

Underwriter's Annual Review
Fiscal Year:2019

Account: Trump Organization LLC
Branch: Metro
Underwriter: Claudia Markarian

Current Date: 02/10/2020
Account#: ST00087851

Financial Review and Summary:

Financial Review and Summary:

FYE: 06/30/2019

Net Worth: \$1	Tangible N/W: \$1	Net Quick: \$1
Revenue: \$0	Gross Profit: \$0	Ant. Max Prog.: \$0
Net Profit: \$0	Debt/Worth: 0.0:1	G&A Expense: \$0

No Comments entered for this section.

Personal Financial Analysis:

Party Name	Party Role	Net Quick	Net Worth	FS date
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02/07/2020 Claudia Markarian: - **In-Person Review of Personal Financial Statements 6/30/19 - Donald J. Trump.**

- Typically, the financials are reviewed in late November. Due to scheduling conflicts between Zurich, Aon, and Trump, the original meeting date was December 10, 2019. On that date, we were advised that the CFO was out sick, so the meeting was pushed to January 2020.

- I reviewed the personal financial statements of Donald J. Trump on 1/15/20. Ultimately, all activities of the Trump Organization, DJT Holdings, and other entities role in the DJT Revocable Trust. Donald J. Trump is the sole beneficiary of the Trust. Reviewing his personal statements reflects all activities of the Organization.

- The personal financial statements were compiled once again by the CPA firm, Weiser Mazars. I met with the CFO, Allen Weisselberg and AVP of Financial Operations, Patrick Birney who provided some insight on the Trump Organization while I reviewed the statements. Patrick is involved in compiling the statements with Weiser Mazars.

- Cash on hand was \$87mm and escrow funds were \$28.8mm. The CFO advised that over the past year, the have continued to pay down debt and worked to increase liquidity.

- Total assets were \$6.57B, with \$5.9B connected to his investments in real estate and golf club resorts. The fair value of the properties is appraised annually by a professional firm. This year it was done by Newmark Group and has previously been done by Cushman & Wakefield. The reason for the change is the individual at Cushman & Wakefield with whom the Organization had a longstanding relationship with moved to work at Newmark. Hence, Trump Organization continued to work with the same person for their property valuations. The firm provides the capitalization rates to Trump as well as updated comps. This, combined with the Net Operating Income factor provided by Trump Org., determines the valuation of the properties. His largest property by value is Trump Tower for \$806.7mm followed by 40

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Wall Street for \$724.1mm. The CFO indicated that asset quality was very good, meaning the value of properties has been kept year over year and does not vary significantly during cycles. Real estate licensing assets were \$182.4mm. Trump does not enter new licensing deals but maintains what it has. The CFO indicated there is potential for much more licensing opportunity but given that Trump is still president, the Head of the Hotel division will not enter new deals. He has expressed that there would have been at least 30 more licensing deals. Most properties held are in the U.S., with the exception of club facilities in Ireland, Scotland, and St. Martin. All other foreign properties with the Trump Logo are licensing deals. Asset levels are generally close to the prior year. Trump did sell two apartments in Trump Park, some units in Las Vegas, vacant lots, and a home in Beverly Hills (\$2mm) over the past year.

- Other assets were \$274mm which includes various personal properties, aircrafts, vineyards, etc.

- Loans on real property payable was only \$468.2mm. Debt to total assets is roughly 7%, which is very low leverage for a real estate company. The CFO has indicated he has been working to deleverage the company for years while still taking advantage of low interest rates for liquidity. The Organization is also required to maintain certain levels of debt on various buildings depending on the sale agreement for certain interest amounts to be paid.

- Mr. Trump's stated net worth is \$6.1B.

- The CFO indicated that there are no plans for Capital Expenditures/Acquisitions/Dispositions for next year, so we anticipate continued deleveraging and stable results at next year's review.

Surety Program

01/17/2020 Claudia Markarian: - Current outstanding liability is 23 bonds for approximately \$10.5mm in exposure. Bond usage is essentially the same as the prior year.

- The largest obligation is a \$5.4mm Retro Deductible bond, and a \$2.7mm Injunction bond. The rest of the exposure is spread across non-hazardous performance bonds, discharge of mechanic's lien bonds, and L&P bonds. Bond needs typically arise when associated with new real estate development or upgrades on projects.

Operations/Management Review:

Operations/Management Summary/Update:

02/07/2020 Claudia Markarian: - The Trump Organization is a privately-owned conglomerate based at the Trump Tower in Manhattan, New York. The Trump Organization is a global luxury real estate super-brand and is responsible for many of the world's most recognized developments. Trump is renowned for its leadership in real estate development, sales and marketing, and property management representing the highest level of excellence and luxury in residential, office, and retail properties.

- It was founded in 1923 as E. Trump & Son by Donald Trump's Grandmother and Father. Donald Trump led the Organization from 1971 to 2017, renaming it Trump Organization in 1973.

- Due to the election of Donald Trump to the Presidency, he has personally removed himself from any activities related to the Trump Organization. Previously, Donald Trump directly owned the assets of the Organization. They have since removed him one level through the development of the Donald J. Trump Revocable Trust.

- An Org. Chart is in eFile. The Donald J. Trump Revocable Trust owns 100% of DJT Holdings Managing Member LLC and 99% of DJT Holdings LLC. The two LLC's in turn own all the vast

business entities/properties/LLCs under the Trump umbrella.

- The Donald J. Trump Revocable Trust's trustees are his sons Donald Trump Jr. and Eric Trump, and Allen Weisselberg, Executive Vice President and Chief Financial Officer (30+ years with Trump Organization).

- Donald J. Trump is the sole beneficiary of the Trust.

- Since the election, the Trump Organization is essentially in maintain mode of the portfolio both domestically and internationally. There are no major plans for acquisitions or dispositions while Trump is president.

- Trump properties include: Trump Tower, Nike Town, 40 Wall Street, Trump Park Avenue, Trump Plaza, Mar-a-Lago, and Trump National Golf Clubs in NY, NJ, FL, CA, DC, PA, and NC.

Reference:

Rates:

Rate Determination Form updated since current FYE? Yes

Contract Rate Plan: Standard	Modifier: 1.00	Last Doc Date:
Commercial Rate Plan: Flat-Merit	Modifier: 2.00	Last Doc Date: 01/17/2020

01/17/2020 Claudia Markarian: - The account rate is \$10/m.

- The deductible bond rate is \$11.50/m effective the May 2018 renewal. Prior to this, the rate was \$12.50/m.

- Premium for the past 12 months was less than \$130m.

Collateral:

No Comments entered for this section.

Banking Relationship:

Bank Name	Bank Line	Expiration	Security	Security Agreement Received
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01/17/2020 Claudia Markarian: - As explained by the CFO, the financing for the organization is handled by various third parties. The organization does not have open lines of credit with their banks, as each loan is handled on a case by case basis for that property. The buildings or properties are used as collateral to reduce the interest rates on their loans. Per each sale agreement, various amounts of debt are required to remain on the property for interest to the financial institutions.

Indemnity Review:

Name	Indemnity Amount
DJT Holdings LLC	Unlimited
Donald J. Trump	Unlimited

02/07/2020 Claudia Markarian: - We hold the personal indemnity of Donald J. Trump on form J1117 Ed 6/02 executed on 10/22/09.

- Prior to the execution of the GIA, we took individual applications for each bond.
- With Trump's election to the Presidency, the indemnity structure required revision. Surety Risk Solutions was involved closely with this process.
- The program up until this time had been based on the personal financial strength and individual indemnity of DJT. Questions about whether Zurich can enforce the current indemnity while he is a sitting President arose. It was determined that in the event of a claim situation, and we needed to go to court to enforce the indemnity agreement, Zurich could file suit against Mr. Trump. The concern was that the suit could be stayed for the duration of his Presidency.
- In order to strengthen our indemnity position, the Trump Organization provided the indemnity of DJT Holdings LLC. This holding company is very senior within the organization and owns a majority of Mr. Trump's substantial assets. The operating agreement for the LLC was provided. A resolution was executed by DJT which extends the authority to Donald Trump Jr. and Allen Weisselberg to indemnify on behalf of the LLC.
- The GIA rider was executed effective 1/17/17 by these two individuals adding DJT Holdings LLC to the current indemnity to cover all liability. See all documents in eFile.
- On file is a signed NDA (Zurich's form) dated 11/20/2020 in effect for one year. A new one will need to be completed to review financials for next year.

D & B/Credit Ratings:

Report Date: 01/31/2020 D&B Rating: 1R4 Paydex: 064

No Comments entered for this section.

SP Credit Ratings:

Report Date: SP Rating:

No Comments entered for this section.

Moody's Credit Ratings:

Report Date: Moody's Rating:

No Comments entered for this section.

Fitch Credit Ratings:

Report Date: Fitch Rating:

No Comments entered for this section.

Zurich Credit Ratings:

Report Date: 01/17/2020 Zurich Rating: zNR

01/17/2020 Claudia Markarian: - Not rated, based on indemnity of an individual and no audited financial statements.

Portfolio Management/Watchlist:

Account Active on the Watchlist? No

No Comments entered for this section.

Claims Review:

Open Claims: 0 Total Losses Incurred: \$0

No Comments entered for this section.

Litigation /Disputes:

No Comments entered for this section.

Other Relevant Factors:

01/17/2020 Claudia Markarian: - There is currently no insurance relationship with Trump Organization.

02/07/2020 Claudia Markarian: - The CFO indicated there is no material litigation outstanding for the Trump Organization. They do not expect any large court bond needs in the near future.

Conclusions and Recommendations:

Anticipated Maximum Program: \$0 Zurich's Bonded Commitment: \$0

FYE Account/Program Recommendations:

02/07/2020 Claudia Markarian: - With the review of Mr. Trump's personal statements for 6/30/19, which represents all business holdings, the Trump Organization is once again in very good financial shape. It has high liquidity, very low debt compared to its peers, and little capex requirements for the next year. Further, the asset quality in the portfolio is very good and sustainable, with valuations of properties being consistent from year to year.

- Aside from the IP bond, our exposure remains relatively low hazard and small penalty. To date, there have not been any issues with the program.

- Although the indemnity package and financial disclosure is not perfect, it is highly unlikely the Trump Organization would allow any of our bonds to end up in a claim situation. There is also substantial liquidity within the company to cover any of our bonds should there be an issue. The CFO was highly professional, well educated, and conscientious about the operations. Many employees have worked for the Trump Organization for extended periods of time. There is a widespread employee loyalty to the organization and Trump family. The CFO remarked that the new leadership of the Trump Organization, Eric and Donald Jr., are hands-on, and in the office working every day except when travelling.

- Based on the indemnity package, substantial financial position of the Trump Organization / DJT personally, the long-standing relationship with Aon and Trump, my recommendation is to renew the current program of \$6mm single / \$20mm aggregate to cover existing liability and to allow room for any other additional bond requests.

- Annual on-site visits to review financials of DJT personally. The next visit will likely be in Q4 2020 or early 2021. The CFO stated that it is possible for Patrick Birney to conduct the meeting next year (which should help with scheduling).

- New annual NDA execution.

SDA History:

SDA Status: Approved			
Home Office: Single Bond:		Program:	Expires:
Regional Office: Single Bond:		Program:	Expires:
Branch Office: Single Bond:	6,000,000	Program: 20,000,000	Expires: 11/30/2020
Agent Line of Authority: Single Bond:	0	Program: 0	Expires: 11/30/2020

No Comments entered for this section.

Additional U/W Comments and Guidelines:

No Comments entered for this section.

Distributor Information:

Agency: AON RISK SERVICES NORTHEAST INC
Address: 165 BROADWAY STE 3201
NEW YORK, NY 100061404
Telephone: 2124411000
Fax: 2124794269

11/27/2018 Claudia Markarian: - Aon is paid 27.5% in commission, except for the Deductible bond which is 20%. The deductible bond's commission was previously 12.5% but we agreed to increase to 20% at the 18-19 renewal as a broker accommodation.

- Zurich has been surety for Trump since 2007.