

Dirty Money

by John Bloom

*Laundering illegal cash is easy. All you need is one friendly banker.
A gang of California drug smugglers found their friend
at Houston's Allied Bank.*

It's unfortunate that no one was there to record the dialogue. On one side of the table sat two representatives of Allied Bank of Houston. On the other sat spokesmen for a company called Diversified Investment Portfolio, Inc. (DIPI). The meeting place was DIPI's office in San Francisco. The time was late, since DIPI prefers to do business after dark. The bankers had brought money—something less than \$18,000—which they turned over to DIPI's president, a caustic, long-haired man in his late twenties named David Victorson. In return, Victorson signed an agreement not to sue the bank.

For a billion-dollar bank like Allied, dealings with eccentric customers are hardly uncommon. So the moonlight meeting might have attracted no notice at all had it not been for the peculiar nature of Victorson's business: he trafficks in narcotics. According to law enforcement agencies on the West Coast, Victorson deals in marijuana and cocaine on a scale unmatched by anyone else in Marin County, which is, of course, the unofficial drug capital of California.

What, then, was Allied Bank of Texas doing in the middle of the night with a man like Victorson? According to Allied's attorney, the bank was merely settling its accounts with a disgruntled customer. "We were just getting an assurance from Mr. Victorson," said Joe Peck, a banking specialist with Butler Binion Rice Cook & Knapp, "that the bank had satisfied all its obligations to him."

But a friend of Victorson's told the story differently. "David bragged about it for weeks," he said. "He was proud of himself for bringing a bunch of Texas bankers to their knees."

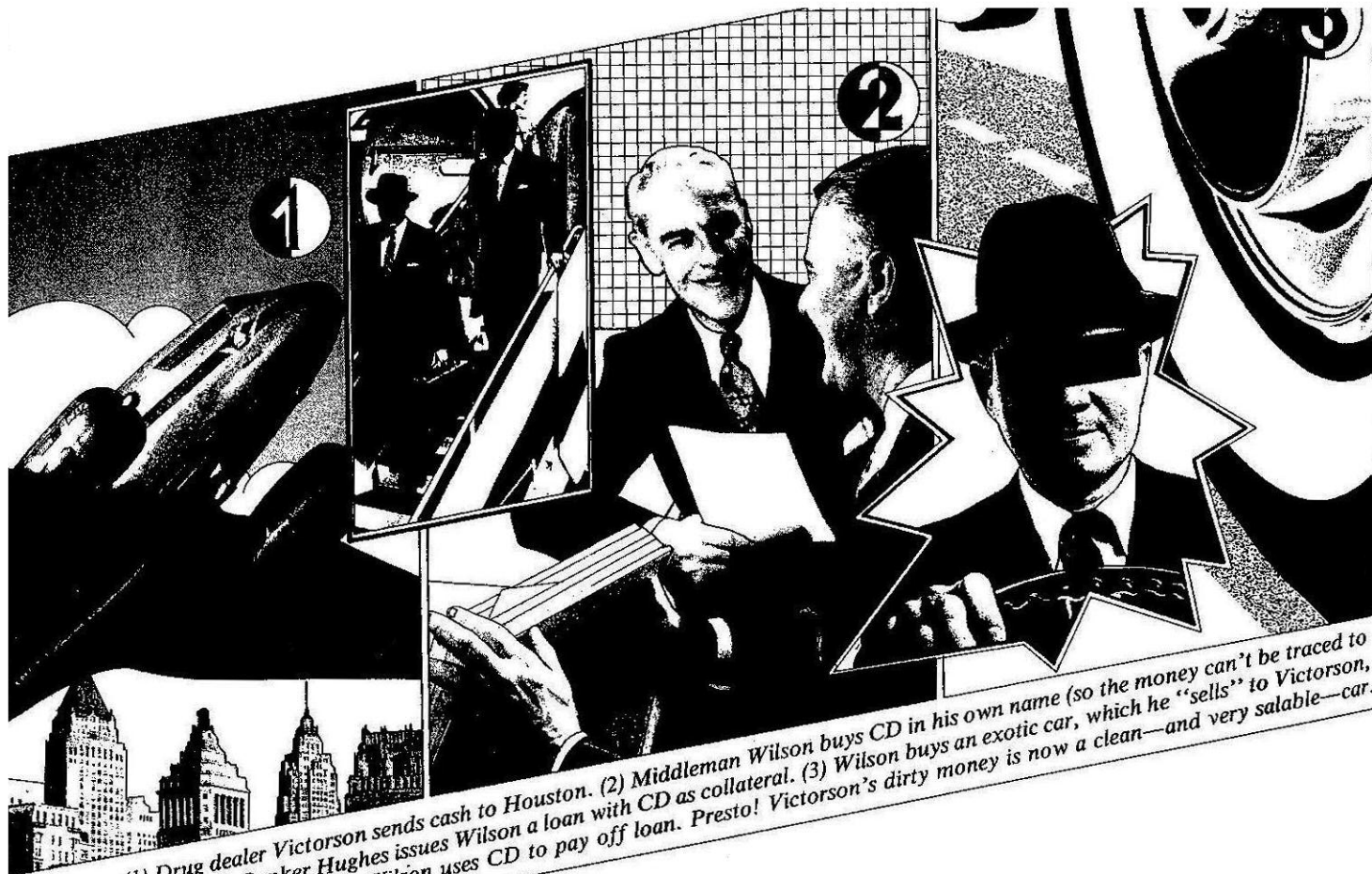
At the very least, Victorson had greatly embarrassed one of the largest banks in Texas, the flagship of the 24-bank Allied Bancshares. Later, as the story unraveled, it began to appear that Allied had been unwittingly drawn into a money-laundering operation masterminded by a smooth-talking scoundrel named Barry Wilson (see "The Italian Connection," TM, September

1980). Set up to solve the eternal problem faced by wealthy criminals—hiding money—the system functioned remarkably well for more than six months before breaking down through the inadvertence of an Allied loan officer named Samuel Hughes. The meeting in San Francisco was Allied's attempt to sever its ties with Victorson once and for all.

The term "money laundering" has been used to characterize all sorts of complex financial dodges, from banking havens in the Caribbean to furtive electronic transfers to stunts like kiting checks through banks in four or five countries. In fact, the usual procedures are much simpler and don't involve the treacherous shoals of international law. Barry Wilson considered himself a master of deceit, and yet the system he established at Allied—with the assistance of vice president Hughes—was simplicity itself. He liked it so well, he claims, that he worked the same scam at a San Francisco bank and two in New York. Wilson's maneuvers at Allied exemplify the kind of laundering operation that goes on every day—and on an even grander scale—in banks in Texas and elsewhere.

"The way you begin," he told me later, "is that you look for the bank that is young and hungry. Never the biggest bank—the one that *wants* to be the biggest. In Houston, Allied fit the bill, and Sam Hughes turned out to be their hungriest officer."

Wilson moved to Houston in late 1978 with his reputation as a "moneymen" already well established. In the drug world a moneymen's job is to convert illegal payments—in this case \$100 bills accepted in trade for drugs—into solid investments that can't be traced to their real owners. Wilson functioned as a sort of underworld banker, and his chief client was David Victorson. In 1978 Victorson had pleaded guilty to conspiracy to import marijuana and possession with intent to distribute marijuana after 37 tons of dope were seized from a freighter bound from Colombia to Washington State. But then, under a procedure allowed in federal court, he had appealed his conviction.



(1) Drug dealer Victorson sends cash to Houston. (2) Middleman Wilson buys CD in his own name (so the money can't be traced to Victorson). Banker Hughes issues Wilson a loan with CD as collateral. (3) Wilson buys an exotic car, which he "sells" to Victorson, on paper only. Finally, Wilson uses CD to pay off loan. Presto! Victorson's dirty money is now a clean—and very salable—car.

tion. He had yet to spend a day in jail. In the meantime he provided Wilson with a steady flow of cash—often as much as \$100,000 at a time—that he wanted invested.

When Wilson arrived in Houston he called a friend who worked at Allied Bank, and through that friend he eventually met Sam Hughes. "Hughes was the kind of guy who liked to enjoy himself," said Wilson. "He was also the kind of guy who didn't ask many questions when you flashed money in front of him."

Wilson and Hughes became friends. And it wasn't long before Wilson got him to agree to a rather unconventional system for loaning money. It worked roughly as follows: A large amount of money would appear on Hughes's desk. It would come from any number of companies—Diversified Investment Portfolio, Inc., for example. DIPI was actually the property of one man and one man only—Victorson—but for the purposes of this transaction his name wouldn't be used.

When Hughes received the money, by wire transfer or certified check, he would call Wilson and ask him to come to the office. There the money would be used to purchase a certificate of deposit in Wilson's name, and the CD would in turn be used as collateral for a loan to Wilson for the same amount. Wilson would use the loan money to buy expensive exotic cars, which sometimes appreciate at rates of 20 to 30 per cent per year, in his own name. Then he would drive the cars to California, "sell" them to Victorson in a purely paper transaction, and Victorson would hide them in warehouses. At the end of thirty days, the original CD would be used to pay off Wilson's loan.

"There is one reason and one reason only for that kind of transaction," said Wilson. "It effectively hides the money. It converts dirty money into clean cars. And they are always cars that can be sold instantly for cash. All exotic car traders deal in cash, because they all want to falsify the purchase price in order to avoid the exorbitant taxes.

"Say the FBI wants to take a look at your personal accounts, or the Internal Revenue Service gets suspicious about your in-

come. Okay, so they look in three places: checking accounts, savings accounts, and safe deposit box activity. Who ever looks at CDs? Who ever looks at *commercial loans*? There's no point. The bank is giving *you* money there; they're only interested in money you're putting *into* the bank."

It's not too difficult to see how the arrangement would benefit Victorson. It's harder to see what good it would do Sam Hughes. Perhaps he did it because he liked Wilson. Perhaps he thought it looked good on his record of commercial loans. "I told him," said Wilson, "that if this thing worked out he was going to see *millions* coming across his desk. Sam was the kind of guy who couldn't resist a line like that."

At any rate, it's clear that by December 1978 Barry Wilson, who had never earned more than \$15,000 a year in wages, was suddenly the possessor of an A-1 credit rating and was routinely receiving loans in five figures. In addition to his encyclopedic knowledge of cars—especially Mercedes, Ferraris, and Fiats—Wilson had a banking system that he was convinced was foolproof. Wilson claims that during the next six months, more than a half-million dollars passed through Allied Bank in exactly the manner described above, and each transaction was initialed by Sam Hughes. Wilson was so pleased with the way it worked that he began encouraging his friends to use the system, even legitimate businessmen who had no apparent reason to hide money. "If I found a great car," he explained, "it was an easy way to get the money for it fast. Instead of the CD business, sometimes we just used an escrow account as collateral. The interest on the loan was minimal anyway."

The first loan issued to Wilson was for \$41,270, and according to him the money was used to purchase a Ferrari. Two days later he borrowed \$46,000. Within three days Wilson had already borrowed more money than he had reported on his income tax forms for the past six years. By early February 1979 Hughes was sufficiently comfortable with the arrangement to lend Wilson \$3511.82 with no collateral whatsoever. And on March 1 Wilson bought a 1974 Mercedes 450SL for \$13,750—

money he received from Hughes that morning without arranging for a CD at all.

It was shortly thereafter that Wilson, Hughes, and Victorson decided to test the system a little further. (Wilson claims that by this time he had told Hughes exactly where the money came from. Hughes is unavailable for comment. The bank claims not to know where he is.) Wilson left for Italy and his first major European shopping spree, intending to look for cars for Victorson and other collectors. Before leaving, he visited Hughes and signed a dozen blank loan forms. Hughes was instructed to fill in the particulars on the loan and wire money to Wilson wherever he happened to be when he found a car. It should have worked, but it didn't.

On March 16 Wilson called Hughes from Milan, Italy, and asked him to send 50 million lire (\$60,109.90) so that he could buy two cars. Hughes went through the usual motions and filled out a loan form for that amount, listing "escrow account" as collateral. Only Sam Hughes could completely account for what happened next, and he is nowhere to be found. Without him we can only say the situation became very confused. There was an escrow account large enough to cover the loan, and although it was in Wilson's name, it belonged to David Victorson. However, these particular two cars were not destined for him. Wilson planned to buy them for a legitimate collector and trader named Richard Buxbaum, who lives in Joliet, Illinois. And Buxbaum had deposited only \$41,900 in his escrow account.

Even more baffling, Hughes issued yet another loan to Wilson that same day, this time for \$16,109.90. But the most astonishing document of all is an interoffice memo showing that Hughes's secretary wired \$59,909.90—or \$200 less than the amount of the first loan—to Milan and debited the entire amount to Buxbaum's escrow account. Not only was that more money than Buxbaum had in his account, but it was also the opposite of standard operating procedure. Hughes was supposed to send the bank's money, saving Buxbaum's money to pay off the thirty-day loan.

Wilson did not receive any money until a week later. By then the Italian dealer had sold Buxbaum's cars to someone else. Because of the delay, Wilson assumed that Buxbaum had decided not to go through with the deal and that the \$60,000 he finally got was from Victorson's account. In the meantime he had located a Daytona Ferrari, which he purchased for about \$55,000 and shipped to Victorson in California. Since he had no way of knowing that his assumption was incorrect and since he was ignorant that Hughes had filled out additional loan papers amounting to about \$78,000, Wilson thought nothing was amiss and continued to search for other cars.

The next major disruption occurred the night of May 9. Wilson had purchased a Ferrari—he can't remember whether it was for Victorson or Buxbaum—and he was driving it from Milan to Zurich when an oncoming car swerved into his lane on a road near the little town of Gallarate, Italy. Wilson careened into a ditch, smashed the car to bits, and ended up with a gash across his forehead. He was just alert enough to grab his briefcase, which contained \$75,000 in \$100 bills, as the ambulance attendants were carrying him off to the hospital. He stayed there overnight but insisted on leaving the next morning ("I don't trust Italian doctors," he said) to catch the first plane back to New York. He was sick and hallucinating and forgot about the contents of the briefcase. When he reached Kennedy Airport, the money was discovered and seized by customs agents.

As Wilson later explained, the money belonged to Victorson. Wilson could conceivably have been charged with the misdemeanor offense of failing to declare currency in excess of \$5000. According to customs officials, on August 22 Wilson appeared at a hearing, paid a \$7500 fine, and claimed the remainder of the money. The next day Victorson jumped bail. Both his and Wilson's present whereabouts are unknown.

Shortly thereafter, Victorson flew to New York to see Wilson, and for a while Wilson thought things were all patched up and he had been forgiven. He was sufficiently confident to ask Sam Hughes to arrange another loan of \$70,000 on May 24; it was

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Allied fit the bill."*

secured with Victorson's money. But unknown to Wilson, Victorson was already making his own arrangements.

Perhaps Victorson was not as equable about losing \$75,000 as he had led Wilson to believe. Or perhaps he had second thoughts about risking exposure by dealing with a man who had made such a major mistake. Wilson claims that Victorson was taking heroin throughout this period and that his paranoia could hardly keep pace with his addiction. At any rate, he decided one day to call Allied Bank and collect all the money he had sent to them. Unfortunately, Sam Hughes was out of the office when he called. So Victorson cursed into the phone and raved at several officers, all of whom were at a loss to explain where his money was or whether Hughes could get it for him.

There followed a series of meetings that kept the upper echelon of Allied Bank preoccupied for several days. What exactly was Sam Hughes doing with this crazy man from California? Walter Johnson, the bank's president, couldn't understand it, despite having it explained to him by Hughes, and so he abruptly turned it all over to Joe Peck, the bank's attorney. "I never was sure what Barry Wilson and Mr. Hughes were doing," said Johnson, "but I knew I didn't like the way it was handled."

After meeting with Hughes, Peck placed a phone call to Victorson in California. Like most of the bank officers who had spoken with Victorson, Peck was stunned. "We talked for a half-hour," said Peck, "and for the life of me, I can't tell you exactly what he wanted." Victorson could be less than coherent at times.

Before deciding exactly how to deal with Victorson, though, Peck had a more pressing problem: how to collect the \$70,000 loan that was still outstanding to Barry Wilson. Only a week had passed since the loan was issued. Nevertheless, Peck called around until he found Wilson, who was in Houston for a rare visit, and told him the loan was due immediately.

Actually Wilson was only making a brief stopover on one of

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his many trips between Europe and California. Having recovered from the car accident, he had just returned from another buying trip, and he was leaving for the airport just as Hughes called. Wilson was surprised that the note was being called, but assumed at first that it was a temporary problem that could be worked out with Hughes later. He told Peck that he didn't have \$70,000. "All I have," he said, "is forty thousand or so here in my briefcase."

Even that much would help, said Peck.

"But I'm leaving for the airport right now," said Wilson.

Peck told him that representatives of the bank would meet him at the airport.

And so they did. An hour later Wilson rendezvoused with two employees of the bank in the bar of Intercontinental Airport. Then, as curious passersby stared quizzically, Wilson pulled stacks of \$100 bills out of his briefcase, patiently counted them out, and turned them over to the bankers. He kept \$5000 for his traveling expenses and gave them about \$35,000 as partial payment on the loan. "I barely made the plane," said Wilson. "I couldn't get over it, these two guys from an enormous bank sitting in a dark bar and counting money with me. When I got up to leave, I said, 'And next time the drugs better be good or I'm not going to pay you.' I couldn't resist."

Meanwhile, Victorson was still demanding that the bank pay money to him. Peck claims the figure was between \$6000 and \$12,000. Wilson, who talked to Victorson shortly afterward, claims it was between \$11,000 and \$18,000. In any event, the bank decided, after lengthy interviews with Hughes, that it *did* owe Victorson money, and that's when the two employees flew to San Francisco in the middle of the night to pay him off. In return they got Victorson to sign an agreement that he would not hold the bank liable for any other expenses.

"I want to stress," said Peck, "that at no time was anyone here at the bank aware of any of these drug connections. I don't think even Sam Hughes was." Nevertheless, a few days after the bank's meeting with Victorson, Hughes left the bank and hasn't been heard from since. The bank claims that it was an amicable parting.

But the episode was not quite finished. Victorson, having settled his accounts with the bank, now set out to settle them with Wilson. In late June he asked Wilson to meet him at his office in San Francisco. And Wilson found him wholly changed from his forgiving self of a month earlier. He was now very worried about the money seized by New York customs and was anxious to sever all his ties with Wilson. To that end, he asked Wilson to sign a three-page legal document that contained several blanks to be filled in later. Presumably he could have made it read

any way he wanted to in the event that federal agents made a connection between Wilson and Victorson. Why would Wilson sign it?

"David was very careful to let me see that his friends had guns while I was out there," said Wilson, "and his friends were very careful to let me know that I had screwed up and they weren't going to let me do anything to harm David. He scared me. He can be very mean when he wants to be. I signed the papers and left. That was the last time I ever saw David."

It's the last time Wilson saw Allied Bank, too. Shortly thereafter Wilson moved to Milan, and then to Beirut, and all of Allied's efforts to reach him were fruitless. The bank claims that Wilson still owes money on the last \$70,000 loan. Wilson claims that the bank gave that money back to Victorson by mistake. And a few months ago, Richard Buxbaum brought suit against Allied Bank for the recovery of \$41,900 that he claims was wired to Wilson in Milan during that odd transaction of March 16, 1979. Buxbaum says he never received any cars or money. The bank denies any wrongdoing. Barry Wilson is making it a point not to come back to the United States, where he could be questioned more extensively. And Sam Hughes—perhaps the only man in the world who understands everything—has vanished.

It really was a great system for hiding money. Even now it's working. ♦