

TRAPPED IN PARADISE

After surviving the hurricane that nearly killed him and his crew, yacht owner Peter Halmos has battled for almost two years to free his shipwrecked superyacht. **Lisa Knapp** and **Kate Lardy** report from Halmos's houseboat armada near Key West, Florida.



“Ready to rock?” is Peter Halmos’ greeting, welcoming us aboard his flat-bottom Carolina Skiff. The skiff is the express route to his beloved Perini Navi, *Legacy*, which is stuck in the tidal flats two miles off Key West’s Man of War docks. *Legacy*’s grounding is Halmos’ self-proclaimed, latest SNAFU.

“SNAFU is my life,” Halmos says. SNAFU is more than a cliché phrase to Peter Halmos. In his case, it is a personal statement. If you are up to snuff on American military acronym trivia, you would know that SNAFU is the WWII adage meaning, “Situation Normal, All Fouled Up.”

That much is obvious as we head towards the hazy mirage of a 158ft formerly majestic yacht, marooned since Hurricane Wilma in the Florida Keys National Wildlife Sanctuary for an incomprehensible 22 months now, her massive 11ft retracted keel hopelessly submerged in a couple feet of sacred seagrass and sand.

Being literally stuck is just part of *Legacy*’s quagmire. Avoiding further environmental damage to the Sanctuary, managed by the US National Oceanic and Atmospheric Administration (NOAA), is logistical, legal and financial quicksand. But Peter Halmos was up for the challenge. The crusading millionaire from Palm Beach, Florida, has had to stand his ground and match wits with the US federal government in the painstaking, long process to free *Legacy*.

As Halmos navigates a winding trail to *Legacy*, he explains that the US government was hell-bent on fining him a fortune and that the Feds had an ulterior motive in doing so. Getting big bucks from Halmos for violating the Sanctuary during Hurricane Wilma would grease the skids for the US government to nail Shell Oil and others who lost equipment in the Gulf of Mexico during Hurricane Katrina.

They hoped to use his grounding as a precedent for successfully re-victimizing a hurricane victim and collecting damages. That’s Halmos’ theory, anyway. He said the government specifically tried to make his case a precedent to override the “Act of God” defense, and that it was all tied to Hurricane Katrina’s catastrophic damage costs, the largest natural disaster in US history.

The “Act of God” defense comes with the assumption that “due care” had been taken to avoid harming the resources of the Sanctuary, which has detailed fines for scores of violations that cap at \$120,000 per violation per day. NOAA was questioning why the yacht was in the path of an impending hurricane in the first place.

“When Wilma reorganized off the Yucatan Peninsula, NOAA forecasted 60 to 75-mile-per-hour winds,” Halmos says. “Hell, I can go water-skiing in that.” Complicating matters was the imminent arrival of Tropical Storm Alpha from the south, pushing 12ft seas. *Legacy* couldn’t risk heading east where she would be overtaken by Wilma (which was moving faster than *Legacy* could), nor south into Alpha, or north, which would have trapped her in the Gulf of Mexico. Influenced by the tragic fate of the 282ft steel sailing vessel *Fantome*, which lost all 31 crew while attempting to outsmart Hurricane Mitch, Halmos, his captain, Ed Collins, and the crew chose to ride out the storm with *Legacy* anchored in a shallow hole about one mile northwest of the Key West docks in sight of the Key West Coast Guard station. It was the same spot where the yacht had successfully endured Hurricane Katrina’s 80mph winds two months earlier.

The yacht had 400 feet of rope on the two main anchors and a midship anchor allowing her to swing 360 degrees with the winds. Then they lost holding. (They later discovered that the top and bottom parts of both main anchors had inexplicably separated – this despite being ABS classed with their annual survey completed only months earlier.) They maintained their position under power for an hour while Captain Collins called the Key West sector of the US Coast Guard for help. But the dismal report came back that the USCG had evacuated to Orlando. The Miami USCG sector helpfully offered to notify next of kin.

As they were dragged out to sea, the waves grew to 25 feet and water coming in forced them to shut down all power. “Then there was something like an explosion,” said Halmos. “It must have been a tornado; it picked us up and actually lurched us. I looked up through the skylight in the wheelhouse and saw the rigging beginning to crumble down. When the boom hit the wheelhouse roof, glass shattered and all the instruments popped out of the wall. It was like a bomb hit. It was utter pandemonium.”

At the mercy of the hurricane’s 20- to 30ft seas and 125mph winds, the hapless yacht was tossed about while the crew bunkered down in the saloon. “The girls [stewardesses] were crying and wanted to hold hands,” Halmos remembers. “We were completely helpless.” They weren’t sure if they would sink from the water coming in, flip or fall apart, but the steel hull held.

The nightmare lasted for hours until the yacht began hitting ground with tremendous impact. Then it shuddered as it was dragged across the tidal flats. It turned out that the fallen rigging had slowed their progress to sea enough that when the hurricane passed and the winds turned, the yacht was blown into and saved by the shallow waters of the Sanctuary.

When they were finally stilled, they initially thought that the anchors had reset, as *Legacy* was sitting completely upright. In the morning’s 60-knot winds, unable to see land or the sea bottom, they taped a hammer onto a PVC pole and lowered it into the water to check the depth. The hammer fell off and stuck upright. It slowly dawned on them that *Legacy* was aground in mere inches of water.

“That’s when I knew we would make it,” Halmos said.

CAMERON DAVIDSON



LISA KNAPP

THE NOAA CONTRACT PRESENTED A \$22 MILLION FINE FOR "INTERRUPTION TO THE SERVICES TO THE FISH."



LISA KNAPP

THE FIGHT TO FREE LEGACY

That was back in October 2005. Little did he know it was only the beginning of his ordeal.

Running aground in the protected marine reserve meant that NOAA had to approve any plan for the yacht's removal. Why? Because this Sanctuary provides more than a habitat for heron, snapper and Atlantic bottlenose sharks. It also acts as a natural buffer for the land mass behind it (the state of Florida) and traps sediment during storms in its sea grass. That filter mechanism keeps water quality clearer on the bay-side compared to oceanside, where the bottom is stirred up due to turbidity.

Sea grass grows laterally. The flat itself is very shallow, and the grass grows 6 to 12 inches thick. The root base function is tremendous, however, and the grass showing is a fraction of the entire plant. So, simply dragging *Legacy* into deeper waters was not an option, as the action would seriously injure the essential sea grass. When the injury is healed, it could take decades to grow back, similar to a tall pine tree that was once a sapling eons ago.

Initially it was the insurance company's lawyer who liaised with NOAA for *Legacy*'s removal permit. Halmos later learned that the permit was made out to the insurance lawyer, not himself. But that dilemma was solved when the salvager showed up without equipment and instead suggested subcontracting the removal to another company, Fas-Dam, at a huge markup.

Instead, Halmos fired the salvager and contracted directly with Fas-Dam, which proposed an elaborate cofferdam that would have essentially floated the yacht out. Upon verbal approval from the National Marine Sanctuary Program, he paid a small fortune to mobilize equipment in the Keys. But he still did not have a permit. For five days the salvagers stood by at a cost of \$20,000 a day. Finally the permit came in, but it was not the short paragraph that accompanied the first removal permit. The five-page agreement allowed NOAA to fine him whatever it wanted to without giving him the benefit of legal recourse, Halmos said.

"It could have been \$500 million in fines," Halmos says. "They [NOAA] were holding me hostage, asking me to sign a contract that would have waived my constitutional rights. When I refused, they threatened to refer this case to the Department of Justice. That's extortion," he growled.

Halmos shocked everyone by refusing to sign and sending Fas-Dam packing at the dawn of hurricane season in August 2006. He then fired his prominent maritime attorneys and retained a lawyer who understood the inter-workings of NOAA, Tom Campbell, former general counsel to NOAA.

"That's when NOAA brought in their 'Oh, shit' guy, Craig O'Connor," Halmos says. O'Connor is special counsel for the National Resource Damage Assessment and Restoration Division. Halmos gave NOAA a New Year's Eve deadline to work out a fair agreement. "If not, then they would see the real Peter," he says. "I refused to start another year like this."

Halmos said O'Connor came up with a contract fining him \$22 million. Without quantifying the figure, O'Connor explained his \$22 million fine was for "interruption to the services to the fish," Halmos said.



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They reached an agreement at 11:00pm on December 31, 2006, minutes from the deadline that Halmos planned to enforce with legal action. The accord consents that *Legacy's* owner and crew acted "with due care and in good faith after taking reasonable and necessary precautions to prevent the grounding of *Legacy*..." and that all parties relinquish all claims against each other in the interest of expeditiously removing the yacht from the Sanctuary. In short, no fines. It also says that NOAA will cooperate with Halmos to get *Legacy* into open water.

A FORMIDABLE OPPONENT OF THE GOVERNMENT

Halmos chuckles as he wonders if O'Connor's proposed figure of \$22 million had anything to do with the \$20 million Halmos won in a lawsuit against the ex-governor of Florida. "Why twenty-two?" he says.

It is apparent that he is not a man to be bullied or trifled with. Halmos is a non-attorney partner in a Washington, DC law firm. One of his eccentricities is his individual crusade to right the world's wrongs. He is a zealot for fairness. Calling him litigious would be an understatement.

The son of a Hungarian émigré and first-generation American, Halmos is a self-made man. He and his brother, Steven, created a company called SafeCard Services in 1969 when he was only 25 years old. SafeCard had a simple premise: charging consumers a fee for credit card protection. The company blossomed to 13 million customers in 1992 with \$22 million in earnings and \$2 billion in market capitalization, per *Business Week* magazine. After Halmos stepped away from the daily operation of the company, while remaining a chairman, the new management was investigated by the Internal Revenue Service (IRS). This led to a long battle between Halmos and the IRS, his former company and the US Securities and Exchange Commission. He sued nearly everyone involved. Halmos spent \$45 million fighting the IRS, from which he secured a public apology while raking in over \$80 million from SafeCard's new owner.

The incident ushered in a new life for Halmos. "When you've had enough of the corporate world you think, 'What am I going to do? What else am I good for?' I now right wrongs. I would rather be well compensated for righting a wrong than hitting revenues this quarter," Halmos said.

FINALLY FREE?

This hands-on man took control after Fas-Dam's plan failed to free *Legacy* in early 2007. The contract with NOAA specified that Halmos try Fas-Dam, but his doubts about the company were already mounting during negotiations with NOAA. NOAA wanted to see if a cofferdam would work (with him funding the research), Halmos stated, adding that the reason it failed was the quality of the equipment, which would have needed the strength to hold back an 11ft wall of water against the low tide of 3 feet.

Halmos was left having to pay for the removal of some of the equipment abandoned by Fas-Dam. "After that, I said, no more salvors, no more baloney," he says. "I'm doing this. I'm selecting the people and I'm getting the hell out of here." The agreement specifies that he can choose any suitable salvor acceptable to NOAA.

In this, the latest and third plan to free *Legacy*, he developed a unique pump that could slice an 11ft hole underneath the yacht. "The pump's high-pressure water jets combined with its



LISA KNAPP

remote-controlled movement will surgically 'cut' the seabed rather than sucking with brute force. Think laparoscopy as compared to a hatchet," Halmos says. A hose connected to the pump's dome routes the substrate to a "parking" area. When *Legacy* is removed, the "parked" substrate is pumped back to refill the hole. The operation is skirted so the sediment isn't distributed over the sea grass.

At press time, Byrd Salvage was on the scene, completing the hole under *Legacy* in order to rotate her so her bow faces out along the path that the yacht created when she was dragged in. Halmos reckons it will take a month of cutting holes along that path for *Legacy* to be towed out. After that, he says he will test several sea grass propagation techniques (including one he developed) to re-plant along the path. "I don't leave a mess; it's the right thing to do."

TRADING HIS MANSION FOR A HOUSEBOAT

Halmos and his crew remained onboard *Legacy* for nine months following the grounding, before relocating about a mile away to a group of houseboats that Halmos dubbed his "Aqua Village." Abandoning the yacht would have left her fair game for salvagers (who have attempted to size her up anyway while Halmos wielded a rifle and not-so-idle threats to use it). Now, Halmos keeps a close eye on his yacht via a telescope on his houseboat's top deck.

He's been living at his Aqua Village for about a year now and appears at peace with the SNAFU situation. "Imagine getting up in the morning, having your coffee and seeing a dolphin jump out of the water just in front of you – you don't get mad," Indeed, the open waters and running tides illicit a certain calm as we lunch on the picket-fenced aft deck of one of the houseboats.

"I want my own zip code," Halmos jokes of his squatting Aqua Village, free of mooring fees and property taxes. He says this group of rafted houseboats is a prototype for the real deal. Look for New Halmos, Halmosia or Halmosburg on a future revision of the South Florida atlas. "I have this vision of the Aqua Village as an energy-independent, non-polluting home for anal retentive people," the admitted clean freak says, pointing out various solar panels and wind generators.

Before we depart, Halmos says he wants to clarify an important point. He didn't fight this battle with the government to provide an excuse for those who are negligent. "If something happens and you're a victim, they shouldn't take advantage of that victim again," he says, referring to his situation and the oil companies'. "Now, a guy in a 22 Magnum who is hitting the sauce on a Saturday afternoon chews up the sea grass, I hope he goes to jail." □

For nearly a year, superyacht owner Peter Halmos has been living at this Aqua Village, keeping a close eye on his marooned Perini Navi.