

Dateline Montreal by Gilles Gervais

Shadowy Bronfmans in the spotlight

Edgar's cousins Edward and Peter are "exposed" in the financial press in Toronto. Or are they?

The American public has by now become somewhat familiar with the name and style of the Bronfmans through Seagram's booze baron Edgar, the son of the Prohibition-era Canadian bootlegger Sam Bronfman. Upholding a family tradition, this most outspoken son of Sam retains a collection of polished lawyers, whose job is to gloss over the criminal connections and highlight the philanthropic and "humanitarian" side of their patron's varied activities.

But there are certain things that even money can't hide—like Edgar's dealings as head of the World Jewish Congress, with chief kapo Markus Wolf of the East German secret police, and his boss, Erich Honecker.

A German Jewish magazine, *Semit*, revealed in 1990 that Edgar Bronfman had dealt in human bondage, turning a monetary profit for Seagram's as he bartered "whiskey for the Holocaust" with Honecker, the then-communist dictator of East Germany. These deals were struck in the context of purportedly humanitarian transactions affecting the plight of Soviet Jews.

The deal, sealed over the 50th anniversary of Kristallnacht in November 1988, was for Bronfman to absolve the East German regime of "German collective guilt" in the Holocaust, in exchange for Seagram's concessions in East Germany. This operation to bolster Honecker's tottering regime coincided with the destabilization of West German Bundestag Speaker Philipp Jenninger.

Now some unsavory publicity of a different kind has also struck Edgar's cousins in Toronto, Edward and Peter

Bronfman (the "Edper" of Hees-Edper). The usually publicity-shy duo have been hit by a media attack coming from two establishment papers: *The Globe and Mail*, Canada's paper of record, and the *Financial Post*, which ran a five-part series in February entitled: "Hees-Edper: Empire Under Pressure."

Headlines that are usually found only in Canada's tabloids appeared in the staid *Financial Post* and attracted a wider public to witness Bay Street's financial buzzards circling the Bronfmans: " 'Sluice gates' raises question of fairness," "The rewards of 'plumbing'—system pumps cash, questions," "Who really owns the mystery shares?"

The series describes how the massive Hees-Edper corporate empire "sprawls across Canada's business world like no other family of companies." The empire controls "about 600 companies, private and public," with assets of over \$100 billion "in financial services, pulp and paper, real estate, oil and gas and many other industries."

Reported the *Financial Post*, "The principal sign of deteriorating health in the empire is last year's rapid decline in the market value of stocks of the group's public companies. Many Hees-Edper stocks declined by 40-50% through the year, while the TSE 300 index declined by only 18%. Principal Hees-Edper stocks declined by an average 34% during the year."

While investors might have varied reasons for rejecting the Bronfmans' public stocks, the main one seems to be a justified lack of confidence in the structure itself, which is controlled

top-down in a most secretive manner, with public funds and with much leverage: "Upcoming legislation might put an end to the Bronfmans' ability to acquire control of publicly traded companies without triggering securities rules that would require them to include minority shareholders in their deals.

"The Ontario Securities Commission is indeed publicly considering a new policy called the 9.1 Amendment—requiring greater disclosure—and greater involvement of minority shareholders in related party transactions. It's an open secret that policy 9.1 is primarily aimed at the Hees-Edper empire.

"The empire is also perceived as not paying its fair share of taxes. While the normal rate of income tax for Canadian corporations is about 42%, some Hees-Edper corporations managed to pay as little as between 1% and 5% of 1989 earnings in taxes."

A \$30 billion annual federal deficit and a New Democratic Party-controlled Ontario government with socialist leanings will most probably "lead to a minimum corporate tax at one level or another; analysts are predicting that a minimum corporate tax will wreak havoc in an investment empire largely supported by tax-free dividends."

Exposé—or damage control to cloak a financial debacle far more serious than this media extravaganza hints? Even before all the smoke clears, one can suspect that even the quiet Toronto Bronfmans must have been able to learn a trick or two from their Uncle Sam, the bootlegger. The *Financial Post*, after all, is owned by Conrad Black, who not only sits on the board of Hees International, but personally invited Peter Bronfman to represent the family interests on Black's Toronto-headquartered international publishing empire, Hollinger Corp.