



Anti-Counterfeiting Connections

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Project Greenback:

*How One Counterfeiting
Operation was Put
Out of Business*

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Introduction

A recent investigation into a \$3.7 million dollar counterfeiting operation in the Greater Toronto Area successfully concluded in December of 2006 with the conviction and sentencing of several persons involved. The investigation was led by officers Tom Hancock and Carmine Palermo of the Toronto Police Service, but was actively supported by the Royal Canadian Mounted Police, the Ontario Provincial Police, the York Regional Police, the Hamilton Police Service, and the U.S. Secret Service. For their work on the investigation in 2005, Officers Hancock and Palermo were awarded the first Law Enforcement Award of Excellence for Counterfeiting Deterrence sponsored by the Canadian Association of Chiefs of Police and the Bank of Canada.

The Investigation

In October of 2003, the police became aware of an operation producing counterfeit \$10 bills in the *Canadian Journey* series and \$20 bills in the *Birds of Canada* series. These bills were being manufactured with inkjet printers and distributed mainly in Quebec and Ontario, although there had also been seizures in the western provinces. The bills were classified by the RCMP Bureau for Counterfeit and Document Examinations.

The police received information that a warehouse at 920 Denison Road in Markham was possibly being used to manufacture the counterfeit money. They set up surveillance, and in February 2004 observed a stolen tractor-trailer being unloaded at the warehouse by Miroslav Mihalkov and others. The police arrested Mihalkov, obtained a search warrant and seized stolen furniture and a large amount of material consistent with a counterfeiting operation, including papers, foils, inks, and remains of counterfeit bills. Miroslav Mihalkov was charged with possession of stolen property and released on bail. Ronald Todorov, who had leased the warehouse, was seen continuing to visit it after Mihalkov's arrest.

The police had information that 70-year-old James Coughlin was selling the counterfeit money. An undercover officer called Coughlin and attempted to buy counterfeits from him. The undercover officer pretended he and Coughlin had been involved in various crooked deeds years ago. The officer then said he had heard Coughlin had access to counterfeit money.

Coughlin bought the story, met with the officer several times, and provided samples of the counterfeits. Coughlin introduced the officer to Miroslav Mihalkov, who agreed to sell \$240,000 in counterfeit \$20s for \$40,000. Surveillance showed Todorov delivering two boxes to Mihalkov's residence. Mihalkov later showed the undercover officer two similar boxes stuffed with thousands of counterfeit bills. On the day of the sale, the undercover officer delivered \$40,000 to Mihalkov and Coughlin. Mihalkov then produced the \$240,000 in counterfeits. The police arrested both immediately.

A search warrant was obtained, and Mihalkov's residence, which he shared with his spouse, Maria, was searched. Their apartment had been turned into a counterfeiting lab. It was crammed with computers, printers, and counterfeit bills. Todorov's residence was also searched, and the police recovered counterfeiting paraphernalia and a Heidelberg printing press with counterfeit bills stuck inside. A photograph of Todorov lighting a cigar with a \$20 counterfeit bill as he sat in front of stacks of counterfeit bills was seized.

Including the undercover buy, the police seized a total of \$480,000 in counterfeit \$20s and \$221,000 in counterfeit \$10s. Another \$3.1 million in counterfeit bills later traced forensically to this operation were passed across Canada.

An Early Plea by the Kingpin

Miroslav Mihalkov, 30, was considered the kingpin of the operation. Although he had no criminal record, he was detained after his arrest. He pled guilty approximately a year later in the Ontario Court of Justice. The Court determined a sentence of four years was appropriate. Mihalkov's pre-trial custody was viewed as the equivalent of 30 months, and he was therefore sentenced to an additional 18 months in prison. As the leader of the operation, his sentence acted as a ceiling for those of the others.

Trial

The trial of James Coughlin, Ronald Todorov, and Maria Mihalkov was conducted by The Honourable Justice Peter Grossi in Toronto in the fall of 2006. John Scutt, Assistant Crown Attorney, was the prosecutor. All three were convicted of various counterfeiting offences.

Sentencing Evidence

A representative of the RCMP Bureau for Counterfeit and Document Examinations testified at the sentencing hearing that the counterfeit notes were of a high quality. He also testified that the number of counterfeit notes in circulation that were linked to the operation decreased once the offenders were arrested.

An affidavit from a local Bank of Canada official, Manuel Parreira, was filed with the court. John Scutt, the Assistant Crown Attorney, directed the Court's attention to the portions of the affidavit that summarized the increased prevalence of counterfeiting, the fact there is no reimbursement for counterfeit notes, and the substantial impact counterfeit notes can have on businesses. The Court found this information helpful and referred to it in its reasons for sentencing for all of the offenders.

Sentences Imposed

James Coughlin, 71, who had participated in the sale of the counterfeit money to the undercover officer, pled guilty during the trial. His lawyer emphasized that Coughlin had been used by Miroslav Mihalkov to act as a front man for the operation. His lawyer also emphasized that Coughlin's age and poor health made a jail sentence unsuitable. The Court sentenced Coughlin to a conditional sentence of two years less a day. The first six months were to be served under conditions that amounted to house arrest. For the remaining 18 months, Coughlin was subject to a curfew from 8 p.m. to 6 a.m.

Ronald Todorov, 21, was convicted of making and possessing counterfeit money. The picture of him smoking a cigar sitting in front of stacks of counterfeit money was filed by the Crown as an exhibit. Todorov spent 1 month in custody prior to sentencing for which he received a credit of 2 months. Todorov was sentenced to an additional 30 months in custody.

Maria Mihalkov, 30, was found guilty of possessing the counterfeit money that was found in the apartment she shared with her then husband, Miroslav Mihalkov. There was no evidence to suggest that she had an active role in the manufacture or distribution of the counterfeit money. Justice Grossi sentenced her to an 18-month conditional sentence with a curfew from 11 p.m. to 7 a.m. for the first 6 months and from 12:00 a.m. to 7 a.m. for the balance.

Transcripts

Transcripts of the sentencing proceedings have been ordered for all of these cases. When available, they will be submitted to CanLII (http://www.canlii.org/index_en.html) for possible inclusion in their database and posted on the Bank of Canada legal resource site (http://www.bankofcanada.ca/en/banknotes/legal_resources.html).



2006 Awards

L-R: Deputy Governor Pierre Duguay, Sergeant Mary Kostashuk, RCMP Commissioner Giuliano Zaccardelli, Constable Kurtis Bosnell. Photo by John Mackenzie.

Nominations Invited for the 2007 Law Enforcement Award of Excellence for Counterfeit Deterrence

The Bank of Canada is inviting nominations for the fourth annual Law Enforcement Award of Excellence for Counterfeit Deterrence. This award recognizes police officers, employees, and volunteers in a Canadian law-enforcement agency who have demonstrated outstanding commitment and initiative in the deterrence and prevention and counterfeiting.

For the 2007 award, nominations may be submitted by any serving member of a Canadian law-enforcement agency and must be received at the Bank of Canada by 30 March 2007. Some portion of the investigation or prosecution must have taken place during the preceding year (2006) to qualify. Award recipients will be chosen by a selection committee comprised of three representatives from the Bank of Canada and two from the Canadian Association of Chiefs of Police (CACP) and they will be honoured at the 2007 CACP conference to be held in Calgary in August.

The Bank of Canada, in collaboration with the CACP, established the Award of Excellence in March 2004 to recognize the efforts of Canadian law-enforcement personnel in deterring the counterfeiting of bank notes.

For more information on the award, as well as the nomination process, application procedures, and forms, visit www.bankofcanada.ca/en/banknotes/law_award.html. You may also contact Michael Duncan at mduncan@bankofcanada.ca or by calling 613-782-7057.

**Do you have any news? Interested in submitting an article for our
Summer 2007 issue of *Anti-Counterfeiting Connections*?
Email them to: mduncan@bankofcanada.ca.**