

## **Rizutto Named in Scandal**

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Gazette (Montreal)

6 May 2004

Help sought from reputed mob boss. Ex-Ionian Financial chief accused of fraud is hiding under police protection, lawyer says.

A prominent local investment executive turned to reputed Mafia godfather Vito Rizzuto to help defend him against a pair of businessmen who were coercing him for large amounts of money, a court document alleges.

Strato Gavriil, former chairperson of Ionian Financial Group, is accused in civil litigation and regulatory actions of defrauding clients of his mutual-fund and insurance firm. He is under investigation by police.

Graviil disappeared this year with his family and is in hiding under police protection, according to a lawyer who spoke to him recently.

A court document filed last week in the bankruptcy of Ionian portrays Gavriil, the former owner of Montreal's Impact soccer team, as a man living in terror in late 2002 and through 2003.

It tells an extraordinary story of business groups competing to get their hands on Ionian's principal asset - 76,330 shares of the TSX Group Inc. worth about \$4 million.

"On various occasions, (Gavriil) was beaten up and had his life threatened at gunpoint," states the motion filed by bankruptcy trustee Richter & Associates Inc.

The motion does not state who committed these specific acts against Graviil, but it adds: "From November 2002 onward, Gavriil lost complete control of his life and Ionian and (its subsidiary) ISL as a result of having entered into certain undertakings on behalf of dubious lenders to whom he was forced ... to pay usurious interest rates and large sums of money and who coerced him to sign and execute various agreements on the basis that if he did not sign he would be killed."

Gavriil was introduced to Rizzuto in early 2003 by Gavriil's former business associate Tony Colitto and another man, Emilio Cordeleone, according to the court filing.

Gavriil was looking for help in dealing with Montreal businessmen Richard Greenspoon and Stewart Goldstein, who were exerting "enormous pressure upon Gavriil to be repaid the sum of \$2 million U.S. and usurious amounts in addition to same."

The court document states that Gavriil had been introduced to Greenspoon and Goldstein in October 2002 and agreed to deposit \$2 million U.S. for them in a Swiss bank in exchange for obtaining for them a letter of credit, a guarantee that can be used as collateral for a loan in Canada.

Richter's proceeding doesn't say why Greenspoon and Goldstein wanted to deposit the money overseas or what use they had in mind for the letter of credit. In any event, the Swiss bank, Banque Edouard Constant, refused to provide a letter of credit, although it did open bank accounts for Greenspoon and Goldstein.

The pair then proceeded to coerce "Gavriil to pay themselves in excess of twice the amount which he had received from them ... and attempted to obtain the TSX shares owned by Ionian as security," the motion states.

In response to this pressure, Gavriil turned to Colitto and Cordeleone.

"Colitto and Cordeleone introduced Gavriil to Mr. Vito Rizzuto, who allegedly undertook to speak with Greenspoon and Goldstein and cap the additional amount that he would have to repay, in addition to the sum of \$2 million U.S., at \$2 million Canadian."

But any relief Gavriil felt was short-lived, according to the proceeding. "Notwithstanding (Rizzuto's involvement), Greenspoon and Goldstein insisted upon receiving additional sums," the document alleges. "Moreover, Colitto and Cordeleone then began making demands on Gavriil.

"During this period, Gavriil lost complete control of his business, borrowed money from others at usurious interest rates and signed any document that Greenspoon, Goldstein, Colitto, Cordeleone would put in front of him in fear that if he didn't he would be killed."

All four men either declined comment yesterday or couldn't be reached for comment. None of the allegations in the motion has been proven in court.

According to separate court and regulatory filings, Gavriil also defrauded more than \$1 million from clients last year.

In February 2003, Gavriil agreed to transfer ownership of ISL Asset Management from Ionian to a company controlled by Colitto and Cordeleone for \$1. Then last summer, the motion alleges that Colitto, Cordeleone and a third man, Fernando Pierbattista, "coerced" Gavriil into signing documents, showing a debt from Ionian to ISL of \$2.4 million as well and securing the debt by granting a \$2.4-million hypothec or lien on the TSX shares.

In November, Greenspoon and Goldstein registered their own \$1.6- million lien on the TSX shares and yet another lien has been registered as a result of dealings between Gavriil, his lawyer Tom Markakis and Montreal firms Stag Management Canada Ltd. and Stag Cornerstone LLP.

Richter, acting on behalf of Ionian's creditors, is petitioning Quebec Superior Court to nullify all these claims on the TSX shares.

The motion states that Ionian and Gavriil were "hopelessly insolvent" when he made various agreements involving the TSX shares. The proceeding asks the court to declare that the shares are the property of Ionian and therefore available to the company's creditors.

"Mr. Gavriil was giving away an asset that does not belong to Mr. Gavriil personally, but belongs to Ionian and is there to secure Ionian's creditors," said Neil Stein, a lawyer representing Richter who has spoken with Gavriil but declined to discuss where he might be.

The TSX shares are currently being held at Industrial Alliance Securities Inc. for the account of Ionian. Industrial Alliance purchased brokerage firm Lafferty Harwood and its seat on the Toronto Stock Exchange from Ionian in 2002. Ionian retained an option to buy back shares in TSX Group from Industrial.