

## FAITH AND FORTUNE

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### Paul Reichmann: Talented, pious, driven--but not infallible

Few businessmen have ever single-handedly wielded so much power to as calamitous effect as did Paul Reichmann, the mastermind of Olympia & York Developments Ltd. Founded by Paul and two of his brothers in Toronto in the late 1950s, Olympia & York at its peak had amassed \$25 billion in assets, including 40 office towers and controlling stock holdings in Abitibi-Price Inc., Gulf Canada, and a half-dozen other major industrial corporations. Yet no one but a Reichmann ever owned stock or sat on O&Y's board. Through his unrelenting drive and outsize talent, Paul, the fifth of six siblings, came to dominate completely this most private of corporate empires.

Reichmann's forte as a property developer was the contrarian masterstroke, whether it was erecting a 72-story tower in downtown Toronto when many considered the city already overbuilt or constructing the most distinguished addition to the New York City skyline in half a century--the World Financial Center--on a sandbar in the Hudson River. Paul was widely lauded as a commercial genius, "an Einstein in a field that doesn't usually produce Einsteins," as one longtime colleague put it.

Rarely has extreme commercial ambition come as decorously packaged as in the person of Paul Reichmann. Born in Vienna in 1930, he had resided in Paris, Antwerp, London, Tangier, Casablanca, and Jerusalem before his 24th birthday. With his shy smile, soft-spoken politesse, and elegantly funereal attire, the peripatetic Reichmann was a capitalist daredevil in the genteel guise of an undertaker.

Like their Hungarian forebears, he and his brothers were strictly observant, or ultra-Orthodox, Jews. Even as their collective fortune topped \$10 billion, ranking them among the dozen richest families in the world, the Reichmanns led rigorously devout, modest, and private lives, mixing as little as possible with nonbelievers away from business. Revered by their Orthodox peers for their charity and religiosity, the brothers were no less esteemed by their business peers for their integrity. In straddling the disparate worlds of casino capitalism and religious fundamentalism, the Reichmanns maintained an improbable equipoise that seemed to confound the Biblical command "Ye cannot serve God and Mammon."

In truth, the brothers were never quite the equal of the superhuman myth that grew up around them. Their unusual background instilled in them high purpose and considerable self-reliance, but it also bred an insularity that left fateful gaps in their knowledge, judgment, and abilities. When they finally lost their financial balance, they fell to earth with a resounding thud. In 1992, in the midst of a profound slump in global property markets, creditors seized control of O&Y, dismantling it in the process. In less than five years, the Reichmanns had squandered virtually their entire \$10 billion fortune.

O&Y most likely would have survived had Paul not been compelled continually to top himself as a developer. Over the decades, his signature projects traced a steeply rising arc of scale and risk, culminating in the \$6 billion, 24-building Canary Wharf in London. In the end, Reichmann's ambition overwhelmed his talent, vast though it was. The roots of his compulsion are buried deep in the tumultuous history of an almost miraculously accomplished family.

### **The Bar Mitzvah in Beled**

Paul's father, Samuel Reichmann, grew up in Beled, a Hungarian village not far from the Austrian border. As a young

man, he built an egg-wholesaling business that soon encompassed most of western Hungary. In 1921, he married Renee Gestetner, a descendant of one of the region's most distinguished Orthodox families. Seven years later, the couple breached the geographic constraints of Orthodox traditionalism to seek their fortune in Vienna, where Samuel's business thrived as never before. He entrusted his profits to a Swiss bank, as Austrian Jews were increasingly menaced by Nazi anti-Semitism.

In early 1938, the Reichmanns began planning the bar mitzvah of Edward, their second child and eldest of their five sons. The ceremony was set for Mar. 12 at Vienna's preeminent Orthodox synagogue. Two weeks before the great day, Samuel's father, David Reichmann, was felled by a stroke in Beled. To accommodate the ailing patriarch, Samuel decided to move the ceremony there. Edward traveled immediately to Beled and soon was joined by his mother and 15-year-old sister, Eva. On Mar. 11, Samuel arrived with Louis, 10. Albert, 9, Paul, 7, and Ralph, 4, remained in Vienna with Trudy, their nanny.

That very evening, thousands of brown-shirted Nazis and their sympathizers poured into the streets of Vienna chanting "One people, one Reich, one Fuhrer!" and "Judah perish!" The mob rampaged through the city's Jewish district, vandalizing stores and dragging Jews from taxicabs to assault them. Radio reports from Vienna triggered copycat violence throughout the Hungarian countryside. In Beled, a roving gang of youths hurled stones at Jewish houses.

Behind the stoutly shuttered windows of the Reichmann home on Beled's main street, the family continued its preparations, listening to the radio and ignoring the racket outside as best as they could. Edward was crestfallen when his mother took him aside and explained that it had become too dangerous for his mentor, the chief rabbi of the nearby town of Papa, to attend.

At daybreak, Germany's Eighth Army crossed unopposed into Austria. A few hours later, 200 of the Reichmanns' friends and relatives gathered at the little synagogue in Beled and listened as Edward delivered his Talmudic discourse in a clear, strong voice. It would have qualified as a manfully defiant performance had he given the German taking of Vienna a second thought. "To me, the big thing was that the rebbe didn't come from Papa," Edward recalls.

While the Reichmanns and their guests were at the bar mitzvah reception, a pogrom raged back in Vienna. Crowds gathered to jeer as even the most infirm and elderly Jews were forced to use toothbrushes or their bare hands to scrub anti-Nazi graffiti from sidewalks and buildings. On Saturday evening, the Gestapo began rounding up Vienna's richest Jewish businessmen. The next morning, Samuel Reichmann dialed his own number in Vienna.

"What's new?" he asked the nanny.

"Oh, nothing," Trudy replied. "Only some men from the Gestapo were here." She was not being droll. Young and gentile, she did not perceive the menace in a knock on the door and an inquiry as to her employer's whereabouts.

Samuel Reichmann would never again set foot in Vienna. He was loath even to remain in Hungary, for he was convinced that an apocalyptic war was at hand and that his homeland would choose the wrong side. Faced now with an unbroken phalanx of fascism--Germany, Austria, Italy--that extended through the heart of Europe, Hungary had no alternative to alliance with Hitler, he believed. Why wait until the bond was sealed in blood? The next day, Reichmann hired a car and crossed alone into Czechoslovakia, then flew to London seeking refuge for his family.

Had David Reichmann not suffered his stroke when he did, and had Samuel not placed such importance on his father's presence at Edward's bar mitzvah, the Gestapo almost certainly would have arrested Samuel on Mar. 12. To be spared the ordeal of Nazi imprisonment through the instrument of religious ceremony was a deliverance from evil

that the Reichmanns considered an act of God in the most literal sense. In the ultra-Orthodox view, as journalist David Landau noted in his book *Piety and Power*, God "did not merely create [the world] and then leave it to run itself by rules of Nature which He had previously ordained....He is constantly and directly involved--both in the affairs of Man and in the operation of nature."

Embellished in the retelling over the years at countless bar mitzvahs and weddings, the story of the bar mitzvah in Beled became a cornerstone of family identity--Exhibit A in the Reichmanns' seldom articulated but deeply held sense of themselves as a family of exalted destiny.

### **Exile in Tangier**

The Reichmanns settled in Paris and remained in the French capital even after it came under air attack. Ten-year-old Paul horrified his parents by venturing out of a bomb shelter to sneak a look at the sky. "In the child's mind," as he later put it, "the adventure stands out, not the fear." In mid-June, 1940, with the German army closing in from the north, the family fled south in a rented flatbed truck, joining 2 million people in history's largest traffic jam.

The family made its way to Biarritz, crossed through Spain, and took refuge in the International Zone of Tangier, which Spain had recently occupied. In Tangier's incomparably freewheeling commercial markets, Samuel made a second fortune as a currency trader and banker. His profits helped underwrite one of the most distinctive homegrown rescue and relief campaigns of the Holocaust. At a time when much of Spain itself was desperately hungry, Renee and Eva Reichmann employed an artful mix of indomitability, feminine charm, homespun diplomacy, and bribery to maneuver the fascist government of Francisco Franco into sponsoring the shipment of tens of thousands of food parcels to inmates of Nazi concentration camps.

Until 1944, when Mrs. Reichmann succeeded in raising funds in the U.S., the parcel program was financed solely by the Reichmanns and a few other refugee families. Labor, though, was never in short supply. A revolving cast of two dozen volunteers, mostly Orthodox mothers and their children, gathered in the Reichmanns' apartment daily to assemble the five-pound packages. "I remember the excitement of staying home from school certain days to help pack or packing through the night and being able to sleep late," Paul recalled in the late 1980s.

A series of black-and-white snapshots showing the brothers at these labors conveys not excitement but an almost ceremonial solemnity. With their angular frames draped identically in white dress shirts, skinny ties, and fedoras, the brothers project a European formality eerily at odds with their rough-hewn Arabian surroundings.

The Tangier volunteers mailed parcels to a half-dozen different camps, but by far the most went to Theresienstadt and Auschwitz-Birkenau. As the centerpiece of a brazen campaign to disguise the purpose of the concentration camps, Theresienstadt had been given the facade of a prosperous prewar village. In reality, its inmates died en masse of starvation and disease while awaiting shipment to Auschwitz to be gassed. Even so, the Germans couldn't keep up the fiction of a "model Jewish settlement" while denying its inhabitants the right to receive food parcels from home. Mrs. Reichmann was quick to exploit the camp's liberal food parcel policy.

Theresienstadt prisoners were required to acknowledge each parcel by signing a postcard that was mailed back to the senders. In and of themselves, these cards proved nothing. But the postwar testimony of survivors demonstrated that a large number of parcels sent to Theresienstadt were in fact delivered. The Reichmanns saved hundreds of such postcards sent to Tangier, as well as scores of letters received after the war from grateful survivors.

The Nazis never intended the Auschwitz-Birkenau complex as a model of anything but assembly-line murder. Not only were parcels sent there routinely confiscated by the SS, but guards often stole even the prisoners' paltry camp-issued rations. However, Mrs. Reichmann, who heard indirectly from an ultra-Orthodox woman inside the camp who had been chosen to work as an SS secretary, was able to tell U.S. diplomats in Tangier that she "had definite knowledge that the Birkenau packages...are being received safely."

Because Spain was the only avowedly pro-German regime among the nominally neutral nations, food parcels arriving at concentration camps under the Spanish Red Cross label were the least likely to be confiscated, especially when they came labeled "For Prisoners of War." This designation was Mrs. Reichmann's bluff, since neither Spain nor the International Red Cross had designated concentration-camp inmates POWs.

After German forces occupied Hungary in 1944, the Reichmann women outdid themselves in orchestrating an intricate diplomatic ballet that led to the Spanish government's taking at least 1,200 Jews under its protection in Budapest. Scores of people in cities from Washington to Montreaux shared the credit, but the essence of the rescue project was this: What Mrs. Reichmann proposed, Generalissimo Franco disposed. For the Reichmanns, this triumph was the silver lining of overwhelming personal tragedy, for dozens upon dozens of the relatives they'd left behind in Hungary perished.

Strictly speaking, Paul and his brothers were not themselves Holocaust survivors, having been spared the agonies of the concentration camp. But by settling in Tangier rather than some safely distant land, the Reichmanns passed the Holocaust in the very shadow of occupied Europe. The Nazi menace was a fact of daily life that left a deep imprint in the soft clay of the brothers' adolescent consciousnesses yet did not warp mind, body, or soul. To the contrary, their experience was on balance constructive, for they were clasped to the bosom of an exceptionally tight-knit family that achieved mightily in their people's hour of greatest need. "The Reichmann boys never had that feeling inside, that inner fear holding them back," says an Auschwitz survivor who achieved more modest if more enduring success in Toronto real estate. "I kept telling them to slow down, take their time. But their outlook is different....They see only opportunity."

### **The Master Builder**

After World War II, Tangier was roiled by an Islamic nationalist movement that culminated in the city's absorption into an independent Morocco in 1959. Over a period of years, the brothers and their parents emigrated to Canada, while Eva moved to London. Edward settled in Canada first, in Montreal, where in 1955 he founded Olympia Trading Co. to import tiles from Spain.

In naming this, the predecessor to one of history's greatest private corporations, Edward put the Olympia in Olympia & York by purest happenstance. He was in his hotel room one afternoon when his lawyer called from the corporate registry to say that all of Edward's choices were already taken. Idly examining the contents of his suitcase while he spoke, Edward came across two new pairs of socks. One carried the brand name Panther, the other Olympia. "How about Olympia?" he asked. And so, Olympia it was.

During the family's first decade in Canada, Edward and Louis set the pace in Montreal, expanding rapidly in tiles and branching into real estate development. In Toronto, Albert, Paul, and Ralph more methodically built their own tile importing and development company. In the mid-1960s, the elder brothers faltered, and their siblings rescued them from impending bankruptcy by merging the Montreal businesses with their own. At the same time, after a decade's self-tutoring in the fundamentals of business, Paul stepped to the fore and began to distinguish himself as the most gifted, driven, and quietly idiosyncratic property developer of the postwar era.

At first, Paul had seemed the Reichmann least likely to devote himself to commerce. In 1947, at 16, he had left Tangier for five years of Talmudic instruction in Britain and Israel. He returned qualified to practice as a rabbi but followed instead in the activist footsteps of his mother. From 1953 to 1956, he worked without pay as educational director of a philanthropy that ran religious schools for Morocco's impoverished native Jews. Based in Casablanca, he traversed the vast Moroccan hinterland. "Paul was a tremendous idealist," says Moses Lasry, Reichmann's closest associate in those years. "A great fire burned within him."

Reichmann didn't so much abandon the cause as it abandoned him. By the time he left for Canada in 1956, most of the poorest Moroccan Jews had already emigrated, mainly to Israel and France. In Toronto, he gradually refocused the zeal he had brought to missionary work on the altogether less selfless calling of property development. As he tells it, his fierce business drive was a byproduct of Olympia & York's early success, not its fuel: "I never set out to build a giant company."

For the strictly observant Jew, commercial ambition is a touchy subject. As Reichmann himself concedes: "Personal drive is supposed to be devoted more to matters of the mind than to business." Yet by all accounts but his own, Reichmann devoted himself so intensely to his new vocation that he had little time to continue studying the Talmud and would struggle to make sufficient time for his wife and five children.

Reichmann shrugs off questions about his motives with a tight half-smile and polite change of subject. When pressed, he implies that he was compelled to fill empty lots by the same impulse that drives a painter to fill empty canvases: "There is the purely mathematical approach, and there is the creative part of building. One can get carried away with the creative part. It became exciting to me to do different kinds of developments. My ambitions grew in terms of the size and scope and creativity of the projects. There is an enjoyment in being able to do something that others consider difficult if not impossible."

Aside from a taste for luxurious home furnishings, inherited from their mother, Paul and his brothers had no use for wealth's material trappings. It is often said of moguls who aren't extravagant consumers that for them, money is just a way of keeping score. For any son of Renee Reichmann, however, money never could be merely the currency of ego. One of the fundamental lessons of the Reichmanns' Holocaust odyssey was that wealth could mean the difference between self-reliance and self-betrayal, freedom and captivity, and, ultimately, life and death.

In postwar North America, the threat the family perceived was symbolized not by the concentration camp but by the Reform temple, the public school, and the TV set. The brothers founded O&Y with the goal not merely of making a living but also of generating the surplus needed to finance a self-contained local infrastructure of parochial schools, synagogues, and other institutions required to project the family's religious identity into succeeding generations. Long before they became billionaires, they set aside a heaping portion of O&Y's income for charity. All told, the brothers would give away more than \$1 billion, almost all of it to ultra-Orthodox causes.

But Paul's ambition also had a deeply rooted secular aspect. In Casablanca, he had supported himself by moonlighting as a textile merchant with Lasry. From the start, "Paul's priority [in business] was always building a reputation of the highest quality," Lasry recalls. "For him, it was a mission with a capital 'M.'" As the scion of a family admired for its muscular brand of piety, it was only natural that Paul should want to prove himself a worthy heir. But his precocious stress on reputation also appears to have been a reaction against the less honorable aspects of the family's Tangier legacy.

Both during and after the war, Tangier thrived as a smuggler's paradise. "For a true comprehension of the activities of this [currency] market, the fact must be borne in mind that almost all transactions are based on contraband," the U.S.

charge d'affaires in Tangier observed in a 1943 dispatch. There is no evidence that Samuel Reichmann directly engaged in smuggling. But as an important currency dealer, he was a cog in Tangier's black-market economy and thus fell well short of the standard of irreproachability to which Paul would later aspire.

In a 1988 newspaper interview, Paul said he had "refused to go into business" in Tangier because he "wanted to do something for the world." Later, he disavowed the comment: "'Refused' is not the right word. I was not antibusiness." Perhaps not, but a young man emerging from a five-year immersion in Torah studies would not have had to be opposed to business per se to be repulsed by Tangier's famously sleazy brand of commerce.

### **Seeds of Empire**

Olympia & York built more than 100 office towers and warehouses, but its rise to predominance essentially hinged on three outsize developments--Flemingdon Park and First Canadian Place in Toronto and the World Financial Center in New York--and one astoundingly prescient purchase.

In each case, the Reichmanns profitably spurned conventional wisdom. But Paul also distinguished himself through his technical mastery of every facet of business. "What Paul was excellent at was his ability to listen and ask questions of all sorts of people and then go off by himself and use his own brain finesse to improve on something," says Robert Canning, a Toronto investment banker who helped Reichmann craft scores of transactions. "He was better than his lawyer, better than his accountant, and, yes, better than his financier. He was better than everybody at everything. For 25 years, I said he was the most brilliant man I ever met."

Flemingdon Park was a sprawling office development on the outskirts of Toronto begun by Webb & Knapp, a U.S. company that had overextended itself and began selling off assets at fire-sale prices in the early 1960s. Other developers were intimidated by the sheer size of half-completed Flemingdon Park and put off by the stigma of failure. Although O&Y was still tiny by comparison, Paul recognized a bonanza in the making. In 1965, he engineered a deal in which he and his brothers gained control over the largest part of Flemingdon Park--300 acres of prime suburban property--without putting up a penny of their own money. Completing the project generated huge surplus cash flows that Paul used to lay the foundations of a far larger company.

The \$200 million First Canadian Place project, begun in 1973 in partnership with the Bank of Montreal, completed the Reichmanns' drive from Toronto's suburbs into its financial district downtown. The centerpiece of this retail-and-office complex was a 72-story tower, the tallest building in the British Commonwealth. Leased at premium rents, First Canadian Place soon became Canada's finest corporate address. What's more, in its construction, O&Y pioneered methods that established it as the world's most cost-efficient skyscraper builder.

Long before First Canadian Place was completed in 1982, Paul refocused his ambitions south of the Canadian border. The bargain he found in Manhattan in 1977 proved one of the most lucrative purchases in modern real estate history, vaulting the Reichmanns into the ranks of the superrich in a few years' time. O&Y bought eight skyscrapers from Uris Building Corp. for about \$334 million--and only \$46 million down--just as the New York market began to pivot from bust to massive boom. O&Y paid \$30 a square foot for about 10 million square feet of office space. When the market peaked in the late 1980s, the properties were worth \$300 a square foot, or \$3 billion.

In negotiating the Uris purchase, Reichmann demonstrated extraordinary clarity of mind and great tenacity. The deal's critical element, though, was sheer daring: In essence, he wagered his company on his conviction that Manhattan's depressed office market would rebound sharply. If truth be told, he was attracted not just by the probability of success but also by the possibility of failure. "Paul knew perfectly well the risks he took and liked taking

them," says investment banker Canning, adding: "He told me: 'My religion won't let me go to Las Vegas. This is my Las Vegas.'"

By most interpretations, Jewish rabbinical law stops short of prohibiting gambling. But like most religious fundamentalists, the ultra-Orthodox frown on gambling as at best an unproductive distraction. Reichmann disavows the gambler label, though not with the vehemence one might expect. "I don't think I am [a gambler], but it is difficult for a person himself to decide about his character," he said a few years after O&Y's collapse. "...What some might call gambling was that I was willing to risk my fortune on what were not yet proven facts."

Reichmann followed the Uris purchase with an even bigger bet on New York City's future. For a dozen years, New York officials had been struggling to create a city-within-a-city on a spit of landfill at Manhattan's southern tip. By 1980, they were offering Battery Park City sites at giveaway prices, but developers remained leery of the unproven location. Reichmann blew away his rivals by committing to construct the project's entire commercial core--five buildings containing 8 million square feet. When the World Financial Center was completed in 1988--on time and on budget, as usual--the Reichmanns surpassed the Rockefellers as Manhattan's largest real estate owners.

### **Canary Wharf**

Canary Wharf, the last of O&Y's mammoth undertakings, was more ambitious than the World Financial Center by several orders of magnitude. First, there was its size--24 office buildings, including a 60-story tower that would dwarf every other office building in London. And while the New York complex lay hard by Wall Street, Canary Wharf was to rise two miles from the City, London's financial district, and in the wrong direction to boot--eastward, along a stretch of decrepit Thames riverfront aptly named the Isle of Dogs.

In the mid-1980s, the Thatcher government had begun an effort to rehabilitate the Docklands district, which included the Isle of Dogs. But Whitehall failed to invest in what the area needed most: transportation. Other than the Thames, the only connections between the Isle and central London were a traffic-clogged two-lane road and an unreliable light-rail system. Still, the government had larded the Isle of Dogs with tax breaks and financial incentives so huge as to all but eliminate land as a development cost.

Before O&Y purchased the site in mid-1987 from an American-led investment banking consortium that had launched and promptly abandoned the project, Paul Reichmann made the rounds of Britain's largest corporate tenants. "I asked them, 'Are you satisfied with your existing space?' The answer was a strong 'No,'" Reichmann recalls. "But when I asked them, 'Would you move to Canary Wharf?' the answer also was 'No.'" Englishman Keith Roberts, O&Y's senior construction executive, strongly advised against Canary Wharf. Brothers Albert and Ralph also were unenthusiastic.

But for Paul, Canary Wharf was irresistible. An ardent admirer of Margaret Thatcher, he believed that her administration had infused Britain with a new entrepreneurialism that would make London the reborn financial capital of an increasingly unified Europe. The city would need vast amounts of new office space, which only Docklands could accommodate. He was confident the Isle's transport deficiencies could be cured by joint private- and public-sector investment. And not even the stuffiest corporate panjandrums, he figured, would be able to resist ultramodern, top-quality space at half the going rate in the City.

After the World Financial Center opened, Paul had told a reporter that what pleased him most was that the new complex had made "a prominent imprint on New York City." The World Financial Center was indeed a widely hailed emblem of New York's renewal. But as the centerpiece of the Thatcher government's Docklands revival, Canary

Wharf was a venture of national consequence--as well as a way to stamp the Reichmann imprint on the skyline of the historic capital of the English-speaking world. Canary Wharf "is a challenge of creativity and will make a contribution for generations to come," Reichmann declared in 1988. "It will be recognized as the best in Europe...and the world."

Massive as it was, Canary Wharf was not out of scale to O&Y. The company had become a colossus, with cash flow in excess of \$400 million a year. But financial might aside, Paul did not believe he was wagering O&Y's future on Canary Wharf, since he never doubted the project's success. The Reichmanns had always shunned publicity, but in the early stages of Canary Wharf, Paul was all over the papers, issuing statements so bullish as to evoke the prefight hype of professional boxers. "On a scale of 1 to 10--if the risk with [the World Financial Center] was 9--here it would be 1," he proclaimed.

Other developers would have arranged construction financing in advance. Not Reichmann. "We can complete it on our own strength," he said of the eight-building first phase. In his remarks at Canary Wharf's groundbreaking, he redefined ceremonial optimism: "The only question that enters our minds is: 'Will success happen immediately or later?'" At age 57, Paul Reichmann had ceased believing in the possibility of his own failure. Or, as he conceded after O&Y's collapse: "The fact that I had never been wrong created character flaws that caused me to make mistakes."

When a nephew by marriage, Morris Brenick, had decided in the early 1980s that he, too, wanted to go into real estate, Reichmann had taken the young man aside and confided in him. Recalls Brenick: "Paul told me, 'If you are now going into business, I will tell you that what multiplied my initial success by a factor of 100 had nothing to do with my own efforts. It was God's will that I was successful on such a scale.'" If the activist God of Reichmann's faith had smiled on his lesser works, surely He would not let Canary Wharf fail.

### **Ruin & Revival**

As it turned out, in addition to all the other strikes against it, Canary Wharf suffered from abysmal timing. In late 1989-90, the London office market plunged into a deep and protracted recession. O&Y had completed or nearly completed 12 buildings at a cost of about \$3 billion but had preleased only about 55% of the space, largely because it had failed to land a single British tenant.

North American property and financial markets slumped simultaneously, sapping O&Y's strength across the board. The downturn exposed critical defects in O&Y's foundation. During the 1980s, the brothers, to hedge their investment in real estate, had shelled out billions to buy stock in oil and other natural resource companies in the mistaken belief that the high inflation of the 1970s would persist ad infinitum. With the onset of recession, the portfolio's value plunged. Worse, Paul had chosen to finance Canary Wharf's construction by borrowing against his trophy properties in North America rather than selling one or two, inflating O&Y's indebtedness to an insupportable \$20 billion.

Had Reichmann presented his many creditors with a realistic restructuring plan in 1991, O&Y probably would have survived in shrunken form. Instead, he went to great lengths to mask the severity of O&Y's problems while arranging an increasingly desperate series of ad hoc transactions in hopes the world economy would turn and restore the foundations of the company's prosperity.

In May, 1992, Paul grudgingly surrendered control of Canary Wharf to court-appointed administrators in London and put O&Y under bankruptcy court protection in Toronto. The net effect was to dismember the greatest property development company in modern history and wipe out the Reichmanns' equity, leaving the family with \$100 million at most.



Paul's abrupt transformation from the Einstein of Real Estate into the Man Who Blew \$10 Billion humbled him but didn't come close to extinguishing his developer's verve. While he now admits to many strategic missteps, he bristles at the widely held notion that trying to refashion the Isle of Dogs into a business district to rival the City was one of them. "Olympia & York brought Canary Wharf down, not the other way around," he insists. "Olympia & York's problems were extremely deep; Canary Wharf's problems were not deep."

Reichmann began maneuvering to regain Canary Wharf even before he officially lost it. A few hours before putting the project into administration, he phoned his two most trusted construction managers and asked them to remain on the job come what may. "It was an instinctive thing on my part, rather than a definite plan," Reichmann says. "I wanted the talent in place in case I was able to make a comeback."

His tenacity soon assumed audacious form. In the summer of 1992, Reichmann assembled a group of well-heeled investors in an effort to buy Canary Wharf back from O&Y's creditors but was promptly rebuffed. Shifting tack, he worked up an elaborate plan to develop three large office projects in Mexico City--valued at a total of \$1.5 billion--in partnership with billionaire fund manager George Soros. When the peso collapsed in late 1994, Reichmann, at Soros' insistence, put the projects on hold. He then assembled a new investor group to bid for Canary Wharf. In October, 1995, the consortium reached agreement to buy the project for 800 million.

Today, more than 80% of the space in Canary Wharf's 12 completed buildings has been leased, and the complex is generating a small monthly operating profit. Within a month or two, Canary Wharf Ltd. will break ground on a 13th building, which Citibank already has committed to buy. "The exciting part of [the Citibank] transaction," Reichmann says, "is that it jump-starts our plans to build Canary Wharf to its full dimensions." This time, though, he makes no bold predictions of inevitable success. "It will be a struggle," concedes Reichmann, whose ambition is tethered in part by dependence, since he owns only about a 5% equity stake in the reconstituted Canary Wharf.

Separately, Reichmann also has revived one of his Mexican projects and is scouting new investments. The odds are against his building a second company the size of O&Y or regaining billionaire status. Nor will he ever again be regarded as a great business sage. At age 66, however, Reichmann remains what he has long been: one of the most resourceful and resilient entrepreneurs of the 20th century.

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