



Some Serious Reading

BAHAMIAN FRAGMENTS

BITS AND PIECES FROM THE HISTORY OF

❖ THE BAHAMAS ❖

- [Grand Bahama in 1887](#) from L. D. Powle *The Land of the Pink Pearl or Recollections of Life in the Bahamas.*
- [Grand Bahama in 1891](#) from Stark's *History and Guide to the Bahama Islands.*
- [Grand Bahama in 1917](#) from Amelia Defries *In a Forgotten Colony*
- [Grand Bahama in 1924](#) from *The Tribune Handbook*
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- [Historical Sources Page](#)

Richard Oulahan and William Lambert.

The Scandal in the Bahamas.

Life 2/3/1967 pp. (58) 60 - 74.

The Parliament of the Bahamas will convene next week in Nassau's honey-colored Senate and Assembly buildings, and for the first time in history the members of the islands' traditional ruling class will be occupying the minority benches as Her Majesty's Loyal, if unhappy, Opposition. They were dumped from power in last month's elections, after a campaign smutched with charges of corruption on a grand scale. A thorough inquiry into the accusations has been promised both by Queen Elizabeth's figurehead governor, Sir Ralph Grey, and by the new premier, Lynden Oscar Pindling.

To the Bahamian Establishment—a rich and predominately white group whose political base is the United Bahamian Party—it came as a jolt to be overthrown by the Progressive Liberal party, an overwhelmingly Negro group representing the have-not majority of 85% of the islands' 140,000 people. The vote ended in a dead heat, with each party winning 18 seats in the colony's 38-seat House of Assembly, and two mavericks holding the balance of power. But Pindling, the young leader of the insurgents, managed to persuade one of them to back his party. He then neutralized the other by naming him Speaker of the Assembly, a job which has no vote except to break ties.

Pindling, a stocky, shrewd man of 36, had concentrated his campaign mainly on conflict of interest in government and on the use of the Bahamas as a lucrative center of international crime. As established independently by LIFE'S investigation, the pattern of corruption breaks down into four principle categories;

- Brazen insurance frauds victimizing countless thousands of U.S. citizens. The frauds are perpetrated by swindlers who operate through some of the almost 500 "suitcase" companies which are incorporated under the lax laws.
- Secret accounts in nearly a score of banks, where the American underworld figures and tax evaders can deposit profits from the narcotics trade, loan sharking, gambling and other criminal pursuits, with no fear of being investigated or taxed. Such hidden money, after it has been "laundered," usually gets back into the underworld economy in the U.S.
- Fraudulent sales of worthless securities issued by companies that are

nothing more than letter drops, and the promotion of these stocks my mail in the U.S.

- Gambling traps set for American suckers, with a large share of the take going to a syndicate of American mobsters that includes/ Mafia members. The three casinos—two in Freeport and one in Nassau—are authorized by the lordly government dispensations called Certificates of Exemption and operate on an extravagant scale that begins to challenge Las Vegas.

The Bahamas are an archipelago of 700 islands and 2,000 rocks and cays strewn like confetti across the Gulf Stream from a point 60 miles east of Palm Beach almost to the eastern tip of Cuba. This year nearly 900,000 travelers, most of them from the U.S., will visit the islands—up from 32,018 in 1949—and it is expected that there will be more than a million a year in 1969. Most of the tourists are drawn to New Providence Island, where the capital of Nassau is situated, and to Grand Bahama Island, 120 miles to the north. New resorts are also blooming on the major "Out Islands"—Eleuthera, Andros, the Biminis, Cat Island, Abaco, Great Exuma./

Throughout the chain the beaches are superb, the weather balmy, the water the clearest in the world, the fishing out of this world.

There has always been a snug harbor for wickedness in the Bahamas—though never, surely, for such varied and intricate wickedness as exists there today. Scandal of such proportions could never have occurred without the tacit approval and active assistance of many members of the now disestablished Establishment, a tight-knit clique of old families who long dominated the colony's government on one hand even as it dominated its commerce on the other, with nary a thought of conflict of interest. Its members are known as the "Bay Street Boys," because most of their offices and businesses are clustered on Nassau's main street bearing that name. Until the election they led the islands' appointive Senate and elective House of Assembly.

There are dozens of the Boys but they answer to a handful of leaders. Sir Roland Symonette, the former premier, and his sportsman son, Bobby, who was Speaker of the Assembly, are shipowners and leading builders. Sir Etienne Dupuch is publisher and editor of the *Nassau Tribune*; a onetime opponent of many U.B.P. policies, he is a comparative newcomer to the elite. The Solomon Brothers—Roy, Fane and Norman—are wealthy merchants and importers. C. Trevor Kelly, the Minister for Marine Affairs who lost his seat in the election, is a tycoon in ships, hardware and lumber.

But the Boy who held more power and influence than anyone else in the colony—more than either the royal governor or the premier—was the Minister of Finance and Tourism, a brilliant hulking man with a drifting blue glass eye, who looked as though he might have stepped out of the *Maltese Falcon*. He is Sir Stafford Sands, 53, multimillionaire lawyer, gourmet, collector of antique paperweights and of Yankee dollars. In the halcyon pre-election days, nothing involving any substantial exchange of money was likely to take place in the Bahamas without the consent and support of Sir Stafford, who also often expected a whopping legal fee.

Bigtime gambling was conveyed to the islands in 1964 by Sir Stafford, and it has proved to be a bigger tourist attraction than all the sun and sea and French perfume and duty-free liquor put together.

In 1965, its first full year of operation, the Lucayan Beach Hotel casino on Grand Bahama spent \$494,552 on chartered flights, just to bring in freeloading planeloads of "high-rollers"—big-spending gamblers with blue-chip credit ratings—who had been invited from all over the U.S. Another \$935,268 was allocated to provide hotel and ship accommodations for such pampered guests.

Sir Stafford's name is not listed on the board of directors of Bahamas Amusements, Ltd., which controls the islands' big casinos, but neither are the names of Meyer Lansky and his confederates in the Mafia: Steve Maggadino, head of the Buffalo Cosa Nostra "family"; Angelo Bruno, director of the Philadelphia branch; Frank Costello of New York, Joe Adonis of New York and Italy; and Santo Trafficante, the boss in Tampa. Yet U.S. lawmen are convinced that they are getting a big cut out of the casinos' profits. Specifically, notorious frontmen for Meyer Lansky are raking in 30% of the net profits at the Lucayan Beach Hotel's Monte Carlo Room—a piece of the action that now runs to over \$1 million a year—and a larger cut, 15% of the gross, from Nassau's Bahamian Club.

Sir Stafford admits he has met Lansky, long-time associate of the late Bugsy Siegal and Lucky Luciano. As Sir Stafford recalls it, the mobster, a specialist in casinos, came to call on him in his Bay Street offices in 1960 and offered him \$1 million to his credit in a secret Swiss bank account in exchange for exclusive gambling rights on the islands. Sir Stafford says he indignantly turned the offer down. Yet, when bigtime gambling finally did come four years later, Lansky's henchmen were dealing the cards.

In a limp effort to hide the mob's role, the Bahamian government in 1963 barred any American from holding a directorship in Bahamas Amusements. Nonetheless, the man who to all intents and purposes bosses the corporation is an American. He is Wallace Groves, 65, onetime Wall Street financier, high-roller in stock manipulations and an ex-convict.

In 1937 Groves was named before a U.S. congressional committee as a tax dodger, and in the early 1940s spent part of a two-year sentence in the federal prison in Danbury, Conn. On a conviction of mail fraud involving securities. For some 35 years he has had a base in the Bahamas, and is Big Daddy of one island in particular—Grand Bahama, where he wields absolute authority over just everything that goes on in its brassy-bright new resort town of Freeport. Groves, whose lawyer is Sir Stafford, runs Bahamas Amusements very efficiently through two puppet stockholders: his Canadian wife, and a Briton, Keith Gonsalves, who is a former officer of Barclays Bank in the Bahamas. Groves's silent partner in all three gambling salons and spokesman for the Syndicate is Lansky, who also has a substantial interest in at least two of the gambling dens of Las Vegas and once held major Havana casino concessions. In 1959, after Fidel Castro shut Cuba down, Lansky looked around for other places where he might set up shop beyond the reach of U.S. law. The Bahamas were made to order.

Exactly how much the Syndicate is sluicing off in the counting rooms of Nassau and Freeport is carefully hidden; but in 1965, from just one casino, the Lucayan Beach Hotel's Monte Carlo Room, three Lansky lieutenants took a visible "bonus" totaling \$490,511. In 1966, the "bonus" rose to \$1 million.

As Groves explains it, these bonuses were a necessary "inducement" to guarantee the continued cooperation of the casino's man-/agers. U.S. authorities know the bonus money is flowing back to the mob. The three lieutenants—Max Courtney (né Morris Schmertzler), Frank Ritter (sometimes Red Reed) and Charles Brudner (alias Charlie Brud)—also drew combined untaxed salaries of \$109,200 a year, plus free housing and other emoluments, as managers of the Lucayan casino.

Courtney, Ritter and Brudner are all fugitives from U.S. justice, under indictment for violating the federal anti-racketeering statute as well as gambling-tax evasion and failure to buy the annual \$50 gambling stamp. (They once operated the nation's largest bookie network, inherited from the late Frank Erickson.) But the Symonette government refused to deport them on the grounds that since neither an income tax nor a bookmakers' tax exists on the islands, no crime (Bahamian crime, that is) had been committed. Just three weeks ago—and only after the greatest pressure from the U.S. and Britain was exerted—were Courtney, Ritter and Brudner relieved of their titles as managers of the Lucayan casino. But even after that they were suffered in the Bahamas and were / never very far from the action. U.S. authorities are convinced that their "resignations" were meaningless.

Whatever the Pindling government decides to do about these gamblers, one of their colleagues has turned up in the midst of Pindling's party, he is Mike McLaney, who managed one of Havana's big casinos in the days when Lansky was top mobster in the Cuban capital. During the recent election campaign, McLaney showed up in the Out Islands, providing free airlifts for P.L.P candidates. The mob always tries to hedge its bets.

Gambling and gangsters are not the only problem afflicting the Bahamas in the current era of prosperity and expansion. The U.S. Justice and Post Office Departments, the Securities and Exchange Commission and the Internal Revenue Service are troubled over the flourishing insurance racket, secret bank accounts and bogus securities that have their origins in the islands. The insurance and securities frauds are being perpetrated by American and Canadian swindlers operating through hundreds of nonresident or "suitcase" companies incorporated in Nassau, many of them with the familiar address of 309 Bay Street, Sir Stafford's legal chambers. Bahamian law prohibits the suitcase companies, which operate only sporadically, from doing business in the sterling area. So U.S. mailing lists are used and U.S. citizens are bilked of millions of dollars annually. In February 1964, for example, Medicare Life Insurance, Ltd., was incorporated in Sir Stafford's law office. Its total capitalization was exactly £5— \$14. U.S. postal authorities soon spotted Medicare's fraud—a cruel and worthless medical and hospitalization policy offered for \$12 a month to some 100,000 persons, mostly elderly, infirm people living in California. All mail for Medicare was received by Sir Stafford's office and forwarded to a post office box in Ensenada, Mexcio, where the promoters

planned to pick up the proceeds. Instead, they themselves were picked up and were convicted on 33 counts of mail fraud.

Also in 1964, Francisco Garcia, an 83-year-old resident of San Antonio, Texas, was struck by a car and totally disabled. He hired an attorney and sued the driver, winning a default judgment of \$7,500. But the judgment could not be collected because the insurance company turned out to be one of those shells that used Sir Stafford's office as a mail drop. Indeed, the promoters were in default of legal-fee payments to Sir Stafford himself, although they cleared at least \$500,000 in their swindles.

< 1 [2](#) [3](#) >





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U.S. and Canadian insurance brokers have become understandably suspicious of any underwriter using a Bahamian address, so some Bay Street lawyers have resourcefully thought up a new gimmick. For a fee of \$1,500 and up, they provide respectable-sounding mail drop addresses in London for their clients. One such mail drop turned out, on investigation, to be a brothel.

One of the most lucrative enterprises of the modern pirates of the Bahamas is the floating of dubious securities in the U.S., using Bahamian addresses and mailbox numbers and representing companies that have no assets. Wherever the SEC can put the finger on such illegal securities dealers, it blacklists them. Currently 17 are outlawed in the U.S.

A recent example was a firm called the Compressed Air Corporation, Ltd., registered in Nassau (but not on any legitimate bourse), whose flamboyant mailed advertising played heavily on the U.S. public's alarm about alleged hazards in American auto designs,. The firm listed the telephone of Nassau's Playboy Lounge.

Oddly, there seems to be more banks along Nassau's Bay Street than there are bars and restaurants—surely a unique situation for a resort town. And, until recently, there were dozens of other so-called "banks" which were nothing more than Nassau mail drops conveniently incorporated by Bay Street lawyers for a tidy fee, no questions asked and no Bahamian law violated. The operators of these phony banks, mostly Americans, had built a lucrative business by issuing themselves spurious certificates of deposit which they used as collateral for loans from U.S. financial institutions. After strenuous pressure was exerted by the American and British governments, the islands' banking laws were tightened last year, and dozens of invisible "banks" vanished overnight.

Of the 17 legitimate banks in the Bahamas, most remain a handy repository—just 35 air-minutes from Miami—for ill-gotten, un-taxed money that can be stashed in accounts closed to the scrutiny of U.S. and other outside authorities. The process, which removes the tattle-tale gray of tax evasion, is known as "laundering." No one can guess how much U.S. money is flowing into the vaults of the Bahamas, but a source in Canada estimated that currency going out of that country alone to Nassau amounts to \$2 million a week.

Crime and violence have flourished in the Bahamas for centuries, since Columbus discovered America on the Bahamian island of San Salvador and his Spanish followers introduced the inhabitants, the gentle Lucayan Indians, to civilization. They were conquered by the Spaniards, then decimated by measles and smallpox or carried off to work and die in the mines of Cuba and Hispaniola. The Spaniards never considered the place worthy of colonization, and in the 17th Century a British group, the "Eleutherian Adventurers," tried to settle the islands. They suffered hunger at first and later were frustrated by the swarms of pirates who had already made the Bahamas their base and were the *de facto* rulers.

By the end of the 18th Century piracy in the islands had died out. During the American Revolution, the colony's sparse population of 4,000 was nearly tripled by the immigration of some 7,000 southern American Tories. The newcomers planted cotton in the thin Bahamian soil, got the slaves they had brought with them to pick it, and completely changed the economy/ and ethnic mix of the Bahamas. Then in 1838 slavery ended in the British Empire, and the islands had to find another means of survival.

One was already at hand. Early in the 19th Century, the people of the colony had turned enthusiastically to the business of salvaging wrecked ships. Since the Bahamas lie athwart one of the Atlantic's main sea lanes, and since the prevailing winds and currents are hazardous for sailing ships, business for salvors was good. The islanders made it a lot better by decoying ships onto reefs with moving lights along the shore and by making bargains with unscrupulous ship captains who were willing to wreck their ships for a share of the spoils. Between 1858 and 1864, while 313 ships were lost on the Bahamian shores, the Assembly was made up almost entirely of the owners of the colony's 302 salvage ships, and most of the eligible electorate consisted of their crews. Then, over the violent protests of the Bahamians, Sir Rawson W. Rawson, a resolute royal governor, ended the wrecking business by building an effective system of lighthouses in the archipelago.

The bloody American Civil War brought the biggest boom ever to the colony. Nassau became the primary chink in the Union's sea blockade of the Confederate States. The merchants of Bay Street jumped at the opportunity to run arms to the South and transship its cotton to the mills of England.

Imports leaped from £234,000 in 1860 to more than £5 million in 1864 and Nassau danced.

After the Civil War, the Bahamian economy plunged to its lowest depths and remained there for more than 50 years. In 1920, though, the institution of national prohibition in the U.S. sent the Bahamas reeling into their longest binge of prosperity, again as blockade-runners.

In Nassau, warehouse space ran out and the streets were piled high with cases of pre-Prohibition whisky from the U.S. and imports from Britain, all destined for mainland bootleggers and racketeers. American gangsters built stucco palaces on the islands, and many of today's leading Bahamians—including the Premier Sir Roland Symonette himself—amassed

their fortunes smuggling whisky into the U.S.

With the repeal of prohibition in 1932 the Bahamas sank, with the rest of the world, into the Great Depression. Not until 1950 were the Bahamas prepared for the postwar era of increased autonomy and tourist-borne prosperity. The Bay Street Boys were ready.

The islands today are almost entirely self-governing. The British Crown is responsible only for defense, external affairs and internal security; and the office of royal governor is mostly ceremonial.

The Bay Street Boys saw nothing wrong in manipulating the government and passing laws to make themselves richer. After all, goes their smooth rationalization, as part-time government officials they receive no salaries, so they had to make a living elsewhere and somehow. It was, invariably, a very good living. One of Pindling's main campaign pledges was to end the conflict of interest and pay salaries to office-holders.

While the Bay Street Boys live in opulent mansions strung up and down the coastline around Nassau, the average Nassauvian is not so fortunate. The typical tourist sees only the smiling face of the place, but it is only a 10-minute walk to the brawling, sprawling district called "Over the Hill," a festering slum, teeming with crowded shacks, with no plumbing, few paved roads and fewer schools. Here and there a neat/ pastel bungalow, like the one Sidney Poitier built for his mother, may bloom in the jungle, but over the Hill is, almost all of it, an appalling place where the city's Negroes live. A single room in a ramshackle wooden house costs \$35 a month. Epidemics and fires are frequent, and during the rainy months, Over the Hill often becomes a fetid swamp: there are no rain-sewers or streams to carry the water off. It is the heartland of the P.L.P.

It is true that there are other, more squalid slums in the Caribbean islands, but the irony of Over the Hill is that it should exist at all. "The governmental system is almost medieval," says an American diplomat. "It's too bad they can't run the government like Kuwait, where the nation's riches are used to serve the small population."

Though the Bay Street Boys held the power in the Bahamas for a generation or more, theirs was a minority government. Through a system of vote-buying, gerrymandering and rotten-borough districting, they maintained an iron clutch on the legislature until the Jan. 10 election. The result surprised everyone, but should have been foreseen. Cracks in the authoritarian walls of Bay Street had begun to appear nine years ago, when a general strike crippled the island for 19 days, Limited redistricting and universal male suffrage were introduced, and in 1962, the female franchise was approved. Meanwhile, during those nine years, the number of seats in the Assembly, all told, increased by nine to a total of 38—and the control of the Bay Street minority diminished.

No executive club, fraternity or protective association ever operated with such solidarity as the Bay Street Boys. This is remarkable because the Boys do not especially admire one another and some—Sir Stafford Sands and Sir Roland Symonette, for example—have been known to say derogatory about each other. But to outsiders Bay Street presents a solid

phalanx, as Huntington Hartford, the hapless A&P heir, discovered to his chagrin when he embarked on a grandiose Bahamian project in 1959 without greasing the proper palms.

Hartford, who has an instinct for throwing his millions into noble and picturesque but ruinous undertakings, decided to go into the resort business. He bought most of Hog Island—changed its name to Paradise Island and spent \$30 million building a luxury playground there. But then he discovered that the place could not break even without a casino and a bridge across the harbor. No other big investors would consider going in with him unless they heard the click of dice, and he found he could not ferry over nearly enough tourists by motorboat to pay the bills.

As a matter of economic necessity Hartford decided to add a casino. But all efforts to obtain a gambling franchise and a permit to build a bridge failed. He even offered to give 50% of the casino's profits to the Bahamian public. But he made the mistake of retaining the wrong lawyer to plead for his gaming concession and, worse, he had committed the terrible *faux pas* of contributing some \$15,000 to Bay Street's enemy, the P.L.P. As the stalemate stretched on, his troubles in Paradise were costing him \$1 million a year by 1964. So Hartford gave up and sold most of his holdings to the quaintly named Mary Carter Paint Company, whose owners wanted to diversify their holdings.

Miraculously, Paradise Island's difficulties began to melt away. Gambling there became possible merely by purchase, for \$750,000, of a Certificate of Exemption from the owner of the Bahamian Club, a sedate little gaming room in Nassau. The permit will be transferred to the Paradise Island Casino when it opens at the end of this year. Approval for the bridge was graciously granted by the Bahamian government, which decided that a span across the harbor would not be a hazard to shipping. And the attorney who represented the Mary Carter Paint Company was Sir Stafford Sands.

Of course, some troubles did develop. The paint company had to yield 4/9 of the casino and all of the management of it to Wallace Groves's Bahamas Amusements, Ltd., because, as Sir Stafford explained it, when it came to gambling, the government preferred to deal with just one group. Under the Bahamian Club's present management, Lansky & Co. pull the managerial strings and are slated to/ run the Paradise Island Casino when it opens. They have been cut in for a flat 15% of the gross gambling profits.

If the Paradise Island caper was a bravura performance by Sir Stafford, the Grand Bahama deal was his masterwork. Grand Bahama was the ugliest, least promising of all the habitable islands in the Bahamas. But thanks to the legal legerdemain of Sir Stafford in his capacity as Wallace Groves's attorney, a big chunk of the unsightly place was converted into the swinging community of Freeport, with its big, garish hotels, a casino that looks like an Arabian harem, an olde Englishe pub with deep-chested wenches for waitresses, and International Shopping Bazaar, girlie shows "direct from Las Vegas," gangsters, discothèques, a scuba club, the works—and an atmosphere that melds Miami Beach with Monte Carlo.

Freeport—all 211 square miles of it—is Groves's absolute demesne. He controls everything from the local police payroll to the décor of the new

buildings (gaudy portraits of Queen Elizabeth in the hotel lobbies). With the authority of a feudal baron he distributes privileges and business licenses—and when the whimsy serves him, he takes them away.

[<1](#) [2](#) [3>](#)





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There was, for instance, the boon that was bestowed upon Daniel K. Ludwig, the enormously wealthy shipbuilder and international industrialist who came to Grand Bahama in 1955 to finance and dredge the deep-water harbor, and stayed on to build the King's Inn, an 800-room hotel surrounded by an 18-hole golf course. It was Ludwig's understanding that he could also build an adjacent casino and the International Bazaar. But after Ludwig had invested millions of dollars in the resort, Groves sadly informed him that he would have to take over the proposed casino project himself because his Bahamas Amusements, Ltd., holds the casino monopoly. And while the International Bazaar—an unholy mix of Chinese streets giving onto an English mews, a Copenhagen square and a soupçon of Montmartre—was under construction, Ludwig was informed that he had lost the franchise to do business there because he was insisting on bringing in his own shopkeepers and importing his own merchandise. The Bay Street Boys, who are, after all, primarily shopkeepers and merchants, had other ideas. As a sop for losing the casino and the bazaar, Ludwig got a barren tract of land which may (or may not) some day become a housing development. Nine of the International Bazaar's shops have already been turned over to Bay Street's Solomon brothers.

Even with his highhanded methods, Groves has induced an impressive number of big investors to help him bring about the remarkable transformation on Grand Bahama. Among them are U.S. Steel (a \$50 million cement plant), Holiday Inns (a \$5 million hotel, the company's biggest), the ubiquitous Mary Carter Paint Company (Queen's Cove, another large, desolate future housing tract) and Syntex Corp. (a \$7 million pharmaceutical plant). From the biggest Freeport concessionaire down to the smallest shopkeeper, Groves exacts a tithe, usually from 1% to 10% of the profits.

Of course, none of this would have gone beyond the dreams of Wallace Groves if it had not been for his friend Sir Stafford Sands. By 1936, when Sir Stafford was a still-unknighthed youngster reading the law in Nassau, Wall Streeter Groves had already set up two of the colony's earliest suitcase security firms, whose operations were eventually to send him to the penitentiary. Groves went to Sir Stafford some 20 years later with his visionary plan to turn Grand Bahama into an island industrial park *cum* resort. Sir Stafford obligingly popped on his parliamentary wig and drew

up the Hawksbill Creek Act (so-called from a cove on Grand Bahama where the big, lazy hawksbill turtles are wont to gather). It was comparatively easy to ram the bill through the Assembly and get the governor to sign it. The Hawksbill Creek Act presented Wallace Groves with something not unlike the blank-check Hudson's Bay or East India Company charters: he was allowed to buy 211 square miles of Grand Bahama land, a principality 400 times the size of Monaco, most of it at the giveaway price of \$2.80 an acre. (Nowadays Groves is reselling some of the choicer plots for \$50,000 an acre.) And he was given special privileges, including exemption from virtually all taxes for up/ to 99 years. For his services to Groves, Sir Stafford, of course, received his usual fat fee.

To organize this empire, pay his bills and fulfill the development requirements of the Act, Groves set up over a period of years a series of interlocking private concerns: first, a parent firm, the Grand Bahama Port Authority Ltd., which Groves owns with a handful of rich New York and British investors; then a real estate organization, the Grand Bahama Development Company Ltd.; and later a number of other companies, including one to govern his gambling interests, Bahamas Amusements Ltd.

When their hopes for a great industrial development in Grand Bahama began to fade, Groves and Sir Stafford turned to the one thing that would draw the tourists like nothing else and make the resort turn a profit—big gambling.

Long before the gambling was authorized or even mentioned out loud, the blueprints for Freeport's Lucayan Beach Hotel depicted a large room specifically ordered at a Miami meeting attended by Groves's representatives, the architect and Meyer Lansky. On the plans, the 9,000-square-foot room was called a "handball court," but it was ultimately to become the Monte Carlo casino.

There is a reason for the camouflage: as it happens, gambling was and is specifically forbidden by law in the Bahamas, punishable by law by a maximum penalty of a £1,000 and two years in prison. Gambling has existed there nevertheless in a modest way for many years. The way to get around the official restriction is to persuade the governor's council to issue a Certificate of Exemption, which is simply a permit to ignore the law.

Some of the Bay Street Boys were opposed to the notion of big gambling on Grand Bahama, and the ground had to be painstakingly prepared to get a Certificate of Exemption for Freeport. In this, Groves and Sir Stafford were immeasurably helped by the arrival on the scene of one Louis Chesler, who showed up in 1960 with \$12 million to invest and more than a casual interest in gambling.

A bigtime promoter from Canada, Chesler was the guiding force in several giant companies, including Canada's Lorado Uranium Mines Ltd.; General development Corporation, the huge Florida real estate operation; and Seven Arts Productions Ltd., the entertainment complex. He was a proved entrepreneur in housing promotion, the developer of Port St. Lucie and two other large, successful "retirement towns" in Florida. When Chesler, a cherubic, rollicking 300-pound man, moved in, he brought with him a

retinue of jet-set friends and satraps, and a go-go attitude that was offensive to the prim conservatism that Wallace Groves affects. But Groves managed to tolerate it until 1964, when the \$12 million was gone, the Lucayan Beach Hotel was open and Lou Chesler could be given the *coup de grâce*.

Meanwhile, Chesler had been put to use in another way. In September 1961, in a manner called "Operation Indoctrination," he and Groves were lavish hosts to a carefully selected group of key/ officials of the Bahamian government, first at Chesler's Port St. Lucie, and later in Miami Beach. The influential group included Premier Sir Roland Symonette, Attorney General Lionel Orr, Treasurer William Sweeting, their wives, and Colonial Secretary Kenneth Walmsley. The guests were brief on the realities of resort building in the Bahamas and the absolute necessity of admitting bigtime gambling in order to create the beautiful—and profitable—life it would bring.

Sir Stafford was also present, but unobtrusive. His big scene came later, in 1963, when the governor's council met in great secrecy to discuss issuing the Certificate of Exemption for Freeport. The vote was 8-3 in favor of the gambling license. Sir Stafford got \$1.1 million, including \$515,900 in legal fees, plus a retainer of \$10,000 a month, plus a "consultant's fee" of \$50,000 a year for 10 years.

Some early dissidents—like Publisher Sir Etienne Dupuch, who had editorially campaigned with some eloquence against gambling—changed their minds after the vote and accepted "consultant's fees" from casino funds funneled through Groves's development company. Sir Etienne was appointed a "consultant" at \$15,000 a year, but begged off, as a matter of conscience, after several months. Earlier Sir Stafford and Groves had tried to win Sir Etienne's favor by commanding every concessionaire in Grand Bahama to buy ads in the publisher's annual Bahamas Handbook. When the ads still did not produce the \$50,000 they felt Sir Etienne deserved, Groves's Grand Bahama Development Company was required to buy enough copies to make up the difference. After a few months, all of the 10,000 undistributed copies were burned.

Premier Symonette's own "consultant's fee" was set at \$16,800 a year for five years, and his son, Bobby, the Speaker of the House of Assembly, got \$14,000, also for five years. Maritime Affairs Minister Trevor Kelly was awarded the charter to haul men and materials from Florida to Freeport on his freighter, *Betty K*, at \$60,000 a year for three years. The *Betty K* proved to be unusable, so the charter was canceled after seven months. As consolation for the loss of the contract, Kelly got a compensatory payment—\$100,000.

Not long after the gambling franchise for Freeport was secure, Groves and Chesler moved into open conflict, for it had become apparent that Grand Bahama was not big enough for the both of them. Chesler made the first move towards a showdown, offering to buy out Groves's 48% interest in the Grand Bahama Development Company for \$17 million. Groves countered with an offer to buy enough of Chesler's stock to gain control of the company, and Chesler—bowing to the feudal lord of Freeport—meekly accepted.

By this time Groves's development company, financially shaky, began to change rapidly. The Lucayan Beach Hotel, which had been built under Chesler's aegis at the cost of \$8.6 million—one of the costliest hotels in the world on a per-room basis—had been sold, at a loss of \$1 million, to Allen Manus, a Canadian entrepreneur, (Sir Stafford got a fee of \$125,000 for arranging the papers.) Manus had no better luck with the hotel: despite a subsidy of \$500,00 a year from the Monte Carlo Room, the Lucayan Beach was in receivership after 18 months. It still is today.

Manus had secured his down payment on the hotel with loans of \$2.5 million, mostly from Canada's Atlantic Acceptance Corporation, which invested \$11 million in various Grand Bahama enterprises. Much of that investment in the island's development went sour, resulting in an upheaval of the giant holding company. Atlantic Acceptance collapsed in June 1965, defaulting on \$104 million to creditors, most of the Americans, and causing an international financial scandal.

By the end of 1966, the last of Lou Chesler's holdings on Grand Bahamas had been sold off and his friends, relatives and hangers-on were gone. But Chesler had left his mark on the resort. He had introduced Meyer Lansky and the late Jim Norris, millionaire boxing promoter and friend of the mob to the Bahamas' gambling picture. Courtney, Ritter and Brudner, the three Lansky henchmen, all known by Chesler from their days in Havana and around the New York racetracks, had been installed as managers of the Monte Carlo Room, and the big gamblers were flying in and the big money was flowing out to a Miami Beach bank as regularly as the tides. In Miami Beach, a platoon of Courtney's bookmakers was keeping a constant check on the credit ratings of high-rollers who showed up at Freeport. Everything was operating with machine-tooled efficiency—unlike the early days when Freeport's unreliable telephones failed, and Jim Norris obligingly allowed the radio aboard his yacht, *Black Hawk*, riding at anchor in Hawksbill Creek, to be used to relay credit information back and forth between Freeport and Florida.

From its opening night in January 1964, the Monte Carlo Room prospered, never had a losing night. At the end of five months it had made \$1 million, and before the year was over it had repaid the \$600,000 lent by the Lansky mob to quip the casino and provide the initial bankroll. By the end of 1966, the casino was grossing \$8 million a year by available records. It is worth noting, however, that Peat, Marwick, Mitchell and Company, the international accounting firm which kept the casino's books, did not trust those available records and resigned last year.

In New York, meanwhile, U.S. Attorney Robert Morgenthau has been keeping a dogged pursuit of the fugitive Gotham mobsters. One of Groves's officials admits that all casino personnel have been warned not to go to the U.S. for fear of being caught by one of Morgenthau's subpoenas. The prosecutor has already obtained indictments against the Messrs. Courtney, Ritter, and Brudner. Another, more notorious Lansky lieutenant, Dino Cellini, and several lesser hoodlums have been declared non gratia and deported from Grand Bahama as a result of strong representations by U.S. governmental agencies.

Cellini went to London, where he operates a school—financed in part by

Bahamas Amusements Ltd.—for British croupiers to learn the intricacies of American craps and blackjack. But among the replacements for Cellini and the others, all still working gainfully in Bahamas casinos, are Eddie, Bob and Guff Cellini—all of them Dino's kinfolk.

As long as the mob has a toe hold, it will keep sending replacements —"soldiers," as the Mafia calls them—whenever there is a vacancy to be filled. Of course, the mob has reason to be nervous, what with the heat from the U.S. and the changing political scene along Bay Street. One thing is obvious: they won't give up easily. Nor will the Bay Street Boys.

[<1](#) [2](#) [3>](#)

