Ex-Sun-Times Publisher Charged With Fraud

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Former Chicago Sun-Times publisher David Radler is cooperating with federal prosecutors in their investigation of $32 million that allegedly was fraudulently pocketed by him and others through a series of secret deals.

Radler, Mark S. Kipnis, the former top in-house lawyer for Chicago-based Hollinger International, and Toronto-based Ravelston Corp., a private company owned until this spring by Conrad Black, were indicted on federal fraud charges Thursday.

They were accused of cheating shareholders in the United States and Canada, as well as Canadian tax authorities. The indictment alleged the three diverted the money by disguising it as noncompete fees connected to the sale of newspaper publishing groups.

Each was charged with five counts of mail fraud and two counts of wire fraud.

Fallen media titan Black, the ousted CEO of Hollinger International, was not accused of wrongdoing.

Prosecutors said Radler, 63, of Vancouver, British Columbia, was cooperating with the government's investigation and was expected to plead guilty.

"Shareholders in public companies have a right to expect that their monies will be managed properly by officers and directors and that the officers and directors won't steal it," U.S. Attorney Patrick Fitzgerald said in announcing the charges.

Radler's attorney did not return a phone call seeking comment, while Kipnis' attorney said his client was disappointed and disagreed with the indictment. "We will enter a plea of not guilty and expect to be vindicated," Michael Swartz said.

Black had no comment, spokesman Jeff McAndrews said. Hollinger Inc. was satisfied with the indictment.

"We're pleased that the U.S. attorney has made significant progress in its investigations," spokesman Larry Parnell said. "Hollinger Inc. will continue to cooperate in these and other related investigations."

Hollinger Inc. is the Toronto-based holding company that has voting control over Hollinger International. Ravelston - the privately held Canadian company that Black and Radler used to control and which went into receivership after they resigned this April - is the majority owner of Hollinger Inc.

Federal prosecutors said in March they were conducting a fraud investigation into Hollinger Inc., Black and Radler.

According to the indictment, noncompete fees were paid by companies that bought newspapers from Hollinger International so Hollinger International wouldn't later operate a rival newspaper.

The money should have gone to Hollinger International, but prosecutors allege that Ravelston, Radler and others took millions of dollars in noncompete fees for themselves and didn't disclose those deals to Hollinger International's audit committee.

Prosecutors allege that Radler supervised the business terms of each of the transactions and Kipnis, 58, of Northbrook, Ill., participated in the documentation and closing of each deal.

In one of six examples outlined by prosecutors, Hollinger International sold American Trucker for $75 million in May 1998. The closing documents for the sale said Hollinger International would sign a noncompete agreement and that $2 million of the sale proceeds would be paid to Hollinger International in exchange for its promise not to compete, according to the indictment. Radler signed the purchase and noncompete agreements on behalf of Hollinger International, prosecutors said.

Prosecutors allege that in January 1999, Ravelston's agents, including Radler, decided that Hollinger International would pay the $2 million to Hollinger Inc., which prosecutors said was "essentially stealing" from Hollinger International's corporate assets.

They allege Kipnis signed the $2 million check Hollinger International issued and sent to Hollinger Inc. around Feb. 1, 1999. The defendants did not disclose the payment to Hollinger International's audit committee, according to the indictment.

Prosecutors also allege that the defendants took bonus payments from Hollinger International and falsely labeled them as noncompete fees to defraud Canadian tax authorities.

Federal prosecutors acknowledged the criminal investigation in court papers in March when it asked to intervene in a U.S. Securities and Exchange Commission lawsuit filed in November against Hollinger Inc., Black and Radler.

The SEC alleged the men engaged in a "fraudulent and deceptive scheme" to take cash and other assets from Hollinger International and conceal the actions from shareholders.

If convicted, Radler and Kipnis face up to five years in prison and a $250,000 fine for each count of the indictment. The court also could impose an alternative fine of twice the gross profit to any defendant or twice the loss to any victim, whichever is greater.

If Ravelston is convicted, it faces a fine of $500,000 for each count or the alternative fine.

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