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MEDIA & MARKETING

# Hollinger Board Investigates Other Payments to Executives



By MARK HEINZL and ELENA CHERNEY
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In the wake of turning up $15.6 million of unauthorized payments to **Conrad Black** and other senior executives of Hollinger International Inc., a special committee of the newspaper company's board is looking at circumstances surrounding even larger payments to its executives, in connection with asset sales in Canada, people familiar with the matter said.

The $15.6 million, plus a further $16.6 million paid to Hollinger parent Hollinger Inc., controlled by Lord **Black** , were tied to Hollinger's sale of U.S. community newspapers and weren't authorized by Hollinger International's audit committee or full board, Chicago-based Hollinger International said this week.

Some Hollinger investors, however, are irked by other payments made to management that, according to company filings, were approved by Hollinger's independent directors.

Richard C. Breeden, the former U.S. Securities and Exchange Commission chairman who is advising Hollinger International's special committee, said following this week's disclosures that "we are reviewing a variety of issues concerning prior actions and payments, and our efforts are intensifying as we move ... to an even broader spectrum of concerns."

Seeking to ease its debt burden, Hollinger in 2000 agreed to sell most of its Canadian newspapers to Canadian media concern CanWest Global Communications Corp. for about $1.8 billion. As part of the transaction, CanWest required that Hollinger International, its then-chief executive, Lord **Black** , his holding company Ravelston Corp., and three other senior Hollinger executives enter into agreements with CanWest preventing them from competing with the newspapers sold to CanWest for five years.

Hollinger's 2003 10-K annual filing with the SEC says CanWest paid $53 million for such a noncompetition agreement, and of that amount $25.2 million was paid to Ravelston and $27.8 million was paid to Lord **Black** and the other three senior executives. Hollinger's independent directors approved the terms of the payments, the filing says.

But CanWest spokesman Geoffrey Elliot said his company agreed only on an overall transaction price to acquire the newspapers and receive the noncompetition agreement from Hollinger and didn't negotiate a separate amount allocated for the noncompetition clause. That clause was "a part of the overall transaction," and the $53 million amount was "established by Hollinger," Mr. Elliot said. CanWest paid the acquisition price to Hollinger and not to any individuals, he added.

Lord **Black** didn't respond to a request to comment. He stepped down Wednesday as Hollinger International's CEO, but he remains its nonexecutive chairman and controlling shareholder.



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Similarly, when Hollinger agreed to sell other Canadian newspapers to Toronto-based Osprey Media Group Inc. in 2001, Lord **Black** and three senior executives received $5.1 million in noncompetition payments that were approved by Hollinger International's independent directors, according to the SEC filing. An Osprey official wasn't available to comment.

Hollinger this week said the SEC has issued subpoenas for certain Hollinger documents.

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