SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

PEOPLE OF THE STATE OF NEW YORK, by LETITIA JAMES, Attorney General of the State of New York, Plaintiff, -against- DONALD J. TRUMP, *et al.*, Defendants.	Index No. 452564/2022

EXPERT REPORT OF MICHIEL C. McCARTY

May 26, 2023

PX-1780
Index No. 452564/2022 (AFE)

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I. INTRODUCTION

A. Qualifications and Assignment

1. I am the CEO, Chairman and founding partner of M.M. Dillon & Co. LLC ("Dillon"), a leading boutique investment bank based in Greenwich, CT that is involved with high growth corporate clients and their transactions. I have been retained by the Office of the Attorney General ("OAG"), acting on behalf of plaintiff People of the State of New York ("Plaintiff"), as a qualified expert witness in investment banking, capital markets, bank loans, the due diligence process and related transactions.[1]

2. I have been specifically retained to render expert opinions related to the economic impact, if any, of false and misleading Statements of Financial Condition that were used by Donald J. Trump, entities owned and/or controlled by him and/or the Trump Organization ("Mr. Trump" or "Defendants")[2] over the 2011-2021 timeframe in securing new loans made by Deutsche Bank ("DB") totaling $456 million (the "DB Loans") and several additional loans unrelated to DB (together the "Transactions").

B. Background of Michiel C. McCarty

3. I serve as Dillon's Chief Executive Officer and Chairman and, for the majority of my time, act as an investment banker on investment banking transactions, including transactions similar to the case at issue in this dispute. Specifically, I have been involved in structuring and financing multiple large-scale transactions involving bank lending based on the guarantee of wealthy individuals via various banks' personal wealth management groups. Dillon is a sixteen-

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[1] Unless otherwise indicated, capitalized terms used herein have the meaning ascribed to them in the Verified Complaint of the People of the State of New York, by Letitia James, Attorney General of the State of New York, Index No. 452564/2022; dated September 21, 2022 (the "Verified Complaint").

[2] The Defendants include Donald J. Trump, Donald Trump, Jr., Eric Trump, Ivanka Trump, Allen Weisselberg, Jeffrey McConney, The Donald J. Trump Revocable Trust, The Trump Organization, Inc., Trump Organization LLC, DJT Holdings LLC, DJT Holdings Managing Member, Trump Endeavor 12 LLC, 401 North Wabash Venture LLC, Trump Old Post Office LLC, 40 Wall Street LLC, And Seven Springs LLC.

year-old boutique investment bank and is focused on mergers and acquisitions ("M&A") and financings for early-stage companies.

4. From 2003 through 2008, I was a Managing Director, Head of Investment Banking, and one of three managers of the predecessor of Dillon at CRT Capital Group, LLC, originally called Credit Research & Trading ("CRT Capital"), an integrated securities firm with extensive experience in equity and debt fund-raising, trading, restructurings, distressed debt, leveraged finance and M&A.

5. Prior to joining CRT Capital in late 2003 to establish its investment banking group, I served for eight years as a Managing Director at Gleacher Partners LLC ("Gleacher"), a boutique investment bank focused on M&A, equity, high yield debt, and restructurings. Gleacher at the time was part of what is now Royal Bank of Scotland ("RBS").

6. Before Gleacher, I served as Head of U.S. and Latin America Investment Banking, Head of the Global TMT Sector and as a member of the Group Management Committee and the Group Executive Committee for SG Warburg & Co. ("SG Warburg"), which became part of Union Bank of Switzerland ("UBS").

7. Prior to working for SG Warburg, from 1979 to 1991, I was a Senior Vice President and, subsequently from 1985, a Managing Director at Dillon Read & Co. Inc. ("Dillon Read") where I also had responsibilities for the fund-raising and M&A for Dillon Read clients and had oversight of all European related clients. Dillon Read was controlled by The Hartford, a major insurance company, for various periods and is now also part of UBS.

8. Prior to Dillon Read, I worked as Vice President in the Merchant Banking Group of Citicorp, NA ("Citi") from 1975 to 1979, where I was involved in merger transactions and the

origination and placement of debt securities for Citi's corporate clients. At Citi, I completed my first private placement, leverage loan and merger assignments in 1976.

9. I received an M.B.A. degree in finance from the Wharton Graduate School of Business, University of Pennsylvania, in 1975, and a B.A. degree in physics, with honors, from Vanderbilt University, in 1973.

10. I served on the Investment Committee of the Board of Trust of Vanderbilt University for 12 years from 1998 to 2010. The committee oversaw a multi-billion-dollar endowment with investments across the full spectrum of financial assets, including private equity ("PE") funds that focused on real estate deals. These endowment assets included over 50 separate funds, including both equity and debt.

11. During my professional career, I have been involved in several hundred financial transactions in the capital markets, divided almost evenly between transactions solely in the public markets and those placed privately, including initial public offerings ("IPOs"), follow-on offerings, private placements, private investments in public equity ("PIPEs"), convertible offerings, secured notes, high yield offerings, leveraged loans, exchange offers, consent solicitations, recapitalizations, PE fund raising, M&A financings, spin-offs, split-outs and financial restructurings. These transactions ranged in size, including deals in the several hundred millions of dollars range up to multi-billions of dollars, and notably included: the $16 billion dollar merger of AT&T with SBC, the privatization of Fannie Mae in an IPO, the privatization of British Telecom in a multi-billion series of equity offerings, the $7 billion hostile takeover defense of Blue Circle by LaFarge, the defense of NCR from a $8 billion hostile tender offer, the spin-off of Marriott from Host Marriott and many more substantial transactions.

12. My experience and knowledge of capital markets and investment banking industry practices arise out of my work both as an investment banker for over 40 years and as a manager overseeing the operations of several integrated investment banks. I have had direct managerial responsibility for all financings at five firms and the origination of advisory banking assignments and private debt and equity business, the structuring of deal terms, the pricing of loans and securities, the due diligence process and negotiations of major M&A.

13. Through my management oversight role, I have gained extensive knowledge of the key aspects of complex transactions and the decision-making and processes of investment banks, corporations, institutional debt and equity investors, and, of particular note, lending decisions of commercial banks. This oversight has involved the direct setting and approving of terms for major transactions. In addition, through my experience structuring deals and marketing them to the banking, corporate and investment community, I have gained extensive knowledge of industry practices and procedures that are utilized by banks, companies and investors when making investment decisions and completing transactions such as the transactions in this case.

14. I maintain direct relationships with numerous banks, corporate and institutional investors including many who have funded similar large scale real estate transactions, with whom I have completed many transactions.

15. I have also, over a number of years, lectured at the university and graduate levels on topics including pricing of securities, bank lending practices and various topics related to capital markets.

16. My curriculum vitae is included as Appendix A of this report.

C. Documents Relied Upon

17. A list of the documents that I have relied upon is included as Appendix B of this report. Additionally, I have relied upon my experience the global capital markets and related work with corporate, institutional and private wealth clients.

18. I have additionally relied on the following affirmative expert reports submitted on behalf of Plaintiff in this matter: the Expert Report of Constantine Korologos, dated May 26, 2023, the Expert Report of Laurence A. Hirsh, dated May 26, 2023 (together, the "Valuation Experts") and the Expert Report of Eric E. Lewis, dated May 26, 2023 (the "Accounting Expert").

19. My work in this matter is ongoing. I reserve the right to supplement this report and any conclusions presented herein in light of any additional information that may become available after the submission of my report or if I am asked to perform further research or analysis.

D. Compensation

20. I am being compensated for my work in this matter at the rate of $950 per hour, and my fees are not contingent upon the conclusions reached or ultimate resolution of this case. I have no direct or indirect financial interest in the outcome of this case or in the parties to this matter.

II. BACKGROUND

21. The OAG is alleging that the Defendants "engaged in numerous acts of fraud and misrepresentation in the preparation of Mr. Trump's annual statements of financial condition… covering at least the years 2011 through 2021."[3]

22. It further alleges that "[t]hese acts of fraud and misrepresentation grossly inflated Mr. Trump's personal net worth as reported in the Statements by billions of dollars and conveyed

[3] Verified Complaint, para. 1

false and misleading impressions to financial counterparties about how the Statements were prepared"[4] and, as relevant to my opinion, "Mr. Trump and the Trump Organization used these false and misleading Statements repeatedly and persistently to induce banks to lend money to the Trump Organization on more favorable terms that would otherwise have been available to the company [and] to satisfy continuing loan covenants..."[5]

23. Mr. Trump and/or the Trump Organization produced at least 11 statements of financial condition ("Statements of Financial Condition" or "Statements") covering the years 2011 through 2021 for the purpose of obtaining and maintaining loans from various financial institutions. The Statements were issued each year as a compilation report by accounting firms retained by Mr. Trump and/or the Trump Organization, Mazars LLP ("Mazars") and Whitley Penn LLP ("Whitley Penn"), and provided Mr. Trump's personal net worth and liquid cash balances for each of the years it covered. The Statements were provided to various financial counterparties to support Mr. Trump's creditworthiness as a borrower, and, in many cases, as direct support for Mr. Trump's personal guaranty for the Transactions.

24. The Statements of Financial Condition each contained a listing of Mr. Trump's assets and liabilities. The asset side of the Statements typically included six basic categories: (i) Cash and marketable securities; (ii) Escrow and reserve deposits and prepaid expenses; (iii) Real and operating properties; (iv) Partnerships and joint ventures – (net of related debt); (v) Real estate licensing developments; and (vi) Other assets. On the liability side, the Statements typically included: (i) Accounts payable, accrued expenses and retention payable; (ii) Loans payable on real and operating properties; and (iii) Mortgages and loans payable secured by other assets. The difference between these two categories were presented as Mr. Trump's "net worth." The

[4] Verified Complaint, para. 3
[5] Verified Complaint, para. 3

Statements prepared in 2011 through 2015 additionally noted that "Donald J. Trump is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statement."[6] My analysis and expertise is specifically intended to address the financial counterparties' reliance on the Statements and their economic impact on the Transactions.

25. Based on my review of the records in this matter, I understand that financial counterparties relied on the Statements at least as relating to the following loans: (a) Deutsche Bank's extension of a $125 million loan (or combination of loans) in connection with the Trump Organization's purchase of the property known as Trump National Doral ("Doral");[7] (b) Deutsche Bank's financing of up to $107 million in debt in connection with the Trump International Hotel and Tower, Chicago, in 2012, as well as a $54 million expansion of that loan in 2014 ("Trump Chicago");[8] (c) Deutsche Bank's financing of up to $170 million in funds in connection with the Trump Organization's purchase and renovation of the Old Post Office property in Washington, DC ("OPO");[9] (d) Ladder Capital's ("Ladder Capital") issuance and subsequent securitization of a $160 million mortgage around November 2015 on the office building property at 40 Wall Street,

[6] The Statements prepared in 2016 through 2020 were updated to state that "[t]he Trustees of The Donald J. Trump Revocable Trust dated April 7, 2014, as amended, on behalf of Donald J. Trump are responsible for the accompanying statement of financial condition as of June 30, [2016] and the related notes to the financial statement in accordance with principles generally accepted in the United States of America" and the Statement prepared in 2021 was further updated to state that "[t]he Trustee of the Donald J. Trump Revocable Trust dated April 7, 2014, as amended, on behalf of Donald J. Trump are responsible for the accompanying personal financial statement, which comprises the statement of financial condition as of June 30, 2021, and the related notes to the financial statement in accordance with accounting principles generally accepted in the United States of America." See MAZARS-NYAG-00003131; MAZARS-NYAG-00006308; MAZARS-NYAG-00000034; MAZARS-NYAG-00000714; MAZARS-NYAG-00000688; MAZARS-NYAG-00001981; MAZARS-NYAG-00001840; MAZARS-NYAG-00002723; MAZARS-NYAG-00161788; MAZARS-NYAG-00162245; TTO_06167130

[7] DB-NYAG-005853, DB-NYAG-004169, DB-NYAG-122340, DB-NYAG-003972, TTO_043492

[8] DB-NYAG-005956, DB-NYAG-005244, DB-NYAG-003219, DB-NYAG-038869, DB-NYAG-003178, DB-NYAG-003614

[9] DB-NYAG-004942, DB-NYAG-003274

NY, NY ("40 Wall");[10] and (e) an approximately $8 million mortgage from Royal Bank America ("RBA") later acquired by Bryn Mawr Bank ("Bryn Mawr") in 2017 on behalf of Seven Springs LLC ("Seven Springs").[11]

26. For each of these loans, as will be detailed further, the lending institution relied on the Statements as part of their approval process and, in many cases, included both covenants and representations and warranties in the loan agreements relating to Mr. Trump's personal net worth and liquidity. Additionally, Mr. Trump or his representative were required as a condition of the loan terms to certify that the Statements of Financial Condition presented fairly Mr. Trump's financial condition in all material respects.

27. The certifications were required as a condition of lending and as a condition of maintaining the loan. For example, the Term Loan Agreement for the Doral loan included a Representation and Warranty titled "No Change in Facts or Circumstances; Disclosure" stating:

> There has been no material adverse change in any condition, fact, circumstance or event that would make the financial statements, reports, certificates or other documents submitted by or [on] behalf of Borrower or Guarantor in connection with this Agreement including, without limitation, the Appraisal, Property Condition Report and the Environmental Report inaccurate, incomplete or otherwise misleading in any material respect or that otherwise could have a Material Adverse Effect.[12]

28. Further, the Guaranty for Doral required Mr. Trump to "keep and maintain complete and accurate books and records" and to "deliver to Lender or permit Lender to review the following: (A) Annual Statement of Financial Condition… (B) Annual Schedule of Contingent Liabilities… (C) Annual Excess Revenue over Disbursement Schedule… (D) Compliance Certificate."[13] The Compliance Certificate required Mr. Trump to submit the required schedules

[10] LC00003084
[11] Verified Complaint, para. 654
[12] DB-NYAG-005853, at DB-NYAG-005887
[13] DB-NYAG-060923 at DB-NYAG-060934-060935.

included in the Guaranty on an annual basis and stated that "[t]he foregoing presents fairly in all material respects the financial condition of Guarantor at the period presented."[14] The OPO and Trump Chicago Term Loan Agreements and Guaranty document contained similar provisions.[15]

29. I have reviewed the reports of the Valuation Experts, Messrs. Korologos and Hirsh, where they have offered expert opinions as to the misstatement of the estimated current values of certain of Mr. Trump's real estate assets on his Statements.[16]

30. I further understand that the Accounting Expert, Mr. Lewis, has reviewed their reports and "determined that in each of these years, the Statements contained material misstatements regarding certain real estate assets."[17] For purposes of his opinion, Mr. Lewis has compiled "the highest values listed for the assets examined in Mr. Korologos' and Mr. Hirsh's reports"[18] and provides the Total Minimum Overstatement for the assets examined by the Valuation Experts by year resulting in a new Adjusted Net Worth by year as follows:

[14] DB-NYAG-060923 at DB-NYAG-060944.
[15] OPO: DB-NYAG-004942, DB-NYAG-003274; Trump Chicago: DB-NYAG-005956, DB-NYAG-005244, DB-NYAG-003219, DB-NYAG-038869, DB-NYAG-003178, DB-NYAG-003614.
[16] See Expert Report of Constantine Korologos, dated May 26, 2023, and Expert Report of Laurence A. Hirsch, dated May 26, 2023
[17] See Expert Report of Eric E. Lewis, dated May 26, 2023
[18] Ibid.

Table 1

Summary of Adjusted Net Worth

Year	SOFC Net Worth[19]	Total Minimum Overstatement[20]	Adjusted Net Worth[21]
2011	$ 4,261,590,000	$ 2,317,900,000	$ 1,943,690,000
2012	$ 4,558,680,000	$ 2,484,400,000	$ 2,074,280,000
2013	$ 4,978,050,000	$ 2,495,700,000	$ 2,482,350,000
2014	$ 5,777,540,000	$ 2,925,600,000	$ 2,851,940,000
2015	$ 6,061,210,000	$ 2,937,400,000	$ 3,123,810,000
2016	$ 5,779,100,000	$ 2,944,800,000	$ 2,834,300,000
2017	$ 5,876,310,000	$ 2,847,000,000	$ 3,029,310,000
2018	$ 6,121,020,000	$ 2,895,000,000	$ 3,226,020,000
2019	$ 6,102,160,000	$ 2,943,600,000	$ 3,158,560,000
2020	$ 4,702,240,000	$ 1,961,346,460	$ 2,740,893,540
2021	$ 4,534,830,000	$ 1,464,181,244	$ 3,070,648,756

31. As a statement of industry practice and consistent with my experience, it is my opinion that none of the Transactions I was asked to examine would have been completed if during the approval process it was confirmed the Statements had been purposely misstated and materially misrepresented. The discovery of materially misstated financial statements goes to the character and ethics of the borrower and is a red flag for banks and other lenders. This is particularly true for the Transactions, which relied upon Mr. Trump's personal guaranty and his Statements of Financial Condition for their loan approvals.

[19] MAZARS-NYAG-00003131; MAZARS-NYAG-00006308; MAZARS-NYAG-00000034; MAZARS-NYAG-00000714; MAZARS-NYAG-00000688; MAZARS-NYAG-00001981; MAZARS-NYAG-00001840; MAZARS-NYAG-00002723; MAZARS-NYAG-00161788; MAZARS-NYAG-00162245; TTO_06167130

[20] See Expert Report of Eric E. Lewis, dated May 26, 2023

[21] I calculated the Adjusted Net Worth as the SOFC Net Worth per the Statements less the Total Minimum Overstatements as compiled by Mr. Lewis based on the Valuation Experts' Expert Reports.

III. BANKING INDUSTRY CONCEPTS

A. Definition of Major Bank Lending

32. In commercial banking there exist multiple tiers of participants based on their size, product focus and location. This case involves the highest tier of banking -- a Money Center Bank,[22] specifically Deutsche Bank. Within these Money Center Banks there are distinct segments, such as investment banking (focused on transactions with large corporations), retail banking (focused on everyday transactions for individuals) and wealth management (focused upon high-net-worth individuals ("HNWI") and ultra-high net worth individuals ("UHNWI")).

33. The Transactions in this case principally deal with how Deutsche Bank and other lenders interacted with a particular UHNWI, Mr. Trump and the Trump Organization.

34. The Doral, OPO and Trump Chicago transactions involved Deutsche Bank making loans from their Private Wealth Management ("PWM") Group[23] which is highly focused upon UHNWI. These Transactions, all involving real estate, could have alternatively been done on a more typical commercial basis in DB's Investment Banking Group in a section focused upon commercial real estate ("CRE").[24] The transactions instead were completed in their PWM Group with a personal guarantee from Mr. Trump. The 40 Wall loan, provided by Ladder Capital, and Seven Springs loan, originally provided by RBA and subsequently acquired by Bryn Mawr, were similarly supported by Mr. Trump's personal guaranty based on his Statements of Financial Condition.

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[22] "A money center bank is a bank that is located in major cities like London, New York, and Hong Kong. It covers regions, countries, and continents, providing a wide range of financial services. Its revenue primarily comes from transactions with large corporations, other retail banks, and governments. They are also known as money market banks." ***Corporate Finance Institute, February 2023.*** Additional examples of Money Center Banks include RBS, UBS, and Citi, all of which I have worked for or at an arm of.

[23] DB-NYAG-001691, DB-NYAG-002608, DB-NYAG-068520, DB-NYAG-001635, DB-NYAG-001739, DB-NYAG-105524, DB-NYAG-002691, DB-NYAG-212279, DB-NYAG-003046, DB-NYAG-236228, DB-NYAG-406675, DB-NYAG-669047

[24] DB-NYAG-048140

35. Lending that is based on the financial wherewithal of an UHNWI differs from more general bank lending, for example, by DB's Investment Banking Group, primarily by what the PWM Group principally relies on for support for the loans. In DB's Investment Banking CRE Group, loans are supported by the financial performance and assets of the borrowing entity and the strength of the collateral, whereas loans in DB's PWM Group are primarily supported by the guarantee of the UHNWI. Therefore, the focus of a credit review for a loan issued through DB's PWM Group was on the financial statements and assets of the UHNWI.[25] The Federal Reserve (the "Fed") highlights this issue as relating to the credit analysis performed by major banks: "When [financial] statement quality is poor or uncertain, financial analysis may produce a distorted view of the borrower's condition, adding substantially to risk."[26] Due to the differences in risk, DB's Investment Banking division and PWM Group handled due diligence and pricing of their loans quite differently, which is important to understanding the issues in this case.

36. Similarly, for both the 40 Wall and the Seven Springs loans, the lending institutions relied on Mr. Trump's Statements as a precondition for approving the loans, which additionally affected the rate of terms of each of the loans provided.

37. The completeness and accuracy of financial statements, and specifically financial statements for an individual or entity making a personal guarantee (as Mr. Trump did for the Transactions), are of particular importance to the proper functioning of the credit markets and the appropriate assessment of credit risk by a financial institution.

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[25] DB-NYAG-001691

[26] Federal Reserve Bulletin November 1998 Credit Risk Rating at Large U.S. Banks, William F. Treacy, and Mark S. Carey, of the Board's Division of Research and Statistics

B. Credit Risk

38. A similarly important concept in a review of the Transactions is "Credit Risk," defined here as the possibility of loss resulting from a borrower's or guarantor's failure to repay a loan or meet contractual obligations. In its most basic form, Credit Risk refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection.[27] The Federal Reserve regulates and monitors the federally charted banks like DB and reviews how Money Center Banks assess Credit Risk. This assessment covers both collateralized, unsecured and personally guaranteed loans.

39. The Fed defines the key components of Credit Risk analysis at major Money Center Banks in its Federal Reserve Bulletin.[28] There are, in my view, several key takeaways from this Fed overview of how Money Center Banks address Credit Risk analysis: (a) financial statement analysis is central to appraising the likely adequacy of future cash flow and thus the ability of the party to service its debt, (b) when statement quality is poor or uncertain, financial analysis may produce a distorted view of the party's condition, adding substantially to risk, (c) moreover, certain specialty loans—such as cash-collateralized loans, guaranteed loans, those eligible for government guarantees, and asset-based loans—can receive relatively low risk grades based on the quality of the collateral and/or the guarantee, and (d) adequate collateral and/or guarantees can in many cases improve the rating, particularly if that collateral is in the form of cash or easily marketed assets such as U.S. Treasury securities. Guarantees can generally enhance the rating as well, but not beyond the rating that would be assigned to the guarantor.

[27] Credit Risk: Definition, Role of Ratings, and Examples, The Investopedia Team Updated April 04, 2023 Thomas Brock, Ryan Eichler: https://www.investopedia.com/terms/c/creditrisk.asp#:~:text=Investopedia%20%2F%20Theresa%20Chiechi-,What%20Is%20Credit%20Risk%3F,and%20increased%20costs%20for%20collection.

[28] Federal Reserve Bulletin November 1998 Credit Risk Rating at Large U.S. Banks, William F. Treacy, and Mark S. Carey, of the Board's Division of Research and Statistics

IV. BASIS FOR MY OPINIONS

A. It is Unlikely that DB's Private Wealth Management Would Have Made Loans to Mr. Trump Had DB Discovered the Statements of Financial Condition were Misstated and Materially Misrepresented

40. It is my opinion, based on my experience, that if during the loan evaluation process by DB's PWM Group of the first loan for Doral, the Statements had been found to be purposely false and misleading, the Doral loan and those that followed would not have been approved. One of the foundations of bank lending is the character of the borrower and/or guarantor and presenting false and misleading financial statements goes to the central issue of character ethics and trust. In addition, if a borrower or guarantor presents a financial statement that is rife with errors and misstatements, even if not purposeful, a lender is likely to reach the same result—to conclude that the risk either of purposeful misstatement by, or unreliability of, a counterparty is serious enough to decline the transaction.

41. Further evidence for this opinion is provided by the DB PWM approval process, including what DB identified as four "Key Ratios" per its Unsecured Lending Guidelines.[29] As explained by DB, these Key Ratios were meant "to demonstrate the strength of the Guarantor."[30] DB "applied the Unsecured Lending Guidelines as if Facilities A, B and C (totaling $340MM) were unsecured, using DB adjusted balances to both the balance sheet and net cash flow."[31] The strength of the Guarantor was especially critical in the underwriting process of loans that were priced by DB as if they were unsecured loans (i.e., where the bank would have recourse against the Guarantor if the Borrower defaulted on the loan).

[29] DB-NYAG-482510 (see also DB-NYAG-479000 and DB-NYAG-479017 at DB-NYAG-479054)
[30] DB-NYAG-236228 at DB-NYAG-236241
[31] DB-NYAG-236228 at DB-NYAG-236241

42. The four Key Ratios include: (a) the Leverage Ratio, calculated as Total Liabilities divided by DB's Adjusted Net Worth, (b) the Cash Flow Ratio, calculated as Recurring Net Cash Flow divided by Unsecured Liabilities, (c) the Liquidity Ratio, calculated as Unpledged Adjusted Liquid Assets divided by Unsecured Liabilities, and (d) the Asset Coverage Ratio, calculated as Unpledged Adjusted Assets divided by Unsecured Liabilities.[32] Each of the Key Ratios that DB defines as "Adjusted" is meant to take into account DB's standardized "haircuts" for the Guarantor's stated assets.[33]

43. Applying the restated asset values per the Valuation Experts, and the resulting implied Adjusted Net Worth figures, directly impacts the Leverage Ratio and Asset Coverage Ratios in a negative manner.

44. Applying these Adjusted Net Worth figures (in place of the inflated figures found in Mr. Trump's Statements of Financial Condition) for the 2011 through 2017 years negatively impacts many of the Key Ratios calculated over that same time period. The extent of this impact is that 61% of the Key Ratios as calculated for the DB Loans over this time period fail the standards established by DB.

45. Below are DB's Key Ratios for the years 2011 through 2017 adjusted by an Adjustments Factor that is based on the same percentage "haircut" DB used in their approval and the Adjusted Net Worth.[34] The adjusted Leverage Ratios and Asset Coverage Ratios are listed below the numbers used by DB, and the newly failed Key Ratios are marked in red highlight.

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[32] DB-NYAG-001691, DB-NYAG-482510 (see also DB-NYAG-479000 and DB-NYAG-479017 at DB-NYAG-479054)

[33] DB's underwriting process applied standardized "haircuts" to a Guarantor's net worth statement, not as a covenant compliance test, but as a downside calculation used during the underwriting process to provide a conservative internal evaluation of what might be available to the bank to protect its investment. *See, e.g.,* Examination of Nicholas Haigh (Oct. 23, 2019) at 76-79.

[34] I took the New Adjusted Net Worth for each year and applied the same percentage "Haircut" as used by DB in their approval memos creating a new Haircut value. I then created the Adjustment Factor by dividing this product by the Original Adjusted Net Worth prepared by DB.

While the DB's Credit Report documents and annual reviews already had several Key Ratios failing, I identify eight additional fails, resulting in fails in 17 out of the 28 total, as follows:

Table 2

Ratio Analysis Adjusted for Valuation Expert Numbers Using Haircut Inputs[35]

	DJT 6/30/2011 (DB Adjusted)	DJT 6/30/2012 (DB Adjusted)	DJT 6/30/2013 (DB Adjusted)	DJT 6/30/2014 (DB Adjusted)	DJT 6/30/2015 (DB Adjusted)	DJT 6/30/2016 (DB Adjusted)	DJT 6/30/2017 (DB Adjusted)
Key Ratios – Unsecured Lending Guidelines							
Leverage Ratio (<=.30)	0.24	0.13	0.16	0.15	0.13	0.25	0.33
Cash Flow Ratio (>= .35)	0.31	0.05	(0.05)	(0.10)	(0.10)	(0.14)	(0.02)
Liquidity Ratio (>= .25)	1.06	0.47	0.41	0.81	0.50	0.34	0.22
Asset Coverage Ratio (>= 6.0)	17.84	8.43	7.10	8.68	9.49	8.65	7.16
Adjustment Factor for New Valuation	**0.46**	**0.45**	**0.50**	**0.49**	**0.60**	**0.49**	**0.54**
Recalculated Key Ratios							
Restated Leverage Ratio (<=.30)	0.53	0.29	0.32	0.30	0.22	0.51	0.61
Restated Cash Flow Ratio (>= .35)	0.31	0.05	(0.05)	(0.10)	(0.10)	(0.14)	(0.02)
Restated Liquidity Ratio (>= .25)	1.06	0.47	0.41	0.81	0.50	0.34	0.22
Restated Asset Coverage Ratio (>= 6.0)	8.14	17.49	3.54	4.28	5.69	4.23	3.89

Note: The cells shaded grey and with red text indicate that the ratio failed DB's unsecured lending guidelines, this is both the case for DB's Credit Report values and the Recalculated Key Ratios.

46. Additionally, the lowest mentioned personal net worth of Mr. Trump during the negotiations with DB was $2.0 billion,[36] a number which Mr. Trump proposed but DB found unacceptable.[37] This contrasted with the ultimate minimum net worth covenant of $2.5 billion.[38] Using the Minimum Overstatements, as calculated by Messrs. Korologos and Hirsh, and Mr.

[35] See Appendix C, Exhibit 1. This table does not account for any cash position overstatement that may have occurred on Mr. Trump's Statements, which could also affect the calculation of these Key Ratios.
[36] DB relied on the Guarantor's stated net worth in its loan covenants, and not the lower "haircut" value used in its internal underwriting calculations. *See, e.g.,* Examination of Nicholas Haigh (Oct. 23, 2019) at 87.
[37] DB-NYAG-012109
[38] DB-NYAG-001691

Trump's resulting Adjusted Net Worth of approximately $2 billion, would likely have provided an unacceptable level for DB's PWM Group.

47. The impact of this large-scale Key Ratio non-compliance combined with the much lower (if accurately stated) net worth would create a very difficult approval process at DB PWM. It is my opinion that approval of the low interest rate PWM loans would have been unlikely given these alternative facts.

B. Greater Risks Than Bargained

48. A secondary issue is what the market terms would have been for the Transactions had Mr. Trump received the loans at market terms based on the collateral of the properties on a non-recourse basis, for which the lender cannot pursue anything other than the collateral in the case of a default. In the case of the DB Loans, this alternative can be analyzed using the terms offered from DB's CRE Group and, in the case of the 40 Wall and Seven Springs loans, to use similar contemporary evidence and market indications.

49. To approach this issue for the purpose of presenting an estimate of the benefit that Mr. Trump received from inducing the banks and lenders to lend at more favorable terms than they otherwise would have, I define certain items as follows.

50. In its simplest form, banks set the interest rate it charges borrowers based on four categories of factors:[39] (i) the funding cost incurred by the bank to raise funds to lend, whether such funds are obtained through customer deposits or through various money markets; (ii) the operating costs of servicing the loan, which include application and payment processing, and the bank's wages, salaries and occupancy expense; (iii) a risk premium to compensate the bank for the

[39] These categories are described in more detail by the Federal Reserve in Minneapolis. *See How do lenders set interest rates on loans? A discussion of the concepts lenders use to determine interest rates* (November 1, 2000), *available at* https://www.minneapolisfed.org/article/2000/how-do-lenders-set-interest-rates-on-loans.

degree of default risk inherent in the loan request; and (iv) a profit margin on each loan that provides the bank with an adequate return on its capital.

51. It is the third category, the "risk premium," that determines the variation between two borrowers. If the risks are higher, the bank will charge a higher interest rate to compensate for that increased risk.[40] As it relates to the risk premium, the Transactions involve two different risks: the first is based on the assets and the earning power of the collateral, here commercial real estate, and the second is based on Mr. Trump's capacity to perform on his guarantee to repay the loans in a case of default and additionally perform on his obligation to fund the projects shortfalls in the future. A non-recourse loan based solely against commercial real estate, especially given the unusual high-risk properties at issue (i.e., a resort in need of renovation and a government-owned historic site slated for renovation), was one of greater perceived risk and thus higher interest rates.

52. I note that, particularly for the Doral and OPO loans, the collateral was "unusual" in the sense that both properties were not fully operating properties with stabilized cashflows and required significant equity contributions to make the properties functional (see section V.A and V.C) so that the personal guaranties and Statements supporting the personal guarantees were particularly significant.

53. In fact, DB's CRE Group had shown interest in lending based on the economics of each of the projects which, while commercially speculative and thus risky, were still deemed financeable, although on different terms, including at higher market interest rates and smaller amounts, from a commercial real estate viewpoint.[41]

[40] Federal Reserve in Minneapolis on interest rates: *How do lenders set interest rates on loans? A discussion of the concepts lenders use to determine interest rates. November 1, 2000.*
https://www.minneapolisfed.org/article/2000/how-do-lenders-set-interest-rates-on-loans
[41] DB-NYAG-048140, DB-NYAG-398396, DB-NYAG-215892

54. The differential between the terms offered by DB's CRE Group and those approved and funded by the PWM Group were substantial. As I detail below, this gap represents the large perceived Credit Risk variation between Mr. Trump's guarantee based on his represented net worth versus the real estate collateral at issue for each of the loans.

55. The capital markets are very efficient when pricing the different levels of Credit Risk such that different Credit Risk levels are closely aligned with the interest rates. Thus, the higher the determined Credit Risk, the higher the interest rate the lender needs to charge for the borrower to receive funds from loans. The opposite is also true -- the lower the Credit Risk the lower the interest rate. The lowest rates in the market are normally reserved for U.S. Treasury borrowings. A bank can only properly price the Credit Risk it is taking on a loan when it has accurate information provided by the borrower (and guarantor, if applicable) allowing for a proper classification of the Credit Risk. If the Credit Risk analysis is flawed due to misinformation or changes in circumstances not anticipated, then the bank has taken on additional and unexpected Credit Risk and not been properly compensated for the real risk that it is now exposed to by the borrower (and guarantor, if applicable).[42]

56. If a bank approves a loan based on misleading financial statements and thus the bank misprices the loan, the bank is taking on more risk than agreed and receiving less interest than is warranted by the actual risk profile of the transaction. Thus, Mr. Trump and/or the Trump Organization paid less interest on the loans as a result of the mispriced risk interest rate. It appears that high-level executives in the Trump Organization knew of this shift of economic benefit to Mr. Trump, quoting Ivanka Trump to the Trump Organization's Chief Legal Officer about DB's PWM

[42] Federal Reserve in Minneapolis on interest rates: *How do lenders set interest rates on loans? A discussion of the concepts lenders use to determine interest rates. November 1, 2000*, https://www.minneapolisfed.org/article/2000/how-do-lenders-set-interest-rates-on-loans

loan proposal, "[i]t doesn't get better than this."[43] The bank under these circumstances improperly lost economic value and the Defendants unfairly gained economic value.

57. In my experience, a bank or lender will heavily rely on personal financial statements when receiving a personal guaranty, such as those at issue in this case, in conducting its Credit Risk analysis. Any variation between the provided financial statements (and the asset values they contained) and adjusted, accurate financial statements represents additional, undisclosed Credit Risk.

58. Another way to measure the lost economic value associated with increased Credit Risk is to compare this scenario with a company that takes on debt when its Credit Risk is very low (*e.g.,* "Single A rated") but then stumbles so that its Credit Risk goes up significantly to a "non-investment grade" level (*e.g.,* "BB rated"), known as a "Fallen Angel."[44] Such a company will see its debt trade down in the markets from par, or 100%, to much lower levels in the 60% or less of par range. This means the debt, with increased Credit Risk, may lose 40% or more of its value in the market. In other words, a bank who wanted to sell the loans it had made to Fallen Angel (*i.e.,* a credit that was rated Single A at issuance but later downgraded to non-investment grade B rating) would, all else equal, similarly only get approximately 60% of its money back, suffering a 40% loss.

59. Based on my review of the reports of the Valuation Experts, Messrs. Korologos and Hirsh, and the Accounting Expert, Mr. Lewis, I conclude that the actual Credit Risk of the loans to Mr. Trump was significantly higher versus what was presented by Mr. Trump and/or the Trump Organization and analyzed by DB, Ladder Capital, RBA and Bryn Mawr at the times of the

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[43] TTO_02953105
[44] Fallen Angels, Corporate Finance Institute February 6, 2023: https://corporatefinanceinstitute.com/resources/fixed-income/fallen-angel/

Transactions' originations and as certified each year. In summary, it is my opinion that the banks and lenders took on greater risk than bargained, due to the misstatements and material misrepresentations included in the Statements provided by Mr. Trump and/or the Trump Organization by charging a lower interest rate than appropriate for the actual risk.

C. Defendants Gained and Lenders Lost Economic Value

60. As discussed above, it is my opinion that Mr. Trump obtained an improper benefit by paying less interest than that what was warranted given the risk profile of the Transactions. In turn, the banks and lenders suffered a loss by charging less interest than was warranted by the risk profile of the loans. To calculate the improper gain obtained by Mr. Trump and the loss to the banks and lenders, I looked at the proposed prices and terms offered by DB CRE in the case of Doral, Trump Chicago and OPO and at contemporaneous evidence and indications of market pricing to both confirm DB CRE's pricing and to evaluate the improper gain on the 40 Wall and Seven Springs loans. The differentials are appropriate because it serves as contemporaneous evidence of the actual benefit Mr. Trump received and the banks suffered.

61. One can take the specific interest rate differential for each of the Transactions for the years outstanding taking into account all the various fees and expenses. The result is the grand total of additional interest Mr. Trump should have paid the banks and lenders for taking the Credit Risk they actually incurred. This grand total, based on contemporaneous documentation, represents an approximation of the market benefit Mr. Trump obtained by means of the use of the misstated and materially misrepresented Statements. In sum it is over $187 million as detailed below (see detailed explanation of this analysis in section V and Appendix C, Exhibit 2):

Table 3

Summary of Interest Differentials[45]

Borrower	Asset	Estimated Gross Interest Differential
Trump Endeavor 12 LLC	Doral Golf Resort and Spa	($98,945,432)
Trump Old Post Office LLC	Old Post Office, Washington DC	($49,634,361)
401 North Wabash Venture LLC	Trump International Hotel & Tower, Chicago	($17,878,744)
40 Wall Street LLC	40 Wall Street	($20,544,025)
	Total	**($187,002,561)**

62. I confirmed that the rates offered by DB's CRE Group reflected the market rate for such a syndicated loan by comparing it to publicly available information about similar credit rated debt. For example, the capital markets set a 5.4% fixed interest rate for another unrelated investment grade A rated borrower such as Dell Technologies[46] in 2010 and that debt initially traded at its face value or what is called par value (100% of the face amount of the debt). At a similar time, the capital markets would charge a borrower with a higher Credit Risk non-investment grade rating of BB such as ClubCorp a 10% interest rate on its $415 million notes which would also trade at 100% of face amount of debt or par.[47]

63. A relevant comparison for this case is what happens to the markets' pricing of debt when a borrower starts as a Single A rated borrower and trading at 100% of face amount or par, and that borrower then has increased Credit Risk and its rating declines to non-investment grade BB. The way the capital market set the proper interest rate when Credit Risk changes is by

[45] I have not performed an interest rate differential calculation for the Seven Springs loan as the loan pertaining to the Seven Springs estate was determined to not be material to this analysis.
[46] Dell SEC 10K 2013 https://www.sec.gov/Archives/edgar/data/826083/000082608313000005/dellfy1310k.htm#s48400CE94163CE1E7CD7B2561E1B4084
[47] ClubCorp SEC S-4 2011 https://www.sec.gov/Archives/edgar/data/1515382/000104746911002747/a2202241zs-4.htm#co15001_unaudited_pro_forma_consolidated_financial_data

changing the value of the loan in the pricing. A commonly used metric to measure the value spread between a borrower going from investment grade to non-investment grade is to multiply the differential credit spread between single A and BB (then around 6%) by the current expected term length of the loan (then around 7 years) as explained by the following analyst: "Potential losses in percentage terms can then be estimated by multiplying the historical spread difference by the current duration. Our analysis suggests that, if the 2002 downgrade experience is repeated, then the prices of affected bonds could fall by 41.4% (six times 6.9)."[48]

64. Comparing this market metric using the same example of above for Dell Technologies which started as a Single A Credit Risk then over time declined to a BB.[49] The table below shows the actual Dell market price of that debt from 2010 to 2013 as the Credit Risk increased. One can readily see the market value of the debt decline from 100% of the face amount of the debt to a substantially lesser value of 69.5% of face value marginally below the metric but still confirming the earlier estimate of 40% or more.

Reproduced below is a summary of the market values as of November 2013 of the Dell bonds maturing from 2021 to 2040 (from Morningstar, quicktake.morningstar.com).

Name	Maturity Date	Amount $	Price	Coupon %	Yield to Maturity %
Dell 5.4%	9/10/2040	300	69.50	5.4	8.24

65. This decline in market value of debt is not a theoretical number but actually has economic impact on the holders of debt. For example, if DB had wanted to sell the DB Loans to another party after funding them, the value they would receive would be adjusted downward for the decline in the perceived increased Credit Risk of an A rated borrower to that of a non-

[48] Sean Markowicz, CFA Strategist, Research and Analytics Schroders
[49] Morningstar quicktake.morningstar.com

investment grade debt. This loss of value would have been as much as 40% of the total amount of the loans made to Mr. Trump from DB.

66. As an example of this market repricing for changed Credit Risk and confirmation of the magnitude of the lost interest properly due DB for the actual Credit Risk, I looked at an example of how the market prices changes in Credit Risk in paragraph 56. The Doral loan was initially provided by DB as a Single A rated debt by a comprehensive Credit analysis by DB's PWM Group based principally on the personal guarantee of Mr. Trump.[50] This differed from the CRE group based on the assets and earning power of actual operating entities which assigned a project credit rating of non-investment grade BB.[51] In summary, the Doral debt provided by DB's PWM Group assumed a Single A Credit rating, except Mr. Trump's personal guarantee was not of value sufficient to support a Single A Credit rating for this transaction, thus the Doral loan should have been priced as a non-investment grade BB rated debt based on the underlying assets. That would result, if true for all DB's PWM Group loans to Mr. Trump, in a repricing of the debt based on capital market pricing. Taking into account this market repricing based on the increased actual Credit Risk, the theoretical 100% trading value of Mr. Trump's loans from DB for loans of $340 million[52] would be marked down by 40% or more for a lost value for the uncompensated Credit Risk taken by DB of at a minimum $150 million. This opinion is supported by the magnitude of lost interest rate payments previously explained.

[50] DB-NYAG-001691
[51] DB-NYAG-048140
[52] For illustrative purposes, this figure conservatively considers the total amount outstanding on the DB Loans as of May 2022.

D. DB Followed Appropriate Underwriting Guidelines but was Nevertheless Deceived by Mr. Trump

67. Consistent with the Fed document referenced in Section III.A,[53] it is my opinion that DB followed a standard path for a Money Center Bank to provide a guaranteed loan to an UHNWI like Mr. Trump. This effort included personal visits to the loan sites, reviewing bank and brokerage statements, and discussing the real estate issues with the industry experts. These preparatory steps were capped off by a detailed credit approval memo by DB's PWM Group, which was then approved by four senior officers of DB authorizing the loans.[54]

68. What the organized process by DB's PWM Group could not adjust for was the lack of completeness and accuracy of Mr. Trump's Statements and related valuations. I repeat the quote from the Fed, "When [financial] statement quality is poor or uncertain financial analysis may produce a distorted view of the borrower's condition, adding substantially to risk."[55] The approval of the various DB loans to Mr. Trump were all based primarily on the completeness and accuracy of the Statements of Mr. Trump's net worth. If the loans had been alternatively evaluated from the commercial real estate group at DB the outcome and pricing would have been very different.[56]

69. In sum, I do not find fault with the approval process of DB's PWM Group, but numbers matter and their accuracy and completeness are assumed in the loan approval process. The resulting mispricing of Credit Risks related to the DB Loans to Mr. Trump was not caused by DB's process.

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[53] Federal Reserve of Minneapolis on interest rates: *How do lenders set interest rates on loans? A discussion of the concepts lenders use to determine interest rates. November 1, 2000*, https://www.minneapolisfed.org/article/2000/how-do-lenders-set-interest-rates-on-loans
[54] DB-NYAG-001691 at DB-NYAG-00169
[55] Federal Reserve Bulletin November 1998 Credit Risk Rating at Large U.S. Banks, William F. Treacy, and Mark S. Carey, of the Board's Division of Research and Statistics
[56] DB-NYAG-048140

V. THE TRANSACTIONS

70. Included below is a summary of the loans made to Mr. Trump from the DB's PWM Group and the 40 Wall and Seven Springs loans, including an estimation of the benefits Mr. Trump gained and the banks and lenders lost through their reliance on the misstated and materially misrepresented Statements.

A. Doral

71. In November 2011, the Trump Organization executed a purchase and sale agreement for Doral for $150 million as part of a bankruptcy proceeding.[57] The Trump Organization "was to serve as a stalking horse bidder in a bankruptcy auction, with an eye towards closing the transaction in June 2012."[58]

72. The Doral property, prior to the purchase by Mr. Trump, was part of a larger bankruptcy of MSR Resort Golf Course LLC ("MSR") who selected Doral for sale early on in their bankruptcy case over their other well-known resorts. The description below was presented to the court by MSR in justification of the sale of Doral: "The Property is a valuable asset that remains capable of substantial and sustained profitability. Yet the Property is unique from the Debtors' other assets in certain respects, and, as a result, a sale of the Property could significantly benefit the Debtors and their stakeholders. Compared to the Debtors' other Resorts, the Property generates less net operating income as a percentage of asset value. Consequently, a sale of the Property would deleverage the Debtors and leave the Debtors in a better position to exit chapter 11. In addition, the Property is at a strategic crossroads. The Debtors believe that to remain competitive in the long-term the Property must be repositioned. This repositioning will require a capital

[57] Verified Complaint, para. 571
[58] Verified Complaint, para. 571

infusion in exchange for improved profitability in the future and, therefore, presents a unique opportunity for the Purchaser."[59]

73. Doral had lower operating income compared to MSR's other famous resorts and required substantial capital expenditures to modernize and to make it competitive. Doral was a risky real estate turnaround that was going to require a "multimillion-dollar renovation,"[60] an amount that was going to fall to the new owner, Mr. Trump, as the guarantor. This poor condition of Doral, combined with the significant capital expenditures needed, led DB's CRE Group to place a high interest rate of 10% on a potential Doral real estate loan. Additionally, commentary by DB's CRE executives made it clear they viewed the Doral project with doubts.[61]

74. The Doral loan was ultimately closed from the PWM arm of Deutsche Bank on June 11, 2012.[62] The terms of the loan were to be LIBOR plus 2.25% or the Prime Rate during the "Renovation Period," and LIBOR plus 2.00% or the Prime Rate minus 0.25% during the "Post-Renovation Period."[63] Additionally, it was agreed that "[t]he Facility will also be supported by a full and unconditional guarantee provided by [Mr. Trump] of (i) Principal and Interest due under the Facility, and (ii) operating shortfalls of the Resort."[64]

75. DB went through two separate Credit Risk analyses for the Doral loan, one for the group that relied principally on Mr. Trump's guarantee, the PWM Group,[65] and a second Credit Risk analysis from the real estate group of DB CRE[66] without a guarantee from Mr. Trump, that

[59] *United States Bankruptcy Court Southern District of New York, MSR Resort Golf Course LLC, et al.,* Case No. 11-10372 (SHL), October 18, 2011, Doc. No. 732
[60] Reuters, Trump buys Miami's Doral golf resort for $150 million (https://www.reuters.com/article/us-usa-florida-trump/trump-buys-miamis-doral-golf-resort-for-150-million-idUSTRE81R1C620120228)
[61] DB-NYAG-048613
[62] Verified Complaint, para. 587
[63] DB-NYAG-001691 at DB-NYAG-001692
[64] DB-NYAG-001691
[65] DB-NYAG-001691
[66] DB-NYAG-048140

relied solely on the assets owned by Mr. Trump and their liquidity. DB's PWM Group offer was the one funded; it ranked the Credit Analysis at a very low Credit Risk similar to an A rated debt[67] and carried an interest rate that was just above US Treasury interest rates. However, the CRE offers were based on much higher Credit Risk, with interest rates similar to non-investment grade BB rated type of debt,[68] properly pricing the risk as real estate lending experts determined in the property. Several paragraphs from the credit memo DB PWM approved for the Doral resort show the focus on Mr. Trump's guarantees:[69]

- *Financial Strength of the Guarantor* – The financial profile of the Guarantor includes, on an adjusted basis, $135 million in unencumbered liquidity. $2.4 billion in Net Worth and approximately $48 million in adjusted recurring net cash flow.
- *Nature of the Guarantee* – The nature of the guarantee which includes both principal and interest along with operating expenses of the Resort.

76. The financials submitted to DB along with the "haircut" taken from DB is presented below:

[67] DB-NYAG-001691
[68] DB-NYAG-048140
[69] DB-NYAG-001691

Figure 1[70]

Financial Summary ($ in millions)	DJT 6/30/2011 (Client Reported)	DJT 6/30/2011 (DB Adjusted)
Cash & Marketable Securities	$ 258.90	$ 135.80
Escrow & Reserve Deposits	$ 9.10	$ -
Real Estate – Net Equity	$ 2,996.90	$ 1,737.90
Partnerships & Joint Ventures	$ 720.00	$ 360.00
Real Estate Licensing	$ 89.30	$ 44.60
Other Assets	$ 199.20	$ 99.60
Total Assets	**$ 4,273.40**	**$ 2,377.90**
Personal mortgage other Debt	$ 8.40	$ 8.40
Other Liabilities	$ 3.70	$ 3.70
Net Worth	**$ 4,261.30**	**$ 2,365.80**
Contingent Obligations	$ 114.00	$ 114.00
Net Cash Flow	$ 82.40	$ 48.80
Key Ratios – Unsecured Lending Guidelines		
Leverage Ratio (<=.30)	0.13	0.24
Cash Flow Ratio (>= .35)	0.57	0.31
Liquidity Ratio (>= .25)	2.04	1.06
Asset Coverage Ratio (>= 6.0)	31.70	17.84

77. To put the $125 million Doral loan in perspective, at that time in 2012 the Prime Rate was 3.25%[71] (the prime rate is the interest rate that commercial banks charge their most creditworthy customers, generally large corporations).[72] The Prime Rate is largely determined by the federal funds rate set by the Federal Open Market Committee (“FOMC”). The federal funds rate is the overnight rate that banks use to lend to one another. The highest interest rate DB was to charge Mr. Trump was ultimately Prime Rate less 0.25% or 3%, representing the rate offered only the highest rated borrowers.

[70] DB-NYAG-001691
[71] FRED Economic Data St. Louis Fed at https://fred.stlouisfed.org/series/PRIME
[72] Board of Governors of the Federal Reserve System at https://www.federalreserve.gov/faqs/credit_12846.htm

78. In contrast, DB's CRE Group quoted a minimum interest rate of 10% on the Credit Quality of the Doral project,[73] a difference of at least 7%, approximately $9 million annually on $125 million. DB's CRE Group's quote of a minimum interest rate of 10% is validated by a comparable issuer, ClubCorp,[74] a larger owner operator of golf courses who paid 10% interest on their $415 million senior notes due 2018.

79. I determined the interest rate differential on the Doral loans by subtracting estimated market interest rates, estimated as equal to the rates offered by DB's CRE Group, from the contractual rates for each of the loans.[75] All three of the alternative CRE loans were detailed in the DB documentation detailing fees, expenses, covenants, and other costs. I then applied the corresponding differential to the outstanding balances on an annual basis[76] to calculate a gross interest differential in dollar terms. I calculate the gain on the Doral loan of Mr. Trump and the Trump Organization, at the expense of DB, to be approximately $98.9 million. See Appendix C, Exhibit 2 for further detail.

B. Trump Chicago

80. Trump International Hotel and Tower Chicago contains over 2 million square feet of mixed-use components which include "a hotel, spa facility, residential condominiums, a parking garage, retail space, restaurants, convention space, and a health club."[77] Additionally, the property

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[73] DB-NYAG-048140
[74] ClubCorp SEC S-1 2013 https://www.sec.gov/Archives/edgar/data/1577095/000104746913007531/a2215780zs-1.htm#aa3
[75] TTO_01786881, TTO_02183741, TTO_011614, TTO_04147137, TTO_013486, TTO_012842, TTO_012501, TTO_020348, TTO_02176920, TTO_06166279
[76] DB-NYAG-001691, DB-NYAG-068520, DB-NYAG-001635, DB-NYAG-001739, DB-NYAG-105524, DB-NYAG-002691, DB-NYAG-212279, DB-NYAG-003046, DB-NYAG-236228, DB-NYAG-406675, DB-NYAG-669047
[77] DB-NYAG-068520

includes 85,000 square feet of retail space.[78] The building is situated in the River North District and sits on the Chicago River across from the Chicago Loop.

81. During October 2012, the PWM arm of Deutsche Bank approved a loan of up to $107 million dollars to be personally guaranteed by Mr. Trump.[79] Since the property was of mixed-use, the loan was split into two facilities.[80]

82. As explained in the Verified Complaint, "One Facility (Facility A) concerned the residential component-unsold residential condominium units, deeded parking spaces, storage spaces and the like. The second facility (Facility B) concerned the commercial component—'a full-service hotel, including 339 condo-hotel rooms, of which 175 are borrower owned,' and various other commercial operations at the property."[81]

83. The terms of Facility A were for up to $62 million, for a 4-year term with a rate of LIBOR plus 3.35%; and Facility B was for up to $45 million, for a 5-year term with a rate of LIBOR plus 2.25%.[82] It was also agreed that "[t]he facilities will also be further supported by a full and unconditional guarantee provided by [Mr. Trump] of (i) Principal and Interest due under the Facility, and (ii) Operating Shortfalls of the Collateral Property."[83]

84. The Trump Organization was also in contact with the CRE group within Deutsche Bank for financing the Chicago project. One proposal from the CRE group was for a non-recourse (*i.e.,* only secured by the collateral and for which the lender cannot pursue anything other than the collateral in the case of a default) loan at an interest rate of LIBOR plus 800 basis points.[84] As the CRE group's amount was nearly 400 basis points higher than the offer from DB's PWM Group,

[78] DB-NYAG-068520
[79] Verified Complaint, para 603.
[80] Verified Complaint, para 603.
[81] Verified Complaint, para. 603
[82] DB-NYAG-068520
[83] DB-NYAG-068520
[84] DB-NYAG-058422

the personal guaranty (which was supported by the financial statements of Mr. Trump) allowed for the Trump Organization to receive a significantly lower interest rate in return. As with Doral, the CRE proposal for Chicago (and later OPO) was structured as a syndicated loan carrying all the usual fees (3% placement, 1% origination, swap fees, administrative fees, etc.) as detailed in the DB term sheets and other loan documents.[85] I have factored these fees into the overall interest rates for each project in all three cases of the CRE alternatives.

85. Like the Doral loan, the DB PWM approval to recommend the Chicago facility was based strongly on the guarantees in place with Mr. Trump, citing factors that included:[86]

- *Financial Strength of the Guarantor* – The financial profile of the Guarantor includes, on an adjusted basis $146 million in unencumbered liquidity; $2.4 billion in Net Worth and approximately $13 million in adjusted excess recurring net cash flow.
- *Nature of the Guarantee* – The nature of the guarantee which is fully unconditional and includes both principal and interest due under the Facilities along with Operating Shortfalls of the Property.
- *DB Relationship* - [Mr. Trump] continues to develop his relationship with DB as this is the third credit facility we have originated with him or his family (2 with DJT 1 with DJT Jr.). [Mr. Trump] has transferred $20 million in liquidity to DB and has indicated he is interested in continuing to grow his non-credit relationship with the firm. The PWM banking team has been introduced to each [Mr. Trump]'s three adult children and two have also established relationships with the firm. In addition, the CB&S Real Estate Team, which currently agents the loan being refinanced by the proposed Facilities, also has an on-going dialogue with the family.

86. The financials submitted to DB along with the "haircut" taken from DB is presented below:

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85 DB-NYAG-398396, DB-NYAG-010292, DB-NYAG-058422, DB-NYAG-058412, DB-NYAG-040137, DB-NYAG-041157, DB-NYAG-041157.
86 DB-NYAG-068520 at DB-NYAG-068524.

Figure 2[87]

Financial Summary ($ in millions)	DJT 6/30/2011 (Client Reported)	DJT 6/30/2011 (DB Adjusted)	DJT 6/30/2012 (Client Reported)	DJT 6/30/2012 (DB Adjusted)
Cash & Marketable Securities	$ 258.9	$ 135.8	$ 169.7	$ 146.3
Escrow & Reserve Deposits	$ 9.1	$ -	$ 10.8	$ -
Real Estate – Net Equity	$ 2,996.9	$ 1,737.9	$ 3,184.2	$ 1,707.5
Partnerships & Joint Ventures	$ 720.0	$ 360.0	$ 823.3	$ 411.7
Real Estate Licensing	$ 89.3	$ 44.6	$ 65.2	$ 32.6
Other Assets	$ 199.2	$ 99.6	$ 318.5	$ 159.3
Total Assets	**$ 4,273.4**	**$ 2,377.9**	**$ 4,563.9**	**$ 2,448.8**
Personal mortgage other Debt	$ 8.4	$ 8.4	$ 8.3	$ 8.3
Other Liabilities	$ 3.7	$ 3.7	$ 4.4	$ 4.4
Net Worth	**$ 4,261.3**	**$ 2,365.8**	**$ 4,559.0**	**$ 2,436.1**
Contingent Obligations	$ 114.0	$ 114.0	$ 195.7	$ 277.7
Net Cash Flow	$ 82.4	$ 48.8	$ (89.2)	$ 13.4
Key Ratios – Unsecured Lending Guidelines				
Leverage Ratio (<=.30)	0.13	0.24	0.14	0.13
Cash Flow Ratio (>= .35)	0.57	0.31	-0.67	0.05
Liquidity Ratio (>= .25)	2.04	1.06	1.32	0.47
Asset Coverage Ratio (>= 6.0)	31.70	17.84	33.32	8.43

87. I determined the interest rate differential on the Trump Chicago loans by subtracting estimated market interest rates of 7.5%, estimated as equal to the rates and fees offered by DB's CRE Group, from the contractual rates for each of the loans.[88] I then applied the corresponding differential to the outstanding balances on an annual basis[89] to calculate a gross interest differential in dollar terms. I calculate the gain of Mr. Trump and the Trump Organization, at the expense of DB, to be approximately $49.6 million. See Appendix C, Exhibit 2 for further detail.

[87] DB-NYAG-068520
[88] TTO_01786881, TTO_02183741, TTO_011614, TTO_04147137, TTO_013486, TTO_012842, TTO_012501, TTO_020348, TTO_02176920, TTO_06166279
[89] DB-NYAG-001691, DB-NYAG-068520, DB-NYAG-001635, DB-NYAG-001739, DB-NYAG-105524, DB-NYAG-002691, DB-NYAG-212279, DB-NYAG-003046, DB-NYAG-236228, DB-NYAG-406675, DB-NYAG-669047

C. OPO

88. The Trump Organization had obtained the right to redevelop the Old Post Office property in Washington, D.C. as a result of a bidding process by the U.S. General Services Administration.[90]

89. The conversion of Washington's Old Post Office ("OPO") into a luxury hotel was clearly a unique construction process, but unlike Doral, it had no continuing earnings until completion and occupancy. It required up to $200 million of renovation expenditure from Mr. Trump to satisfy the promises made in the bidding process. There were multiple competing bidders for the OPO and most with substantial hotel operating experience well beyond Mr. Trump's. Their winning bid was accepted based principally on the $200 million future spend commitment, the majority to come from a loan from DB, and a deep pocket partner in Colony Capital – a $28 billion real estate fund.[91]

90. The $200 million build-out commitment remained, but Colony did not remain a partner, even though Colony Capital was a big part of that win. Mr. Trump himself stated "[t]hey are a very credible group that we got involved."[92] Colony Capital, the huge equity firm backing their bid, was leaving the team prior to executing the lease with the government, leaving Mr. Trump as the sole provider of any additional needed funds.

91. Additionally, Trump had said, "They brought it down to 10 finalists, and we got it, I think because of the strength of our financial statement and because of the fact — they wanted to make sure it got built."[93]

[90] Verified Complaint, para. 622
[91] "Donald Trump Won Control of a Prized D.C. Landmark — Here's How;" BuzzFeed News, Posted on April 28, 2016 at 2:23 pm
[92] Ibid.
[93] "Donald Trump Won Control of a Prized D.C. Landmark — Here's How;" BuzzFeed News, Posted on April 28, 2016 at 2:23 pm

92. Mr. Trump's bid on the OPO project, which had a very high threshold of economic viability project prior to construction starting and required a $200 million commitment and a multi-year rebuild without a Mr. Trump partnering with a deep pocketed and more experience real estate developer. A Credit Risk by DB PWM that was substantial compared to existing cash flow positive real estate transactions.

93. The Trump Organization ultimately executed a term sheet with the PWM group of Deutsche Bank on January 13 and 14, 2014.[94] The loan was for $170 million at a 10-year term with the interest rate being LIBOR plus 2.00% or the Prime Rate during the Redevelopment Period.[95] For the Post Redevelopment Period, pursuant to an appraisal indicating that the LTV is less than or equal to 70%, then the interest rate would drop to LIBOR plus 1.75% or the Prime Rate minus 0.25%.[96]

94. It was agreed that "Donald J. Trump will provide a full and unconditional guarantee of (i) principal and interest due under the facility, (ii) swap breakage costs, (iii) operating shortfalls of the Property until the end of the Shortfall Coverage Period and (iv) a completion guaranty."[97]

95. The covenants agreed upon by Mr. Trump to execute the loan included a minimum $2.5 billion net worth, $50 million in unencumbered liquidity, and no additional indebtedness of $500 million.[98]

96. DB decided to recommend the approval of the PWM OPO facility based on factors including the:[99]

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[94] DB-NYAG-010292
[95] DB-NYAG-010292
[96] DB-NYAG-010292
[97] DB-NYAG-010292
[98] DB-NYAG-001739
[99] DB-NYAG-001739

- *Financial Strength of the Guarantor* – The financial profile of the Guarantor includes, on and adjusted basis, a net worth of $2.6 billion with $154.5 million in unencumbered liquidity.
- *DB Relationship* – [Mr. Trump] continues to develop his relationship with DB as Facility C will be the fourth credit facility we have originated with him or his family (3 with DJT, 1 with DJT Jr.). [Mr. Trump] has transferred $40 million in liquidity to DB and has indicated he is interested in continued to grow his non-credit relationship with the firm. The AWM Banking tram has been introduced to each of [Mr. Trump]'s three adult children and two have established relationships with the firm. In addition, the CB&S Real Estate Team has had a successful history with the family.

97. The financials submitted to DB along with the "haircut" taken from DB is presented below:

Figure 3[100]

Financial Summary ($ in millions)	DJT 6/30/2011 (Client Reported)	DJT 6/30/2011 (DB Adjusted)	DJT 6/30/2012 (Client Reported)	DJT 6/30/2012 (DB Adjusted)	DJT 6/30/2013 (Client Reported)	DJT 6/30/2013 (DB Adjusted)
Cash & Marketable Securities	$ 258.9	$ 135.8	$ 169.7	$ 146.3	$ 339.1	$ 154.5
Escrow & Reserve Deposits	$ 9.1	$ -	$ 10.8	$ -	$ 15.2	$ -
Real Estate – Net Equity	$ 2,996.9	$ 1,737.9	$ 3,184.2	$ 1,707.5	$ 3,268.7	$ 1,834.0
Partnerships & Joint Ventures	$ 720.0	$ 360.0	$ 823.3	$ 411.7	$ 869.3	$ 434.7
Real Estate Licensing	$ 89.3	$ 44.6	$ 65.2	$ 32.6	$ 174.7	$ 87.3
Other Assets	$ 199.2	$ 99.6	$ 318.5	$ 159.3	$ 352.0	$ 176.0
Total Assets	**$ 4,273.4**	**$ 2,377.9**	**$ 4,563.9**	**$ 2,448.8**	**$ 5,019.0**	**$ 2,686.2**
Personal mortgage other Debt	$ 8.4	$ 8.4	$ 8.3	$ 8.3	$ 20.5	$ 20.5
Other Liabilities	$ 3.7	$ 3.7	$ 4.4	$ 4.4	$ 20.4	$ 20.4
Net Worth	**$ 4,261.3**	**$ 2,365.8**	**$ 4,559.0**	**$ 2,436.1**	**$ 4,978.0**	**$ 2,645.2**
Contingent Obligations	$ 114.0	$ 114.0	$ 195.7	$ 277.7	$ 197.2	$ 420.5
Net Cash Flow	$ 82.4	$ 48.8	$ (89.2)	$ 13.4	$ 169.7	$ (25.2)
Key Ratios – Unsecured Lending Guidelines						
Leverage Ratio (<=.30)	0.13	0.24	0.14	0.13	0.01	0.16
Cash Flow Ratio (>= .35)	0.57	0.31	(0.67)	0.05	0.45	(0.05)
Liquidity Ratio (>= .25)	2.04	1.06	1.32	0.47	0.90	0.41
Asset Coverage Ratio (>= 6.0)	31.70	17.84	33.32	8.43	13.27	7.10

98. I determined the interest rate differential on the OPO loan by subtracting estimated market interest rates of 8%, estimated as equal to the rate and fees offered by DB's CRE Group, from the contractual rates for the loan.[101] I then applied the corresponding differential to the outstanding balances on an annual basis[102] to calculate a gross interest differential in dollar terms.

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[100] DB-NYAG-001739
[101] TTO_01786881, TTO_02183741, TTO_011614, TTO_04147137, TTO_013486, TTO_012842, TTO_012501, TTO_020348, TTO_02176920, TTO_06166279
[102] DB-NYAG-001691, DB-NYAG-068520, DB-NYAG-001635, DB-NYAG-001739, DB-NYAG-105524, DB-NYAG-002691, DB-NYAG-212279, DB-NYAG-003046, DB-NYAG-236228, DB-NYAG-406675, DB-NYAG-669047

I calculate the gain of Mr. Trump and the Trump Organization on the OPO loan, at the expense of DB, to be approximately $17.9 million. See Appendix C, Exhibit 2 for further detail.

D. 40 Wall St

99. Located in the Financial District of Manhattan, 40 Wall Street is comprised of 1.3 million square feet of office space spanning 72 stories.[103]

100. In approximately November 2015, the Trump Organization refinanced an existing $160 million mortgage from Capital One Bank for the office building located at 40 Wall Street, New York, NY.[104] The original loan from Capital one had an interest rate of 5.7% and required a principal payment of $5 million in November 2015.[105] After Capital One declined to waive the principal payment, the Trump Organization began to work with Ladder Capital to refinance the $160 million mortgage.[106]

101. According to internal Ladder Capital documents, some of the strengths of the deal was the fact that Mr. Trump had "a net worth of nearly $5.8 billion and liquidity in excess of $300 million."[107] Additionally, the loan required that Mr. Trump must maintain a net worth of $160 million and liquid assets of at least $15 million.[108]

102. I determined the interest rate differential on the 40 Wall loan by subtracting estimated market interest rates, estimated as carrying forward the predecessor Capital One loan terms of an interest equal to 5.7%[109], from the contractual rates for the loan.[110] I then applied the

[103] https://www.trump.com/commercial-real-estate-portfolio/40-wall-street
[104] Verified Complaint, para. 647
[105] Verified Complaint, para. 648
[106] Verified Complaint, para. 649
[107] LC00218417
[108] LC00003063
[109] CAPITALONE-06.26.2020-00000373
[110] TTO_01786881, TTO_02183741, TTO_011614, TTO_04147137, TTO_013486, TTO_012842, TTO_012501, TTO_020348, TTO_02176920, TTO_06166279

corresponding differential to the outstanding balances on an annual basis[111] to calculate a gross interest differential in dollar terms. I calculate the gain of Mr. Trump and the Trump Organization for 40 Wall, at the expense of the lenders, to be approximately $20.5 million. See Appendix C, Exhibit 2 for further detail.

E. Seven Springs

103. In 2011, Mr. Trump requested a 3-year extension on an approximately $8 million first lien insured mortgage on Seven Spring Estates from RBA. The line of credit was originally issued in June 2000 and was "underwritten based on the guaranty of Mr. Trump and the value of the collateral property."[112] While RBA, as part of their Loan Request Summary, notes that the value of the land is $30,000,000 resulting in a total loan-to-value of 25.64% of the appraisal amount, RBA lists as one of the risk factors that "[t]he Borrower provides minimal cash flow support and repayment relies on the Guarantor." [113]

104. The significance of the personal guaranty, which relied on Mr. Trump's Statements, is demonstrated in a 2019 exchange between Bryn Mawr and Jeff McConney, a representative of the Trump Organization, where Bryn Mawr provides quoted rates and terms with and without Mr. Trump's personal guaranty.

105. In the e-mail exchange, Christopher Drimak, a Vice President of Commercial Lending at Bryn Mawr, advises Mr. McConney that "I think we should first talk about DJT's personal guaranty on the loan. It is my assumption that this could be an issue. His Global cash flow is what supports the Loan as the property doesn't support a debt service coverage by itself."[114]

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111 DB-NYAG-001691, DB-NYAG-068520, DB-NYAG-001635, DB-NYAG-001739, DB-NYAG-105524, DB-NYAG-002691, DB-NYAG-212279, DB-NYAG-003046, DB-NYAG-236228, DB-NYAG-406675, DB-NYAG-669047
112 BMawr-00000095
113 BMawr-00000095
114 BMawr-00001090

106. In a follow up e-mail, Mr. Drimak states that, without the personal guaranty, Bryn Mawr can offer a "fixed 5-year interest rate in the 4.75% to 5% range" and the bank "would need to have one year of P & I payments held in escrow."[115] Mr. Drimak further explains in a subsequent e-mail that without the guaranty "[t]he reason that we would want to always have one year of P & I payments escrowed would be to avoid being criticized by the FDIC & PA Banking regulators due to lack of Seven Springs, LLC's lack of income. The personal guaranty helped us avoid that in the past."[116]

107. The 4.75% to 5% interest rate quoted to Mr. Trump without the guarantee was followed by an offer of a fixed 4.5% for a five-year period on a then outstanding balance of $6,213,231.74.[117] While Mr. Trump's Statements and personal guaranty played a relatively smaller role as compared to the DB Transactions, it is still the case that the Mr. Trump's guaranty, which was supported by the Statements, provided a financial benefit to Mr. Trump at the expense of the lending bank. In this case, I estimate the benefit to be approximately .375% (the mid-point between the offered 4.75% to 5% vs the ultimate 4.5% rate) on the outstanding balance of the loan from the period it was outstanding.

108. I additionally consider the financial benefit accrued to Mr. Trump through the guarantee that he was not required to keep one year of P & I payments escrowed. The benefit to Mr. Trump on the escrow amounts can be estimated as the difference between the cost of funds of the loan, which can be estimated as the rate on the Seven Springs loan, 4.5%, less what Mr. Trump may have accrued at a near zero percentage assuming Bryn Mawr deposited those escrow funds into an interest-bearing account.

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[115] BMawr-00001090
[116] BMawr-00001090
[117] BMawr-00000031

109. As described above, I determined the interest rate differential on the Seven Springs loans was not material to the calculation of the differential interest as the other properties' size was definitive of the total.

VI. CONCLUSIONS

110. I have in the body of this report rendered my expert opinions related to the economic impact of false and misleading Statements of Financial Condition that were used by Mr. Trump over the 2011-2021 timeframe in securing loans made by DB, Ladder Capital and RBA.

111. It is my opinion based on my experience that if during the loan evaluation process by DB of the first PWM loan for Doral, the Statements had been found to be purposely false and misleading, the Doral loan and those that followed would never have been approved. One of the foundations of bank lending is the character of the borrower and/or guarantor and presenting false and misleading financial statements goes to the central issue of character ethics and trust. In addition, if a borrower or guarantor presents a financial statement that is rife with errors and misstatements, even if not purposeful, a lender is likely to reach the same result—to conclude that the risk either of purposeful misstatement by, or unreliability of, a counterparty is serious enough to decline the transaction.

112. Applying the restated asset values per the Valuation Experts, and the resulting implied Adjusted Net Worth figures (in place of the inflated figures found in Mr. Trump's Statements of Financial Condition) for the 2011 through 2017 years negatively impacts many of the Key Ratios calculated by DB during its underwriting process over that same time period. The extent of this impact is that 61% of the Key Ratios as calculated for the DB Loans over this time period fail the standards as established by DB. The impact of this large-scale Key Ratio non-compliance combined with the much lower (if accurately stated) net worth would I believe create

a very difficult approval process at DB PWM. It is my opinion that the very low interest rate PWM loans would have been unlikely to be approved given these alternative facts.

113. It is my opinion that Mr. Trump obtained an improper benefit by paying less interest than was warranted given the Credit Risk profile of the loans. In turn, the banks suffered a loss by charging less interest than was warranted by the Credit Risk profile of the loans. To calculate the improper gain obtained by Mr. Trump and the loss to the banks, I looked at the proposed prices and fees offered by DB CRE in the case of Doral, Trump Chicago and OPO and at contemporaneous indications of market pricing to both confirm DB CRE's pricing and to evaluate the improper gain on the 40 Wall and Seven Springs loans. The differentials are appropriate because they serve as contemporaneous evidence of the actual benefit Mr. Trump received and the banks suffered.

114. One can take the specific interest rate differential for each loan and run the years they were outstanding. The result is the grand total of lost interest Mr. Trump and the Trump Organization should have paid the banks and lenders for taking the Credit Risk they actually incurred. This grand total, based on contemporaneous documentation, represents an approximation of the market benefit Mr. Trump and the Trump Organization obtained by means of the use of the Statements. In sum it is over $187 million.

115. I do not find fault with the DB PWM approval process, but numbers matter and their accuracy and the completeness of the Statements are assumed in the loan approval process. The resulting mispricing of Credit Risks related to the DB loans to the Trump Organization was not caused by DB's process.

116. In closing I refer to the Fed's view of Credit Risk evaluation for bank loans: (a) financial statement analysis is central to appraising the likely adequacy of future cash flow and

thus the ability of the party to service its debt, (b) when statement quality is poor or uncertain, financial analysis may produce a distorted view of the borrower's condition, adding substantially to risk, (c) moreover, certain specialty loans—such as cash-collateralized loans, guaranteed loans, those eligible for government guarantees, and asset-based loans—can receive relatively low risk grades based on the quality of the collateral and/or the guarantee, and (d) adequate collateral and/or guarantees can in many cases improve the rating, particularly if that collateral is in the form of cash or easily marketed assets such as U.S. Treasury securities. Guarantees can generally enhance the rating as well, but not beyond the rating that would be assigned to the guarantor if it were the borrower.

VII. RESERVATIONS OF RIGHTS

117. The foregoing represents my professional opinions as of this date based on my 40 plus years of investment banking, capital markets and private equity experience, my specific knowledge of the disclosure in this case, the companies involved and the principals thereof and the analysis described in this report. I incorporate by reference the appendices attached hereto. I reserve the right to update my analysis based on any new relevant data that becomes available, specifically following the completion of the discovery phase of this case (including the completion of depositions and document productions) and the receipt of related other expert witnesses reports and rebuttals, and to consider any facts or opinions raised by parties in this case. I specifically reserve the right to update my analysis and calculation of the improper benefit obtained by Mr. Trump and the Trump Organization following my review of the evidence established at trial.

May 26, 2023
Greenwich CT

Michiel C. McCarty
Chairman and CEO
M.M. Dillon & Co., LLC

APPENDIX A

Michiel C McCarty Curriculum Vitae

Employment

M.M. Dillon & Co. **2009 – Present**
- Chairman & CEO

CRT Capital Group LLC **2003 – 2008**
- Managing Director
- Head of Investment Banking

Gleacher & Co., LLC **1996 – 2003**
- Managing Director
- NatWest Integration

SQ Warburg & Co. **1991 – 1995**
- Managing Director
- Head of North and South America Investment Banking
- Management Committee

Dillon Read & Co., Inc. **1979 – 1991**
- Managing Director
- Financing Head

Citicorp NA – Merchant Banking Group **1975 – 1979**
- Vice President

Relevant Transactions

High Yield Debt (50+)
- Consolidated Hydro
- Barnes & Noble Booksellers
- Level 3 Communications

Mergers & Acquisitions (150+)
- AT&T / SWB
- Lafarge / Blue Circle
- Fleet / Quick & Reilly

Debt Exchange Offers (20+)
- Primus Communications
- Barnes & Noble Booksellers
- Frontline

Equity & Equity Linked (100+)
- Xoma
- Regeneron
- Reva

Spin Offs & Outs (24+)
- ICI-Zeneca

Other Experience

University Lecturer
- Dartmouth Tuck School
- University of Chicago Booth School of Business
- University of Pennsylvania Wharton School
- Vanderbilt University Owen School
- Vanderbilt University School of Law

Major Expert Witness Cases (15+)
- Oxbow Crestview (in re Oxbow Carbon Unitholders)
- EFIH TXU (in re Energy Future Holdings)
- Duke / Crescent (in re Duke Energy)
- Verizon / IDEARC (in re Version Communications)
- Burrup (in re Oswal v ANZ, Yara, and Apache)

Mergers & Acquisitions (150+)
- Sell Side Advisor
- Buy Side Advisor
- Hostile Tender Advisor

Restructurings (30+)
- Debtor Advisory
- Creditor Advisory
- Principal Investing

Investment Banking Management

Private Equity Fund Advisor (10+)

Board of Directors Advisory (150+)

Education

The Wharton School of Finance and Commerce, University of Pennsylvania
Master of Business Administration in Finance, 1975

Vanderbilt University
Bachelor of Arts in Physics with Honors, 1973

Expert Testimony Within the Last Four Years

Series A-2 Holders of Doubling Road Holdings, LLC, v. Curaleaf, Inc.
JAMS Arbitration No. 142508497
Deposition and Arbitration Testimony
April 2022

P3 Health Group Holdings, LLC, v. Hudson Vegas Investment SPV, LLC
C.A. No. 2021-0518-JTL
Deposition Testimony
August 2021

APPENDIX B

Expert Report of Michiel C McCarty
APPENDIX B – Documents Relied Upon

Listing of Documents Relied Upon by Michiel C McCarty

DEPOSITIONS
Deposition of Emily Pereless, March 15, 2023
Deposition of David Williams, March 9, 2023
Examination Under Oath of Jeffrey McConney Part 1, March 4, 2020
Examination Under Oath of Jeffrey McConney Part 2, March 5, 2020
Examination Under Oath of Jeffrey McConney Part 3, June 15, 2020
Examination Under Oath of Nicholas Haigh Part 1, October 23, 2019
Examination Under Oath of Nicholas Haigh Part 2, October 25, 2019
Deposition of Nicholas Haigh, May 9, 2023

PLEADINGS AND COURT FILINGS
People of the State of New York v. Donald J. Trump, et al., Index No. 45264/2022, September 21, 2022, NYSCEF Doc. No. 1 (Complaint and Exhibits)
Expert Report of Constantine Korologos, dated May 26, 2023
Expert Report of Laurence A. Hirsh, dated May 26, 2023
Expert Report of Eric E. Lewis, dated May 26, 2023

PUBLIC DOCUMENTS
"Bank Prime Loan Rate Changes: Historical Dates of Changes and Rates," FRED Economic Data, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/PRIME, last accessed Mat 23, 2023.
Carey, Mark S. and William F. Treacy, "Credit Risk Rating at Large U.S. Banks," *Federal Reserve Bulletin*, November 1998.
"Credit Risk: Definition, Role of Ratings, and Examples," Investopedia, https://www.investopedia.com/terms/c/creditrisk.asp, last accessed May 23, 2023.
ClubCorp Club Operations, Inc. From S-4 dated March 28, 2011.
ClubCorp Holdings, Inc., Form S-1 dated July 12, 2013.
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Diette, Matthew, "How do lenders set interest rates on loans? A discussion of the concepts lenders use to determine interest rates.," Federal Reserve Bank of Minneapolis, November 1, 2000, https://www.minneapolisfed.org/ article/2000/how-do-lenders-set-interest-rates-on-loans, last accessed May 23, 2023.
"Fallen Angel," Corporate Finance Institute, https://corporatefinanceinstitute.com/resources/ fixed-income/fallen-angel/, last accessed May 23, 2023.
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Roston, Aram and Daniel Wagner, "Donald Trump Won Control Of A Prized D.C. Landmark — Here's How," Buzzfeed News, April 28, 2016, https://www.buzzfeednews.com/article/ aramroston/how-donald-trump-won-control-of-a-prized-dc-landmark, last accessed May 23, 2023.
"Trump Buys Miami's Doral Golf Resort for $150 Million", https://www.reuters.com/article/us-usa-florida-trump/trump-buys-miamis-doral-golf-resort-for-150-million-idUSTRE81R1C620120228
"What is the prime rate, and how does the Federal Reserve ser the prime rate?," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/faqs/credit_ 12846.htm, last accessed May 23, 2023.
"40 Wall Street," The Trump Organization, https://www.trump.com/commercial-real-estate-portfolio/40-wall-street, last accessed May 23, 2023.
United States Bankruptcy Court Southern District of New York, MSR Resort Golf Course LLC, et al., Case No. 11-10372 (SHL), October 18, 2011, Doc. No. 732

DISCOVERY DOCUMENTS	
BMawr-00000031	DB-NYAG-215892
BMawr-00000095	DB-NYAG-236228
BMawr-00001090	DB-NYAG-248570
DB-NYAG-001635	DB-NYAG-285911
DB-NYAG-001691	DB-NYAG-398396
DB-NYAG-001739	DB-NYAG-405130
DB-NYAG-001879	DB-NYAG-405132
DB-NYAG-002318	DB-NYAG-405134
DB-NYAG-002522	DB-NYAG-405169
DB-NYAG-002608	DB-NYAG-405171
DB-NYAG-002691	DB-NYAG-405173
DB-NYAG-003046	DB-NYAG-406675
DB-NYAG-003178	DB-NYAG-479000
DB-NYAG-003219	DB-NYAG-479017

Expert Report of Michiel C McCarty
APPENDIX B – Documents Relied Upon

DB-NYAG-003274	DB-NYAG-479054
DB-NYAG-003614	DB-NYAG-482510
DB-NYAG-003972	DB-NYAG-482534
DB-NYAG-004169	DB-NYAG-669047
DB-NYAG-004942	LC00218417
DB-NYAG-005244	LC00002084
DB-NYAG-005853	MAZARS-NYAG-00000034
DB-NYAG-005956	MAZARS-NYAG-00000688
DB-NYAG-010292	MAZARS-NYAG-00000714
DB-NYAG-012109	MAZARS-NYAG-00001840
DB-NYAG-015495	MAZARS-NYAG-00001981
DB-NYAG-024831	MAZARS-NYAG-00002723
DB-NYAG-038869	MAZARS-NYAG-00003131
DB-NYAG-041157	MAZARS-NYAG-00006308
DB-NYAG-048140	MAZARS-NYAG-00161788
DB-NYAG-058410	MAZARS-NYAG-00162245
DB-NYAG-058422	TTO_010963
DB-NYAG-059755	TTO_011614
DB-NYAG-059788	TTO_012501
DB-NYAG-059824	TTO_012842
DB-NYAG-060415	TTO_013486
DB-NYAG-060417	TTO_01786881
DB-NYAG-060923	TTO_020348
DB-NYAG-068520	TTO_02080431
DB-NYAG-095845	TTO_02176920
DB-NYAG-095867	TTO_02183741
DB-NYAG-105524	TTO_02953105
DB-NYAG-109978	TTO_03243252
DB-NYAG-110588	TTO_04147137
DB-NYAG-110742	TTO_043492
DB-NYAG-118344	TTO_06166279
DB-NYAG-122340	TTO_06167130
DB-NYAG-132043	CAPITALONE-06.26.2020-00000373
DB-NYAG-212279	

APPENDIX C

Expert Report of Michiel McCarty

Exhibit 1 - Ratio Analysis Adjusted for Valuation Expert Numbers Using Haircut Inputs **Appendix C**

Financial Summary ($ in millions)	**DJT 6/30/2011 (DB Adjusted)**	**DJT 6/30/2012 (DB Adjusted)**	**DJT 6/30/2013 (DB Adjusted)**	**DJT 6/30/2014 (DB Adjusted)**	**DJT 6/30/2015 (DB Adjusted)**	**DJT 6/30/2016 (DB Adjusted)**	**DJT 6/30/2017 (DB Adjusted)**
Cash & Marketable Securities	$ 135.8	$ 146.3	$ 154.5	$ 285.3	$ 175.3	$ 114.4	$ 76.0
Escrow & Reserve Deposits	$ -	$ -	$ -	$ -	$ -	$ -	$ 24.6
Real Estate -- Net Equity	$ 1,737.9	$ 1,707.5	$ 1,834.0	$ 1,933.5	$ 2,195.0	$ 2,196.0	$ 2,128.0
Partnerships & Joint Ventures	$ 360.0	$ 411.7	$ 434.7	$ 408.5	$ 473.0	$ 490.0	$ 598.0
Real Estate Licensing	$ 44.6	$ 32.6	$ 87.3	$ 164.9	$ 169.5	$ 113.5	$ 123.0
Other Assets	$ 99.6	$ 159.3	$ 176.0	$ 209.1	$ 339.7	$ 323.5	$ 270.6
Total Assets	**$ 2,377.9**	**$ 2,448.8**	**$ 2,686.2**	**$ 3,001.2**	**$ 3,352.4**	**$ 2,941.9**	**$ 3,220.2**
Personal mortgage other Debt	$ 8.4	$ 8.3	$ 20.5	$ 20.4	$ 0.4	$ 26.9	$ 11.0
Other Liabilities	$ 3.7	$ 4.4	$ 20.4	$ 17.0	$ 472.4	$ 559.0	$ 783.3
Net Worth	**$ 2,365.8**	**$ 2,436.1**	**$ 2,645.2**	**$ 2,650.9**	**$ 2,879.6**	**$ 2,328.0**	**$ 2,425.9**
Contingent Obligations	$ 114.00	$ 277.7	$ 420.5	$ 276.0	*Included in other liabilities above*	*Included in other liabilities above*	*Included in other liabilities above*
Net Cash Flow	$ 48.80	$ 13.4	$ (25.2)	$ (36.7)	$ (105.6)	$ (47.1)	$ (38.5)
Key Ratios - Unsecured Lending Guidelines							
Leverage Ratio (<=.30)	0.24	0.13	0.16	0.15	0.13	0.25	0.33
Cash Flow Ratio (>= .35)	0.31	0.05	(0.05)	(0.10)	(0.10)	(0.14)	(0.02)
Liquidity Ratio (>= .25)	1.06	0.47	0.41	0.81	0.50	0.34	0.22
Asset Coverage Ratio (>= 6.0)	17.84	38.43	7.10	8.68	9.49	8.65	7.16
Adjustment Factor for New Valuation	**0.46**	**0.45**	**0.50**	**0.49**	**0.60**	**0.49**	**0.54**
Recalculated Key Ratios							
New Leverage Ratio	0.53	0.29	0.32	0.30	0.22	0.51	0.61
New Cash Flow Ratio	0.31	0.05	(0.05)	(0.10)	(0.10)	(0.14)	(0.02)
New Liquidity Ratio	1.06	0.47	0.41	0.81	0.50	0.34	0.22
New Asset Coverage Ratio	8.14	17.49	3.54	4.28	5.69	4.23	3.89

Note: Red cells are fails of DB GuideLines Old

Sources:
DB-NYAG-001691, DB-NYAG-068520, DB-NYAG-001739, DB-NYAG-105524, DB-NYAG-212279, DB-NYAG-003046

Expert Report of Michiel McCarty
Exhibit 2 - DB Lost Interest Calculation **Appendix C**

Doral	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Grand Total**
Actual Int %	2.72%	2.44%	1.90%	1.94%	2.20%	2.87%	3.80%	4.16%	1.93%	1.83%	1.80%	
CRE Int %	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	
Term			08/11/23	08/11/23	08/11/23	08/11/23	08/11/23	08/11/23	08/11/23	08/11/23	08/11/23	
Loan Amt Adj	$ 125,000,000	$ 125,000,000	$ 125,000,000	$ 125,000,000	$ 125,000,000	$ 125,000,000	$ 125,000,000	$ 125,000,000	$ 125,000,000	$ 125,000,000	$ 125,000,000	
Interest Delta	**$ (5,036,995)**	**$ (9,446,400)**	**$ (10,120,625)**	**$ (10,080,750)**	**$ (9,755,875)**	**$ (8,916,113)**	**$ (7,754,525)**	**$ (7,297,963)**	**$ (10,081,500)**	**$ (10,210,313)**	**$ (10,244,375)**	**$ (98,945,432)**
OPO												
Actual Int %				2.19%	2.20%	2.87%	3.80%	4.16%	1.93%	1.83%	1.80%	
CRE Int %	.			8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%		
Term				08/11/24	08/11/24	08/11/24	08/11/24	08/11/24	08/11/24	08/11/24		
Loan Amt Adj				$ 6,000,000	$ 112,922,728	$ 170,000,000	$ 170,000,000	$ 157,924,521	$ 170,000,000	$ 170,000,000		
Interest Delta				**$ (348,876)**	**$ (6,554,826)**	**$ (8,725,913)**	**$ (7,146,154)**	**$ (6,061,727)**	**$ (10,310,840)**	**$ (10,486,025)**		**$ (49,634,361)**
Chicago												
Actual Int %			2.15%	2.19%	2.45%	3.12%	4.05%	4.41%	2.18%	2.08%	2.05%	
CRE Int %			7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	
Term			06/01/24	06/01/24	06/01/24	06/01/24	06/01/24	06/01/24	06/01/24	06/01/24	06/01/24	
Loan Amt Adj			$ 19,000,000	$ 45,000,000	$ 45,000,000	$ 45,000,000	$ 45,000,000	$ 45,000,000	$ 45,000,000	$ 45,000,000	$ 45,000,000	
Interest Delta			**$ (1,015,835)**	**$ (2,391,570)**	**$ (2,274,615)**	**$ (1,972,301)**	**$ (1,554,129)**	**$ (1,389,767)**	**$ (2,391,840)**	**$ (2,438,213)**	**$ (2,450,475)**	**$ (17,878,744)**
40 Wall												
Actual Int %					3.67%	3.67%	3.67%	3.67%	3.67%	3.67%	3.67%	
Cap 1%					5.70%	5.70%	5.70%	5.70%	5.70%	5.70%	5.70%	
Term					07/06/25	07/06/25	07/06/25	07/06/25	07/06/25	07/06/25	07/06/25	
Loan Amt Adj					$ 156,451,072	$ 152,413,916	$ 148,224,162	$ 143,876,042	$ 139,378,051	$ 134,595,568	$ 134,595,568	
Interest Delta					**$ (3,183,779)**	**$ (3,101,623)**	**$ (3,016,362)**	**$ (2,927,877)**	**$ (2,836,343)**	**$ (2,739,020)**	**$ (2,739,020)**	**$ (20,544,025)**
											Grand Total of Lost Interest to DB	**$ (187,002,561)**

Sources:
TTO_01786881, TTO_02183741, TTO_011614, TTO_04147137, TTO_013486, TTO_012842, TTO_012501, TTO_020348, TTO_02176920, TTO_06166279, DB-NYAG-001691, DB-NYAG-068520, DB-NYAG-001635, DB-NYAG-001739, DB-NYAG-105524, DB-NYAG-002691, DB-NYAG-212279, DB-NYAG-003046, DB-NYAG-236228, DB-NYAG-406675, DB-NYAG-669047