



Black's Ravelston Pleads Guilty in U.S. Criminal Case (Update3)

By Andrew Harris

March 5 (Bloomberg) -- Conrad Black's Ravelston Corp., a bankrupt private holding company that he used to control his publishing empire at Hollinger International Inc., pleaded guilty to U.S. fraud charges and will pay a \$7 million fine.

Attorney Deborah Steiner entered the plea on the company's behalf today before U.S. District Judge Amy St. Eve in Chicago federal court, nine days before jury selection begins in the criminal trial of Black and three other ex-Hollinger executives.

"Ravelston, through its agents, breached its fiduciary duty to International to refrain from acting to benefit itself or anyone else at International's expense," Assistant U.S. Attorney Eric Sussman told the judge. The defendants diverted \$100,000 in non-competition fees due Hollinger International to another company they controlled, he said.

Ravelston agreed as part of the plea deal to disclose any information it has on the defendants' activities. Black, 62, and the other defendants are accused of wrongly enriching themselves with millions of dollars in non-competition payments through the sale of Hollinger properties to third parties and companies they controlled.

Black faces 101 years in prison if convicted on all 14 counts and all sentences run back to back.

Eight Years

Hollinger International, which Black led for eight years as its chief executive officer, published the Chicago Sun-Times, Canada's National Post, the Jerusalem Post and London's Daily Telegraph. Black resigned as CEO in 2003 amid allegations of corruption. He left Ravelston in 2005.

His lead lawyers, Edward Genson and Edward Greenspan, didn't return calls seeking comment on the plea by Ravelston, now in receivership. Steiner declined to comment.

Black holds a 65 percent interest in the privately owned Ravelston, Sussman told St. Eve at the hearing. That company held a controlling stake in Hollinger Inc., a Toronto-based publicly traded holding company. Hollinger Inc.'s principal asset was its ownership of preferred stock in Chicago-based Hollinger International, which last year changed its name to Sun-Times Media Group Inc.

While Hollinger Inc. didn't have a majority stake in Hollinger International, its preferred stock holdings gave it the power to cast 10 votes to every one vote cast by a holder of Hollinger International's common stock, according to the plea agreement.

Controlling Stake

As a result, through its controlling stake in Hollinger Inc., Ravelston had a controlling interest in Hollinger International.

Black's lawyers had objected to Ravelston's plea agreement. They told a Toronto court that appointed Ravelston receiver Robert Kofman of the RSM Richter Company in Toronto, and a Canadian appeals court that the deal failed to consider that Black may yet be acquitted.

The Canadian appeals court rejected that argument March 1, clearing the way for today's plea.

Ravelston pleaded guilty to a charge relating to Hollinger's September 2000 sale of newspapers to Forum Communications Inc. for \$14 million. Of the sale amount, \$400,000 was earmarked for non-competition payments, according to the agreement.

Some 25 percent of the non-competition payments was diverted to Hollinger Inc.

The single fraud count to which Ravelston pleaded guilty carries a maximum statutory fine of \$500,000, which St. Eve still retains the discretion to levy. The company won't be sentenced until June 27, after Black's trial is expected to have ended.

Outside the court, Sussman said he didn't know whether St. Eve would allow jurors in Black's trial to hear about the Ravelston plea.

The case is U.S. v. Black, 05cr727, in the Northern District of Illinois, Eastern Division at Chicago.

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