

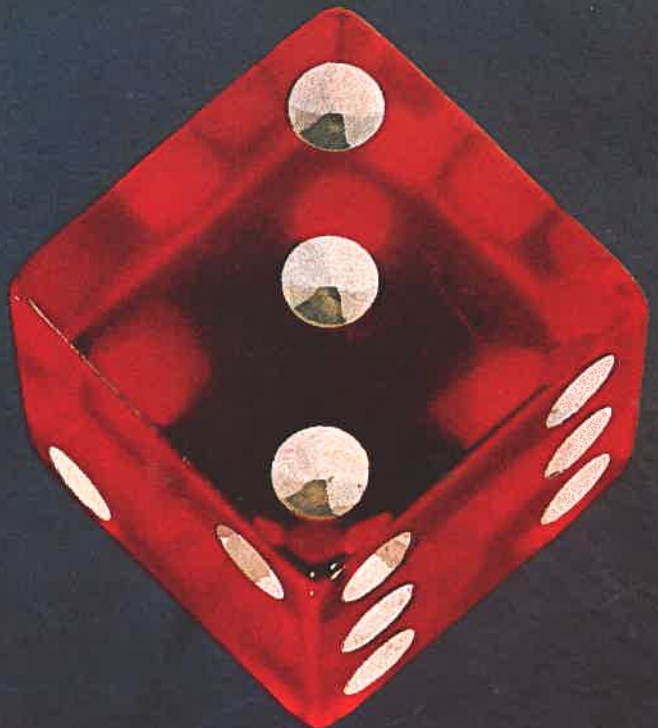
LIFE



*Lair of modern pirates—
chiselers, gamblers and Mafia racketeers*

AN EXPOSÉ

THE BEAUTIFUL BUT CORRUPT BAHAMAS



JAN 9 ALE RD 232895158 41 08
BARBARA JEAN ALLEN
1732 REDONDO
SALT LAKE CITY UT 84108

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No Time To Lie on the Bahama Beaches



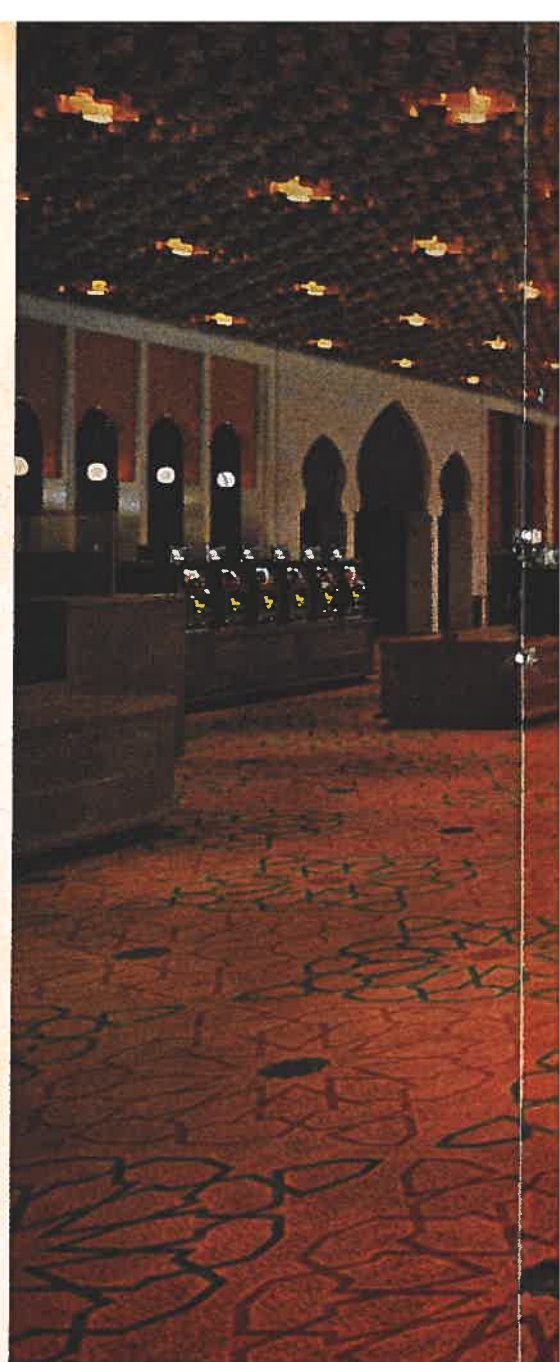
SILVA, OULAHAN AND LAMBERT

One part of our journalistic franchise is investigative reporting. We have explored, among other subjects, the abuses of prescription writing by doctors who have a financial interest in drug companies, the machinations of Jimmy Hoffa and Bobby Baker, the tricks of income tax swindlers, graft in the State Liquor Authority of New York, the excesses of the congressional pork barrel. In the pursuit of exposing crime, we turn our attention in this issue to the Bahamas.

The story began here at home, five months ago. Associate Editor William Lambert, who won a Pulitzer prize for investigative reporting before he joined our staff (in 1957, with his colleague Wallace Turner, for an exposé of the Teamsters' union), had been hearing many snatches of information about financial hanky-panky in the islands. He went to Washington to talk about it with people he knew in the Justice Department, the Securities and Exchange Commission, the Internal Revenue Service, the Post Office Department. In every office he visited, someone knew something about the bubbling scandal of the Bahamas. The problem was to put it all together. Staff Writer Richard Oulahan, Washington Correspondent Mike Silva and Photographers Flip Schulke and Rowland Scherman were assigned to work with Lambert. From last September until last week, they sifted facts from files and archives, cross-checked their information, interviewed people in Washington, New York, Freeport and Nassau.

Each one of them went to the Bahamas but came back covered with dust instead of sunburn. They didn't have time to lie on the beaches. They did go to the gambling casinos—in the line of duty. Oulahan lost \$23 in the slot machines and Silva says "I discovered, to my dismay, how *not* to play blackjack and craps." Lambert won't gamble—even on the archaic and operator-eavesdropped Bahamian telephone system. Two British newspapermen whom he hired to help on the story were instructed to courier their reports to Miami by hand instead of telephoning them. One was later handed a ticket home to England by his boss, and the other, tipped off that the Bahamian police were waiting for him at his apartment, smuggled himself aboard a cruise ship and slipped away. Our three-man team and two photographers suffered little more than stony silence, evasive action and, most of all, forced feeding of Bahamian scenery by the over-diligent employes of the Ministry of Tourism.

George P. Hunt
GEORGE P. HUNT
Managing Editor



Lax Laws and a Powerful Clique Invite

by **RICHARD OULAHAN** and **WILLIAM LAMBERT**

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 smothered 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.

Lynden O. Pindling, a London-educated lawyer who is the new premier of the Bahamas, formed first cabinet that excludes the "Bay Street Boys."

To the Bahamian Establishment—a rich, predominantly 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 voting 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 that 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 cor-

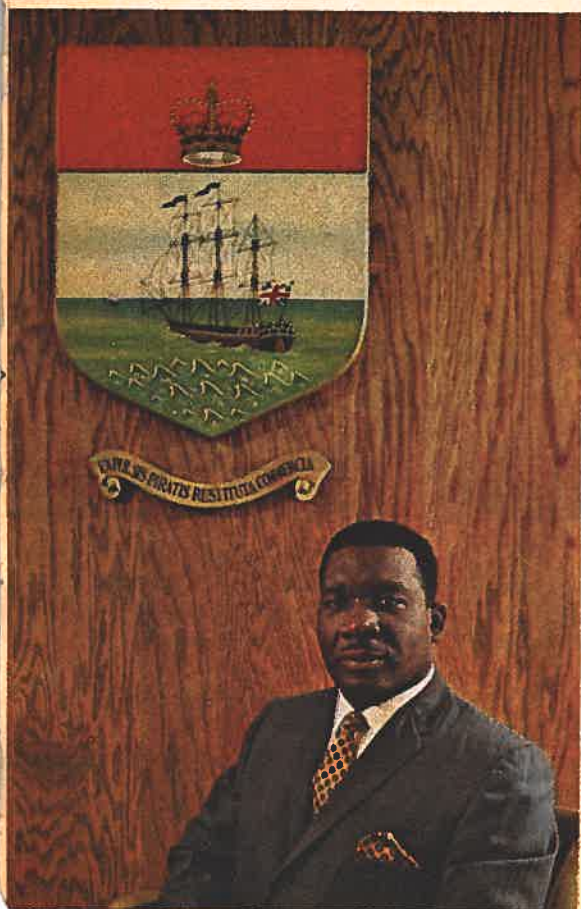
ruption breaks down into four principal categories:

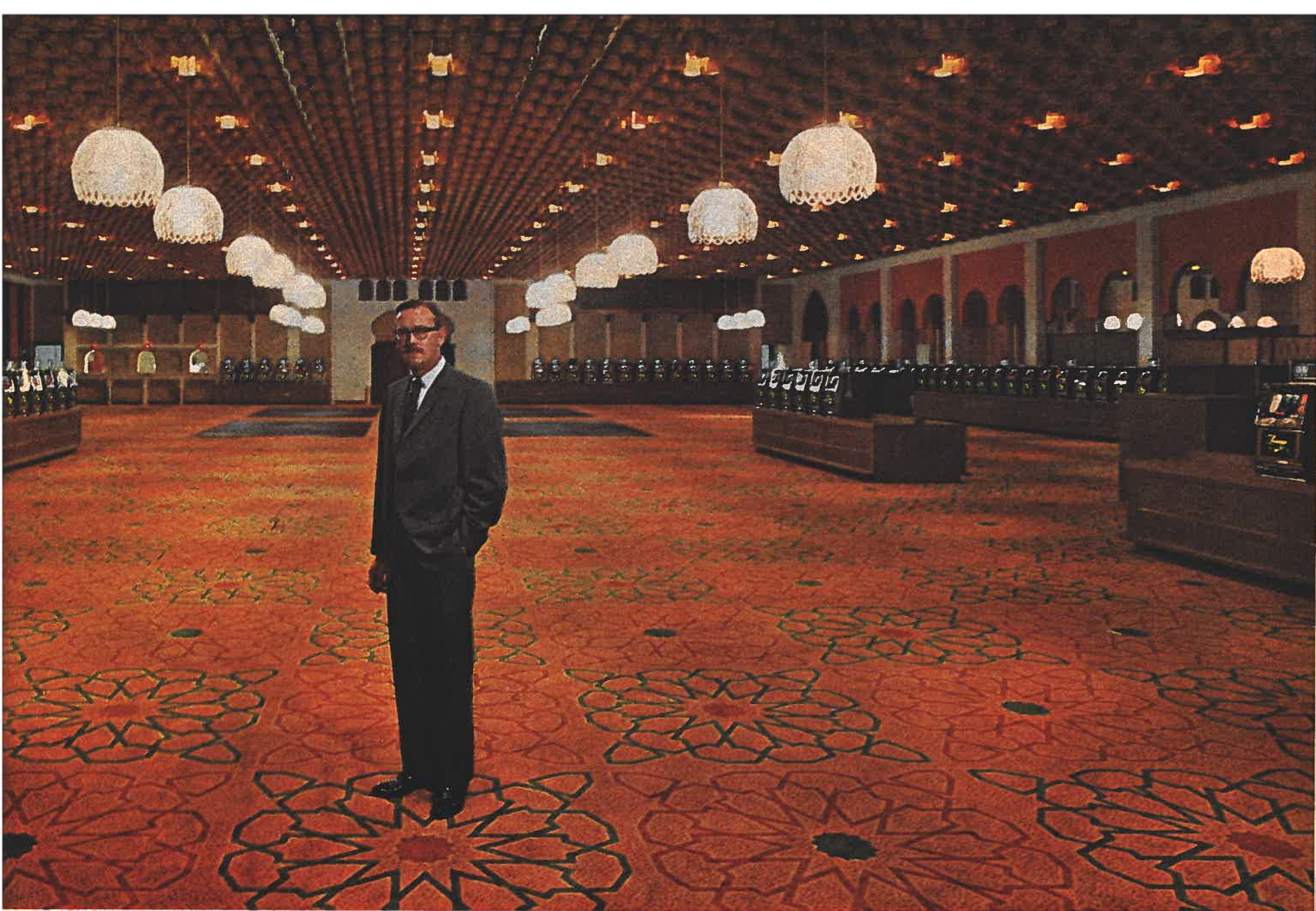
► Brazen insurance frauds victimizing countless thousands of U.S. citizens. The frauds are perpetrated by swindlers who operate through some of the almost 500 "suitcase" companies which are incorporated under the lax laws.

► Secret accounts in nearly a score of banks, where 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 promotion of these stocks by 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



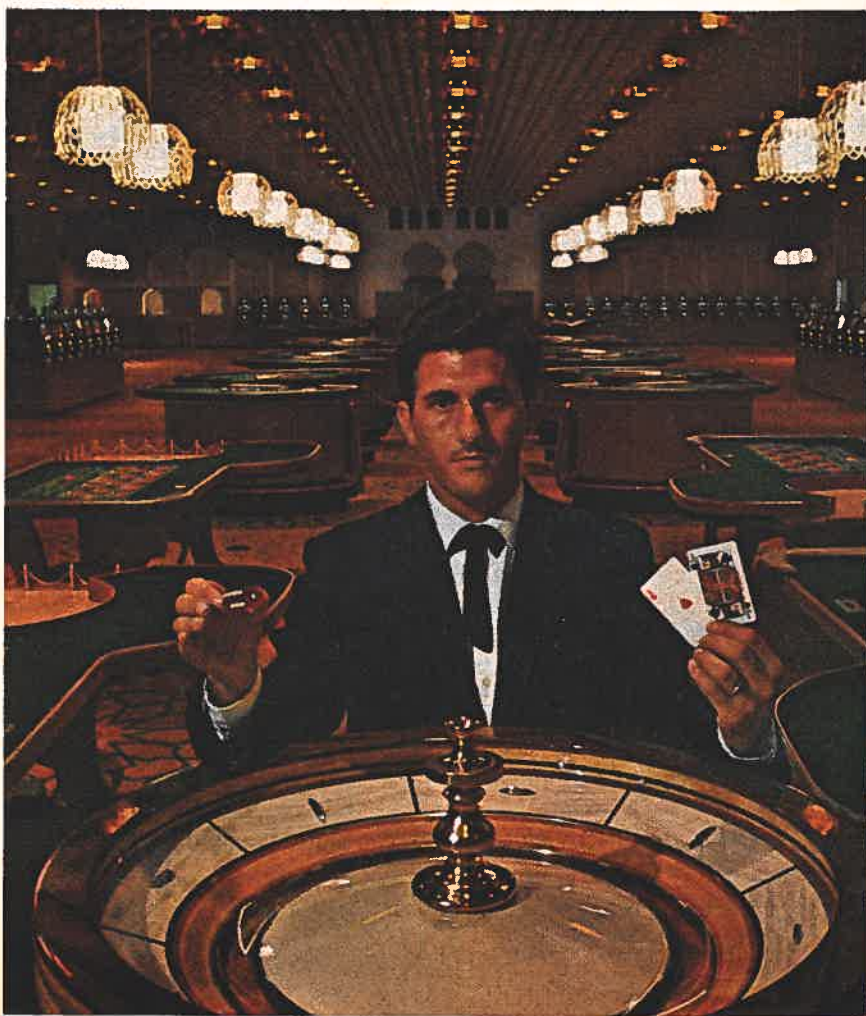


the High-Rollers to Swarm In

Mafia members. The three casinos—two in Freeport, one in Nassau—are authorized by 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 city 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.

CONTINUED



**THE 'BIG DADDY' OF
FREE-WHEELING FREEPORT**

Once a barren stretch of scrub pine and coral sand, Freeport on Grand Bahama has been made into a personal kingdom by Wallace Groves (*above*). At top left, Groves inspects grading progress on site of Fortune Bay, an elite residential development. Ronald Gowling, a Groves lieutenant, stands inside the new El Casino (*above*). At left, croupier shows winning symbols of craps and blackjack.



BAHAMAS CONTINUED

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 dis-

established Establishment, a tight little clique of old families who had long dominated the colony's government on the 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 Maritime 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 looks as though he might have stepped out of *The Maltese Falcon*. He is Sir Stafford Lofthouse Sands, 53, multimillionaire lawyer, gourmet, collector of antique paperweights and of Yankee dol-

Bay Street is where all the 'Boys' do business



SIR STAFFORD SANDS, THE MAN TO SEE

Bay Street (above) is the heart of Nassau's commerce and the seat of power of the establishment known as the "Bay Street Boys." The leader of the group is Sir Stafford Sands (top center), a lawyer who was the Bahamas' Minister of Finance and Tourism before last month's elections, and was the man to see when any big deal was cooking. He has offices in a Bay Street building (far left) that serves as a mail drop for some of his client companies—many of which display their plaques outside. Like many of his fellow "Boys," Sir Stafford also lives on Bay Street—on a luxurious estate (left) which bears the name Waterloo. He was knighted in 1964.

lars. 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 exacted 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 sand 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 free-loading 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 of the casinos' profits. Specifically, notorious front men 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 Siegel 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 to deposit \$1 million to his credit in a secret Swiss bank account in

CONTINUED

BAHAMAS CONTINUED

exchange for exclusive gambling rights on the islands. Sir Stafford says he indignantly turned the offer down. Yet, when bigtime gambling finally did come to the islands 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 at 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 about 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, Georgette Groves, 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 though concealed 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-

Big, brassy, Las Vegas-style shows lure



Taking a cue from Las Vegas, Freeport's casinos lure vacationists from the U.S. mainland with almost continuous big-spectacle entertainment. Many of the performers, like Wendy

Farrington (*above*) who dances at the Lucayan Beach Hotel, have themselves been lured from Las Vegas. At right, three other showgirls from the Nevada casinos enjoy time off at the beach.

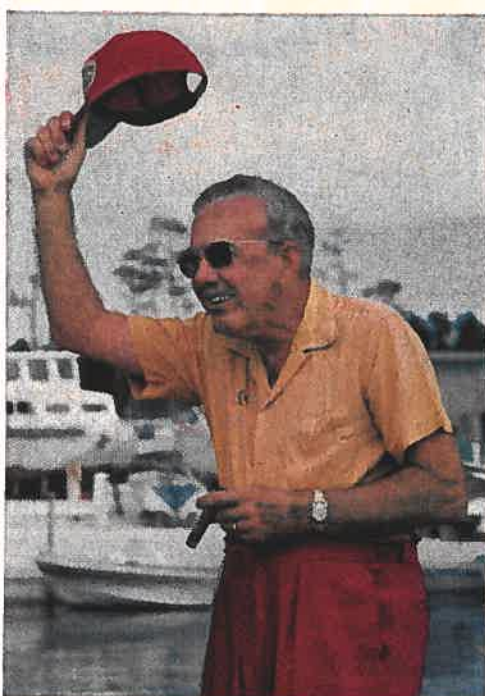


agers. U.S. authorities know the bonus money is flowing back to the mob. The three lieutenants—Max Courtney (né Morris Schmertzler), Frank Ritter (sometimes Red Reed) and Charles Brudner (alias Charlie Brud)—also drew combined, untaxed salaries of \$109,200 a year, plus free housing and other emoluments, 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 gam-

bling 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 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

CONTINUED



Keith Gonsalves, former officer of Barclays Bank in the Bahamas, is now president of Bahamas Amusements Ltd., the company that operates the casinos in Freeport and Nassau.

the Yankee dollar



Mischief-making has always been a big

BAHAMAS CONTINUED

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 three 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 the 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 care 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, Mexico, 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 García, 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 had cleared at least \$500,000 in their swindles.

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 suitcase 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

Mafia confederate Meyer Lansky was included in the Bahamas gambling picture and provided a platoon of professionals to oversee the bigtime operation.



The Symonettes, father and son, both "Bay Street Boys," occupied two top positions in the Bahamian government before last month's elections. Sir Roland,

shown above with Mrs. Stuart Berkeley-Owen at the opening of a Nassau discothèque, was premier and his son Bobby (right) was Speaker of the Assembly.

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 seem 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, with 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 the 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, untaxed money that can be stashed in accounts closed to the scrutiny of U.S. and other outside authorities. The process, which removes the tattletale 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 estimates 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



industry



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 the 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 ex-Premier Sir Roland Symonette himself—amassed their fortunes

smuggling whisky to 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 increasing 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 received no salaries, so they had to make a living elsewhere and some-



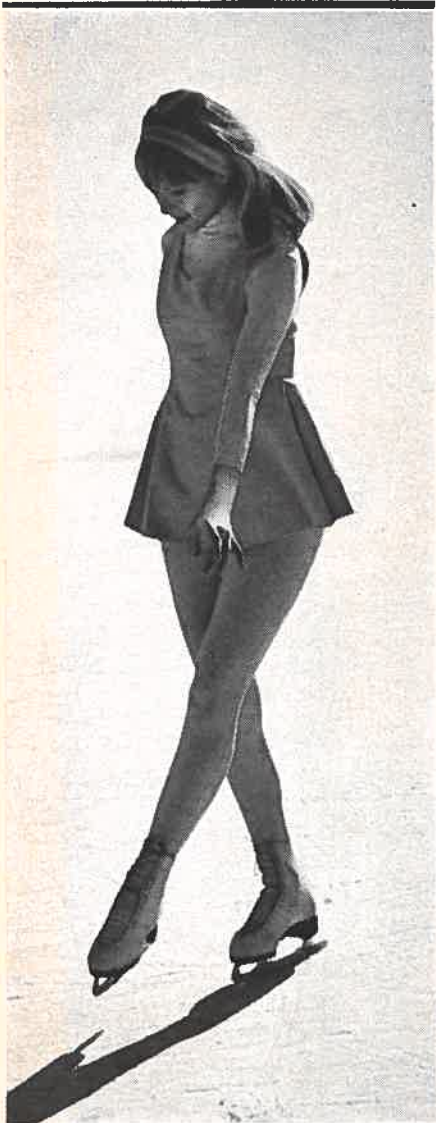
Huntington Hartford poured millions into his Paradise Island, where this picture was taken. He then took a big loss because he was denied a gambling permit.

how. It was, invariably, a very good living. One of Pindling's main campaign pledges was to end this 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 beyond Bay Street 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

CONTINUED

NO THIN ICE



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NOW USED BY MILLIONS OF WOMEN
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Huntington Hartford's folly: he hired the wrong lawyer

BAHAMAS CONTINUED

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 clench 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 islands 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 exclusive 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 things 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—just across Nassau harbor—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

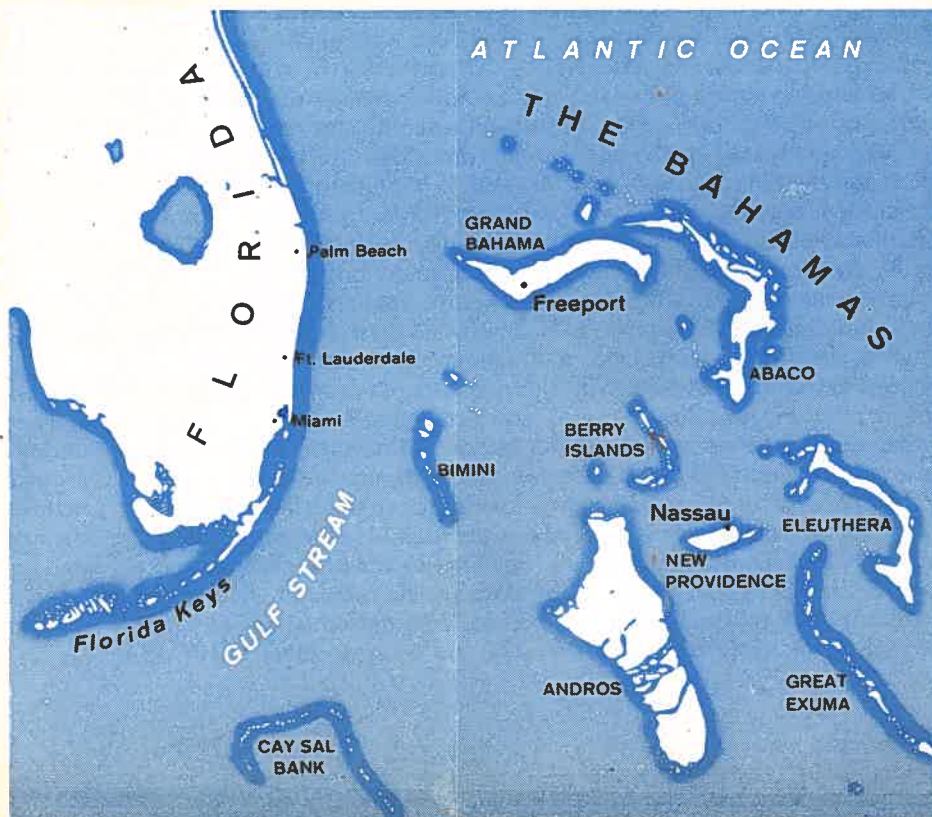
gambling franchise and a permit to build a bridge failed. He even offered to give 50% of the casino's profits to the Bahamian public. But he had made the mistake of retaining the wrong lawyer to plead for his gambling concession and, worse, he had committed the horrible *faux pas* of contributing some \$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 investments.

Miraculously, Paradise Island's difficulties began to melt away. Gambling there became possible merely by the 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 Bahamas 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, 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

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The Bahamas are a British colony consisting of 700 islands in the warm and sunny latitudes just off the east coast of Florida. Nassau, which is situated on New Providence Island, is the capital of the Bahamas and one of the world's famous vacation spots. Freeport, on Grand Bahama Island, is the place where former Wall Street operator Wallace Groves has built a personal kingdom complete with an airport that can handle the biggest jets and casinos that can handle the highest rollers. Harlem Congressman Adam Clayton Powell has his famous vacation hideaway in the Bimini group.



A sow's-ear isle turns into a silk-purse spa

BAHAMAS CONTINUED

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

There was, for instance, the boon that was bestowed upon Daniel K. Ludwig, the enormously wealthy American 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 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 mixture of Chinese streets giving on to 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, Wallace 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 ever 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-unknighted youngster reading the law in Nassau, Wall Streeter Groves had already set up two of the colony's earliest suitcase securities companies, 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 industrial park *cum* resort. Sir Stafford obligingly popped on his parliamentary wig and drew up the Hawksbill Creek Act (so-called for 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 the 211 square miles of Grand Bahama land, a principality 400 times the size of Monaco, most of it at the giveaway rate of \$2.80 per acre. (Nowadays Groves is reselling some of the choicer plots for \$50,000 an acre.) And he was given special rights and privileges, including exemption from virtually all taxes for up

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BAHAMAS CONTINUED

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 was a reason for the camouflage; as it happens, gambling was and is specifically forbidden by law in the Bahamas, punishable by a maximum penalty of a £1,000 fine 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

Louis A. Chesler, the portly Canadian who arrived in the Bahamas with \$12 million to invest, helped Wallace Groves develop Freeport but got squeezed out.

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 a 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 maneuver called "Operation Indoctrination," he and Groves were lavish hosts to a carefully selected group of key

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Reluctant politicians get 'consultant fees'

BAHAMAS CONTINUED

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 briefed 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 Bahamian 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 both of them. Chesler made the first move toward 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 a 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 \$500,000 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 them Americans, and causing an international financial scandal.

By the end of 1966, the last of Lou Chesler's holdings on Grand Bahama 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 gam-

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A U.S. prosecutor is in pursuit of the mob

BAHAMAS CONTINUED

blers 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 telephone 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 equip the casino and provide the initial bankroll. By the end of 1966, the casino was grossing \$8 million a year, according to the 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 the account last year.

In New York, meanwhile, U.S. Attorney Robert Morgenthau has been keeping up 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 grata* and deported from Grand Bahama as a result of strong representations by U.S. government 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's 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.

Just crowned "Miss Bahamas International," Liz Frink of Düsseldorf gives an affectionate hug to Sir Stafford, whose Ministry of Tourism sponsors the contest.

