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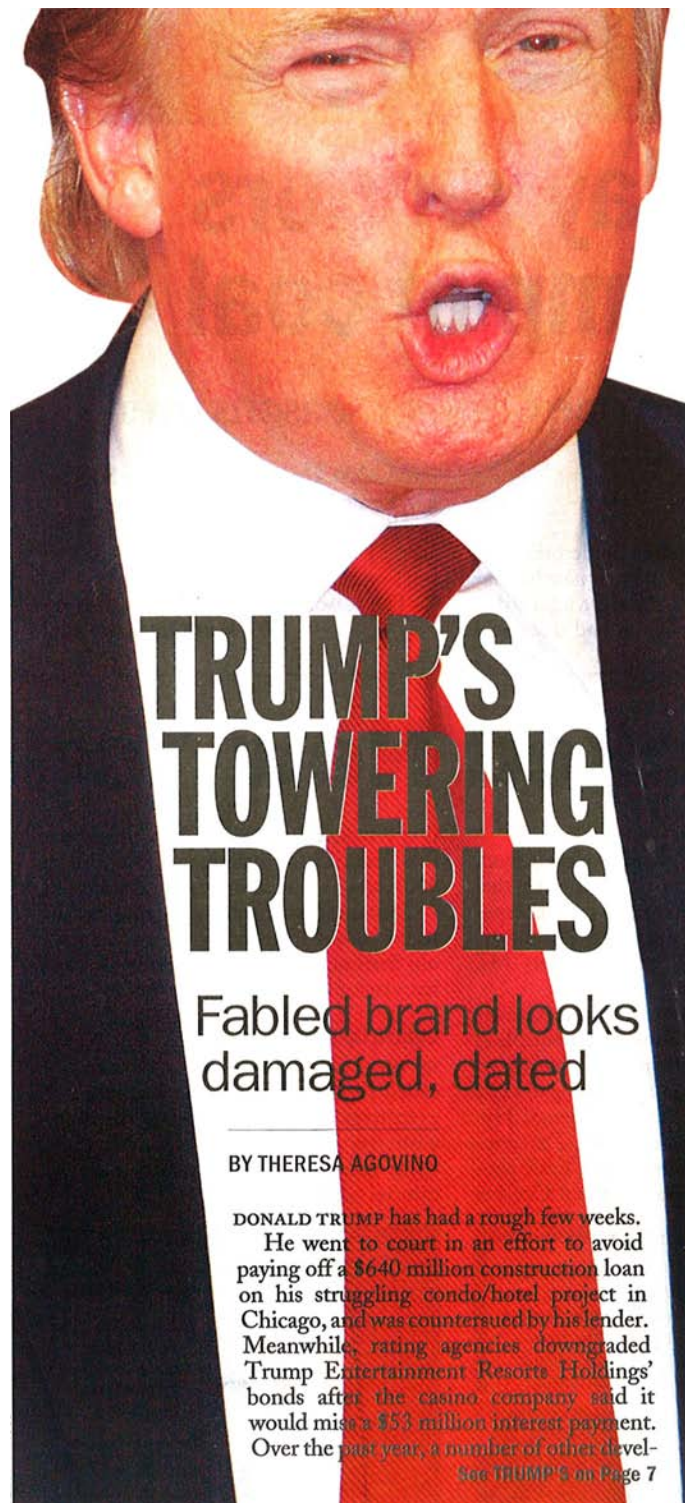
Today's
game of
liar's poker

—Greg David on a
famous book and its
relevance today
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TRUMP'S TOWERING TROUBLES

Fabled brand looks
damaged, dated

BY THERESA AGOVINO

DONALD TRUMP has had a rough few weeks.

He went to court in an effort to avoid paying off a \$640 million construction loan on his struggling condo/hotel project in Chicago, and was countersued by his lender. Meanwhile, rating agencies downgraded Trump Entertainment Resorts Holdings' bonds after the casino company said it would miss a \$53 million interest payment. Over the past year, a number of other devel-

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Trump's towering brand troubles

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opments bearing the Trump name have been halted, named in lawsuits, or both.

Mr. Trump insists that this string of events isn't a replay of his travails in the early 1990s, when the collapse of the real estate market nearly drove him into bankruptcy. He has learned his lessons, he says, and is much more financially conservative. Many of his deals are licensing arrangements, under which he is paid simply for the use of his name.

"I have a lot of cash," says Mr. Trump. "I am not in trouble."

Financially, maybe not. But the Trump brand—a major source of his earnings—has seen better days. His woes may tarnish his all-important image as a business genius. In addition, his brand is looking decidedly dated, standing as it does for over-the-top luxury at a time when the recession is driving conspicuous consumption out of style.

"Donald Trump is kind of like Hugh Hefner," says Brenda Smith, managing partner at Brenda Smith + Associates, a branding agency. "He has this anachronistic feel."

The shift in Mr. Trump's stature comes after more than two decades in which his brand had been golden. The developer has reaped revenues from Trump-branded condominium towers and casinos, from ties, shirts and cuff links, and even from vodka.

His aura led Tampa builder SimDag/RoBEL to fork over a \$2 million licensing fee and 50% of its proposed luxury condo's net sales profits for the right to use the Trump name, according to a lawsuit.

However, given the crumbling Florida real estate market, the project was never built, and Mr. Trump sued SimDag/RoBEL to force it to hand over unpaid fees. Adding to the mess, the buyer of one of the units in the planned Tampa project sued Mr. Trump, alleging that buyers were led to believe that Mr. Trump was part of the management team rather than involved only through a licensing deal.

Disillusioned buyer

MEANWHILE, Michael Mikelic says he is considering suing Mr. Trump to get back a deposit he made on a stalled condo project in Mexico that bears the famous name but has yet to be built. Mr. Mikelic, president of real estate company King Penguin Properties, says he has made money buying and reselling condos in other Trump projects. But he now doubts that he would ever buy another, because he has lost confidence in the name.

Mr. Trump says the overall strength of his reputation overrides any negative press generated by soured deals. He adds that the problematic licensing deals don't affect his bottom line because he doesn't commit any of his own cash.

The developer adds that 2008 has brought many triumphs, including the sale of his home in Florida for nearly \$100 million and the purchase of a posh New Jersey country club out of foreclosure at a bargain-basement price.

Those successes may be dwarfed by the problems with his 92-story Chicago project, Trump International Hotel & Tower, which bears his name and uses his money. About 30% of the units are still unsold, sources say. Meanwhile the legal battle with his lenders is just beginning, leaving Mr. Trump's money and his brand on the hook.

The lawsuit he filed in November against his Deutsche Bank-led lenders, cites numerous reasons why he should not be required to repay the loan immediately. These include a breach of fiduciary responsibility on the part of the bank, which then countersued.

All in the same boat

GIVEN THE DIRE STATE of real estate markets everywhere, it isn't surprising that some Trump projects are struggling, developer Dean Geibel says.

"Everyone is having trouble," says Mr. Geibel, who licensed the Trump name for a residential building in Jersey City.

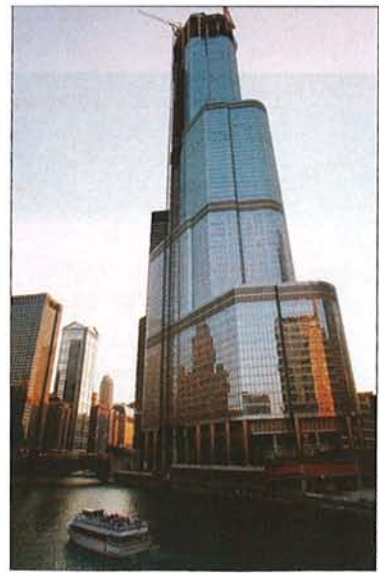
Nonetheless, he estimates that the Trump name added 20% to the prices of his apartments.

In Atlantic City, though, the Trump magic has faded in recent

years along with rest of the gambling industry. Mr. Trump says that he is unhappy that his name is on Trump Entertainment, the floundering casino company—though he quickly adds that he doesn't have anything to do with the firm's management. He also notes that his 26% stake represents just 1% of his net worth.

Nonetheless, Mr. Trump says he is considering either taking his name off the company or stepping in to help manage its plush holdings.

The financial fallout from the casino operation may prove to be small. The big question is whether the Trump brand can withstand the multiple blows at a time when the developer's rococo image is at odds with the current climate. ■



THAT TOPPLIN' TOWN: Some 30% of units in Trump International in Chicago remain unsold.