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Board knew of Conrad Black's payments, jurors told



By Andrew Stern

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Defense lawyers at Conrad Black's criminal fraud trial sought to show jurors on Wednesday that the board overseeing his former company approved tens of millions of dollars in payments that prosecutors say the fallen media baron and his co-defendants stole.

The board of Hollinger International Inc. included such high-profile figures as former secretary of state Henry Kissinger, former Illinois governor James Thompson, one-time Pentagon official Richard Perle and Richard Burt, once U.S. ambassador to Germany.

Black's lawyer, Edward Genson, used a former secretary with the company to produce testimony detailing a series of so-called non-compete payments intended to guarantee that Hollinger would not reenter a market where it sold a media asset.

The payments were part of the proceeds from the sale of dozens of newspaper properties Black and his associates sold as they disassembled what had been one of the world's largest media empires.

Genson had the secretary, Angela Way, read minutes of board meetings showing that the board and a subset of its members who served as an audit committee approved the payments.

U.S. regulators at one point told the audit committee it was being investigated for its role in overseeing Black's company but later dropped the matter.

In one meeting the board agreed that "2.5 percent allocated to non-compete agreements (from sale prices) was consistent with the amount of payments made for non-competition agreements in previous Hollinger International transactions," according to the minutes Way read.

Later, in a further attempt to show that business was conducted in a transparent fashion, Patricia Brown-Holmes, a lawyer for Black co-defendant Mark Kipnis with whom Way worked, asked if Kipnis ever wanted her "to keep any secret files."

"No," she answered.

"Did he ever ask you to stop opening his mail?" she continued.

"No," she said.

NON-COMPETE PAYMENTS

Besides Black and Kipnis, a former Hollinger lawyer, the other two defendants in the case are Jack Boulton, an accountant; and Peter Atkinson, another attorney.

Prosecutors contend the non-compete money should have gone to Hollinger International and its shareholders but instead was diverted to holding companies closely controlled by Black. Hollinger International was later renamed the Sun-Times Media Group Inc..

Prosecutors contend Black and his three-co-defendants stole some \$60 million from the Chicago-based company by diverting the non-compete payments.

The Canadian-born Black, 62, is charged with fraud, racketeering, money laundering and obstruction of justice that could result in a maximum prison sentence of 101 years, plus millions in fines and \$92 million in possible forfeitures.

A member of Britain's House of Lords since 2001, Black is also accused of misusing his company's money to finance a lavish lifestyle that included extravagant parties attended by celebrities at his homes in London, New York and Florida.

Charges include using a company plane to go to the South Seas for a vacation and company funds to throw a birthday party for his wife, conservative columnist Barbara Amiel Black.

All of the defendants have pleaded not guilty and Black has labeled the charges "a massive smear job."

Black's former partner, David Radler, was also charged in the case but pleaded guilty more than a year ago under an agreement requiring him to pay a \$250,000 fine and serve 29 months in prison. He is expected to testify against Black.

The former Hollinger International once owned but later sold hundreds of Canadian and U.S. newspapers, as well as the Daily Telegraph of London and the Jerusalem Post.

The case grew out of institutional shareholders' objections to the way the non-compete payments were handled.

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