

Dateline Montreal by Matthew Guice

Reichmanns are in deep trouble

After the Campeau bust, now the devaluing of Gulf Canada may mean that New York's biggest landlord is going broke.

With the recent publication of a report on their financial holdings by Dominion Bond Rating Service Ltd. of Toronto, (DBRS), the fortune of the three Reichmann brothers—Paul, Albert, and Ralph—appears to be having trouble. Probably the most comprehensive study of the mysterious Canadian family's wealth ever compiled, taking four analysts six weeks to complete, with no help from the very private company staff, it valued their investments in Canada itself at \$6.6 billion, but added that since some of these holdings represent controlling interest in several corporations, the sale of these as blocks would more likely push the value up to the neighborhood of \$9 billion. This figure—though certainly in excess of the \$1.6 million they were reported to be worth 25 years ago—is a step down, according to the report's authors, who expressed strong doubts about the future of Gulf Canada, which represents about one-third of the stock market portfolio of the Reichmanns.

Gulf Canada's bond rating was downgraded in March by DBRS, and on April 12, by Moody's Investor Service, because of an "excessive" proportion of fixed charge obligations in its capital structure, about 60% of the capitalization of the company.

But the report still does not cover the Reichmanns' extensive real estate holdings in the United States, where, through Olympia and York, they own 28 million square feet of New York office space and are the largest landlords in that city. Nor does it cover other real estate development projects over the world, such as the \$250 million, 60-story office building planned

for downtown Moscow, to be the tallest building in the U.S.S.R.

The slipping status of the Reichmanns' fortune due to Gulf Canada's problems is the second recent setback for the brothers. They had also invested \$600 million in the Campeau Corp. of Toronto, whose stock has gone from \$22 per share to less than \$2 per share recently. According to the DBRS report, "If the worst-case scenario prevailed, we estimate that Olympia and York would lose \$150 million on Campeau at most."

Still to come appear to be shocks to another Reichmann-controlled company, the forestry giant Abitibi-Price, of which they own 82%. Looming on their horizon are labor problems, environmental concerns, and the dropping price of newsprint in a glut.

Stock market insiders are saying this shouldn't make stockholders fear any loss of dividend, because, as with Olympia and York, Gulf Canada will need the dividends themselves for cash flow, so the dividends will be paid. In 1989 Gulf Canada reported \$423 million cash flow, paid \$95 million to preferred shareholders, another \$62 million in common share dividends, and then reported a loss of \$24 million for the year. Will these financial difficulties in Canada force the Reichmanns to sell off New York City real estate and burst that bubble?

There are repercussions for their co-thinkers in the Bronfman clan. Albert Reichmann is the co-chairman of the Canada-U.S.S.R. Business Council—a parallel to the Bronfman-linked U.S.-U.S.S.R. Trade and Economic Council.

The Reichmanns have many irons in the same fire as the Bronfmans. Albert sits on the board of Bramalea Ltd. with Peter Bronfman, and with both his brothers on the board of Trizec Real Estate Corp. with Peter and Edgar Bronfman. An investigation published in *War on Drugs* magazine in January 1981 titled "Shooting Up Rents in NYC: Real Estate and the Dope Mob" mooted that the Reichmanns were merely a front for the same interests that built the Bronfman fortune, and that their real estate ventures were part of related drug money laundering operations.

Paul Reichmann also sits on the board of Hollinger Inc., along with Peter Bronfmann, Henry Kissinger, and Lord Carrington. This is Conrad Black's newspaper conglomerate with branches in Canada, Britain, the Cayman Islands, and, with the purchase of the *Jerusalem Post*, Israel.

The Reichmann family's business dealings are kept so secret, it is hard to know if they, like Bronfman and Kissinger, are involved in land speculation in the Israeli-occupied West Bank. But Albert Reichmann certainly shares Bronfman's concern for making sure Soviet Jews are conduit to the West Bank.

Indeed, Albert Reichmann has reported that his Canada-U.S.S.R. Business Council was formed last June as a direct spinoff of efforts to get Prime Minister Brian Mulroney to raise the question with Soviet Foreign Minister Eduard Shevardnadze when he visited Canada in 1986. After the trip, Reichmann was contacted by Canada's minister of external affairs, Joe Clark, who suggested he set up something with the Soviet Union, "business or otherwise." "I came to the idea," Reichmann told the *Globe and Mail* in July 1989, "that maybe it is not bad to do business with them."