

Conrad Black Must Fight to Stay Free After Bail Grant

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July 23 (Bloomberg) -- Conrad Black, set to be formally freed on bail, may be sent back to prison if he can't convince an appeals court that a U.S. Supreme Court ruling requires that his fraud and other convictions be set aside.

The former Hollinger International Inc. chairman arrived in a Chicago court today to sign his release papers and hear bail rules spelled out by U.S. District Judge Amy J. St. Eve. In 2007, she sentenced Black to 6 1/2 years. On July 21, after more than two years at a Florida prison, he posted a \$2 million bond with the help of a Wall Street friend. He had no assets available as bond collateral, according to his lawyer.

Beyond his criminal appeal, Black has to grapple with the U.S. Internal Revenue Service, which wants almost \$71 million in unpaid taxes and penalties, and the U.S. Securities and Exchange Commission, which sued claiming he and former Hollinger President David Radler stole \$85 million from the company.

To stay free, Black, 65, must convince a federal appeals court in Chicago that the Supreme Court ruling, which limited prosecutors' use of a law used to convict him, supports voiding his convictions for fraud and obstruction of justice.

"Black's strategy of sweeping all outstanding government litigation under what is in reality a very limited victory strikes me as fanciful," said lawyer A. Jeff Ifrah, co-author of "Federal Sentencing for Business Crimes."

Even if Black does reverse his convictions, it probably won't help him in his fights with the IRS and SEC, Ifrah said. Radler settled his liability in the SEC case by agreeing in 2007 to pay \$29 million.

'Lots of Luggage'

Black arrived yesterday at the Four Seasons Hotel in Chicago with "lots of luggage," after flying in from Miami with his wife, Barbara Amiel, according to CBC News. A telephone operator at the hotel said she had no record of guests named Black or Amiel.

The Supreme Court ruled June 24 that the so-called honest-services fraud law invoked by prosecutors was intended for cases involving bribery or kickbacks. Black was accused of neither. He has argued that jurors were improperly instructed on the honest services law as well as money-and-property fraud, then given the option of convicting him for fraud under either theory, making it impossible to know whether the guilty verdict was valid.

The obstruction charge, which resulted in its own 6 1/2- year prison term, wasn't dealt with by the Supreme Court. Black's five-year sentence for fraud ran concurrently with the obstruction one.

'Strong Possibility'

"There's a strong possibility he goes back to jail," said former Assistant U.S. Attorney Jeffrey Cramer, who helped prosecute Black and who is now managing director at the investigative firm of Kroll Inc. in Chicago. "At the very least, obstruction stands. The judge could send him back to serve the rest of his sentence."

St. Eve may consider Black's request for permission to travel to Toronto, where he has a home in the city's Bridle Path neighborhood. The judge told defense lawyers July 21 that she wouldn't allow him to leave the U.S. without seeing a financial statement and an assessment from a federal agency on the risk of letting him out of the country.

Black renounced his Canadian citizenship in 2001 to accept a life peerage in the U.K. House of Lords.

Net Worth Unknown

Black hasn't said where he will live if restricted to the U.S. His fortune in 2003, when he still ran Hollinger, was estimated by the Sunday Times Rich List at 136 million pounds (then \$222.5 million). Black's current net worth isn't known.

Joan Maida, an assistant to Black, didn't immediately respond to an e-mail seeking an estimate of Black's wealth after deducting his payment of fines and other amounts related to his Hollinger conduct.

Currently, Black has no equity in his former Palm Beach house, and his Canadian assets are tied up by a court order, Miguel A. Estrada, an attorney for Black, told the judge at the July 21 bail hearing.

The IRS said Black failed to pay taxes on his personal use of Hollinger jets, corporate money he spent on papers by President Franklin D. Roosevelt and his private secretary, and Hollinger's 2000 purchase of a \$5.9 million New York apartment for his use. Black wrote a biography of Roosevelt.

'Sloppy and Careless'

Black has asked the U.S. Tax Court to throw out its assessment, which covers payments due for 1998 to 2003. He said in a petition that the IRS relied on "sloppy and careless" findings, from an investigation that led to his conviction, when authorities compiled estimates of his income and unpaid taxes.

Black said he wasn't required to file tax returns because he wasn't a U.S. resident, court records show.

The IRS suit against Black was filed in April in U.S. Tax Court in Washington.

Black led Hollinger as its CEO from 1995 to 2003, and he served as its chairman from November 2003 to January 2004. The Chicago-based company is now known as the Sun-Times Media Group Inc.

A Canadian court froze Black's assets in 2006 after his former holding company Hollinger Inc. sued him for \$700 million, the Chicago Sun-Times reported.

Black and three associates were found guilty of stealing \$6.1 million from Hollinger International as they engineered sales of its assets.

If Black succeeds in getting all his convictions overturned, prosecutors have the option of retrying him. Randall Samborn, a spokesman for Chicago U.S. Attorney Patrick Fitzgerald, whose office prosecuted Black, declined to say if that is what the government would do.

"That hasn't happened yet," Samborn said.

The trial court case is U.S. v. Black, 05-cr-00727, U.S. District Court, Northern District of Illinois (Chicago). The appellate case is U.S. v. Black, 07-4080, U.S. Court of Appeals for the Seventh Circuit (Chicago).

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