

POLITICS

F.B.I. Investigating Deals Involving Paul Manafort and Son-in-Law

By MIKE McINTIRE JUNE 23, 2017

Federal investigators are examining financial transactions involving Paul Manafort and his son-in-law, who embarked on a series of real estate deals in recent years fueled by millions of dollars from Mr. Manafort, according to two people familiar with the matter.

The transactions involve the financing of apartments and luxury homes in New York and California using money from Mr. Manafort, as well as from other investors solicited by the son-in-law, Jeffrey Yohai, including the actor Dustin Hoffman and his son. F.B.I. agents have reviewed financial records related to Mr. Yohai, who has been accused in a lawsuit of defrauding investors, the sources said.

It was not clear if the F.B.I.'s interest was part of the broader investigation that has ensnared Mr. Manafort, who was President Trump's campaign chairman until he resigned last August amid reports that he had received millions of dollars in off-the-book payments for his consulting work in Ukraine. Mr. Manafort has been the focus of several inquiries looking into his business activities, failure to file foreign lobbying disclosures and possible collusion between Trump campaign associates and Russia.

Mr. Manafort has emerged as a key figure in the F.B.I.'s Russia investigation, which has focused on interactions between Trump associates and Russians during and after last November's presidential election. In addition to his work for Ukraine's former president, an ally of the Russian leader Vladimir V. Putin, Mr. Manafort's long lobbying and consulting career has included numerous financial dealings with Russian oligarchs. One of his former employees has been investigated in Ukraine on suspicion of having ties to Russian intelligence.

The revelation about investigators' interest in Mr. Yohai's activities comes amid indications that the scrutiny of Mr. Manafort has intensified. Besides the F.B.I. and congressional inquiries, the New York State attorney general's office has opened a preliminary inquiry "focused on certain real estate dealings" involving Mr. Manafort, according to a third person with direct knowledge of the matter.

Last month, The Wall Street Journal reported that federal officials had requested his bank records from Citizens Financial Group, and NBC News said a subpoena had been issued for records related to a \$3.5 million loan obtained last August by a shell company, Summerbreeze L.L.C., linked to Mr. Manafort. The New York Times first reported on the existence of the loan in April.

Mr. Manafort declined to comment. A lawyer for Mr. Yohai did not respond to a request for comment.

The Summerbreeze loan was part of a series of mortgages over the past year, totaling \$20 million, secured by properties belonging to Mr. Manafort or his wife. Some of that money appears to have been used by Mr. Manafort to try to salvage his investments with Mr. Yohai. Court records show that Mr. Manafort and his wife invested at least \$4 million in several California properties, part of a real estate business that one of Mr. Manafort's daughters described as a joint venture between her father and Mr. Yohai.

The partnership was unexpected given Mr. Manafort's early opinion of his son-in-law, as described in text messages belonging to Andrea Manafort, one of Mr. Manafort's two daughters, which were hacked last year and posted on a website used by Ukrainian hackers. In the messages, Ms. Manafort said in 2013 that her father

“wholeheartedly opposes” her sister Jessica’s marriage to Mr. Yohai, whose financial problems had deeply concerned Mr. Manafort.

Yet within two years, Mr. Yohai, who had a degree in journalism and became a real estate professional only in 2011, was forming shell companies to purchase luxury properties in the Hollywood Hills, worth tens of millions of dollars, which Mr. Manafort would put money into. Mr. Manafort was more than a passive investor; Jessica Manafort told her sister last year that Mr. Yohai had “a contract that says dad and him are 50/50 business partners.”

“He flew out to California and helped Jeff completely reorganize and set up his business,” wrote Jessica Manafort, who filed for divorce in March.

While Mr. Yohai borrowed millions from banks and obtained money from investors, he also intimated he had access to large amounts of cash. In January 2016, he offered \$7 million in cash for a mansion whose owner, a Russian businessman, was in debt to several associates from Russia who had liens on the house. Mr. Yohai put \$160,000 down to secure the mansion deal, but by June 2016 had backed out of it and forfeited the deposit.

A month later he appeared on a reality television show, “Million Dollar Listing,” and proposed buying three apartment units in New York City for \$15 million in cash; the real estate agent said on the show that he had “seen proof of funds.” When a friend texted Andrea Manafort, asking if her sister and Mr. Yohai really had access to that kind of money, Ms. Manafort replied, “Of course they don’t.”

“Her hubby is running a Ponzi scheme,” Ms. Manafort wrote. “I’m sure of it.”

That is what Mr. Yohai was accused of in a lawsuit filed in November by an investor in Mr. Yohai’s real estate business. The suit asserted that Mr. Yohai employed a “web of dozens of limited liability companies” to repay early investors with money from new investors to create the illusion of a “quick and large return on their investments.”

The lawsuit — filed by Guy Aroch, a fashion photographer who said he invested \$2.9 million with Mr. Yohai — also accuses Mr. Yohai of taking advantage of his

connection to Mr. Manafort to meet celebrities and public figures. It is unclear how Mr. Hoffman and his son, Jacob, came to invest \$3 million in one of Mr. Yohai's deals that has since gone bankrupt; a photo shows Mr. Yohai and Jacob Hoffman together at a launch party for a website in 2015.

A representative for the Hoffmans did not respond to a request for comment.

Mr. Yohai denied Mr. Aroch's accusations in a court filing, and said the lawsuit invoked Mr. Manafort's name "in an improper effort to attract publicity." Mr. Yohai and Mr. Manafort have the same lawyer.

"This allegation that I participated in fraud and criminal activity is obviously an extremely derogatory accusation that will harm my reputation," he said in the filing.

Many of Mr. Manafort's real estate purchases over the years coincided with his long-running work as a political consultant to the Russia-backed Party of Regions in Ukraine. During his time there, Mr. Manafort used a network of shell companies in the tax havens of Cyprus and Belize to move money around and collect payments from clients, who, in addition to the Ukrainians, included Oleg Deripaska, a Russian oligarch with whom Mr. Manafort partnered in investments.

Back in the United States, Mr. Manafort created still more shell companies to make cash purchases of expensive properties for millions of dollars and other investments. His Los Angeles investments were handled through a limited liability company called Baylor Holding, in which Mr. Manafort and Mr. Yohai were partners, according to court records.

In a deposition related to Mr. Aroch's lawsuit, Mr. Yohai said his California real estate business operated under the name Marin West and was focused on buying and redeveloping luxury homes in exclusive neighborhoods around Hollywood. Although he was the sole owner of Marin West, Mr. Yohai seemed ignorant of important details, saying he was not sure when it was created or where it was incorporated, and was uncertain who wrote the content for its website. He speculated it could have been written by someone he described as "kind of like the accountant for Marin West."

“I think he wrote this bio,” Mr. Yohai said, referring to a description of himself that appeared on the site. “I honestly don’t know.”

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