

Documents in support of Paul Terrien's testimony

Paul Terrien

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TAB	Document
1.	Portion of schedule for Mr. Mulroney's trip to Zurich, dated February 2, 1998 <u>3rd party document</u>
2.	Selected agenda entries made by Karlheinz Schreiber (1998) <u>3rd party document</u>
3.	<i>Globe and Mail</i> article by Greg McArthur, entitled "Mulroney-Schreiber Years: The Inside Story", dated October 31, 2007 <u>Open-source document</u>

1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Monday, February 2, 1998:

10:00AM A limousine from Brunel Carriage will pick you up at the hotel and proceed to the SAVOY Hotel in Zurich

11:30AM MBM will arrive the Savoy Hotel

Note:

[REDACTED] will meet you upon your arrival and will take care of your luggage.

[REDACTED]

12:30PM Lunch in your room

Note:

The Hotel is located at a 20-30 minutes drive from the airport.

02:15PM A limousine will pick you [REDACTED] up at the hotel and proceed to the airport

03:00PM MBM [REDACTED] depart Zurich
Jet Aviation
tel: 011-41-1-816-4994
Plano: Gulfstream III
Tail #: C-GGPM

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2

1 9 9 8

SA 8.00
5. Woche
02-333

Sonntag
Sunday
Dimanche

7

Februar
February
Fevrier

SU 17.12

UHR

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Out of Shadow
Angehöriger
Bay v. Roberts lesen
Acht eingekerkert.

SA 7.10

Montag
Monday
Lundi

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Februar
February
Fevrier

SU 17.13

UHR

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Harris Lorenz
And. B. Lorenz
13.11.1976

12:30 Saverj.
Paul Terry + R.H.

Lorenzo / Harris

Harris Roberts
ST Harris - G. FOS
Frog & Roto & Lorenz
Hh.
Pinn nicht zeigen!

Enrice Gazzetti,
039. 35.34.28.16
039. 83.52.29.2906

Rep Carviglia:
Gualtiero Marchesi
Paul Beccase

3

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The Globe and Mail (Canada)

October 31, 2007 Wednesday

Brian Mulroney: the payments and the taxman; Karlheinz Schreiber paid the former prime minister \$300,000 in cash in three instalments in 1993 and 1994. But Mr. **Mulroney** did not declare the money at tax time. Today, The Globe reveals new details about a series of phone conversations and private meetings from Canada to Switzerland in the years after the payments.

BYLINE: GREG McARTHUR

SECTION: NATIONAL NEWS; MULRONEY-SCHREIBER YEARS: THE INSIDE STORY: Pg. A1

LENGTH: 2939 words

Former prime minister Brian **Mulroney**, who received \$300,000 in cash from German-Canadian deal maker **Karlheinz Schreiber** in 1993 and 1994, did not pay taxes on the payments in the years he received the money.

The former prime minister filed a voluntary tax disclosure some time later, The Globe and Mail and CBC's *the fifth estate* have learned, an option that the Canada Revenue Agency offers for people who have previously filed inaccurate returns and subsequently decide to correct the record. Mr. **Mulroney** had declined to say when he paid taxes on the cash Mr. Schreiber handed over to him in hotels in Montreal and New York over a 19-month period.

A letter received late last night from an intermediary of Mr. **Mulroney's** explained that the former prime minister was delayed in paying his taxes because of the "cataclysmic event" that disrupted his life in November, 1995 - the RCMP letter to the government of Switzerland that falsely accused him of a crime.

"As such, it is understandable that until all these matters were resolved - as they eventually were with his total vindication - he could not resume normal functioning and attend to normal day-to-day affairs ... and indeed to the point of the finalization of his tax matters with his accountants," the letter said.

Two of the cash payments given to Mr. **Mulroney** by Mr. Schreiber, totalling \$200,000, were made in 1993. The taxes owing on those payments would have been due by May 2, 1994, 18 months before Mr. **Mulroney** discovered that the RCMP was investigating him.

The taxes owing on the final \$100,000 payment from 1994 would have been due on May 1, 1995, six months before Mr. **Mulroney** learned about the RCMP investigation.

The response last night said: "He complied with all prevailing Canadian tax law and was entitled to do so in any way he chose and was to his best interest. He - like all of us - is entitled to do so."

Although Mr. **Mulroney's** intermediary fails to address when Mr. **Mulroney** made his voluntary tax disclosure, he states that it is "understandable" that Mr. **Mulroney** could not finalize his tax matters until he was vindicated in his legal battle with the federal government and the RCMP. Mr. **Mulroney** didn't receive a \$2.1-million settlement in the matter until January, 1997.

Brian **Mulroney**: the payments and the taxman; Karlheinz Schreiber paid the former prime minister \$300,000 in cash in three instalments in 1993 and 1994. But Mr. **Mulroney** did not declare the money at tax time. Today, *The Globe* reveals new details about a series of phone conversations and private meetings from Canada to Switzerland in the years after the payments. *The Globe and Mail (Canada)* October 31, 2007 Wednesday

For roughly a decade after he received the cash payments, the public knew very little about Mr. **Mulroney's** relationship with Mr. Schreiber, who supported the former Conservative leader and helped him with campaign financing early in his political career.

Mr. **Mulroney** has always played down his relationship with the German-Canadian middleman. Mr. Schreiber's name doesn't appear once in his recently published 1,100-page memoir.

In 1995, when Mr. **Mulroney** sued the federal government for sending an intergovernmental letter that suggested he had conspired to defraud Canadians on Air Canada's purchase of Airbus airplanes, he testified under oath that he had only met Mr. Schreiber for a cup of coffee "once or twice" after leaving office and that he "had never had any dealings with him."

Over the past few years, the curtain on Mr. **Mulroney's** history with Mr. Schreiber has been gradually pulled back. In 2003, author William Kaplan revealed that Mr. Schreiber gave Mr. **Mulroney** \$300,000 in cash. Mr. **Mulroney's** spokesman later explained that the money was to help him promote Mr. Schreiber's pasta business, as well as establishing a light-armoured vehicle factory in Montreal for Mr. Schreiber's client Thyssen AG.

In 2006, CBC's *the fifth estate* revealed that the payments were made in hotel rooms in New York and Montreal and that the cash came from a Swiss bank account codenamed "Britan."

Mr. Schreiber, at times, has been inconsistent. In 2006, he sent Mr. **Mulroney** a letter saying that he had been "misled" by the CBC when he agreed to appear on *the fifth estate*. Although he has publicly presented himself as feuding with Mr. **Mulroney** he has, at times, privately praised him. In 2004, he wrote Mr. **Mulroney** a letter to commend him on his eulogy at Ronald Reagan's funeral, saying "your performance ... has put you to the top of respect and admiration around the world."

Now faced with a possible extradition to Germany, where he is wanted on charges of bribery, fraud and tax evasion, Mr. Schreiber has offered up a version of events that contains new details about a series of private meetings and phone conversations that took place between 1998 and 2000, around the same time that a CBC journalist was digging into the still secret cash payments.

During those discussions involving the two principals and various lawyers and advisers, Mr. Schreiber says the former prime minister's counsel revealed that Mr. **Mulroney** had filed a voluntary disclosure on the cash.

In his most recent interviews, Mr. Schreiber has supplied copies of memorandums and entries from his day-timer that he says support his claims that certain meetings and phone conversations took place. *The Globe* has sought to verify his version of events by attempting to speak with parties to the meetings.

One of these meetings occurred in Switzerland on Feb. 2, 1998. Mr. Schreiber arrived that day at the Savoy, a luxury hotel in Zurich, he says, at the invitation of the former prime minister. Mr. **Mulroney** was in the midst of a series of visits with European central bankers on behalf of the World Gold Council and took time out to catch up with his old political backer.

In 1998, Mr. Schreiber was not the sort of character with whom many politicians - Canadian or German - were eager to be spotted. His home in Germany had already been raided by authorities, who alleged that he was at the centre of a political financing scandal. A warrant for his arrest had been issued in his native country, which prevented him from going there from Switzerland. Back in Canada, he was known as the man at the centre of the Airbus affair, a scandal that Mr. **Mulroney** said had unfairly ruined his reputation.

Mr. Schreiber was met in the hotel lobby by Mr. **Mulroney's** assistant and former speechwriter, Paul Terrien, who escorted him to Room 209, where Mr. **Mulroney** was waiting.

According to Mr. Schreiber, after small talk and a plate of smoked salmon and pumpnickel, Mr. **Mulroney** got to the point: The former prime minister wanted to be sure there was nothing that linked him to the cash payments he had accepted five years earlier, Mr. Schreiber says.

"And the reason for his, for his visit, was more or less to find out whether there would be any evidence that he received any money," Mr. Schreiber said in an interview.

The businessman says he informed the former prime minister that he didn't know of any evidence that would link them financially. Mr. **Mulroney** charged the cost of the room and food to his Visa card.

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Mr. Terrien, who currently serves as chief of staff to Transport Minister Lawrence Cannon, confirms he walked Mr. Schreiber to the suite and saw him leave, but was not present for the meeting itself. Whatever was discussed, he says he didn't hear it - and he never asked his boss.

"I really, honestly, I never, never asked him and I wasn't interested in asking him and he didn't volunteer anything," Mr. Terrien said.

As it turned out, there was something that did, in fact, connect Mr. **Mulroney** to the cash payments.

Across the square from the hotel stood a building filled with secrets: the headquarters of the Swiss Bank Corporation. A bank account there would soon catch the attention of a journalist at *the fifth estate*, a bank account with a code-name similar to the name Brian.

When Mr. Schreiber was preparing to distribute cash to politicians and friends, he liked to disperse the money from sub-accounts and he would give codenames based on the recipient's real name: "Maxwell" was for Max Strauss, the son of a former Bavarian premier, and "Frankfurt" was for Canadian lobbyist and former Newfoundland premier Frank Moores, who is now deceased.

That's why CBC producer Harvey Cashore was so intrigued when he obtained Mr. Schreiber's bank records and noticed an account titled "Britan." Between 1993 and 1994, cash withdrawals totalling \$300,000 had been made from the Britan account. Mr. Cashore wondered - does "Britan" refer to Mr. **Mulroney**?

In a series of phone calls in October, 1999, the CBC producer tried to persuade Mr. **Mulroney**'s spokesman, Luc Lavoie, to grant an interview with the former prime minister. The spokesman insisted that Mr. **Mulroney**, who was still under RCMP investigation, would not speak on the subject. "He is going nuts," Mr. Lavoie told Mr. Cashore, before repeatedly denying that Mr. **Mulroney** had accepted money from Mr. Schreiber.

"I mean the bottom line is that he never received any money from anybody," Mr. Lavoie said later.

Another denial came again: "Because there never was any money. And to think otherwise is really to not know **Mulroney**. He is too smart to do something like that. It is just too dummy. It is too damn stupid. He wouldn't do that."

Mr. Lavoie also attempted to distance Mr. **Mulroney** from Mr. Schreiber, stressing that they were never close and were never friends. "Karlheinz Schreiber is the biggest fucking liar the world has ever seen. That is what we believe," Mr. Lavoie said at one point in the interview.

It was at this juncture that a frenzy of activity took place that suggested Mr. **Mulroney** was concerned about the CBC's inquiries.

He had stated under oath that he only met Mr. Schreiber "once or twice" for coffee, the Mounties were still on the case and now a journalist was sniffing around the still-secret cash payments.

After four phone calls over a period of nine days between the CBC producer and Mr. Lavoie, Mr. **Mulroney**'s lawyer, Gerald Tremblay, called Mr. Schreiber's Alberta lawyer, Robert Hladun, according to Mr. Hladun. Several hours later, Mr. **Mulroney** followed up with a call of his own, Mr. Hladun said.

Mr. Hladun did not produce a written summary of the exchanges until three months after they took place, and only after being asked to do so by the lawyer acting for Mr. Schreiber in his extradition case, Edward Greenspan.

According to the memorandum, which was obtained by *The Globe and Mail*, Mr. Tremblay advised Mr. Hladun of the impending broadcast and of Mr. **Mulroney**'s intention to send a letter to the CBC in an effort to quash whatever the network would say about the mysterious bank account.

"Received a call from Mr. **Mulroney**," Mr. Hladun would later write, "who advised that he had instructed Mr. Tremblay to issue a letter to CBC's *Fifth Estate* that if there was the slightest implication that Mr. Schreiber, Mr. Moores and Brian **Mulroney** were involved in any way... (I assumed as alleged in the Letter of Request) then there would be terrible consequences (I assumed that to mean a lawsuit)."

But before he sent the letter, Mr. **Mulroney** wanted "an assurance or comfort in writing from Mr. Schreiber," Mr. Hladun's memorandum states. Mr. **Mulroney** wanted Mr. Schreiber to say, according to the memorandum, "what he had said publicly on many occasions, that at no time did Brian **Mulroney** solicit or receive compensation of any kind from Mr. Schreiber."

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Mr. Hladun now says he was under the impression that Mr. **Mulroney** was asking for a statement denying that he received Airbus money. "Yeah, I don't think it was out of order for how I took it and what he was asking. You have to understand - I didn't know about any 300," he said, referring to the \$300,000 in cash payments that Mr. Schreiber handed to the former prime minister.

According to Mr. Hladun's memorandum, Mr. **Mulroney** phoned him again later the same day: "Another call from Mr. **Mulroney** at which time I indicated that I was not sure whether or not a letter would be forthcoming," Mr. Hladun's memorandum states.

In the days that followed, there was a second set of discussions, these between Mr. **Mulroney's** legal team and Mr. Greenspan, both Mr. Hladun and Mr. Schreiber said in separate interviews.

It was during these discussions that Mr. **Mulroney's** camp eventually let it slip that he had made a voluntary tax disclosure, Mr. Schreiber says.

Mr. Tremblay did not return a message left on his voicemail nor respond to a letter that *The Globe* and the CBC sent to his Montreal office. Mr. Greenspan declined repeated requests for an interview. When he was sent a letter outlining what Mr. Schreiber had recounted about the voluntary tax disclosure and how it came to light, the Toronto criminal lawyer replied with a letter of his own.

"I am not released from my obligation of confidentiality owed to my client and, in any event, I would not voluntarily discuss conversations with other counsel that were off the record or privileged," Mr. Greenspan wrote. "Therefore, my refusal should not be construed as affirmation of the information attributed to me."

Since Mr. Schreiber gave his interviews, he has had to surrender himself to a Toronto-area jail, where he is waiting for a Nov. 15 court hearing before the Ontario Court of Appeal. That hearing will likely determine whether he will be extradited to Germany, where he is wanted on charges of bribery, fraud and tax evasion.

Although many of the people involved in the discussions between the **Mulroney** and Schreiber camps have elected not to speak publicly, it can be said with certainty that Mr. **Mulroney** did not disclose the cash payments as income in the years that he received the money. He later exercised the legal right of any Canadian to come forward to the Canada Revenue Agency and paid what he owed.

The CRA created its voluntary disclosure program in 1973 so that taxpayers could declare unreported income without fear of prosecution. Tax lawyers and CRA officials often refer to the program as a "win-win" situation; it's an opportunity for taxpayers to rectify past errors and an opportunity for the government to collect funds it might otherwise never receive. CRA literature calls it a "fairness program that is aimed at providing clients with an opportunity to correct past omissions."

None of the government officials or tax experts interviewed by *The Globe* and CBC spoke directly about Mr. **Mulroney's** case; rather, they were asked to answer questions about the process and provide insight into hypothetical situations. CRA officials are forbidden by law from discussing the filings of individual taxpayers.

According to the agency's data from 2005-2006, there were 7,300 applications for voluntary disclosures, of which around 2,200 were denied. The program helped uncover \$330-million that had yet to be assessed for taxes.

One of the key stipulations for making such a disclosure is that the income has to be declared without any hint of an investigation by the agency. In other words, people can't wait until tax investigators discover they made a mistake on their taxes and then try to make things right by disclosing the income. A valid disclosure must also provide a complete explanation of the circumstances behind the unreported income.

Those facts raise questions about when Mr. **Mulroney** filed his disclosure and what he told investigators about the income. If Mr. **Mulroney** made his voluntary disclosure any time after Nov. 2, 1995, he would have been aware that he was the subject of an investigation by the RCMP, a highly publicized probe that focused specifically on his relationship with Mr. Schreiber - the very person who provided him the undisclosed income.

According to CRA spokeswoman Béatrice Fénelon, a person who is the subject of a criminal investigation can still file a valid voluntary disclosure, but the taxpayer must be completely upfront with investigators.

"If he is the subject of an investigation and is aware of it, [he] is under the obligation to disclose that they are under investigation as part of making a complete disclosure of information," she wrote.

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Also, Mr. **Mulroney**'s spokesman, Mr. Lavoie, has repeatedly referred to the cash payments as a "retainer." Stevan Novoselac, a partner at the law firm Gowlings and a tax expert, said in an interview that a retainer isn't taxable income until the funds are taken out of a lawyer's trust account and a bill is rendered to the client.

Is it possible that Mr. **Mulroney** waited to pay his taxes because he had been holding Mr. Schreiber's payment in trust and didn't immediately consider it income? If so, he wouldn't need to file a voluntary tax disclosure. He simply would have disclosed the payment on his annual tax return the same year that he took the \$300,000 out of trust. Moreover, Mr. Schreiber maintains he never received a bill for the services Mr. **Mulroney** provided.

Mr. **Mulroney** has repeatedly given public indications that he will get around to addressing the cash he took from Mr. Schreiber. When a CBC reporter questioned him about the payments in Ottawa in 2006 after *the fifth estate* aired its last interview with Mr. Schreiber, Mr. **Mulroney** responded: "Stay tuned."

A few weeks before the launch of his memoirs in September, he was asked by a Canadian Press reporter, as he climbed into a car in Ottawa, whether the book would broach the issue of the \$300,000 in cash. "Buy a copy. Buy a copy. Buy a copy." Mr. **Mulroney** responded.

But the book doesn't mention Mr. Schreiber.

Then, on the eve of the book launch, Mr. **Mulroney** appeared in a CTV program. When CTV anchor Lloyd Robertson asked about the matter, Mr. **Mulroney** dismissed the cash as "the usual trash and trivia of politics." An explanation will come, he told Mr. Robertson - but not now.

"I'm going to write about it in my next book," he said.

CBC News: fifth estate is scheduled to air a documentary tonight.

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