



Ex-Governor Tells Black's Jury He 'Skimmed' Filings (Update2)

By Andrew Harris and Bob Van Voris

May 2 (Bloomberg) -- Former Illinois Governor James Thompson "skimmed" Hollinger International Inc.'s financial statements while running the company's audit committee, he told jurors at ex-Chairman Conrad Black's fraud trial.

Thompson testified he didn't notice the disclosure of payments to Black and others in about 11 draft documents and SEC filings he reviewed in 2002 and 2003. The testimony undercuts earlier assertion that he wasn't told about fees Black got from companies buying Hollinger properties. Black said the board approved \$60 million in payments to him and his codefendants.

"I should have read them word for word. I didn't," Thompson told Black's attorney Edward Greenspan today, his second day of testimony in Chicago federal court.

Black, 62, is on trial with ex-Hollinger Chief Financial Officer John Boulton, 63, former Vice President Peter Atkinson and ex-General Counsel Mark Kipnis.

Prosecutors claim they improperly took funds disguised as non-compete fees from Hollinger's sale of more than \$3 billion in assets between 1998 and 2001. The fees were meant to guarantee they didn't compete with the purchased properties, the defendants claimed.

"The audit committee's version of events is wholly implausible," Black said, reacting to Thompson's testimony, outside court today.

'Sheer Coincidence'

Thompson, whose testimony will continue tomorrow, is the third of the three audit committee members to testify in the case. Jurors previously heard from former U.S. Ambassador Richard Burt and economist Marie-Josée Kravis who served on the committee with Thompson.

All three testified they didn't know until after the fact, of payments made to Black and other executives for signing non-compete agreements in connection with the sale of Hollinger's U.S. community newspapers.

"The three of them missed, by sheer coincidence, the same thing 33 times," said Black, characterizing their testimony.

Black faces a maximum of 20 years in prison if convicted of racketeering or fraud, the most serious charges. Former Hollinger President and Chicago Sun-Times publisher David Radler pleaded guilty to a single fraud count and may testify for the prosecution tomorrow. The trial is in its seventh week.

Thompson, 70, was a four-term governor who served from 1977 to 1991. He later joined Chicago-based law firm Winston & Strawn, serving as chairman between 1991 and 2006.

Non-Compete Agreements

Thompson, a Republican, served on Hollinger's board of directors for nine years, and was chairman of the board's three-member audit committee for five years.

Yesterday, Thompson said he was unaware that the defendants received \$15.6 million for signing non-compete agreements in 2000 and 2001.

Today, Thompson told Greenspan he "skimmed" a draft 2002 Securities and Exchange Commission filing in which Hollinger disclosed those sums, paid in connection with its sale of U.S.-based community newspapers.

"Hollinger didn't pay you \$60,000 to skim documents?" Greenspan asked, referring to his director salary. "They never asked you, 'Please skim this?'"

Thompson said he didn't remember any details of a February 2002 meeting at which Black's lawyers claim the committee approved the transactions.

"The U.S. community newspaper payments were never brought to the audit committee for approval," Thompson claimed.

'Conveniently Forgot'

"I'm going to suggest to you, Governor Thompson, that you read all of those passages; you approved of them," Greenspan said. "When there was some criticism, the three of you conveniently forgot," the lawyer said, referring to the audit committee.

"That is false," Thompson responded.

Greenspan took Thompson through numerous draft documents and SEC filings sent to him in 2002 and 2003.

"We've just gone through 11 instances in which the U.S. community newspaper payments were disclosed to you," said Greenspan. "And you didn't see it."

"Right," answered Thompson.

Boulton's attorney Patrick Tuite, then Kipnis' lawyer Ronald Safer, followed Greenspan to the podium and continued the defense assault on Thompson's credibility.

At one point, as he handed the governor a document about which he was going to ask a question, Tuite told Thompson, "You can read it. Or you can just skim it."

Paperwork

Safer reviewed with Thompson the more than \$288 million in management fees and compensation paid by Hollinger to Black's privately-held Ravelston Corp. between 1997 and 2003.

All of that money was paid by Hollinger to Ravelston at Radler's request, without Thompson or any other audit committee member requiring Radler to produce any paperwork substantiating the fees he demanded, the governor acknowledged.

"You voted for every single dollar?" Safer asked.

"Yes," Thompson replied.

Management fees paid to the Toronto-based Ravelston were to compensate Hollinger's top managers, including Black, Radler, Atkinson and Boulton, for the work they did at Hollinger, defense attorneys have said.

Thompson and Kravis, wife of Kohlberg, Kravis Roberts & Co. senior partner Henry Kravis, testified they were questioned by the SEC about their conduct while serving on Hollinger's board. The agency took no further action, Thompson testified yesterday.

Hollinger, which once owned the Chicago Sun-Times, London's Daily Telegraph and the Jerusalem Post, last year changed its name to Sun-Times Media Group Inc., based in Chicago.

Sun-Times Media fell 9 cents to \$6.23 at 4:03 p.m. in New York Stock Exchange composite trading.

The case is U.S. v. Black, 05cr727, U.S. District Court, Northern District of Illinois (Chicago).

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