The New York Times | https://nyti.ms/2opHGlz

POLITICS

After Campaign Exit, Manafort Borrowed From Businesses With Trump Ties

By MIKE McINTIRE APRIL 12, 2017

Aug. 19 was an eventful day for Paul Manafort.

That morning, he stepped down from guiding Donald J. Trump's presidential campaign, after a brief tenure during which Mr. Trump won the Republican nomination, Democrats' emails were hacked and the campaign's contacts with Russia came under scrutiny. Dogged by revelations about past financial dealings in Ukraine, Mr. Manafort retreated from public view.

But behind the scenes, he was busy with other matters. Papers were recorded that same day creating a shell company controlled by Mr. Manafort that soon received $13 million in loans from two businesses with ties to Mr. Trump, including one that partners with a Ukrainian-born billionaire and another led by a Trump economic adviser. They were among $20 million in loans secured by properties belonging to Mr. Manafort and his wife.

The purpose of the loans is unstated in public records, although at least some of them appear to be part of an effort by Mr. Manafort to stave off a personal financial crisis stemming from failed investments with his son-in-law.

The transactions raise a number of questions, including whether Mr. Manafort's decision to turn to Trump-connected lenders was related to his role in the campaign, where he had agreed to serve for free.

They also shine a light on the rich real estate portfolio that Mr. Manafort acquired during and after the years he worked in Ukraine. Mr. Manafort, often using shell companies, invested millions of dollars in various properties, including apartments and condos in New York, homes in Florida and Virginia and luxury houses in Los Angeles.

Mr. Manafort's ties to Ukraine and Russia have come under scrutiny as federal officials investigate Russian meddling in the American presidential election. Investigators are known to have examined aspects of his finances, including bank accounts he had in the secretive tax haven of Cyprus; there is no indication his recent loans are part of the inquiry.

The source of the money for the real estate purchases is not clear, and Mr. Manafort never filed lobbying registrations for his work in Ukraine that would have disclosed his compensation. Such registrations are necessary for activities that involve influencing policy and public opinion in the United States, and some of Mr. Manafort's Ukraine work appeared to fall into that category. Anti-corruption officials in Ukraine say $12.7 million in "off the books" cash payments were earmarked for him in a handwritten ledger kept by the political party of the deposed strongman Viktor F. Yanukovych.

Last month, a Ukrainian lawmaker released documents that appeared to corroborate one of the ledger entries, and on Wednesday The Associated Press reported confirmation of another payment. The two payments in 2007 and 2009, totaling $1.2 million, were routed through shell companies in Belize to a bank account in Virginia belonging to Mr. Manafort's consulting firm.

Mr. Manafort has previously claimed the ledger is a fake. On Wednesday, he issued a statement that did not dispute the ledger entries, but suggested that any payments he received were legal because they were not made in cash.

"Mr. Manafort has always denied that he ever received any cash payments for his work and has consistently maintained that he received all of his payments, for services rendered, through wire transfers conducted through the international banking system," the statement said.

Separately on Wednesday, a spokesman for Mr. Manafort said he had "received formal guidance recently from the authorities" on the need to register, retroactively, for lobbying work in Ukraine, and was "taking appropriate steps in response." Mr. Manafort was advised last week that he should file the belated registration within 30 days to come into compliance with the law, according to a person with direct knowledge of conversations between Mr. Manafort's lawyers and the Justice Department.

One of Mr. Manafort's recent loans, previously unreported, was for $3.5 million in September from the private lending unit of Spruce Capital, a small New York investment firm that has a Ukrainian connection through the billionaire Alexander Rovt. An American citizen who made his fortune in the privatization of the fertilizer industry in post-Soviet Ukraine and has long done business in that part of the world, Mr. Rovt is a financial backer of Spruce, whose co-founder Joshua Crane has been a developer of Trump hotel projects.

Mr. Crane did not respond to requests for comment. Mr. Rovt, who donated $10,000 to Mr. Trump's campaign on Election Day — the campaign refunded most of it because it was over the legal maximum of $2,700 — said he had never met Mr. Manafort and was not involved in the loan to him. "I did not recommend him or put the parties together," Mr. Rovt said in an email provided by his lawyer.

Mr. Manafort declined to answer specific questions about any of his loans, other than to say that they "are personal and all reflect arm's-length transactions at or above market rates." He derided the interest that his finances had generated in the news media and among do-it-yourself researchers, some of whom have even set up a website that dissects his loans.

"There is nothing out of the ordinary about them," Mr. Manafort said, "and I am confident anyone who isn't afflicted with scandal fever will come to the same conclusion."

A Trail of Scandal

Scandal has trailed Mr. Manafort since his earliest work as an international lobbyist and consultant in the 1980s, when he testified before Congress about influence peddling to win federal housing contracts and was linked to $10 million in cash that a confidant of the Philippine dictator Ferdinand Marcos claimed was delivered to Mr. Manafort in a suitcase. In the 1990s, Mr. Manafort's work for clients such as the Angolan rebel leader Jonas Savimbi was cited in a human rights watchdog report, "The Torturers' Lobby," which examined Washington consultants who catered to brutal regimes.

Mr. Manafort went to work for Mr. Yanukovych and his Russian-backed Party of Regions in the mid-2000s, and during that time also entered into business deals with two oligarchs, Oleg Deripaska of Russia and Dmytro Firtash of Ukraine. Both deals, which were ultimately unsuccessful, involved the use of murky offshore companies and were tainted by allegations that cronies of Mr. Yanukovych's schemed to funnel assets out of Ukraine.

The transaction with Mr. Deripaska, a billionaire industrialist close to President Vladimir V. Putin of Russia, involved the attempted purchase of a Ukrainian cable telecommunications business using $18.9 million that Mr. Deripaska invested in a Cayman Islands partnership managed by Mr. Manafort. The cable business was controlled by offshore shell companies that Ukrainian anti-corruption investigators said were used by Mr. Yanukovych's inner circle to loot public assets.

And last summer, the Ukrainian investigators announced the discovery of the handwritten ledger, said to have been kept in the offices of Mr. Yanukovych's political party before he was ousted in 2014, which showed the $12.7 million in payments designated for Mr. Manafort.

The nature of Mr. Manafort's work in Ukraine appeared to concern his family, according to text messages belonging to one of his adult daughters, Andrea, which were hacked last year and posted on a website used by Ukrainian hackers. The thousands of messages span from 2012 to 2016 and include references to millions of dollars Mr. Manafort apparently transferred to his two daughters.

In one text written in 2015, Ms. Manafort, a lawyer, called her father's activities in Ukraine "legally questionable," and in a separate exchange with her sister, Jessica, she worried that cash he gave them was tainted by the violent response to the uprising that ultimately led to the downfall of Mr. Manafort's client, Mr. Yanukovych.

"Don't fool yourself," Ms. Manafort wrote. "That money we have is blood money."

In addition to the money he gave his daughters, Mr. Manafort also began acquiring a number of real estate assets during the years he worked in Ukraine, several of them costing millions of dollars and bought with cash. Among them is an apartment in Trump Tower in Manhattan, bought in 2006 for $3.7 million, and a Brooklyn brownstone bought in 2012 for $3 million.

Being able to cite his Trump Tower address came in handy when he pitched his services to Mr. Trump's campaign early in 2016. By then, Mr. Manafort had been out of American politics for many years, but he expressed a desire to get back in the game and offered to work free, suggesting that he did not need the money.

Soon, however, he was embarking on a borrowing spree, using his many properties as collateral, including a summer home in the Hamptons valued at more than $11 million. The transactions began with the filing of papers that created the shell company, Summerbreeze L.L.C., on Aug. 19 as Mr. Manafort's resignation as campaign chairman was being announced. Shortly thereafter, Summerbreeze obtained the $3.5 million loan from the Spruce Capital unit.

In November, after Mr. Trump won the presidential election, Summerbreeze received a second loan, for $9.5 million, from Federal Savings Bank of Chicago, which focuses on affordable mortgages for military veterans and is headed by Stephen M. Calk, a senior economic adviser to Mr. Trump at the time. The collateral for the loan included Mr. Manafort's Hamptons home and other assets.

In addition to the loans taken out on the Hamptons house, Mr. Manafort has recently obtained mortgages on another property. Those loans, totaling $6.6 million, were obtained in January on a brownstone in Brooklyn and also came from Federal Savings Bank in Chicago.

Soured Investments

Mr. Manafort declined to explain the purpose of his loans. But a review of public records suggests at least some of them are connected to efforts to salvage investments he made with Jessica Manafort's husband, Jeffrey Yohai, whose real estate business filed for bankruptcy in December. Mr. Yohai faces a lawsuit by another co-investor who claims he exploited his connections to Mr. Manafort "to meet numerous public figures and celebrities" and solicit investments from them; Mr. Yohai denies the accusations.

In an affidavit filed in the bankruptcy case, Mr. Manafort said he had decided to "assist with additional funding to protect my existing investments," totaling more than $4 million, in several luxury properties in California owned by limited liability companies controlled by Mr. Yohai.

Why Mr. Manafort opted to go to Spruce Capital and the Chicago bank for the loans is unclear.

For Federal Savings, Mr. Manafort's loans amount to about 5.4 percent of the bank's total assets. Mr. Calk did not respond to messages seeking comment, and a spokeswoman for Federal Savings said it would not discuss its customers' business.

At Spruce Capital, the loan secured by the Hamptons house appeared to be somewhat unusual. Of the 40 transactions listed under "recent activities" on the investment group's lending unit website, it was the only one outside of New York City and the sole loan involving a single-family house. Mr. Crane, the co-founder of Spruce Capital, had previously been involved in two Trump projects, including a Trump International Hotel & Tower in Waikiki.

Mr. Rovt, who has partnered with Mr. Crane's firm on several major real estate investments in New York and is an investor in its lending business, is active in the Ukrainian-American community. Last year, he took part in a small panel discussion on Ukrainian relations at Manor College in Pennsylvania, where he shared the stage with Andrii V. Artemenko, a member of the Ukrainian Parliament.

The New York Times reported in February that Mr. Artemenko worked behind the scenes with Michael D. Cohen, President Trump's personal lawyer, and Felix H. Sater, a former business associate of Mr. Trump's, to relay a proposed Ukrainian-Russian peace plan to the White House. Mr. Rovt, through his lawyer, said that he knew Mr. Artemenko, but that he was "not involved in any peace proposal."

As for his excessive last-minute donation to Mr. Trump in November, it stands out, given that Mr. Rovt had previously donated almost exclusively to Democrats during the election —– including $2,700 to Hillary Clinton in February 2016. Mr. Rovt said the reason was simple: Friends had been encouraging him to support the Trump campaign.

"So," he said, "I finally did."

Follow Mike McIntire on Twitter.

A version of this article appears in print on April 13, 2017, on Page A1 of the New York edition with the headline: After Campaign Exit, Millions From Lenders Tied to Trump.