

GLACIERS FOR SALE

A global-warming get-rich-quick scheme

By McKenzie Funk



The Canadian dentist behind what may or may not have been the world's first global-warming Ponzi scheme either lives or does not live in Iceland. His name is Otto Spork, and when I first learned of him, in 2008, he had secured

McKenzie Funk's forthcoming book about climate change, Windfall, will be published in January by the Penguin Press. His last article for Harper's Magazine, "Too Big to Burn," appeared in the October 2009 issue.

the water rights to a glacier north of Reykjavík and quit his dental practice to run the most successful hedge fund in Canada. His Toronto investment firm, Sextant Capital Management—the name was chosen to honor his paternal grandfather, Johan Marinus Spork, a Dutch sea captain—had recently been claiming 730 percent returns for its investors. Spork's sales pitch was simple: the world was warming and

parts of it were running dry, so Sextant bought water companies. Hundreds of Canadian and offshore investors were persuaded to buy in—and Spork earned millions of dollars in management fees as money poured into his funds. The arrangement succeeded magnificently until December 8, 2008, three days before Bernie Madoff was arrested, when the Ontario Securities Commission accused Spork of a massive fraud.

Water is the medium of climate change—the ice that melts, the seas that rise, the vapor that warms, the rain that falls torrentially or not at all. It is also an early indicator of how humanity may respond to climate change: by financializing it. In the year following the release of Al Gore's 2006 documentary *An Inconvenient Truth*, at least fifteen water-focused mutual funds were created. The amount of money controlled by such funds ballooned from \$1.2 billion in 2005 to \$13 billion in 2007. Credit Suisse, UBS, and Goldman Sachs hired dedicated water analysts. A report from Goldman called water “the petroleum for the next century” and speculated excitedly about the impact of “major multi-year droughts” in Australia and the American West. “At the risk of being alarmist,” it read, “we see parallels with ... Malthusian economics.”

In the summer of 2008, I was starting work on a book about climate change when a Spork tip came in from a sales executive at the trade publication *Global Water Intelligence*. “The transportation of potable water is becoming increasingly popular as a solution to cases of acute water shortage,” wrote the salesman as he tried to entice me with a \$1,060 subscription. The tankers that had sailed that spring between Marseille and a drought-stricken Barcelona had eventually been outcompeted by rainfall, he admitted. But “one of our subscribers (and the sponsor of our most recent conference in London), iGlobalWater ... has recently been heavily involved in such projects.” He claimed that iGlobalWater—unlike the handful of stillborn bulk-water schemes in decades past—had moved beyond the planning stage. The company was already shipping water from Iceland. I didn't buy a subscription, but I was intrigued.

The website iglobalwater.com was registered to something called Spork Capital. The name Spork led to Sextant Capital. Sextant and iGlobalWater turned out to be on the same floor of the same office tower at the Royal Bank Plaza, Downtown Toronto's most prestigious address. (It would later become clear that iGlobalWater's global headquarters consisted of half of a long table inside Sextant.) I phoned and emailed both companies repeatedly. No one ever

responded. A few months later, the securities-fraud charges were unveiled and I began to understand why Spork had stonewalled me. According to his lawyers, Spork had moved to Iceland. It was the beginning of a five-year chase.

The dentist ignored Canadian authorities too, skipping meetings with investigators and appearances before the Ontario Securities Commission. On May 18, 2011, with almost \$100 million from Sextant investors still unrecovered, the Ontario Court of Justice found him guilty. Nearly all Sextant's funds had been funneled into two Icelandic water businesses that Spork himself controlled through a web of shell companies in Luxembourg and the Cayman Islands, and the dentist and his family had paid and loaned themselves close to \$50 million. What wasn't clear was whether Sextant had been a kind of Ponzi scheme from the start—or had Spork really believed he could sell Icelandic water to a drought-stricken world?

I decided to fly to Iceland with my friend Damon Tabor, a fellow journalist who had shared my Spork interest from the beginning, to see if we could find him and discover the truth. It was a small country. We would bring cameras and voice recorders and GPS units and binoculars and walkie-talkies. Before we left, we consulted the financial journalist Sigrún Davíðsdóttir, one of the few Icelanders to report on Spork. She told us about the poet Einar Benediktsson, who at the beginning of the twentieth century had gathered a bunch of Swiss investors and tried to sell them the northern lights. “What I think of Spork?” she wrote in an email.

It pains me to say (because also I would most certainly like to see the water export pump money and jobs) that I think he is, what we say in Icelandic, a “Northern Lights-salesman.”

Spork's glacier was on the Snæfellsnes, a peninsula a few hours north of Reykjavík that is dominated by Snæfellsjökull, a 4,744-foot volcano that stars in Jules Verne's *Journey to the Center of the Earth*. We set out for it one afternoon in a rented Chevy Spark, taking a tunnel under one fjord and skirting the next, then turning off onto a narrow road that climbed the flanks

of the volcano. The grass was replaced by rock, and there were waterfalls and patches of snow. The road became gravel at a pass and then dropped to the shoreline, where we zipped past dark beaches with breakers rolling in. When we neared the fishing village of Rif, we saw a harbor and the massive, half-built shell of a factory: Spork's water plant. In this spare landscape, the 100,000-square-foot plant was incongruous, a gleaming, hangarlike edifice of sheet metal on the tundra. Next to it, two short waterfalls emerged from two black pipes, dumping clear, cold glacier water into the harbor at a rate of 86,000 gallons an hour.

Iceland has more water per capita than any other country on earth: 142 million gallons of annual runoff for each of its 300,000 residents, roughly six times more than water-rich Canada, fifty times more than the United States, 250 times more than China, and 25,000 times more than the United Arab Emirates. Until the global financial crisis that locals call the *kreppa*—from a verb meaning “to clench”—Iceland also had more bubble per capita: there was no country more in the thrall of commercial banking and paper wealth. In 2008, three formerly high-flying banks had to be nationalized, the International Monetary Fund stepped in with a bailout, and the government collapsed. All this helped explain why no one in Iceland seemed worried about building an economy on water, not when the last one had been built on air.

In Rif, Damon and I met with Mayor Kristinn Jónasson, the man who in 2007 had granted Spork an exclusive ninety-five-year water lease. Locals called him the Major because in Icelandic *j*'s sound like *y*'s and they would overcorrect when translating to English. He was waiting in his office when we arrived. “Do you want water or something?” he asked. He popped into the next room, returning with two full glasses.

“I think the next war in the world is about water,” he said. “Because, you know, you need water if you want to live.” The Major is one of the longest-serving mayors in Iceland: he has run the 1,700-person, 260-square-mile Snæfellsbær municipality since 1998, when he was thirty-three. Water seekers had come to Rif from all over the world. “Companies from England, from

Norway, from Denmark,” he said. “An Arab from Kuwait. An agent for a guy from China, or something like that. Most of them, they are thinking the same thing: using old oil ships. Old oil ships, they have just one hull”—considered unsafe and outlawed in the United States after the *Exxon Valdez* spill—“so they have nothing to do now.” If the Arctic melted enough, Iceland could become the next Singapore, and ships conveying bulk water could go to Asia over the top of the world. But there were no publicly announced water deals with China yet. Only rumors. “Before, people said, ‘We have a lot of Arabs who want to buy water,’” the Major told us. “Now, they’re not talking about Arabs. Now it is China.”

Many had come, but Spork was the first outsider to build anything tangible here. Under the terms of the lease, Iceland Glacier Products—a sister corporation to iGlobalWater—would give Snæfellsbær \$50,000 a year plus twenty-three cents per thousand liters of exported water. Snæfellsbær also received a million shares of IGP, or about 1.4 percent of the company. The venture crashed before exports began, but Spork paid at least the first \$50,000, and he paid most of the workers who built the multimillion-dollar plant and million-dollar pipelines. He had also erected a billboard near the plant:

ICELAND GLACIER WATER
CAPTURED AT THE SOURCE OF
SNÆFELLSJÖKULL

In the middle of the billboard was a corporate seal that depicted what looked like an eagle with its wings raised above the word SPORK.

“Otto was always very nice with me,” the Major said. “I cannot be angry about what happened, because, you know, in Iceland, we had the *kreppa*—we lost so much money in the bankrupt.” Had Spork come a few years earlier, he might already be exporting their water. “I have heard about the court in Canada and everything about that,” the Major said, “but I believe in the good in every person.”

He had not seen Spork in months, but he told us where he lived. “Otto has a house, a big house,” he said. “It’s in a willage . . . how do you call it in English? A willage?”

A village, I said.

“A willage near Reykjavík,” he said.

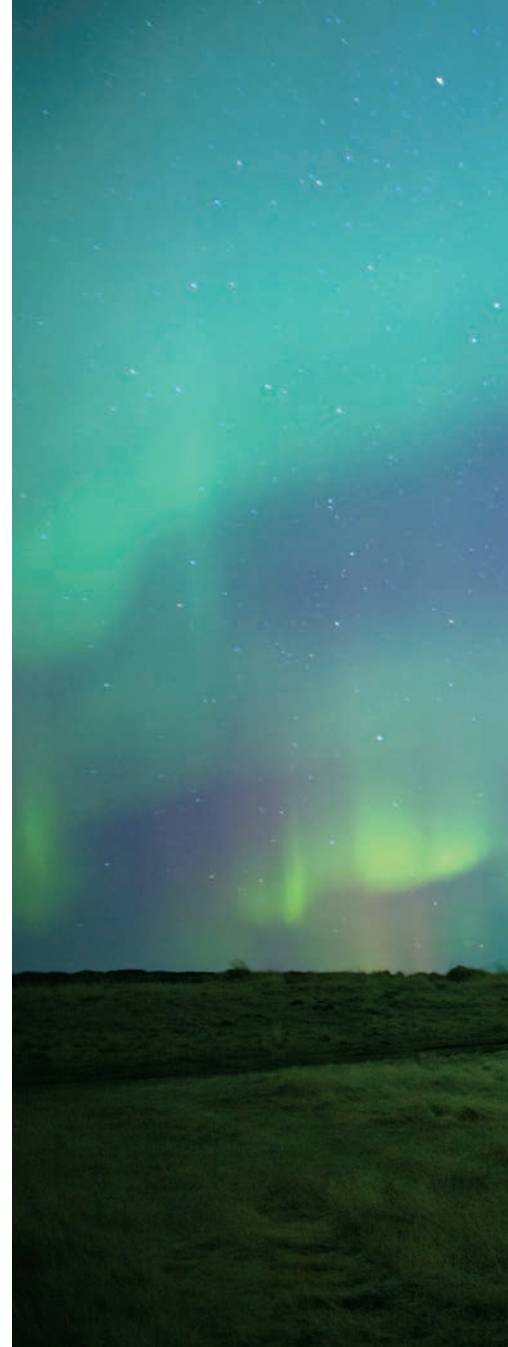
One guess as to how Spork the dentist was transformed in 2006 into Spork the hedge-fund manager is that he emulated a Canadian self-made billionaire named Eric Sprott. Spork knew Sprott: for almost thirty years, his sister Anne was Sprott’s deputy. While Otto filled cavities, she co-managed a Sprott hedge fund, investing in such commodities as molybdenum, a trace element crucial to the global desalination boom (each new reverse-osmosis plant requires as much as a million pounds of it). Anne helped the fund grow by 600 percent over the course of a decade and became supremely rich in the process. Sprott had later hired Spork’s eldest daughter, J’Aime, to work at Sprott Asset Management headquarters in Royal Bank Plaza. (Spork sometimes got Sprott’s mail.)

Sprott had made wildly successful bets on gold and silver; in 2011, *Bloomberg Businessweek* reported that his company “oversaw more gold than Brazil held in its reserves.” He and a thirty-five-year-old protégé named Kevin Bambrough had authored “Investment Implications of an Abrupt Climate Change” in 2006—one of the first reports of its kind. “Harsher summers and intense winters are in the offing,” wrote Sprott and Bambrough,

and they generally cause agriculture yields to drop sharply. Rising sea levels that intrude into coastal aquifers and lead to hotter summers also sap water resources. Mankind is staring starkly at the possibility of a severe crisis in water and food supply.

Unlike Spork, Sprott never found the right way to invest in water. “Governments get involved and don’t allow companies to raise prices exorbitantly,” Bambrough explained to a reporter from the *National Post* in 2007. “It’s hard to make outsized returns.” Instead, Bambrough and Sprott began investing in farmland as the grain belt moved north. In 2009, they founded One Earth Farms, leasing cheap, underutilized lands in Canada’s prairie provinces from First Nations tribes. The company now controls more farmland than anyone else in the country.

I called Sprott to run my Spork origin story past him. “Yes, he might have tried to copy something that we did,” Sprott granted, “but you have to figure that out when you talk to him. I mean, lots of people invest in commodities. I have no idea why he moved into [my] building—I really don’t know. He goes from being a dentist to a hedge-fund manager. That’s quite a leap. I guess he was driven. I guess that’s the word to describe it.” Sprott assured me that Anne Spork, an apparent straight arrow with plenty of money of her own, had nothing to do with anything at Sextant. As for Otto, “he was kind of a fun-loving guy,” said Sprott. “He—he might’ve—well, he was a fun-loving guy. He was a fun-loving guy.”





Sprott had never talked to Spork about Sextant. But the plan to export Icelandic glacier water did not strike him as too outlandish. “There are all sorts of waters that we get all the time, and they’re all from some special goddamn place,” he said. “Iceland might make some sense.”

The willage the Major had mentioned, Mosfellsbær, could more aptly be described as a suburb: tidy rows of single-story, single-family homes—big for Iceland, average for the United States or Canada—set between a bay called Leirvogur to the north and Highway 1 from Reykjavík to the south. Alone at the end of a winding

street was an ultramodern villa unlike any other home in the neighborhood, with slate paneling and mirrored-glass windows that reflected the snowfields of a distant ridge. The house bore the address listed for Spork in Iceland’s handy national phone book, and it was where Canadian authorities had tried (unsuccessfully, as usual) to serve him with papers. Spork had bought his lair, the rumor went, from a local couple who built it during the boom times. Spork’s Icelandic fixer had appeared at their doorstep and made them a generous offer, and they promptly moved out.

Damon and I sat a few hundred feet from the property in the Spark, survey-

ing the area with my camera’s telephoto lens. There were no cars out front, no lights, no movement. Clusters of yellow flowers were sprouting in the gravel driveway, and the grass was getting long. A few doors down, a girl bounced on a trampoline. An old couple strolled past and gave us a funny look.

The Spark began to feel cramped, and we got up the nerve to go to the door. OTTO ROBERT SPORK, HELEN EKONOMIDIS SPORK, read a plaque above the mail slot. There was no answer when I knocked. We wandered around the perimeter of the house, peering through one of the few windows without blinds. On a dark granite countertop in the kitchen, across from an oven mitt



shaped like a gingerbread man, was a glass bottle of water. Atop a white piano were five family photos, three of which featured the family poodle.

I had a file on the poodle. I had first noticed it in the archives of Canada's *Globe and Mail*, in a photo accompanying a 2007 article with the headline "Fears Make Resources Sparkle." The photo shows a gray-haired Spork sitting in front of three white Samsung computer monitors. The top button of his shirt is undone, and his jowly, bespectacled face is staring intently at the nearest screen. Behind him, next to some boxes, is the poodle, staring intently, and cutely, at the camera. Dogs were not allowed in the Royal Bank Plaza towers, but he brought the poodle to work anyway. Find the poodle, Damon and I joked, and we'll find Spork.

We listened for yips at the door. There were none. Stymied, we returned to our cheap hotel in Reykjavík and looked up every website registered under the name Otto Spork. For ninety-nine dollars, I got a list of twenty domains—*ibulkwater.com*, *sporkag.com*, *sporkdonations.com*, *sporkinfo.com*, *sporkwildlifefund.com*—but no physical address other than that of the house in Mosfellsbær. I called the number listed for Spork in the phone book. It rang and rang. I found some old press releases for Iceland Glacier Products and called the local and Canadian numbers listed there for Dino Ekonomidis, Spork's brother-in-law. (A vice president at Sextant, Ekonomidis had also been charged with fraud, and he had also been dodging summonses from the OSC.) A male voice answered

at the Canadian number. I asked for Dino. "Uh, he's not here," the voice said after a long pause. "Can I take a message?"

Sextant Capital Management, like Madoff Securities, was a family affair. Ekonomidis was second-in-command, charged with drumming up buyers for Sextant's funds. Spork's younger daughter, Natalie, until her unlikely promotion to president in May 2008 following her father's departure for Iceland, was Sextant's marketing assistant. Helen, Spork's wife, had no title but was always around. The poodle was on the floor. Sextant also hired an amateur bodybuilder named Randy, unrelated to the family, to help with sales. The chief compliance officer, Robert Levack, who later settled with the OSC, attested that in its early days Sextant engaged in perfectly legitimate trades—mainly in the gold and molybdenum markets—five or six times a week. The firm's turn toward Icelandic water—and, eventually, toward self-dealing and fraud—happened because Spork frequented a Toronto bar called Little Anthony's that was popular among the financial set. There he met someone who worked at a company called Icelandia, which was planning to export water running off Iceland's Snæfellsjökull volcano. Icelandia had an exclusive ninety-five-year water lease with Mayor Kristinn Jónason and the municipality of Snæfellsbær: \$50,000 a year, twenty-three cents per thousand liters.

"Spork was a dentist," recalls Bob Heward, a former Icelandia director who now runs a website called

sextantcapitalfraud.com. "He didn't know the first thing about water." But Sprott's climate report had just come out, and so had *An Inconvenient Truth*. Spork was interested.

Monetizing the melting Snæfell glacier had not been Heward's idea. The pioneers were David Powley, an American veteran of San Pellegrino and Shasta Beverages, and Birgir Halldórsson, or Biggi, an Icelandic entrepreneur known for introducing prepackaged deli sandwiches to the country's gas stations. The pair had signed a water contract with Snæfellsbær in the early 1990s, but back then they had planned only for bottling operations, not bulk shipments throughout a warming world—and in any case, their plans never got off the ground.

Icelandia was formed in 2005 by Biggi, Powley, Heward, and a former ExxonMobil logistics manager named Madeline Vinski, Heward's girlfriend at the time—"a gathering of titans," according to a press release. Its confidential business plan, shown to potential investors who included a British defense contractor and an American investment bank, envisioned three revenue streams. First would come "super-premium bottled water" branded with such slogans as "Drink the Glacier" and "Born of Ice." Next would be "small bulk" sales, in which standard shipping containers would be filled by 20,000-liter plastic bladders. In time would come the third and most lucrative stream, "large bulk": converted oil tankers as big as 130,000 tons. Because of the target clientele, Heward had a British law firm declare Icelandia sharia-compliant. In



the optimistic projections of the business plan, each tankerload sold would net \$1.5 million in profits, and Icelandia would run three tankers more than 300 days a year. Before a single drop was bottled, a U.S. valuation firm declared that Icelandia's Snæfellsjökull deal was worth \$432,144,520.

Heward was the first Icelandia director to meet with Spork—he remembers distractingly perfect teeth and a sizable gut—and he later introduced him to Biggi and Powley. In late 2006, in a swank restaurant in Zurich, Heward agreed to sell Spork and Sextant \$500,000 worth of Icelandia stock. But the money—much needed to begin construction of pipes and a plant—never appeared. Instead, Spork double-crossed him. Heward claims—and leaked emails appear to confirm—that Spork, Biggi, and Powley successfully colluded to bankrupt Icelandia and drive out Heward and Vinski. By mid-2007, Spork, Biggi, and Powley appeared in Icelandia's place, signing a strikingly similar water contract with the Major and producing a strikingly similar business plan. Eventually, multiple sources told me, Spork forced Biggi and Powley out too, offering them a payoff in the low millions of dollars—a fraction of what they believed the company was worth. (The pair would not talk to me, citing nondisclosure agreements. “Also, quite frankly, I get nauseated when I think about Spork,” Powley said.)

After the takeover, Sextant issued a triumphant press release:

Sextant Capital Management Inc., led by founder Otto Spork, announces he has gained a position in a Lux-

embourg based private Water Company, which has the ability to deliver a hundred giga-litres per year of pure glacier drinking water anywhere in the world.

The moneyed public was invited to get into global-water-crisis profiteering on the ground floor. “Invest in Pure Water with Sextant Capital,” read another release. “Otto Spork, President and founder of Sextant Capital, says: ‘Investing in Sextant Capital Funds today is like buying a 1982 Lafite Rothschild Bordeaux wine in 1985.’” Lafite Rothschild Bordeaux, it explained, was pretty much the best wine ever.

The number of weekly trades at Sextant soon dropped to approximately zero, but the OSC, like so many regulators in those heady times, was nowhere to be seen. Sextant's funds, successful on paper and prescient in their play on drought, attracted such luminary investors as Baron Philippe Lambert, heir to a Belgian banking fortune, and Bill Linton, the CFO of the Canadian telecom giant Rogers. There is a photograph from this period in which Spork and his wife, Dino Ekonomidis, the Major, and other men in suits are standing on the gravel of the Snæfellsbær construction site. Spork is shaking hands with the man in the middle of the frame—Icelandic president Ólafur Ragnar Grímsson, a prominent voice on climate change and one of the few national leaders to survive the *kreppa*—and grinning at the camera with very white teeth.

On our next visit to Mosfellsbær, we parked the Spark on a side street

and approached Spork's house on foot. It was a beautiful Arctic June afternoon, the sun hanging immobile in the sky, and I was hopeful until the moment we rounded the corner: again an empty driveway, again a lifeless house. We went through his recycling bin. Along with an empty carton of tomato juice were two parking stubs dated December 24. Nothing else. I began taking note of what I hadn't wanted to see before: the unplugged Christmas lights ringing the house, the snow boots near the door, the festive pinecone near the entryway.

Back in the capital, I called Spork's onetime fixer, a Rif native turned Reykjavík banker named Sverrir Hermann Pálmarrson, and asked him to meet me and Damon for coffee. A former employee of both Icelandia and IGP, Sverrir now worked on foreclosures at Iceland's Landsbanki, one of the three banks that had failed during the *kreppa*. The foreclosure division was booming. “When I started, we were two persons,” he said. “Now we have sixty.”

Sverrir did not know where Spork was, and he said he never wanted to see him again. But he believed that Spork was something more complex than a Ponzi schemer. “Otto could sell the northern lights, he was such a good salesman,” Sverrir said, “but I think he was trying to honestly establish this company. We worked long hours. He worked long hours with us. Maybe Otto was maybe five or six years too early, because I think the price of water is going up.” In fact, Sverrir himself was a consultant on a new water project involving Chinese buyers.

He had heard that the dentist was moving around a lot, that he still had his house and Porsche in Luxembourg.

"Is that his main residence?" I asked.

"I don't know. I think so," Sverrir said.

"We thought he was here," Damon said.

"Too bad for you," Sverrir said.

Sverrir and another former Spork employee, Guðjón Engilbertsson, had started their own bulk-water venture in the Westman Islands, fifteen or so volcanic lumps off Iceland's southern coast. Guðjón was friendlier than Sverrir. "I will give you a tour of the Westmans," he said when I called. We bought ferry tickets.

After the hour-long crossing, Guðjón, who had white hair and blue eyes, picked us up in a new Toyota Land Cruiser. Before entering the water business, he said, he had worked in fisheries. In the surrounding ocean there lived a small, sardinelike fish, the capelin, whose value was far greater than Icelanders had initially understood. "When the first Japanese came," Guðjón explained, "they saw all the roe flowing into the waste at the processing plant, and they scooped it up with their hands and ate it like there was no tomorrow!" The roe, known in Japanese as *masago*, is a staple in sushi restaurants. In addition to undertaking the water venture with Sverrir, Guðjón was again helping set up a fish plant, this one in northern Norway. It was a good time to be back in fish; as the ocean warmed, many species were moving north. "Mackerel is totally new," he said. "It was never here before."

Guðjón followed a winding road through a lava field covered in purple lupines. He parked at the edge of a precipice. "There is the Eyjafjallajökull glacier," he said, pointing toward a volcano on the mainland, "and the pipe starts there and comes directly in here and into the city water system." He traced its undersea route with his finger. It had been upgraded in 2009, he said. The water now came from a reservoir 600 feet up the volcano; gravity and pressure alone brought it to the Westmans—no pumps needed. Except during the two-week peak of the capelin-processing season, the islands had much more water than they could use.

Guðjón, like Sverrir, did not want to talk about the new project, but he talked freely about the past: He got into

the water business after answering a help-wanted ad placed by Icelandia, which was seeking an operations manager for its planned bottling plant in Rif. Guðjón, with his fish-plant experience, was a shoo-in. Soon, he said, "Otto came in with a big chunk of money from his funds and things started to roll. We had plans for Suezmax tankers—130,000 tons."

At some point after the takeover in Snæfellsbær, Spork began "looking around for more water to export," and Guðjón realized the Westmans were perfect. "We have a water pipeline," he said. "We have a great harbor. We could do it right away, just very simple and easy, just in containers." He and Sverrir negotiated a water-rights contract with the local utility and entered into what they believed to be an equal partnership with Spork, incorporating a new small-bulk water-export company, Iceland Global Water, or IGW, in Luxembourg. The documents were in French. Guðjón and Sverrir could not read French. They later discovered they had been given shares of nonvoting Class B stock and had been tricked out of their company.

We drove down to the bay, to the water plant Guðjón had helped build for IGW. It was many times smaller than the facility in Rif—two stories, four garage doors—but it was more than an empty shell. Through a window I saw a fire extinguisher on the wall, concrete floors, and what seemed to be industrial-grade plumbing. Though Guðjón drove us there, he was reluctant to be seen hanging around outside. It wasn't his anymore—it was Spork's.

Only one Sextant investor was willing to talk to me. Jeremy Charlesworth was CEO of Moonraker, a U.K.-based investment firm, and when I cold-called him in London one afternoon, he was delighted to know that there were other people still stuck on Spork. In 2007, he decided to bet his fund's funds on water. He landed on Sextant, which was then sending out press releases with such titles as "Water Shock has Sextant Global Water Fund on Fire." Spork seemed to ignore typical water investments—the utility stocks, the desalination companies, the makers of valves and gaskets—in favor of the thing itself. "Of the seven or eight funds

we looked at, he was the only one who actually had water rights," Charlesworth said. "The rest were plays on utilities"—political plays, really, because governments, not markets, set utility prices. "You can invest in gold shares," he said, "or you can invest in gold."

Before Moonraker bet millions on Sextant, it did its due diligence on Spork's career as a dentist, which Spork once explained to *Worth* magazine by saying, "I got caught up in the competition and the prestige of getting into dentistry." Charlesworth hired a private investigator who came back with a glowing report. "We were told that clients came from abroad just to have their dental work done by him," he said. But the investigator either overlooked or downplayed an important fact: that Spork was censured by Ontario's Royal College of Dental Surgeons, the OSC of teeth, at least three times. In 1984, after he charged "excessive or unreasonable" fees and repeatedly neglected to take X-rays, Spork had his license taken away for five months. In 1993, he was found guilty of allowing employees to work without a license and again of charging excessive fees. In 1998, he "recommended and/or provided an unnecessary dental service."

The office Spork ran before launching his hedge-fund career occupied a small strip-mall storefront near a dry cleaner, a Subway, and a Sherwin-Williams in the rundown city of Brantford, Ontario, about an hour east of Toronto. In August 2005, a Romanian immigrant named Marius Beca bought the practice from Spork for \$828,000 and paid Spork a \$100,000 consulting fee. Beca was told it had 1,800 to 2,000 active clients; in fact, it had about 200. He was told that the practice usually acquired thirty to forty new patients a month; in fact, it usually acquired zero new patients a month. He was told that it had accounts receivable totaling about \$40,000; in fact, it had debts totaling \$347,257.50. He was shown hundreds of patient records—but most turned out to belong to another dentist. The practice's sterilizer and other equipment were sold to him broken, and he was saddled with Spork's \$1,334 phone bill. Spork or his wife also gained remote access to the office computer after the sale, whereupon they added a bunch of fake appointments to the calendar.



Beca sued Spork. In the case file at the Brantford courthouse I found a stack of a hundred returned letters that Beca had sent to nonexistent patients reminding them of nonexistent appointments. Beca's lawyer, Peter Quinlan, told me that they had tried many times to serve Spork with court papers, without success. During one attempt, Spork's lawyer acknowledged being Spork's lawyer—but he denied being his lawyer in this particular matter. When Quinlan finally won a \$600,000 default judgment, a new lawyer showed up to argue that Spork had never been served, and a judge ruled in Spork's favor and threw the previous decision out.

As the OSC began investigating Sextant, Beca and Quinlan tried to secure an injunction to keep Spork's assets from following him out of Canada. A judge denied them one for lack of prima facie evidence; it was one man's word against another's. "The guy skeedaddled on us," Quinlan said, "and eventually Marius gave up chasing the shadow."

In August 2008, on the verge of the global financial crisis, Spork sent his

funds' clients an upbeat newsletter: "Even though the broad markets are down and most commodities have been heading for a 50% retrenchment from their recent highs," he wrote, "I am very happy to report to you, the Investors in our Sextant Funds, that you are invested in 'Water'. Congratulations!!!" The letter enumerated the reasons for water's rise as a commodity—climate change, population growth, pollution, urbanization, China—and disparaged desalination as pumping out a product that tasted bad and a byproduct, brine, that was bad for the environment. "This month's return for your Fund is, we believe, only the tip of the iceberg," Spork continued. "Consider adding to your investment before the rest of the world discovers us."

By the summer of 2008, at least one investor, Baron Lambert, began to think that Sextant's numbers were too good to be true. The baron asked Dino Ekonomidis to explain how the funds could possibly be doing so well. He was ignored. He then asked for his \$7 million investment back, plus any profits. He was again ignored, until late September, when Dino issued an official

notice of redemption—only to then claim he lacked the authority to actually release Baron Lambert's money. Like Beca, Lambert filed an injunction in an unsuccessful attempt to get his money back before Spork disappeared.

Other investors were shown letters of intent from three of the thirstiest water utilities on the planet: the Los Angeles Department of Water and Power, the San Diego County Water Authority, and the Orange County Water District. "Whereas, IGP is the exclusive provider of the pure water derived from the Snow Mountain Glacier in Iceland and delivered in bulk," read the LADWP letter, "and it makes these waters available globally in all packaging sizes; and whereas, Mr. Wally Know is a qualified business entity ..." The letters looked official, but the LADWP commissioner's real name was Wally Knox. They were forgeries.

In December 2008, Sextant issued a final public statement, with the title "Sextant Categorically Denies Any Wrong Doing and Will Vigorously Defend the Unproven Allegations to Protect Its Investors and Reputation." The OSC uncovered the rest of the story:

Investors learned that more than 90 percent of their money was tied up in two Spork-controlled companies, IGP and IGW—a breach of securities laws against self-dealing. Sextant's returns were so high because Spork overstated the value of the underlying companies; IGP's value jumped 984 percent before the pipelines were even in place. Regulators failed to notice. Companies hired to determine the market value of Sextant's funds—Investment Administration Solutions, Spardata, and Hempstead—relied exclusively on numbers provided by Spork himself. BDO Dunwoody, the Canadian branch of one of the world's biggest accounting firms, used something it called probability-weighted sensitivity analysis to establish what Sextant's investment in IGP was worth—and magically came up with the same number Spork had provided, \$23.3 million. The effect of juicing Sextant's returns was that Spork's own fees—the hedge-fund manager's standard 2 percent of total holdings plus 20 percent of any gains annually—were juiced as well.

But perhaps Spork, rather than being a Madoff-style con man, had simply run short on cash for his water businesses. Eric Sprott thought so: "Maybe he said, 'Well, shit, I'll just say that the value is ten million dollars higher, and I'll pump the two million dollars the fund owes me into the plant.'" Investors eventually showed that much of the money Spork was paid by Sextant was indeed reinvested in the water ventures. And according to the Major, construction in Rif continued well after the OSC filed charges and Sextant was put into receivership. This supported the argument that Spork, though willing to cut corners, was no Ponzi schemer.

The press releases also continued after the OSC investigation began—only now in the name of IGP.

Iceland Glacier Products:

Fresh Drinking Water for Asia
Available

Iceland Glacier Products:

Fresh Drinking Water for the Middle
East Available

Iceland Glacier Products—

A Solution for Water Shortages

As time passed, they seemed increasingly desperate—unedited, un-

grammatical. Water, said an April 2010 release,

keeps cells hydrated and capable of fighting harmful disease-causing substances ... IGP's water is unchallenged in its Ancient Purity Unchanged the Crème de la Crème of Waters.

The tone had become pleading.

PLEASE contact us if your community is experiencing a water crisis. It cannot hurt to get a quote. The sooner the better, so fresh drinking water can be provided for your people as soon as possible.

There was a problem that neither Spork nor any of the other bulk-water schemers readily discussed: water is heavy. A gallon weighs 8.3 pounds, and whether by pump or pipeline or tanker, it is not easily moved. In Reykjavík I met a recent business school graduate who had written his thesis on small-bulk exports. "Everywhere in the world," he told me, "it is cheaper to do desalination."

The man who has thought more than almost anyone about how to convey freshwater across oceans of salt water is Terry Spragg, the inventor of the Spragg Bag. He got his start in bulk water in the early 1970s, after a friend mentioned that the RAND Corporation was studying the possibility of towing icebergs to California. Spragg talked his way into a job with Iceberg Transport International Ltd., a company founded by Prince Mohammed bin Faisal Al-Saud. In 1977, the prince flew a small iceberg to Iowa, where chunks of it floated in cocktails at the first international conference investigating their use as a water source. (Presentations included "A Laboratory and Field Study of Iceberg Deterioration," and the succinctly titled "Calving.") The next year, Spragg got the California State Legislature to endorse iceberg towing. But then he lost faith in the idea: icebergs melt too quickly. Why not tow a giant water-filled bag instead? He began envisioning enormous floating polyester bladders the shape and size of a nuclear submarine connected in fifty-bag trains and deposited one by one in water-bag depots worldwide. But after Spragg's most successful proto-

type was towed across Puget Sound to Seattle in 1996, a tugboat ran into it. He had no insurance, and he has been trying to raise money for another test for the past seventeen years. Someone from Spork's office called him once. He remembers only the name Spork, not the conversation, but it is likely that he told the caller what he told me: From Iceland seems like a very long way to drag a bag.

The swords-into-plowshares dream of enlisting single-hull oil tankers is no more realistic than a water bag. Old tankers may be inexpensive to buy, but they are very expensive to retrofit. The ships' holds need to be cleaned, and their pipes, pumps, valves, and washers all need to be replaced. Most are so old that they have only a few years of service left. There is a reason water has yet to be shipped around the world like oil.

For nearly three years, Sextant and its Canadian assets were in receivership; a court order put a senior vice president at PricewaterhouseCoopers, Andrew Wilczynski, in charge. His task was to get as much money as possible back to Sextant's investors, though the task was complicated by the fact that he billed at \$650 an hour. PwC and its lawyers would eventually take a \$1.7 million cut from Sextant (\$1.85 million if you include the service tax), leaving little more than \$200,000 to return to its 246 Canadian investors—less than a hundredth of what they put in. In the Cayman Islands, Sextant's offshore funds were overseen by Kenneth Krys, called "the Controller" in court documents, who had just played a similar role unwinding Madoff's largest offshore feeder funds. The amount Krys will return to Sextant's investors has yet to be determined.

Spork had long ignored the receiver and the controller, once even standing them up at a meeting in his lawyer's office in Reykjavík. But then there appeared what the court called the "prospective purchaser," an entity that might buy IGP, its Snæfellsjökull water lease, its pipelines, and its factory: Moonraker, the fund run by Jeremy Charlesworth.

Wilczynski and Krys had their first phone call with Spork in September 2010, and in January 2011 they met

him in the flesh in London. “It was a special moment,” Kryz told me. “I’d almost wondered if he was real.” According to another of the meeting’s attendees, Spork seemed a man deflated; he was contemplating giving up his dream in Rif. Soon, Wilczynski and Kryz were deflated, too. They learned that Moonraker had decided not to buy IGP. Instead, Charlesworth had persuaded the Major to void IGP’s lease, and Moonraker had just signed its own lease—exclusive for sixty-five years—to the water running off Snæfellsjökull. What Spork had taken from Biggi and Powley, and Biggi and Powley and Spork had taken from Heward and Vinski, had now been taken from Spork.

In July 2011, little more than a month after the OSC found Spork guilty and a few weeks after Damon and I returned from Iceland, Spork, Wilczynski, and Kryz finalized their settlement. Their hand was forced; bad publicity from the OSC was eroding any value the water companies still had. From Spork, the receiver and controller got a check for \$1 million—actually two checks, because the first one he sent was invalid—along with all his shares of IGP, which, stripped of its water lease, soon went bankrupt. Spork got to keep his heavily leveraged houses and his two Porsches—and all of IGW in the Westman Islands. A year later, the OSC decided on its sanctions against Spork: trading bans, fines, fees, and a clawback of Sextant bonuses. Spork owed the Canadian government \$7.7 million. But from the safety of Iceland, or wherever he was, he directed his lawyer to appeal the penalty, and the likelihood that the OSC will ever collect from him is small. It appears even less likely that criminal charges against Spork will ever be filed.

I asked Kryz, who had just wrapped up his work on Madoff when I called, whether Spork was an unusual case. “Down here,” he said, “he’s quite normal—normal for the jobs we get. People come up with a great dream, then they get into that dream.” That is, so into their dream that they try to realize it at any cost. The line between visionary and swindler is frightfully thin. In twenty years in the Caymans, Kryz had seen true Ponzi schemes only half a dozen times. “Spork inflated

fees—that was his rip-off,” he said. “But Madoff never invested his money. It just sat in his bank accounts.” Spork spent his money—nearly all of it—and he seemed to still be scheming. “I just don’t think he’s given up the dream of selling Iceland’s water,” Kryz said.

I had failed to get my man, but for a long time I couldn’t let go. I went down to Palm Beach to stare at Spork’s empty condo. I found Dino Ekonomidis’s house in a small town south of Toronto, but he shut the door in my face.

I called Jeremy Charlesworth in London, and he passed along a few Spork stories. “I heard the dog in Canada died,” he said, “so they got themselves another one.” Charlesworth emailed me photos of Moonraker’s new facility in Rif: a bottling plant at first, but bulk would come—that was the dream. He mentioned that Spork had showed up in Iceland just days after Damon and I left. Charlesworth had seen him with his own eyes. “It was in June,” he said. “I went to the coffee shop in Mosfellsbær on my way to Rif—they have great coffee—and there he was.” Charlesworth hadn’t known what to do, so he walked up and said hello. “Otto looked like he’d seen a ghost,” he said.

In the winter, Damon and I reunited to make a pseudonymous offer for the Web domain sporkwildlifefund.com. Spork ignored it. We left messages for him, his wife, and Dino Ekonomidis at various email addresses and numbers. They went unanswered. We attempted to reach almost a hundred Canadian former Spork associates and Sextant investors. Nearly all declined to talk. We finally decided to go through Spork’s lawyer, who would not speak on the record but promised to forward his client an email from us. The response came a few days later from Helen Spork, who had apparently copied Damon and me by mistake:

Hi Jay.

This is the em from Damion I never acknowledged. Talks about people he spoke to while in Iceland.

Sent from my iPhone

It was the first time I knew for sure that the Sporks knew about me, knew

about Damon, knew we wanted to hear the real story from them—and didn’t care.

Eventually, I simply became like Canada and its regulators: Spork outlasted me. I couldn’t keep up the hunt.

Late one night, a few weeks after we received Helen Spork’s email, I decided to check in on iglobalwater.com one more time. For many years it had been dark, but now it was back. Spork was back. “Let it SNO!” proclaimed a banner, and little snowflakes cascaded down the screen. The site advertised Icelandic water for export straight from the legendary slopes of Eyjafjallajökull and invited visitors to stop by the Iceland Global Water booth at the upcoming Food & Drink Expo in Birmingham, England. SNO bottled water was already being sold at the U.K. supermarket chain Tesco, the second-largest retailer in the world. IGW had a new slogan: “We challenge you to taste water for the first time.”

For now it’s just bottles—stage one of Spork’s plagiarized business plan—but iglobalwater.com and a newer companion site, iglacierwonders.com, advertise bulk sales too: “Now you can have pure luxury, pristine glacier water delivered in bulk directly to [your] home estate, condo, hotel, villa, yacht or any location you choose.” According to recent press releases, SNO has a high oxygen content of 13.3 mg/L, a perfect pH level of 7.4, and a nitrate concentration of zero—“making it suitable even for infants.” SNO is supposedly coming to America in 2013. It may already be here.

It was too late for me to get to the Food & Drink Expo in time, but Charlesworth was there. Spork’s booth was adjacent to that of the baked-goods retailer Honeybuns. It was staffed by his new Icelandic fixer, a man named Pétur Júlíusson, and by two blonde models who handed out free samples. Southern England was experiencing a severe drought at the time—“I could get fined a thousand pounds for running my garden hose!” Charlesworth told me—and Thames Water, the utility serving Greater London, would soon put out a request for proposals for bulk-water imports. Spork’s booth was wildly popular. His blondes ran through their samples. Charlesworth stopped by three times. “His water,” he admitted, “was the best water at the show.” ■