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Media Baron Lord Black Resigns His Post Over Improper Payments

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Under siege for taking unauthorized payments from their own company, British press baron Conrad Black and his longtime deputy, David Radler, stepped down as the top executives at Hollinger International Inc., a development that could lead to the breakup of their trans-Atlantic newspaper empire.

But Lord Black, a self-made tycoon who has been fending off shareholder allegations of self-dealing for months, will continue to control 73% of Hollinger International and will remain board chairman.



Today In:



Hollinger International said it has retained Lazard LLC to review and evaluate strategic alternatives, including a possible sale of the company or one or more of its major properties, which include London's Daily Telegraph, the Chicago Sun-Times and the Jerusalem Post.

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Conrad Black

Lord Black's resignation caps a long-simmering controversy over payments Hollinger International made to Lord Black and Mr. Radler as part of "noncompete" agreements related to sales of Hollinger International newspapers. Shareholders also questioned the sales of Hollinger International assets to a private

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company the two controlled. Institutional shareholders, led by New York investment firm Tweedy Browne Co., criticized the cozy way in which Hollinger International's board approved the payments. Hollinger International's board is studded with such U.S. political heavyweights as former Secretary of State Henry Kissinger, former Assistant Defense Secretary Richard Perle and former Illinois Gov. James Thompson.

The abrupt shake-up came after Hollinger directors uncovered evidence that Lord **Black** and Mr. Radler, along with two other top executives, accepted \$15.6 million in fees that the board never vetted. An additional \$16.5 million in unauthorized fees were paid out to **Hollinger Inc.**, the Toronto holding company through which Lord **Black** controls Chicago-based Hollinger International.

The absence of board authorization for the \$32.1 million in payments was discovered in recent days by a special committee of the board that was formed last year at the request of Tweedy Browne, a minority shareholder in Hollinger International. The committee, which is being advised by a former chairman of the U.S. Securities and Exchange Commission, Richard Breeden, scrutinized records of board meetings from the past few years and found no sign that the payments were discussed, one person familiar with the matter said. The committee also interviewed board members and company officials.

The \$16.5 million in payments to Hollinger Inc., which hadn't been disclosed previously, are in addition to \$73 million in noncompete payments, of which the board was already aware, to Lord **Black**, Mr. Radler and other executives.



Even shareholders who pushed hard for changes at Hollinger and sought to uncover evidence of wrongdoing were

COMPANIES

Dow Jones, Reuters

surprised by the implications of Monday's announcement by the company. "We didn't go into this expecting to find fraud," said Eugene Fox, a principal with money manager Cardinal Capital, Greenwich, Conn., which has been attempting to get internal company documents through a court process.

Lord **Black**, 59 years old, will retire Friday as Hollinger International's chief executive. He did not respond to several requests for an interview Monday. His departure highlights the increased scrutiny being brought to bear in the U.S. and abroad on management practices -- even for founding shareholders who continue to control and run publicly traded companies.

For months, Lord **Black** had insisted that minority shareholders' complaints were overblown. "This evidence of moral turpitude has been conjured up out of thin air," he said in an interview in late September, adding that he aimed "to drive a silver stake through the idea that there is anything wrong with the ethics" of those running Hollinger. Mr. Radler resigned as president and chief operating officer Monday.

Mr. Breeden said in a telephone interview that the steps taken Monday "show that the system can work. This is a case in which the independent directors conducted an investigation, developed an understanding of the situation and took action to the benefit of shareholders." The fact that Mr. Breeden was hired to come in because of pressure from Tweedy Browne also means that "shareholders can make a difference when they highlight problems," he added. (The shake-up at Hollinger is just part of Tweedy Browne's growing influence. See [related article](#).)

Sarah Teslik, executive director of the pension-fund group Council of Institutional Investors, praised Mr. Breeden as a "bulldog," but said the board had been slow to take action. The questionable payments "should have got their attention" sooner, she said.

Lord **Black**, Mr. Radler and another executive have agreed to repay Hollinger the full amount of unauthorized payments received by them, with interest, by June 1, the company said.

[Hollinger International Inc. \(HLR\)](#)

PRICE	15.59
CHANGE	-0.18
U.S. dollars	12:11 p.m.

* At Market Close

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Some investors suggested they wanted further repercussions against Lord **Black**, however. "I don't think he should be chairman anymore," said Claude Lamoureux, president and chief executive of the Ontario Teachers' Pension Plan.

In 4 p.m. New York Stock Exchange composite trading, Hollinger International shares rose \$2.23, or nearly 17%, to \$15.73 -- giving the company a market value of about \$1.4 billion -- on speculation of an impending sale.

Hollinger's statement that its options included a sale of one or more of its "major properties" caused a stir in Britain's fiercely competitive newspaper industry. If put up for sale, the Daily Telegraph has the potential to upset the political slant of Britain's major newspapers. Hollinger publishes the Telegraph, the Sunday Telegraph and the weekly Spectator political magazine -- all of them strongly supportive of the opposition Conservative Party and fierce opponents of greater European Union integration.

Estimates of the valuation of the Telegraph Group, which contain Hollinger's U.K. assets, range from around \$573 million to \$860 million.

The special committee is continuing to investigate, Hollinger International said. Its members haven't yet started to look at the circumstances surrounding the biggest deal-related payout to executives: the \$53 million they shared after the sale of Hollinger International's Canadian papers in 2000.

While Lord **Black**, a British life peer and former Canadian citizen, remains chairman and controlling shareholder, his departure from the CEO spot is a stunning comedown for the larger-than-life press lord. He bought his first newspaper in 1969, and by the mid-1990s, controlled the Telegraph, the Sun-Times, the Jerusalem Post and almost every big metropolitan daily in Canada. Hollinger also owned one of the biggest chains of community papers in the U.S.

But Lord Black's appetite for empire-building outstripped his ability to pay. While insiders say Mr. Radler cautioned Lord **Black** against several big investments, Lord **Black** pressed ahead. The company's debt load started to make bankers uncomfortable, however, and by 1998, Mr. Radler and Lord **Black** started to look at possible sales.

The unconventional deals struck by the two men appear to have led to their downfall. Initially, they decided to sell the smaller U.S. dailies and weeklies.

Community Newspaper Holdings Inc., which is controlled by the Alabama state pension fund, was initially interested in acquiring almost the entire Hollinger portfolio of community papers. But in late 1998, Lord **Black** and Mr. Radler told the board that CNHI didn't want all of the papers after all and said that some Hollinger executives "had agreed to take over day-to-day management" of about 18 of the papers that CNHI didn't want, according to an insider. But these executives "wanted some backing" from Lord **Black** and Mr. Radler, who asked the board for approval to invest in the closely held company that would acquire the assets, according to the insider.

Hollinger International sold the titles to Horizon Publications Inc., which was controlled by Mr. Radler and Lord **Black**, for \$47 million, according to the 2000 proxy circular. While the circular disclosed that "certain members of the board of directors and senior management" of Hollinger were Horizon shareholders, it didn't name them or reveal that they controlled the closely held company. In this year's proxy, the company disclosed that Horizon was controlled by "certain officers and members of the board" of Hollinger.

Horizon continued to quietly buy small papers from Hollinger without providing full details in regulatory filings. But many publishers of the small-town newspapers that found themselves traded to Horizon by Hollinger say they soon realized that many of the same owners and executives were still around. "We had the same financial guy and the same home office, and basically David Radler kind of backed" the operation, recalled Bill Elderton, who supervised papers in Arkansas and Mississippi that were sold to Horizon by Hollinger.

Mr. Radler took the role of president of Horizon about nine months ago and has run the day-to-day operations. He has also continued Horizon's buying spree, recently acquiring 12 papers from CNHI, including three titles formerly owned by Hollinger. Mr. Radler also was negotiating to buy another 10 publications from CNHI, a move at which the board balked. He was asked to choose between the two companies, insiders say.

The independent committee will be looking at the deals with Horizon and another closely held

company, Bradford, as it continues its probe, people familiar with the matter said. The investigation also will turn its focus on the role of Hollinger's board members, the people said.

---- Mark Heinzl and Charles Goldsmith contributed to this article.

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