McNeil that a court injunction had been issued on Jan. 1977, forbidding the renting out of eight of 14 units at 145 Cowan, eight months before McNeil purchased the property. That injunction was slapped against Joe Vukas, the previous owner of 145 Cowan who tore the original house apart and built the bachelorettes.

When crown prosecutor Cunningham vigourously pursued his cross examination, Solomon broke down in tears on the stand. Stammering with anger, he shouted he wanted to leave the court and be left alone. "This is a witchhunt!" he cried, a complaint echoed repeatedly by his lawyers.

The Law Society of Upper Canada has yet to institute proceedings against Myer Solomon, despite the fact that one of its representatives sat in on the inquest.

However, on Nov. 9, 1978, the Metro police charged Myer Solomon and two other individuals with conspiracy to defraud Sterling Trust of three million dollars in mortgage funds. The other two charged are Gordon Kuzmanovic, a businessman of Yugoslav origin, and Arthur Iviney, the former mortgage manager for Sterling Trust.

They are accused of consorting with one another between 1972 and 1977 to defraud Sterling Trust by receiving and paying secret commissions, processing false applications for credit, processing false evaluations of property and failing to disclose their interests in properties.

Joe Solomon has been charged on an unrelated fraud charge in Cambridge and David Solomon, another son, has not been touched by any charges.

BUY A PIECE OF PARKDALE

by Lesley Stevens

As late as 1963, Spencer Avenue was a typically quiet, elegant tree lined Parkdale street. Fifteen years later it is a motley line of noisy high-rises, "quick bricked" bachelorettes, and a few original homes, the homes of the hold-outs.

Number 75 Spencer was one of the first high-rises on the street when it was built in 1960. It is sixteen storeys high and not too worn looking on a good day. It looked a lot better, tenants say, before a company named 75 Spencer Ave. Ltd. bought it, one month before the Land Speculation Tax Act came into effect in 1974. As in other sales of this period, the property's value was inflated and 75 Spencer became a million dollar commodity.

In three years, the new owners took over three mortgages, gave back two to the vendor, and piled up three more, for a total of $1,890,000 in charges on the property, almost twice its already inflated market value.

Part of the 1964 purchase consisted of a $600,000 blanket mortgage, which covered payments on two mortgages to the previous owner. It also generated cash for 75 Spencer Ave. Ltd.'s down payment, and quick profits for lender Paul Roth, the main financial prop of the company.

In 1977, 75 Spencer Ave. Ltd. sold out, flirted with bankruptcy, releasing Roth from his mortgage obligations, and making him its major creditor. Two of the other mortgages, meanwhile, were not paid off by the October 1977 sale but were shuffled and passed on to the new buyer. In other words, the $600,000 Roth mortgage was not used to pay off the old mortgages, and does not appear to have been re-invested in the now ailing building. However, the Roth mortgage and two later high interest loans from Paul Roth and Michael Wynton (Wynro Consultants Ltd.) were discharged, despite the fact that the new sale generated a cash payment of only $10,000 from the new owners.

Roth has a key position in the corporate group that controls 75 Spencer Ave. Ltd. He is director of Wynro, whose original incorporator was lawyer Victor Prousky, formerly of Whiterock Estates, who also incorporated a 75 Spencer Ave. Ltd. affiliate, 1651 Victoria Park Ave. Ltd. Prousky is still solicitor for the group of companies and for Wynro.

Lesley Stevens

The corporate circle starts with the incorporation in 1974 of the parent company, Equicorp Industries Ltd., and two offspring in the rental properties business, 75 Spencer Ave. Ltd. and 1651 Victoria Park Ave. Ltd. The companies all have the same president, directors, lawyers and head office. They also include ownership of at least two other apartment buildings at 3967 and 2050 Lawrence Ave.

75 Spencer Ave. Ltd. expanded its empire by borrowing one building from a related company, defaulting on that borrowing agreement, and then making the lender the major secured creditor and beneficiary of a 'proposal' that was eventually presented to the Supreme Court of Ontario Bankruptcy Court for approval in early 1978. (The legal purpose of a proposal is to avoid being declared bankrupt by unsecured creditors and to work out a method of satisfying them.)

75 Spencer Ave.Ltd. used its bankruptcy proposal to transform the company's paper loss position into a financial gain.

The bankruptcy proposal was accepted in a vote in March 1978 at a meeting of the creditors. The creditors' voting power was based on the amount of debt owned. The five biggest secured creditors who swung the vote are a winner's circle of interlocking directorships: Equicorp Industries Ltd., 1651 Victoria Park Ave. Ltd., Wynro Consultants Ltd., 278202 Ontario Ltd. (amalgamated with Equicorp) and Mertec Equities Ltd. (at the same address as 75 Spencer Ave. Ltd.) The largest unsecured creditor was Sutton Management Ltd., also of the same address.

The plan outlined in the Supreme Court is this: 75 Spencer Ave. Ltd. incurred financial loss "due to insufficient rental revenues from its rental property." The company will use provisions of the Income Tax Act which allow businesses to apply a loss in one operation to reduce the taxable income (and thus the taxes payable) of another business operation. The benefits of this tax "write-off" will aid the financing of a new and profitable manufacturing operation (unspecified in the proposal). 20% of the net profits of the new business will be returned to the creditors as dividends on preferred shares in the new venture.

This family of five corporations with common present or past directors has turned losses, gained by their practice of raising cash on the security of rental properties for investment elsewhere, into a tax gain and capital for a new venture. They will now pass on the eventual profits of this venture, with the blessings of the court, to a list of creditors consisting of the same five corporations.

The Court, in accepting this proposal in May, 1978, declared the transactions involved to be in proper business style or "arms length" and noted that "the conduct of the debtor is not subject to censure."

What has been happening at 75 Spencer throughout all this? In July, 1977 the building was in such a state that the tenants began a rent strike that lasted until the building was sold in October. Management of the building was left in the hands of Irv Grad, general manager of 75 Spencer Ave. Ltd. He was charged in March, 1978 with conspiracy to extort $250,000 in another "bankruptcy" scheme.

City work orders required repairs to the roof, parking lot, common areas, security system, elevators, incinerators, and the unusable swimming pool.

Since October, 1977, the tenants have had to deal with a new owner who bought a million dollar property with a $10,000 cash payment and six mortgages all due between 1978 and 1980. Berislav Ivankovic is a Parkdale bachelorette builder and self-styled millionaire, whose first act as owner of 75 Spencer was to threaten all members of the tenant association with immediate eviction. His second act was to commence the conversion of vacant bachelor and one bedroom units, to furnished higher rent bachelorette rooms.

Since then Beri has also learned a bit about Rent Review. He was awarded a 12% rent increase on some units in May 1978.

In December, 1978, another "for sale" sign appeared on the front yard. yard.

ON THE BEACHES

by Lesley Stevens

Toronto's Beaches district has a magnetic appeal. Its tree lined streets, which skirt the winding shore of Lake Ontario, have attracted many new residents in the last few years. But along with new residents have come others, who while expressing appreciation for the area's natural beauty, have bought and sold with quite a different bounty in mind.

15 Glenfern Avenue is a dramatic case in point. Two former owners of this Beaches' property have appeared in court charged with evasion of the Land Speculation Tax and the swearing of a false affidavit. Current owners threaten to evict tenants in order to make a penthouse for one of the former owners. Tenants whose rents doubled in two years, sit it out in the deteriorating building, harassed by lawyers and a superintendent.

15 Glenfern's history as a speculative property begins in 1971, when Robert Henry Wilson, bought the apartment building for $230,000.

Early in 1976, Wilson sold it to a local resident, Pizza Pizza store operator, Mike Overs, who enthused in a later affidavit that he "became enamoured with the neighbourhood." His story goes like this.

In February 1976, Overs closed the deal paying $10,000 cash, taking over $194,000 in previous mortgages, and giving back two mortgages for $95,000 and $5,000 to the vendor Wilson. The purchase price sworn to on the deed is $300,000, by all accounts (save that of Wilson and Overs) a normal market price for the 20 unit building.

In an application the same month to Rent Review for rent increases of 20% to 59%, Overs claimed that the building had cost him $500,000.

Just prior to his May 1976 Rent Review hearing, Overs, with the aid of his lawyers Myer and Joe Solomon, "unilaterally drew up a fifth mortgage for the sum of $195,000 on the property and registered it myself and mailed a copy to Peter Wilson", according to his July 1976 affidavit. Overs claimed (again in July) that the mortgage was a substitute for the proposed transfer of two Pizza Pizza stores to Wilson.

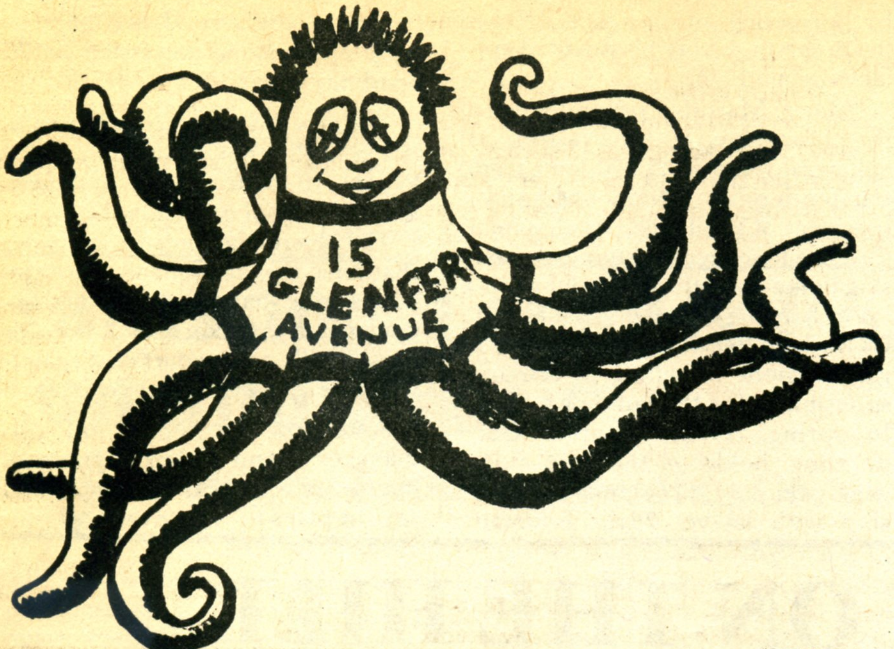
The Rent Review did not notice the numbers game in May, 1976, but tenants did; and a letter from Metro Tenants Legal Services was instrumental in Crown charges being laid against Wilson and Overs. Wilson was tried and fined $12,500in April, 1978.

The significance of this scheme for tenants is not hard to see. Overs' main argument for a rent increase was the heavy cost of financing the purchase of a $500,000 property, with only $10,000 cash. Rent Review, by an unoffical rule of thumb, allows owners to recover in rents 85% of the cost of the purchase.

Turning a blind official eye to the Provincial Court charges, the Rent Review Appeal Board allowed Overs to pass on this 'increased cost' in rent increases ranging from 20% to 50%. He was allowed the same amount as the 1975 for operating costs, but a stunning $50,000 more for mortgage costs, a total 'costs increase' of 45%.

Many of the major expenses projected by Overs for 1977 and allowed as costs for Rent Review were never done, according to tenants. A promised snow blower, firealarm system, major outside painting, roofing and bricking did not materialize.

Financing, however, continued apace. In August 1976, the Solomon family law firm arranged a $300,000 Sterling Trust mortgage, which paid off old mortgages and became the first mortgage. They also arranged a



Kari Delhi

personal loan of $11,500 at 18% interest from Maureen Solomon. Overs then owed over $500,000 on the property.

Landlord Overs opened the 1977 Rent Review round with a legal ploy that takes advantage of the uncertainty of the Rent Review bureaucracy with regard to rent increases at or below the guideline of 8%.

Overs twice applied for increases of 10% or more, and had his applications thrown out as invalid. This was unknown to tenants, who are notified by Rent Review only in the case of a valid application. They received confusing informal notices from Overs, who then began to propose a reduced, 8% increase. Most tenants accepted this, thinking it an interim measure pending the Rent Review hearing they expected at any time.

So most tenants paid an 8% increase throughout 1977 while awaiting advice that never came from Rent Review. In May, 1978, tenants began to refuse to pay the increase, and the new owner who bought the building in February, attempted to evict some for 'non-payment of rent'

The 'new' owner of 15 Glenfern is Toronto Lakefront Properties, whose president Robert Phillips is a partner in Realco Properties Ltd., a high profile and popular renovator of many choice old downtown buildings, including the Gooderham flat iron building.

The owner's spokesman, and the man writing the threatening eviction letters, is lawyer Theodore Belman, who is also Mike Overs' main creditor and holder of the controversial $195,000 mortgage.

That mortgage, written "unilaterally" by Overs to explain the purchase price discrepancy, came to Belman after a flurry of seven "assignments" in as many months. In each assignment the mortgage was nominally the collateral for personal loans of Wilson, but may have had other functions in the accounts of the parties to the transactions.

the deed for the 1978 sale records a $52,000 cash down payment, and the takeover of both the $300,000 Sterling Trust mortgage and the $195,000 mortgage owed to Belman; total price: $545,000.

If Belman is behind the owner, he has gained control of the property for approximately its real price of $350,000; since $195,000 of the purchase price is already owed to him. Rental revenue has been inflated by more than 50%, and the market value is now established as $545,000 for future sales or for collateral security.

Overs has got himself the promise of a penthouse on the waterfront (for an unrevealed lease payment), and a swept-under-the-rug court case, dismissed in July 1978 by a Provincial Court judge. Lawyer for the defendent, Overs, was Bill McMurtry, brother of Ontario's Attorney General.

The Phil Wynn Collection Agency

by Lesley Stevens

70 Spadina Road, an apartment building with bugs, bad locks and bad debts, is ten storeys high and running down. Despite its nice Annex location, it has four contentious mortgages, a delinquent owner and no one to pay the bills.

Final threats from the gas company in April 1978, forced the city to act. Toronto City Council authorized payment of half the building's overdue $20,000 gas bill. Now, taxpayers are liable for bills at 70 Spadina, while the building's landlords and mortgagees continue to evade their responsibility by hiding behind trustees and numbered corporations.

The building became a speculative property in the late sixties when it was sold through a Mexican bases middle-man to the Leontine Corporation, a company set up by lawyer Richard Farano. Between 1971 and 1975, Leontine aquired six mortgages with a value of $2.3 million.

Leontine eventually sold the building in a transaction of classic speculative character. The purchaser, "Maria Martins Nursing Homes Ltd. "— with little ready cash and a willingness to pay an inflated price as long as extensive financing was available — put up $115,000 in the deal. To finance the purchase, "Maria Martins" took over the first and second mortages of $1.3 million and $250,000, gave a third mortgage to Leontine for $464,500 and a fourth to a trustee Max Blackstein for $290,000 to cover a promissory note. The property was further mortgaged beyond its market value, and sold, a short ten months later, at a price inflated by $165,000.

The current owner of 70 Spadina is the elusive 337056 Ontario Ltd., incorporated by one Charles Richard Walton acting as trustee. He originally bought the building in June, 1976, and then incorporated in 1977, in time to avoid liability for bills.

Walton had even less cash than the previous two owners. With only $38,000, Walton was able to finance the $2.4 million purchase by arranging a fourth mortgage to "Maria Martins" for $384,500, and by borrowing another $230,000 on the property, before his financial collapse in late 1976.

"Maria Martins" promptly used the mortgage from Walton as collateral for a $425,000 loan from trustee-lender Sol Merrick, president of Whitehall Development Co. The loan went to support a nursing home operation in Vaughan.

And so the business goes round. Of the long line of owners and mortgagees, none is willing to take responsibility for the building's costs. In spring, 1978, Leontine Corporation, holder of the third mortgage, and now through its relationship with lawyer Myer Feldman, holder of the second mortgage as well, again took possession of 70 Spadina.

The new old management appointed a well known slumlord, Phil Wynn, to collect rents and keep tenents and bill collectors at bay.

The severe maintenance problems that have plagued tenants since this past spring have been further aggravated by a mechanics lien for unpaid bills and a court case against Leontine's lawyer Meyer Feldman.

And now to top it all off, manager Wynn claims a financial interest in a second mortgage, and says he plans to "take over".

CASHBOX ON THE HILL

by Lesley Stevens

Twenty years ago the Woolner Avenue hill was a local garbage dump. Now, things have come almost full circle as developers fight over the right to milk the deteriorating apartment buildings at 220-230 Woolner Avenue for cash and security.

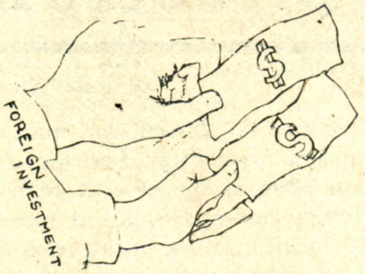
The garbage dump became a construction site in 1963 when two men, incorporated as four different companies, assembled and subdivided the land, and sold it to themselves, at double the value, under more and different corporate names.

The first real sale (that is, for purposes other than subdivision among the principals), put the property in the hands of Schaan Properties Ltd., a Lichtenstein Corporation whose president was no other than Tito Tettamanti, head of the internationally noted Fininam Group. Fidinam, a corporate octopus with tenacles spanning the Atlantic, is suspected of operating as a funnel for European, especially Italian, investors looking for tax avoiding opportunities.

With Fidinam came enough capital to maintain the financial stability of the buildings from 1964 to 1972.

Enter one Jery Farantatos doing business as president of Venpower, a public company and subsidiary of PHI International, PHI Financial, PHI Acceptance, PHI Property Management, a veritable real estate empire.

Relying on foreign sources of money, Farantanos financed and over-financed the purchase of the Woolner properties. For $270,000 in cash, Venpower took over $1.8 million in mortgages while granting a $1 million mortgage to Schaan Investments. In the succeeding three years more than $2.5 million was borrowed against the buildings; a $2



million loan from Metro Trust (an agent for foreign investors) and a $668,000 loan from Lehndorff (Canada) Corp., a large German financial syndicate.

The icing on the PHI cake came in 1975 when the Bank of Nova Scotia granted Farantanos a $15 million debenture or demand note, a rather grand upper limit of credit with the bank. The bank, for its part, held 13 PHI rental properties and any new acquisitions, as collateral.

Despite the apparent liquidity of the new landlord, tenants at the Woolner Avenue buildings were besieged with growing deterioration of their buildings and increasing insensitivity from bad management. The Woolner Avenue buildings were, after all, good collateral for raising loan money and a source of rental revenue increasingly channeled into PHI's outside investments.

By 1976, the value of the properties as collateral for further loans was exhausted. PHI sold to a smaller company, Chadee Holdings for a big price, $3.9 million. The properties over the four years of PHI ownership had inflated in value by $1 million.

Chadee Holdings (directors Victor Chadee and lawyer Ronald Davidson) owned Woolner Court for six months and "ran it into the ground", according to tenants and York Comminity Services Agency. Chadee, whose major investments are in nursing homes in Ontario and Florida, bought Woolner Court as a speculative investment.

Chadee sold the properties to the Daletom for $4,665,000, a quick $700,000 profit.

Chadee paid no Land Speculation Tax on the transaction, claiming that not less than 20% of the original purchase price was applied to building renovations. Tenants deny that renovations of such magnitude took place.

Daletom, whose director Wayne Skinner gained notoriety during the 1977 investigation into corruption in the city's plumbing department, has used Woolner Court as security for debts to the Canadian Imperial Bank of Commerce to the tune of $275,000.

In October, 1977, Daletom defaulted on its mortgage triggering a three way fight with Chadee and PHI, that has left ownership of the buildings once again in doubt.

Meanwhile, Frank Griffo, a manager appointed by Daletom, and also a contractor owed $100,000 for recent work on the buildings, has laid claim to ownership of at least one of the properties.

In the past few weeks, PHI has retaken possession, and has begun evicting tenants. Negotiations are apparently in the works for sale to Joe Lanzano, formerly of Cordoni Foods, and mentioned into the investigation into the collapse of the Atlantic Acceptance Corporation.

Harassing Tenants For Fun and Profit

The Story Behind Lumsden Building Co.

by Paul Weinberg

When the Lumsden Building Corporation sold its money-losing apartment buildings in Toronto for more lucrative possibilities in mining, a three year chapter in the harassment of tenants ended with a victory for the landlord.

Last summer the tenants in Lumsden's ten buildings called on the services of the anti-rackets division of the Ontario Provincial Police. The OPP began an investigation of Apartment Management and Appraisals (AMA), the division of Lumsden that acted as the landlord. All but four of the buildings have now been sold and the tenants in those four were given notice to leave by the end of 1978. The landlord cited extensive renovations as the reason for the evictions.

The Dorncourt Apartments at Avenue Road and Glengrove is one of the buildings being vacated. Former tenant Frank Buckley remembers when AMA purchased the building in December 1975.

"My wife and I lived in the Dorncourt Apartments for twelve years and we had a real gentleman of a landlord. Unfortunately, he died and our buildings were taken over by Apartment Management and Appraisals."

In the spring of 1976, the landlord went to Rent Review. At the hearing, he promised to keep up and improve the buildings in return for rent increases. Buckley says they broke their promises every successive year.

Lumsden initially requested two sums of money from the tenants. The first amount was for the original unfurnished apartment. The second was for the rental of furniture from Amfur Rental Ltd., another Lumsden company.

Those who declined the offer were soon hit with illegal evictions and petty vandalism. Any vacant apartments were quickly furnished and rented out at twice the previous rent. Legally, tenants did not have to accept the new furniture. New tenants, who were unaware that Rent Review had recently approved rental increases, were advised by community legal workers that the automatic charge for the new furniture would constitute a second rent increase within the same year. This is clearly illegal under Ontario Rent Review legislation. Nonetheless, most of the AMA buildings were successfully furnished.

However, most of the original tenants at 40 Walmer Road and Dorncourt held out for almost three years, under continuous harassment by the landlord.

First Dorncourt:

Initially, the Dorncourt tenants did not object to the rent increases, however, they wanted better maintenance in return. Mark Stein, the man representing AMA at Rent Review always promised that the collapsing leaky roofs would be fixed. However, because the repair jobs were so poor, the roofs lost out to the falling rain. In fact, one roof actually collapsed in one apartment. That tenant left.

Frank Buckley and his wife were given an illegal eviction notice one day in the fall of 1977.

"We were in Australia when an eviction notice was delivered to my apartment in Toronto. It was pure harassment. I was ready, when I arrived home, with a legal affadavit to contradict the complaint that my wife had been a disturbance to the neighbours below. Contrary to what the landlord was saying, the neighbours below had not complained. They were even willing to sign the affadavit."

In the spring of 1978 the Dorncourt tenants were faced with an unpaid gas bill. When the tenants threatened to pay the next month's rent to the gas company, AMA backed down and paid the bill.

The superintendant once told the tenants that he would have them out within a year. A year later 17 out of the 20 units were still occupied by the original tenants.

"It sure doesn't make you feel wanted," chuckled Fran Neibel.

The harassment worsened when deliberately disruptive tenants were moved into the empty units to drive out the established tenants.

The new tenants were bikers and their friends, who enjoyed late night parties at their neighbour's expense.

"We've had a stabbing in the lobby, a drug raid, continuous noise and screams in the middle of the night, and our mailboxes have been broken in," says another Walmer tenant.

One disruptive young women would intimidate people in the lobby with an untrained Doberman Pincher. The landlord also took his revenge by placing the new type of tenants in the apartments above the original tenants.

"This was done," says one of the original tenants, Sydney Page, "after the landlord failed to win a rent increase at Rent Review, where we made a strong representation about the maintenance of the building."

Investigating the financial history of Apartment Management Appraisals is not easy. AMA was owned jointly by Lumsden and Municipal Savings and Loan (MLS).

Esther Stein of Lumsden, and Maxwell Rotstein of MLS were the original signing officers and directors when AMA amalgamated the ten properties in 1976.

Yet at the Lumsden shareholder's meeting in June 1978, the company's financial statement failed to show that Lumsden had an interest in AMA. This despite the fact that the landlord's maintenance truck has "division of Lumsden" printed on the side.

To complicate things further, AMA did not buy the ten buildings outright. Rather it purchased controlling shares in the ten little companies that owned the ten buildings. On the registered title, the ten different buildings appear to be owned by ten unrelated companies. In this way, because there was technically no change in ownership, Lumsden could avoid paying the land taxes.

The man who has remained unscathed by all this is the mysterious Maxwell Rotstein, director and major shareholder of Municipal Savings and Loan. As the major financial backer, with a company boasting assets in 1977 of 138 million dollars, Rotstein certainly had some say when Lumsden finally decided to dispose of the money losing buildings.

In 1977 when the harassment of the Dorncourt tenants was at its peak, Frank Buckley tried unsuccessfully to have a frank discussion with the elusive Rotstein. Through a contact at Queen's Park, Buckley sought a meeting with Tory MPP Dr. Arthur Evans, who formerly represented Barrie, and who has served on the Board of Directors of MSL.

Evans lunched with Buckley and promised that he would arrange a meeting. Rotstein was supposed to call Buckley but he never did, and Buckley did not have his own phone calls returned. Ironically Rotstein lives in the neighbourhood where the Dorncourt Apartments are located.

In December 1978 Maxwell Rotstein announced that Municipal Savings and Loan intended to negotiate a "separation of affairs" with the Lumsden Building Group and Apartment Management and Appraisals. Rotstein contended that the acquisition by Lumsden of a number of mining companies are a different form of investment and that Municipal is not associated with this form of investment.

Rotstein contends that a Lumsden letter to Foremost Consolidated Explorations Ltd., a dormant mining company with assets of $140,000 was a "puffing up" of the relationship between Municipal and Lumsden.

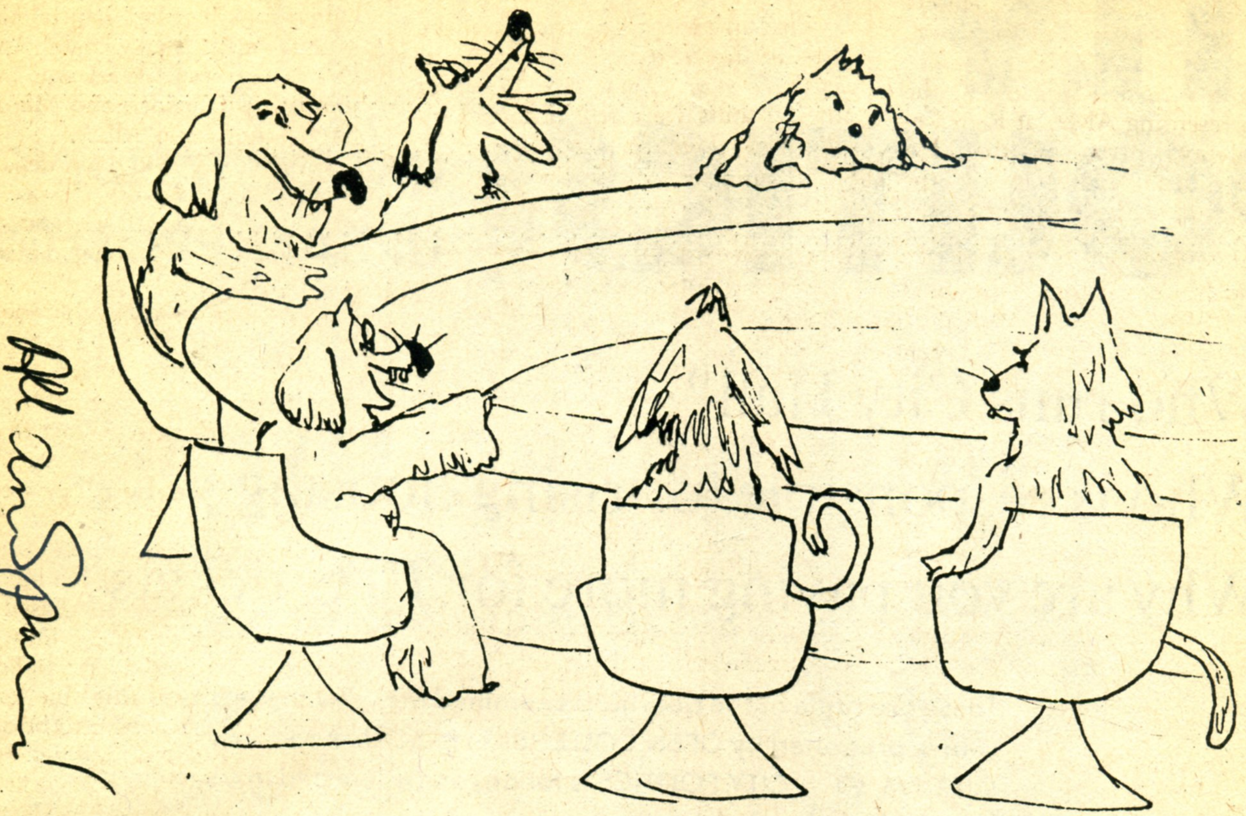
Foremost's management, the subject of a recent takeover attempt by Lumsden, has also obtained a temporary injunction in the Supreme Court of Ontario in an attempt to stop the takeover. It alleges disclosure discrepancies in the Lumsden offer.

Greatwest Life Assurance Co. of Winnipeg has recently issued a writ of forclosure on a one million dollar mortgage on 67 Richmond St. W. This is one of the properties that Lumsden reported that it was negotiating to sell.

Rats Leaving A Sinking Ship

Rotstein concludes, "Esther Stein controls the books of Apartment Management and Appraisals Ltd., which owns and manages several Toronto apartments and has a mortgage portfolio. Our interest in it is one of a merchant banker. Municipal lent money for the initial purchase transaction and the monies have been paid back.

"We had bought and sold apartment house interests with Stein over the last five or six years but in those days he was never involved in takeover bids and proxy fights. He was a shrewd buyer of real estate."



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