

The Rise and Fall (AND SUBSEQUENT FALL AND RISE) of Ilan K. Reich

**

In 1987, Ilan Reich went to jail for insider trading. He thought he'd hit rock bottom. But that was before his battle to be readmitted to the bar, his controversial stint running a breast-implant maker, a plane crash, a brain tumor, and paralysis. Inside one man's 20-year battle "to get back what I had." BY JENNIFER REINGOLD

AS HIS PLANE SMACKED DOWN belly-first into Bowline Pond and began to sink, Ilan Reich was oddly calm. Then 50, he didn't see flashes of glowing light or fast-forward through the highs and lows of his life. He had been in bad spots before, terrible spots, in fact, and he'd always managed—through what he terms his “maniacal pursuit of the unattainable”—to pull out of them. At first, on that hazy June day in 2005, it seemed he'd done it this time too, when he pulled his plane's parachute and maneuvered the aircraft out of the way of a group of fuel tanks and into the Haverstraw, N.Y., inlet. But now, as the water seeped into the cockpit of his Cirrus SR22, it was hard to see how all that effort was going to do him much good.

“So this is how it ends,” he said aloud. It was, it seemed, a sad but fittingly dramatic end to an equally dramatic life.

And then the plane came back up.

The door was jammed, but Reich, an experienced pilot, grabbed a life jacket and a hammer and bashed a hole in the side window large enough to force his body through. Although he had fractured his spine and cut his hands on the shards of glass, he eased himself onto the wing and then began to swim toward shore, untangling his leg from the plane's parachute lines just before it sank—for good this time—in 30 feet of water.

So this wasn't going to be how it ended. Or was it? Reich was rushed to Nyack Hospital, where he submitted to a series of X-rays. “The ER doctor comes in and says, ‘There's the crack in your back. It's no big deal—we'll give you a brace,’” Reich remembers. “And he comes back a second later and says, ‘Oh, by the way, did you know you have a brain tumor?’”

HARD LANDING
Reich beside the
Hudson River inlet
where he crashed
his plane in 2005.

Ilan was a remarkable lawyer. He will no longer be able to practice his profession. For Ilan, disbarment is a profound and devastating punishment. Even if there is a possibility of reinstatement after a period of years, the disbarment is lifelong in effect because his legal career is destroyed. Many of his former partners shun him and probably always will. For him, the punishment is capital in nature.

—Letter from Lawrence Lederman, partner at Wachtell Lipton Rosen & Katz, to Judge Robert Sweet, Dec. 15, 1986, pleading for leniency in the sentencing of Ilan Reich (pronounced “ee-lon ry-sh”).

The last time Ilan Reich almost died, it was a metaphorical passing. A 1986 cover story on him in *The American Lawyer* was titled “Death of a Career,” but it was really much more than that; it was the very painful and equally public crumbling of an identity. One moment Reich was a brilliant young partner at one of Wall Street’s most elite M&A law firms and the doting father of two (soon to be three) boys. The next moment his multiple dimensions flattened to just one: criminal. On Oct. 9, 1986, Reich pleaded guilty to securities and mail fraud for tipping Drexel Burnham Lambert banker Dennis Levine off to several deals that Wachtell was working on.

Had his story ended there, he would have been little more than the answer to a trivia question, a cautionary tale about a 25-year-old lawyer who lost himself in the huge insider-trading ring that ultimately ensnared Michael Milken and Ivan Boesky and cast a decade-long shadow over Wall Street. But Reich’s story is much more complicated than that. Driven by insecurity more than greed, he never collected any of the illegal profits he’d “earned.” He publicly admitted guilt, went to jail, and launched a seemingly quixotic quest to rehabilitate himself by being reinstated to the bar and—ultimately—running a public company. “I wanted to get back what I had,” he says, repeating a phrase he uses several times in our interviews. Reich did, indeed, get it back. But years later, in the course of a few seconds at the controls of a plane, he lost it again. He’d have to use all of his survival skills to face a different kind of rehabilitation—recovery from complex brain surgery and partial paralysis.

Thin and hyperkinetic, with large, deep-set eyes and a corona of hair that began to turn white in college, Reich projected competence and confidence from



BAD COMPANY Reich was a player in the insider-trading ring that ensnared such figures as Michael Milken and Ivan Boesky and was chronicled in the bestseller *Den of Thieves*.

his first days at Wachtell. A Stone Scholar and member of the Law Review at Columbia, he impressed everyone around him with his creative solutions to knotty legal problems, his intense work ethic, and his seemingly solid moral code.

But Reich had demons. The second of three children raised in an upstanding Orthodox Jewish family in Midwood, Brooklyn, he had always felt inadequate beside his 17-month-older brother, Yaron, who preceded him at the same high school, college, and law school. Ilan had rejected his family’s faith and had a difficult relationship with his parents. He had never made friends easily, had trouble communicating with his wife, and was perceived by many of the Wachtell partners as arrogant.

So when Dennis Levine, then a young banker at Smith Barney, spotted him across

the room in a deal meeting and invited him to lunch, Reich believed he’d found a new friend. He hadn’t. Levine wanted a blabbermouth, not a buddy, and he told him about a virtually risk-free scheme that could net both of them millions if Reich gave him the heads-up on pending deals.

Reich knew in every cell of his body that it was wrong, wrong, wrong. But for reasons he still struggles to explain, he did it anyway. “In my arrogant and naive way,” he says, “I didn’t appreciate that (a) there were con artists and (b) my own arrogance was going to be a source of tremendous downfall.” He tipped Levine on one deal, then another, and another, leaking a total of 12 in just over two years, before he decided to stop in late 1982. But he stayed friendly with Levine—who had cultivated several other sources at other firms and banks—and in April 1984, when his interpersonal issues had made partnership less than certain and the survival of his marriage equally so, he started again, tipping Levine on deals involving companies like G.D. Searle.

In August 1984—just three months before he learned that he was in fact going to make partner at Wachtell—Reich again backed out of the scheme, telling Levine to “go fuck himself.” He never collected

Reich, a promising young lawyer, was just 25 when he began to leak information. At 32 he was sent to jail.

ILAN REICH

one cent of the \$300,000 that Levine said he had set aside in a secret account and in fact never asked for or received proof that the money was even there, which helped assuage his guilt.

When Levine was arrested on May 12, 1986 (and began naming names, including titans like Ivan Boesky as well as young behind-the-scenes types like Reich), the young attorney denied everything, certain that his actions were untraceable. But in July, when the lawyers at his firm ushered him into a conference room and hammered away at him, it was clear that he was caught. Convulsing with sobs, he confessed and begged forgiveness. Afraid Reich might kill himself, his lawyer Robert Morvillo asked that someone stay with him that night. "His life was clearly passing in front of his eyes," Morvillo says. "It was one of the really low, low spots I've ever seen a client in to this day."

In October 1986, Reich pleaded guilty to one count each of securities and mail fraud and paid a fine of \$485,000, leaving his family nearly broke. He was disbarred. "I am saddened by the pain that my acts have caused to my family and friends," he said at his Jan. 23, 1987, sentencing hearing. "I am ashamed for having betrayed the trust placed in me by my former colleagues and clients. I feel shattered every time I think about these things..."

Despite the letters of support, Judge Robert Sweet sentenced him to jail for a year and a day as Reich's pregnant wife looked on (his third son was born four days later). "However, in imposing this sentence," the judge wrote, "I want to make it clear that if ever reinstatement to the bar is appropriate ... this is such a case."

Sweet had tossed Reich a tiny grain of hope. It was enough to make him believe he might one day be able to redeem himself.

* *

IN MARCH 1987, at age 32, Reich reported to the Federal Correctional Institution in Danbury, Conn. He washed pots, taught English, and rode a tractor for his job on the grounds crew. He kept a journal; he played chess; he fretted about what his son, who was learning to read, would say when he realized what the letters P-R-I-S-O-N stood for.

He also plotted his return. Although most people, even the ones who hadn't rejected him, wanted him to disappear—move to Maine and work in a bookstore



SPEAKING VOLUMES Reich had all the documents related to his ordeal bound in a three-volume set, even the courtroom doodle he penned while awaiting his sentence.

or something to avoid the awkwardness of their having to deal with him—Reich wasn't going to do that. "I considered it, but at some point I ... decided that was going to be a huge cop-out and that I'd always regret it," he says. He would pay his debt to society, then prove to everyone that his lapse in judgment was just that.

After seven months Reich was released to a halfway house for six weeks. He took a job at Western Publishing Group, doing business development for an investor named Richard Bernstein, whom he had met when he was at Wachtell and they were on opposite sides of a negotiation. He earned a decent living, but it wasn't enough. To truly recover, he decided, he had to be readmitted to the bar. His chances were slim; in New York State at the time, only

five lawyers disbarred for felony convictions had ever been readmitted.

So Reich launched his maniacal pursuit of the unattainable. He did charity work. He wrote to friends. Some supported him, while others brushed him off. He reached out to big-name lawyers, even several whom he barely knew, and explained why he deserved another chance. "That kind of unidirectional strength and fixation is bound to irritate people," says Judge Sweet today, "[but] I think his rehabilitation is due primarily to his own efforts."

Although the New York Appellate Division's disciplinary committee initially recommended against Reich's reinstatement, the final judgment six months later readmitted him. He isn't sure why the decision was reversed, but it didn't matter much. After almost ten years of struggle, he was free to practice law again. "I just closed my door and cried," he says. Reich stayed up all night, writing letters aching with regret and relief to the people he'd betrayed and to others who had helped him. "You achieved the sweetest victory: the restoration of my dignity," he wrote to his lawyer Milton Gould.

Still, many of the same lawyers who wrote letters were unwilling to hire a convicted felon. "It was devastating," says Lederman, now at Milbank Tweed Hadley McCoy, who has stayed friendly with Reich. "He [couldn't] get hired. Because the stain was there."

After a six-month search, Reich accepted a job at a small firm, Olshan Grundman Frome Rosenzweig & Wolosky, and was immediately attracted to the most controversial cases. In 1997, Inamed, a manufacturer of breast implants swimming in a sea of product-liability lawsuits, hired his firm to help with a takeover defense against a hedge fund. Working with the chief executive, Donald McGhan—who was also the subject of an SEC investigation—Reich helped break the logjam and settle some 40,000 outstanding lawsuits.

For the company to start afresh, however, the board decided McGhan had to go. In January 1998 it named Richard Babbitt CEO and Reich executive vice president, and then, in December, president. Inamed thrived, going from \$106 million in 1997 sales to \$240 million in 2000, the same year the board elevated Reich to co-CEO. Sure, the proxy statement had to list his history in stark black letters, but he was again in the public eye, making decisions

After almost ten years of struggle, Reich was free to practice law again. "I just shut my door and cried," he says.

and earning big money. In 13 years Reich had clawed his way from a jail cell to the helm of a large public company.

Yet for all his drive and intelligence, Reich's style somehow managed to undermine his substance. In 2000, Babbitt (now deceased) was accused of sexual harassment. Before consulting the board, Reich put Babbitt on paid leave. "I should have reversed the order [of events], but given where I was in life, maybe I had some hypersensitivity to ethics and morality," he says. The board saw things differently, and effectively put Reich on leave too—permanently—in January 2001. "I think he was eager to become No. 1, and he may have moved too aggressively," says Mitchell Rosenthal, a former Inamed board member. "[The relationship] couldn't go forward after that."

Today Reich is eager to gloss over how things ended. The job "brought me back in every respect—emotionally, psychologically, reputationally," he says. It brought him back financially, too, with more than \$10 million in severance. "By the time I got finished with Inamed, I think I was on par with, if not beyond, where my peers were at Wachtell Lipton. It was a measuring stick in my mind," he says.

When lawyers finish a deal, they often commission a bound leather book containing all the papers pertaining to the transaction. Now that Reich felt he had some closure, he decided to do the same. He consolidated all the correspondence around his case—his prison journals, the stories written about him, the materials on his readmission project, and even the psychiatric reports and the abstract doodle he drew while awaiting sentencing. He put the material into three bound volumes, with tabs separating sections and a gold-printed leather spine that reads, "Ilan K. Reich: Selected Personal Documents, 1986–1995." The unvarnished history of the most shameful act of his life now sits on a shelf in his den, where his children are free to look at it. "You can't erase history," Reich says. "You have to live with it and deal with it."

Believing his resurrection complete, Reich decided to try something else: relaxing. Not that he was particularly good at it. He played golf obsessively, snowboarded, served a short and contentious stint as CEO of SpectruMedix, a troubled biotech company he had invested in, and then began flying lessons, something he'd started at the age of 20 and then abandoned because, he says, "it wasn't that safe." He bought a plane

Parachuting pilot escapes crash

A small plane crashed into a Rockland County pond yesterday after the pilot suffered leg pains and parachuted out, police said.

The pilot, **Ilan Reich, 51**, who was rescued from Bowline Pond in Haverstraw, suffered a cut on his head getting out of the

4:41 p.m., about a minute after the pilot issued a mayday call, Haverstraw police said.

Reich bailed out because he had pain in his legs and couldn't pull the plane out of a dive, it said.

"It was a pretty loud crash sound," said Janice Santos, 21, police said.

Santos said he went to get his camera, and by the time he returned, the plane had almost completely sunk. Only its tail was visible.

The plane was a Cirrus



RUDE AWAKENING Reich is admired by fellow pilots for maneuvering the plane in order to avoid hitting fuel tanks. He didn't know a brain tumor caused his blackout till later.

and threw himself into charity work for an organization called Angel Flight America, shuttling sick people to medical appointments as often as three times a week. In one month in April 2004, he flew 18 missions. "I put literally 15 years of flying on my plane in two years," he says. "It's the most direct form of philanthropy I've ever been involved in."

REICH WAS unconscious for about 20 seconds, just long enough for his Cirrus SR22 to go into a steep dive at the rate of 4,000 feet a minute (almost four times the normal speed of descent). He'd had a seizure, caused by a brain tumor about the size of a golf ball. And on that day in June 2005, not know-

ing whether he would black out again, Reich had two choices—try to bring the plane back up, or abort the flight and pull the airplane's parachute. He chose the chute—but as it deployed, he realized the plane was heading right for a group of fuel tanks. He improvised, gunning the engine with the parachute open, and somehow guided the plane to its watery runway. It was "an extraordinary act of risk taking," says Thomas Hoving, the former director of the Metropolitan Museum of Art and a fellow pilot. "This guy is an extraordinary hero to us fliers."

That was little consolation to Reich, who scheduled brain surgery for Aug. 2, 2005, at New York-Presbyterian Medical Center. Though not malignant, the tumor had burrowed through several layers of the brain, making the operation a much more complex and dangerous process than was first thought. "The minute I saw this," says Dr. Michael Sisti, the neurosurgeon, "[I said] 'Oh my gosh. Thank God we're here today, but in the process of managing it, his life is going to change forever.'" Reich was kept awake but sedated for the procedure, and as the surgeon cut, he relived the trauma of the accident, scream-

Reich was unconscious for about 20 seconds, long enough for his Cirrus SR22 to go into a steep dive.

ing over and over, “I’m going to crash!”

When he emerged from the post-surgery fog the next day, Reich was paralyzed on his right side. He couldn’t feel his arm, his torso, or his leg. His shoulder was permanently dislocated, because he had no muscle control. He couldn’t stand, feed himself, or hold a pen. His doctors told him that part of his movement would come back but that he needed to accept his new reality. Reich was devastated, depressed, furious—and motivated. Once again, he was determined to get back what he had. “It took me 15 years to climb out of that pit,” he remembers thinking. “I was not going to spend 15 years in the pit again.”

Two days after the procedure, Reich wrote an e-mail to his friends describing the hospital’s rehabilitation program. “The objective is to enable me to walk (largely unassisted), and be capable once again of independently taking care of myself. My personal goals are a bit more ambitious: to regain enough nerve and motor control to play golf this fall [and to] go snowboarding in the winter.”

Paralyzed and furious, Reich mouthed off so much that the nurses wheeled him to the wall and left him to sulk.

Furious with what he saw as the glacial pace of progress at the hospital, he mouthed off so much that the nurses wheeled him to face a wall and left him there to sulk. He did so until he realized that he had enough strength in his right arm to make the wheel move. Reich spent the next hour frantically wheeling himself up and down the hall. His arm gave out, but he had gotten some mobility back in his shoulder—and decided that the only way back would be to do it on his own. “He really managed his own rehabilitation,” says Sisti. “This guy took it like a challenge to be conquered.”

On Aug. 19, Reich checked out of the hospital—early—refusing to use a wheel-

chair. “I couldn’t walk. I was faking it,” he says, his voice cracking for the first time in our hours of interviews. “I almost fell over every step.” His youngest daughter, Robin, helped him practice everyday motions like lifting a glass, and he hired a trainer. He loved golf, so he went to Manhattan’s Chelsea Piers several times a week, hitting bucket after bucket after bucket of balls until his shoulder released.

Despite his difficulties, he insisted on going forward with a trip to Italy at the end of September that he had planned with Ilene Fischer, a doctor he had met online (he separated from his wife in 2002). “Here’s a guy who’s half paralyzed,” says Fischer, “and he climbed the Due Torre [two medieval towers] in Bologna.” Within five months, Reich had been snowboarding and later learned to scuba-dive as well.

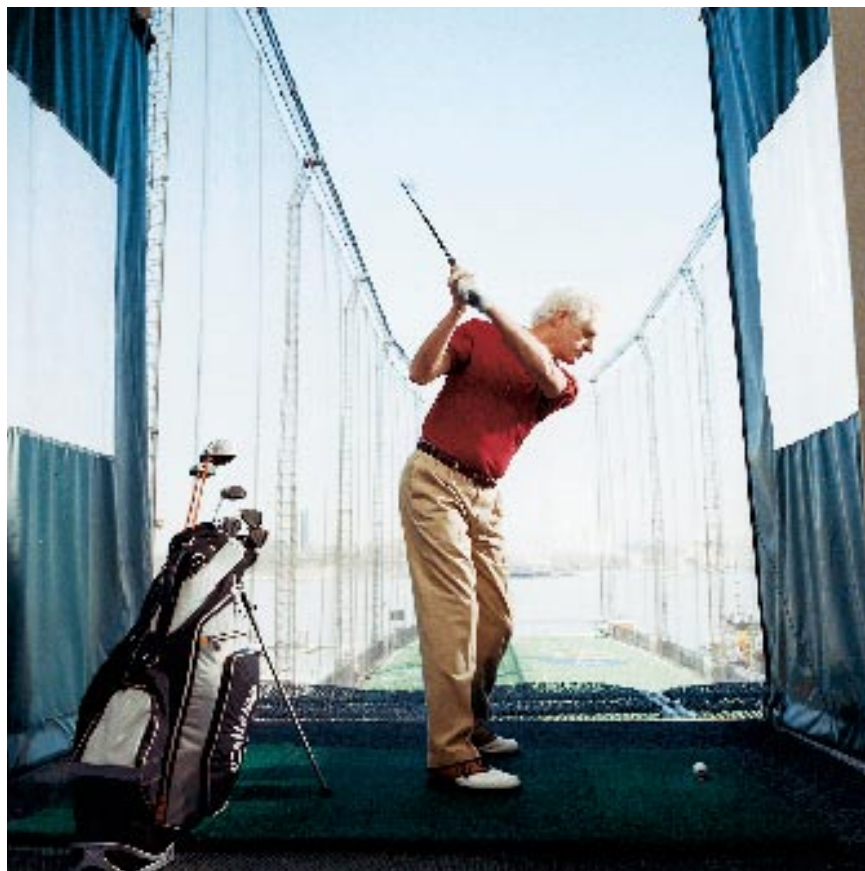
Reich is 52 now. Twenty years have passed since he reported to prison. He still has to think in advance about where to place his right foot, since he has no sensation in it. Although he remains numb on much of his right side, he has regained 95% of his range of motion, even after finding out in February 2006 that he had yet another tumor (in a less dangerous place this time) and enduring another, less difficult surgery.

With his past bound up in that three-volume set on the shelf, these days he’s looking forward. He married Fischer on May 20 and says he might like to run another company. When we first spoke for this story in January, he told me it was unlikely he’d ever become an active pilot again. By mid-May, however, he’d changed his mind, and he says he hopes to persuade the FAA to give him his license back soon.

“There’s a great saying among pilots,” Reich tells me during our last interview. “You start out with two buckets: the bucket of luck and the bucket of experience. The bucket of luck is full and the bucket of experience is empty. You start learning how to fly, and every time you have a bad situation, you take a little bit from the bucket of luck and move it over to the bucket of experience. Hopefully ... you gain enough experience before you run out of luck.” When you apply the saying to Reich’s own life, it’s clear he’s not hurting for experience. And when it comes to luck? Either he never had much to begin with, or he’s the luckiest guy around. **F**

FEEDBACK jreingold@fortunemail.com

MICHAEL LEWIS



NEW MAN Reich’s self-imposed rehabilitation included hitting thousands of golf balls.