

CHUYÊN ĐỀ DU LỊCH, ẨM THỰC
HO CHI MINH CITY EDITION
JUNE 2013

word



ENTREPRENEURS



NHÀ XUẤT BẢN LAO ĐỘNG

E N T R E P



Opportunity is all around us. That's the story we're repeatedly told — living in a country with a decade of explosive growth in its recent past, and a 5.5 percent growth rate even in these trying times. Many people are part of this trajectory, and this month we illuminate those working both on the forefront and in the corners of this thing called business.

We're avoiding the flash-in-the-pans that pop up almost every week — although a whole book could be written telling the tales of people in this town who don't have a business plan. Instead we're looking at the mavericks whose passions supply the heart of the economic movement. Singularities like the man who made Kem Nghia a beauty-savvy household name, the woman who sells 3,000 bowls of soup a day and the 17-year-old graffiti kid who's brought quality street art tools to Vietnam. These people didn't need a business plan — it was already in their every thought.

The business world is often seen as a necessary evil, a breeding ground for the weird baseless egotism that made Christian Bale's character in *American Psycho* kill the guy who had a nicer business card. Here the entrepreneurial instinct is the redeeming part, the province of those who care about something enough to make it a reality, profits be damned. These folks aren't slaves to the bottom line, and they're as close as you're going to get to idealists in the world of business.

If this past decade was about getting Vietnam up to speed with the modern world, the business decisions of this next decade will determine its shape and ethics as it makes its own future. And to understand what that future will be like, we look to the people making those decisions on a daily basis, with their blood, sweat and business savvy.



RENEURS

**"Opportunity is missed by most people because it is dressed in overalls and looks like work."
— *Thomas Edison***

B I L L I O N A I R E S H A D O W



The French-built, American-restored Dalat Palace Hotel should be part of the nation's folklore. But the real story behind it involves an American lawyer and the enigma that was **Larry Hillblom**, one-third owner of logistics company DHL. Words **Derek Milroy**, photos **Alexandre Garel**

In 1994, US lawyer Barry Israel arrived in Hanoi to start working with Vietnam's Ministry of Trade. It was the beginning of a journey that was to bring him in contact with the legacy of Larry Hillblom, the owner of the Dalat Palace Hotel.

Part owner of logistics giant, DHL, Hillblom fathered a number of children in Asia Pacific, but refused to acknowledge their existence up until his mysterious death in 1995. Perishing in a fatal plane crash on a flight from Pagan Island to Saipan in the South Pacific, the bodies of the pilot and of a fellow passenger were found. But Hillblom's body was never recovered.

"I was involved in the legal fight and our team broke up the will of Larry Hillblom," recalls Israel. "When the estate was closed, my client and the foundation that was set up in the will took control of the Vietnam properties. My client owned 30 percent and the foundation owned 70 percent. I was asked to represent Larry's oldest son because of my ties with Vietnam and my history with Larry, who I had known since 1982."

He adds: "Larry and I had been adversaries on a number of major deals in the Pacific region... Everyone connected to Larry knew about the kid, and they did things to cut him off. So we spent years fighting that. My client was from Palau, which is in the Pacific Islands, south of Guam. Two other children are from the Philippines, and one other kid is Vietnamese."

THE WILL

Hillblom lived in Saipan in the South Pacific. There were eight children claiming descent and Israel and his legal team had to fight the foundation people to "keep them from stealing the money while figuring out how to prove that the kids were real".

Under US law, the family wasn't required to provide DNA as proof. Yet Israel's team discovered that the lawyers and the people from the foundation had gone in and cleaned out Hillblom's house of fingerprints. The sinks had been scrubbed with muriatic acid and toothbrushes, combs, hairbrushes and clothes were found buried in the backyard,

making them useless for DNA testing.

"Larry obviously didn't instruct anyone to do this, but his people did, after he was dead," continues Israel. "Under US law, if you are a manager of the foundation you are permitted to make a salary that is a percentage. So what Hillblom did in his will was to set the foundation up. He put his brothers in, and the guys who worked for them who then managed the foundation, which would provide them with a very good income."

This meant they had a vested interest in making sure that the whole legacy went to the foundation. Hillblom had already been in an airplane crash before the one that killed him. He lost an eye and his face was completely crushed. So, he went through all sorts of reconstructive surgery.

"As a result of that, in 1982, he wrote a will," says Israel. "His will set up the foundation — the money was to go to medical research. But, under US law, if you have children, you must provide for those children in the will, either saying that they get something, or they don't get something."



"[Hillblom] spent US\$40 million restoring the Dalat Palace Hotel as well as the Dalat Palace Golf Course. Overall he spent US\$94 million in Vietnam"

But Larry didn't do that, and he wouldn't do that. [Everyone] knew about that boy, in Palau. But Larry wouldn't change his will."

FINDING EVIDENCE

Born in 1943, Californian native Hillblom co-founded DHL which started off delivering shipping documents via air courier days before the ships arrived, so that the ships could be quickly unloaded. The company was later transformed into a general air courier, and Hillblom's wealth expanded to several billion dollars.

In the 1980s he moved to Saipan in the South Pacific, where he started several businesses and development projects in Hawaii, Vietnam and the Philippines. He spent US\$40 million restoring the Dalat Palace Hotel as well as the Dalat Palace Golf Course. Overall he spent US\$94 million in Vietnam, his portfolio including the properties in Dalat, the Novotel Phan Thiet (now Hotel Du Parc Phan Thiet), Ocean Dunes Golf Course in Phan Thiet and the Riverside Apartments in Ho Chi Minh City's District 2.

The Dalat Palace Hotel featured French restaurants and Larry's Bar, and opened in 1995. Hillblom is described in his biography by James Scurlock, *King Larry: The Life and Ruins of a Billionaire Genius*, as having bedded underage girls after moving to Saipan. This is also chronicled in the 2009 documentary, *Shadow Billionaire*.

Women from several Asian and Pacific countries made claims that he had

committed statutory rape on them and was father to their children. However, since Hillblom's body was not recovered in the crash, there was no DNA that could be used to determine paternity.

The investigators then had a masterstroke. They decided to check if the DNA of the children matched. Since the kids were located in different countries, if the children shared certain DNA markers, they would almost certainly have the same father. In the end, a settlement was reached under which Larry's mother submitted to genetic testing. The tests confirmed that four of the eight claimants were Hillblom's children.

It was ultimately determined that the Vietnamese kid Lory Nguyen, two children from The Philippines and a child from Palau, Larry Hillbroom Jr. (his name was misspelled on the birth certificate) were fathered by Hillblom.

In the final settlement, each of the children received about US\$90 million (around US\$60 million after taxes and lawyer fees), while the remaining US\$240 million went to the Hillblom Foundation, which followed Hillblom's wishes and donated funds to University of California for medical research.

"He was the youngest of the owners at DHL, and he always thought that he'd outlive everybody," says Israel. "So when he died, it was complete chaos."

THE HOTEL

In 2000 one of Israel's clients had an interest in Dalat Palace Hotel, and a majority of

shareholders asked him if he would consider giving up his law practice and taking over the company, at least for a short period.

His job was to try to sell the company, but when he got his hands on it, it was in terrible trouble. Hotels were for sale all over the region because of the Asian Financial Crisis. There were no buyers. And the company nearly went bankrupt. Yet somehow he managed to keep the property afloat and in 2003, he got the chance to buy out the majority shareholders.

"We had a hotel and golf course in the middle of Dalat and another in Phan Thiet, but they hadn't been marketed at all so nobody knew about them," says Israel. "So as soon as I got a positive cash flow, every bit of money that came in I spent on PR and marketing." As part of his PR drive he brought in 'Mr. Golf in Vietnam', Jeff Puchalski, who gave him a crash course in the industry.

In 2005, Dragon Capital bought a piece of the company. And in 2007, Indochina Capital made an offer for the rest, so Israel sold it. He and his wife Tam then bought a factory that produces high-end lacquer furniture, exporting it to 43 countries.

Israel admits he put every penny into the Hillblom paternity lawsuits for four trying years. He was travelling all over the world, because there were properties everywhere. He risked both his financial security and his health on the case.

He says: "My partner and I were working 20 hours a day, seven days a week. I remember, for years through the case, we were working on Christmas Day with just the two of us and a local counsel."

Eventually the courts stepped in and awarded a payout to all of the lawyers. Israel and his partner fared particularly well as they had saved the estate. A court awarding money to lawyers was unprecedented.

"The judge was a really good guy, he was tough on everybody," says Israel. "But the estate had the estate money to play with. So they had unlimited resources and we were just a couple of guys fighting. Both myself and my partner used all of our savings, everything [just to keep going]. My kid was in college, in private school, it was tough. But we were committed all the way."

Israel and his partner received a percentage of the money awarded to the child in Vietnam, plus a refund of their expenses. He joined the case in 1995 — Larry died in July 1995 — and the lawsuit was finally completed in October 2000. It was in the summer of 2000 when Israel was asked if he would come to Vietnam and take over the Dalat Palace Hotel.

"That was the turning point of my life."



The Latest Venture

Sitting in a District 3 restaurant with his wife and business partner Tam, it is clear that Israel is glad to see the back of Hillblom and his offspring. The couple have been together for a decade and have been married five years. Despite Israel's reputation as one of the toughest lawyers in America in his day, he insists Tam is the business brains of the family.

After his involvement with the Dalat Palace Hotel, they started to look at more land in Dalat. Barry provided financing, and Tam started to buy — she now owns a lot of freehold land, large pieces in the city, with great locations.

At the end of 2007, they started to develop a piece of land they thought was interesting. Built at a 45-degree angle on the side of a

mountain, it took them about four years to finish the infrastructure. Israel insisted on quality, so he manufactured strong foundations to make sure the buildings will hold up. Getting the property as they wanted created all sorts of difficulties.

Tam handled all the negotiations for the land and the construction — the permit, licenses and contracts. By the time that was finished, the bottom retaining wall was 130 metres long and 16 metres high, which is the highest retaining wall to have been built in Vietnam.

Everything was constructed in granite blocks; the retaining wall is made with approximately 1.6 million of them. But it all means the property is built in a way that will make it last. As for the architecture, they

wanted to maintain the French colonial style typical of other villas in Dalat.

The La Vallee de Dalat is the only private, guarded, secure compound freehold in the city.

"The complex is a second or third home destination," says Israel. "The market for this complex is wealthy Vietnamese and possibly some foreigners from Southeast Asia. We built the houses for two families to share, or for a large family. The entire top floor of each house (the house is three storeys) has two side rooms. The ground floor has a guest bedroom, which looks out onto the valley. The basement has another guest bedroom, and even a cigar room."

Check out the project at valleedalat.com