

Unravelling Ravelston: RICO and Richard Perle

by Scott Thompson

Richard Perle, the neo-conservative warmonger and former adviser to Defense Secretary Donald Rumsfeld, has recently been doing his utmost to defend his old friend and operative, the Iraqi National Congress's Ahmed Chalabi, since the May 20 raid upon Chalabi's home office in Baghdad. But Perle, who finds himself in deeper and deeper financial and political difficulty, may soon be consumed with defending himself.

On May 7, the Racketeering Influenced and Corrupt Organizations (RICO) civil suit against Lord Conrad Black—the Canadian-turned-British Lord who ran the media empire of Hollinger, Inc.—and his named cronies, charged that: “During a prolonged period, the Black Group used Hollinger as a cash cow to be milked of every possible drop of cash, often in a manner evidencing complete disregard for the rights of all Hollinger shareholders.” As described below, Richard Perle, the “connected” lead warmonger of the Iraq war, was a member of the inner circle of the executive group that is being accused, but is mysteriously not named as a defendant in the suit's claim for damages that total over \$1 billion.

But the suit may be just the beginning, not the end, of the story.

Perle's Record of Corruption

Perle began his career in government in the 1970s, as a staffer for right-wing Democrat Scoop Jackson (Wash.), and as Assistant Secretary of Defense for International Security Policy in the Reagan Administration. He became notorious very early, for his involvement in the leaking of National Security Council documents to the Israelis. Perle is one of the major drivers behind the lies and fabrications that led to the Iraq war; it was the fulfillment of a plan that he co-authored for then-Israeli Prime Minister Benjamin Netanyahu, called “Clean Break: A New Strategy for Securing the Realm.” In “Clean Break,” Perle called for total war against the Palestinian Authority, and regime change in Iraq, Syria, and Iran.

The May 24 Business section of the *Washington Post* devoted two pages to an article called “The Ultimate Insider: Perle Exemplifies Washington's Revolving Door,” which contained extremely important details about the May 7 RICO civil suit that has been filed by Hollinger International, Inc.

against Lord Conrad Black, and his cronies on the Board of Directors, by the Special Committee of Hollinger Incorporated International (HII) headed by former Securities Exchange Commission Director Richard Breeden.

The lawsuit identifies some \$3.1 million in bonuses paid to Perle, who is the CEO of Hollinger Digital LLC, as part of the money that the stockholders of HII were bilked out of by Black and his cronies.

In reporting on the RICO suit, the *Post* provides timeline of neo-con Perle's activities; highlights of that timeline include:

- **1987:** Perle left the Defense Department where he had served as Assistant Secretary of Defense for International Security since 1981, and he joined the Defense Policy Board (DPB), a DoD advisory body.

- **1989:** Perle became a highly-paid consultant to International Advisers, Inc., “to assist the efforts for the appropriation of U.S. military and economic assistance to the Republic of Turkey”—the firm's sole client. His boss was Douglas J. Feith, now Undersecretary of Defense for Policy, who had previously served under Perle at the Pentagon. During roughly the same period, Perle lobbied Turkish Prime Minister Turgut Ozal on behalf of FMC Corp. in a \$1.1 billion deal to sell armored personnel carriers.

- **1994** Perle joined the board of Hollinger's predecessor company, American Publishing. He later became a member of Hollinger, Inc.'s International (HII) Board of Advisers, and when that was terminated, joined the triumvirate executive committee of HII with Conrad Black and F. David Radler. Both Black and Radler—but not Perle—were defendants named in the HII RICO suit that seeks payment and damages of \$1.25 billion.

- **1998:** Perle became CEO of HII's Hollinger Digital LLC, named in the RICO suit for having received investments and other disputed funds decided on by Black and Radler.

- **2001:** Hollinger Digital invested in Cambridge Display Technology via an investment fund led by Gerald Paul Hillman. The investment fund, Trireme Partners LP, had both Perle and Hillman on its board, and included Black and Henry Kissinger on its advisory board.

- **2001:** Perle was made chairman of the Defense Policy Board (DPB), in a neo-conservative takeover of the Pentagon, and he recommended Hollinger crony, Gerald Paul Hillman, to be appointed to the Board.

- **2002:** Trireme, citing Perle's and Hillman's positions on the DPB, solicited major aerospace defense contractor, Boeing, which committed to invest \$20 million in Trireme; at the same time, there was a controversial plan to lease Boeing tanker aircraft to the Air Force; Perle later supported the tanker plan in an op-ed in the *Wall Street Journal*.

- **2003:** Hollinger, as part of a larger investment commitment, invested \$2.5 million in Trireme Associates LLC, general partner of Trireme Partners LP.

Perle received \$3.1 million in bonuses from Hollinger from May, 2000 to January 2001, the RICO complaint reveals. Although he had been a member of the Defense Policy Board for 17 years, he resigned as chairman in March 2003, after the *New York Times* and *New Yorker* magazine revealed his role as a consultant to Loral Space and Communications Ltd., and Global Crossing Ltd., on matters pending before the government. In February 2004, he resigned from the board altogether, claiming that he did not want his strong views, on terrorism and Iraq, to become a factor in the Presidential campaign.

Although he denied that these and other deals involved influence peddling, Perle told the *Post*, "Was that a result of my influence? Yeah, it was. It was a result of the fact that they, the people I went to, knew me, so they took my phone call."

Only the Profits Were Counted

HII's Special Committee investigating fraud within the company filed a civil RICO suit against Lord Black and F. David Radler, who were, respectively: the former Chairman and CEO; and the Vice-Chairman, President, and Chief Operating Officer of HII; together with the holding companies through which they controlled HII, and various front companies with which they further looted it. The suit charges that they repeatedly and egregiously broke their "fiduciary duties of loyalty, care and good faith" to other shareholders through their innumerable looting schemes.

Both Black and Radler are the chief stockholders (with Black in the majority) of the Canadian-based Ravelston, that owned 61.6% of Hollinger, Inc., which in turn owned 18.7% of HII. However, because they owned Class B stock that carried ten times the voting power, these people dominated HII's fortunes for ill. Without going through the record of their personal venality, which is considerable, the largest amount in the suit for which HII wants disgorgement is some \$200 million in management fees that Black, Radler, et al., imposed upon HII—this on top of their receiving salaries and bonuses higher than all five of the top U.S. newspapers combined. Radler would determine this fee by determining all the bank debt, expenses, and salaries for the holding company Ravelston (even though it did other business), as the baseline for the management fee to HII to be put before the HII audit committee; HII never turned the sum down.

At least three-quarters of the RICO suit deals with the highly profitable community newspapers that Black and Radler convinced HII's board and shareholders to sell off to pay back debt, thereby increasing HII's stock debt. Through a front known as Horizon Publications, Inc., and its various subsidiaries, Black, Radler, et al., pulled dozens of tricks to snap up some of the best of these community papers through means that included hiding competing bids; trading papers of lesser value; getting Hollinger to finance

the sale and then reneging on the loan; and twice, getting Hollinger to pay Horizon to take papers off its hands on the basis of lies that the papers were money-losers. Black and Radler hid their 75% ownership in Horizon, claiming they only had a minority stake.

Then there is the case of the venture capital firm of Hollinger Digital LLC, in which it seems that for some reason the suit pulls its punches against Richard Perle, who was the firm's CEO and also a member of the Executive Committee of HII with Black and Radler. The suit requests that Black and Radler repay \$5 million in bonuses that they granted to themselves at a 22% net profit rate for businesses that were invested in and successful; but does not make the same requirement of Perle who received \$3.1 million in bonuses. Hollinger Digital was run as no other venture capital firm, granting bonuses for profitable investments, however short the period of profitability might be, but not taking into account losses. Thus, the firm cost HII \$65 million in losses on \$160 investment, but the principals made out like bandits with their profit-only based bonuses.

Webs of Intrigue

There are, however, other investigations pending against Perle: 1) A criminal investigation of Hollinger Digital, of which Perle, Black and Radler are principals, has been reported to be underway, by the U.S. Attorney in Chicago, Ill.; 2) Perle reportedly ran a "sheikhdowndown" according to Seymour Hersh in a March 2003 article in *New Yorker* magazine. Hersh wrote that Perle was seeking \$100 million in investments from Saudi Arabian princes, for his company Trireme, after Perle had used his Defense Policy Board chairmanship to put the Saudis high on the list for retaliation by the United States in the "war against terrorism." When Rep. John Conyers (D-Mich.) contacted the DoD's Inspector General to probe Perle's financial connections, he received back a report that was so redacted as to be useless; 3) a serious probe is still pending of Richard Perle's relationship to Boeing, which had pledged \$20 million in investment in Trireme, at the time it was paying off other DPB and Defense Dept. consultants to push through a deal to lease, not buy, refueling aircraft—at a highly inflated price. Perle, who did receive at least \$2 million of that pledge, has never been cleared of the allegations that he, too, lobbied for the Boeing refueling planes; 4) the jury is still out on what happened that caused Richard Perle to step down as Chairman of the DPB, once his contracts with Global Crossing telecommunications were exposed. He claims that he donated the \$125,000 fees to charity, to avoid the "appearance of impropriety."

This summation is just the tip of the iceberg. Whether or not Perle continues to be protected in the RICO suit against HII does not mean that the one time "Prince of Darkness" is not on his way toward becoming the "Prince of Paupers."